

Corporate income tax treatments for a number of COVID-19 related expenses



At a glance...

22 December 2020

Due to the ongoing COVID-19 outbreak, enterprises have been incurring a number of expenses for the COVID-19 prevention and control measures, including:

- Expenses incurred for foreign experts' quarantine;
- Expenses incurred for foreign experts' COVID-19 tests, examinations and treatment;
- Allowances paid for employees severely impacted by the social distancing caused by the COVID-19 pandemic;
- Donations, sponsorships made for COVID-19 prevention and control activities;
- Depreciation set aside for fixed assets provisionally inactive due to the COVID-19 pandemic impacts.

The existing rulings are silent on the specific treatment for the aforementioned expenses. Nonetheless, PwC would like to provide you with the brief of the following Resolution and some relevant guidance as recently issued by the General Department of Taxation and local tax departments for your further reference.



Notable regulations and guidelines

Resolution No. 178/NQ-CP dated 12 December 2020, issued by the government

In accordance with this Resolution, the Ministry of Finance shall duly draft a new decree providing the guidance on accounting expenses incurred for donations, sponsorships designated for the COVID-19 prevention and control activities in the year of 2020 and 2021 in alignment with the guideline as passed by the National Assembly in Clause 8 Article 3 of Decree No. 128/2020/QH14. This Decree is scheduled to be submitted to the Government in January 2021. We will promptly keep you updated as soon as this Decree is finally promulgated.

Official letter No. 5032/TCT-CS, issued by the General Department of Taxation to Ba Ria – Vung Tau Province Tax Department and Binh Duong Province Tax Department

- Foreign experts' hotel, facility quarantine expenses shall be deductible for the CIT purposes, provided that the following conditions are satisfactorily met:
 - (i) Such expenses are supported with sufficient valid invoices, documents; and
 - (ii) It is clearly specified in the labour contract as concluded by and between the Company and a foreign expert that the Company shall pay the foreign expert's house rental.
- Foreign experts' COVID-19 test fees shall be deemed as payments with the nature of welfare benefits directly made for employees and recognized as deductible expenses for the CIT purposes subject to the regulatory cap in accordance with point 2.30 Clause 2 Article 6 of Circular No. 78/2014 (as amended and supplemented in Article 4 of Circular No. 96/2015).

Official letter No. 12452 dated 9 October 2020, issued by the General Department of Taxation to an enterprise in Hai Phong:

- CIT treatment for the depreciation expenses incurred for fixed assets temporarily inactive due to the severe impact caused by the COVID-19 pandemic.
- Due to the economic downturn caused by the COVID-19 pandemic, enterprises which are severely-impacted had to suspend a number of their fixed assets' ongoing operation for less than 09 months prior to the resumption of business production activities. Such a case would belong to the case of suspension due to the seasonal production as stipulated in point 2.2 Clause 2 Article 4 of Circular No. 96/2015, issued by the Ministry of Finance. Accordingly, relevant enterprises would be entitled to depreciate their fixed asset during the suspension period and claim such expenses as deductible for the tax purposes.

A number of other guidance issued by local tax departments

- Official letter No. 89924 dated 9 October 2020, issued by Hanoi Tax Department:
 - With respect to salary, wage and other payments with the nature of salary, wage as settled for employees furloughed amid the period of social distancing, unemployment due to the severe impact of the COVID-19 pandemic, they shall be included in deductible expenses for the CIT purposes, provided that these expenses satisfactorily meet the prescribed conditions.
- Official letter No. 97748 dated 10 November 2020, issued by Hanoi Tax Department:
 - Expenses for quarantine of the expatriate who is a general director of a limited liability company with one member (not the owner) is considered as staff welfare and is deductible if the required conditions are met.



Contact us

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