

Tax Alert

June 2021

Circular 40 guiding tax declaration and administration for business households and individuals

On 1 June 2021, the Ministry of Finance issued Circular No. 40/2021/TT-BTC guiding value added tax, personal income tax and tax administration for business households and individuals. Circular 40 takes effect from 1 August 2021 and replaces the relevant contents in Circular 92/2015/TT-BTC.

Hereunder are some notable points of Circular 40:

- The threshold of annual taxable revenue for business households and individuals not subject to taxes is kept unchanged at VND100 million or less as for the current regulations.
- Taxpayers to include individuals earning income from e-commerce businesses and digital content product and service provision and individuals having income from the transfer of the right to use domain name “.vn”
- In addition to the deemed taxation method and taxation on payment basis as currently regulated tax payment can now be done by way of tax declaration method;
- Broaden the number of organisations that are required to withhold tax (as below specified).

Notably, Circular 40 provides that income paying organisations must declare and pay tax on behalf of business households and individuals in the following cases:

1. Organisations leasing an individual’s property where the lease agreement contains a provision that the lessee is the taxpayer.
2. Organisations entering into business cooperation with individuals.
3. Organisations that pay bonuses, sales support, sales promotions, trade discounts, payment discounts, cash or non-cash support, compensation for breach of contract and other compensations to business households adopting the deemed taxation method.
4. Organisations in Vietnam that are partners of overseas digital platform providers (without a permanent establishment in Vietnam), paying income from digital information content products and services to individuals under an agreement with the overseas digital platform providers.
5. Organisations being the owners of e-commerce platforms shall declare and pay tax on behalf of the individuals according to a roadmap announced by the tax authorities. During the time when it is not yet possible to declare tax on behalf of individuals, the e-commerce platform owners are required to provide information related to business activities performed by individuals through such platforms at the request of tax authorities in accordance with the applicable laws.
6. Organisations that declare and pay tax on behalf of individuals based on authorization agreements under the civil code.

Please contact KPMG for detailed advice on new regulations in Circular 40.

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