Fundamentals Level – Skills Module

Taxation (Vietnam)

Thursday 10 December 2015

Time allowed
Reading and planning: 15 minutes
Writing: 3 hours

This question paper is divided into two sections:

Section A – ALL 15 questions are compulsory and MUST be attempted

Section B – ALL SIX questions are compulsory and MUST be attempted

Tax rates and allowances are on pages 2–4.

Do NOT open this question paper until instructed by the supervisor.

During reading and planning time only the question paper may be annotated. You must NOT write in your answer booklet until instructed by the supervisor.

Do NOT record any of your answers on the question paper.

This question paper must not be removed from the examination hall.

Paper F6 (VNM)

ACCA

The Association of Chartered Certified Accountants

The Ministry of Finance of the Socialist Republic of Vietnam

SUPPLEMENTARY INSTRUCTIONS

1. Calculations and workings need only be made to the nearest VND, unless instructed otherwise.
2. All apportionments should be made to the nearest month.
3. All workings should be shown in Section B.

TAX RATES AND ALLOWANCES

The following tax rates and allowances are to be used in answering the questions

Value added tax (VAT)

Standard rate	10%
Reduced rate	5%

Corporate income tax (CIT)

Standard rate for enterprises	22%

Foreign contractor tax (FCT)

	Value added tax rates as a percentage (%) of taxable turnover:	**%**
1.	Services, leasing of machinery and equipment, and insurance.	5
2.	(a) Construction, assembly and installation where the tender includes the supply of materials, machinery and equipment in the construction work.	3
	(b) Construction, assembly and installation where the tender does not include the supply of materials, machinery and equipment in the construction work.	5
3.	Other business and production.	3

	Corporate income tax rates as a percentage (%) of taxable turnover:	**%**
1.	Trading: distribution and supply of goods, raw materials, supplies, machinery and equipment associated with services in Vietnam (including the supply of goods in the form of on-the-spot export (except processing goods for foreign organisations and individuals); and the supply of goods under DDP, DAT, DAP terms of Incoterms).	1
2.	Services, leasing of machinery and equipment, insurance, leasing of oil rigs.	5
3.	Management services of restaurants, hotels and casinos.	10
4.	Leasing of aircraft, aircraft engines, aircraft spare parts and sea going vessels.	2
5.	Construction and installation regardless of whether the tender includes or does not include the supply of materials, machinery and equipment in the construction work.	2
6.	Other production or business activities and transportation (including sea and air transportation).	2
7.	Assignments [transfers] of securities, reinsurance and commissions from reinsurance.	0·1
8.	Derivatives.	2
9.	Loan interest.	5
10.	Income from royalties.	10

Personal income tax (PIT)

Regular income tax rates for Vietnamese citizens and other residents in Vietnam

Portion of monthly assessable income (VND million)	Tax rate %
Up to 5	5
Over 5 to 10	10
Over 10 to 18	15
Over 18 to 32	20
Over 32 to 52	25
Over 52 to 80	30
Over 80	35

Net to gross calculator

N < 4,750,000	G = N/0·95
4,750,000 < N < 9,250,000	G = (N – 250,000)/0·9
9,250,000 < N < 16,050,000	G = (N – 750,000)/0·85
16,050,000 < N < 27,250,000	G = (N – 1,650,000)/0·8
27,250,000 < N < 42,250,000	G = (N – 3,250,000)/0·75
42,250,000 < N < 61,850,000	G = (N – 5,850,000)/0·7
N > 61,850,000	G = (N – 9,850,000)/0·65

Gross basis	%	Tax
G < 5,000,000	5	T = 0·05G
5,000,000 < G < 10,000,000	10	T = 0·1G – 250,000
10,000,000 < G < 18,000,000	15	T = 0·15G – 750,000
18,000,000 < G < 32,000,000	20	T = 0·2G – 1,650,000
32,000,000 < G < 52,000,000	25	T = 0·25G – 3,250,000
52,000,000 < G < 80,000,000	30	T = 0·3G – 5,850,000
G > 80,000,000	35	T = 0·35G – 9,850,000

Notes:

G: Gross income N: Net income T: Income tax

Non-resident tax rate on employment income: 20% on Vietnam sourced income

PIT rates on other income

	Resident	Non-resident
Investment income	5%	5%
Capital transfers	0·1% of selling price, or 20% on taxable gain	0·1% of selling price
Transfers of property	2% of selling price, or 25% on taxable gain	2% of selling price
Royalties/franchises	5% of the income in excess of VND10 million	5% of the income in excess of VND10 million
Prizes/inheritances	10% of the income in excess of VND10 million	10% of the income in excess of VND10 million

Personal deductions (per month)

Self	VND 9,000,000
Dependant	VND 3,600,000

Social insurance, health insurance and unemployment insurance

Rates for the year 2014

Social insurance (SI)	8%
Health insurance (HI)	1·5%
Unemployment insurance (UI)	1%

Base salary (per month) for the year 2014
VND 23,000,000

Rates of exchange

The following rates of exchange are to be used in answering all questions in this paper (unless otherwise stated):

USD 1 = VND 21,500

Section A – ALL 15 questions are compulsory and MUST be attempted

Please use the grid provided on page two of the Candidate Answer Booklet to record your answers to each multiple choice question. Do not write out the answers to the MCQs on the lined pages of the answer booklet.
Each question is worth 2 marks.

1 On 1 July 2012, NLAM Co leased an asset for four years and paid the whole rent of VND600 million in advance. On 1 July 2014, NLAM Co decided to shorten the lease period to three years. The company expects that it will have to pay a penalty of VND60 million when it terminates the lease in 2015 in order to receive a refund of one year of the original lease payment.

What is the deductible expense for NLAM Co with regard to the lease in the year ended 31 December 2014?

A VND150 million
B VND75 million
C VND165 million
D VND170 million

2 Lameda Co, a foreign company based in Singapore, hired space in a bonded warehouse in Vietnam. The storage space was used for:

– the temporary storage of materials for Lamevie Co, a Vietnamese company, prior to their further processing by Lamevie Co; and
– the storage of finished goods for other companies in Vietnam prior to their distribution in Vietnam.

In the case of the finished goods, the costs of transportation from the bonded warehouse to the distributors' warehouse in Vietnam was paid for by the distributors but reimbursed by Lameda Co.

What are the Vietnamese foreign contractor tax (FCT) implications for Lameda Co from the above transactions?

	With Lamevie Co	With other distributors
A	Subject to FCT	Subject to FCT
B	Subject to FCT	Not subject to FCT
C	Not subject to FCT	Subject to FCT
D	Not subject to FCT	Not subject to FCT

3 **Which combination of the following statements correctly describes the treatment of foreign exchange gains/losses arising during the construction period of a new company which has no revenue?**

(1) Gains and losses must be accounted for separately
(2) Gains and losses can be offset
(3) Gains and losses must be recognised in the year of incurrence
(4) Gains and losses must be deferred and allocated over a period of up to five years from when the project is put into use

A 1 and 3
B 1 and 4
C 2 and 3
D 2 and 4

4 NEI Co, a foreign contractor, entered into a contract with PVN, a Vietnamese company, to supply services in relation to oil exploration. NEI Co wants to apply the deduction method for the declaration of value added tax (VAT) in Vietnam. In November 2014 when the tax code application was still in progress, NEI Co incurred input VAT of USD15,000 for its operations in Vietnam. Also during that time, PVN made a progress payment to NEI Co of USD200,000 (net of VAT at 10%) for the services. In December 2014 when the tax code was available, NEI Co incurred a further USD28,000 input VAT for its operations in Vietnam.

What is the amount of NEI Co's deductible input value added tax (VAT) in 2014?

A USD63,000
B USD28,000
C USD35,000
D USD15,000

5 RETRA Co, a company specialising in developing real estate projects, has an apartment and villa development project in the centre of Hanoi, which is expected to be completed in 2018. The estimated total revenue and profits from this project are VND2,000 billion and VND300 billion, respectively. RETRA Co has been collecting money in advance from customers and in 2014 the total proceeds received were VND200 billion, on which provisional tax of 1% was duly paid on receipt.

What is the taxable income from the project of RETRA Co for the purposes of its 2014 corporate income tax (CIT) finalisation return?

A VND0 billion
B VND30 billion
C VND200 billion
D VND300 billion

6 Mr Tomaz is a Hong Kong citizen and tax resident. He arrived in Vietnam to work on 21 April 2014 and on completion of his employment contract, he left Vietnam on 31 October 2015. In the years 2014 and 2015, he spent the following numbers of days in Vietnam:

From 21 April to 31 December 2014 – 130 days
From 1 January to 20 April 2015 – 64 days
From 21 April to 31 October 2015 – 110 days

Based solely on the above information, what is Mr Tomaz's tax residency status in his first and second tax year in Vietnam?

	First year	Second year
A	Resident	Resident
B	Resident	Non-resident
C	Non-resident	Resident
D	Non-resident	Non-resident

7 In 2014, SPTF Co incurred losses of VND10 billion from incentive activities which were subject to a tax rate of 10%, made gains from the transferring of real estate of VND3 billion and had other income of VND8 billion.

What is the minimum tax liability of SPTF Co in 2014?

A VND2,420 million
B VND220 million
C VND660 million
D VND0 million

8 SWR Co, a Vietnamese company, has three separate sales outlets. In December 2014, each of the outlets issued an invoice for the sale of one ton of construction materials to three separate customers as follows. The sale of construction materials is subject to value added tax (VAT) at the rate of 10%.

– Invoice 1: selling price VND20 million, VAT VND2 million
– Invoice 2: selling price VND22 million, no VAT as the selling price is inclusive
– Invoice 3: selling price VND20 million, no VAT because the construction materials were given to the customer for free as part of a promotion which has been registered with the authorities

What is the output value added tax (VAT) which SWR Co should have declared in December 2014, if no amendments were made to the invoices?

A VND4 million
B VND2 million
C VND4·2 million
D VND6·2 million

9 Ms Hoai Pham has two dependants. In 2014, her monthly gross salary was VND50 million and she was responsible for paying 8% social insurance and 1·5% health insurance.

What is Ms Hoai Pham's monthly tax liability (to the nearest VND10,000)?

A VND4·16 million
B VND4·67 million
C VND6·26 million
D VND5·20 million

10 Mr Gambl is a Canadian and non-resident in Vietnam. On 1 December 2014, during his vacation trip to Vietnam, he visited PHT, a casino for expatriates in Vietnam. He cashed in (i.e. exchanged cash for chips) USD600 at the beginning, and cashed out (i.e. exchanged chips for cash) USD500 on each of three separate occasions with his winnings.

What is Mr Gambl's tax liability in Vietnam as a result of these transactions?

A VND935,000
B VND1,935,000
C VND2,225,000
D VND3,225,000

11 One of the methods for determining the arm's length price for a transaction between related parties is CUP.

What does CUP stands for?

A Controllable uncompared price
B Comparable uncontrolled price
C Controllable unit price
D Comparable unit price

12 In July 2010, MGT Co borrowed USD10 million from a foreign bank at an interest rate of 5% per annum for four years (MGT will bear any FCT on the interest). It is specified in the loan agreement that where MGT cannot repay the loan on the specified date, MGT would be subject to late payment interest. In October 2014, MGT paid back the loan plus USD250,000 interest and USD40,000 for late payment interest.

What is the amount of the CIT portion of FCT (rounded to 0 decimal) to be declared and paid by MGT Co for the above transaction?

A USD13,300
B USD14,500
C USD13,974
D USD15,263

13 Mr Ho is a tax resident in Vietnam. In 2014 he received income from Country X, on which Country X had imposed personal income tax at its domestic rates. Mr Ho is not a resident in Country X.

Which of the following statements correctly describes Mr Ho's entitlement to a tax credit in Vietnam for the tax imposed by County X?

A No tax credit can be claimed in Vietnam
B A tax credit can be claimed in Vietnam only if Country X has a double tax avoidance agreement (DTAA) with Vietnam
C A tax credit can be claimed in Vietnam even if Country X does not have a DTAA with Vietnam, but only up to the amount of personal income tax payable under the Vietnamese tax regulations on the income
D A tax credit can be claimed in Vietnam for the full amount of the overseas tax without any conditions or restrictions

14 PROVI Co is a company established in Vietnam. PROVI Co paid provisional quarterly corporate income tax (CIT) of VND8 billion relating to the year ended 31 December 2014. The final tax liabilities of PROVI Co per its CIT finalisation return for 2014 was VND11 billion. The company settled the additional tax obligations as per its CIT finalisation return for 2014 on 31 March 2015.

What is the amount on which the late tax payment penalty payable by PROVI Co will be based and from which date would it be charged?

A Based on VND0·8 billion, payable from 31 January 2015
B Based on VND2·2 billion, payable from 31 January 2015
C Based on VND2·2 billion, payable from 1 April 2015
D Based on VND3 billion, payable from 31 January 2015

15 HNKV Co is a one member limited liability company, which is wholly own by HKV, a company incorporated in Bermuda. In 2014, HKV decided to convert HNKV Co into a joint stock company by selling the shares of HNKV Co to two local Vietnamese entities. The sale of the shares and the conversion of the company was completed in August 2014.

Which combination of the following statements correctly describes the reporting requirements for capital gains tax and corporate income tax (CIT) finalisation under the current regulations?

(1) HNKV Co is required to file a capital gains tax declaration
(2) The buyers are required to file a capital gains tax declaration
(3) HNKV Co is required to file a CIT finalisation return at the time of conversion and at the year end
(4) HNKV Co is required to file a CIT finalisation return at the year end only

A 1 and 3
B 1 and 4
C 2 and 3
D 2 and 4

(30 marks)

Section B – ALL SIX questions are compulsory and MUST be attempted

Please write your answers to all parts of these questions on the lined pages within the Candidate Answer Booklet.

1 INVEX Co, a limited liability company, is fully owned by a Hong Kong-based company. INVEX Co is located in a high-tech park in Long An, where it manufactures a memory device used in laptops and mobile phones.

INVEX Co was established in 2008 with one factory which had a total design capacity of 1 million units per year. The original investment certificate entitled the company to the following corporate income tax (CIT) incentives:

– Four years tax exemption, plus nine years 50% tax reduction, commencing from the first year of generating taxable income; and

– 15 years 10% concessional tax rate, commencing from the first year of generating taxable revenue.

INVEX Co first generated taxable revenue and taxable income in the years 2009 and 2010, respectively.

In 2014, INVEX Co completed an expansion project involving additional investment in fixed assets of VND40 billion to set up a second (new) factory with additional design capacity of 350,000 units per year at the same location as the existing factory. Since all the products manufactured will be gathered for sale in a central warehouse, it is impossible for INVEX Co to clearly separate the taxable income resulting from the existing factory and the new factory.

INVEX Co's annual report for 2014 showed the following information:

– Total taxable income for 2014: VND21 billion, of which VND3 billion is from other income;

– Total historical costs of fixed assets actually used for production at 31 December 2014: VND100 billion.

Required:

(a) Advise INVEX Co whether the expansion project completed in 2014 will be eligible for corporate income tax (CIT) incentives, and if so, how the taxable income from the expansion project will be determined.
(4 marks)

(b) Calculate INVEX Co's total corporate income tax (CIT) liability for the year ended 31 December 2014.
(6 marks)

(10 marks)

2 Mr Nobi Takeshi, a 50-year-old Japanese, was assigned by his parent company, Daisu Co Ltd, to its Vietnamese subsidiary, Daisu Vietnam Co Ltd (Daisu Vietnam), from 1 January 2013 to 15 July 2014. He is treated as a tax resident in Vietnam in 2014.

Mr Nobi's adopted son, Suneo, moved to Vietnam with him on 1 January 2013. Suneo became 18 years of age on 1 May 2014.

Mr Nobi made compulsory insurance contributions in Japan, equivalent to VND8 million per month throughout his time in Vietnam. In April 2014, Mr Nobi donated VND50 million to a qualified centre which cares for handicapped children.

Mr Nobi married his interpreter, Ms Ngoc Le, on 1 February 2014. Ms Ngoc Le is 38 years old and divorced. She has two children of her own from her previous marriage, Tung aged 15 years and Quang, aged 10 years. Ms Ngoc Le also has a handicapped sister with no income, whom she has directly cared for during the last two years.

When Ms Ngoc Le got married, she terminated her employment with Daisu Vietnam and became a housewife. On the termination she received VND36 million, being the settlement of her salary for January 2014. She did not have any income from February 2014 onwards.

When working with Daisu Vietnam, Ms Ngoc Le entered into a voluntary pension contribution agreement with a pension fund which operates in accordance with the Ministry of Finance's regulations. She continued the agreement and contributed VND1·2 million per month until 15 July 2014 when she and Mr Nobi left Vietnam and returned to Japan.

After their departure, Ms Ngoc Le kept her Vietnamese citizenship until 31 December 2014.

On their marriage, Ms Ngoc Le agreed with Mr Nobi that he would claim all dependant reliefs/deductions available to them according to the regulations.

Required:

Calculate all the possible personal income tax (PIT) deductions from taxable income which:

(a) Mr Nobi Takeshi is entitled to in 2014; (7 marks)

(b) Ms Ngoc Le is entitled to in 2014. (3 marks)

Note: Make all calculations in VND millions, rounded to one decimal.

(10 marks)

3 You should assume that today's date is 1 November 2014.

TPF Co is a distributor of electronic products in Vietnam. TPF Co is also an importer of components for assembling into specialised computers and is a solution provider for cloud services.

TPF Co is considering entering into a number of agreements with foreign companies before the end of 2014. TPF Co is aware of changes in the foreign contractor tax (FCT) treatment under the new Circular 103/2014/TT-BTC and has obtained the following summary of the key issues relating to three of these contracts and one of its ongoing contracts:

Contract 1 with ELPPA Co

TPF Co is about to renew an existing agreement with ELPPA Co for the long-term distribution of e-Nophi, a global mobile phone brand, in Vietnam. The draft revised agreement provides that:

– TPF Co will be authorised to be the non-exclusive distributor of e-Nophi in Vietnam.

– The price of e-Nophi will be fixed and determined by ELPPA Co for each period. TPF Co will not be allowed to change the quoted price without the prior written consent from ELPPA.

Contract 2 with BookMac Co

TPF Co is negotiating an import contract for laptops for re-sale in Vietnam with BookMac Co. According to the draft agreement:

– The terms of delivery will be DDP (delivery duty paid) to Ho Chi Minh City.

– The advertising costs for the products in Vietnam will be advanced by TPF Co, but BookMac Co will reimburse these costs to TPF Co upon submission of sufficient supporting documents.

– BookMac Co will replace any defective laptop one-for-one within one year from the supply date.

Contract 3 with PH Co

TPF is negotiating an import contract for specialised computer components with PH Co. According to the draft agreement:

– The terms of delivery will be CIF (costs, insurance, freight) to Ho Chi Minh City port.

– PH Co will be responsible for the insurance and freight costs up to delivery at Ho Chi Minh City port, but the risk will be transferred from the uploading port in Malaysia.

– PH Co will not provide any services in Vietnam, but will be responsible for the warranty of the components in case of defects. The defective components will be shipped to the subsidiary of PH Co in Malaysia to be fixed or replaced if needed.

Contract 4 with MBI Co

TPF Co has an existing licence agreement, which was originally concluded in 2013, with MBI Co, a leading provider of cloud services solutions. Under the terms of the agreement:

– MBI Co transfers technology to TPF Co which enables users of a new cloud service to stream any kind of file from the cloud to their mobile device using an application.

– TPF Co localises and distributes the services in Vietnam, and pays a licence fee to MBI Co at 3% of the net service revenue.

– In addition, TPF Co pays MBI Co a fixed fee for training TPF Co's technical staff to fully deploy the service. The training is conducted online with MBI Co's trainers providing lectures to TPF Co's staff via the internet.

– TPF Co is responsible for any foreign contractor tax (FCT) payable in Vietnam.

In 2014, TPF Co recorded net service revenue of VND17·2 billion from the licensed services and paid MBI Co a training fee of USD30,000.

Required:

(a) In respect of Contracts 1 and 2, state whether ELPPA Co and Bookmac Co will be subject to foreign contractor tax (FCT) in Vietnam and if so, at what rates. (4 marks)

(b) In respect of Contract 3, state, giving reasons, whether PH Co will be subject to FCT in Vietnam. (2 marks)

(c) In respect of Contract 4, calculate the FCT liability (in VND millions) to be incurred by TPF Co in 2014. (4 marks)

(10 marks)

4 SCG Co owns a chain of retail stores and supermarkets in Vietnam. The company's transactions in December 2014 included the following:

Transaction 1: SCG Co set up a new supermarket in Binh Duong. The total construction costs invoiced by the contractor on 1 December 2014 were VND660 billion (inclusive of value added tax (VAT) at 10%). The completed project was handed over to SCG Co on 1 January 2015 and SCG Co intends to depreciate the property at the rate of VND50 billion each year from 2015 onwards.

Transaction 2: On 10 December 2014, SCG Co purchased a four-seater car with a quoted price of VND1,870 million (inclusive of VAT at 10%) for its general director. The seller granted SCG Co a 6% discount off the quoted price of the car.

Transaction 3: On 20 December 2014, SCG Co received a cash incentive of VND1 billion from SG Milk to display their products in an exclusive place in SCG Co's supermarkets and stores in January and February 2015.

Transaction 4: During December 2014, SCG Co gave a free helmet to the first 500 customers who purchased goods with an invoice value of more than VND1 million. This promotional programme was registered with the Department of Industry and Trade as a promotion. The helmets were purchased by SCG Co for VND220,000 each (inclusive of VAT at 10%) on 1 December 2014. All of the helmets were given to customers during the promotion.

Transaction 5: SCG Co produces bottled water for sale in its supermarket chain with the selling price of VND4,400 per bottle (inclusive of VAT at 10%). During December 2014, SCG Co issued 2,000 bottles of the water for internal use of which 50% were used in meetings with suppliers/customers/partners, 30% for processing foods and other drinks for sale in the supermarket, and 20% were used on the annual vacation trip for SCG Co's employees.

All the transactions were settled via a bank, unless otherwise stated.

Required:

(a) For each of the transactions (1 to 5) calculate the output and/or creditable input value added tax (VAT) for SCG Co in the month of December 2014. (7 marks)

(b) For Transaction 5, advise SCG Co on the invoice issuance requirements for each category of water issued for internal use. (3 marks)

(10 marks)

5 VB Bank is a commercial bank in Vietnam, which made substantial accounting profits in the fiscal year 2014.

The following is a summary of the adjustments prepared by VB Bank's tax accountant prior to the preparation of the bank's tax return for the year ended 31 December 2014. Positive or negative adjustments mean that the item will be added back to or deducted from the accounting profit in arriving taxable income, respectively.

Items	Descriptions	Proposed adjustments (VND million)	Notes
1	Accruals of interest income receivable	1,258,386	Actual interest income to be earned but not yet received by the bank from borrowers, since the loans have not matured.
2	Accruals of interest expense payable	(683,952)	Actual interest expense to be incurred but not yet settled to lenders, since the loans have not matured.
3	Special bonuses to employees	120,000	Bonuses were granted to all employees on a special anniversary of the bank. These bonuses were not stipulated in any documents/policy of the bank at the beginning of the year and were not based on performance.
4	Welfare expenses (excluding vacation trip below)	12,000	Welfare expenses, such as wedding gifts, medical care, support to the family of employees, etc, all supported by proper documents. These expenses account for 0·5% of the total actual implemented salary fund of the bank.
5	Vacation trips for employees	8,000	Overseas trips for high performance employees. Although only about 30% of these expenses were not supported by proper documents, the tax accountant considered it prudent to adjust for the whole of the expense.
6	Sponsorship of the construction of houses for the poor	10,000	The sponsorship was rejected as tax deductible in a tax audit by the tax authorities for the period 2009 to 2011, despite their being supported by proper documents. 20% of the sponsorship was paid in cash.
7	Collection of a bad debt which was provided for in the previous year	15,000	The debt was incurred in 2009 but became bad and was fully provided for in the 2011 financial statements and tax returns. The provision was rejected by the tax authorities in their tax audit of 2012 because of an insufficient basis for the provision.
8	Foreign contractor tax (FCT) borne for foreign contractor	2,500	This expense resulted from a dispute over a software contract in 2013, which was silent about which party would bear the FCT. Due to the dispute, VB Bank paid the tax due and recorded it as a receivable from the foreign contractor in 2013. In 2014, the foreign contractor agreed to reimburse VB Bank for 50% of the FCT because they could claim a credit for tax for this amount in their home country. The non-reimbursed amount of VND2,500 million was recorded as an expense by VB Bank in its 2014 financial statements.
9	Dividends from subsidiaries and associates	(234,000)	Dividends received from subsidiaries and associates in which VB Bank own shares.
10	Foreign exchange losses	(820,000)	Unrealised foreign exchange losses from the revaluation of receivables at the year end. In the financial statements, the losses were treated as accounting expenses in arriving at the accounting profits.
11	Losses of overseas branch	(600,000)	Losses incurred by VB Bank's branch in Europe in the fiscal year 2013. In the financial statements, the losses were treated as other expenses in arriving at the accounting profits.

All the amounts are stated exclusive of any applicable value added tax (VAT), except where specifically stated otherwise.

Required:

Redraft the summary of adjustments required for the purposes of VB Bank's corporate income tax (CIT) return for the year ended 31 December 2014, giving appropriate explanations for the inclusion or exclusion from taxable income of the various items.

Notes:

1. Use the same format for the table as given in the question, and list all of the individual adjustment items specifically referred to in notes 1 to 11, indicating by the use of '0' any item for which no adjustment is required.
2. Make all calculations to the nearest VND million.

(15 marks)

6 Ms Dau Nguyen has worked as a manager for HRD since she graduated in 2007. She is married to Hoai Tran and they have two daughters, who were born in 2009 and 2011, respectively.

In 2014, Dau received the following income from HRD:

– Salary: VND30 million per month;

– Overtime: VND180 million (her overtime was consistently paid at 150% of her normal wage).

HRD bears her personal income tax (PIT) liability and contributes employer's compulsory insurance for Dau, but she is responsible for her own employee's compulsory insurance contributions.

In addition to her employment with HRD, Ms Dau has also entered into an employment contract with ILO, a training centre, to be a long-term lecturer on their weekend courses from 1 April 2014. ILO paid Dau a fixed wage of VND4 million per month, plus a variable lecture fee of VND500,000 per each lecture hour, which was also paid on a monthly basis. Based on ILO's records, Ms Dau conducted 32 hours of lectures per month in 2014. All of her PIT was also covered by ILO.

In January 2014, Hoai was involved in an accident and had to undergo surgery and to stay at home for at least 12 months, without any income. After the accident Hoai received compensation of VND550 million, including full cost of the surgery and hospital expenses of VND400 million under an insurance policy taken out by him and Dau in 2011. In addition, HRD paid cash support of VND36 million to Dau for her husband's hospitalisation. However, as all the hospital expenses were covered by the insurance, Dau used this support to settle her daughters' school fees.

Required:

(a) Prepare a table listing Ms Dau Nguyen's taxable income (net of tax) and non-taxable income in Vietnam for the year 2014. (7 marks)

(b) Calculate Ms Dau Nguyen's total annual personal income tax (PIT) liability for 2014 based on the taxable income calculated in (a) above. (8 marks)

Notes:
1. You should attribute all the personal deductions to Dau's employment with HRD.
2. Make all calculations in VND millions, rounded to one decimal.

(15 marks)

End of Question Paper