



IC&PARTNERS VIETNAM

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Business Worldwide

TAX NEWSLETTER

FEBRUARY 2022



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Decree No. 15/2022/ND-CP on Tax exemption and reduction

Decree 15/2022/ND-CP issued on January 28, 2022 details policies on tax exemption and reduction according to Resolution No. 43/2022/QH15. Accordingly, some notable points are as follows:

A. Value-added tax (VAT) reduction (*according to Clause 1, Article 3 of Resolution No. 43/2022/QH15 and Article 1 of Decree No. 15/2022/ND-CP*)

1. Subjects of application

VAT on goods and services currently subject to 10% VAT shall be reduced, **except** the following goods and services:

- Telecommunications, financial activities, banking, securities, insurance, real estate, metals and prefabricated products, mining products (excluding coal mining), coke, refined petroleum, chemical products.

- Goods and services subject to excise tax.

Note: cars, wine, beer, cigars, etc., are not eligible for VAT reduction (these items are not eligible for VAT reduction at all stages, not that they are only not eligible for VAT reduction at the excise tax stage while at the remaining stages, their VAT is reduced)

- Information technology under the law on information technology.

2. Effect and implementation

The regulation on VAT reduction takes effect from February 01, 2022 to December 31, 2022 inclusively.

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3. VAT reduction rate

- Business establishments that pay VAT using the credit-invoice method shall pay 8% VAT on the goods and services as mentioned above.
- Business establishments (including business households and individuals) that pay VAT using the method of percentage on revenue shall be eligible for 20% reduction in the percentage (%) as the basis for calculating VAT when issuing invoices for goods and services eligible for VAT reduction mentioned above.

4. Some notes about VAT reduction

- Business establishments must issue separate invoices for goods and services eligible for VAT reduction. If they fail to issue separate invoices for goods and services eligible for VAT reduction, they are not entitled to VAT reduction.
- In case a business establishment has issued invoices and declared VAT at the tax rate or percentage which is not yet reduced, the seller and the buyer must prepare a record or have a written agreement specifying the errors. Then, the seller will issue a correction invoice and provide it for the buyer.
- If an invoice has been issued at the tax rate of 8%, but the goods and services with different tax rates are not separate, the seller must issue an invoice to correct or replace the issued invoice, separate the invoice with the tax rate of 8%.
- Goods and services which are sold in January 2022 and not invoiced until February 2022 are not eligible for VAT reduction.

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B. Deductible expenses when determining corporate income taxable income (according to Clause 1, Article 3 of Resolution No. 43/2022/QH15 and Article 2 of Decree No. 15/2022/ND-CP)

1. Subject of application

Enterprises and organizations that pay corporate income tax (CIT) in accordance with the Law on CIT may include their donations, sponsors given for Covid-19 epidemic control operations in Vietnam through the recipients in their deductible expenses when calculating taxable corporate income in the tax period of 2022.

2. Dossier to determine donation and sponsorship expenses

- The record of donation or sponsor made using Form No. 02 in Appendix IV enclosed with the Decree
- Or physical or electronic certification of the donation or sponsor which bears the signatures and seals of the representative of the enterprise or organization giving the donation or sponsor and the representative of the recipient
- Lawful invoice or record of the donation or sponsor in cash or in kind.

3. Effect and implementation: Application from the tax period of 2022.

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Social insurance (SI) contribution rates for foreign employees applied from 2022

According to Decree No. 143/2018/ND-CP issued on October 15, 2018, the social insurance (SI) contribution rates for foreigners in 2022 are regulated as follows:

❖ **Subject of application**

Employees who are foreign citizens working in Vietnam are eligible to participate in compulsory SI program according to Clause 1, Article 2 of the Decree when obtaining:

- Work permits, practicing certificates, practicing licenses issued by the competent authority of Vietnam; and
- Indefinite-term employment contracts or employment contracts valid for at least one year with employers in Vietnam.

❖ **Changes in SI contribution rates from January 1, 2022 for foreign employees**

- Foreign employees: 8% of their monthly pay to the retirement and death benefit fund.
- Employers make a SI contribution in proportion to the employee's payroll in the SI payment month as follows:
 - Sickness – maternity insurance benefit fund: 3%
 - Retirement and death insurance benefit fund: 14%
 - Occupational accident and disease benefit fund: 0% from January 1, 2022; 0.5% from July 1, 2022

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Compensation and allowance for occupational accidents and diseases

Circular No. 28/2021/TT-BLDTBXH (effective from March 1, 2022) stipulates the level of compensation and benefits for employees suffering from occupational accidents and diseases.

❖ **Compensation level of occupational accidents and diseases**

- At least salaries of 30 months for employees whose working capacity is reduced from 81% or for their relatives died of occupational accidents, diseases
- At least salaries of 1.5 months for employees whose working capacity is reduced from 5% to 10%; if their working capacity decreases from 11% to 80%, for every 1% increase, salary of 0.4 month will be added.

❖ **Allowance of occupational accidents**

- At least salaries of 12 months for employees whose working capacity is reduced from 81% or for their relatives died of occupational accidents
- At least salary of 0.6 month for employees whose working capacity decreases from 5% to 10%; if their working capacity is reduced from 11% to 80%, it is calculated by the formula: **Ttc = Tbt x 0.4**, in which:
 - Ttc: Allowance for employees whose working capacity is reduced from 10% (unit: monthly salary);
 - Tbt: Compensation level for employees whose working capacity is reduced from 10% (unit: monthly salary).

❖ **Salary as the basis for compensation and allowances**

The salary as the basis for calculating compensation and allowance for occupational accidents and diseases is the **average amount of the preceding 06 months** before the occurrence of occupational accidents or diseases.

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New regulations on the content shown on goods labels

Decree No. 111/2021/ND-CP issued on December 9, 2021, amending, and supplementing some articles of Decree No. 43/2017/ND-CP on goods labels. Accordingly, the mandatory content shown on goods labels is amended and supplemented in Clause 10, Article 1 of Decree No. 111/2021/ND-CP as follows:

- *For labels of goods circulating in Vietnam*

- Name of goods;
- Name and address of the organization or individual responsible for the goods;
- Origin of goods;
- Other mandatory contents must be shown on the label according to the nature of each type of goods.

- *For labels of goods imported into Vietnam*

- Name of goods;
- Origin of goods;
- The name or abbreviated name of the organization or individual producing or the organization or individual responsible for the goods abroad.

- *For labels of exported goods*

Carrying out labeling of goods according to the regulations of the importing country

Decree 111/2021/ND-CP takes effect from February 15, 2022



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INTRODUCE

IC&Partners Vietnam Co., Ltd. is a member of IC&Partners S.p.A in Italy, specializing in providing services on Tax Agent, Tax Consulting, Transfer Price Documentation Consulting, Corporate Consulting, and other support related to the day-to-day operations of the business. We have many years of experience in providing services for the field of consulting in general and tax consulting in particular for multinational corporations of different nationalities such as Korea, Japan, Italy, Germany, Singapore ... not only in Vietnam but also in many other countries around the world.

Currently, the regulations and policies of the Tax Department are increasingly strict while businesses cannot anticipate the risks that may occur due to the lack of grasp of current legal regulations.

We are pleased to serve you with the following services:

- Tax Agent (Quarterly Tax Report, Annual Tax Finality)
- Tax risk review
- Supporting the procedures for establishing, closing the Company
- Refund of VAT and PIT
- Consultancy on preparing transfer pricing documentation
- Procedures for dealing with tax problems (exemption, reduction, tax penalty, etc.)
- Consulting services, support on management and other administration.

With the strength of quality and prestige, IC&Partners Vietnam is confident to bring the most satisfaction to customers when coming to us.

Sincerely thank you!