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## Features



# LEGAL, LABOR AND TAX UPDATES IN 2024


# DEDUCTIBLE EXPENSES FOR SERVICES RENDERED BY FOREIGN SUPPLIERS

**Official Dispatch No. 3115/TCT-CS dated 19 July 2024 of the General Department of Taxation**

**Noteworthy issues:**

**1. Regarding the obligations pertaining to declaration, withholding, and fulfillment of taxes on behalf of foreign suppliers in Vietnam**

If the foreign supplier, TikTok Pte. Ltd, has met the conditions stipulated in Articles 76, 77, and 78 of Circular No. 80/2021/TT-BTC issued by the Ministry of Finance, the foreign supplier could possibly register, declare, and fulfill taxes directly via the General Department of Taxation's e-portal.

**2. Regarding VAT declaration and deduction**

One of the conditions for input VAT deduction is having a VAT invoice for purchased services, a VAT payment voucher at the importation stage, or a VAT payment voucher on behalf of a foreign party. According to the invoice attached to the official dispatch prepared by the foreign supplier, TikTok Pte. Ltd, this is not a VAT invoice for organizations declaring VAT amount using the deduction method as prescribed. Therefore, it is not entitled to input VAT deduction as per the regulations.

**3. Regarding the determination of deductible expenses when making a CIT computation**

If a business in Vietnam receives invoices or documents issued by TikTok Pte. Ltd for services related to the business activities of the company, with the name, address, and tax code of the business, and meets the payment terms as prescribed by law, then such related expenses **can be included as deductibles when determining CIT taxable income *(including any paid amounts that the foreign supplier has identified as VAT amounts shown on the invoice or document issued by the foreign supplier to the Vietnamese business).***

*Accordingly, in cases where businesses incur services from foreign suppliers operating on digital platforms, e-commerce, and other services that have registered for tax and paid taxes directly on the General Department of Taxation's e-portal, they should follow the above guidelines to comply with regulations, including VAT deduction and determination of deductible expenses when calculating CIT.*


# CONTRACTOR TAX WHEN WRITING OFF DEBT

**Official Letter No. 3602/TCT-CS dated 15 August 2024, of the General Department of Taxation**

**Remarkable issues:**

- Based on the above regulations and the current guidelines of the Law on CIT, in the case where a company enters into a long-term loan agreement with its foreign Parent Company since 2014, with the agreement that both principal and interest will be repaid in a lump sum after 10 years, the Parent Company will be subject to contractor tax in Vietnam on the income from loan interest as stipulated.

- If **the Parent Company writes off debt (loan interest)**, and the Company does not incur any interest payments to the Parent Company, **it will not be required to declare or pay contractor tax on behalf of the Parent Company**. The annual accrued loan interest corresponding to the forgiven interest must be recorded as other income to determine CIT taxable income as prescribed.

# TAX HANDLING FOR ILLEGAL INVOICE TRADING ACTIVITIES

**Official Dispatch No. 3385/TCT-TTKT dated 1 August 2024, of the General Department of Taxation**

To continue addressing tax-related issues involving illegal invoice trading activities, the General Department of Taxation has directed all Tax Departments as follows:

- Utilize e-invoice data and collect paper invoices (if available) from **the 113 companies listed herein** to implement tax management measures in line with the regulations. If it is discovered that taxpayers under the competent tax authority have used invoices from the aforementioned 113 companies for tax declaration purposes, tax and invoice handling should be carried out according to the regulations and the guidelines provided in Official Dispatch No. 1798/TCT-TTKT dated 16 May 2023, of the General Department of Taxation.

- All Tax Departments are requested to conduct a review and submit a consolidated report on the tax and invoice handling outcomes concerning taxpayers **who have used invoices from one of 637 companies (including 524 companies attached to Official Dispatch No. 1798/TCT-TTKT and 113 companies listed in this dispatch).** The report should be submitted in hard copy to the General Department of Taxation (Inspection and Supervision Department) by 31 December 2024, with a soft copy sent to the email address: pttha@gdt.gov.vn.

*Accordingly, businesses should review the invoices and documents related to the 113 companies listed in Official Dispatch No. 3385 mentioned above and prepare or provide explanations to the competent tax authority, as well as make additional declarations in line with current regulations. Additionally, businesses need to review and assess their purchasing processes and verify/evaluate invoices received from suppliers to minimize potential risks in the near future.*

*These Legal Updates are general information for internal use merely, and they are not provided to any specific case of any organizations or individuals. Although we endeavor to present as accurate information as possible, we do not assure that the aforesaid information remains its accuracy as at the date on which the readers receive these Legal Updates. You are advised to refer consultants before adopting these Legal Updates for specific cases.*

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