

Vietnam News Brief*

An update on CIT reduction and extension of payment deadline

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Corporate Income Tax (CIT) reduction and extension of payment deadline

The Ministry of Finance (MoF) issued Circular 03 on 13 January 2009 announcing a reduction of the CIT liability for Quarter 4/2008 and the whole of 2009 for Small and Medium Enterprises (SMEs). The Circular also provides an extension of the due date for 2009 quarterly CIT payments for SMEs and enterprises engaged in manufacturing or processing products of agriculture, forestry, aquaculture, textile and garment, leather and footwear and electronic components (“eligible enterprises”).

1. SMEs

According to Circular 03, SMEs are defined as companies that meet one of the following conditions:

- (i) having charter capital per the Business registration certificate or Investment license not exceeding VND 10 billion; or
- (ii) employing less than 300 employees on average in quarter 4/2008.

2. CIT reduction

SMEs shall be entitled to a 30% CIT reduction in quarter 4/2008 and the whole of 2009. Eligible companies are required to insert a line in the quarterly return, stating that the companies are eligible for the 30% CIT reduction.

For 2008 annual CIT finalization purposes, if the company can determine the actual Quarter 4/2008 results, this should be the basis for applying the 30% CIT reduction. Otherwise, if the company is unable to determine the actual results, one quarter of the annual results will be used as the basis.

3. CIT payment deadline extension

In addition to the CIT reduction, SMEs and eligible enterprises are also eligible to a 9 month delay of 2009 CIT payments. Accordingly, for these enterprises the extended deadline for 2009 CIT payment is as follows:

- Quarter 1/2009 provisional CIT: 29 January 2010
- Quarter 2/2009 provisional CIT: 29 April 2010
- Quarter 3/2009 provisional CIT: 29 July 2010
- Quarter 4/2009 provisional CIT: 29 October 2010

Temporary VAT refund and delay of import duty of imported materials

On the same date, the MoF also issued Circulars 04 and 05.

According to Circular 04, export enterprises can get a temporary refund of 90% of the total input VAT within 7 days from the date the application is submitted. The remaining 10% will be refunded after the necessary supporting documents are submitted.

According to Circular 05, enterprises in the ship building industry, mechanics, agricultural product processing that import materials for producing exported goods may have a further delay in payment of import duty.

If you have any questions or need further information, please don't hesitate to contact us.