

PhanThi Thuy An: Hello Mrs. Uyen & audiences. I am An and am honored to join this show.

Tran Ngoc Tu Uyen: Thank you for being our speakers today. As you are all aware, in the past July, there was an unexpected bad news when the new COVID-19 wave suddenly struck our country after almost 100 days without any additional cases, due to complicated reasons and courses of events. Ly, do you think this outbreak will demolish our national economy's hope for a quick recovery?

Nguyen Thi Thao Ly: I have to admit that, our economy has only just started to recover from the first wave; and now will face the potential risk of stagnation if the outbreak continues to spread and last. The pandemic can also delay investment decisions or starting businesses. Like the first time, the epidemic will constantly impact both of Vietnam economy's supply and demand during the last months of 2020.

Tran Ngoc Tu Uyen: An and Ly, Could you share with us in more details about the government's assistance measures?

Nguyen Thi Thao Ly: As for the 16,000 billion VND credit support, firms can receive loans with 0% interest rate from Vietnam Bank for Social Policy to pay salaries to laid-off employees. Government has also agreed to lower the standards of this credit support so firms can be qualified easier and pay employees in a timely manner. The Circular no. 01/2020/TT-NHNN on debt rescheduling, exemption or reduction of interest and fees, retention of debt category to assist borrowers affected by the COVID-19.

However, we can still notice some positive sparks in this dark and unfortunate situation. Based on many assessments and reports, there



are still a lot of industries and businesses which achieved strong revenue growth despite the negative influence of the COVID-19 widespread transmission across numerous areas of the economy.

Hence, the reality shows that some industries are "immune" to the virus, and even able to push their growth. For instance, telecommunication technology, essential commodities retailers, fertilizer, medical supplies, pharmaceutical products, electricity and water supplies, and delivery service, which have the potential of great developments due to rising demands of people staying at homes.

Moreover, majority of firms has acquired experiences in managing crisis, building back-up plans, and been better at remaining calm. Also, customers seem to be settled with the idea "living with COVID-19"; so I suppose this outbreak won't cause too many abrupt difficulties as opposed to the first one.

Besides, considering the pandemic controlling efforts from the government and citizens, we can still have high hopes for a better turn of

events having a high possibility of restraining and controlling the spread within the currently affected areas soon.

Once it is fully controlled, the economy will quickly recover with for-the-safe-business-environment mentality, the stable macro economy, and suitable policies from the government.

Tran Ngoc Tu Uyen: Thanks, Ly for your specific sharings. And in your view, An, what you think about the statement that COVID-19 is actually a test for the health of firms and the economy?

Phan Thi Thuy An: I think this metaphor appropriately describes the economic situation post the COVID-19. Nationally, the recovery results and economic growth by the end of this year will answer the question of how Vietnam has overcome this test. Then people will have reasons to believe in a satisfactory outcome, like we have discussed above

As for firms, the disruptive supply chain, insufficient cash flows, and a lack of working

capital bring about problematic issues. Therefore, cost cutting and financial resources mobilization are the top priorities for business to maintain their production and business operations.

If the COVID-19 deteriorates a firm's health, then efforts of suppressing the virus and financial aid methods from the government can be considered as the vaccine for that firm

For example, the 16,000 billion VND credit support. However, in order to maximize the efficiency to recover, businesses themselves have to have timely approaches to take full advantage of the government's assistance as well as strengthen their resilience against negative impact of the COVID-19.

Last but not least, Resolution No. 84/NQ-CP offers SME: 2% reduction of interest rates on loans disbursed to eligible SMEs from the Small and Medium Enterprise Development Fund. Therefore, now, firms can review their current liability structure to come up with effective plans to mobilize and utilize loans.

Phan Thi Thuy An: In order to help firms with cost cutting efforts and control cash flows, the government has implemented the following policies:

The Resolution No. 116/2020/QH14 takes effective since August 03, 2020 on 30% reduction in 2020 corporate income tax for business has an annual revenue of under 200 billion VND.

The Decree No. 68/2020/ND-CP on providing amendments to Clause 3 Article 8 of the government's decree no. 20/2017/ND-CP: The total interest expenses (after deduction of interest income from bank deposits and lending) incurred in the tax period to be

deductible for Corporate Income Tax ("CIT") purposes is not exceeding 30% of EBITDA (instead of 20%). The term for carrying forward interest expenses is five (05) consecutive years commencing from the year after incurring the non-deductible interest expenses, being retroactive in 2017-2018.

The Decision No. 22/2020/QĐ-TTg takes effective since August 10, 2020: Enterprises, organizations, households and individuals that are directly leased land by the State under decisions or contracts of competent regulatory agencies in the form of annual land rent payment and have shut down business for 15 days or longer due to the COVID-19 will receive 15% reduction in land rents of 2020.

Tran Ngoc Tu Uyen: Tax inspection is one of the major concerns towards business, so what Government's policies support businesses focusing on recovering business activities?

Nguyen Thi Thao Ly: Recently there have been quite a few businesses asking Deloitte Vietnam about tax inspection.

Hereby, Ly will again share with the audience

Adjustment to the Tax audit & inspection plan: The Government has asked the Ministry of Finance to direct Tax department and Customs department to consider not to organize a 2020 pre-audit tax audits for businesses with no signs of violations. Tax department will focus on "high risk" taxpayers and temporarily suspend tax audits for businesses adversely impacted by the COVID-19.

Businesses can take advantage of concentrating time and resources for the immediate key goal of stabilizing and recovering their business activities.

However, during this period, businesses should not have a subjective mindset. Businesses should proactively review the situation of tax and customs compliance in case of unexpected inspection. At the same time, it is also necessary to schedule the funds compensating the payable to the state budget after the deadline of payment extension ends.

Tran Ngoc Tu Uyen: We have just talked about support measures from the Government, so An, can you share more about how businesses themselves should approach to make the most out of these supports?

Phan Thi Thuy An: As we said before, instead of relying on the government support packages, businesses must proactively develop response scenarios:

The Covid-19 shock is an appropriate time for businesses to self-reflect and refresh their production mindset, enhance operational efficiency, and digitalize management tools. The most common and typical can be mentioned is the dramatic shift to E-commerce and digital technologies, replacing the traditional approaches.

Despite the difficulties, many businesses still make efforts to invest in training, upgrade the level of technology, machinery, and equipment, seek opportunities from the domestic market, and from connecting with the global supply chain.

As the rules of evolution, businesses need to be flexible to change and adapt quickly to the new economic environment.

Also, in terms of taxation, in the process of cost optimization strategy planning, we note several issues that have the potential to adversely affect the tax benefits of investors such as



tax incentives, VAT refunds, or the possibility of applying the double taxation avoidance agreements (DTAs):

Regarding the conditions to be entitled with tax incentives, some typical cases that the Covid 19 has negative impacts on tax incentives include the investment capital increase/ fixed assets increase that do not meet the conditions to be considered as business expansion projects that are entitled to CIT incentives in accordance with prevailing CIT regulations; or the first year of generating revenue/taxable income changes resulting in the re-determination of the incentives schedule and subsequently revision of management reports on cash flows related to tax obligations;

VAT refund: some investment projects, which are behind compared to the licensing schedule or have not re-registered the new schedule with authorities, are not eligible for VAT refund;

The opportunity of applying the tax treaty to claim for tax benefit (exemption/reduction) in Vietnam. Recently, expats can not return to their countries led to the extension of their staying to more than 183 days; thereby, might resulting in the risk of constituting a permanent establishment of the foreign contractors in Vietnam. As a consequence, failure to meet the conditions to apply for tax benefits under tax treaty for certain type of incomes.

The above are just some examples that the Company might need to consider with respect of applying tax incentives and benefits in Vietnam

Tran Ngoc Tu Uyen: As a member as well as a consultant of the business community in Vietnam market for nearly 30 years, does Deloitte Vietnam recommend any insights to businesses at this time?

Nguyen Thi Thao Ly: “Fire proves gold, adversity proves men”. The COVID-19 pandemic is an opportunity for businesses to see their resilience and strength. We believe that a truly brave business knows how to recognize and handle problems, “Turning risks into opportunities”, and be agile and assertive during transformation process, with the efficient and relevant business model.

The damages and impacts of the pandemic have triggered and accelerated businesses’ efforts to restructure, improve competitiveness; for example, digital capabilities and develop risk management plans. In addition, to protect market share, many businesses have actively implemented measures to keep jobs, maintain income for employees; hence, reserved knowledge and skills – invaluable assets of businesses. The flexible and effective exploitation of available resources and Government’s policies will be the right move to help businesses conduct their cost-optimal goals, maintain production, and resiliently overcome the effects of the pandemic.



In the long term, the current restructuring efforts of the business community will help improve the resilience and competitiveness of Vietnamese businesses. We will introduce this topic more specifically in the next episode.

Tran Ngoc Tu Uyen: Deloitte Vietnam is always pleased to be the reliable companion consultant firm, together with businesses to overcome this rocky challenging journey.

Thank you, An and Ly for joining our podcast today to share such helpful information for businesses.

You have reached the end of the episode 2 – **Government’s assistance measures and opportunities for businesses from tax perspectives.** Thank you for listening.

Stay tune for our next episode!

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