

Technical Update

Tax and Legal

April 2020

Decree 41 on tax payment concessions to support taxpayers due to Covid-19 pandemic

Following KPMG's Tax Alert dated 17/3/2020 on the above subject matter, the Government officially issued Decree 41/2020/ND-CP on 8/4/2020 to extend the timeline for the payment of Corporate Income Tax ("CIT"), Value Added Tax ("VAT"), Personal Income Tax ("PIT") and land rental for specified months for eligible taxpayers who are economically impacted by the pandemic.

Compared to the original draft decree circulated for consideration, Decree 41 has significantly broadened the categories of eligible taxpayers for these tax concessions. The details are as follows:

1. Applicable taxpayers

Enterprises, organizations, business individuals and business households engaged in:

- The production/processing in the following economic sectors: agriculture, forestry and fishery; food; weaving; clothing; leather and related products; wood and bamboo products (except beds, wardrobes, tables and chairs); products from straw and plaiting materials; paper and paper originated products; products from plastic; products from other non-metallic minerals; metal production; mechanical; treating and overlaying metal; electronic products, computers and optical products; automotive and motor vehicle; beds, wardrobes, tables, chairs; construction.
- Transportation and warehousing; hospitality and catering; education and training; medical services and social supporting activities; real estate business; employment related services; activities of travel agencies, tourism and support services; composing, recreation and entertainment activities; activities of libraries, archives, museums and other cultural activities; sports and entertainment activities; movie show.
- Producing prioritized supporting industrial products; key mechanical products.
- Micro and small-sized enterprises defined under the Law on support towards small and medium-

sized enterprises No. 04/2017/QH14 and guiding Decree 39/2018/ND-CP dated 11 March 2018.

- Credit institutions, branches of foreign banks which implement supporting solutions for clients which are enterprises, organizations and individuals affected by Covid-19 pandemic as regulated by the State Bank of Vietnam. The list of the participating banks will be announced by the State Bank of Vietnam.

2. Deferral of CIT, VAT, PIT and land rental payment to the eligible taxpayers

(i). Deferral of CIT payments

- Eligible taxpayers will be granted a 5-month payment extension (holiday) for the outstanding 2019 CIT finalisation amount (if not already paid) as well as CIT payable for the first and second quarters of the tax year 2020.
- If a taxpayer has already paid the 2019 CIT finalisation amount to the State Budget, it will be allowed to credit this CIT adjustment amount by offsetting against other taxes payable in 2020.
- CIT deferral will also be applied to branches or affiliated business units of eligible taxpayers as identified above, except branches or affiliated business units do not involve into business activities entitled to tax payment deferral.

(ii). Deferral of VAT payments, except for import VAT

- Eligible taxpayers will be granted a 5-month payment extension as follows:
 - Where taxpayers declare and pay VAT on a monthly basis: a 5-month extension of VAT payment deadline shall be applied for March, April, May and June of 2020.
 - Where taxpayers declare and pay VAT on a quarterly basis: a 5-month extension of VAT payment deadline shall be applied for Quarter 1 and Quarter 2 of 2020.
- This payment extension will also be applied to branches or affiliated business units of eligible taxpayers as identified above, except branches or affiliated business units do not involve into business activities entitled to tax payment deferral.

(iii) Deferral of land rental payments

- Eligible taxpayers will be granted a 5-month payment extension as follows:
 - Extend the deadline of land rental payment for the first reporting period of 2020 for taxpayers which rent the land directly from the Government and pay land rental on an annual basis.
 - The extension of land rental payment shall be 5 months and no later than 31 October 2020.

(iv). Extend the timeline for PIT and VAT payment of business individuals and business households

- Extend the PIT and VAT payment due in 2020 up to 31 December 2020 for business individuals and business households engaged in the above-mentioned business sectors.

Eligible taxpayers engage in various business activities, including those stipulated under the Decree, can defer all the CIT and VAT payable, meanwhile business households and individuals can defer all PIT and VAT payable in accordance with this Decree.

(v). Administration matters

These tax payment concessions are not automatically applied and subject to a request for deferral submitted by eligible taxpayers to their local tax authorities.

Taxpayers is required to submit a request for deferral of tax and land rental payment directly to the administrative tax authority once for all applicable taxations and land rental together with the monthly (or quarterly) tax declarations, or separately submitted such request by 30 July 2020. No interest is collected during the payment deferral period.

If you require further assistance, please contact KPMG for information on the above matters.

Contact us

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