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LEGAL ALERT

**TAX EXEMPTION AND REDUCTION POLICIES FOR
ENTERPRISES AND HOUSEHOLD BUSINESSES HIT
BY THE COVID-19 PANDEMIC**



On 19/10/2021, the National Assembly Standing Committee issued Resolution No. 406/NQ-UBTVQH15 (“**Resolution 406**”) promulgating a number of solutions to support enterprises, household businesses and trading individuals hit by the Covid-19 pandemic. Resolution 406 will take effect immediately from the signing date, 19/10/2021 with specific support policies as follows:

1. Enterprises are entitled to a 30% reduction in corporate income tax payable in 2021

According to Article 1.1 of Resolution 406, enterprises are entitled to a 30% reduction in corporate income tax (CIT) payable in 2021 if the enterprise has a revenue of not more than VND200 billion in 2021 and the total revenue in 2021 is down compared to the total revenue in 2019.

In case of newly established, consolidated, merged, divided or split-up enterprises in the tax period of 2020 and 2021, the criterion that the revenue of 2021 is down compared to the revenue of 2019 will not apply.

2. Enterprises are entitled to a 30% reduction in value-added tax

According to Article 1.3 of Resolution 406, enterprises will be entitled to a reduction in value added tax (VAT) as follows:

a. Fields of application:

- (i) Transport services (rail transport, water transport, air transport, other road transport); accommodation services; catering services; services of travel agencies, tour operators and support services related to the promotion and organization of tours.

- (ii) Publishing products and services; cinematographic services, television program production, sound recording and music publishing; works of art and services of composition, art, entertainment; services of libraries, archives, museums and other cultural activities; sports, recreation and entertainment services. However, goods and services in this group do not include publishing software and goods and services produced and traded in the online form.

b. Reduction:

- Enterprises paying VAT according to the credit method will be entitled to a 30% reduction in the VAT rate applicable to goods and services.
- Enterprises paying VAT according to the percentage method on the revenue of production and trading of goods and services are entitled to a 30% reduction in the percentage rate upon calculating VAT.

c. Application period: from 01/11/2021 to 31/12/ 2021.

3. Enterprises are exempted from late payment interest of tax debts, land use levies and land rents

According to Article 1.4 of Resolution 406, enterprises (including dependent units, business locations) that incur losses in 2020 will be exempted from late payment interest arising in 2020 and 2021 of tax debts, land use levies, and land rents. However, if enterprises have already paid late payment interest, they will not be exempted from paying the said late payment interest.

4. Household businesses and trading individuals are exempted from taxes in the third and fourth quarters of 2021

According to Article 1.2 of Resolution 406, household businesses and trading individuals conducting production and

business activities in district-level areas hit by the COVID-19 pandemic in 2021, as decided by the Chairman of the People's Committee of the centralized provinces and cities will be exempted from personal income tax, VAT and other payable taxes arising from production and business activities of the months in the third and fourth quarters of 2021.

However, this tax exemption will not apply to income amounts, revenue generated from providing software products and services; digital information content products and services on entertainment, video games, digital movies, digital photos, digital music; digital advertising.



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LAWYERS

CONTACT US

info@gvlawyers.com.vn

HCMC - Head Office

8/F, Centec Tower

72 – 74 Nguyen Thi Minh Khai

Vo Thi Sau Ward, District 3

Ho Chi Minh City, Vietnam

Tel: +84 (28) 3622 3555

Ha Noi - Branch

10A/F, CDC Building

25 Le Dai Hanh

Hai Ba Trung District

Ha Noi, Vietnam

Tel: +84 (24) 3208 3555

Da Nang - Branch

3/F, Indochina Riverside

Tower, 74 Bach Dang

Hai Chau District

Da Nang City, Vietnam

Tel: +84 (28) 3622 3555

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