



**LEGAL, LABOR AND  
TAX UPDATES  
June 2020**

## **THIS UPDATE INCLUDES THE FOLLOWING CONTENTS**

### **NEW LEGAL INSTRUMENTS**

**02 June 2020** | Resolution No. 954/2020/UBTVQH14 granted by the Standing Committee of the National Assembly on changes to Personal Income Tax (PIT) exemptions

**27 May 2020** | Decree No. 58/2020/NĐ-CP on regulating rates of compulsory insurance contributions to the occupational accident and disease benefit fund

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**8 May 2020** | Official Letter No. 2014 / TCT-DNNCN on the PIT policy

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## A. NEW LEGAL INSTRUMENT

### ❖ STANDING COMMITTEE OF THE NATIONAL ASSEMBLY

#### **02/06/2020| Resolution No. 954/2020/UBTVQH14 granted by the Standing Committee of the National Assembly on changes to Personal Income Tax (PIT) exemptions**

The exemptions specified in Clause 1 Article 19 of the Law on Personal Income Tax in 2007, amended by Law in 2012, are changed as follows:

- Personal exemption: VND 11 million/month (VND 132 million/year);

This deduction is currently VND 9 million/month (VND 108 million/year).

- Dependent exemption: VND 4.4 million /dependent/month.

This deduction is currently VND 3.6 million/month.

Thus, the new regulation has increased the deduction for taxpayers by VND 2 million / month and for each dependent by VND 800,000/month.

Cases of temporary tax payment based on current family circumstance-based reductions are redetermined of PIT payable under family circumstance-based reductions in Resolution No. 954/2020 / UBTVQH14 upon annual finalization of PIT in 2020.

*(The resolution shall take effect from 01 July 2020)*

### ❖ GOVERNMENT

#### **27/05/2020| Decree No. 58/2020/NĐ-CP on regulating rates of compulsory insurance contributions to the occupational accident and disease benefit fund**

Enterprises are proposed to apply the lower-than-normal rate of contribution (only 0.3% of the salary fund is used as a basis for payment of social insurance instead of 0.5%) when meeting the following conditions:

- Enterprises operating in industries with high risks of occupational accidents and diseases;

- Within three years prior to the submission date, they have not been subject to any administrative monetary fine or any criminal prosecution for their violation against laws on occupational safety, hygiene and social insurance;

- Having submitted periodic reports on workplace accidents, occupational safety and hygiene in an accurate, sufficient and timely manner within three consecutive years prior to the submission year;

- Frequency rate of occupational accidents in the year preceding the submission year must drop by at least 15% of the average frequency of workplace accidents in 3

consecutive years prior to the submission year, or have not had any occupational accident 3 years preceding the submission year.

*(The Decree shall take effect from 15 July 2020)*

## **B. OFFICIAL INSTRUCTIONS**

### **✚ OFFICIAL DISPATCH ON TAXATION**

#### **18/05/2020| Official Letter No. 2014/TCT-DNNCN on the PIT policy**

The General Department of Taxation responded to the European Chamber of Commerce in Vietnam (Eurocham) on asking for guidelines on some financial policies on personnel as follows:

#### **❖ For the cost of temporary residence card or visa for foreign workers**

- In case the expenses for making and extending temporary residence cards and visas for foreign employees are paid by the employer for being eligible to work at organizations in Vietnam, these will not be included in the Taxable income from salaries and wages of foreign employees.

- In case the cost of visas for employees working in organizations in Vietnam to go on business trips overseas as required by the job is per diem according to the financial regulations or internal rules of the organization, and according to the provisions of Circular No. 111/2013/TT-BTC, this will not be included in the PITable income of employees. Working expenses in excess of the prescribed limit shall be calculated into the Taxable income of employees.

- In case the expenses for making temporary residence cards and visas for foreign employees paid by the company are the employees' benefits, these shall be included in the Taxable income from wages and salaries of foreign employees.

#### **❖ For compulsory contributions to disaster prevention fund**

If employees at organizations contributing to the disaster prevention fund are established under the provisions of Decree No. 94/2014/ND-CP, the contributions thereon will be deducted into Taxable income from salaries and wages.

#### **18/05/2020| Official Letter No. 2027/TCT-CS on the foreign contractor tax (FCT) policy**

In case a foreign company signs a contract with a company in Vietnam to perform Hedging Commodity Price in order to minimize the risk of fluctuating input materials (copper materials) for the company in Vietnam:

- If Hedging Commodity Price between a foreign company and a company in Vietnam is determined to be a derivative financial service as prescribed by law, the income (difference amount) that the foreign company received from the company in Vietnam

for each Hedging Commodity Price will not be subject to VAT, as well as the percentage of CIT to the taxable turnover is 2%.

- If Hedging Commodity Price between a foreign company and a company in Vietnam is determined to be a derivative financial service as prescribed by law, the income (difference amount) that the foreign company received from the company in Vietnam for each Hedging Commodity Price will be another income (other financial income) of the foreign company, so it is not required to declare and pay VAT, as well as the percentage of CIT to the taxable turnover is 2%.

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