

FURTHER GUIDANCE ON 2009 CIT FINALISATION

Although the submission deadline for the 2009 CIT final return has passed, on 7 June 2010, the Ministry of Finance issued Letter 7250/BTC-TCT providing further guidance on the finalisation of the 2009 CIT return.

Notable points include:

Foreign exchange gains/ losses

According to current CIT regulations, realised foreign exchange gains are classified as other income. Letter 7250 however indicates that realised foreign exchange gains arising directly from main business activity shall be recorded as income of the respective business activity. This implies that such foreign exchange gains are also entitled to CIT incentive applicable to the respective business activity.

Main operating income and other income

Other income or losses can be used to offset against losses/profits from main operating activities. This is now confirmed in Letter 7250.

Loss carrying forward

From 2009, tax losses must be carried forward continuously to following years for a maximum period of 5 years.

School fees for expatriates' children

Letter 7250 provides that school fees for expatriates' children from primary to high school in Vietnam are tax deductible provided that this benefit is provided for in the labour contracts and sufficient supporting documents are available.

You may recall that Letter 353/TCT-CS dated 29 January 2010 providing guidance on the 2009 CIT finalisation confirmed that school fees for expatriate employees' children are not tax deductible.

Uniform allowance

Under Circular 130/2008, the tax deduction for uniform is subject to a cap of VND1,500,000 per person per year if provided in kind, or VND1,000,000 per person per year if paid in cash. Letter 7250 clarifies that if this benefit is provided both in cash and in kind, the total annual cap per person will be VND1,500,000, where the deduction for cash allowance will not exceed VND1,000,000.

This publication is intended for general guidance only and should not form the basis of specific decisions. Please contact us for further information and details of our services. In Ho Chi Minh City: contact David Fitzgerald, Richard Irwin or Jean Loi (Tax), Phan Thi Thuy Duong (Legal), Masako Tsunoi (Japanese Business), Seong Ryong Cho (Korean Business), Ian Lydall (Audit), Steve Gaskill (Advisory) at phone (84-8) 38230796, fax (84-8) 38251947. In Ha Noi: contact Dinh Thi Quynh Van (Tax), Le Anh Tuan (Legal), Eisuke Kofugata (Japanese Business), Nguyen Phi Lan (Audit) at phone (84-4) 39462246, fax (84-4) 39460705.

Further to Letter 7250, on 14 June 2010, the General Department of Tax issued Letter 2056/TCT-CS indicating that enterprises can revise their 2009 CIT final returns based on the guidance under Letter 7250. However, Letter 2056 is silent on whether any penalties on late submission or late payment will be imposed.

Please do not hesitate to contact us if you require assistance in reviewing or amending your company's 2009 CIT return.

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