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Tax Alert

Tax and Legal

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Draft Decrees: increase the cap of deductible interest expenses and extend the deadline for implementation of compulsory e-invoicing

The Ministry of Finance ("MoF") recently composed two key draft Decrees to be tabled to the Prime Minister for consideration, including a draft decree to increase the cap of deductible interest expenses under Clause 3 Article 8 of Decree 20/2017/ND-CP and a draft decree on invoicing.

Regarding deductible interest expenses

According to the draft Decree, the MoF has proposed to increase the interest deductibility cap from the current 20% to a proposed 30% of earnings before interest, tax, depreciation and amortization ("EBITDA").

The draft Decree also clarifies that interest expense subject to this proposed new 30% EBITDA cap is a net interest amount. That is to say, interest expenses can now be offset against interest income. Furthermore, capitalized interest is not included within the meaning of interest that is subject to this cap.

Regrettably, un-deducted interest cannot be carried forward and used in future years.

The cap shall not be applied to credit institutions incorporated under the Law on Credit Institutions, insurance companies incorporated under the Law on Insurance Trading, security companies incorporated under Law on Securities, loans under Official Development Assistance programs, the Government's concessional loans whereby the Government acquires foreign loans to re-lend to enterprises.

It is expected that the proposal be approved soon by the Prime Minister and to be applied for the 2019 financial year.

Regarding e-invoicing

According to the draft Decree, the proposed deadline for implementation of compulsory e-invoicing will be extended to 1 July 2022 (from the current deadline of 1 November 2020). This is in line with the new Law on Tax Administration 2019.

We will monitor and keep you posted once the official Decrees are ratified.

Contact us

KPMG Tax and Advisory Limited
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KPMG has one of the largest tax and legal practices in Vietnam and Cambodia. Established in 1994, we have 25 years of substantial experience in a variety of sectors including financial services, real estate, construction, energy, infrastructure, consumer, retail, industrial manufacturing, transport and logistics.

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