

IMPACTION OF COVID-19 AND POLICIES ON PREFERENTIAL TREATMENT FOR ENTERPRISES

Currently, due to the complicated developments and serious impaction of the Covid-19 pandemic, many enterprises are facing difficulties. Therefore, they really hope to take appropriate and timely support measures from the Government of Vietnam. As a result, several policies are enacted to support enterprises to deal with the negative effects caused by the unpredictable outbreak of the Covid-19 pandemic in Vietnam as well as around the world. In particular:

1. Suspension for contribution of social insurance

On 9 March 2020, the Ministry of Labor, Invalids and Social Affairs issued Official Letter No. 797/LDTBXH-BHXH to allow that enterprises in a difficult situation due to Covid-19 are going to be temporarily suspended to contribute to the retirement and survivorship fund for up to 12 months. Subsequently, on 17 March 2020, Vietnam Social Insurance also issued Official Letter No. 860/BHXH-BT to clarify that the suspend contribution of the retirement and survivorship fund will be applied for enterprises operating in the business lines of passenger transport, tourism, accommodation, restaurants and other special industries with more than 50% of employees participating in social insurance who are required to suspend from work or enterprises suffered a loss of over 50% of the total value of assets (excluding the value of land). It is also required that the relevant authorities should quickly handle the application for temporary suspension of contribution to the retirement and survivorship fund until June 2020 upon receipt of the application file of the enterprises. The late payment interest on the suspension period are exempted. In case the pandemic is not still in remission by the end of June 2020, if the enterprise so requests,

coordinate with the concerned agencies to consider and resolve the temporary suspension of contribution to the retirement and survivorship fund till December 2020.

2. Delay of payment of a union fee

Another supportive policy was issued on 18 March 2020 by the Vietnam General Confederation of Labor, i.e. Official Letter No. 245/TLD. Accordingly, enterprises affected by Covid-19 (with 50% or more of employees subject to compulsory social insurance to be required to suspend from work) may delay the payment of a union fee for the first 06 months of 2020 until 30 June 2020. If after this time, the pandemic has not been relieved and the enterprises continue to face difficulties, the time will be delayed until 31 December 2020.

3. Deferment for payment of tax and land rent

It is noteworthy that on 08 April 2020, the Vietnamese Government issued Decree No. 41/2020/ND-CP on the deferment for payment of tax and land rent. Especially, this Decree became effective immediately. Accordingly, as from 8 April 2020, enterprises are allowed to defer the payment of corporate income tax (PIT), personal income tax (PIT), value added tax (VAT) and land rent. In particular:

(a) Applicable entities:

- (i) Enterprises, organizations, households and individuals that are manufacturers in the following business lines: agriculture, forestry, aquaculture; construction; production and processing of food; textiles; garments; manufacture of leather and leather products; wood treatment and manufacture of products from wood, bamboo, rattan (except furniture); manufacture of products from straw and plaiting materials; manufacture of paper products; manufacture of rubber and plastic products; manufacture of products from other non-metallic minerals; metal production; mechanical working; metal treating and coating; manufacture of electronics, computers and optical products; manufacture of automobiles and other motor vehicles; furniture production.
- (ii) Enterprises, organizations, households and individuals that operate in the following business lines: transport and warehousing; accommodation, food and

drink; education and training; healthcare and social assistance; real estate trading; employment services; travel agencies, tourism services and auxiliary tourism services; composing, art and entertainment; library, archive, museum operation and other artistic activities; sports and entertainment; cinemas.

- (iii) Enterprises, organizations, households and individuals that are manufacturers of prioritized ancillary industry products or key mechanical products.
- (iv) Small enterprises and microenterprises shall be determined in accordance with the Law No. 04/2017/QH14 on Assistance for Medium and Small Enterprises and the Government's Decree No. 39/2018/ND-CP elaborating the Law on Assistance for Medium and Small Enterprises.
- (v) Credit institutions and foreign bank branches (FBB) shall provide assistance for enterprises, organizations and individuals affected by Covid-19 as prescribed by the State bank of Vietnam (SBV). SBV shall publish the list of credit institutions and FBBs that provide assistance so that tax authorities grant deferral of tax and land rent.

(b) Deferment of payment of tax and land rent

- (i) In relation to VAT (except for VAT at the import stage), the enterprises are allowed to defer the tax payment for 5 months as from the deadline for VAT payment for the taxable amount arising in period of March, April, May and June 2020 (for cases of monthly declaration) and in the period of the first and second quarters of 2020 (for cases of quarterly declaration). Particularly:
 - + Time limit for VAT payment of tax period of March 2020 is on 20 September 2020 at the latest;
 - + Time limit for VAT payment of tax period of April 2020 is on 20 October 2020 at the latest;
 - + Time limit for VAT payment of tax period of May 2020 is on 20 November 2020 at the latest;
 - + Time limit for VAT payment of tax period of June 2020 is on 20 December 2020 at the latest;

- + Time limit for VAT payment of tax period of the first quarter of 2020 is on 30 September 2020 at the latest;
 - + Time limit for VAT payment of tax period of the second quarter of 2020 is on 30 December 2020 at the latest.
- (ii) In relation to CIT, the enterprises are also allowed to defer for 5 months as from the deadline for CIT payment for the remaining taxable amount of the tax period in 2019 and the provisional CIT amount to be paid in the first and second quarters of 2020.
- (iii) Regarding households and individuals, VAT and PIT shall be paid by 31 December 2020 for the taxable amount arising in 2020.
- (iv) Regarding the land rent, deadline for annual payment of rents that are due in beginning of 2020 for direct lease of land by the State under decisions or contracts of competent authorities will be deferred for 05 months.

4. Application for a loan with interest rate of 0% at Vietnam Bank for Social Policies

Last but not least, on 09 April 2020, the Vietnamese Government issued Resolution No. 42/NQ-CP on measures to support people in difficulties due to the Covid-19 pandemic. Accordingly, enterprises who has financial difficulties and has paid at least 50% of suspension allowance for employees from April to June 2020 may apply from Vietnam Bank for Social Policies, for an unsecured loan that is up to 50% of total regional minimum wage for each employee under the actual payment time but not more than 03 months with interest rate of 0% and maximum loan term of 12 months to monthly pay the remaining salary for the employees suspended from work.

We hope that the above is beneficial. Our purpose is to provide an update on new legislation, we do not constitute any legal advice. Should you need any further information on any issue above, please do not hesitate to contact us.

Best regards,



Saigon Office:

A: Unit 1605, 16th Floor, Saigon Riverside Office Center, 2A-4A Ton Duc Thang, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam

T: + (84-28) 3822 0076 | **F:** + (84-24) 3772 6971

Hanoi Office:

A: Unit 6, 11th Floor, HAREC Building, 4A Lang Ha Str., Ba Dinh Dist., Hanoi, Vietnam

T: + (84-24) 3772 6970 | **F:** + (84-24) 3772 6971

Website: www.dzungsrt.com