

NEW DECREE ON FISCAL STIMULUS MEASURES

The Government issued Decree 101/2011/ND-CP on 4 November (“the Decree”) providing implementation of Resolution 08/2011/QH13 dated 6 August. There are some notable additional points compared with the draft Decree which we discussed in our NewsBrief dated 30 August, including:

Personal Income Tax ("PIT")

- From 1 August 2011 to 31 December 2012, dividends are entitled to PIT exemption, with the exception of dividends from joint-stock banks, financial investment funds and credit institutions. The Decree has removed the exemption provided for 2012 profits distributed after 31 December 2012 mentioned in the draft Decree. It is therefore unclear if the PIT exemption will also apply to such dividends.
- From 1 August 2011 to 31 December 2012, income from sales of securities is entitled to a 50% PIT reduction.
- From 1 August to 31 December 2011, individuals having employment income and/or business income subject to PIT at the lowest rate of 5% (i.e. 2011 average monthly assessable income after tax relief does not exceed VND5 million) are entitled to PIT exemption.

Corporate Income Tax ("CIT")

All proposed provisions in the draft decree have been formalized in the Decree. In addition, the Decree further clarifies the below points:

- 30% 2011 CIT reduction applies to labour intensive companies engaged in construction (i.e. construction or installation) of certain infrastructure: water plants, power plants, electricity transmission and distribution facilities, water supply and drainage systems, bus stations, social houses, cinemas, waste water and solid waste treatment systems, and telecommunication and irrigation constructions for agricultural, forestry and aquatic purposes.
- Employees of subsidiaries will not be counted in calculating the number of employees of the parent company of a group for the determination of the parent company's eligibility for the 30% 2011 CIT reduction.

This Decree will come into force from 20 December.

Please contact us if you need further information.