
Answers

Section A

Marks

- 1 A** No adjustment required because the car has more than nine seats and so is depreciable in full.
- 2 D** *[according to points g1, g5, g6, g7 of Article 2 point 2 of Circular 111/2013/TT-BTC]*
- 3 C** 19 million – 3 million subcontracted to Vietnamese subcontractors.
- 4 C** $3,000 * 3/5 = 1,800$. The expenses for three out of five board members who are involved in daily management would be deductible.
- 5 A** This is the rate for late payment within 90 days.
- 6 B**
- 7 B** VND450 million – VND500 * 60% – VND10 million = VND140 million.
- 8 D** $260 \text{ million} - [(260 \text{ million} - 9 \text{ million}) * 35\% - 9.85 \text{ million}] = 182 \text{ million}$.
- 9 D** This is according to CIT regulations.
- 10 A** $[210 \text{ million}/(1 + 10\%) * 10\%] - (200 \text{ million} * 5\% \text{ paid}) = 9 \text{ million}$ *[according to Example 56 in Article 12 of Circular 219/2013/TT-BTC]*.
- 11 B** The rate for services would apply.
- 12 A** Capped deduction VND1 million/month * 9 months = 9 million.
- 13 C** *[Article 6, point 2.4 of Circular 78/2014/TT-BTC]*
- 14 C**
- 15 B** VND90 million. Mr A is entitled to a full month's relief in both the month he arrived and the month he exited – 10 months relief in total.

2 marks each

30

1 CRU Ltd and its subsidiary

(a) CRU Ltd's deductible expenses – 2013, 2014 and 2015

Assuming the car is less than nine seats (full credit will, however, be given to other assumptions).

	Deductible expenses VND million	
2013		
Depreciation expense (subject to a cap of VND1,600 million) (VND1,600 million/6 years)	267	1
2014		
Depreciation expense (VND1,600 million/6 years * 10/12 months)	222	1
Repair costs (fully deductible as invoices issued for 100% and payment deadline yet to come) (VND792 million/1.1)	720	2
2015		
Repair costs (must be deducted from deductible expenses as payment over VND20 million not being paid via a bank) (VND792 million/1.1 * 10%)	(72)	<u>2</u>
		<u>6</u>

(b) CRU Ltd's other income from disposal 2014

	VND million	VND million	
Contribution value		2,400	
Net book value			
– Initial costs per book (6,600/1.1)	6,000		0.5
– Accumulated depreciation on accounting book (6,000/6 years * (2 + 10/12 months))	<u>(2,833)</u>	<u>(3,167)</u>	1.5
Net taxable income/(loss) from disposal		<u>(767)</u>	<u>2</u>

(c) CRS Co's deductible depreciation 2014

	VND million	
Depreciable value (subject to cap)	1,600	0.5
Deductible depreciation expenses (1,600/4 years * 2/12 months)	67	<u>1.5</u>
		<u>2</u>
		<u>10</u>

2 Mr Tuy Nguyen

(a) Provisional personal income tax (PIT) from shares sale transactions

	VND million	
Sale on 1 April 2014		
– Tax on capital investment income (for scrip dividend (VND10,000 * 150,000 shares) * 5%)	75	1.5
– Tax on transfer of capital (VND18,000 * 150,000 shares) * 0.1%	3	1
Sale on 20 December 2014		
– Tax on capital investment income for the remaining scrip dividend (VND10,000 * (200,000 – 150,000 shares) * 5%)	25	1.5
– Tax on transfer of capital (VND20,000 * 400,000 shares) * 0.1%	8	<u>1</u>
		<u>5</u>

(b) Final PIT from shares sale transactions

		VND million	
Selling price (150,000 * VND18,000 + 400,000 * VND20,000)	(a)	10,700	1
Purchase price			
– Purchase price of the shares held at the beginning of year (1 million shares * VND12,000)	(b) VND12,000 million		0.5
– Purchase price during the year, i.e. scrip dividend (200,000 * VND10,000)	(c) VND2,000 million		0.5
– Total number of shares purchased (1 million + 200,000 scrip dividend)	(d) 1.2 million shares		0.5
– Average purchase price	e = (b + c)/d VND11,667		1
– Purchase price of the shares sold (150,000 + 400,000 shares) * VND11,667	(f)	(6,417)	0.5
Tax liability	g = (a - f) * 20%	<u>857</u>	<u>1</u>
			<u>5</u>
			<u>10</u>

3 MCSP Co**(a) Lump sum contract**

	Corporate income tax (CIT) USD 000	Value added tax (VAT) USD 000	
Taxable income	25,510 = (30,000 - 5,000)/(1 - 2%) <i>(1.5 marks)</i>	26,299 = 25,510/(1 - 30% * 10%) <i>(1.5 marks)</i>	
Tax	510 = (25,510 * 2%) <i>(0.5 marks)</i>	789 = (26,299 * 3%) <i>(0.5 marks)</i>	3
			<u>1</u>
			<u>4</u>

(b) Separate value contract

	CIT USD 000	VAT USD 000	
Machinery and equipment			
Taxable income	20,202 = (25,000 - 5,000)/(1 - 1%) <i>(1.5 marks)</i>	0	
Tax	202 = (20,202 * 1%) <i>(0.5 marks)</i>	0 (exempt) <i>(0.5 marks)</i>	2
Services			
Taxable income	5,263 = (2,000 + 3,000)/(1 - 5%) <i>(1 mark)</i>	5,540 = 5,263/(1 - 50% * 10%) <i>(1 mark)</i>	
Tax	263 = (5,263 * 5%) <i>(0.5 marks)</i>	277 = (5,540 * 5%) <i>(0.5 marks)</i>	2
			<u>1</u>
			<u>6</u>
			<u>10</u>

4 VCPL Co

(a) Campaign 1

(i) If the campaign is registered with the relevant authorities

For the ten products sold, the company should issue invoices at the normal price and charge value added tax (VAT) as normal. 0.5

For the products offered free, the company should issue invoices with a selling price of zero, and charge zero VAT. 1

(ii) If the campaign is not registered

For the ten products sold, the company should issue invoices at the normal price and charge VAT as normal. 0.5

For the product offered for free, the company is also required to issue an invoice for the normal selling price and charge VAT as if it were a normal sale. 1

In both cases, the company will be allowed to claim creditable input VAT for the products if the above requirements are followed. 1
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(b) Other campaigns registered with the relevant authorities

Campaign 2

The company can sell products at the reduced price during the period registered with authorities. After the period, the company is required to sell the products at the normal price. Output VAT will be calculated on the reduced price for the invoices issued to clients. 1

Input VAT for the products sold at the reduced price is creditable. 1

Campaign 3

The company is not required to charge and declare output VAT for the vouchers at the time they are given to the customers. 1

The company must issue invoices and charge output VAT when the customers redeem the vouchers for products. Input VAT is creditable for the products obtained from redeeming the vouchers. 1
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(c) Campaign 4

Upon issuing products for demo display, the company is not required to issue an invoice and not required to charge VAT. 1

When selling the products at 30% discount to both employees and customers, the company can issue invoices at the discounted price provided that the discounted price is a reasonable price for the used products. This is because the same discounted price is applied to both the external customers and the employees. 1

2
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5 WALC JSC

Corporate income tax liability for the year ended 31 December 2014

	VND million	
Profit before tax	38,000	
Adjustments:		
– No adjustment (Note 1): Under-provided bonuses of 2013 (VND400 million) (these were actually paid in 2014)	0	1
– Add: (Note 1) Non-deductible tax collection and penalty	550	1
– Deduct: (Note 1) Disallowed provision in 2013 which became deductible when paid in 2014	(1,960)	1·5
– Add: (Note 2) Reimbursement for tuition and exam fees (not deductible as paid in cash and invoices issued to employees)	850	2
– Add: (Note 2) Advance for re-sitting (not deductible since it is not WALC's expenses)	550	1
– Deduct: (Note 2) Claim back from employees	(350)	1
– Deduct: (Note 3) Reversal of over-provision (this reversal should not be taxable because the previous provision in 2008 was non-deductible)	(320)	2
– Deduct: (Note 3) Settlement for claim (this was not recorded as an expense for 2014 but is a deductible expense for 2014 when actual payment was made)	(680)	2
– No adjustment: (Note 4) Non-creditable input VAT (no adjustment because the expenses are deductible)	0	2
– Add: (Note 4) Tax recollection and penalty for FCWT	430	1
Taxable income	<u>37,070</u>	
Tax at 22%	<u>8,155</u>	0·5
		<u>15</u>

6 Mr Kwon Ah Jung

(a) Taxable and non-taxable income for the year 2014

	Taxable income USD	Non-taxable income USD	
Mr Kwon			
Salary (201,600 * 10/12 months)	168,000		1
Bonus (16,800 * 10/12 months)	14,000		1
University fee for daughter (18,000 * 50%)	9,000		1
School fee for son (12,000 * 50%)		6,000	1
Airfares for family (1,500 * 3 persons)	4,500		1
Airfare for himself		1,500	1
Performance bonus	33,600		1
Relocation costs	8,000		1
Total taxable income before housing	<u>237,100</u>	<u>7,500</u>	
Annual taxable housing – lower of:			
– 15% of gross taxable income from SJCS [237,100 * 15%] = 35,565			0·5
– Actual housing (2,500 * 10 months) = 25,000			1
Taxable housing allowance	<u>25,000</u>		0·5
Total taxable/non-taxable income	<u>262,100</u>	<u>7,500</u>	<u>10</u>

	VND million	Marks
(b) Personal income tax liability for the year 2014		
Taxable income (USD262,100 * 21,500)	5,635	0.5
Self-deduction (VND9 million * 10 months)	(90)	1
Dependant deduction (VND3.6 million * 2 * 10 months)	(72)	1.5
Total assessable income	<u>5,473</u>	
Monthly assessable income (5,473/10 months)	547	1
Annual tax liability		
– (G * 35% – VND9.85 million) * 10 months	1,816	<u>1</u>
		<u>5</u>
		<u>15</u>

Tutorial notes:

1. *Relocation costs are only exempt once, when the expatriate relocates to Vietnam.*
2. *The accommodation cost deducted from Mr Kwon's salary of USD1,200 per month over the cap is not deductible because it is his personal expense.*
3. *Mr Kwon's daughter qualifies as a dependant because she had no income and was studying in university in Vietnam.*