

No.: 45/2013/TT-BTC

Ha Noi, April 25, 2013

CIRCULAR

GUIDING REGULATION ON MANAGEMENT, USE AND DEPRECIATION OF FIXED ASSETS

- Pursuant to the Enterprise Law No.60/2005/QH11 dated November 29, 2005;
- Pursuant to the Law on Enterprise Income Tax No.14/2008/QH12 dated June 03, 2008;
- Pursuant to Decree No. 124/2008/ND-CP dated December 11, 2008 of the Government detailing and guiding the implementation of some articles of the Law on Enterprise Income Tax;
- Pursuant to Decree No. 122/2011/ND-CP dated December 27, 2011 of the Government amending and supplementing Decree No. 124/2008/ND-CP dated December 11, 2008 of the Government detailing and guiding a number of articles of the Law on Enterprise Income Tax;
- Pursuant to Decree No. 118/2008/ND-CP dated November 27, 2008 of the Government defining the functions, tasks, powers and organizational structure of the Ministry of Finance;
- At the proposal of the Director of Department of Entrepreneurial Finance;

The Minister of Finance issues Circular guiding the management, use and depreciation of fixed assets.

Chapter I:**GENERAL REGULATION****Article 1. Subject and scope of application:**

1. This Circular applies to enterprises established and operating in Vietnam under regulations of law.
2. The calculation of depreciation according to this Circular are made for each fixed asset (hereinafter referred to as assets) of enterprises.

Article 2. The terms used in this Circular shall be construed as follows:

1. Tangible fixed assets: are means of labor primarily in the physical forms and satisfy the criteria of tangible fixed assets, involved in many business cycle but remain original physical forms as buildings, structures, machinery, equipment, means of transportation ...
2. Intangible fixed assets: these assets are not physical forms, represents a value of the investment has to satisfy the criteria of an intangible asset, involved in many business cycles such as some costs directly related to land use; issuance right, patent, copyright ...
3. Fixed assets of financial leasing are the assets which enterprises lease from financial leasing companies. At the end of the lease term, the lessee has the right to purchase the leased property or continues the lease under the terms agreed in the lease contract. The total rent of an asset type specified in the financial leasing contract must be at least equal to the value of that asset at the time of contract signing.

All leased assets if not meeting the above-mentioned regulations are considered as the operating leased fixed assets

4. Similar fixed assets: are the ones with their similar utility in the same business area with equivalent value.

5. Primary price of fixed assets:

- Primary price of tangible fixed assets includes all expenses that enterprises have to spend to have the tangible fixed assets by the time the assets are put into a state of ready for use.
- Primary price of intangible assets includes all costs that enterprises have to spend to have the intangible assets as of the time the assets are put into use as intended.

6. Fair value of fixed assets: is the value of the assets which can be exchanged between knowledgeable parties in the parity exchange.

7. Depreciation of fixed assets: the diminishing usable value and value of fixed assets due to engaged in production activities, natural erosion, technical advances ... during the operation of the fixed assets.

8. Accumulated depreciation of fixed assets: is the total depreciation of fixed assets as of the reporting date.
9. Depreciation of fixed assets: the calculation and allocation of primary price of fixed assets in production and business costs systematically during the time depreciation of fixed assets.
10. Time of depreciation of fixed assets: is the time required for performing the depreciation of fixed assets by enterprises to recover investment capital of fixed assets.
11. Accumulated depreciation of fixed assets: the total depreciation deducted in the production and business costs through the business cycles of fixed assets as of the reporting date.
12. Residual value of fixed assets: the difference between the primary price of the fixed assets and accumulated depreciation (or the value of accumulated depreciation) of the fixed assets as of the reporting date.
13. Repair of fixed assets means the maintenance, replacement and repair of damages generated during the operation to restore operational capacity under the original standard operating state of the fixed assets.
14. Upgrade of fixed assets: the activities of renovation, construction and installation, addition of fixed assets to improve productivity, product quality, utility of fixed assets compared with the initial stage or prolong the utilization time of fixed assets; introduction of new production technology process that reduces the operating costs of fixed assets than before.

Chapter II:

REGULATION ON MANAGEMENT OF FIXED ASSETS

Article 3. Standards and identification of fixed assets:

1. Means of labor are the tangible assets with independent structure, or a system of many individual parts of assets linked to perform one or a certain number of functions and without any part, the system can not work, and if meet the following three criteria they shall be regarded as fixed assets:

- a) It is certain to gain economic benefit in the future from the use of such asset;
- b) Having the utilization time of over 01 year.
- c) Primary price of assets must be determined reliably, and is valued at 30,000,000 (thirty million) dong or more.

In case a system includes many individual components of assets linked together, in which each component has different utilization time and without any component the entire system still perform its main operating function its main activity but due to requirements on management and use of fixed asset requiring separately managed asset division, each asset division if simultaneously satisfying three criteria of fixed assets shall be regarded as independent tangible fixed assets.

For animals working and / or giving products, then each of the animals simultaneously satisfying three criteria of fixed assets is regarded as tangible fixed.

For perennial orchards, each piece of garden, or trees simultaneously satisfying three criteria shall be regarded as a fixed tangible asset.

2. Standards and identification of intangible assets:

All actual costs spent by enterprises simultaneously satisfying all three criteria specified in Clause 1 of this Article, without forming tangible fixed assets are regarded as intangible assets.

The expenses not simultaneously satisfying all three criteria specified in Clause 1, Article 3 of this Circular shall be recorded directly or gradually amortized into the business cost of enterprises.

As for costs incurred in the implementation phase recognized as intangible assets generated from the inside of enterprise if they simultaneously satisfy the following seven conditions:

- a) Technical feasibility ensures the completion and put the intangible assets to the expected use or sale;
- b) Enterprises intend to complete the intangible asset for use or sale;
- c) Enterprises have the ability to use or sell these intangible assets;
- d) These Intangible assets have to generate economic benefits in the future;
- e) Having sufficient technical and financial resources and other resources to complete stages of deployment, sale or use of those intangible assets.

g) Being able to identify with certainty the full cost of the deployment phase to create such intangible assets;

h) It is estimated to have adequate standards on utilization time and value defined for intangible fixed assets.

3. The cost of establishment of enterprise, cost of staff training, advertising cost incurred prior to the establishment of enterprise, cost of research stage, relocation, sale for possession and use of technical materials, patents, license of technology transfer, trade marks, business advantage that are not intangibles fixed assets but are amortized into business cost of enterprises in a maximum time not exceeding 3 years according regulations of Law on Enterprise Income Tax.

4. For Joint-Stock companies converted from state-owned companies under the provisions of the Government's Decrees issued before Decree No. 59/2011/ND-CP dated July 18, 2011 of the Government on the conversion of enterprises with 100% state capital into joint-stock companies, having business advantage included in the enterprise value when determining enterprise value for equitization by the method of assets and approved by the competent authority as prescribed, they shall perform the allocation of value of business advantage under provisions in Circular No. 138/2012/TT-BTC dated August 20, 2012 of the Ministry of Finance guiding the allocation of value of business advantage for Joint-Stock companies converted from state-owned companies.

Article 4. Determining the primary price of fixed assets:

1. Determining the primary price of tangible fixed assets:

a) Tangible fixed assets from purchase:

The original cost of tangible fixed assets from purchase (new or old purchase): the purchase price actually paid plus (+) taxes (excluding refundable taxes) and directly related costs to be paid by the time putting the fixed assets into a state of ready for use such as interest incurred during the procurement of fixed assets; transportation costs, loading and unloading; costs of upgrade, installation, testing, registration fee and other directly related expenses.

In case the tangible fixed assets purchased by deferred payments or installment payments, the primary price of fixed assets is the purchase price paid at the time of purchase plus (+) taxes (excluding refundable taxes) and directly related costs to be paid by the time putting the fixed assets into a state of ready for use, such as the cost of shipping, loading and unloading, upgrade, installation, testing, registration fee (if any).

In case of purchasing tangible fixed assets which are housing and structures associated with land use rights, the value of land use rights must be separately identified and recognized as intangible assets if they meet the qualifications specified in the e Clause 2 of this Article, the tangible fixed assets are buildings, structures, the primary price is the purchase price actually paid plus (+) the costs directly related to the introduction of tangible fixed assets into use.

In case after purchasing tangible fixed assets which are housing and structures associated with land use rights, the enterprises shall remove or demolish for new construction, the value of land use right must be separately identified and recorded as intangible fixed assets if meeting the standards under provision specified in Clause 2 of this Article; the primary price of fixed assets newly built is determined as settlement price of the construction as prescribed in the current Regulations on management of investment and construction. These properties removed or demolished are recorded under current regulations for disposal of fixed assets.

b) Tangible fixed assets purchased in the form of exchange:

The primary price of fixed assets purchased in the form of exchange with an unsimilar tangible fixed asset or other assets is the rational value of tangible fixed asset received or rational value of fixed assets brought to be exchanged (after addition of additional payables or deduction of the receivables) plus (+) taxes (excluding refundable taxes), the directly related costs to be paid by the time putting the fixed assets into a state of ready for use such as the cost of shipping, loading and unloading, upgrade, installation, testing and registration fee (if any).

The primary price of tangible fixed assets purchased in the form of exchange with a similar tangible fixed asset or may be formed due to be sold in exchange for ownership of a similar asset which is the Residual value of tangible fixed asset to be exchanged.

c) Tangible fixed assets to be built or produced by themselves :

The primary price of tangible fixed assets to be built by themselves is the value of settlement of works when being put into use. In case the fixed assets are put into use but have not been finalized, the enterprises shall record the primary price by the provisional price and adjust after settlement of completed works.

The primary price of tangible fixed assets to be produced by themselves is the actual cost of tangible fixed assets plus (+) costs of installation, testing and other directly related costs by the time putting the tangible fixed assets into a state of ready for use (except for internal profits, value of products recovered during pilot testing, production, the unreasonable costs as waste materials, labor or other costs beyond the norm prescribed in construction or production).

d) The primary price of tangible fixed assets due to construction:

The primary price of fixed assets due to capital construction is formed by the method of contractor appointment is the settlement price of the construction as prescribed in the current Regulations on management of investment and construction plus (+) registration fee and other directly related costs. In case the fixed assets due to construction are put into use but have not been finalized, the enterprises shall record the primary price by the provisional price and adjust after settlement of completed works.

For fixed assets that are animals working and/or giving products, perennial orchards, the primary price is the entire actual costs paid for these animals or orchards from the formation to the time of putting into operation and use.

e) Tangible fixed assets are funded, offered, donated or excessive by detection.

The primary price of tangible fixed assets due to funding, offer, donation, excess due to detection is the value by actual evaluation of the delivery Council or professional valuation organization.

g) Tangible fixed assets allocated and transferred:

The primary price of tangible fixed assets allocated or transferred include the residual value of the fixed assets on accounting books at allocating or transferring units or the value by actual evaluation of the professional valuation organization as prescribed by law, plus (+) directly related costs which the asset receiving party has to pay by the time the fixed assets are put into a state of ready for use such as cost of leasing of valuation organization, upgrade, installation, testing....

h) Tài sản cố định hữu hình nhận góp vốn, nhận lại vốn góp Tangible fixed assets from receiving and receiving back contributed capital:

The fixed assets from receiving and receiving back contributed capital are value agreed on consensus by the members, founding shareholders or agreed between enterprises and capital contributors or evaluated by professional organization as prescribed by law and approved by members and founding shareholders

2. Determining the primary price of intangible fixed assets:

a) Tài sản cố định vô hình mua sắm Intangible fixed assets from procurement:

The primary price of intangible fixed assets is a purchase price actually paid plus (+) taxes (excluding refundable taxes) and directly related costs to be paid by the time putting the assets into use.

In case the intangible fixed assets purchased by deferred payments or installment payments, the primary price of fixed assets is the purchase price paid at the time of purchase (excluding interest on deferred payment).

b) Intangible fixed assets purchased in the form of exchange:

The primary price of intangible fixed assets in the form of exchange with an unsimilar intangible fixed asset or other assets is the rational value of intangible fixed assets received back or the rational value to be exchanged (after addition of payables or reduction of receivables) plus (+) taxes (excluding refundable taxes) and directly related costs by the time putting the asset into use as expected.

The primary price of intangible fixed assets purchases in the form of exchange with a similar intangible fixed asset or formed due to be sold for exchange of ownership of a similar asset is a Residual value of intangible fixed assets to be exchanged.

c) The intangible fixed assets allocated, offered, donated or transferred:

The primary price of intangible fixed assets allocated, offered, donated is the initial rational value plus (+) directly related costs to be paid for putting the asset into use.

The primary price of fixed assets transferred is the primary price recorded in the accounting books of enterprises having transferred assets. The enterprises receiving these assets shall record the primary price, depreciation and Residual value of the assets as prescribed.

d) Intangible fixed assets are created from inside of enterprises :

The primary price of intangible fixed assets created from inside of enterprises is the costs directly related to the phase of pilot construction and production to be paid by the time putting those fixed assets into use as expected.

With regards to the costs incurred internally for business to have trademarks, issuance right, customer lists, the costs incurred in the research stage and similar items not meeting the standard and recognizing these intangible assets are recorded in the business costs in the period.

e) Intangible fixed assets are land use right:

- Intangible fixed assets are land use right including:

+ The land use right allocated by the State with land use fee or receiving the transfer of legal land use right (including term and non-term land use right).

+ The right to use the leased land before the effective date of the Land Act 2003 but the rent has been paid for the leasing time or paid in advance for many years but the remaining land lease term paid is at least five years and granted with certificate of land use right by the competent authority.

The primary price of fixed assets determined is the total amount paid to have the legal land use right plus (+) costs of site clearance, ground leveling, registration fee (excluding costs for building works on land) or the value of land use right with contributed capital.

- Land use rights not recognized as intangible assets, including :

+ Land use rights allocated by the State without land use fee.

+ Land lease rent paid one time for the entire lease term (the land lease time after the effective date of the Land Law 2003 without certificate of land use right granted), the rent is amortized into the business costs by the number of lease year.

+ Land lease rent paid annually, the rent is recorded into the business costs in the period in proportion to the rent annually paid.

- For the assets as housing and land for sale or trading of real estate companies, the enterprises must not record them as fixed assets and depreciate.

g) The primary price of intangible fixed assets is the copyright, industrial property right, plant variety right in accordance with the law on intellectual property: the total actual costs that enterprises have paid to get copyright, industrial property right, plant variety right in accordance with the law on intellectual property.

h) The primary price of fixed assets as software programs:

The primary price of fixed assets as software programs determined is the total actual costs the enterprise have paid to have software programs in case they may be separated from the related hardware and designed with semiconductor integrated circuit in accordance with the law on intellectual property.

3. Fixed assets from financial leasing:

The primary price of fixed assets from financial leasing reflected in the leasing units is the value of leased assets by the time starting the lease of assets plus (+) direct costs incurred initially related to the financial leasing.

4. The primary price of enterprise's fixed assets is only changed in the following cases:

a) Re-evaluating the value of fixed assets in cases:

- By decision of competent state authority.

- Implementation of enterprise reorganization, enterprise ownership change, enterprise transformation: split, merger, consolidation, equitization, sale, lease, conversion of limited liability company into a joint stock company and from joint stock company converted into a limited liability company.

- Investment made outside enterprise by use of assets.

b) Upgrading fixed assets

c) Dismantling one or a number of parts of fixed assets but these parts are managed by standard of a tangible fixed asset.

When changing the primary price of fixed assets, the enterprise have to make a record specifying grounds for change and re-determine indicators of primary price, the Residual value in accounting book, accumulated depreciation, utilization time of fixed assets and conduct the record as prescribed.

Article 5. Principle to manage fixed assets:

1. All fixed assets in enterprise must have a separate record (including record of delivery of fixed assets, contracts, invoices of purchase of fixed assets, and other related papers). Each fixed asset must be classified, numbered with its own card, monitored in detail and reflected in the monitoring book of fixed assets.

2. Each fixed asset must be managed by its primary price, accumulated depreciation and residual value in accounting books

$$\begin{array}{rcccl} \text{Residual value in} & & & & \\ \text{accounting books of fixed} & = & \text{Primary price of fixed} & - & \text{Accumulated depreciation} \\ \text{assets} & & \text{assets} & & \text{of fixed assets} \end{array}$$

3. For fixed assets without need of use awaiting disposal, but not fully depreciated, the enterprises have to manage, monitor and preserve under current regulations and depreciation under the provisions of this Circular.

4. The enterprises must manage for fixed assets fully depreciated but still involved in business activities as normal fixed assets.

Article 6. Classification of enterprise's fixed assets

Based on the purpose of use of fixed assets, the enterprises shall conduct classification of fixed assets by the following indicators:

1. Fixed assets used for business purposes are fixed assets managed and used by enterprises for their business purposes.

a) For tangible fixed assets, the enterprises can classify them as follows:

Type 1: Housing and structures: are the enterprise's fixed assets formed after the construction process, such as head office, warehousing, fences, water tower, open storage, the works decorating housing, roads, bridges, railways, airfield, piers, wharves, docks and slipway.

Type 2: Machinery and equipment: the whole machinery and equipment used in the business operation of the enterprise such as specialized machinery, working equipment, drilling rigs in the oil and gas area, cranes, technological lines and individual machines.

Type 3: Means of transport, transmission equipment are types of means of transportation including railway, water way, road, air, pipeline and transmission equipment, such as information system, electrical system, water pipe and conveyor.

Type 4: Equipment and management tools: are the equipment and tools used in the management of the enterprise's business operations such as computers for management, electronic equipment, equipment, measurement and quality tools, dehumidifiers, vacuum cleaners, anti-termite.

Type 5: Perennial orchards, working animals and / or giving products: are the perennial orchards as coffee plantations, tea plantations, rubber plantations, orchards, lawn, green carpet .. ., working animals and / or giving products, such as herd of elephants, horses, buffaloes, cows ...

Type 6: Other types of fixed assets: are all other fixed assets not listed in the above five types such as pictures,.

b) Intangible fixed assets: land use rights as stipulated in Clause 2, Article 4 of this Circular, issuance right, patent, inventions, literature, works of art, science, products, results of art performance, video and audio recordings, broadcasting programs, satellite signals carrying coded programs, industrial designs, designs of semiconductor integrated circuits, business secrets, trademarks, trade names and geographical indications, plant varieties and breeding material.

2. Fixed assets used for welfare purposes, career, security and national defense are the fixed assets managed and used by enterprises for welfare purposes, career, security and national defense in the enterprises. These fixed assets are also classified under provisions of Point 1 mentioned above.

3. Fixed assets preserved, kept or stored are the fixed assets which the enterprises preserve or keep for other units or keep for the State as prescribed by the competent State agencies.

4. Depending on the requirements on management of each enterprise, the enterprises shall classify more detailed their types of fixed asset in each group accordingly.

Article 7. Investment, upgrade and repair of fixed assets:

1. The costs which enterprises have paid for upgrade of fixed assets are reflected by an increase in primary price of such fixed assets. These costs must not be recorded into the cost of business and productions in the period.

2. The repair costs of fixed assets must not be calculated by an increase in primary price of fixed assets but are recorded directly or amortized into the business cost in the period, but not exceeding 3 years maximally.

For fixed assets whose repair is cyclical, the enterprises shall be allowed for deduction of repair cost by estimating into the annual cost. If the actual cost of repair of fixed assets is greater than the deduction by estimate, the enterprises shall be allowed to include in the rational costs this difference.

If the actual cost of repair of fixed assets is less than the deduction, the difference is recorded by a reduction of business costs in the period.

3. The costs related to intangible assets generated after initial recognition and evaluated with certainty, increasing the economic benefits of the intangible fixed assets compared to the initial activity, shall be reflected by an increase of primary price cost . Other costs related to intangible assets generated after initial recognition are recorded in cost of business and production.

Article 8. Leasing, pledging, mortgaging, sale or disposal:

1. All activities of leasing, pledging, mortgaging, sale or disposal of fixed assets must comply with current regulations of law.

2. For leased fixed assets:

a) Operating fixed assets:

- The leased enterprise must have responsibility for management, use of fixed assets under provisions in the lease contract. The leasing cost of fixed assets is recorded into business cost in the period.

- The leasing enterprise as the owner must monitor and manage the leased fixed assets.

b) For fixed assets from financial leasing:

- The leased enterprise must monitor, manage and use the leased fixed assets as they are owned by enterprises and fulfill the obligations committed in the contract of fixed assets leasing.

- The leasing enterprise, as an investor shall monitor and comply with the provisions of the contract of fixed assets leasing.

c) In case in the contract of asset leasing (including operating leasing and financial leasing) stipulating that the lessee shall repair the assets during the leasing term, the repairment costs of the leased fixed assets shall be recorded in the costs or amortized into the business cost but the time must not exceed 3 years.

Chapter III:

REGULATION ON DEPRECIATION OF FIXED ASSETS

Article 9. Principles of depreciation of fixed assets:

1. All of the enterprise's current fixed assets must be depreciated excluding the following fixed assets:

- Fixed assets have been fully depreciated but are still used in production and business activities.

- Fixed assets are lost during depreciation.

- Other fixed assets managed but not owned by enterprise.

- Fixed assets are not managed, monitored and recorded in the enterprise's accounting books.

- Fixed assets are used in welfare activities to serve the enterprise's employees (excluding the fixed assets to serve employees working at enterprises such as mid-shift rest house, shift, mid-shift canteen, dressing house, toilet, clean water tank, garage, medical room or station for health examination, the employee shuttle bus, training facilities, vocational training and housing for employees built by enterprise).

- Fixed assets from the non-refundable aid after the competent agencies have handed them over to enterprises in service of their scientific research.

- Intangible fixed assets are long-term land use right with land use fee or receiving the legal long-term land use right.

2. The depreciation of fixed assets included in the rational costs when calculating the Enterprise Income Tax shall comply with the provisions in the legal documents on enterprise income tax

3. In case the fixed assets used in welfare activities to serve the enterprise's employees specified in Clause 1, Article 9 of this Circular are engaged in the production and business activities, the enterprise shall base on the time and utilization nature of these fixed assets to perform the depreciation in the enterprise's business cost and notify the tax agency directly managing for monitoring and management.

4. Fixed assets are lost or damaged during depreciation and may not be repaired or remedied. The enterprises shall determine the cause and responsibility for compensation of the organization or individual causing the loss or damage. The difference between the Residual value of the asset with the compensation of organization or individual causing the loss or damage, the compensation of insurance agency and the value recovered (if any), the enterprises shall use the financial reserve fund

for compensation. In case the financial reserve fund is not sufficient for compensation, the enterprises may include the deficit in their rational costs when determining the enterprise income tax

5. Enterprises leasing the operating fixed assets must depreciate the leased fixed assets.
6. Enterprises leasing the fixed assets in the form of financial leasing (referred to as fixed assets from financial leasing) must depreciate the leased fixed assets as the fixed assets owned by enterprises under the current regulations. In case right at the starting time of asset lease, the enterprise leasing the fixed assets from financial leasing shall commit not to repurchase the leased assets in the contract of financial leasing, the enterprise leasing may depreciate the fixed assets from financial leasing under the leasing term in the contract.
7. In case of re-evaluation of value of fixed assets fully depreciated for capital contribution, transfer upon split, consolidation, merger, these assets shall be evaluated by professional evaluation organizations but not lower than 20% of primary price of such assets. The time of depreciation for these assets is the time the enterprises officially take over the assets and put them into use and the time of depreciation is from 3 to 5 years. The specific time shall be decided by the enterprises but they must notify the tax authorities before implementation.

For the enterprises implementing equitization, the time of depreciation of the above fixed assets is the time the enterprises are granted the business registration certificates converted into joint stock companies.

8. Enterprises with 100% state capital implementing the evaluation of enterprises for equitization by the method of discounted cash flow method (DCF), the increasing difference of the state capital between the actual value and the value in accounting books is not recognized as intangible assets and amortized into the production cost in the period but the time shall not exceed 10 years. The starting time of amortization into the costs is the time the enterprises are officially converted into joint-stock companies (with business registration certificate).

9. The depreciation or stoppage of depreciation of fixed assets is implemented from the start date (by a number of days of a month) on which the fixed assets increase or decrease. The enterprises shall record the increase or decrease of fixed assets under current regulations on enterprise accounting system.

10. For capital construction works completed and put into use, enterprises have recorded the increase of fixed assets by provisional price due to unrealized settlement. Upon settlement of capital construction works completed with the difference between the provisional value and settlement value, the enterprises shall adjust the primary price of fixed assets by settlement value approved by competent authorities. The enterprises shall not adjust the rate of depreciation deducted from the time the fixed assets completed and put into use to the time of settlement approval. The depreciation costs after the settlement time are determined on the basis of taking the settlement value of fixed assets approved minus (-) the number depreciated the time of settlement approval of fixed assets and divided (:) by remaining time of depreciation of fixed assets as prescribed.

11. For fixed assets monitored, managed and depreciated by enterprises under Circular No. 203/2009/TT-BTC but now ineligible for the primary price of fixed assets in accordance with Article 2 of this Circular, the residual value of these assets shall be amortized into the enterprise's costs of business and production. The time of amortization shall not exceed three years from the effective date of this Circular.

Article 10. Determination of time of depreciation of tangible fixed assets :

1. For new fixed assets (not used), the enterprises must depend on the time frame of depreciation of fixed assets specified in Appendix 1 issued together with this Circular to determine the time of depreciation of fixed assets.
2. For fixed assets used, the time of depreciation of fixed assets is determined as follows:

$$\text{The time of depreciation of fixed assets} = \frac{\text{Rational value of fixed assets}}{\text{Sale price of fixed assets 100\% new of the same type (or of equivalent fixed assets in the market)}} \times \text{The time of depreciation of new fixed assets of the same type determined in Annex 1 (issued together with this Circular)}$$

In which: The rational value of fixed assets is the purchase price or actual exchange (in case of sale and purchase and exchange), the Residual value of the fixed assets or the value by assessment of a valuation organization (in case of being given, offered, donated, allocated or transferred) and other cases.

3. Change of time of depreciation of fixed assets:

a) In case the enterprises wish to determine the time of depreciation of other new and used fixed assets compared with the time frame of depreciation as prescribed in Annex 1 issued together with this Circular, they must plan the change of time of depreciation of fixed assets on the basis of clear explanation of the following contents:

- Technical life service of fixed assets by design;
- Present condition of fixed assets (time used of fixed assets, asset generation, actual condition of asset);
- The impact of the increase or decrease in depreciation of fixed assets on the result of business and repayment capital to credit institutions.
- For assets formed from B.O.T and B.C.C investment projects, the enterprises have to supplement the Contract signed with the investors.

b) Competence to approve the Plan for change of time of depreciation of fixed assets:

- The Ministry of Finance shall approve the Plan in case:
 - + The parent companies of the economic groups, corporations and state companies holding 51% of the charter capital or more decided to establish by Ministries, sectors and Prime Minister.
 - + Subsidiaries with their parent company, economic groups and corporations holding 51% of the charter capital or more.
- Service of Finance of centrally-affiliated provinces and cities shall approve for Corporations, independent companies established by the People's Committees of centrally-affiliated provinces and cities, the enterprises of other economic sectors having their head offices in the area.

On the basis of the Plan for change of time of depreciation of fixed assets approved by the competent authorities, within 20 days after the approval date of the Plan, the enterprises shall notify the directly managing tax agency for monitoring and management.

c) Enterprises may change the time of depreciation of fixed assets once for an asset. The extension of time of depreciation of fixed assets shall not exceed the technical life service of fixed assets and does not change the enterprises' business results from the profit to loss or vice versa in the year making a decision on the change. In case the enterprises change the time of depreciation of fixed assets not in accordance with regulation, the Ministry of Finance and directly managing tax agency shall request the enterprises to re-determine the change as prescribed.

4. In case of impact factors (such as upgrading or removal of one or several parts of fixed assets) to extend or shorten the utilization time previously determined of the fixed assets, the enterprises shall re-determine the time of depreciation of fixed assets according to the three criteria mentioned above at the time of completion of generated operation and make a record stating the grounds for changing the time of depreciation for submission to the competent authority for decision in accordance with Item b, Clause 3 of this Article.

Article 11. Determination of time of depreciation of intangible fixed assets:

1. The enterprises shall determine the time of depreciation of intangible fixed assets by themselves but not exceeding 20 years
2. For the intangible fixed assets which are the value of land use right with term, the leased land use right. The time of depreciation is the time permitted for land use of enterprises.
3. For the intangible fixed assets which are copyright, intellectual property right, plant variety right, the time of depreciation is the term of protection indicated on the degree of protection as prescribed (excluding the extended term of protection).

Article 12. Determination of the time of depreciation of fixed assets in several special cases:

1. For investment projects in the form of Build - Operate - Transfer (BOT) and Business Cooperation Contract (BCC), the time of depreciation of fixed assets shall be determined from the time to put the fixed assets into use until the end of the project. In case the above projects have generated irregular revenue in the years of project implementation but the calculation of depreciation on the above principles affects the enterprises' business result, they shall make a report to the Ministry of Finance for consideration of the increase or decrease in depreciation as provided for in Clause 3, Article 10 of this Circular.
2. For production lines with military particularity specific and directly involved in tasks of national defense and security in national defense and security companies, based on the provisions of this Circular, the Ministry of Defense and the Ministry of Public Security shall decide the time frame for depreciation of these assets.

Article 13. Method of depreciation of fixed assets:

1. Methods of depreciation:

- a) Straight-line depreciation method.
- b) Adjusted reducing balance method
- c) Method of depreciation based on volume

2. Based on the capacity to meet the applicable conditions specified for each method of depreciation of fixed assets, the enterprises may choose method of depreciation appropriate with each type of enterprises' fixed asset:

a) The straight-line depreciation method is the method of depreciation by the rate of stability calculation of each year into the enterprises' costs of business and production of the fixed assets involved in the business operation.

The enterprises operating with high economic efficiency may accelerate their depreciation, but not more than 2 times of the depreciation rate by the straight-line method for rapid technological innovation. The fixed assets involved in business activities and accelerated their depreciation are machinery and equipment, experimental and measuring instruments, equipment and means of transport, management tools, animals, perennial orchards. When performing accelerated depreciation, the enterprises must ensure profitable business. In case the enterprises accelerate their depreciation exceeding 2 times of the rate specified in time frame for use of fixed assets provided for in Appendix 1 attached to this Circular, the excess of accelerated depreciation (over 2 times) is not included in the reasonable costs upon calculation income tax in the period.

b) Adjusted reducing balance method:

This method applies to the enterprises in areas with technology requiring rapid changes and development.

The fixed assets involved in business operations are depreciated by the adjusted reducing balance method must meet the following conditions:

- Being new fixed assets (not used);
- Being machinery, equipment, experimental and measuring instruments.

c) Method of depreciation based on volume:

The fixed assets involved in business operations are depreciated by this method are types of machinery and equipment meeting the following conditions:

- Directly related to product making;
- Determining the total number and volume of products made by design capacity of fixed assets;
- The actual capacity per month in the fiscal year is not less than 100% of design capacity.

The contents of the methods of depreciation are prescribed in detail in Appendix 2 issued together with this Circular.

3. The enterprises shall decide the method of depreciation, the time of deduction of the fixed assets as prescribed in the Circular and inform the directly managing tax agency prior to implementation.

4. Method of depreciation applicable to each fixed asset which the enterprise has chosen and notified the directly managing tax must be implemented consistently during the process of utilization of fixed assets. In special case of changing method of depreciation, the enterprises must clearly explain the changes in the way of using the fixed assets to bring economic benefits to the enterprises. Each fixed asset is allowed to change only one method of depreciation during the utilization and must be notified in writing to the directly managing tax office.

Chapter IV:

IMPLEMENTATION ORGANIZATION

Article 14. Effect

1. This Circular takes effect on June 10, 2013 and applies from fiscal year 2013.

2. This Circular supersedes Circular No. 203/2009/TT-BTC dated October 20, 2009 of the Minister of Finance guiding the regulation on management, use and depreciation of fixed assets. From the tax year 2013, Item k, Point 2.2, Clause 6, Article 6 of Circular No. 123/2012/TT-BTC dated July 27, 2012 of the Minister of Finance guiding the implementation of some articles of the Law on enterprise Income Tax shall apply in accordance with amendments and supplements as following:

"k) Long-term land use rights are not depreciated and amortized into the costs deducted in determining taxable income, the land use right with term if adequate invoices and documents and complying with the procedures as prescribed by law, involved in production and business activities, shall be amortized into the costs deducted according to the term permitted for land use specified in the certificate of land use right, except for the case the term land use right with fee is depreciated to be included in the reasonable costs upon calculation of enterprise income tax "

3. In case the business individuals having fixed assets and meeting regulations on the management of fixed assets specified in this Circular may depreciate fixed assets to determine reasonable costs except for calculation of personal income tax.

4. Any difficulty or problem arising during the implementation should be promptly reflected to the Ministry of Finance for settlement.

**FOR MINISTER
DEPUTY MINISTER**

Tran Van Hieu

ANNEX I

TIME FRAME OF DEPRECIATION OF TYPES OF FIXED ASSETS

(Issued together with Circular No. 45/2013/TT-BTC dated April 25, 2013 of the Ministry of Finance)

List of groups of fixed assets	Minimum time of depreciation (year)	Maximum time of depreciation (year)
A - Machinery and power equipment		
1. Power generator	8	15
2. Generator, hydropower, thermal power, wind power, gas mixture.	7	20
3. Transformers and electrical equipment	7	15
4. Other power machinery and equipment	6	15
B - Other machinery and working equipment		
1. Machine tool	7	15
2. Machinery and equipment used in the mining industry	5	15
3. Tractor	6	15
4. Máy dùng cho nông, lâm nghiệp Machinery for agriculture and forestry	6	15
5. Water and fuel pump	6	15
6. Metallurgical and anti rust and corrosion surface processing equipment	7	15
7. Specialized equipment for the production of chemicals	6	15
8. Specialized machinery and equipment for production of building materials, stoneware and glassware	10	20
9. Specialized equipment for the production of components and electronics, optics, precision mechanics	5	15
10. Machinery and equipment used in the leather industry, stationery cultural product printing	7	15
11. Machinery and equipment used in the textile	10	15
12. Machinery and equipment used in the garment industry	5	10

13. Machinery and equipment used in the paper industry	5	15
14. Machinery and equipment of food producing and processing	7	15
15. Cinema and health machinery and equipment	6	15
16. Machinery, equipment of telecommunications, information, electronics, computer and television	3	15
17. Pharmaceutical manufacturing machinery and equipment.	6	10
18. Other machinery and equipment	5	12
19. Machinery and equipment used in the petrochemical industry	10	20
20. Machinery and equipment used in oil and gas exploration and extraction.	7	10
21. Construction machinery and equipment	8	15
22. Crane	10	20
C - Experimental and measuring tools		
1. Experimental and measuring equipment of mechanical, thermal and acoustic quantities	5	10
2. Optical and spectral equipment	6	10
3. Electrical and electronic equipment	5	10
4. Physico-chemical measuring and analyzing equipment	6	10
5. Radiation equipment and instruments	6	10
6. Particularly specialized equipment	5	10
7. Other experimental and measuring equipment	6	10
8. Molds used in the foundry industry	2	5
D - Equipment and vehicles		
1. Roadway transport vehicles	6	10
2. Railway transport vehicles	7	15
3. Water way transport vehicles	7	15
4. Airway transport vehicles	8	20
5. Pipeline transportation equipment	10	30
6. Goods loading and unloading and lifting equipment.	6	10
7. Other equipment and vehicles	6	10
E - Management tools		
1. Calculating and measuring equipment	5	8
2. Machinery, communications-electronics equipment, and computer software for management	3	8
3. Other management tools and means	5	10
G - Housing and structures		
1. Solid housing	25	50
2. Mid-shift rest house, shift, mid-shift canteen, dressing house, toilet, garage, etc.	6	25
3. Other housing	6	25
4. Warehouses, storage tanks, bridges, roads, airfield, parking, drying yard ...	5	20
5. Embankments, dams, culverts, channels, ditches	6	30

6. Harbor, dock slipway ...	10	40
7. Other structures	5	10
H - Animals and perennial orchard		
1. Kinds of animal	4	15
2..Industrial crop plantation, orchards and perennial orchards	6	40
3.Lawn and green carpet	2	8
I - Other types of intangible fixed assets not specified in the above groups	4	25
K - Other intangible fixed assets	2	20

ANNEX 2

METHOD OF DEPRECIATION OF FIXED ASSETS

(Issued together with Circular No. 45/2013/TT-BTC dated April 25, 2013 of the Ministry of Finance)

I. Straight-line depreciation method:

1. Content of the method:

The fixed assets in the enterprises are depreciated by the straight-line depreciation method as follows:

- Determining the annual average rate of depreciation for the fixed assets by the following formula:

$$\text{Annual average rate of depreciation for the fixed assets} = \frac{\text{Primary price of fixed assets}}{\text{Time of depreciation}}$$

- Monthly average rate of depreciation equal to the yearly depreciation divided by 12 months.

2. In case the time of depreciation or the primary price of the fixed assets changes, the enterprise have to re-determine the average rate of depreciation of the fixed assets by taking the Residual value in the accounting book divided by the time of depreciation re-determined or remaining time of depreciation (determined as the difference between the time of depreciation registered minus the time of depreciation) of the fixed assets.

3. The rate of depreciation for the final year of the time of depreciation of fixed assets is determined as the difference between the primary price of fixed assets and the accumulated depreciation made to the preceding year of the final year of those fixed assets.

4. TSCĐ Example of calculation and depreciation of fixed assets:

For example: Company A purchases a fixed asset (new 100%) with the invoice price of 119 million dong, a purchase discount of 5 million dong, the shipping cost of 3 million dong, the cost of installing and test run of 3 million.

a. Knowing that fixed assets have technical life service is 12 years, the time of depreciation of fixed assets is 10 years as expected (in accordance with the provisions of Appendix 1 issued together with the Circular No. .../2013/TT- BTC), the fixed assets are put into use on January 01, 2013.

Primary price of fixed assets = 119 million – 5 million + 3 million = 120 million dong

Annual average rate of depreciation = 120 million : 10 years = 12 million/year

Monthly average rate of depreciation = 12 million dong : 12 months = 1 million dong/month

Annually, the enterprises shall deduct 12 million dong of the cost of depreciation of fixed assets into the business costs.

b. After 5 years of use, the enterprises shall upgrade their fixed assets with a total cost of 30 million dong, the utilization time re-evaluated is 6 years (increasing 1 year compared with the utilization time initially registered). The date completed and put into use is January 01, 2018.

Primary price of fixed assets = 120 million dong + 30 million dong = 150 million dong

Depreciation deducted = 12 million dong (x) 5 years = 60 million dong

Residual value in accounting book = 150 million dong - 60 million dong = 90 million dong

Annual average rate of depreciation = 90 triệu đồng : 6 years = 15 million dong / year

Monthly average rate of depreciation = 15.000.000 đồng : 12 months = 1.250.000 dong/ month

From 2018 onwards, the enterprises shall depreciate 1.250.000 dong per month into the business costs for the fixed assets upgraded.

5. Determination of rate of depreciation for fixed assets put into use before October 01, 2013:

a. Way to determine the rate of depreciation:

- Based on the data in the accounting books and records of fixed assets to determine their Residual value in the accounting books of fixed assets.

- Determining the remaining time of depreciation of fixed assets by the following formula:

$$T = T_2 \left(1 - \frac{t_1}{T_1} \right)$$

In which:

T : Remaining time of depreciation of fixed assets

T₁ : Time of depreciation of fixed assets is determined under provisions of Annex 1 issued together with the Circular No. 203/2009/TT-BTC.

T₂ : Time of depreciation of fixed assets is determined under provisions of Annex 1 issued together with the Circular No./2013/TT-BTC.

t₁ : Actual time of depreciation of fixed assets

- Determining the annual rate of depreciation (for the remaining years of fixed assets) as follows:

$$\text{Annual average rate of depreciation of fixed assets} = \frac{\text{Residual value of fixed assets}}{\text{Remaining time of depreciation of fixed assets}}$$

- The monthly average rate of depreciation equal to the yearly depreciation deduction divided by 12 months.

b. Example of calculation and depreciation of fixed assets:

Ex: An enterprise uses a mining machine with primary price of 600 million dong since January 01, 2011. The utilization time determined in accordance with Annex 1 issued together with the Circular No. 203/2009/TT-BTC is 10 years. The time for using this mining machine by the end of December 31, 2012 is 2 years. The accumulated depreciation is 120 million dong.

- Residual value in accounting books of mining machine is 480 million dong.

- The enterprise determines the time of depreciation of the mining machine is 15 years under the Annex I of the Circular No..... /2013/TT-BTC.

- Determining the remaining time of depreciation of the mining machine is as follows:

$$\text{Remaining time of} = 15 \text{ years} \times \left(1 - \frac{2 \text{ years}}{10 \text{ years}} \right) = 12 \text{ years}$$

- Annual average rate of depreciation = 480 million dong : 12 years = 40 million dong/year (under Circular No..... /2013/TT-BTC)

Monthly average rate of depreciation = 480 million dong : 12 months = 3.333 million dong/month

From January 01, 2013 to the end of December 31, 2024, the enterprise shall carry out depreciation for the mining machine into the monthly business costs of 3.333 million dong.

II. Adjusted reducing balance method:

1. Content of the method:

The rate of depreciation of fixed assets by this method is determined such as:

- Determining the time of depreciation of fixed assets:

The enterprises shall determine the time of depreciation of fixed assets as provided for in the Circular No..... /2013/TT-BTC of the Ministry of Finance.

- Determining the annual rate of depreciation of fixed assets in the years by the following formula:

$$\text{Annual rate of depreciation of fixed assets} = \frac{\text{Residual value of fixed assets}}{\text{assets}} \times \text{Accelerated depreciation rate}$$

In which:

The accelerated depreciation rate is determined by the following formula:

$$\text{Accelerated depreciation rate (\%)} = \text{Rate of depreciation by straight-line method} \times \text{Adjustment coefficient}$$

Rate of depreciation of fixed assets by the straight-line method is determined as follows:

$$\text{Rate of depreciation of fixed assets by the straight-line method (\%)} = \frac{1}{\text{Time of depreciation of fixed assets}} \times 100$$

Adjustment coefficient is determined by the time of depreciation of fixed assets specified in the following table:

Time of depreciation of fixed assets	Adjustment coefficient (time)
Up to 4 years ($t \leq 4$ years)	1,5
Over 4 to 6 years ($4 \text{ years} < t \leq 6 \text{ years}$)	2,0
Over 6 years ($t > 6$ years)	2,5

For the last years, when the annual rate of depreciation determined by the reducing balance method above mentioned is equal to (or lower) the average rate of depreciation between the Residual value and remaining number of years of utilization of fixed assets, then from that year, the rate of depreciation is calculated by the Residual value of the fixed assets divided by the remaining number of years of utilization of fixed assets.

- The monthly rate of depreciation is equal to the yearly deducted depreciation divided by 12 months.

2. Example of calculation and depreciation of fixed assets:

Ex: Company A has purchased a new device producing electronic components with the primary price of 50 million dong. The time of depreciation of fixed assets determined in accordance with Appendix 1 (issued together with Circular No.../ 2013/TT-BTC) is 5 years.

Determining the annual rate of depreciation as follows:

- Annual rate of depreciation of fixed assets by the straight-line method is 20%.
- Accelerated depreciation rate by the reducing balance method is equal to $20\% \times 2$ (adjustment coefficient) = 40%
- Annual rate of depreciation of the above fixed assets is determined in the following table:

Unit: Dong

Year	Residual value of fixed assets	Way to calculate annual depreciation of fixed assets	Annual rate of depreciation	Monthly rate of depreciation	Year-end accumulated depreciation
1	50.000.000	$50.000.000 \times 40\%$	20.000.000	1.666.666	20.000.000
2	30.000.000	$30.000.000 \times 40\%$	12.000.000	1.000.000	32.000.000
3	18.000.000	$18.000.000 \times 40\%$	7.200.000	600.000	39.200.000
4	10.800.000	$10.800.000 : 2$	5.400.000	450.000	44.600.000
5	10.800.000	$10.800.000 : 2$	5.400.000	450.000	50.000.000

In which:

- + Rate of depreciation of fixed assets from the 1st year to the 3rd year is calculated by the Residual value of fixed assets multiplied by the accelerated depreciation rate(40%).
- + From the 4th year onwards, annual rate of depreciation is equal to the Residual value of fixed assets (in the beginning of the 4th year) divided by the remaining number of years of utilization of fixed assets ($10.800.000 : 2 = 5.400.000$). [Because in the 4th year: the rate of depreciation by reducing balance method ($10.800.000 \times 40\% = 4.320.000$) is lower the average rate of depreciation between the Residual value and remaining number of year of utilization of fixed assets ($10.800.000 : 2 = 5.400.000$)].

III. Method of depreciation based on volume:

1. Content of the method:

The fixed assets in enterprises are depreciated by this method as follows:

- Based on the technical-economic records of the fixed assets, the enterprises shall determine the total amount and volume of products made according to the design capacity of fixed assets, referred to as the output by capacity design.

- Based on the actual situation of production, the enterprise shall determine the actual amount and volume of products made monthly, annually of the fixed assets.

- Determining the monthly rate of depreciation of fixed assets by the following formula:

$$\text{Monthly rate of depreciation of fixed assets} = \frac{\text{Amount of products monthly made}}{\text{Output by design capacity}} \times \text{Average rate of depreciation for a unit of product}$$

In which:

$$\text{Average rate of depreciation for a unit of product} = \frac{\text{Primary price of fixed assets}}{\text{Output by design capacity}}$$

- Annual rate of depreciation of fixed assets is equal to the total rate of depreciation of 12 months in a year or by the following formula:

$$\text{Annual rate of depreciation of fixed assets} = \frac{\text{Amount of products yearly made}}{\text{Output by design capacity}} \times \text{Average rate of depreciation for a unit of product}$$

In case the design capacity or primary price of fixed assets changes, the enterprises shall re-determine the rate of depreciation of fixed assets.

2. Example of calculation and depreciation of fixed assets:

For example: Company A purchased bulldozer (new 100%) with the primary price of 450 million dong. The design capacity of this bulldozer is 30m³/hour. The output by the design capacity of this machine is 2.400.000 m³. The product volume gained in the first year of this bulldozer is:

Month	Volume of product finished (m ³)	Month	Volume of product finished (m ³)
Month 1	14.000	Month 7	15.000
Month 2	15.000	Month 8	14.000
Month 3	18.000	Month 9	16.000
Month 4	16.000	Month 10	16.000
Month 5	15.000	Month 11	18.000
Month 6	14.000	Month 12	18.000

The rate of depreciation by the method of depreciation based on volume is determined as follows:

- The average rate of depreciation for 1 m³ of bulldozed land= 450 million dong: 2.400.000 m³ = 187.5 dong/m³

- Rate of depreciation of the bulldozer is calculated in the following table:

Month	Month Monthly actual output (m ³)	Month Monthly rate of depreciation (dong)
1	14.000	14.000 x 187.5 = 2.625.000
2	15.000	15.000 x 187.5 = 2.812.500
3	18.000	18.000 x 187.5 = 3.375.000
4	16.000	16.000 x 187.5 = 3.000.000
5	15.000	15.000 x 187.5 = 2.812.500
6	14.000	14.000 x 187.5 = 2.625.000
7	15.000	15.000 x 187.5 = 2.812.500
8	14.000	14.000 x 187.5 = 2.625.000

9	16.000	$16.000 \times 187.5 = 3.000.000$
10	16.000	$16.000 \times 187.5 = 3.000.000$
11	18.000	$18.000 \times 187.5 = 3.375.000$
12	18.000	$18.000 \times 187.5 = 3.375.000$
	Total of year	35.437.500