

### Deloitte Vietnam

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## New guideline on the creditability of input VAT of housing rent

On 22 July 2010, the General Department of Taxation (“the GDT”) issued **Official Letter No. 2696/TCT-CS (“Official Letter 2696”)** guiding all provincial tax authorities on the creditability of input Value Added Tax (“VAT”) of housing rent. By introducing OL 2696, it is the first time the GDT has officially addressed this issue.

We summarize key points of Official Letter 2696 below for your awareness and timely implementation.

- In brief, **where the expatriates are employees of a Vietnamese enterprise** at a management position and accordingly, having remuneration earned in Vietnam under the labor contract signed with such a Vietnamese entity, any housing rental paid by such entity is included in the expatriate’s taxable income for Personal Income Tax purpose. In such case, the input VAT amount on the housing rental for that expatriate shall **not be deductible and refundable** for the company.
- On the other hand, **where the expatriates are still employees of a foreign entity** and during their assignment in Vietnam, their remuneration is paid by that foreign entity and there is a written agreement between such foreign entity and the Vietnamese enterprise stating that the latter will bear accommodation expenses for the expatriates, the input VAT amount on the housing rental for that expatriate shall **be deductible and refundable** for the Vietnamese entity.

We are willing to discuss with you to share your concerns in the implementation of the provisions mentioned above.

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