

# Accounting and Compliance in Vietnam

## FAQs



It is essential that businesses in Vietnam are compliant with standards given Vietnam's strict compliance and high number of tax payments required each year. Local and foreign-invested companies doing business in the country are required to comply with Vietnam Accounting Standards (VAS) when recording their financial transactions.

In brief, VAS requires that accounting records:

- Are in Vietnamese, or can be combined with a commonly used foreign language;
- Use VND as the accounting currency, or another registered currency and converted to VND on annual reports; and
- Comply with the Vietnam Chart of Accounts:
  - » Include reports specified by VAS regulations, printed and filed on a monthly basis;
  - » An accounting period in Vietnam is generally determined according to the calendar year, or January 1 to December 31. However, after registering with the Tax Department, this can be adopted to 12-month periods beginning on the first day of each quarter.

The tax authorities can penalize companies for VAS non-compliance through the disallowance of input Value-Added Tax (VAT) credits and withdrawal of Corporate Income Tax (CIT) incentives.

If necessary foreign companies may choose to manage two accounting records, one based on the VAS and another compiled specifically for the overseas head office. Though in practice, many foreign companies maintain an accounting system according to VAS and only convert financial statements into the International Financial Reporting Standards (IFRS) on a quarterly basis for the foreign parent company's reference.

## ? What entities are subject to the Vietnam accounting standards?

All entities other than the representative office are subject to the Vietnam accounting standards. These include:

- 100% foreign owned enterprise established in Vietnam;
- Joint venture;
- Public Private Partnership between a foreign or domestic enterprise and the government; and
- Branch office.

## ? What taxes apply in Vietnam?

All taxes in Vietnam are imposed at the national level, i.e. there are no local, state or provincial taxes. Enterprises should pay tax in localities where they are headquartered or have duly registered branches.

Most companies and foreign investors in Vietnam are subject to the following major taxes:

- Business license tax;
- Corporate income tax;
- Personal income tax;
- Value-added tax;
- Special consumption tax;
- Foreign contractor tax; and
- Customs duties.



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### ? What should companies be aware of when establishing in Vietnam?

When incorporating a new company in Vietnam it is important that companies undertake registrations required by law. This includes the following tasks which must be completed within 30 days of licensing:

- Registration and payment of Business Tax;
- Registration of Accounting system in compliance with Circular 200/2014 dd 22/12/2014;
- Registration of depreciation method; and
- Registration of buying New Token for Tax declaration online.

### ? What are the key accounting and tax compliance dates during the year?

#### Key dates regarding VAT and CIT

The key dates regarding declaring VAT and paying CIT and VAT are shown in the timeline below.

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec			
4th quarter			1st quarter			2nd quarter			3rd quarter					
VAT Declaration; CIT Provision; and CIT, VAT payment			CIT finalization			VAT Declaration; CIT Provision; and CIT, VAT payment			VAT Declaration; CIT Provision; and CIT, VAT payment					
30th Jan			30th Mar			30th Apr			30th Jul			30th Oct		

#### New updates for key dates regarding VAT and CIT for FY 2020

(According to Government Decree No. 41/2020/ND-CP, the scope of the Decree applies only for certain subjects)

For VAT payment, the extension of tax payments is as following:

- For monthly tax period: VAT payment for the March, April, May, June tax period of the fiscal year 2020 can be extended up to 5 months from the end of the prescribed deadline (prescribed deadline for monthly VAT payment is on the 20th of the following month)
  - » Tax period of March 2020 is 20th September 2020;
  - » Tax period of April 2020 is 20th October 2020;
  - » Tax period of May 2020 is 20th November 2020; and
  - » Tax period of June 2020 is 20th December 2020.
- For quarterly tax period: VAT payment for the 1st quarter and the 2nd quarter tax period of the fiscal year 2020 can be extended up to 5 months from the end of the prescribed deadline (prescribed deadline for quarterly VAT payment is on the 30th of the first month of the following quarter)
  - » Tax period for 1st quarter 2020 is 30th September 2020; and
  - » Tax period for 2nd quarter 2020 is 30th December 2020.



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For CIT payment, the extension of tax payments is as following:

The tax payment of the remaining 20 percent CIT payable after 2019 Tax finalization and the provision of CIT payable for 1st quarter and 2nd quarter of 2020 can be extended up to 5 months from the end of the prescribed deadline (prescribed deadline for provision of CIT payment is on the 30th of the first month of the following quarter)

## ? What is the process for remitting profits from Vietnam?

Vietnam is fairly open to companies remitting profits to their respective markets, however there are a couple of restrictions that are currently enforced upon the remittance process. These limitations are based on the timeframe and financial position. Timeframe under Vietnamese law, profits may only be remitted once per year. The timing of this remittance is dictated by audit requirements that create a yearly window starting from March when profits are allowed to be remitted and tax obligations are fulfilled.

Financial position under current Vietnamese law, dividends may not be carried out during a year in which a company has not turned a profit or and has not completed all tax obligations in Vietnam.

## ? What is a Chief Accountant and what do they do?

Organizations are required to have a Chief Accountant certified by the Ministry of Finance. Annual financial statements must be approved by the chief accountant and the legal representative.

The Chief Accountant is also responsible for:

- Signing off the General Ledger;
- Vouchers;
- VAT invoices;
- Taxation lodgments; and
- Business connection between the tax office and the company.

## ? How can Dezan Shira & Associates help?

Dezan Shira and Associates can assist in all major areas of your business operations:

- Bookkeeping
- Financial Reporting/Financial Health check
- Financial Due Diligence
- Consolidation of Accounts
- GAAP Adjustment
- Accounting Advisory
- Budgeting and Financial Analysis
- CFO and Finance Manager Function
- Recruitment and Training of Clients' Finance Team
- Selection/Implementation of Accounting Software

The rapid pace of regulatory change in Asia requires experience and expertise from accounting teams. With decades of experience in the region, Dezan Shira and Associates understands the complexities involved in keeping accounting practices compliant. We endeavour to ensure that our services help clients operate effectively and within the law.



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## Our Offices in Asia



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