

# Technical Update

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## Corporate Income Tax

### CIT Incentives for Concentrated Information Technology Zones (CITZ)

Official Letter 1144/TCT-CS dated 30 March 2009 of the GDT reiterates that a CITZ is classified as a form of a hi-tech zone. Therefore, organisations and individuals investing and operating in a CITZ shall be entitled to incentive policies applicable to hi-tech zones.

Accordingly, newly established enterprises from investment projects inside a CITZ shall be entitled to CIT incentives in the same manner as those situated inside a hi-tech zone.

Newly established enterprises located inside a CITZ should take note of the above policy and proactively apply to their favour.

## Value Added Tax

### VAT rate applicable to export processing goods subcontracted to third party local processors

According to Official letter 1174/TCT-CS issued on 1 April 2009 of the GDT, export processing goods subcontracted to a third party local processor shall not qualify as 'export' under the Commercial Law. As a consequence, where an enterprise directly signs an export processing contract with a foreign principal, but then subcontracts the processing work to a third party local processor, when delivering the processed goods, that third party local processor must issue VAT invoices at the local VAT rate applicable to the processed goods.

When actually exporting the goods to the foreign principal, the consignor who directly signed the export processing contract with the foreign principal can apply the 0% VAT and claim input VAT credit and/or refund, subject to normal regulations on VAT.

Enterprises directly signing export processing contracts with foreign parties and those acting as subcontractors of such enterprises should take note of the above regulations for compliance purposes.

### Principle for determination of VAT rate

Official Letter 1178/TCT-CS issued on 1 April 2009 of the GDT reaffirms that the timing for determination of VAT in the case of sale of goods shall be the time of transfer of ownership or right to use the goods to the purchaser, irrespective of whether money was received or not. The assessment of VAT rate for the goods sold or purchased is made on the principle that VAT invoices will be issued and VAT rate be applied at the time the goods are actually delivered.

On this principle, OL 1178 specified that in case the contracts were signed in 2008 but the goods and services are actually delivered in 2009, the seller must assess VAT rates at the time the invoices are issued, not when the contracts were signed.

Enterprises who sell or purchase goods with different VAT rates before and after 1 January 2009 should take note of the above regulations for proper assessment of VAT rates.

### Import Duty

#### Dutiable prices must include royalties, licence fees and software value

Official Letter 2231/TCHQ-KTTT dated 23 April 2009 of the General Department of Customs reiterated that dutiable prices of imported goods must include royalties, licence fees payable for the use of intellectual property rights directly related to the imported goods, and the value of imported software where applicable.

Enterprises importing goods with royalties and/or licence fees should note the above regulations for correct declaration of import duty.

### Compulsory Insurance

#### Monthly minimal wage increased to 650,000VND from 1 May 2009

On 6 April 2009, the Government issued Decree 33/2009/ND-CP increasing the monthly minimal wage to VND650,000 effective from 1 May 2009.

The above monthly minimal wage shall be used to calculate compulsory allowances and other entitlements under the prevailing laws.

Foreign invested enterprises and enterprises of the private sector should note the new monthly minimal wage level above when calculating compulsory Social Insurance and Unemployment Insurance contributions for their Vietnamese employees from 1 May 2009 forwards.

## Abbreviations

CIT	Corporate Income Tax
EPZ	Export Processing Zone
FCT	Foreign Contractor Tax
FDI	Foreign Direct Investment
FIEs	Foreign Invested Enterprises
GDC	General Department of Customs
GDT	General Department of Taxation
HI	Health Insurance
IZ	Industrial Zone
LOE	Law on Enterprise
LOI	Law on Investment
MOF	Ministry of Finance
MOIT	Ministry of Industry and Trade
MOLISA	Ministry of Labour, Invalids and Social Affairs
MOST	Ministry of Science and Technology
MPI	Ministry of Planning and Investment
PE	Permanent Establishment
PIT	Personal Income Tax
SI	Social Insurance
SST	Special Sales Tax
VAT	Value Added Tax



## Contact us

Warrick Cleine,  
Managing Partner - Vietnam and Cambodia  
Head of Tax Advisory

### Hanoi

Le Thi Kieu Nga, Director  
Hoang Duong, Director  
Nakatani Takeshi, Japanese Desk

16th Floor, Pacific Place  
83B Ly Thuong Kiet Street  
Hoan Kiem District

Tel: +84 4 3946 1600  
Fax: +84 4 3946 1601  
E-Mail: kpmghanoi@kpmg.com.vn

### Ho Chi Minh City

Ninh Van Hien, Partner  
Rolf Winand, Partner  
Ta Hong Thai, Partner  
Nguyen Cong Ai, Director  
Hoang Anh Tuan, Director  
Ho Thi Bich Hanh, Director  
Tran Thi Tuyet Nhung, Director  
Do Trong Hoai, Senior Manager  
Nguyen Thanh Hoa, Senior Manager  
Pham Thi Thuy Hong, Senior Manager  
Hideto Oshio, Japanese Desk

10th Floor, Sun Wah Tower  
115 Nguyen Hue Street  
District 1

Tel: +84 8 3821 9266  
Fax: +84 8 3821 9267  
E-Mail: kpmghcmc@kpmg.com.vn

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