

## Comparison of regulations related to 2009 Corporate Income Tax Finalization

We summarize and compare below important amended and supplemented points of OL 7250 in comparison with OL 353 and Circular 130 for your update and adjustments to 2009 CIT finalization return (where necessary).

NO.	CONTENT	CIRCULAR 130	OFFICIAL LETTER 353	OFFICIAL LETTER 7250
1	Treatment regarding income from deposit and lending interests and loan interest expenses	Not permitted to offset against each other, details as below: - Income from deposit and lending interests is recorded as <b>Other income</b> and taxed at CIT rate of 25%. - Loan interest expenses are treated as operating expenses and apply the incentive CIT rate (if any).	Similar to Circular 130	<b>Permitted to offset against each other.</b> The residual after offset is dealt with as below: - If profitable: recorded as Other income and subject to CIT rate of 25%; or - If making loss: treated as operating expenses and applies the incentive CIT rate.
2	Treatment regarding foreign exchange differences ("forex") , including: (1) Realized forex gains and unrealized forex gains resulting from the revaluation of payables in foreign currencies at the end of financial year; and (2) Realized forex losses and unrealized forex losses resulting from the revaluation of payables in foreign currencies at the end of financial year.	(1) and (2) can not be offset against each other, details as below: - (1) (not including unrealized forex gains resulting from the revaluation of payables at the financial year-end) is recorded as Other income and subject to CIT rate of 25%. - (2) (not including unrealized forex loss resulting from the revaluation of payables at the financial year-end) is treated as operating expenses and applies incentive CIT rate.	(1) and (2) can not be offset against each other, details as below: - (1) is recorded as Other income and subject to CIT rate of 25%. - (2) is treated as operating expenses and applies incentive CIT rate.	<b>(1) and (2) are permitted to offset against each other.</b> The residual after offset is dealt with as below: - If profitable: recorded as Other income and subject to CIT rate of 25%; or - If making loss: treated as operating expenses and applies the incentive CIT rate.
3	Income from asset disposal and scrap sales	Recorded as Other income and subject to CIT rate of 25%	Not mentioned	- Income = Proceeds less Net book value less Selling expenses - Applying the incentive CIT rate if directly related to the business activity entitled to CIT incentives. - Applying the CIT rate of 25% in the remaining cases.
4	Recoveries from provisions	Recorded as Other income and subject to CIT rate of 25%	Recorded as Other income. Nonetheless, this regulation is in conflict with Circular 228/2009/TT-BTC dated 07/12/2009 ("Circular 228") effective from 1/1/2009. Under Circular 228, recoveries from provisions must be recorded as a decrease of operating expenses instead of an increase of other income.	Implementing in accordance with Circular 228: decrease the corresponding operating expenses.
5	Offsetting rule between profit/loss from different business activities	Profit/loss from business activity entitled to CIT incentives can be offset against non-incentivized profit/loss, the applicable tax rate shall be the tax rate of the business activity which still has income.	Similar to Circular 130	Providing more detailed guidance: enterprise can conduct the offset between taxable income of the business activity entitled to CIT incentives, the business activity not entitled to CIT incentives and other income.
6	Loss carry forward from 2009	Losses incurred must be carried forward consecutively for a maximum of five (5) years after the loss making year but the notion "consecutively" was not defined.	Similar to Circular 130	Losses incurred must be carried forward <b>in full and consecutively</b> into the taxable income of the 05 subsequent years.
7	Losses carried forward incurred from the year 2008 backwards	Not mentioned	Not mentioned	Addressing two cases: - If loss of each business activity can be separated: loss carrying forward must be conducted separately for each activity, the remaining loss of one activity can be offset against income of another activity at the company's discretion; or - If loss separation is not feasible: the total losses should be prorated for each activity based on the revenue ratio, and apply the aforesaid loss carry forward rule.
8	School fees for expatriates' children	Not mentioned	Not deductible even if this expense is mentioned in labor contracts.	Deductible if: - Schooling in Vietnam; - Within the general levels (from primary school to high school); - Agreed in labor contracts; and - Supported by legitimate vouchers.
9	Uniform allowance for employees	Not deductible if: - That paid in kind exceeding VND1.5 million/person/year; or - That paid in cash exceeding VND1 million/person/year	Similar to Circular 130	Providing more detailed guidance: the total deductible expenses (both in cash and in kind) not exceeding VND1.5 million/person/year in which the part paid in cash is not over VND1 million/person/year.