

# Tax Alert

## Tax and Legal

August 2019

### Proposed amendment to Decree 20 on interest deductibility

On 1 May 2017, Decree 20 introduced a new interest deductibility rule which limits the tax deduction of the company's total interest expense to 20% of its earnings before interest, tax, depreciation and amortization ("EBITDA").

As a result of this 20% interest deductibility rule, there are a number of unclear issues of application and unexpected outcomes. In recognition of these matters, the Ministry of Finance has been instructed to review the application of Decree 20/2017/ND-CP and to the extent necessary, submit proposed amendments for consideration by the Government.

While this review is at early stage, the Ministry of Finance is now working on this matter and we anticipate that the interest deductibility rule will be amended in due course.

We have been discussing some issues with the regulators which may be reviewed include:

- Whether this rule should apply to non-related party debt (e.g. loans from credit institutions etc);
- What is the treatment of interest deductibility where the taxpayer's EBITDA is negative;
- Whether non-deductible interest can be carried forward and offset against future profits; and
- Whether the current 20% ratio should be changed given a variety of different industry issues including the impact on construction and infrastructure projects and start-ups amongst others.

We understand the Government will consider a submission from the Ministry of Finance in the last quarter of this year. We also hope that any proposed draft amendments to Decree 20 will be circulated for consultation before enactment and we will make this recommendation.

We will monitor the progress of this important development and engage in technical discussions with the Ministry of Finance and provide further information as it becomes publicly available.

In the meantime, if you would like to discuss this matter further please contact your local KPMG Vietnam tax team.

## Contact us

### KPMG Tax and Advisory Limited

**Warrick Cleine**  
Chairman & CEO  
Vietnam and Cambodia  
Managing Partner of Deals, Tax and Legal

#### Hanoi

Do Thi Thu Ha, Office Senior Partner  
Hoang Thuy Duong, Partner  
Le Thi Kieu Nga, Partner  
Nguyen Thu Huong, Partner  
Nguyen Ngoc Thai, Director  
Nguyen Hai Ha, Director  
Pham Thi Quynh Ngoc, Director  
Ho Dang Thanh Huyen, Director  
Nguyen Huong Giang, Director  
Nguyen Manh Cuong, Director  
Le Minh Thu, Director  
Tran Thi Thuy Ha, Director  
Tran Van Trung, Director  
Pham Quynh Oanh, Director  
Tran Thi Thanh Minh, Director  
Ryosuke Okado, Japanese Desk

46<sup>th</sup> Floor, Keangnam Hanoi Landmark Tower,  
72 Building, Plot E6, Pham Hung Street,  
Cau Giay New Urban Area, Me Tri Ward,  
South Tu Liem District, Hanoi, Vietnam

T: +84 (24) 3946 1600  
F: +84 (24) 3946 1601  
E: kpmghanoi@kpmg.com.vn

#### Ho Chi Minh City

Nguyen Cong Ai, Office Senior Partner  
Richard Stapley-Oh, Partner  
Ninh Van Hien, Partner  
Ta Hong Thai, Partner  
Ho Thi Bich Hanh, Partner  
Nhan Huynh, Partner  
Dean Rolfe, Partner  
Joseph Vu, Partner  
Andrea Godfrey, Executive Director  
Nguyen Thanh Hoa, Director  
Nguyen Thanh Tam, Director  
Tran Duy Binh, Director  
Bui Thi Thanh Ngoc, Director  
Pham Thi Thuy Hong, Director  
Nguyen Quang Phuc, Director  
Yasuhisa Taninaka, Japanese Desk

10<sup>th</sup> Floor, Sunwah Tower,  
No. 115, Nguyen Hue Street,  
Ben Nghe Ward, District 1,  
Ho Chi Minh City, Vietnam

T: +84 (28) 3821 9266  
F: +84 (28) 3821 9267  
E: kpmghcmc@kpmg.com.vn

Follow us on:

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2019 KPMG Limited, KPMG Legal Limited, KPMG Tax and Advisory Limited, all Vietnamese one member limited liability companies and member firms of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

[kpmg.com.vn](http://kpmg.com.vn)