

Further guidance on 2009 Corporate Income Tax (CIT) finalisation

On 7 June 2010 the Ministry of Finance issued further technical guidance on how to prepare 2009 CIT finalisation returns, via official letter 7250/BTC-TCT to all local tax offices. Below are the key points:

Confirmed:

- Interest income and foreign exchange gains must be offset against respective interest expenses and foreign exchange losses. Net gains shall be recorded as other income and taxed at 25%, whilst net loss shall be allowed as deductible expenses for CIT purposes.
- School fees in Vietnam for expatriate's children for up to high school level are now confirmed tax deductible, subject to usual administrative requirements.

Clarification needed:

- OL 7250 states that tax loss from 2009 onwards must be carried forward in whole and continually to offset against taxable income of following years during the five year limit. The Letter does not state whether an enterprise is forced to carry forward its tax loss to the immediately following year of loss if that is a tax holiday year. Further practical guidance from the MOF in this respect is needed to clear up this issue.
- Under OL 7250, income from disposal of fixed assets and sales of scraps not directly related to the incentive business of an enterprise is treated as other income and taxed at 25%. However, it is not clear whether income from disposal of fixed assets and sales of scraps that are directly related to the incentive business of an enterprise could enjoy the incentive tax rate. The Letter also failed to provide any illustrative examples of what items could be typically seen as "directly related" to the incentive business.

Although the 31 March deadline for submission of 2009 CIT finalisation returns is now well past, the provisions of Official Letter 7250 shall retroactively apply to the 2009 CIT finalisation.

If your company did not take into account any of the above technical guidance in your 2009 CIT calculation, you may wish to consider revising your 2009 CIT return. We would be happy to further discuss relevant issues with you.





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