



LEGAL UPDATE

May 2023

Our monthly Legal Update is to provide the summary of key regulatory news that potentially impact your investment and business activities in Vietnam.

This May Legal Update covers the following:

- *Extending deadline for tax payments and land rental fee in 2023.*
- *VAT from 10% to 08%.*
- *Condotels, officetels to get ownership certificates.*
- *Credit institutions allowed to reschedule repayment terms.*

1. Extending deadline for tax payments and land rental fee in 2023

On 14 April 2023, the Government released Decree 12/2023/ND-CP regarding the extension of deadlines for payments of taxes and land rental fee applicable for the 2023 tax year ("*Decree 12*").

Decree 12 is applicable to companies, individuals, households engaging in various business activities, and which have generated revenue from such activities in 2022 or 2023. The eligible business activities for payment extension are detailed in Article 3 of Decree 12, i.e., agriculture, forestry, and fisheries; foodstuff production or processing; production of wearing apparel; production of products from rubber and plastic; transportation and warehousing; accommodation and catering services; education and training; medical and social assistance activities; real estate business; computer programming, counseling services, and other activities related to computers; supporting industry products prioritized for development; key mechanical products...

(a) Deadline for payments of VAT and CIT

- The deadline for VAT payments for March, April, May 2023 (*for companies declaring VAT on monthly basis*) and Quarter I of 2023 (*for companies declaring VAT on quarterly basis*) will be extended by 06 months, for example, payment of March 2023 VAT return will be due by 20 October 2023; VAT payments for June 2023 and Quarter II of 2023 will be extended by 05 months; VAT payments for July and August 2023 will be extended by 04 months and 03 months, respectively.
- The deadline for provisional CIT payment for Quarter I and Quarter II of 2023 will be extended by 03 months from the statutory deadlines.
- The deadline for payment of VAT & PIT for 2023 will be extended to 30 December 2023, applicable to individuals and business households which engage in in-scope business activities.

Dependent units and branches of in-scope companies which separately file VAT and CIT returns at local tax departments will also be entitled to the above extensions. However, if the branches and dependent units do not conduct in-scope business activities, they are not entitled to extensions.

(b) Deadline to pay annual land rental fee

An extension of 06 months, i.e., from 31 May 2023 to 30 November 2023 for 50% of the land rental payment in 2023 will be granted to those who directly lease land from the State, pay land rental fee on an annual basis and conduct in-scope business activities.

(c) Administrative requirements

Decree 12 requires eligible taxpayers to submit a deferral request (in prescribed form as attached to Decree 12) to their local tax department together with the monthly or quarterly tax return.

The deadline for submitting the request is 30 September 2023 and failure to meet the deadline will result in forfeiture of these benefits. The submission can be done either electronically, by hard copy directly sent to the local tax department, or by postage and should be done once, covering all types of taxes and land rental fees for all eligible periods.

(d) Notes

Companies engaging in multiple business activities shall be entitled to extension of taxes and of land rental payments incurred pertaining to all activities provided that at least one of their business activities falls under the in-scope activities.

Decree 12 took effect from the signing date to 31 December 2023.

2. VAT from 10% to 08%

The Government agreed in principle to reduce the VAT from 10% to 08% as proposed by Ministry of Finance ("*MOF*") on 17 April 2023.

Accordingly, MOF suggested a VAT reduction for several goods and services, along with a 20% cut in the percentage of goods for VAT calculation for business establishments (including business households and individuals) when issuing invoices for all goods and services subject to the VAT. MOF also suggested that the policy should be applied until 31 December 2023.

To implement such proposal, MOF is assigned to report to the Government for submission to the National Assembly for consideration and permission of the drafting and issuance of a resolution on VAT reduction with simplified order and procedures.

Besides, MOF is required to work with the Ministry of Justice and other relevant ministries and agencies on the drafting of the resolution, and report to the Government before 25 April.

3. Condotels to get ownership certificates

On 03 April 2023, the Government issued Decree No 10/2023/NĐ-CP amending and supplementing several points of decrees guiding the implementation of the Law on Land ("*Decree 10*").

As amended and supplemented by Decree 10, in regard to construction projects developed to serve travel accommodation purposes as prescribed in laws on tourism on commercial or service land, if any of them satisfies the conditions set forth in laws on land, construction and real estate business, the ownership of that construction project attached to land is certified according to the commercial or service purposes of land as prescribed in Clause 3 of Article 126, and Clause 1 of Article 128 in the Law on Land. Owners of these construction projects shall be held legally responsible for strict compliance with the conditions in law on construction and law on real estate business. Under Clause 4 Article 1 of Decree 10 amending Article 5 of Decree No. 43/2014/ND-CP, the provincial Department of Natural Resources and Environment has a sufficient legal basis to issue certificates for tourist apartments.

In general, the certificates will be valid for 50 years. For large investment projects with slow recovery of capital, projects in areas with difficult socio-economic conditions or with especially difficult socio-economic conditions which require a longer term, the validity shall not exceed 70 years.

Decree 10 takes effect from 20 May 2023.

4. Credit institutions allowed to reschedule repayment terms

On 23 April, the State Bank of Vietnam (SBV) issued Circular No. 02/2023/TT-NHNN stipulating the restructuring of repayment terms and keeping the debt group of credit institutions and foreign bank branches unchanged.

The new regulations requires the credit institutions and the foreign bank branches to reschedule the debt payment and maintain the debt groups in order to support their customers who are facing difficulties in production and business operations, as well as other customers facing difficulties in repaying their consumer debts. The debts which are subject to rescheduling and the maintenance of debt groups, are loans and leased finance.

SBV authorized credit institutions and foreign bank branches to take the initiative in reviewing and assessing the difficulties of borrowers to decide on the restructuring, provided the delay does not surpass 12 months from the due date.

This Circular takes effect from 24 April 2023.

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