



NEWSLETTER
SEPTEMBER 2022



1

- [Official Dispatch No. 2319/CTHPH-TTHT dated August 12, 2022 of Tax Department of Hai Phong City guiding tax policy for costs related to material destruction](#)

2

- [Official Dispatch No. 8404/BTC-TCT dated August 23, 2022 of the Ministry of Finance guiding the time of invoicing for export activities of export processing enterprises \(EPE\)](#)

3

- [Official Dispatch No. 5129/CTBGI-TTHT dated August 26, 2022 of the Tax Department of Bac Giang Province guiding the VAT refund documents for exported goods](#)

4

- [Official Dispatch No. 2735/CTBNI-TTHT dated September 12, 2022 of the Tax Department of Bac Ninh Province guiding policy on contractor tax and PIT for sales brokerage services abroad](#)

5

- [Official Dispatch No. 45095/CTHN-TTHT dated September 13, 2022 of the Tax Department of Hanoi City on related transactions of payment on behalf and collection on behalf](#)

6

- [Official Dispatch No. 9517/BTC-TCT dated September 19, 2022 of the Ministry of Finance guiding the use of electronic invoices with enclosed attached list](#)



Tax policy for costs related to material destruction

Official Dispatch No. 2319/CTHPH-TTHT dated August 12, 2022 of Tax Department of Hai Phong City

In case the Company (declaring VAT payment by tax credit method) is an enterprise which is enjoying corporate income tax incentives due to meeting conditions of the locality, incurring costs related to the destruction of unused materials due to changes in production strategies, the Company shall carry out as follows:

- **Per invoice:** For the compensation received from the customer, the Company does not have to make an invoice but makes a receipt voucher, the customer makes a payment voucher according to regulations.
- **Per VAT:** The Company is **not allowed** to deduct input VAT of destroyed materials because the materials have not been used for production and trading of goods and services subject to VAT.
- **Per CIT:** Because this **is not** the case of losses due to natural disasters, epidemics, fires or damaged goods due to out of dated, damaged by natural biochemical process changes and other force majeure circumstances therefore the value of materials destroyed **will not be considered** as deductible expense for CIT purpose.

...(To be continued)



Tax policy for costs related to material destruction (Continued)

Official Dispatch No. 2319/CTHPH-TTHT dated August 12, 2022 of Tax Department of Hai Phong City

Regarding CIT incentives: The Company complies with the instructions in Official dispatch No. 3489/TCT-CS of the General Department of Taxation issued on September 14, 2021. Accordingly, the General Department of Taxation guides the principle that an enterprise having an investment project is entitled to CIT incentives because it meets the conditions of preferential conditions in the locality, the income entitled to preferential conditions is the income arising from production and business activities of the investment project in the locality except for income not entitled to preferential conditions in accordance with the provisions of the Law on CIT. Income other than income arising in the locality of investment incentives, not income from production and business activities of investment projects, shall not be eligible for corporate income tax incentives.



The time of invoicing for export activities of EPE

Official Dispatch No. 8404/BTC-TCT dated August 23, 2022 of the Ministry of Finance

From July 1, 2022, electronic invoices shall be applied according to Decree No. 123/2020/ND-CP, electronic sales invoices are invoices for organizations and individuals in the non-tariff zone, organizations and individuals declare and calculate value added tax using the direct method used for activities, including exporting goods and services abroad. The electronic invoicing of goods and services exported for the purpose of transferring export revenue data to the tax authorities for management.

Accordingly, the Ministry of Finance instructs, in case the Company is an EPE exporting goods abroad, from July 1, 2022, the time of making electronic invoices when the processing enterprise exports products and the case of exporting goods of the enterprise paying VAT by direct method **is the time of transferring ownership rights or use rights to the buyer**, regardless of whether money has been collected or not as prescribed in Clause 1, Article 9 of Decree No. 123/2020/ND-CP dated October 19, 2020.



VAT refund documents for exported goods

Official Dispatch No. 5129/CTBGI-TTHT dated August 26, 2022 of the Tax Department of Bac Giang Province

In case the Company prepares VAT refund documents for export goods, meet the conditions, procedures and documents stated in Article 19 of Circular No. 219/2013/TT-BTC and Clause 2 of Article 28 of Circular No. 80/2021/TT-BTC of the Ministry of Finance. The Company must fully record the contents in Form No. 01-1/HT issued with Appendix I of Circular No. 80/2021/TT-BTC of the Ministry of Finance, specifically as follows:

- Record correct information of the invoice symbol in column 3, must not be left blank.
- Declare full and detailed names of goods and services according to purchase invoices such as: name of goods and services, unit, quantity, unit price in columns 8, 9, 10 and 11.
- If the seller is a foreign enterprise without a tax code, the seller's tax code column (column 7) is blank.



The policy on FCT and PIT for sales brokerage services abroad

Official Dispatch No. 2735/CTBNI-TTHT dated September 12, 2022 of the Tax Department of Bac Ninh Province

FCT obligations: In Clause 4, Article 2 of Circular 103/2014/TT-BTC dated August 6, 2014 of the Ministry of Finance stipulates:

“Article 2. Entities not regulated by this Circular

...
4. Any foreign entity that provides any of the services below for Vietnamese entities, provided the services are provided overseas:

- Trade promotion and investment encouragement;*
- Brokering goods sale and services provision overseas...;”*

Based on the above provisions, in case the Company hires overseas organizations and individuals to provide brokerage services for sales of goods, trade promotion, etc. outside Vietnam , the above activities **are not subject** to declaration and payment of contractor tax (FCT). ...(To be continued)



The policy on FCT and PIT for sales brokerage services abroad (Continued)

Official Dispatch No. 2735/CTBNI-TTHT dated September 12, 2022 of the Tax Department of Bac Ninh Province

PIT obligation: In case the Company incurred expenditures for foreign individuals to carry out the following activities: enquiring the market, looking for customers, promoting sales activities... of the Company outside the territory of Vietnam, the above expenditures for foreign individuals are subject to PIT. The Company is responsible for deducting personal income tax and paying it into the State Budget before paying income to individuals according to regulations.



Guiding declare related transactions of payment on behalf and collection on behalf

Official Dispatch No. 45095/CTHN-TTHT dated September 13, 2022 of the Tax Department of Hanoi City

Before the establishment, the Company has authorized for the parent company to pay the expenses related to the establishment. Accordingly, the Hanoi Tax Department provides guidelines for related transactions of payment on behalf and collection on behalf between the company and the parent company, which **are not subjected** to related transactions that must be declared according to the provisions of Decree 132/2020/ND-CP.



The use of electronic invoices with enclosed attached list

Official Dispatch No. 9517/BTC-TCT dated September 19, 2022 of the Ministry of Finance

Accordingly, the Ministry of Finance shall base on the provisions of Point a, Clause 6, Article 10 of Decree No. 123/2020/ND-CP dated October 19, 2020 of the Government on the contents of invoices, instructed:

Particular types of goods and services such as electricity, water, telecommunication services, information technology services, television services, postal and courier services, banking, securities and insurance are sold in certain periods, on the invoice **must specify the period of supply goods and services**. For periodical export services, **a list shall be used** to list the goods and services sold with the invoice, and shall ensure:

- The list is kept together with the invoice to serve the inspection and comparison of the competent authorities.
- The invoice must clearly state “with listing number..., date... month... year”.
- The list must include the name, tax code and address of the seller, name of goods, services, quantity, unit price, cost of goods, services sold, dated of preparation, name and signature of the person making the list.

...(To be continued)



The use of electronic invoices with enclosed attached list (Continued)

Official Dispatch No. 9517/BTC-TCT dated September 19, 2022 of the Ministry of Finance

- In case the seller pays value-added tax according to the tax credit method, the list must have the formula “Value-added tax rate” and “Value-added tax amount”. The total payment is in line with the amount stated on the value-added invoice.
- Goods and services sold are listed in the sales order of the day. The list must specify “with invoice number... day... month... year”.

In addition, in this document, the Ministry of Finance also guides the electronic VAT invoicing for exports and the deadline for applying electronic invoices.

ABBREVIATION

CIT	Corporate Income Tax	JVC	Joint Venture Company
PIT	Personal Income Tax	Ltd.	Limited
VAT	Value Added Tax	PC	People's Committee
FCT	Foreign Contractor Tax	MOF	Ministry of Finance
FA	Fixed Asset	MOIT	Ministry of Industry and Trade
GDT	General Department of Taxation	MOLISA	Ministry of Labor, Invalid and Social affairs
EPE	Export Processing Exporting Company	DPI	Department of Planning and Investment
EPZ	Export Processing Zone	OL	Official Letter
UAL	Usage of Agricultural Land	SBV	The State Bank of Vietnam
IZ	Industrial Zone	FC	Foreign Contractor



THANK YOU



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