



Think Ahead

# Taxation (VNM)

## Sample Questions – July 2020

### Get to know your exam

*These graphical representations are intended to give an indication of past exam requirements and associated question content.*

*Please note that you will not be able to complete answers within these documents and in isolation they will not sufficiently prepare you for your exam.*

*We encourage you to visit the ACCA Practice Platform in order to attempt up to date practice exams within the computer-based exam environment.*

## Introduction screen



### Introduction

This practice exam indicates how the live exam will be structured and assessed, and the likely style and range of questions that could be asked.

You should use the practice exam to become familiar with the question types and the features and functionality contained within the live exam.

The practice exam is reflective of the live exam experience but has some differences:

- The live exam will be timed, however there is no time limit in this exam.
- If you want to sit this exam in exam style conditions you should answer the questions presented within the time allowed for your live exam.
- Once you have started this exam you are able to leave at any time by closing the browser window. When you return, anything you have entered into the response options will be saved and you can continue sitting the exam.
- In the live exam your answers to the constructed response questions will be expert-marked. At the end of this exam, all objective test questions (OTs) be auto-marked however you should use the solution material provided to assess your performance in the constructed response questions.
- You will be able to access solution material at the end of this exam when using the Self-Marking resources which include a Marking Guide and/or Sample Answer for each question. If you wish to access these without completing the questions, click on [End Exam](#) on the Item Review Screen and navigate to the Marking tab on the Dashboard to Self-Mark.

## Instruction screens

Taxation - Vietnam (TX - VNM) Sample Questions - June 2020


### Instructions (1 of 4)

The instructions displayed below are representative of those displayed in the live exam. Where there are differences between this exam and the live exam these are explained.


#### General Instructions

- In this exam, the instruction screens are not timed however in the live exam they will be available for a maximum of 10 minutes prior to the exam starting.
- In the live exam, the stated exam time will automatically start once the 10 minute period has passed (or earlier if you choose to start the exam within the 10 minute period).
- A copy of the instruction screens can be accessed at any time during the exam by selecting the Help button provided.

#### Answering and Navigating

- Please read each question carefully.
- The question number you are viewing is displayed in the top display bar. You can hide or restore this display by selecting .
- You can navigate between screens by selecting **Next→** or **← Previous**, or by clicking on a question number from the Navigator or Item Review screens.
- A warning message will display to remind you that you cannot navigate away from a question if you have not viewed all of the question content. Ensure that you use all scrollbars and/or open any on-screen exhibits before navigating from each question.
- Some questions have the scenario and answer area divided by either a horizontal or vertical splitter bar. You can move this splitter bar to see more or less of the scenario or answer area.
- Please ensure you provide an answer for all elements of each question.
- You can revisit questions and change your answers at any time during the exam.

#### Flag for Review




- If you wish to revisit/review a question later in the exam, click  **Flag for Review**.
- Click the button again if you no longer wish to revisit/review the question later in the exam.

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## Instruction screens (continued)

### Instructions (2 of 4)



#### Help

- Click the **Help** button provided to access:
- A copy of these exam instructions.
- Help and guidance on constructed response questions. (in the constructed response section of the exam only).
- Formulae sheets/tax tables if your exam requires these. Note that the name of the Help button will indicate if formulae sheets/tax tables are available i.e.  **Help**,  **Help/Formulae Sheet** or  **Help/Tax Tables**


#### Calculator

- You have the option to use the on-screen standard or scientific calculators by selecting  **Calculator**
- Note that in the live exam you are also permitted to use your own calculator providing it does not have the facility to store or display text.

#### Highlight and Strikethrough

- You can highlight key phrases or figures in the question scenario by selecting  **Highlight**
- You can strikethrough text in the question scenario by selecting  **Strikethrough**
- Highlighted and strikethrough text will be displayed on all questions relating to the scenario.

#### Workings/Scratch Pad

- You may use an on-screen Scratch Pad to make notes/workings by selecting  **Scratch Pad**
- The Scratch Pad retains all notes/workings entered for all questions and these are available for the duration of the exam. They will not be submitted for marking after your live exam.
- You will also be provided with paper for notes/workings for your live exam, should you prefer to use it. This will not be submitted for marking. It will be collected at the end of the exam and must not be removed from the exam room.
- **Important:**
  - The notes/workings entered onto the Scratch Pad or your workings paper during the live exam will not be marked.
  - If you want the marker to see any notes/workings for questions in the constructed response section of the live exam you must show them within the answer areas.

## Instruction screens (continued)

Taxation - Vietnam (TX - VNM) Sample Questions - June 2020

### Instructions (3 of 4)


#### Copy and Paste

- You can copy and paste from the Scratch Pad or question scenario into your answers in the constructed response section of the exam by using the Ctrl-C (Copy) and Ctrl-V (Paste) shortcuts. **Note:** When pasting into a spreadsheet in the live exam you must double-click the cell or paste directly into the formula bar. In this exam you can also paste into the spreadsheet by selecting the cell.


#### Symbol

- You can add a selection of currency symbols to your answers in the constructed response section of the exam by selecting  **Symbol** on the top toolbar.

#### Navigator Screen

- The Navigator screen can be accessed at any time during the exam by selecting  **Navigator**
- This screen allows you to jump to any question number in the exam.
- It also allows you to see the status of questions and whether they have been viewed, are complete or incomplete, or have been flagged for review.

#### Close All

- You can close each window (eg. Calculator or Scratch Pad) individually or you can close multiple windows by selecting  **Close All** on the top toolbar.

#### Reviewing the Exam

- You can review your exam once you have attempted any, or all, of the questions.
- To do this:
  - Navigate to the **last question** in the exam.
  - Click **Next→**
- This takes you to the Item Review screen.

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## Instruction screens (continued)

Taxation - Vietnam (TX - VNM) Sample Questions - June 2020

### Instructions (4 of 4)

#### Item Review Screen

- This screen gives you an opportunity to see the flag and completion status of all questions before you exit the exam.
- You can select individual questions you wish to revisit, or quickly access groups of questions from the Item Review screen.
- During the item review period Navigator is not available however you can navigate to questions by selecting **Next→** , **← Previous** or **Review Screen**
- When reviewing questions you can change your answer and click **Review Screen** to view any updated status on the Item Review screen.

#### Ending the Exam

- Once you have completed your item review and wish to finally end the exam click **End Exam**
- Once you end the exam, you cannot revisit any questions.

Select **Next** to move to the Exam Summary screen.

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## Exam summary screen

Taxation - Vietnam (TX - VNM) Sample Questions - June 2020

**Time allowed:** This sample exam is not timed.

This exam is divided into two sections:

**Section A**

- 15 objective test (OT) questions, each worth 2 marks.
- 30 marks in total.

**Section B**

- Six constructed response questions that may contain a scenario which relates to one or more requirement(s).
- Each constructed response question is worth 10 or 15 marks in total.
- 70 marks in total.

All questions are compulsory.

Select **Next** to start your exam.

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## Sample exam questions

### Section A – summary screen

Taxation - Vietnam (TX - VNM) Sample Questions - June 2020

Flag for Review

**Section A**

This section of the exam contains **15 objective test (OT) questions**.

Each question is worth **2 marks** and is compulsory.

This exam section is worth **30 marks** in total.

**Important:**

1. Calculations and workings need only be made to the nearest whole unit of currency, unless instructed otherwise.
2. All apportionments should be made to the nearest month.

Select **Next** to continue.

Navigator Next →

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## Section A - questions

Taxation - Vietnam (TX - VNM) Sample Questions - June 2020

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Close All Flag for Review

In July 2018, DPN Co, a company incorporated in Vietnam, purchased two identical items of equipment, A and B, for a total amount of VND 12,000 million (exclusive of value added tax (VAT)). The estimated useful life of the equipment is five years, and DPN Co depreciates it on a monthly basis. Both A and B are used from August to December each year to make a product that is consumed specifically on the occasion of Lunar New Year. In 2018, both A and B were fully operated from August to December. In 2019, as orders received were insufficient, only A was fully functional from August to December 2019 while B was used from November to December 2019 only.

What is the total accumulated depreciation expense of DPN Co for corporate income tax (CIT) purposes with respect to equipment items A and B for the fiscal year ended 31 December 2019?

- ☐ VND 1,400 million
- ☐ VND 3,600 million
- ☐ VND 2,600 million
- ☐ VND 2,400 million

In 2019, CPR Co, a company incorporated in Vietnam, purchased a four-seated car for the Deputy General Director. The quoted price of the car was VND 1,980 million (inclusive of value added tax (VAT)). CPR Co obtained a 15% discount off the quoted price from the car dealer. The sales invoice from the dealer shows both the quoted price and the discount.

What is the amount of creditable input VAT (rounded to the nearest VND million) which CPR Co should claim for the car in the fiscal year 2019?

- ☐ VND 180 million
- ☐ VND 153 million
- ☐ VND 168 million
- ☐ VND 160 million

Mr Hung Duong, a Vietnamese tax resident, is 45 years old and has three dependants. He is the director of HLB Co, a company incorporated in Vietnam. In 2019, he earned a gross monthly salary of VND 300 million plus an annual bonus equal to four-months' salary. Hung is responsible for his own social, health and unemployment insurance.

What is Mr Hung Duong's monthly personal income tax liability (rounded to the nearest VND million only in the final PIT calculations) in the fiscal year 2019?

- ☐ VND 122 million
- ☐ VND 87 million
- ☐ VND 126 million
- ☐ VND 92 million

## Section A – questions (continued)

In 2019, NWC Co, a company incorporated in Vietnam, entered into a contract with OSL Co, a foreign company incorporated outside Vietnam, to purchase a specialised robot for USD1 million. The price is net of all withholding tax in Vietnam. The terms of delivery for the robot were cost, insurance, freight (CIF) to Hai Phong Port, while title and risk to the goods would be transferred at the uploading port in Singapore. According to the contract, OSL Co would not provide any services, except for the guarantee and replacement of the robot within two years in case of defects (the robot will be shipped back to Singapore for fixing or replacement). NWC Co settled the full contract amount in 2019.

What is the amount of the foreign contractor tax (FCT), under the deemed method for the fiscal year 2019, which NWC Co is required to pay in relation to the contract amount paid to OSL Co?

- ☐ USD 10,101
- ☐ USD 10,000
- ☐ USD 51,967
- ☐ USD 0

TLC Co, a company incorporated in Vietnam, is the subsidiary of HLC Co, a company incorporated in the United States. In 2019, HLC Co sold TLC Co shares to SQL Co, a company incorporated in Singapore, at a gain. The transfer agreement was signed on 1 July 2019 and the transfer was approved by the competent authority on 15 July 2019.

What is the deadline for the submission of the tax declaration in respect of the capital gain arising on the share transfer, and which party is responsible for the declaration?

	Deadline	Declared by
Option 1	11 July 2019	HLC Co
Option 2	25 July 2019	TLC Co
Option 3	11 July 2019	TLC Co
Option 4	25 July 2019	HLC Co

- ☐ Option 1
- ☐ Option 2
- ☐ Option 3
- ☐ Option 4

## Section A – questions (continued)

ITC Co, a company incorporated in Vietnam, operates in the soft drinks industry. In 2019, the company issued water from its inventory as follows:

Purpose	Cost value (VND million)
For business meetings	500
For employees to drink in the factories while working	200
For further processing into other soft drinks	1,800

What is ITC Co's taxable revenue and deductible expense for corporate income tax (CIT) purposes in relation to the above issuance of inventory for the fiscal year 2019?

	Taxable revenue	Deductible expense
Option 1	VND 0 million	VND 2,500 million
Option 2	VND 200 million	VND 2,500 million
Option 3	VND 200 million	VND 2,300 million
Option 4	VND 0 million	VND 2,300 million

- ☐ Option 1
- ☐ Option 2
- ☐ Option 3
- ☐ Option 4

In 2019, Ms May Tran and Mr Man Nguyen won a car as a promotional prize in a campaign held by LUXCAR, a car dealer in Vietnam. The car has a market value of VND 1,870 million (inclusive of value added tax (VAT)). May and Man agreed to share equally the personal income tax to be withheld by LUXCAR, and that Man would pay 50% of the market value of the car (after deducting 10% VAT) to May, so that Man would be the sole owner of the car.

What is the amount of personal income tax (PIT) liability (rounded to the nearest VND million) that Ms May Tran is subject to on her share of the promotional prize won in the fiscal year 2019?

- ☐ VND 93 million
- ☐ VND 0 million
- ☐ VND 85 million
- ☐ VND 169 million

## Section A – questions (continued)

In 2019, STP Co, a company incorporated in France, won a bid from PSL Co, a company incorporated in Vietnam, to supervise the construction of PSL Co's factory in Vietnam. The supervision fee under the contract was USD 650,000, inclusive of corporate income tax (CIT) and exclusive of value added tax (VAT). To implement the contract, STP Co purchased goods and services equivalent to USD 50,000 from local suppliers.

What is the amount of foreign contractor tax (FCT) corporate income tax (CIT) and value added tax (VAT) in USD, which STP Co would be subject to in respect of the project in Vietnam in the fiscal year 2019?

	CIT	VAT
Option 1	USD 34,211	USD 36,011
Option 2	USD 30,000	USD 31,579
Option 3	USD 31,579	USD 33,241
Option 4	USD 32,500	USD 34,211

- ☐ Option 1
- ☐ Option 2
- ☐ Option 3
- ☐ Option 4

Related party transactions are those transactions occurring between related parties in respect of their production and business processes (Decree 20/2017/ND-CP).

Which of the following transactions between a parent company and a subsidiary fall within the definition of related party transactions under Decree 20/2017?

- (1) The parent company provides a guarantee to the subsidiary for a loan from a commercial bank
- (2) The subsidiary borrows equipment from the parent company
- (3) The parent company and the subsidiary enter into an agreement to share costs for a research and development project to be conducted by the parent company

- ☐ 1 and 2 only
- ☐ 1, 2 and 3
- ☐ 2 and 3 only
- ☐ 1 and 3 only

## Section A – questions (continued)

In 2016, SHC JSC, a joint-stock company registered in Vietnam, invested in shares of VNC JSC, a company listed on the Vietnamese stock market, when the share price was VND 12,000 per share. In July 2019, SHC JSC received dividends from VNC JSC in the form of five million bonus shares, when the market price of one share in VNC JSC was VND 15,200. In November 2019, SHC JSC sold four million bonus shares of VNC JSC for VND 15,000 per share. SHC JSC is subject to the standard rate of corporate tax.

**What is the total corporate income tax (CIT) liability payable by SHC JSC in the fiscal year 2019 on the receipt of the dividend in July 2019 and the sale of the shares in November 2019?**

- ☐ VND 2,400 million
- ☐ VND 15,200 million
- ☐ VND 12,000 million
- ☐ VND 3,200 million

Ms Mai Nguyen is a real estate trader and owns various plots of land. In 2010, she bought the land use right for a 1,500 square metre plot of land in Da Nang for VND 3 million per square metre. There was no construction project on the land. In 2019, she sold the land use right under a contract which denominated the proceeds at VND 4 million per square metre. The price of the same area of land set by The People's Committee was VND 2.5 million per square metre in 2010, and VND 10 million per square metre in 2019.

**What is the personal income tax (PIT) liability of Ms Mai Nguyen from the sale of the land use right in the fiscal year 2019?**

- ☐ VND 300 million
- ☐ VND 120 million
- ☐ VND 30 million
- ☐ VND 225 million

APL Co is a company incorporated in Singapore to distribute branded mobile phones. In 2019, APL Co sold 5,000 phones to VTD Co, a retail company incorporated in Vietnam, at a unit price of USD 600 (terms of delivery free on board (FOB) Singapore port, net of any tax in Vietnam). The contract specifies that the selling price of the phones in Vietnam shall be determined by APL Co and that APL Co will not carry out any services in relation to the phones in Vietnam. VTD Co is authorised to conduct advertising activities for the phones in Vietnam at the expense of APL Co. In 2019, VTD Co incurred advertising costs of VND 1,175 million, which were offset against the amount payable to APL Co. All payments were settled in full in the year ended 31 December 2019.

**What is the amount of corporate income tax (CIT) as a portion of the foreign contractor tax (FCT) liability which VTD Co should declare on behalf of APL Co from the trading transactions in the fiscal year 2019?**

- ☐ USD 29,798
- ☐ USD 30,000
- ☐ USD 0
- ☐ USD 30,303

## Section A – questions (continued)

BDC JSC is a Vietnamese company listed on the stock market. The company has seven board members; three are active members and the remaining four are non-active members. According to the board resolution, members in each category should receive equal salary. Active members who participate directly in managing the company's operations receive a salary which is 200% of the salary received by non-active members. The company recorded a total salary expense for the board of VND 10,000 million in its accounting books for the fiscal year ended 31 December 2019.

What are the non-deductible expenses BDC JSC should declare in its corporate income tax (CIT) return for the fiscal year ended 31 December 2019?

- ☐ VND 10,000 million
- ☐ VND 0 million
- ☐ VND 6,000 million
- ☐ VND 4,000 million

Ms Hoa Lam, who is 40 years old, is a Vietnamese citizen. During 2019, she worked for EXPL Co, a company incorporated in Vietnam. Her hourly equivalent gross salary was VND 0.5 million. During the year she had recorded overtime of 200 hours. Half of her overtime hours were paid at 150% of her hourly equivalent gross salary and the remaining hours were paid at 200% of her hourly equivalent gross salary.

What is Ms Hoa Lam's non-taxable overtime income for Vietnamese personal income tax (PIT) purposes (in VND million) in the fiscal year 2019?

- ☐ VND 175 million
- ☐ VND 75 million
- ☐ VND 100 million
- ☐ VND 0 million

A company which regularly makes real estate transfers is one that is licensed to trade in real estate (a real estate company). A company which does not make regular real estate transfers is one that is not licensed to trade in real estate (a non-real estate company) (Circular 151/2014/TT-BTC).

Which of the following correctly describes the corporate income tax (CIT) filing requirements in respect of real estate transfers for each of a real estate and a non-real estate company?

Provisional quarterly tax payments	Tax finalisation at year end
Option 1 Both real estate and non-real estate company	Both real estate and non-real estate company
Option 2 Only real estate company	Only real estate company
Option 3 Only real estate company	Both real estate and non-real estate company
Option 4 Both real estate and non-real estate company	Only real estate company

- ☐ Option 1
- ☐ Option 2
- ☐ Option 3
- ☐ Option 4

## Section B – summary screen

### Section B

This section of the exam contains **six constructed response questions**.

Each question may contain a scenario which relates to one or more requirement(s) which may be split over multiple question screens.

Each question is worth **10 or 15 marks** and is compulsory.

This exam section is worth **70 marks** in total.

#### Important:

1. Calculations and workings need only be made to the nearest whole unit of currency, unless instructed otherwise.
2. All apportionments should be made to the nearest month.
3. In your live exam you must:
  - Enter your answer for each question in the response area provided for that question. Any answers entered into a response area provided for a different question will not be marked.
  - Show all notes/workings that you want the marker to see within the response area provided for the question. Remember, any notes/workings made on the Scratch Pad or on your workings paper will not be marked.

Select **Next** to continue.

## Section B – questions

### Scenario 1

Taxation - Vietnam (TX - VNM) Sample Questions - June 2020

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📝 Scratch Pad

The following scenario relates to three requirements.

SVN Co, a limited liability company incorporated in Vietnam, is a joint venture of FHC Co, a company incorporated in Thailand, with SFF Co, a company incorporated in Vietnam. FHC Co contributed 80% of the capital of SVN Co. FHC Co is the 100% subsidiary of GUP Co, a company incorporated in the British Virgin Islands (BVI). In 2019, GUP Co decided to restructure the group, which involved FHC Co transferring its entire shareholding in SVN Co to GUP Co, so that GUP Co now directly holds the investment in SVN Co.

As the above transaction was an intra-group transfer and as there was no valuation available for determining the market value of SVN Co, GUP Co instructed FHC Co to transfer the capital of SVN Co at the same USD amount as its original capital contribution to SVN Co to ensure that no capital gain would arise in USD. The exchange rate at the time of transfer was VND 23,500 to USD 1.

SVN Co's functional currency is VND. An extract from SVN Co's prepared financial statements, as at the transfer date, is as follows:

	VND million
Share capital (equivalent to USD 25 million)	500,000
Retained earnings	<u>750,000</u>
Equity	<u>1,250,000</u>

🔍 Help/Tax Tables



## Scenario 1: requirements

(5 marks)

(3 marks)

(2 marks)

(10 marks)

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## Section B – questions (continued)

### Scenario 2

Taxation - Vietnam (TX - VNM) Sample Questions - June 2020

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**The following scenario relates to two requirements.**

Mr Ha Nguyen is a Vietnamese citizen and is the chief financial official of TBC JSC, a company listed on the Vietnamese stock market. In 2019, his gross income was VND 100 million per month, comprising salary, allowances and compulsory insurance. Ha is 45 years old, and is single with no dependants.

On 31 December 2018, given his exceptional performance in the fiscal year 2018, Ha was awarded the following:

- Actual share award: 100,000 ordinary shares in TBC JSC, free of charge.
- Cashing share award: A nominal award of 500,000 special shares in TBC JSC, with no right to a dividend or votes, nor any other right given to holders of ordinary shares. On 31 December 2019, TBC JSC paid Ha cash equal to the difference between the share price at 31 December 2019 and the share price at 31 December 2018.
- Share options: Options to purchase 500,000 ordinary shares at nominal value. The options are exercisable wholly or partly at any time from 1 January 2019.

Ha held no shares in TBC JSC before these awards were made. The nominal value of one ordinary share is VND 10,000.

In February 2019, Ha decided to sell 50,000 shares when the share price was VND 30,000 per share, and used the entire proceeds (after personal income tax (PIT) on transfer of securities) to exercise a part of the share options. These were the only shares sold by Ha during the fiscal year 2019.

In March 2019, TBC JSC paid a dividend of VND 5,000 per share in cash to all investors who held shares on 1 March 2019, and offered all existing investors a bonus of one share for every four shares held.

On 31 December 2018, the price of one share in TBC JSC was VND 25,000. On 31 December 2019, the price of one share in TBC JSC was VND 28,000.

The local tax authorities instructed TBC JSC that, for personal income tax (PIT) purposes, the taxable employment income of the actual share award (upon any sales of the company's shares by the receiving employee after the award) would be the market value of the shares on the date of the award, on the basis that this would be the amount the recipient would earn from employment if they were to sell the shares immediately upon the shares being awarded.

🔗 Help/Tax Tables

Section B – questions (continued)

Requirements for Scenario 2

(a) Calculate the personal income tax (PIT) liability on the transfer of securities and investment income (in VND million, rounded to two decimals) of Mr Ha Nguyen in the calendar year 2019. (5 marks)

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(b) Calculate the personal income tax (PIT) liability from employment income (in VND million, rounded to one decimal) of Mr Ha Nguyen in the fiscal year 2019. (5 marks)

(10 marks)

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## Section B – questions (continued)

### Scenario 3

Taxation - Vietnam (TX - VNM) Sample Questions - June 2020

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The following scenario relates to three requirements.

TCC Co is a company incorporated in Vietnam, operating in the high technology sector. TCC Co declares value added tax (VAT) under the deduction method and all of its input VAT is creditable. During 2019, TCC Co has been planning the building of a virtual reality training system in Ho Chi Minh City, and has been negotiating with SLE Co, a German contractor, for a turn-key contract to construct the system.

SLE Co has provided TCC Co with the following quotation:

	USD million
Supply of equipment	30
Construction and installation	6
Supervision, guarantee and other services	5
Software (royalty)	10
Training for operations (overseas)	1

The above quotation figures are net of foreign contractor withholding tax (FCT). SLE Co has indicated that it is willing to follow any contractual arrangement that can help TCC Co to achieve an optimum withholding tax position in Vietnam.

TCC Co is considering the following options with regard to the contract price:

Option 1	An itemised contract, where the value of each item would be stated separately in the contract
Option 2	A lump sum price contract

You should assume that the software (royalty) is not subject to VAT in Vietnam, and the lump sum price contract is accepted by tax authorities to be categorised as "construction, assembly and installation where the tender includes the supply of materials, machinery and equipment in the construction work".

🔍 Help/Tax Tables

## Requirements for Scenario 3

(a) Calculate (in USD) the foreign contractor tax (FCT) liability for TCC Co if it selects option 1, the itemised contract.






(b) Calculate (in USD) the FCT liability for TCC Co if it selects option 2, the lump sum price contract.

(c) Advise TCC Co which contract price option is lower from a foreign contractor tax (FCT) perspective and explain which option TCC Co should select.

## Section B – questions (continued)

### Scenario 4

Taxation - Vietnam (TX - VNM) Sample Questions - June 2020

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The following scenario relates to two requirements.

CLE Co is a company incorporated in Vietnam, which operates in the mining of clay for processing to clinker for exports. In 2018, the company records showed the following costs, excluding value added tax (VAT) where applicable, with regard to the export of clinker:

	VND million
Direct material costs (clay)	500,000
Direct labour costs	200,000
Direct overheads	175,000
- of which energy costs are 15,000	
Selling costs	40,000
General and administration costs	60,000
Interest expenses	75,000















The input VAT incurred by CLE Co in 2019 amounted to VND 70,000 million.












According to a recent written response to CLE Co, the tax authorities confirmed that the company's product is to be treated as "natural resources which are sourced domestically".

 Help/Tax Tables

## Requirements for Scenario 4

(5 marks)

Paragraph ▾
  ▾
 










(5 marks)

(10 marks)



## Section B – questions (continued)

### Scenario 5

Taxation - Vietnam (TX - VNM) Sample Questions - June 2020

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🖋 Scratch Pad

**The following scenario relates to one requirement.**

NCC Co is a limited liability company incorporated in Vietnam, operating in the supply of scientific equipment and related services. In the latest draft income statement of NCC Co for the fiscal year ended 31 December 2019, the profit before tax figure amounted to VND 138,000 million.

The board of directors of NCC Co think the accounting profits may need various amendments and they also want to know the potential tax liability for the year. NCC Co is subject to the standard corporate income tax (CIT) rate without any tax incentives.

The following information is relevant for estimating the tax liability:

(1) The revenue in the draft income statement includes VND 21,000 million, being collections received from a package of services provided to LTC Co. By 31 December 2019, NCC Co had completed the services, but only 70% of the contract value had been invoiced, paid and recognised in the accounts. NCC Co earned a gross margin of 25% from these services and all costs incurred in carrying out these services have been included in the draft income statement.

(2) The cost of sales in the draft income statement consists of VND 4,500 million, being the full three-year rental payment made in advance on 1 April 2019 for equipment which NCC Co leased from FVN Co under a three-year operating lease agreement commencing on that date.

(3) According to the labour contract, NCC Co would cover up to VND 500 million for school fees for the daughter of the general director, a Vietnamese citizen. The employment costs in the draft income statement include payment of VND 720 million to the international school the general director's daughter attends. NCC Co has since collected the excess from the general director in the year ending 31 December 2020, but recognised the collection as other receivables and other income within the draft profits for the year ended 31 December 2019.



(4) Equipment in NCC Co's inventory valued at VND 50,000 million, was damaged in a flood in the warehouse on 1 July 2019. The equipment was ordered by a client for delivery on 15 July 2019 at a selling price of VND 60,000 million. As it was damaged, NCC Co had to incur repair expenses of VND 1,000 million, and then agreed to sell the repaired equipment to the client for VND 45,000 million. The insurer agreed to compensate NCC Co 50% of the shortfall between the inventory value and the sale price, but this compensation had not been received by 31 December 2019. The draft profits before tax figure accounted for the whole value of the equipment written off by NCC Co, as well as the repair expenses and the sale price.

(5) The draft profits included an expense of VND 3,000 million, being the annual amortisation of a licence fee which NCC Co purchased for VND 15,000 million in January 2018. The amortisation amount was calculated based on the contractual period of the licence agreement. However, according to the licence agreement, at the expiry of the current term, NCC Co has the right to extend the license period over ten more years, free of charge. According to recent guidance by the tax authorities, for tax purposes, a licence should be amortised over the aggregate period, including any extended period. It is likely that NCC Co will exercise the right to extend the licence agreement.

(6) In 2019, NCC Co made the following foreign exchange gains and losses, all of which have been recorded in the draft income statement:

- A realised net loss on cash at bank of VND 900 million
- An unrealised loss on cash at bank of VND 800 million
- An unrealised loss on trade payables of VND 1,500 million
- An unrealised gain on trade receivables of VND 1,300 million

## Requirements for Scenario 5

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## Section B – questions (continued)

### Scenario 6

Taxation - Vietnam (TX - VNM) Sample Questions - June 2020

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**The following scenario relates to two requirements.**

Mr Bert Walsh, a United Kingdom (UK) citizen, retired from a consulting firm and was invited to Vietnam to work as a senior advisor to LDT Co, a foreign invested company in Vietnam, from 1 April 2019. Bert is 65 years old.

Bert's wife, Mrs Jane Walsh, who is 53 years old, joined Bert to live in Vietnam.

Bert and Jane have two granddaughters, Clara aged eight years, and Sarah aged six years, who live with them in Vietnam. Jane has no income and stays at home in Vietnam to take care of Clara and Sarah.

Bert's contractual gross remuneration from LDT Co during 2019 consisted of the following items:

- Monthly salary: USD 25,000.
- Incentives: two month's salary for each year of service (pro-rata), plus a bonus of USD 50,000 to be paid on the completion of Bert's first year of work for LDT Co.
- International school tuition fee: monthly fee of USD1,500 for Clara and USD1,000 for Sarah were paid directly by LDT Co to the school during 2019. LDT Co also settled the fees for the school bus and meals of USD 400 per month for each child, and sought reimbursement from Bert.
- Air fares: LDT Co reimbursed air fares for two round trips between the UK and Vietnam for Bert and his wife. Bert also asked LDT Co to book flights for his granddaughters to join him on those trips, which LDT Co did, and deducted the costs from his monthly salary. The air fare costs for each round trip in the year ended 31 December 2019 was USD 3,500 per person.
- Medical insurance: LDT Co purchased medical insurance to cover each member of Bert's family in Vietnam, at a cost of USD 1,000 per month per person.
- Accommodation: An apartment was purchased near to the office of LDT Co for USD 600,000, with the intention to let it out to special guests such as Bert. The apartment had a term of use of 50 years. LDT Co depreciated the apartment in its accounting records using the straight-line method over the term of use.
- Utilities, apartment management fee, cleaning services and transportation: LDT Co paid Bert a monthly amount of USD 2,000 in cash so that Bert could pay for these expenses directly.

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## Requirements for Scenario 6

(a) Calculate (in USD) the total gross taxable income, excluding taxable accommodation, in the fiscal year 2019 for Mr Bert Walsh. You should also clearly identify income that is not taxable in 2019 (including income which is not taxable at all and income which is taxable but not in the fiscal year 2019), and non-income items of Mr Bert Walsh.

(10 marks)

(b) Calculate (in VND million, rounded to one decimal) the personal income tax (PIT) liability of Mr Bert Walsh in the fiscal year 2019.

Note: You should ignore all insurance contributions for the purposes of the calculations.

(5 marks)

(15 marks)

## Example view of full CBE constructed response workspace

Taxation - Vietnam (TX - VNM) Sample Questions - June 2020

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The following scenario relates to three requirements.

SVN Co, a limited liability company incorporated in Vietnam, is a joint venture of FHC Co, a company incorporated in Thailand, with SFF Co, a company incorporated in Vietnam. FHC Co contributed 80% of the capital of SVN Co. FHC Co is the 100% subsidiary of GUP Co, a company incorporated in the British Virgin Islands (BVI). In 2019, GUP Co decided to restructure the group, which involved FHC Co transferring its entire shareholding in SVN Co to GUP Co, so that GUP Co now directly holds the investment in SVN Co.

As the above transaction was an intra-group transfer and as there was no valuation available for determining the market value of SVN Co, GUP Co instructed FHC Co to transfer the capital of SVN Co at the same USD amount as its original capital contribution to SVN Co to ensure that no capital gain would arise in USD. The exchange rate at the time of transfer was VND 23,500 to USD 1.

SVN Co's functional currency is VND. An extract from SVN Co's prepared financial statements, as at the transfer date, is as follows:

	VND million
Share capital (equivalent to USD 25 million)	500,000
Retained earnings	750,000
Equity	1,250,000

(a) Briefly explain the tax treatment of a capital gain arising on the transfer of a capital contribution in a Vietnamese limited liability company from one foreign company to another foreign company, according to prevailing corporate income tax (CIT) regulations.

Note: Your answer should explain how the transfer price, taxable gain and CIT liability are determined, and which party would be responsible for the tax declaration.

(5 marks)

Paragraph

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