

MINISTRY OF FINANCE

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SOCIALIST REPUBLIC OF VIETNAM

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No. 96/2015/TT-BTC

Hanoi, June 22, 2015

## CIRCULAR

GUIDELINES FOR CORPORATE INCOME TAX IN THE GOVERNMENT'S DECREE NO. 12/2015/ND-CP DATED FEBRUARY 12, 2015 ON GUIDELINES FOR THE LAW ON AMENDMENTS TO LAWS ON TAXATION AND AMENDMENTS TO DEGREES ON TAXATION; AMENDMENTS TO SOME ARTICLES OF CIRCULAR NO. 78/2014/TT-BTC DATED JUNE 18, 2014, CIRCULAR NO. 119/2014/TT-BTC DATED AUGUST 25, 2014, AND CIRCULAR NO. 151/2014/TT-BTC DATED OCTOBER 10, 2014 OF THE MINISTRY OF FINANCE

*Pursuant to the Law on Corporate income tax No. 14/2008/QH12 and Law No. 32/2013/QH13 on amendments to the Law on Corporate income tax;*

*Pursuant to the Law No. 71/2014/QH13 on amendments to some Articles of Laws on taxation;*

*Pursuant to the Government's Decree No. 218/2013/ND-CP dated December 26, 2013 on guidelines for the Law on Corporate income tax;*

*Pursuant to the Government's Decree No. 12/2015/ND-CP dated February 12, 2015 on guidelines for the Law on amendments to Laws on taxation and amendments to Degrees on taxation;*

*Pursuant to the Government's Decree No. 215/2013/ND-CP dated December 23, 2013 defining the functions, tasks, entitlements and organizational structure of the Ministry of Finance;*

*At the request of the Director of the General Department of Taxation,*

*The Minister of Finance hereby provides guidelines for corporate income tax as follows:*

**Article 1. Clause 1 Article 3 of Circular No. 78/2014/TT-BTC dated June 18, 2014 of the Ministry of Finance on providing guidance on implementation of Decree No. 218/2013/ND-CP dated December 26, 2013 of the Government on providing guidance of implementation of the Law on Corporate income (hereinafter referred to as Circular No. 78/2014/TT-BTC) is amended as follows:**

**“1. Corporate income tax (CIT) payable in the period equals (=) assessable income minus (-) the amount transferred to science and technology fund (if any) and multiplied by (x) corporate income tax rate.**

CIT payable is calculated as follows:

$$\text{CIT payable} = \left( \text{Assessable income} - \frac{\text{Amount transferred to science and technology fund (if any)}}{\text{any}} \right) \times \text{Tax rate}$$

- In case of a Vietnamese enterprise who makes investment in a foreign country that has signed a Double Taxation Agreement and transfers income to Vietnam after paying CIT overseas, regulations of such Agreement shall apply. If the foreign country has not signed a Double Taxation Agreement with Vietnam and the rate of CIT incurred in the foreign country is lower, the difference in corporate income tax shall be collected in accordance with the CIT Law of Vietnam.

- Every Vietnamese enterprise that makes outward direct investment (hereinafter referred to as Vietnamese ODI enterprise) and earns incomes from overseas business shall declare and pay CIT in accordance with CIT Law of Vietnam, including those given exemption or reduction of CIT under the Law of the host country. The rate of CIT for calculating and declaring tax on incomes earned overseas is 22% (20% from January 01, 2016). Preferential rates for which Vietnamese enterprises making outward investments are eligible under current CIT Law shall not apply.

- In case an income earned from an overseas project has incurred CIT (or a similar tax) overseas, the Vietnamese ODI enterprise may deduct the tax paid by the enterprise overseas or by the foreign partner (including tax on dividends) from the amount of CIT payable in Vietnam. Nevertheless, the deducted tax must not exceed the amount of CIT calculated under CIT Law of Vietnam. Reduction or exemption of CIT on profit from the overseas project under the host country's law will also be deducted from the amount of CIT payable in Vietnam.

- In case a Vietnamese ODI enterprise transfers its income to Vietnam without declaring, paying tax on such income, the tax authority shall impose tax on overseas business under the Law on Tax administration.

- Documents enclosed with the declaration of tax on income from an overseas project include:

+ A photocopy of the declaration of overseas income tax certified by the taxpayer;

+ A photocopy of the receipt for overseas tax payment certified by the taxpayer, or the original copy of the foreign tax authority of tax payment, or a photocopy of an equivalent document certified by the taxpayer.

- Income from the overseas project shall be included in the annual CIT statement of the year in which income is transferred to Vietnam as prescribed by regulations of law on ODI. Income (profit) from or loss on the overseas project must not be deducted from the loss incurred or income (profit) earned in Vietnam by the enterprise when calculating corporate income tax.

**Article 2. Clause 2 Article 4 of Circular No. 78/2014/TT-BTC is amended as follows:**

## “2. Taxable income

Taxable income in a tax period includes income from manufacturing, trading of goods, services (hereinafter referred to as business operation), and other incomes.

Taxable income in a tax period is calculated as follows:

$$\text{Taxable income} = \left| \text{Revenue} - \text{Deductible expenses} \right| + \text{Other incomes}$$

Incomes from the business operation equals (=) revenue from the business operation minus (-) deductible expenses of such business operation. If an enterprise engages in multiple business operations that apply various tax rates, revenue from each of them must be calculated separately, which is multiplied by the corresponding tax rate.

Incomes from transfers of real estate, project of investment, right to participate in a project of investment, right to mineral exploration and/or mineral extraction and/or mineral processing must be separated, shall apply 22% CIT tax (20% from January 01, 2016) and are not given CIT incentives (except for the income from projects of investment in social housing for sale, for lease, or lease purchase, which applies 10% CIT according to Point d Clause 3 Article 19 of Circular No. 78/2014/TT-BTC).

In a tax period, if a enterprise makes a transfer of real estate, project of investment, or right to participate in a project of investment (except for mineral exploration and extraction) and suffers from a loss, such loss shall be offset against the profit from the business operation (including other incomes prescribed in Article 7 of Circular No. 78/2014/TT-BTC). The loss that remains after offsetting shall carried forward to the next years within the carryforward time limit.

The loss on a transfer of real estate, project of investment, right to participate in a project of investment (except for mineral exploration and extraction) in 2013 and earlier, which may still be carried forward, must be deducted from the income from transfer of real estate, project of investment, right to participate in a project of investment. The loss that remains shall be deducted from income from the business operation (including other incomes) from 2014 onwards.

In case a enterprise initiates the procedures for dissolution, after a decision on dissolution is made, if real estate which is fixed assets of the enterprise is transferred, the income (profit) from such transfer (if any) shall be offset against the loss on the business operation (including loss carried forward from the previous years) of the tax period during which real estate is transferred”.

**Article 3. Clause 2 Article 5 of Circular No. 78/2014/TT-BTC is amended as follows:**

“2. Time for determining revenue for calculating taxable income is:

a) For goods sale: the time when the right to ownership and/or right to enjoyment of goods is transferred to the buyer.

b) For service provision: the time when service provision is completed or part of service provision is completed except for the case in Clause 3 Article 5 of Circular No. 78/2014/TT-BTC, Clause 1 Article 6 of Circular No. 119/2014/TT-BTC.

c) For air transport: the time when provision of transport services is completed.

d) Other cases defined by law”.

**Article 4. Article 6 of Circular No. 78/2014/TT-BTC (amended in Clause 2 Article 6 of Circular No. 119/2014/TT-BTC and Article 1 of Circular No. 151/2014/TT-BTC) is amended as follows:**

**“Article 6. Deductible and non-deductible expenses when calculating taxable income**

**1.** Except for the non-deductible expenses prescribed in Clause 2 of this Article, every expense is deductible if all of these following conditions are satisfied:

a) The actual expense incurred is related to the enterprise’s business operation.

b) There are sufficient and valid invoices and proof for the expense under the regulations of the law.

c) There is proof of cashless payment for each invoice for purchase of goods/ services of VND 20 million or over (including VAT).

The proof of cashless payment must comply with regulations of law on VAT.

In case of a purchase of goods and services that are worth VND 20 million or over according to the invoice which is yet to be paid for by the enterprise when the expense is accounted for, such expense will be deductible when calculating taxable income. If the enterprise does not have proof of cashless payment, the enterprise must remove the value of goods/services without proof of cashless payment from expenses in the tax period in which cash payment is made (even when the tax authority and other authorities have issued a decision on tax inspection of the tax period in which such expense is incurred).

The invoices for goods and services paid in cash before the effective date of Circular No. 78/2014/TT-BTC shall not be adjusted under the regulations of this Point.

EXAMPLE 7: In August 2014, enterprise A bought goods for VND 30 million according to the invoice but enterprise A has not paid for it. In the tax period in 2014, enterprise A has included the value of such purchase in the deductible expenses when determining taxable income. In 2015, enterprise A pays for such purchase in cash. Thus, enterprise A must remove the value of such goods purchase from expenses in the tax period during which cash payment is made (the tax period of 2015).

In case an enterprise purchases goods/services related to its business operation and the invoice is printed by the cash register under the regulations of the law on invoices, such enterprise shall include the purchase in deductible expenses according to the invoice and proof of cashless payment when determining taxable income, provided that the value on such invoice is at least VND 20 million.

In case an enterprise purchases goods/services related to its business operation and the invoice is printed by the cash register under the regulations of the law on invoices, the enterprise shall include such purchase in deductible expenses according to the invoice and proof cash payment when determining taxable income, provided that the value of such invoice is lower than VND 20 million and paid in cash.

**2. The expenses below are not deductible when calculating taxable income:**

**2.1. Expenses that do not meet all of the conditions in Clause 1 of this Article.**

If the enterprise incurs expenses related to loss caused by natural disasters, epidemics, blazes, and other force majeure events (hereinafter referred to as "calamities") without compensation, such expenses will be deductible when calculating taxable income. To be specific:

The enterprise must determine the total loss caused by calamities in accordance with law.

Uncompensated loss equals (=) total loss minus (-) loss that must be compensated by insurers other entities as prescribed by law.

a) Documents about losses of assets/goods caused by calamities that are included in deductible expenses include:

- A statement of losses of assets/goods prepared by the enterprise.

A statement of losses of assets/goods must specify the losses, causes, responsibilities for such damage, categories, quantity, value of recoverable assets/goods (if any); the legal representative of the enterprise shall sign and take legal responsibility for the statement.

- An insurance claim accepted the insurer (if any).

- Documents about responsibility for provision of compensation (if any).

b) Expired goods and goods damaged because of natural deterioration that are not compensated will be deductible expenses when calculating taxable income.

Documents about expired goods and goods damaged because of natural deterioration and that are included in deductible expenses include:

- Statement of damaged goods made by the enterprise

A statement of value of damaged goods must specify the value of damaged goods, causes; categories, quantity, and values of recoverable goods (if any) enclosed with a statement of inventory of damaged goods certified by the legal representative of the company.

- A compensation claim upheld by the insurer (if any).
- Documents about responsibility for provision of compensation (if any).

c) The aforementioned documents shall be retained at the enterprise and presented to the tax authority on request.

## **2.2. Depreciation of fixed assets in one of the following cases:**

a) Depreciation of fixed assets that are not used for business operation.

Fixed assets serving employees at the enterprise such as recreation room, canteen, locker room, bathroom, clinic, vocational training facility, library, kindergarten, sports facilities, furniture, and equipment therein that are classified as fixed assets; clean water reservoir, parking lot, employee shuttle, employee housing; expenditures on development of infrastructure, purchase of machinery and equipment that are fixed assets serving vocational education may be depreciated and included in deductible expenses when calculation taxable income.

b) Depreciation of fixed assets without proof of ownership of the enterprise (except for fixed assets under a lease purchase contract).

c) Depreciation of fixed assets that is not recorded in the accounting books under applicable accounting regulations.

d) Depreciation beyond the limit imposed by the Ministry of Finance.

Enterprises shall notify the methods of depreciation they choose to their supervisory tax authorities before depreciation (e.g. linear depreciation, etc.) Every year, enterprises shall depreciate their fixed assets according to applicable regulations of the Ministry of Finance on management, use and depreciation of fixed assets, including quick depreciation (if qualified).

Any enterprise who has a lucrative business may implement quick depreciation, provided it is not larger than 2 times the linear depreciation, in order to apply new technologies to certain fixed assets in accordance with applicable regulations of the Ministry of Finance on management, use and depreciation of fixed assets. When implementing quick depreciation, profitability must be ensured.

Fixed assets used as capital contribution, fixed assets transferred upon partial division, full division, amalgamation, acquisition, or conversion of the enterprise after reassessment shall be included in deductible expenses by the enterprise that receives them according to their reassessed costs. Assets other than fixed assets used as capital contribution, fixed assets transferred upon partial division, full division, amalgamation, or acquisition of the enterprise after reassessment

shall be included in expenses or gradually included in deductible expenses by the enterprise that receives them according to their reassessed costs.

Cost of fixed assets produced by the enterprise itself which is deductible is the total cost of producing such assets.

Cost of purchase of assets that are instruments, tools, circulated packages, etc. other than fixed assets shall be gradually included in operating cost for up to 3 years.

dd) Depreciation of fixed assets that have been fully depreciated.

e) Revenue for calculating taxable income in some other cases:

- The following amounts are not deductible when calculating taxable income: Depreciation of the portion of cost in excess of VND 1.6 billion per car for cars for the transport of 9 persons or fewer (except for cars used for passenger transport services, tourism, or hotel operations; cars used for display and test drive by car dealers); depreciation of fixed assets being civil aircraft, yachts not used for transport services of passengers or goods, tourism, or hotel operations.

Passenger cars for the transport of 9 persons or fewer used for passenger transport services, tourism, or hotel operations are cars registered under the names of enterprises which have registered one of these business lines according to their business registration certificates: passenger transport services, tourism, hotel business, and have obtained business licenses in accordance with legislative documents on transport, tourism or hotel business.

Civil aircraft and yachts not used for transport of goods, passengers, and tourists are those of enterprises having registered and recorded depreciation of fixed assets but have not registered passenger transport, tourism or hotel business in their business registration certificates.

In case an enterprise transfers or liquidates cars for the transport of 9 persons or fewer, the residual value of such car equals (=) actual cost of the fixed assets minus (-) accumulated depreciation of the fixed assets according to regulations on management, use, and depreciation of fixed assets by the time of the car transfer or liquidation.

Example 8: Company A buys a car for the transport of 9 persons or fewer for VND 6 billion. It liquidates the car after 1 year of depreciation. The depreciation amount is VND 1 billion according to regulations on management, use, and depreciation of fixed assets (the depreciation period is 6 years according to regulations on fixed asset depreciation) The deductible depreciation amount under tax policies is VND 1.6 billion/6 years = VND 267 million. Company A liquidates the car for VND 5 billion.

Income from car liquidation = VND 5 billion - (VND 6 billion - VND 1 billion) = VND 0

- In case of depreciation of constructions on land used for both business operation and other purposes, depreciation of constructions on the area of land not used for business operation must not be included in deductible expenses.

Depreciation of constructions such as offices, workshops, and stores serving the enterprise's business operation may be included in deductible expenses when calculating taxable income in accordance with applicable regulations of the Ministry of Finance if such constructions satisfy the conditions below:

- + The enterprise has a land use right certificate bearing its name (if the piece of land is owned by the enterprise) or a contract of lease/borrow land with another land owner. The representative of the enterprise must take legal responsibility for the accuracy of such contract (if the piece of land is leased or borrowed).
- + There are invoices for construction payment bearing the enterprise's name, address, and TIN for the constructions enclosed with the construction contract and note of contract finalization.
- + The constructions are monitored and accounted for according to applicable regulations on management of fixed assets.
- In case the use of fixed assets owned by an enterprise for its business operation is suspended for less than 09 months because of seasonal manufacture, or for less than 12 months because of repairs, relocation, periodic maintenance, then the use of such fixed assets for business is resumed, the enterprise may depreciate the fixed assets and their depreciation will be deductible expenses when calculating taxable income.

The enterprise must retain, present sufficient documents, and provide explanation for suspending the use of fixed assets at the request of tax authorities.

- Long-term land use right shall not be depreciated or included in deductible expenses when calculating taxable income; temporary land use right may be gradually included in deductible expenses if invoices are sufficient, procedures are followed, and such piece of land is used for business operation over the permitted land use period written in the land use right certificate (including the period over which business operation is suspended for repair or building new constructions).

When an enterprise buys tangible fixed assets that is a building or architectural object associated with the long-term land use right, the value of land use right must be calculated separately and recorded as intangible fixed assets; the cost of the tangible fixed assets being the building or architectural object equals (=) the buying price plus (+) every expenditure on putting such tangible fixed assets into use. The value of land use right is determined according to the price written on the real estate purchase contract, which must accord with the market price and not be lower than the price in the price list compiled by the People's Committee of the province at the time of real estate purchase. If the enterprise buys tangible fixed assets being a building or architectural object associated with long-term land use right without being able to separate the value of the land use right, the land use right value shall be determined according to the prices imposed by the People's Committee of the province at the time of asset purchase.

**2.3.** Expenditure on consumption of raw materials, fuel, energy, and goods beyond limits on reasonable expenses imposed by the State

**2.4.** Expenditures on purchases of goods/services (without invoices, listed on statement of purchases No. 01/TNDN enclosed with Circular No. 78/2014/TT-BTC) without statements enclosed with receipts for payments to sellers/service providers in the cases below:

- Purchase of agricultural products, forestry products, aquaculture products directly sold by growers or catchers;
- Purchase of handicraft products made of dried jute, sedge, leaves, rattan, bamboo, straw, coconut shell, or aquaculture by-products directly by craftsmen.
- Purchase of earth, stones, sand, gravel directly sold by the excavating people;
- Purchase of scrap from collectors;
- Purchase of items, property, services from non-business households and non-business individuals;
- Purchase of goods/services from business households and business individuals (except for the cases mentioned above) whose revenue is below the level subject to VAT (VND 100 million per year).

A statement of purchases of goods/services signed by the enterprises' legal or authorized representative, who takes legal responsibility for its accuracy. The enterprise that buys goods/services may make a statement and include them in deductible expenses. Proof of cashless payment is not required for such expenses. If the buying prices for goods/services on the statement are higher than market prices at that time, the tax authority shall recalculate the deductible expenses according to the market prices for similar goods/services.

**2.5.** Expenditure of lease of assets from individuals without sufficient documents:

- In case an enterprise leases assets from an individual, documents for determining deductible expenses is the lease contract and proof of rent payment.
- In case an enterprise leases assets from an individual and the lease contracts allow the enterprise to pay tax on such individual's behalf, documents for determining deductible expenses are the lease contract, proof of rent payment, and proof of tax payment on the individual's behalf.
- In case an enterprise leases assets from an individual where the lease contracts states that the rent is exclusive of tax (VAT, personal income tax) and allows the enterprise to pay tax on such individual's behalf, the enterprise may include the total amount of rent in deductible expenses, including the tax paid on such individual's behalf.

**2.6.** Expenditures on wages and bonus for employees in one of the following cases:

a) Expenditure on wages and other payables to employees that have been included in operating costs in the period but are not actually paid or do not have proof of payment as prescribed by law.

b) Wages, bonuses, life insurance premiums for employees that are not specified in one of the following documents: employment contract, collective bargaining agreement, financial regulation of the company, general company, corporation, reward scheme issued by the President of the Board of Directors, General Director, or Director in accordance with the financial regulation of the company or general company.

- If an employment contract between an enterprise and a foreign employee has an education expense of his/her children in Vietnam from preschool to high school which is covered by the enterprise as part of the wages, does not contravene regulations of law on salaries and wages, and has sufficient proof, such education expense will be deductible expenses when calculating taxable income.

- In case an employment contract between an enterprise and an employee has a payment for housing of the employee which is part of the wages, does not contravene regulations of law on salaries and wages, and has sufficient proof, such payment will be in deductible expenses when calculating taxable income.

- In case an Vietnamese enterprise signs a contract with a foreign enterprise which states that the Vietnamese enterprise must incur the cost of accommodation of foreign experts during their working period in Vietnam, the house rent paid for foreign experts working in Vietnam by the Vietnamese enterprise will be deductible expenses when calculating corporate income tax.

c) Expenditures on wages, salaries, and allowances of employees that have not been paid after the annual tax declaration is submitted, unless the enterprise has made a provision for inclusion in the wage fund of the succeeding year. The annual provision is decided by the enterprise, provided it does not exceed 17% of the released wage fund.

The released wage fund is the total wage paid in the year until the deadline for submitting the annual tax declaration (not including the provision for wage fund of the previous year)

The enterprise must ensure that it does not suffer from a loss after making the provision. Otherwise, the provision must be smaller than 17%.

If the company does not used up the ward fund provision made in the previous year within 06 months from the end of the fiscal year, the expense in the next year must be reduced.

Example 9: When submitting the annual tax declaration of 2014, enterprise A makes a provision for wage fund of VND 10 billion. On June 30, 2015, (tax period of enterprise A is solar calendar year), enterprise A has used only VND 7 billion from the wage fund. In this case, the expenditure on wages of in the next year (2015) must be reduced by VND 3 billion (VND 10 billion – VND 7 billion). Making the annual tax declaration of 2015, enterprise A may keep making provision for wage fund if it wishes to do so.

d) Wages and salaries of the owner of a private company, a single-member limited liability company (owned by an individual); wages of the founders, members of the Board of members or the Executive Board who do not directly participate in business administration.

**2.7.** In-kind expenditure on employees' clothing without invoices. Monetary expenditure on employees' clothing that exceeds VND 05 million/person/year.

In case the enterprise has both monetary and in-kind expenditures on employees' clothing, the monetary expenditure must not exceed VND 05 million/person/year and the in-kind expenditure must have invoices in order to be deductible.

With regard to special lines of business, such expenditure shall comply with separate regulations of the Ministry of Finance.

**2.8.** Rewards for ideas and innovations without specific regulations, without a council to assess ideas and innovations.

**2.9.** Expenditure on provision of leave travel allowance for employees on leave against regulations of the Labor Code.

Allowance for employees on business trips, allowance for travelling and accommodation of employees on business trips will be deductible expenses when calculating taxable income if they have adequate invoices. If the enterprise pays for the traveling, accommodation, and allowance of employees on business trips in accordance with its financial regulations or rules, such amounts will be deductible.

In case the enterprise sends an employee on a business trip (whether at home or overseas), every payment that reaches VND 20 million or above and payment for air tickets that are made with individuals' banking cards will be considered cashless payments and deductible if all of the conditions below are satisfied:

- There are valid invoices issued by the goods or service provider.
- The enterprise has a business trip order.
- The enterprise's financial regulations or rules allow its employees to pay the trip expenses, air tickets with their personal banking cards and get reimbursed by the enterprise.

In case the enterprise buys an air ticket on a website for one of its employee to go on a business trip serving its business operation, the proof of deductible expense shall be the electronic ticket, the boarding pass, and proof of cashless payments that bear the name of the traveling employee. If the enterprise fails to collect the boarding pass, the proof of deductible expense shall be the electronic ticket, the business trip order, and the proof of cashless payments.

**2.10.** The following deductible amounts shall not be deductible if they are not spent properly or spent beyond the limits:

- a) Additional payments for female employees that are considered deductible expenses, including:

- Expenditure on vocational training for female employees when they are no longer suitable for their current jobs.

This expenditure includes: tuition fee + difference in wage scale (ensure 100% wages for learners).

- Expenditure on wages and allowances for teachers at the kindergarten managed and operated by the enterprise.

- Expenditure on additional health check-ups in the year such as occupational disease, chronic disease, or gynaecological examination.

- Extra allowance for female employees after giving birth for the first time or second time.

- Overtime pays for any female employee who does not take maternity leave after giving birth because of objective reasons, including the case of performance-based pay that the female employee earns during the paid maternity leave to which she is entitled.

b) Extra payment for employees being ethnics, which is deductible: tuition fee + difference in wage scale (ensure 100% of wages of learners); allowance for housing, social insurance, health insurance if such amounts are not covered by the State.

**2.11.** Payment beyond VND 01 million/person/month for: contribution to a voluntary pension fund, purchase of voluntary pension insurance for employees.

Contributions to voluntary pension fund, purchase of voluntary pension insurance for employees that are deductible must not exceed the limits mentioned in this Point. Apart from that, their requirements and levels must be specified in the employment contract, collective bargaining agreement, the financial regulation of the company/general company/corporation, or the reward scheme issued by the Chairperson of the Executive Board or the Director.

The aforesaid voluntary payments must not be included expenses if the enterprise fails to fulfill its obligation to buy compulsory insurance for its employees (including outstanding compulsory insurance premiums).

**2.12.** Redundancy pays for employees against applicable regulations.

**2.13.** Contributions to funding for administration.

**2.14.** Contributions to funds of Associations (established within the law) beyond the level imposed by such Associations.

**2.15.** Payments for electricity and water supply under contracts between households or individuals who lease out the business premises and the electricity, water suppliers without proof of payment in one of the cases below:

- a) The enterprise leases the business premises and directly pays for electricity and water supply to the suppliers without payment receipts and the lease contract.
- b) The company leases the business premises and directly pays for electricity and water supply to the lessor without a lease contract and receipts of payment to the lessor that match the electricity and water consumption.

**2.16.** Expenditure on lease of fixed assets beyond the annual budget for prepaid rent.

Example 10: Company A pays a lump sum of VND 400 million to lease fixed assets for 4 years. The rent of VND 100 million for fixed assets shall be included in annual expense. If the annual rent exceeds VND 100 million, the amount in excess of VND 100 million must not be included in reasonable expense when calculating taxable income.

With regard to expenditure on repair of fixed assets that are leased, if the lease contract states that the lessee is responsible for repairing the assets over the lease period, the repair cost may be included in expenses over a period of up to 03 years.

Expenditures on assets other than fixed assets (purchase of technical documents, patents, technology transfer licenses, trademarks, business advantages, right to use trademarks, etc.) may be gradually included in business expense over a period of up to 03 years.

In case an enterprise contributes capital in the form of business advantage or right to use trademarks, the value of which must not be included in deductible expenses when calculating taxable income.

**2.17.** Payment of interest on loan serving business operation taken from entities other than credit institutions or business organizations which exceeds 150% of basic interest rate announced by the State bank at the time of taking the loan.

**2.18.** Payment of interest on loan equivalent to charter capital deficit (or invested capital in case of private companies) according to the capital contribution schedule, even if the enterprise is already in operation. Payment of loan interest during investment phase which has been included in value of assets or value of constructions invested.

If the enterprise has contributed sufficient charter capital and, during its business operation, pays interest on a loan taken to make investment in another enterprise, such payment will be deductible when calculating taxable income.

Non-deductible payment of interest on loan equivalent to charter capital deficit according to the capital contribution schedule is determined as follows:

- If the loan is smaller or equal to the charter capital deficit, the whole loan interest is not deductible.
- If the loan is higher than the charter capital deficit according to capital contribution schedule:

+ If the enterprise has multiple loans, non-deductible payment of loan interest equals (=) the ratio (%) of charter capital deficit to total loan multiplied by (x) total interest.

+ If the enterprise has only one loan, non-deductible payment of loan interest equals (=) charter capital deficit multiplied by (x) loan interest rate multiplied by (x) time for eliminating charter capital deficit.

(Loan interest must comply with regulations in Point 2.17 of this Article)

**2.19.** Provisions made and used against instructions of the Ministry of Finance on making provisions: provision for devaluation of goods in stock, provision for loss on financial investments, provision for bad debts, provision for warranty, and provision for vocational risks of companies that provide valuation services or independent audit services.

**2.20.** Periodic accrued expense that is not used up at the end of the period.

Accrued expenses include: expenditures on periodic major repairs of fixed assets, expenditures on fulfillment of contractual obligations to the services for which revenue has been collected (including payments for leases of assets and provision of services that have been collected in advanced for many years and included in revenue of the year in which they are collected), and other accrued expenses.

If an enterprise has recorded revenue for calculation of CIT without incurring all of expenses, accrued expenses may be included in deductible expenses in proportion to the revenue earned when calculating taxable income. When the contract is finalized, the enterprise must calculate the exact expense according to legitimate invoices and receipts in order to increase the expense (if actual expense is higher than accrued expense) or decrease the expense (if actual expense is lower the accrued expense) of the tax period during which the contract is finalized.

Accrued expense on periodic repairs of fixed assets shall be included in annual expense. If actual expense is higher than accrued expense, the enterprise may include the difference in deductible expenses.

**2.21.** Loss on exchange difference due to reassessment of foreign currency items at the end of the tax period, including exchange difference due to reassessment of closing balance, including: cash, deposits, money in transit, foreign currency receivables (except for loss on exchange difference due to reassessment of foreign currency debts payable at the end of the tax period).

During the investment phase of a new enterprise which is not inaugurated when fixed assets is formed, exchange differences that occur when making payment for foreign currency items serving investment and exchange differences that occur when reassessing foreign currency debts payable at the end of the fiscal year must be separately recorded. When a fixed asset being a construction is put into operation, the exchange differences that occur during the investment phase (after offsetting the increase against the decrease) may be gradually included in financial income or financial expense for up to 05 years from the day on which the construction is put into operation.

During the business operation phase, including investment in creation of fixed assets of an enterprise in operation, exchange differences derived from transactions in foreign currencies of foreign currency items shall be recorded as revenue from financial activities or financial expense in the fiscal year.

With regard to foreign currency receivables and foreign currency loans that occur in the period, deductible exchange difference is the difference between exchange rate at the time of debt or loan repayment and exchange rate at the time the debt or loan is initially recorded.

**2.22.** Provision of sponsorship for education (including sponsorship for vocational education) for illegitimate recipients according to Point (a) or without documentation mentioned in Point (b) below:

a) Sponsorship for education include: Sponsorship for public and private schools of national education system as prescribed by regulations of law on education, provided such sponsorship is not meant to contribute capital or buy shares of schools; Sponsorship for infrastructure and equipment serving teaching and learning in schools; Sponsorship for regular operations of schools; Sponsorships for students of compulsory education institutions, vocational education institutions, and higher education institutions prescribed in the Law on Education (direct sponsorship for students, sponsorship provided via educational institutions, organizations permitted to raise sponsorships as prescribed by law); Sponsorship for competitions in the schools subjects participated by learners; Sponsorship for establishment of scholarship funds as prescribed by regulations of law on education.

b) Documents about sponsorship for education include: certification of sponsorship bearing the signature of the representative of the sponsoring establishment, representative of the legitimate educational institution, students (or an organization permitted to raise sponsorships) that receives the sponsorship (form No. 03/TNDN enclosed with Circular No. 78/2014/TT-BTC); invoices/receipts for purchase of goods (in case of in-kind sponsorship) or proof of payment (in case of monetary sponsorship).

**2.23.** Provision of sponsorship for healthcare for illegitimate subjects according to Point (a) or without documentation mentioned in Point (b) below:

a) Sponsorship for healthcare include: Sponsorship for medical facilities established under regulations of law on healthcare, provided the sponsorship is not meant to contribute capital or buy shares of such medical facilities; Sponsorship for medical equipment, medicines; Sponsorships for regular operation of hospitals, medical centers; Monetary sponsorships for patients via an organization permitted to raise sponsorship as prescribed by law.

b) Documents about sponsorship for healthcare include: Certification of sponsorship bearing the signature of the representative of the sponsoring enterprise, representative of the unit that receives the sponsorship (or an organization permitted to raise sponsorship) (form 04/TNDN enclosed with Circular No. 78/2014/TT-BTC); invoices/receipts for purchase of goods (in case of in-kind sponsorship) or proof of payment (in case of monetary sponsorship).

**2.24.** Provision of disaster recovery aid for illegitimate subjects according to Point (a) or without documentation mentioned in Point (b) below:

a) Disaster recovery aid includes: direct provision financial aid or in-kind aid serving disaster recovery for an organization established and operating under the law, for individuals suffering from the disaster via an organization permitted to call for aid as prescribed by law.

b) Documents about disaster recovery aid: Certification of aid bearing the signature of the representative of the contributing enterprise, representative of the unit that suffers from the disaster (or an organization permitted to call for aid) (form 05/TNDN enclosed with Circular No. 78/2014/TT-BTC); invoices/receipts for purchase of goods (in case of in-kind aid) or proof of payment (in case of financial aid).

**2.25.** Provision of sponsorship for building gratitude houses, houses for the poor, or great unity houses for illegitimate recipients according to Point (a) or without documentation mentioned in Point (b) below:

a) Recipients of sponsorships for building houses for the poor are poor households as prescribed by the Prime Minister. Financial or in-kind sponsorships provided directly or via an organization permitted to raise sponsorship as prescribed by law.

b) Documents about sponsorship include: Certification of sponsorship bearing the signature of the representative of the sponsoring enterprise, representative of sponsorship recipient (form 06/TNDN enclosed with Circular No. 78/2014/TT-BTC); certification of poor household issued by the local authority (in case of building housing for poor people); invoices/receipts for purchase of goods (in case of in-kind sponsorship) or proof of payment (in case of monetary sponsorship).

If the sponsorship recipient is an organization permitted to raise sponsorship, documents include: Certification of sponsorship bearing the signature of the representative of the sponsoring enterprise and the receiving organization; invoices/receipts for purchase of goods (in case of in-kind sponsorship) or proof of payment (in case of monetary sponsorship).

**2.26.** Provision of sponsorship for scientific research against the law; provision of sponsorship for beneficiaries of incentive policies against the law; provision of sponsorship for extremely disadvantaged areas State programs.

Sponsorship under a State Program means a program run by the government in an extremely disadvantaged area (including sponsorship for building new bridges in extremely disadvantaged residential areas) under a project approved by a competent authority.

Provision of sponsorship shall comply with corresponding regulations of law.

Documents about sponsorship for extremely disadvantaged areas under State program, sponsorship for new bridges in extremely disadvantaged residential areas under a project approved by a competent authority, sponsorship for beneficiaries of incentive policies include: Certification of sponsorship bearing the signature of the representative of the sponsoring enterprise, the sponsorship recipient (or an organization permitted to raise sponsorship) (form no.

07/TNDN enclosed with Circular No. 78/2014/TT-BTC); ; invoices/receipts for purchase of goods (in case of in-kind sponsorship) or proof of payment (in case of monetary sponsorship).

Regulations on scientific research, procedures and documents about sponsorship for scientific research shall comply with regulations of the Law on Science and Technology and relevant guiding documents.

**2.27.** Amount provided by an overseas company to cover administrative expenses of its permanent establishment in Vietnam beyond the limit calculated using the formula below:

$$\begin{array}{l} \text{Amount provided by} \\ \text{overseas company to} \\ \text{cover administrative} \\ \text{expenses of its} \\ \text{permanent} \\ \text{establishment in} \\ \text{Vietnam in the tax} \\ \text{period} \end{array} = \frac{\begin{array}{l} \text{Assessable revenue earned by} \\ \text{the permanent establishment in} \\ \text{Vietnam in the tax period} \end{array}}{\begin{array}{l} \text{Total revenue earned by the} \\ \text{overseas company in the tax} \\ \text{period, including revenues} \\ \text{earned by its permanent} \\ \text{establishments in other countries} \end{array}} \times \begin{array}{l} \text{Total} \\ \text{administrative} \\ \text{expenses incurred} \\ \text{by the overseas} \\ \text{company in the tax} \\ \text{period} \end{array}$$

Amounts provided by the overseas company to cover administrative expenses of its permanent establishment in Vietnam are only counted from the day on which the permanent establishment in Vietnam is established.

The basis for determining expenses and revenue of the overseas company is its financial statement which is audited by an independent audit company, which clearly reflects the revenue and administrative expense of the overseas company, and the amount provided for the permanent establishment in Vietnam to cover its administrative expense.

The permanent establishment in Vietnam of the overseas company must not include administrative expenses covered by the overseas company in reasonable expenses if the permanent establishment has not followed accounting and invoicing regulations; not paid tax by declaration.

**2.28.** Expenses covered with other sources; expenses covered by the enterprise's science and technology fund; Purchase of golf membership; golfing expenses.

**2.29.** Expenses related to hire of managers of prize-winning electronic games, casino business that exceeds 4% of revenue from electronic casino games/prize-winning electronic games or casino business.

**2.30.** Expenses that do not correspond with assessable revenues, except for:

- The actual expenditures on HIV/AIDS prevention at workplace, including expenditure on provision of training in HIV/AIDS prevention for employees, expenditure on raising employees' awareness of HIV/AIDS prevention, fees for HIV consultation, examination and testing, and expenditure on supporting employees who are HIV sufferers.

- Expenditures on performance of duties pertaining to security and defense education, training, activities of militia forces, and other defense and security duties as prescribed;
- The actual expenditures on operations of Communist Party organizations and social-political organizations within the enterprise.
- Expenditures on provision of vocational education and training for employees, including:
  - + Payment for teachers, learning materials, equipment serving vocational education, materials for practicing, and other aid for learners.
  - + Expenditure on training employees recruited by the enterprise
- Direct expenditures on the employees' welfare: expenditures on employees' family occasions; expenditures on holiday allowance or treatment support; expenditures on professional training; expenditures on supporting employees' families affected by natural disasters, hostilities, accidents, illness; expenditures on rewarding employees' children for their educational achievements; expenditures on allowances for traveling during holidays of the employees; payment for unemployment insurance, health insurance, and other voluntary insurance for employees (except for life insurance mentioned in Point 2.6, voluntary pension insurance mentioned in Point 2.11 of this Article), and other welfare expenditures. The total expenditures incurred in the tax year must not exceed the practical average 1 month's salary in the tax year.

The practical average 1 month's salary equals (=) wage fund released within a year divided (:) by 12 months. In case the enterprise has not operated for 12 months, the practical average 1 month's salary equals (=) wage fund released within the year divided (:) by the number of operating months.

Released wage fund is the total wage paid in the year until the deadline for submitting the annual tax declaration (not including the provision for wage fund of the previous year).

- Other special expenditures of each field shall apply corresponding documents issued by the Ministry of Finance.

### **2.31. Expenditure on infrastructural development during investment phase to create fixed assets.**

At the beginning of business operation, if the enterprise has not earned revenue but has incurred recurrent expenses to maintain its business operation (other than expenditure on creation of fixed assets), such expenses will be deductible when calculating taxable income if they satisfy all conditions.

If the enterprise repays a loan during the investment phase, such repayment shall be included in investment value. During the infrastructural development phase, if the enterprise has both payment for loan interest and receipt from deposit interest, they may be offset against each another. The value that remains will be deducted from investment value.

**2.32.** Provision of sponsorship for local governments; sponsorships for associations, social organizations; charitable expenses (except for sponsorships for education, healthcare, disaster recovery, construction of houses for poor people, scientific research, beneficiaries of incentive policies, extremely disadvantaged areas under state programs mentioned in Points 2.22, 2.23, 2.24, 2.25, 2.26 in Clause 2 of this Article).

**2.33.** Expenses directly related to issuance of shares (except for shares classified as liabilities) and dividends (except for dividends of shares classified as liabilities), trading in treasury shares, and other expenses directly related to increase/decrease of the enterprise's charter capital.

**2.34.** Payment for the right to mineral extraction beyond the practical amount payable in the year.

If a lump sum is paid, the practical amount payable in the year is based on the total amount of payment for the right to mineral extraction distributed over the remaining years. If the amount is paid annually, the practical payment is the payment for the right to mineral extraction of the year paid by the enterprise to state budget.

**2.35.** Expenditures on insurance business, lottery business, securities trading, and some special business activities shall comply with corresponding documents issued by the Ministry of Finance.

**2.36.** Payment of fines for administrative violations, including: traffic offenses, violations against regulations on business registration, violations against regulations statistical accounting; violations against regulations of law on taxation, including late payment interest prescribed by the Law on Tax administration, and fines for other administrative violations prescribed by law.

**2.37.** Input VAT that has been deducted or refunded; input VAT of fixed assets being cars for the transport of 9 persons or fewer that exceeds the deductible limit prescribed in legislative documents on VAT; CIT other than CIT paid by the enterprise on behalf of the foreign contractor under the main contract which stipulates that the revenue earned by the foreign contractor and sub-contractors is exclusive of CIT; personal income tax unless the employment contract states that employees' salaries are exclusive of personal income tax".

**Article 5. Some contents of Article 7 of Circular No. 78/2014/TT-BTC are amended as follows:**

**1. First paragraph of Article 7 is amended as follows:**

**“Article 7. Other incomes**

Other incomes include the following incomes:”

**2. Clause 9 of Article 7 is amended as follows:**

**“9. Income from exchange differences, which is determined as follows:**

In the tax year, the enterprise has exchange difference that occurs in the period and exchange difference because of reassessment of foreign currency debts payable at the end of the fiscal year:

- In case an exchange difference occurs in the period and is related to revenues, expenses of the enterprise's main business operation shall be included in expenses or revenues of the enterprise's main business operation. In case an exchange difference occurs in the period is not related to revenues, expenses of the enterprise's main business operation, loss on exchange difference shall be included in financial expense, profit from exchange difference shall be included in other incomes when calculating taxable income.

- Profit from exchange difference because of reassessment of debts paid in foreign currencies at the end of the fiscal year may be offset against loss on exchange difference because of reassessment of debts paid in foreign currencies at the end of the fiscal year. After offsetting, profit or loss derived from exchange difference related to revenues, expenses of the enterprise's main business operation shall be respectively included in revenues or expenses of the enterprise's main business operation. Profit or loss derived from exchange difference that is not related to revenues, expenses of the enterprise's main business operation shall be respectively included in other incomes or financial expense when calculating taxable income.

With regard to foreign currency receivables and foreign currency loans that occur in the period, exchange difference included in deductible expenses or incomes is the difference between exchange rate at the time of debt or loan repayment and exchange rate at the time the debt or loan is initially recorded.

The aforesaid exchange differences do not include exchange differences because of reassessment of closing balance, including: cash, deposit, money being transferred, and foreign currency receivables”.

### **3. Clause 22 of Article 7 is replaced with the new Clause 22 below:**

“**22.** In case the enterprise admits a new capital contributor whose contributed capital is higher than the value of capital he/she is obliged to contribute:

If such positive difference is owned by the enterprise and used to supplement the enterprise's capital, it will not be deductible when calculating corporate income tax incurred by the receiving enterprise.

If such positive difference is divided among old contributors, it will be considered incomes of old contributors”.

### **Article 6. Some contents of Article 8 of Circular No. 78/2014/TT-BTC (amended in Article 4 of Circular No. 151/2014/TT-BTC) are amended as follows:**

#### **1. Clause 1a Article 8 of the Circular No. 78/2014/TT-BTC is amended as follows:**

1. Incomes from cultivation, husbandry, aquaculture and salt production of cooperatives; incomes of cooperatives engaged in agriculture, forestry, fisheries and salt production in disadvantaged areas or extremely disadvantaged areas; incomes of enterprises from cultivation, husbandry and aquaculture in extremely disadvantaged areas; incomes from fishing activities.

a) Incomes from cultivation (including also products from planted forests), husbandry, aquaculture, processing of agriculture and aquaculture products of cooperatives and enterprises that are given tax incentives (including preferential tax rates, tax exemption, and reduction) as prescribed in this Circular are incomes from products that are result of their cultivation, husbandry, aquaculture, and processing of agriculture and aquaculture products (including those purchased for further processing).

Incomes from processed products derived from agriculture and aquaculture products must satisfy all of the following conditions in order to be given tax incentives (including preferential tax rates, tax exemption, and reduction):

- The ratio of value of raw materials to production cost is at least 30%.
- Processed products are not subject to special excise tax, except for the cases decided by the Prime Minister at the request of the Ministry of Finance.

The enterprise must separate incomes from processed agriculture and aquaculture products in order to be provided with CIT incentives.

Tax-free incomes mentioned in this Clause include incomes from liquidation of cultivation, husbandry, aquaculture products (except for liquidation of rubber plantations), incomes from sale of refuses related to the agriculture, aquaculture products and processed products thereof.

Cultivation, husbandry, and aquaculture products of cooperatives and enterprises are identified according to Level 1 codes of Vietnam's Industry System".

**2. Clause 9 Article 8 of Circular No. 78/2014/TT-BTC (amended in Article 4 of Circular No. 151/2014/TT-BTC) is amended as follows:**

“9. Income of the Vietnam Development Bank from credit extension serving development investment, credit extension serving export assigned by the State; income of Bank for Social Policies derived from credit extension to the poor and other beneficiaries of incentive policies; income of Vietnam Asset Management Company; income from revenue-generating activities assigned by the State of state funds, including: Vietnam social Insurance Fund, Deposit insurance Corporation, Health Insurance Fund, Apprenticeship Enhancement Fund, Overseas Employment Support Fund of the Ministry of Labor, Farmer Support Fund, Vietnam Legal Aid Fund, Public Telecommunications Fund, Local Development Investment Fund, Vietnam Environmental Protection Fund, Credit Guarantee Fund for Small and Medium-sized Businesses, Cooperative Development Aid Fund, Poor Women Support Fund, Fund for Protection of Overseas Citizens and Legal Entities, Housing Development Fund, Fund for Development of Small and Medium-sized, Fund for National Scientific and Technological Development, National Technological Innovation Fund; Fund for Self-employment of Poor People; incomes from performance of tasks assigned by the State of Fund for Land Development and other non-profit funds established by the government or the Prime Minister.

Taxes on incomes other than those from performance of tasks assigned by the State must be declared and paid as prescribed".

**3. Clause 12 is added to Article 8 of the Circular No. 78/2014/TT-BTC as follows:**

“12. Incomes of bailiff offices (except for incomes from activities other than bailiff’s activities) during the experimental period shall comply with regulations of law on enforcement of civil judgments.

Relevant legislative documents shall apply to bailiff offices and bailiff’s activities”.

**Article 7. Clause 3 Article 9 of Circular No. 78/2014/TT-BTC is amended as follows:**

“3. Any enterprise that undergoes conversion, merger, amalgamation, partial division, full division, dissolution, or bankruptcy must submit a terminal tax declaration to the tax authority up to the date of issuance of the decision on conversion, merger, amalgamation, partial division, full division, dissolution, or bankruptcy by a competent authority (except for the cases in which terminal tax declaration is not required). The loss incurred by the old enterprise before conversion, merger, amalgamation, partial division, full division, dissolution, or bankruptcy must be sorted by year and offset against income earned in the same year by the enterprise after conversion, merger, amalgamation, partial division, full division, dissolution, or bankruptcy, or be offset against incomes in the next years of the enterprise after conversion, merger, amalgamation, partial division, full division, dissolution, or bankruptcy, provided loss is not carried forward for more than 05 consecutive years from the year succeeding the year in which loss is incurred.

The loss that is incurred by the enterprise before partial division or full division and can be carried forward shall be divided among the enterprises after the division process according to the distribution ratio of charter capital”.

**Article 8. The second paragraph of Point a Clause 2 Article 14 of Circular No. 78/2014/TT-BTC is amended as follows:**

“- The purchasing price of the transferred capital is determined on a case-by-case basis as follows:

+ In case of transfer of contributed capital for enterprise establishment, it is the accumulated value of contributed capital up to the date of capital transfer according to accounting books, invoices, and other documents and is certified by investors or participants in the business cooperation contract (or according to audit results provided by an independent audit company if the enterprise is a foreign-owned enterprise).

++ In case of capital redemption, it is the value of capital at the time of redemption. The purchasing price is based on the capital redemption contract and payment receipts.

If the enterprise is able to do accounting in foreign currencies and complies with regulations of law on accounting of capital transfer in foreign currencies, the transfer price and purchasing price of contributed capital shall be expressed in a foreign currency. In case an enterprise that does accounting in VND transfers contributed capital in a foreign currency, the transfer price must be converted into VND according to the buying rate announced by the commercial bank where the enterprise's account is opened at the time of transfer.

**Article 9. Clause 3 Article 17 of Circular No. 78/2014/TT-BTC is amended as follows:**

**“3. Determination of CIT payable:**

CIT on real estate transfer in the period equals (=) assessable income from real estate transfer multiplied by (x) 22%.

Income from real estate transfer must be declared separately and is not eligible for CIT incentives.

Tax declaration and receipts of payment of CIT from real estate transfer in the administrative division where the transferred real estate is located are the basis for settling tax in the headquarter's administrative division where”.

**Article 10. Some contents of Article 18 of Circular No. 78/2014/TT-BTC (amended in Article 5 of Circular No. 151/2014/TT-BTC) are amended as follows:**

**1. Clause 3 Article 18 of the Circular No. 78/2014/TT-BTC is amended as follows:**

**“3. CIT incentives and 20% tax do not apply to the following incomes (including those of enterprises eligible for 20% tax prescribed in Clause 2 Article 11 of Circular No. 78/2014/TT-BTC):**

a) Incomes from transfer of contributed capital or right to contribute capital; incomes from real estate transfer (except for incomes from investment in operation of social housing prescribed in Point d Clause 3 Article 19 of Circular No. 78/2014/TT-BTC); Incomes from transfer of project of investment or the right to participate in project of investment, transfer of the right to mineral exploration and extraction; incomes from overseas business operation.

b) Incomes from exploration and extraction of petroleum, other rare and valuable resources, and income from mineral extraction.

c) Income from provision of services subject to special excise tax prescribed by the Law on Special excise tax.”

**2. Clause 4 Article 18 of the Circular No. 78/2014/TT-BTC is amended as follows:**

“4. Incentives for enterprises whose projects of investment are given CIT incentives because their fields or areas are given investment incentives (hereinafter referred to as favored fields and favored areas) are determined as follows:

a) In case of an enterprise whose project of investment is given CIT incentives because of its favored field, the incomes from such field, incomes from liquidation of refuses and scrap of products in such field, exchange differences directly related revenues and expenses of such field, demand deposit interest, and other directly related incomes are also given CIT incentives.

b) In case of an enterprise whose project of investment is given CIT incentives because it is located in a favored area (including industrial parks, economic zones, hi-tech zones), incomes given CIT incentives are those derived from business activities within such area, except for the incomes mentioned in Points a, b, c Clause 1 of this Article.

- In case of an enterprise whose project of investment in transport is given CIT incentives because it is located in a favored area (including industrial parks, economic zones, hi-tech zones), the enterprise will be given CIT incentives for incomes from transport services based in the favored area, whether the departure or destination is located in the same area as the project.

Example 15a: In 2015, a new enterprise is established in Son La province, which is an extremely disadvantaged province, to provide transport services. Thus, the enterprise will be given CIT incentives applied to extremely disadvantaged areas.

In 2015, it has several fixed routes (from Son La to Hanoi and vice versa; from Son La to Ha Long city and vice versa) and contractual routes (from Son La to Da Nang city and vice versa; from Hanoi to Da Nang city and vice versa; from Bac Ninh city to Son La).

CIT incentives for incomes from transport services are determined according to the area in which the project is established (Son La province), whether the departure or destination is located in such area. To be specific:

+ Incomes from the following routes are given CIT incentives: fixed routes from Son La to Hanoi and vice versa, from Son La to Ha Long city and vice versa; contractual routes from Son La to Da Nang city and vice versa, from Bac Ninh city to Son La.

+ Income from the route from Hanoi to Da Nang city is not given CIT incentives because both the departure place and destination are not located in Son La province.

- If an enterprise whose project of investment is given CIT incentives because it is located in a favored area earns incomes outside the area in which the project is located:

(i) If the area in which the income is earned is not a favored area, the income will not be given CIT incentives.

(i) If the area in which the income is earned is a favored area, the income will be given CIT incentives. CIT incentives for such income shall be determined according to the time and level of incentives in the area.

\* Example 15b: CIT incentives in eligible areas (applied to manufacturing):

In 2012, an enterprise has a new project of investment in manufacturing in Ha Giang province, which is an extremely disadvantaged area. Thus, the enterprise will be given CIT incentives applied to extremely disadvantaged areas.

In 2015, the enterprise starts manufacturing products in Ha Giang province and sell them in Ha Giang province and adjacent provinces including Cao Bang province (an extremely disadvantaged area), Lao Cai city (a disadvantaged area), and Hanoi (not given incentives). Because all products are manufactured in Ha Giang province, the incomes from sale of products in Ha Giang province and other provinces will be given CIT incentives.

\* Example 15c: CIT incentives in eligible areas (applied to construction):

In 2015, a new construction enterprise is established in Ha Giang province, which is an extremely disadvantaged area. Thus, the enterprise is given CIT incentives applied to extremely disadvantaged areas.

In 2015, the enterprise engages in some construction activities in Ha Giang province and adjacent provinces including Cao Bang (an extremely disadvantaged area), Lao Cai city (a disadvantaged area), and Hanoi (not given incentives). The incomes from construction activities in Ha Giang province are given CIT incentives. CIT incentives for incomes from construction activities in adjacent are determined as follows:

- + Incomes earned in Cao Bang province (an extremely disadvantaged area) are given CIT incentives for the remaining incentive period of the enterprise.

- + Incomes earned in Lao Cai city are given CIT incentives applied to disadvantaged areas with the same level and duration of incentives in Lao Cai city for the remaining incentive period of the enterprise.

- + Incomes earned in Hanoi are not given CIT incentives.

\* Example 15d: CIT incentives in eligible provinces (applied to service provision):

In 2015, a new enterprise is established in Ha Giang province, which is an extremely disadvantaged area, to provide services. Thus, the enterprise will be given CIT incentives applied to extremely disadvantaged areas.

In 2015, the enterprise provides services in Ha Giang province and adjacent provinces including Cao Bang (an extremely disadvantaged area), Lao Cai city (a disadvantaged area), and Hanoi (not given incentives). The incomes from services provided in Ha Giang province are given CIT incentives. CIT incentives for incomes from services provided in adjacent are determined as follows:

- + Incomes earned in Cao Bang province are given CIT incentives for the remaining incentive period of the enterprise.

- + Incomes earned in Lao Cai city are given CIT incentives applied to disadvantaged areas for the remaining incentive period of the enterprise.

- + Incomes earned in Hanoi are not given CIT incentives.

c) Enterprises eligible for 20% tax may apply 20% tax to their incomes except for those mentioned in Points a, b, c Clause 1 of this Article”.

**3. Clause 5 Article 18 of Circular No. 78/2014/TT-BTC (amended in Article 5 of Circular No. 151/2014/TT-BTC) is amended as follows:**

**“5. With regard to new project of investments:**

a) New projects of investment that are given CIT incentives prescribed in Article 15 and Article 16 of Decree No. 218/2013/ND-CP include:

- Projects that are granted First investment certificates from January 01, 2014 and earn revenues after the grant of certificates of investment.
- Any domestic project of investment that is associated with establishment of a new enterprise whose capital is below VND 15 billion, not on the list of fields subject to conditions, and granted the Certificate of Enterprise registration from January 01, 2014.
- Any project of investment that is independent from the project of an operating enterprise (including those whose capital is below VND 15 billion and not on the list of fields subject to conditions) and granted the Certificate of Enterprise registration from January 01, 2014 to execute such independent project.
- Private notary offices established in disadvantaged areas and extremely disadvantaged areas.

New projects of investment must be granted investment licenses or certificates of investment as prescribed by regulations of law on investment in order to be given CIT incentives.

b) New projects of investment given CIT incentives applied to new investments do not include:

- Projects of investment derived from division, acquisition, amalgamation, conversion of enterprises as prescribed by law;
- Projects of investment derived from change of owners (including new projects of investment that inherit assets, business premises, or business lines of the old enterprises to continue business operation; acquisition of an operating project).

Enterprises that establish or have projects of investment from enterprise conversion, change of owner, division, acquisition, and consolidation may inherit CIT incentives of the enterprises or projects of investment before the conversion, division, acquisition, consolidation for the remaining incentive period if all conditions for CIT incentives are satisfied.

c) CIT incentives given new enterprises derived from projects of investment only apply to incomes from business operations that satisfy incentive conditions written on the enterprise's Certificate of Enterprise registration or First Investment Certificate. If the Certificate of Enterprise Registration or Certificate of Investment of an operating enterprise is changed and such changes do not affect the fulfillment of conditions for tax incentives of the project, the enterprise is still given tax incentives for the remaining period or incentives for investment in expansion if conditions for incentives are satisfied.

d) With regard to projects of investment granted the investment licenses, if the invested capital, investment phases, investment schedule have been registered with the licensing authority, if the next phases are considered sub-projects of the licensed projects because they are executed on schedule (except for force majeure events, objective difficulties due to land clearance, administrative procedures of regulatory bodies, natural disasters, conflagration, or other force majeure events), then the sub-projects of the project granted the First investment certificate will be given tax incentives for the remaining incentive period from the day on which they earn revenues that are given incentives.

With regard to projects of investment licensed before January 01, 2014 that have investment phases as stated above, their sub-projects are given tax incentives applied to first projects of investment for the remaining incentive period from January 01, 2014.

With regard to incomes for sub-projects of first projects of investment earned before January 01, 2014 and have been given CIT incentives according to legislative documents before January 01, 2014, the tax incentives before January 01, 2014 shall not be adjusted.

While executing sub-projects, if the investor is permitted by an investment authority (according to the Law on Investment No. 59/2005/QH11 dated November 29, 2015 and its guiding documents) to extend the time limit for project execution and the enterprise complies with the extended time limit, such enterprise is also given tax incentives as prescribed above.

dd) With regard to private enterprises that make investment in the public sector, are derived from enterprise conversion, and satisfy conditions for private sector involvement according to the Prime Minister's Decisions, if the enterprise was not given tax incentives applied to favored fields, it will be given tax incentives as if a new project of investment from the conversion date.

If an enterprise is converted, satisfies conditions for private sector involvement according to the Prime Minister's Decisions, and is applying 10% CIT to incomes from investment in the public sector, it may keep applying this preferential rate.

**4. Point a Clause 6 Article 18 of Circular No. 78/2014/TT-BTC (amended in Clause 5 of Circular No. 151/2014/TT-BTC) is amended as follows:**

**“6. Investment on expansion**

a) If any of the three conditions prescribed in this Point is satisfied, the enterprise having a project on investment in another operating project such as expansion of production scale, increase of capacity and innovation of production technology (hereinafter referred to as expansion projects) in a favored field or favored area that is given CIT incentives under Decree No. 218/2013/ND-CP (including economic zones, hi-tech zones, industrial parks other than those located in urban districts of special-grade cities, centrally run grade-I cities and grade-I provincial cities) decide whether to apply CIT incentives to their operating project for the remaining period (including preferential rates, exemption, and reduction, if any) or apply tax exemption or reduction to the increase in incomes from expansion investment (no preferential tax rates) for a period of time equal to the tax exemption or reduction period applied to new

investment projects in the same favored area or favored field that is given CIT incentives. If the enterprise chooses to apply CIT incentives to their operating project for the remaining period, the expansion project must be in the field or area given CIT incentives under Decree No. 218/2013/ND-CP and in the same field or area with the operating project.

The expansion project mentioned in this Point must satisfy one of the following criteria:

- The increase in cost of fixed assets when the project is finished and put into operation is at least VND 20 billion (if the expansion project is of a field eligible for CIT incentives according to Decree No. 218/2013/ND-CP) or VND 10 billion (if the expansion project is located in a disadvantaged area or extremely disadvantaged area according to Decree No. 218/2013/ND-CP).
- The ratio of increase in cost of fixed assets is at least 20% of total cost of fixed assets before investment.
- The designed capacity after expansion increases by at least 20% compared to the designed capacity mentioned in the technical and economic feasibility study done before initial investment.

If the enterprise chooses incentives applied to expansion investment, the increase in income from expansion investment must be accounted for separately. If the enterprise is not able to separate the increase in income from expansion investment, the income from expansion investment shall be determined according to the ratio of cost of new fixed assets to total cost of fixed assets of the enterprise.

The duration of tax exemption or reduction mentioned in this Clause begins from the year in which the expansion project is finished, is put into operation, and generates incomes. If taxable income is not earned within the first 03 years from the first year in which the expansion project generate revenues, the duration of tax exemption or reduction will begin from the fourth year in which revenue is generated by the project of investment.

In an operating enterprise invests in upgrade, replacement, innovation of technology of an operating project in a field or area given tax incentives according to Decree No. 218/2013/ND-CP without satisfying any of the criteria mentioned in this Point, tax incentives shall apply to the project for the remaining period (if any).

If the enterprise has a project of investment which is given tax incentives and during the period 2009 – 2013 regularly makes investment in additional machinery and equipment that is not part of the aforesaid expansion project, the increase in income from investment in additional machinery and equipment is also given tax incentives at the level being applied to the project for the remaining period from the tax year 2014.

Tax incentives mentioned in this Clause do not in the cases of expansion investment due to division, merger, change of owners (including the cases in which assets, business premises, business lines of the old enterprise are inherit to continue the business operation), or acquisition of operating projects or enterprises.

Enterprises having projects of investment derived from change of owners, division, acquisition, or consolidation of enterprises may inherit CIT incentives of the enterprises or projects of investment before the change of owners, division, acquisition, or consolidation for the remaining period if they keep satisfying conditions for CIT incentives.

**5. Clause 8a is added to Article 18 of Circular No. 78/2014/TT-BTC as follows:**

“8a. In the first tax period, if the enterprise’s projects of investment (including new projects, expansion projects, high-tech enterprises, agriculture enterprises applying high technologies) have a tax incentive duration of shorter than 12 months, the enterprise may choose to apply tax incentives to the project of investment from that first tax period or register the beginning date of tax incentive period to the tax authority from the next tax period. If the enterprise registers to apply tax incentives from the next tax period, tax payable in the first tax period must be calculated and paid to state budget as prescribed”.

**Article 11. Some contents of Article 19 of Circular No. 78/2014/TT-BTC are amended as follows:**

**1. Clause 1 Article 19 of Circular No. 78/2014/TT-BTC is amended as follows:**

“1. 10% rate for 15 years is applied to:

a) Incomes of the enterprise from execution of new projects of investment in extremely disadvantaged areas according to the Appendix of Decree No. 218/2013/ND-CP, economic zones, hi-tech zones, including concentrated IT zones established under the Prime Minister’s Decisions.

b) Incomes of the enterprise from execution of new projects of investment in: scientific research and technology development; application of high technologies given priority according to the Law on High Technology; cultivation of high technology, cultivation of high-tech enterprises; venture capital investment in development of high technologies on the list of high technologies given priority; investment in construction, operation of facilities for cultivation of high technologies, cultivation of high-tech enterprises; investment in development of water plants, power plants, water supply and drainage system; bridges, roads, railroads, airports, seaports, air terminals, train stations, and other particularly important infrastructural works decided by the Prime Minister; software production; manufacture of composite materials, light building materials, rare and valuable materials; production of renewable energy, clean energy, waste-to-energy process, development of biotechnology.

Projects of investment in development of water plants, power plants, water supply and drainage system; bridges, roads, railroads, airports, seaports, air terminals, train stations must generate revenues or incomes from their operation in order to be given tax incentives. Income from construction of such works of the construction enterprise is not given the aforesaid tax incentives.

c) Incomes of enterprises from execution of new projects of investment in environmental protection, including: manufacture of environmental pollution reduction devices, environment monitoring and analysis devices; pollution reduction and environmental protection; collection, treatment of wastewater, exhaust, solid wastes; recycling or wastes.

d) High-tech enterprises, agriculture enterprises applying high technologies as prescribed by the Law on High Technologies.

High-tech enterprises, agriculture enterprises applying high technologies as prescribed by the Law on High Technologies are given preferential tax rates from the year in which they are granted the Certificates of High-tech Enterprise or Certificate of Agriculture Enterprise Applying High Technologies.

Incomes from high-tech activities, application of high technologies, and incomes directly related to high-tech activities, application of high technologies of high-tech enterprises, agriculture enterprises applying high technologies are given CIT incentives applied to favored fields prescribed in Clause 4 Article 18 of Circular No. 78/2014/TT-BTC (amended in Point a Clause 2 Article 10 of this Circular).

In case an enterprise that is given CIT incentives or no longer eligible for CIT incentives is granted the Certificate of High-tech Enterprise or Certificate of Agriculture Enterprise applying High Technologies, the incentives to which the enterprise is entitled are equal to that applied to high-tech enterprises and agriculture enterprises applying high technologies prescribed in Clause 1 Article 15 and Clause 1 Article 16 of Decree No. 218/2013/ND-CP minus (-) the period during which the enterprise has been given incentives (including preferential tax rates and duration of tax exemption or reduction, if any).

dd) Incomes of enterprises from execution of new projects of investment in manufacturing (except for manufacturing of products subject to special excise tax and mineral extraction projects) that satisfy any of the following criteria:

- The project's initial capital is at least VND 6,000 billion disbursed within 03 years from the date of investment license according to regulations of law on investment, and the total revenue is at least VND 10,000 billion per year after not more than 3 years from the first year in which revenues are generated by the project (the enterprise must have a total revenue of at least VND 10,000 billion per year in the 4<sup>th</sup> year from the first year in which revenues are generated).

- The project's initial capital is at least VND 6,000 billion disbursed within 03 years from the date of investment license according to regulations of law on investment, and project regularly has over 3,000 employees after not more than 3 years from the first year in which revenues are generated by the project (the enterprise's annual average number of employees is at least 3,000 in the 4<sup>th</sup> year from the first year in which revenues are generated).

The annual average number of regular employees is determined according to Circular No. 40/2009/TT-BLĐTBXH dated December 03, 2009 of the Ministry of Labor, War Invalids and Social Affairs.

If the project of investment fails to satisfy any of the criteria mentioned above (unless it is fallen behind schedule because of objective difficulties during land clearance, administrative procedures, because of natural disaster, hostilities, conflagration and is accepted by the licensing authority and approved by the Prime Minister), the enterprise is not eligible for CIT incentives, has to declare, pay CIT that is declared eligible for incentives in the previous years (if any), pay late payment interest. Nevertheless, the enterprise will not incur any penalties for incorrect declaration as prescribed by regulations of law on tax administration.

e) Incomes of an enterprise from execution of projects of investment in manufacturing (except for manufacturing of products subject to special excise tax and mineral extraction projects) whose capital is VND 12,000 billion or over, using high technologies that must be appraised in accordance with the Law on High Technologies, the Law on Science and Technology, and capital of which is disbursed within 05 years from the date of investment licensing.

g) Incomes of an enterprise for execution of a new project of investment in manufacturing of products on the list of ancillary products given priority that satisfy any of the following criteria:

- Ancillary products are meant to support high technologies according to regulations of the Law on High Technologies;

- Ancillary products are meant to support manufacturing of: textile and garment; leather and footwear; electronics and IT products; manufacturing of cars; fabricating mechanics that, up to January 01, 2015, they cannot be manufactured in Vietnam or can be manufactured in Vietnam and satisfy technical standards of EU or equivalent standards.

List of ancillary products given priority and CIT incentives is promulgated together with the Prime Minister's Decision No. 1483/QĐ-TTg dated August 26, 2011. In case legislative documents related to the list of ancillary products given priority are amended, the new documents shall apply".

## **2. Clause 2 Article 19 of Circular No. 78/2014/TT-BTC is amended as follows:**

**"2. Cases in which period of preferential tax rates may be extended:**

a) The projects of investment prescribed in Point b and Point c Clause 1 of this Article with large scale and high/new technologies that need investment.

b) Projects prescribed in Point e Clause 1 of this Article that satisfy any of the following criteria:

- The products manufactured are capable of global competition; the revenue exceeds VND 20,000 billion per year after not more than 05 years from the first year in which revenues are generated by the project;

- Over 6,000 employees are hired;

- The project involves economic-technical infrastructure, including: investment in development of water plants, power plants, water supply and drainage system; bridges, roads, railroads, airports, seaports, air terminals, train stations, new energy, clean energy, energy-saving industry, oil refinery.

c) At the request of the Minister of Finance, the Prime Minister shall decide extension of preferential tax rate duration prescribed in this Clause. Nevertheless, the extension shall not exceed 15 years”.

**3. Point a Clause 3 Article 19 of Circular No. 78/2014/TT-BTC is amended as follows:**

“3. 10% tax over the entire operating period is applied to:

a) Incomes of enterprises investment in the public sector fields such as education – training, vocational training, healthcare, culture, sports, environment, and judicial expertise.

The list of types, criteria for scale, and standards of enterprises making investment in the public sector is compiled by the Prime Minister”.

**4. Point e Clause 3 Article 19 of Circular No. 78/2014/TT-BTC is amended as follows:**

“3. 10% tax over the entire operating period is applied to:

e) Incomes of enterprises from planting, cultivating, protecting forests; farming, husbandry, aquaculture in disadvantaged areas; forestry in disadvantaged areas; production, propagation and cross-breeding of plant varieties, animal breeds; production, extraction, and refining of salt except for salt production prescribed in Clause 1 Article 4 of Decree 218/2013/ND-CP; investment in post-harvest preservation of agriculture products; preservation of agriculture products, aquaculture products, and foods, including direct investment in preservation and lease of preservation equipment”.

**5. Clause 3a is added to Article 19 of Circular No. 78/2014/TT-BTC as follows:**

“3a. 15% tax is applied to incomes of enterprises from farming, husbandry, processing of agriculture and aquaculture products in areas other than disadvantaged areas and extremely disadvantaged areas”.

**Article 12. Some contents of Article 20 of Circular No. 78/2014/TT-BTC are amended as follows:**

**1. Point a Clause 1 Article 20 of Circular No. 78/2014/TT-BTC is amended as follows:**

“1. Tax exemption for 4 years and 50% tax reduction for the next 9 years are applied to:

a) Incomes of enterprises from execution of projects of investment prescribed in Clause 1 Article 19 of Circular No. 78/2014/TT-BTC (amended in Clause 1 Article 11 of this Circular)”.

**2. Clause 4 Article 20 of Circular No. 78/2014/TT-BTC is amended as follows:**

**“4.** The continuous period of tax exemption/reduction prescribed in this Article begins from the first year in which the enterprise earns taxable income from the new project of investment which is given tax incentives. In case the enterprise does not have taxable income in the first 03 years, the period of tax exemption/reduction begins in the 4<sup>th</sup> year from the first year revenue is generated by the new project.

Example 20: In 2014, enterprise A has a new project of investment in software production. If enterprise A earns taxable income from the project in 2014, the continuous period of tax exemption/reduction will begin from 2014. If the project generates revenue from 2014 but still does not generate taxable income in 2016, the continuous period of tax exemption/reduction will begin in 2017.

The period of tax exemption/reduction applied to high-tech enterprises, agriculture enterprises applying high technologies will begin from the year in which they are granted the Certificate of High-tech Enterprise or Certificate of Agriculture Enterprise Applying High Technologies”.

**Article 13. Clauses 2a, 2b, 2c, 2d, 2dd are added to Article 23; Clause 3 Article 23 of Circular No. 78/2014/TT-BTC are amended as follows:**

**1. Clauses 2a, 2b, 2c, 2d, 2dd are added to Article 23 of Circular No. 78/2014/TT-BTC as follows:**

**“2a.** Enterprises that have expansion projects licensed by competent authorities, have made investment during 2009 – 2013, and satisfy conditions for tax incentives in the tax period 2014 (in terms of favored fields or favored areas, including industrial parks, economic zones, hi-tech zones) according to the Law No. 32/2013/QH13, the Law No. 71/2014/QH13 and their guiding documents shall be given tax incentives applied to expansion investment according to the Law No. 32/2013/QH13, the Law No. 71/2014/QH13 and their guiding documents for the remaining period from the tax period 2015.

With regard to enterprises that have projects in production expansion that are still incomplete on December 31, 2008, still under construction in 2009, finished and put into operation from 2010, if they satisfy conditions for tax incentives (in terms of favored fields or favored areas, including industrial parks, economic zones, hi-tech zones) according to regulations at the time expansion investment is decided, they may choose between incentives for increase in income from expansion investment according to legislative documents applicable at the time expansion investment is decided, or according to regulations of the Law No. 32/2013/QH13, the Law No. 71/2014/QH13 and their guiding documents for the remaining period from the tax period 2015.

**2b.** Enterprises that have projects of investment in industrial parks during 2009 – 2013 and satisfy conditions for tax incentives in the tax period 2014 (in terms of favored fields or favored areas) according to the Law No. 32/2013/QH13, the Law No. 71/2014/QH13 and their guiding documents shall be given tax incentives according to the Law No. 32/2013/QH13, the Law No. 71/2014/QH13 and their guiding documents for the remaining period from the tax period 2015.

**2c.** Enterprises that have projects of investment in areas that are not given tax incentives before January 01, 2015 (including industrial parks, economic zones, hi-tech zones) and are given tax incentives from January 01, 2015 according to the Law No. 32/2013/QH13, the Law No. 71/2014/QH13 and their guiding documents shall be given tax incentives according to the Law No. 32/2013/QH13, the Law No. 71/2014/QH13 and their guiding documents for the remaining period from the tax period 2015.

With regard to enterprises that have projects of investment in an area given tax incentives but receive lower incentives, if they satisfy conditions for higher tax incentives according to the Law No. 32/2013/QH13, the Law No. 71/2014/QH13 and their guiding documents, they shall be given tax incentives according to the Law No. 32/2013/QH13, the Law No. 71/2014/QH13 and their guiding documents for the remaining period from the tax period 2015.

**2d.** After January 01, 2015, if the area where the enterprise's project is located is made eligible for tax incentives, the enterprise will receive tax incentives for the remaining period from the tax period in which such change is made.

**2dd.** In the cases mentioned in Clauses 2a, 2b, 2c of this Article, if revenue is yet to be generated by the project in the tax period 2015, the continuous period of application of preferential tax rate will begin in the first year in which revenue is generated by the project given tax incentives. In the cases mentioned in Clauses 2a, 2b, 2c of this Article, if income is yet to be generated by the project, the continuous period of tax exemption/reduction will begin in the first year in which taxable income is generated by the project given tax incentives (if the enterprise does not have taxable income in the first 03 years, the period of tax exemption/reduction will begin from the 4<sup>th</sup> year from the first year in which revenue is generated by the project)".

## **2. Clause 3 Article 23 of Circular No. 78/2014/TT-BTC is amended as follows:**

**"3.** With regard to a new enterprise derived from a project of investment that is granted the investment license or certificate of investment before January 01, 2014 but still incomplete, yet to be put into operation and thus has not generated revenues, the enterprise will be given CIT incentives applied to new projects of investment according to the Law No. 32/2013/QH13, the Law No. 71/2014/QH13 and their guiding documents.

With regard to an enterprise that executes its expansion project before January 01, 2014, put it into operation, and earn revenues from January 01, 2014, if such expansion project ) is of a favored field or in a favor area given CIT incentives under Decree No. 218/2013/ND-CP (including economic zones, hi-tech zones, industrial parks other than those located in urban districts of special-grade cities, centrally run grade-I cities and grade-I provincial cities), the enterprise will be given CIT incentives for the increase in income due to expansion as instructed in Circular No. 78/2014/TT-BTC".

## **Article 14. Effect**

**1.** This Circular comes into force from August 06, 2015 and applies to the CIT tax period 2015 onwards.

- With regard to enterprises whose fiscal year is not solar calendar year:
  - + The transfer of CIT incentives (tax exemption/reduction period, preferential tax rate period) prescribed in this Circular will apply to the remaining period from the tax period 2015.
  - + Other amended and supplemented contents come into force from January 01, 2015.
  - Enterprises shall declare and pay tax on incomes from overseas projects of investment that are generated from the tax period 2014 and earlier in accordance with the Circular on CIT applicable at that time. From 2015, transfer of such incomes to Vietnam is exempt from tax declaration and payment. This Circular shall apply to incomes from overseas projects of investment from the tax period 2015.
2. Point 2.21 of Clause 2 Article 6, Clause 5 Article 20 of Circular No. 78/2014/TT-BTC, and guidance on CIT promulgated by the Ministry of Finance and other authorities that contravene this Circular are annulled.

**Article 15. Responsibility for implementation**

1. The People's Committees of provinces shall direct responsible for authorities to organize the implementation of this Circular in accordance with regulations of the government and guidance of the Ministry of Finance.
2. Tax authorities are responsible for disseminating this Circular and instructing enterprises to implement this Circular.
3. Enterprises regulated by this Circular must comply with this Circular.

Difficulties that arise during the implementation of this Circular should be reported to the Ministry of Finance for consideration./.

**PP MINISTER  
DEPUTY MINISTER**

**Do Hoang Anh Tuan**