

Taxation – Vietnam (VNM)(F6) June & December 2017

This syllabus and study guide is designed to help with planning study and to provide detailed information on what could be assessed in any examination session.

THE STRUCTURE OF THE SYLLABUS AND STUDY GUIDE

Relational diagram of paper with other papers

This diagram shows direct and indirect links between this paper and other papers preceding or following it. Some papers are directly underpinned by other papers such as Advanced Performance Management by Performance Management. These links are shown as solid line arrows. Other papers only have indirect relationships with each other such as links existing between the accounting and auditing papers. The links between these are shown as dotted line arrows. This diagram indicates where you are expected to have underpinning knowledge and where it would be useful to review previous learning before undertaking study.

Overall aim of the syllabus

This explains briefly the overall objective of the paper and indicates in the broadest sense the capabilities to be developed within the paper.

Main capabilities

This paper's aim is broken down into several main capabilities which divide the syllabus and study guide into discrete sections.

Relational diagram of the main capabilities

This diagram illustrates the flows and links between the main capabilities (sections) of the syllabus and should be used as an aid to planning teaching and learning in a structured way.

Syllabus rationale

This is a narrative explaining how the syllabus is structured and how the main capabilities are linked. The rationale also explains in further detail what the examination intends to assess and why.

Detailed syllabus

This shows the breakdown of the main capabilities (sections) of the syllabus into subject areas. This is the blueprint for the detailed study guide.

Approach to examining the syllabus

This section briefly explains the structure of the examination and how it is assessed.

Study Guide

This is the main document that students, tuition providers and publishers should use as the basis of their studies, instruction and materials. Examinations will be based on the detail of the study guide which comprehensively identifies what could be assessed in any examination session. The study guide is a precise reflection and breakdown of the syllabus. It is divided into sections based on the main capabilities identified in the syllabus. These sections are divided into subject areas which relate to the sub-capabilities included in the detailed syllabus. Subject areas are broken down into sub-headings which describe the detailed outcomes that could be assessed in examinations. These outcomes are described using verbs indicating what exams may require students to demonstrate, and the broad intellectual level at which these may need to be demonstrated (*see intellectual levels below).

INTELLECTUAL LEVELS

The syllabus is designed to progressively broaden and deepen the knowledge, skills and professional values demonstrated by the student on their way through the qualification.

The specific capabilities within the detailed syllabuses and study guides are assessed at one of three intellectual or cognitive levels:

Level 1: Knowledge and comprehension
Level 2: Application and analysis
Level 3: Synthesis and evaluation

Very broadly, these intellectual levels relate to the three cognitive levels at which the Knowledge module, the Skills module and the Professional level are assessed.

Each subject area in the detailed study guide included in this document is given a 1, 2, or 3 superscript, denoting intellectual level, marked at the end of each relevant line. This gives an indication of the intellectual depth at which an area could be assessed within the examination. However, while level 1 broadly equates with the Knowledge module, level 2 equates to the Skills module and level 3 to the Professional level, some lower level skills can continue to be assessed as the student progresses through each module and level. This reflects that at each stage of study there will be a requirement to broaden, as well as deepen capabilities. It is also possible that occasionally some higher level capabilities may be assessed at lower levels.

LEARNING HOURS AND EDUCATION RECOGNITION

The ACCA qualification does not prescribe or recommend any particular number of learning hours for examinations because study and learning patterns and styles vary greatly between people and organisations. This also recognises the wide diversity of personal, professional and educational circumstances in which ACCA students find themselves.

As a member of the International Federation of Accountants, ACCA seeks to enhance the education recognition of its qualification on both national and international education frameworks, and with educational authorities and partners globally. In doing so, ACCA aims to ensure that its qualifications are recognized and valued by governments, regulatory authorities and employers across all sectors. To this end, ACCA qualifications are currently recognized on the education frameworks in several countries. Please refer to your national education framework regulator for further information.

Each syllabus contains between 23 and 35 main

subject area headings depending on the nature of the subject and how these areas have been broken down.

GUIDE TO EXAM STRUCTURE

The structure of examinations varies within and between modules and levels.

The Fundamentals level examinations contain 100% compulsory questions to encourage candidates to study across the breadth of each syllabus.

The Knowledge module is assessed by equivalent two-hour paper based and computer based examinations.

The Skills module examinations F5-F9 are all paper based exams containing a mix of objective and longer type questions with a duration of three hours 15 minutes. The *Corporate and Business Law* (F4) paper is a two-hour objective test examination which is also available as a computer based exam for English and Global variants, as well as paper based for all variants.

The Professional level papers are all of three-hour 15 minutes duration and all contain two sections. Section A is compulsory, but there will be some choice offered in Section B.

ACCA has removed the restriction relating to reading and planning time, so that **while the time** considered necessary to complete these exams remains at 3 hours, candidates may use the additional 15 minutes as they choose. ACCA encourages students to take time to read questions carefully and to plan answers but once the exam time has started, there are no additional restrictions as to when candidates may start writing in their answer books.

Time should be taken to ensure that all the information and exam requirements are properly read and understood.

The Essentials module papers all have a Section A containing a major case study question with all requirements totalling 50 marks relating to this case. Section B gives students a choice of two from three 25 mark questions.

Section A of both the P4 and P5 Options papers contain one 50 mark compulsory question, and Section B will offer a choice of two from three questions each worth 25 marks each.

Section A of each of the P6 and P7 Options papers contains 60 compulsory marks from two questions; question 1 attracting 35 marks, and question 2 attracting 25 marks. Section B of both these Options papers will offer a choice of two from three questions, with each question attracting 20 marks.

All Professional level exams contain four professional marks.

The pass mark for all ACCA Qualification examination papers is 50%.

GUIDE TO EXAMINATION ASSESSMENT

ACCA reserves the right to examine anything contained within the study guide at any examination session. This includes knowledge, techniques, principles, theories, and concepts as specified.

For the tax papers, ACCA will publish *examinable documents*, or tax rates and allowances tables, once a year to indicate exactly what legislation could potentially be assessed within identified examination sessions. These should be read in conjunction with the information below.

For **VNM** tax papers, June and December examinations will be based on legislation passed before the previous 31 December. I.e. June and December 2017 papers will be based on legislation passed by 31 December 2016.

Syllabus

F6 VNM

AIM

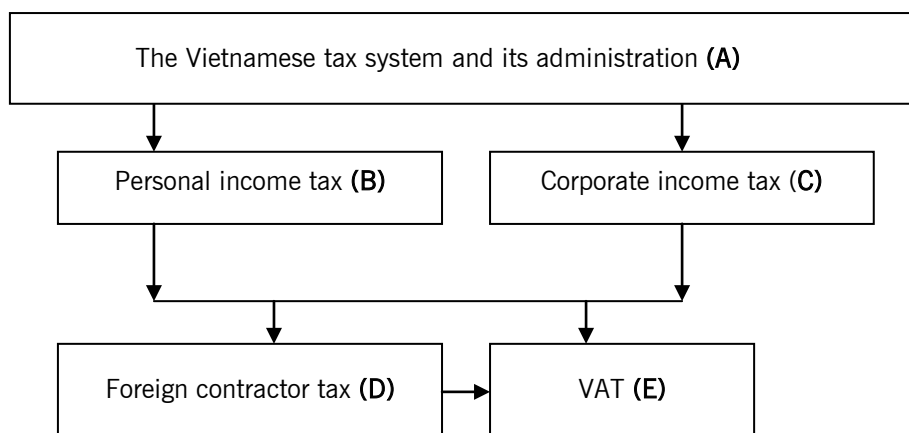
To develop knowledge and skills relating to the tax system as applicable to individuals and businesses (domestic and foreign owned) operating in Vietnam.

MAIN CAPABILITIES

After completing this examination paper students should be able to:

- A** Explain the operation and scope of the Vietnamese tax system and the obligations of tax payers and the implications of non-compliance
- B** Explain and compute the personal income tax liabilities of individuals
- C** Explain and compute the corporate income tax liabilities of both domestic and foreign owned companies
- D** Explain and compute the tax liabilities arising under the regime applicable to foreign contractors
- E** Explain and compute the effects of value added tax on businesses

RELATIONAL DIAGRAM OF MAIN CAPABILITIES



RATIONALE

This syllabus introduces candidates to the subject of taxation and provides the core knowledge of the underlying principles and major technical areas of taxation, as they affect the activities of individuals and businesses.

In this syllabus, candidates are introduced to the rationale behind and the functions of the tax system. The syllabus then considers the separate taxes that an accountant would need to have a detailed knowledge of, such as personal income tax; corporate income tax; foreign contractor tax; and value added tax.

Having covered the core areas of the basic taxes, the candidate should be able to compute tax liabilities, explain the basis of their calculations, apply tax planning techniques for individuals and companies and identify the compliance issues for each major tax through a variety of business and personal scenarios and situations.

DETAILED SYLLABUS

A The Vietnamese tax system and its administration

1. The overall function and purpose of taxation in a modern economy
2. Overall structure of Vietnamese tax system
3. The systems of registration and the making of returns
4. The submission of information and claims and the payment of tax liabilities
5. Transfer pricing
6. The procedures relating to enquiries, appeals and disputes
7. Penalties for non-compliance

B Personal income tax

1. The scope of personal income tax (PIT)
2. Income subject to PIT

3. The comprehensive computation of monthly and annual taxable income and tax liabilities
4. The use of exemptions and reliefs in deferring and minimising PIT liabilities

C Corporate income tax

1. The scope of corporate income tax (CIT)
2. Profits subject to CIT
3. The comprehensive computation of CIT liabilities
4. The use of tax exemptions and reliefs in deferring and minimising CIT liabilities

D Taxation of foreign contractors

1. The scope of the foreign contractor tax (FCT) regime
2. The computation of FCT liabilities

E Value added tax

1. The scope of value added tax (VAT)
2. Bases and methods of calculation

APPROACH TO EXAMINING THE SYLLABUS

The syllabus is assessed by a three-hour 15 minute paper-based examination.

The paper will be predominantly computational and all questions are compulsory.

Section A of the exam comprises 15 multiple choice questions of 2 marks each.

Section B of the exam comprises four 10 mark questions and two 15 mark questions.

The two 15 mark questions will focus on income tax (syllabus area B) and corporate income tax (syllabus area C).

The section A questions and the other questions in section B can cover any areas of the syllabus.

Study Guide

A THE VIETNAMESE TAX SYSTEM AND ITS ADMINISTRATION

1. The overall function and purpose of taxation in a modern economy

- a) Describe the purpose (economic, social etc) of taxation in a modern economy.^[2]
- b) Identify the different types of taxes.^[1]
- c) Explain the difference between direct and indirect taxation.^[2]

2. Overall structure of Vietnamese tax system

- a) Describe the overall structure of the Vietnamese tax system.^[1]
- b) Explain the difference between tax avoidance and tax evasion.^[1]
- c) Explain the need for an ethical and professional approach.^[2]

Excluded topics

- *Law on Investment*
- *Enterprise Law*
- *Intellectual property and technology transfer regulations (except as detailed in the Study Guide)*
- *Anti avoidance legislation (except as detailed in the Study Guide)*

3. The systems of registration and the making of returns

- a) Describe the procedures by which individuals and organisations register with the tax authorities.^[1]
- b) Describe the procedures by which registered taxpayers submit returns and declare and amend their tax liabilities.^[1]
- c) Explain the obligation of businesses to keep proper books of account and the consequences of failing to do so.^[1]

4. The submission of information and claims and the payment of tax liabilities

- a) Describe the procedures by which registered taxpayers pay and finalise their liabilities.^[2]
- b) Explain the provisional tax payment system, including the methods of calculation, amendment, payment dates and system of credits, taking into account the provisional VAT and CIT payment requirements for geographically dispersed businesses operations.^[2]
- c) Describe the procedures for the periodic deduction and payment of taxes, clearly distinguishing the responsibilities of each of the following:
 - bodies paying income;
 - taxpayers; and
 - the tax authorities.^[2]
- d) Describe the procedures for tax finalisation in the case of tax payers.^[2]
- e) Explain how relief is given in respect of taxpayer error.^[1]
- f) Describe the procedures by which eligible taxpayers may apply for a tax refund or credit.^[1]

5. Transfer pricing

- a) Explain and apply the transfer pricing rules (including concepts such as “arm’s length price”, “transactions between related parties”, “independent transactions”) and prepare relevant calculations.^[2]
- b) State when companies are ‘affiliated’ (a.k.a. ‘related’) and the rights and responsibilities (especially disclosure responsibilities) of taxpayers who have transactions with affiliated parties.^[1]
- c) Explain the powers of the tax office to determine income according to market prices^[1]
- d) Describe the methodologies used to determine market price.^[1]

6. The procedures relating to enquiries, appeals and disputes

- a) Explain the rights and obligations of taxpayers with respect to tax complaints.^[1]
- b) Explain the duties, powers and responsibilities of the tax authorities with regard to tax declarations, the calculation, assessment and collection/recovery of tax due, tax complaints and tax audit.^[1]

7. Penalties for non-compliance

- a) State the penalties for non-compliance, under-declaration and late tax payment.^[1]

B PERSONAL INCOME TAX

1. The scope of personal income tax (PIT)

- a) Identify the individuals, resident and non-resident, liable to pay PIT.^[2]
- b) Explain how the tax residence of an individual is determined.^[2]
- c) Recognise the difference in the tax treatment of a resident individual and a non-resident individual.^[2]
- d) Recognise the difference in the tax treatment of income sourced from Vietnam or outside of Vietnam for residents and non-residents.^[2]
- e) Understand how a double taxation agreement can affect the liability to taxation of certain classes of individual and of different types of income.^[2]

2. Income subject to PIT

- a) Explain the basis of assessment for income derived by an individual.^[2]
- b) Identify exempt income, allowances, benefits and receipts not subject to PIT and reductions in tax.^[2]
- c) Distinguish between income which is subject to progressive PIT rates and income which is subject to specific PIT rates.^[2]

- d) Explain how the attribution of income is determined.^[2]
- e) Explain how the income of individuals in the capacity of producers, traders and service providers is determined.^[2]
- f) Explain the treatment of business income, salary income, income from capital investments, income from capital transfers, income from real property transfers, income from winnings or prizes, royalty income, income from franchises, income from inheritances, income from receipt of a gift and other income.^[2]

Excluded topics

- *Agricultural income of small scale producers*

3. The comprehensive computation of monthly and annual taxable income and tax liabilities

- a) Compute business and salary income, including the assessment of employment benefits in kind.^[2]
- b) Compute other taxable income and distinguish its treatment from that of business and salary income.^[2]
- c) State the expenses and apply the deductions (if any) that can be used to reduce taxable income.^[2]
- d) Recognise the individual income of non-resident subject to personal income tax and compute the tax to be withheld.^[2]
- e) Compute the monthly and annual tax liabilities of residents and non-residents with regard to:
 - all types of income whether sourced from Vietnam or overseas.^[2]
- f) Compute any available tax credit and double taxation relief in respect of foreign taxes and withholding taxes.^[2]

4. The use of exemptions and reliefs in deferring and minimising PIT liabilities

- a) Identify, compute and apply the right reduction/relief in given circumstances.^[2]
- b) Explain how alternative structuring of all types of income can result in different amounts of taxable income and tax liability.^[2]

Excluded topics

- *Detailed provisions of individual tax treaties*

C CORPORATE INCOME TAX

1. The scope of corporate income tax

- a) Explain and apply the territorial scope of corporate income taxation in Vietnam.^[2]
- b) Identify the business establishments liable to CIT.^[2]
- c) Explain how the tax residence of a company is determined.^[2]
- d) Understand how a double taxation agreement can affect the liability to taxation of different types of income.^[2]
- e) Understand how companies and institutions in certain specific industries (e.g. securities, banking, real estate etc.) are taxed.^[2]

Excluded topics

- *Tax Exempt Income as defined by the Law on CIT.*

2. Profits subject to CIT

- a) Explain the basis of assessment for CIT, including on the commencement and cessation of an enterprise.^[2]
- b) Define the terms 'assessable income', 'taxable income' and 'tax assessment period'.^[1]
- c) Explain 'taxable revenue' and reduction to taxable revenue for enterprises in specific industries.^[2]

- d) Recognise and compute 'deductible expenses'.^[2]
- e) Recognise the items that do not constitute deductible expenses.^[2]
- f) Explain and compute the 'other income' that should be included in taxable income.^[2]
- g) Depreciation and amortisation of assets
 - i) State the conditions that must be satisfied for depreciation of a fixed asset to be included in deductible expenses.^[1]
 - ii) Explain the types of qualified fixed assets (for depreciation) and compute the eligible cost of tangible fixed assets, intangible fixed assets and leased assets.^[2]
 - iii) Compute the allowable depreciation expense in accordance with Ministry of Finance decisions.^[2]
 - iv) Distinguish between repairs and improvements and determine the effect of improvements on the calculation of depreciation.^[2]
 - v) Explain the treatment of a disposal or part disposal of depreciable assets.^[2]
- h) Capital Assignments and Transfer of securities and projects
 - i) Explain the treatment of transfers of projects, shares, bonds and other securities by business enterprises.^[2]
 - ii) Explain and apply the reliefs available to an investor transferring the whole or part of their capital investment to a third party.^[2]
- i) Taxation of Real Property Transfers
 - i) Explain the circumstances in which the transfer of real property is liable to corporate income tax.^[2]
 - ii) Compute the taxable income (turnover less expenses) on the transfer of real property.^[2]
- j) Losses and carry forward losses
 - i) Explain and apply the relief available for losses against income in the year of loss (current year) and in subsequent years.^[2]
- k) Welfare expenses
 - i) State the types of deductible welfare expenses, distinguish with other categories of expenses and the conditions for additional deduction of welfare expenses.^[2]

ii) Calculate the deductible welfare expenses (taking into account the cap)^[2]

l) Science and Technology Funds

i) State how the additional deduction operates

ii) Calculate the tax arrears and other amounts payable for cases of non-compliance.^[2]

m) Provisions for doubtful debts, investments, inventory, warranty and severance allowance

i) Describe tax treatments of these provisions.

ii) Calculate the tax implications from these provisions.^[2]

n) Understand the implications of capital versus debt financing in the case of foreign invested enterprises and compute relevant amounts.^[2]

3. The comprehensive computation of CIT liabilities

a) Prepare a CIT computation, including the standard CIT declaration forms, taking into account the tax regulations.^[2]

b) Compute the CIT liability at non-reduced rates.^[2]

c) Tax incentive exemptions and reductions

i) Describe the general application of CIT incentives applicable to investment projects under the tax regulations^[1]

ii) Explain the general qualifying conditions that must be satisfied, the nature of the incentive and the duration of application in each case^[1]

iii) Compute the CIT liability at reduced rates (where applicable).^[2]

d) Overseas aspects

i) Business structure, representative offices, branch or subsidiary
- Define 'permanent establishment'^[1]
- Apply the concept of permanent establishment to determine the taxability of income in Vietnam^[2]
- Explain and distinguish the CIT implications of a representative office, branch and subsidiary of a foreign corporation^[2]

ii) Recognise the circumstances in which foreign income is regarded as having been received in Vietnam^[2]

iii) Double taxation relief

- Explain and apply the available forms of double taxation relief:

- treaty relief (of DTAs as provided); and

- unilateral tax credit relief^[2]

- Compute the double taxation relief available in respect of foreign withholding and underlying taxes.^[2]

Excluded topics

- *Detailed lists of provinces or geographical locations etc for the purposes of tax incentives*
- *Detailed provisions of individual tax treaties*

4. The use of exemptions and reliefs in deferring and minimising CIT liabilities

a) Identify, compute and apply the right reduction/relief and tax saving/deferral arrangement in given circumstances.^[2]

D TAXATION OF FOREIGN CONTRACTORS

1. The scope of the foreign contractor tax (FCT) regime

a) Identify applicable and non-applicable subjects/transactions.^[2]

b) Explain the inter-relationship between the FCT regime and CIT, VAT and PIT.^[2]

c) Define the terms 'foreign contractor'; sub-contractor'; 'income arising in Vietnam'; Income from the transfer of ownership or right to use assets; 'royalty'; and 'loan interest'.^[1]

Excluded topics

- *Definition of intellectual property rights and technology transfer in accordance with the Civil Code*

2. The computation of FCT liabilities

a) Compute the VAT and CIT liabilities, responsibilities for filing and payment for foreign contractors adopting the Vietnamese accounting system (VAS) (i.e. the actual

method) and simplified VAS (i.e. hybrid method).^[2]

- tax credit; and
- directly on the basis of added value.^[2]

- b) Compute the VAT and CIT liabilities, responsibilities for filing and payment for foreign contractors not adopting the Vietnamese accounting system (VAS) (i.e. deemed method).^[2]
- c) Apply the double taxation relief provisions in the context of the FCT regime.^[2]

- c) Explain and apply the time of supply rules.^[2]
- d) Determine the taxable revenue in specific cases.^[2]
- e) Explain the treatment of financial services, including credit, securities trading, capital transfers and derivatives.^[2]

E VALUE ADDED TAX

1. The scope of value added tax (VAT)

- a) Describe the scope of value added tax.^[2]
- b) State who is and who is not a VAT taxpayer.^[2]
- c) Identify the taxable and non-taxable (exempt) objects.^[2]
- d) Understand the principal zero-rated supplies and supplies for which VAT calculation and declaration is not required.^[1]

- f) Explain the treatment of free goods and internally consumed goods.^[2]
- g) State the circumstances in which input VAT may be carried forward as a tax credit and/or refunded.^[1]
- h) Explain the categories and forms of VAT invoices, the mandatory contents in VAT invoices, and usage of VAT invoices (in particular: requirements for issuance of invoices, point of time for issuing invoices, handling invoices with errors, reporting usage of invoices).

2. Bases and methods of tax calculation

- a) Explain the principles that apply to the valuation of supplies and imports.^[2]
- b) Explain and apply the accepted methods of tax calculation:

- i) Explain the VAT invoicing treatments in special cases, in particular: discounts / rebates, goods for promotional purposes, goods returned to seller, invoices lost, transactions in disputes.^[2]

READING LIST

Vietnam Laws Online Database, Phillips Fox (English Versions) (including: Decision 206, and Circular 60).

OECD Model Tax Convention on double taxation.
The study of relevant articles in the ACCA's student accountant magazine is also recommended.

Note: Whenever the word "regulations" is used, it refers to the Law, Decrees and Circulars of the particular tax.

SUMMARY OF CHANGES TO F6 (VNM)

ACCA periodically reviews its qualification syllabuses so that they fully meet the needs of stakeholders such as employers, students, regulatory and advisory bodies and learning providers.

There have been no changes to the syllabus for 2017.