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# Manufacturing Challenges – Solutions in the age of COVID-19

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# Government policies and supporting packages available

Application deadline  
on 30.7.2021

Regulation	Effective Date	Measures
Resolution 84/2020/NQ-CP	May 29 <sup>th</sup> , 2020	Reduce 2% of interest rate of direct and indirect lending for small and medium enterprises taken from medium and small enterprise development fund
<b>Decree 52/2021/ND-CP</b>	April 19 <sup>th</sup> , 2021	<ul style="list-style-type: none"> <li>• <b>VAT deferral (except VAT paid upon importation of goods)</b></li> <li>• <b>Corporate income tax (CIT) deferral</b></li> <li>• <b>Land rents deferral</b></li> </ul>
<b>Decree 57/2021/ND-CP</b>	June 4 <sup>th</sup> , 2021	<b>CIT incentives for supporting industry</b>
Circular 47/2021/TT-BTC	July 1 <sup>st</sup> , 2021	Reduced rates of certain charges and fees to assist and resolve difficulties for entities impacted by Covid-19
<b>Resolution 68/2021/NQ-CP</b>	July 1 <sup>st</sup> , 2021	<ul style="list-style-type: none"> <li>• Reduction in insurance premiums for occupational accidents and diseases</li> <li>• Suspension of contributions to the retirement and survivorship fund</li> <li>• Job retention training programs for employees</li> <li>• Assistance to employees on suspension of employment contracts, unpaid leave</li> <li>• Assistance to furloughed employees</li> <li>• Assistance to employees with terminated employment contracts</li> <li>• Supplemental policy and policy for children</li> <li>• Food allowance</li> <li>• Lump-sum support</li> <li>• Assistance to household businesses</li> <li>• <b>Loan policy to pay furlough wages, wages for production recovery</b></li> </ul>



# Decree 52/2021/ND-CP Extended VAT, CIT, Land rents deadline

- **Extended VAT deadline** (except VAT paid upon importation of goods) incurred during the period from March 2021 to August 2021 (in case of monthly declaration) or Q1-Q2 (in case of quarterly declaration)

VAT incurred in March 2021	Payment deferred to September 20 <sup>th</sup> , 2021
VAT incurred in April 2021	Payment deferred to October 20 <sup>th</sup> , 2021
VAT incurred in May 2021	Payment deferred to November 20 <sup>th</sup> , 2021
VAT incurred in June 2021	Payment deferred to December 20 <sup>th</sup> , 2021
VAT incurred in July 2021	Payment deferred to December 20 <sup>th</sup> , 2021
VAT incurred in August 2021	Payment deferred to December 20 <sup>th</sup> , 2021
VAT incurred in Q1 2021	Payment deferred to September 30 <sup>th</sup> , 2021
VAT incurred in Q2 2021	Payment deferred to December 31 <sup>st</sup> , 2021

- **Extended CIT payment** CIT declared in the Q1-Q2 2021 will be deferred for 3 months from the standard deadline for CIT payment
- **Extended land rents payment** Deadline for annual payment of rents that are due in beginning of 2021 for direct lease of land by the State will be deferred for 06 months starting from May 31, 2021

# Decree 52/2021/ND-CP Deferral procedures

- **Submit application** for tax / land rent deferral (electronically, in person, or by post)
  - must include all payments of tax and land rent deferred, and
  - must be submitted together with monthly or quarterly tax declaration, otherwise the deadline was **30.7.2021** (if submitted after the deadline, tax and land rent will **not** be deferred)
- Taxpayers **self-assess** their **eligibility** for deferral
- **Tax authorities inform** taxpayers about whether their application for deferral is granted
  - If tax authority discovers that taxpayers are not eligible for deferrals **during** the deferral period → written notice of ineligibility and taxpayers must pay tax / land rent plus late payment interest
  - If tax authority discovers that taxpayers are not eligible for deferrals **after** the deferral period → taxpayer must pay arrears, late payment interest and fines
- Interests are not charged during the deferral period

# Decree 57/2021/ND-CP CIT incentives for supporting industry

*Incentive CIT rate of 10% for 15 years, tax exempted for 4 years, and CIT reduced by 50% for the next 9 years*

## Applicable to:

- Enterprises with investment projects (both new and expansion projects) to manufacture products on the **List** of prioritized industrial-supporting products, and
- Satisfy the conditions: Includes: Textile & Garment, Footwear-Leather, Electronics, and
- Were granted **Certificate of conformity** for production of industrial-supporting products  
Automotive, Machinery  
Engineering, Hi-Tech

## Conditions for Supporting Industry Projects:

1. Manufacture products on the **List** of prioritized industrial-supporting products according to Decree 111/2015/ND-CP and – at the same time – not on list of prioritized industrial-supporting products already domestically manufactured before 2015 according to Circular 55/2015/TT-BTC, or
2. Manufacture prioritized industrial-supporting products already domestically manufactured before 2015 and being granted **Certificate of conformity** to EU technical regulations (standards promulgated by CEN) or equivalents

# Decree 57/2021/ND-CP Case 1: enterprise is not yet entitled to CIT incentives

- *Enterprise has an investment project to manufacture industrial-supporting products*
- *The income from the project is not yet entitled to CIT incentives*

*Then the project is entitled to CIT incentives for the tax period since the project is granted a Certificate of incentives for manufacturing industrial-supporting products by MOIT.*

## Example:

In 2010, Company A had an extended investment project in an area which was not eligible for CIT incentives. The project is for manufacturing industrial-supporting products, in this case chemicals used in leather tanning (listed in Decree 111/2015, not in Circular 55/2015).

In 2011, Company A generated revenues and taxable income. Up to 2016, the income was not subject to CIT incentives. In 2017, the project was granted a Certificates of incentives for production of industrial-supporting products.



Company A is tax exempted from CIT for 4 years (2017-2020), then applicable CIT rate is reduced by 50% for the next 9 years starting from 2021

## Decree 57/2021/ND-CP Case 2: enterprise has already enjoyed all CIT incentives

- *Enterprise has an investment project to manufacture industrial-supporting products*
- *The income from the project has already enjoyed all CIT incentives under other preferential conditions (beyond incentives from manufacturing industrial-supporting products)*

*Then the project is entitled to CIT incentives for the tax period since the project is granted a Certificate of incentives for manufacturing industrial-supporting products by MOIT.*

### Example:

In 2010, Company A had a new investment project in an Industrial Zone.

In 2011, Company A generated revenues. In 2012, Company A generated taxable income. According to Decree 91/2014/ND-CP, the project is eligible for tax exemption for 2 years (2012-2013) and 50% CIT reduction for the next 4 years (2014-2017). By the end of 2017, the project enjoyed all tax incentives for being located inside an Industrial Zone. In 2018, the project was granted a Certificates of incentives for production of industrial-supporting products.



Company A enjoys incentive CIT rate of 10% within 15 years from 2018, being tax exempted from CIT for 2 years (2018-2019), then applicable CIT rate is reduced by 50% for the next 5 years starting from 2020

## Decree 57/2021/ND-CP Case 3: enterprise is enjoying CIT incentives under other preferential conditions

- *Enterprise has an investment project to manufacture industrial-supporting products*
- *The income from the project has been enjoying CIT incentives under other preferential conditions (beyond incentives from manufacturing industrial-supporting products)*

*Then the project is entitled to CIT incentives for the tax period since the project is granted a Certificate of incentives for manufacturing industrial-supporting products by MOIT.*

### Example:

In 2014, Company A had a new investment project in a disadvantaged area.

In 2014, Company A generated revenues. In 2015, Company A generated taxable income. According to Decree 218/2013/ND-CP, the project is eligible for 20% CIT rate from 2014 (17% from 2016) and is eligible for tax exemption for 2 years (2015-2016) and 50% CIT reduction for the next 4 years (2017-2021). In 2018, the project was granted a Certificates of incentives for production of industrial-supporting products.



Company A enjoys incentive CIT rate of 10% within 11 years from 2018, being tax exempted from CIT for 2 years (2018-2019), then applicable CIT rate is reduced by 50% for the next 8 years starting from 2020



# Circular 55/2015/TT-BTC Procedure to obtain the incentives for supporting industries according to Decree 57/2021/ND-CP

## Required documents:

1. A written request (Appendix 2, Form 01, Circular 55/2015/TT-BTC)
2. Business Registration Certificate
3. A description of the project
4. Audited Financial Statement (only for existing projects)
5. The Decision on approval for Environmental Impact Assessment (if new investment projects) or a commitment to environmental protection (if existing projects)
6. A Certificate of conformity to EU technical regulations or equivalents

**Duration:** maximum **35 working days**

## Where to **submit**:

- Directly at Heavy Industry Department of MoIT, or
- Online at the online portal of MoIT (<https://dichvucong.moit.gov.vn/Login.aspx>)

# Resolution 68/2021/NQ-CP Loan policy to pay furlough wages

Employers are entitled to borrow a **short-term loan** (less than 12 months) for the Bank for Social Policies

- At the interest rate of **0%**
- **Not** required to provide a loan security

**Applicable** for paying furlough wages to employees who:

- Have contributed to compulsory social insurance and
- Have been put **on furlough for 15 consecutive days** or more in the period from 05.2021 to 03.2022

**Requirements:**

- Employer must have **no bad debt** at any credit institution and foreign bank branch at the time of applying for a loan
- The maximum loan **amount is equal to the regional minimum wage** for the number of employees according to the actual payment period of furlough wages **but not exceeding 03 months**

# Resolution 68/2021/NQ-CP Loan policy to pay wages for production recovery

Employers are entitled to borrow a **short-term loan** (less than 12 months) for the Bank for Social Policies **for paying wages to employees** who have contributed to compulsory social insurance

- At the interest rate of **0%**
- **Not** required to provide a loan security

## **Applicable, if the employer**

- resumes the business after suspending operations at the request of the competent authority to prevent and control the COVID-19 pandemic from May 2021 to the end of March 2022, or
- Line of business is in the field of transportation, aviation, tourism, accommodation services, sending Vietnamese workers to work abroad under a contract from May 2021 to the end of March 2022

## **Requirements**

- Employer must have **no bad debt** at any credit institution and foreign bank branch at the time of applying for a loan
- The maximum loan **amount is equal to the regional minimum wage** for the number of employees according to the actual payment period of furlough wages **but not exceeding 03 months**

# COVID-19 Impact on Manufacturing

1. **Delivery delays**
2. **Increasing costs**
3. **Uncertainty**

*Q: How can companies prevent COVID-19 outbreaks in their factories?*

*A: Have you implemented sufficient controls to prevent such an outbreak? Have you done enough?*

 **Use common sense and follow the guidelines from the Government and Industry bodies**

# Recommendations Collaborate with the authority

1. **Through associations**, enterprises share their issues and concerns to be sent to the Gov't
2. The business community has suggested that relevant ministries and branches need to **review the procedures and conditions** so that businesses can more easily access the support package more feasible
3. Associations coordinate with banks to make detailed statistics on each knot of businesses and step by step **remove bottlenecks** for businesses

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# Official Dispatch 2242/LDTBXH-TLD-PTM Maintain production, combine with epidemic prevention

## Safe conditions for production and business for enterprises

1. The risk of COVID-19 infection must be low or less than 30%
2. Enterprises shall sign a commitment to ensure the implementation of safety measures to prevent and control the COVID-19 epidemic; have a plan for prevention and control of COVID-19 and plans for handling when there are cases of COVID-19; do not employ workers who are subject to medical isolation
3. In the area where the social distancing is implemented at the request of the competent authority and when there is a risk of infection at the workplace, if workers are arranged to go to work, enterprises must arrange a concentrated accommodation area and arrange separate working area from the existing labor group
4. Ensure that the plan for transporting workers from the concentrated residence to the workplace, and ensure the shortest distance to transport workers between the place of residence and the place of work
5. Employees must have negative test results for SARS-CoV-2 virus before being sent to concentrated accommodation and must not leave the concentrated accommodation and workplace during the operation of the enterprise

# Official Dispatch 2242/LDTBXH-TLD-PTM Maintain production, combine with epidemic prevention

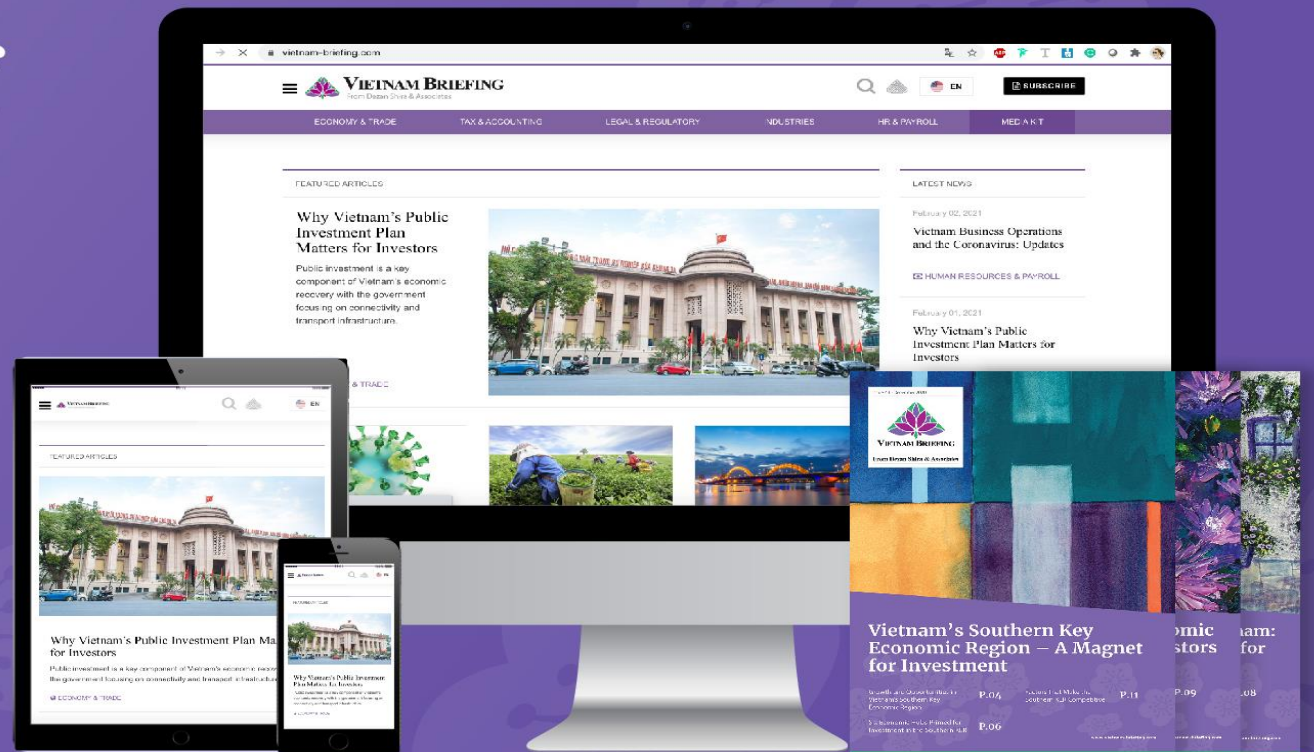
## Safe conditions for the employers

1. Enterprises implement 3 on-site activities (on-site production - on-site eating - on-site accommodation) according to the plan of distance, divided shifts to ensure safety; ensure the conditions for workers' concentrated accommodation (if they are concentrated); ensure the quality of meals and workers' health
2. Requires prompt implementation of policies to support employees to suspend contracts, take unpaid leave, employees to stop working, terminate labor contracts and other policies; take care to ensure first and foremost the rights and safety of employees
3. Actively propagate and fully disseminate regulations on epidemic prevention and control, support policies according to regulations of the Government, Prime Minister and local authorities for employees
4. Coordinate with qualified medical facilities to prepare the number of backup rapid tests to ensure enough testing twice for the entire number of employees present at the enterprise
5. Make a list of employee information and update it every 3 days, update the test results before 15:00 every day (if any) and report to the competent authority



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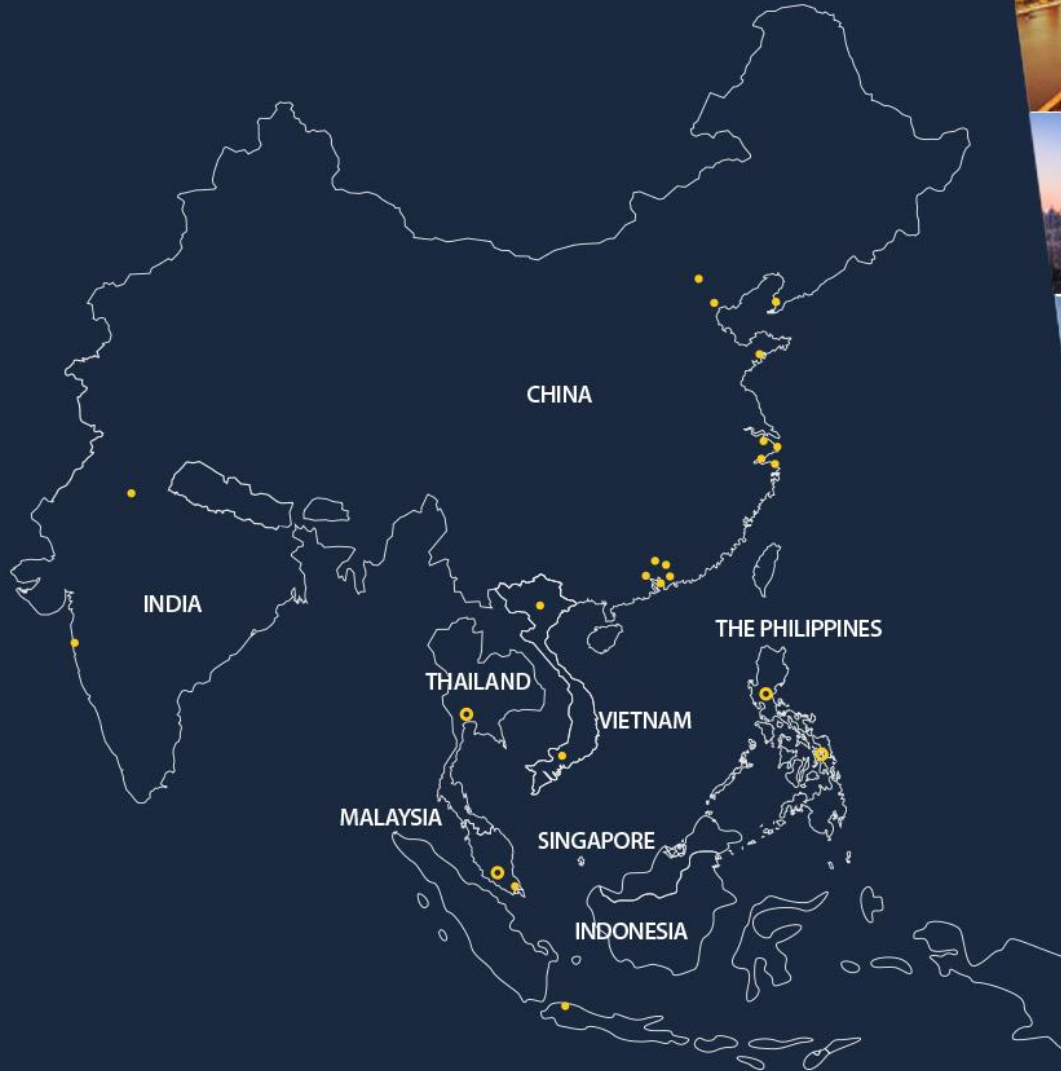
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