

Applied Skills

# Taxation – Vietnam (TX – VNM)

Tuesday 4 December 2018



**Time allowed:** 3 hours 15 minutes

This question paper is divided into two sections:

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

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

Tax rates and allowances are on pages 2–4.

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

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

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

Think Ahead

**ACCA**

The Association of Chartered  
Certified Accountants

The Ministry of Finance of the  
Socialist Republic of Vietnam

VNM – TX

## SUPPLEMENTARY INSTRUCTIONS

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

## TAX RATES AND ALLOWANCES

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

### Value added tax (VAT)

Standard rate	10%
Reduced rate	5%

### Corporate income tax (CIT)

Standard rate for enterprises	20%
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### Foreign contractor tax (FCT)

Value added tax rates as a percentage (%) of taxable turnover	%
1. Services, leasing of machinery and equipment, and insurance.	5
2. (a) Construction, assembly and installation where the tender includes the supply of materials, machinery and equipment in the construction work.	3
(b) Construction, assembly and installation where the tender does not include the supply of materials, machinery and equipment in the construction work.	5
3. Other business and production.	2
Corporate income tax rates as a percentage (%) of taxable turnover:	%
1. Trading: distribution and supply of goods, raw materials, supplies, machinery and equipment associated with services in Vietnam (including the supply of goods in the form of on-the-spot export (except processing goods for foreign organisations and individuals); and the supply of goods under the terms of Incoterms).	1
2. Services, leasing of machinery and equipment, insurance, leasing of oil rigs.	5
3. Management services of restaurants, hotels and casinos.	10
4. Leasing of aircraft, aircraft engines, aircraft spare parts and sea going vessels.	2
5. Construction and installation regardless of whether the tender includes or does not include the supply of materials, machinery and equipment in the construction work.	2
6. Other production or business activities and transportation (including sea and air transportation).	2
7. Assignments [transfers] of securities, reinsurance and commissions from reinsurance.	0.1
8. Derivatives.	2
9. Loan interest.	5
10. Income from royalties.	10

### Personal income tax (PIT)

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

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

### Net to gross calculator

$N < 4,750,000$	$G = N/0.95$
$4,750,000 < N < 9,250,000$	$G = (N - 250,000)/0.9$
$9,250,000 < N < 16,050,000$	$G = (N - 750,000)/0.85$
$16,050,000 < N < 27,250,000$	$G = (N - 1,650,000)/0.8$
$27,250,000 < N < 42,250,000$	$G = (N - 3,250,000)/0.75$
$42,250,000 < N < 61,850,000$	$G = (N - 5,850,000)/0.7$
$N > 61,850,000$	$G = (N - 9,850,000)/0.65$

Gross basis	%	Tax
$G < 5,000,000$	5	$T = 0.05G$
$5,000,000 < G < 10,000,000$	10	$T = 0.1G - 250,000$
$10,000,000 < G < 18,000,000$	15	$T = 0.15G - 750,000$
$18,000,000 < G < 32,000,000$	20	$T = 0.2G - 1,650,000$
$32,000,000 < G < 52,000,000$	25	$T = 0.25G - 3,250,000$
$52,000,000 < G < 80,000,000$	30	$T = 0.3G - 5,850,000$
$G > 80,000,000$	35	$T = 0.35G - 9,850,000$

### Notes:

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

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

### PIT rates on other income

	Resident	Non-resident
Investment income	5%	5%
Capital transfers	0.1% of selling price	0.1% of selling price
Transfers of property	2% of selling price	2% of selling price
Royalties/franchises	5% of the income in excess of VND10 million	5% of the income in excess of VND10 million
Prizes/inheritances	10% of the income in excess of VND10 million	10% of the income in excess of VND10 million

**Personal deductions (per month)**

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

**Social insurance, health insurance and unemployment insurance on salary and allowances**

**Rates for the year 2017**

Social insurance (SI)	8%
Health insurance (HI)	1.5%
Unemployment insurance (UI)	1%

**Base salary (per month) for social insurance, health insurance and unemployment insurance, etc for the year 2017**

**Note:** For simplicity, you should assume that this rate is applicable for the whole of the year 2017.

VND 26,000,000

**Rates of exchange**

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

USD 1 = VND 22,800

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

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

Each question is worth 2 marks.

- 1 NIV Co, a Vietnamese company, rented an office for its operations from 1 April 2017 and paid a deposit of VND792 million, equivalent to two monthly rental fees, inclusive of 10% value added tax (VAT). Rent is payable two months in advance.

**What is the amount of deductible rental expense which NIV Co can claim for corporate income tax (CIT) purposes in the year ended 31 October 2017?**

- A VND5,040 million
- B VND2,520 million
- C VND3,240 million
- D VND2,772 million

- 2 In 2017, DFC Co, a Vietnamese company, sold goods to SBY Co, another Vietnamese company, for a total contract value of VND4,840 million, inclusive of 10% value added tax (VAT). According to the contract, SBY Co is required to make payment within one month of the invoice date or pay interest of 1% of the contract value per month, for each month of delay. SBY Co paid the invoice four months after DFC Co issued it on 31 May 2017.

**What is the amount of total output value added tax (VAT) (in VND millions, rounded to one decimal) DFC Co is required to declare in 2017 as a result of the above transactions?**

- A VND440.0 million
- B VND459.4 million
- C VND454.5 million
- D VND484.0 million

- 3 Ms Dung Nguyen is a Vietnamese citizen with three registered dependants. During 2017, she received a gross monthly salary of VND96 million, plus a bonus equal to two months' salary in April 2017, relating to her work performance in 2016. Her employer also paid rent for a car for her to travel from home to work and vice versa at an annual cost of VND240 million. Dung is responsible for her own social, health and unemployment insurance.

**What is Ms Dung Nguyen's annual personal income tax (PIT) liability (in VND millions – to be rounded only in the final PIT calculations) in the year 2017?**

- A VND320 million
- B VND387 million
- C VND303 million
- D VND236 million

- 4 RED Co, a Vietnamese real estate developer, signed a contract in May 2017 with TLA Co, a Hong Kong company. The contract was for TLA Co to provide advertising and intermediary services to Hong Kong investors to purchase apartments developed by RED Co in Vietnam. TLA Co's services are carried out partly in Vietnam and partly in Hong Kong. According to the contract, RED Co is required to pay a fixed fee of USD200,000 (net of any tax in Vietnam) to TLA Co for 12 months of services, payable in two equal instalments in March and September.

**What is the amount (in USD) of the corporate income tax (CIT) portion of foreign contractor tax (FCT) RED Co would be liable to pay in Vietnam in 2017 based on the above contract with TLA Co?**

- A USD10,526
- B USD5,540
- C USD0
- D USD5,263

- 5 RFD Co is a Vietnamese company headquartered in Hanoi. In December 2017, the company had net output value added tax (VAT) of VND2,000 million from its business operations in Hanoi. The company also had input VAT from two investment projects, both of which were in the construction period and had not generated any revenue. Project A is located in Hanoi and incurred input VAT of VND1,500 million. Project B is located in Vinh Phuc province and incurred input VAT of VND400 million.

**What is the correct treatment for the input value added tax (VAT) incurred by RFD Co in respect of the two investment projects (assuming the relevant documents for a VAT refund are in place)?**

- | Input VAT of Project A                                                                           | Input VAT of Project B                                                                                                              |
|--------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| A Claim refund for VND1,500 million                                                              | Claim refund for VND400 million                                                                                                     |
| B Claim refund for VND1,500 million                                                              | Offset VND400 million with net output VAT of VND2,000 million from operations of headquarter                                        |
| C Offset VND1,500 million with net output VAT of VND2,000 million from operations of headquarter | Claim refund for VND400 million                                                                                                     |
| D Offset VND1,500 million with net output VAT of VND2,000 million from operations of headquarter | Offset VND400 million with the VND500 million, being the remaining amount of net output VAT after offsetting input VAT of project A |

- 6 In 2017, CSP Co, a Vietnamese company, sold 80% of its 100% shareholding in ADC Co, another Vietnamese company, to a foreign buyer for VND120,000 million. ADC Co was established in 2008 with capital of VND60,000 million (fully paid up). CSP Co purchased all of the shares of ADC Co in 2012 from the original founder for an amount of VND100,000 million, as reflected in the share purchase agreement. The transfer expenses incurred were immaterial.

**What is the corporate income tax (CIT) payable by CSP Co on the sale of shares in ADC Co in the year 2017?**

- A VND8,000 million
- B VND3,200 million
- C VND9,600 million
- D VND14,400 million

- 7 On 1 September 2016, Mr Mohammad Taqi, a Singaporean citizen, commenced a secondment in the Vietnamese representative office of AFC Co, a company headquartered in Singapore. He received gross employment income of USD10,000 per month from AFC Co relating to his secondment. He resided in Vietnam from 1 September 2016 until his employment was terminated on 15 February 2017 by AFC Co, and he left Vietnam on the same date. He has no dependants.

**What is the amount (in VND million, rounded to one decimal) of Mr Mohammad Taqi's personal income tax (PIT) liability for the first tax year in Vietnam in respect of his secondment (assuming he was not subject to social, health and unemployment insurance in Vietnam)?**

- A VND182.4 million
- B VND250.8 million
- C VND367.4 million
- D VND240.9 million

- 8 PUG Co, a Malaysian company, holds a 23% shareholding in SUV Co, a Vietnamese company. PUG Co had no other indirect shareholding or control in SUV Co. PUG Co sold goods to SUV Co in both 2016 and 2017.

**What is the relationship between PUG Co and SUV Co for the purposes of reporting related parties' transactions in accordance with the regulations in Vietnam?**

- |   | Before 1 May 2017   | From 1 May 2017     |
|---|---------------------|---------------------|
| A | Related parties     | Related parties     |
| B | Not related parties | Related parties     |
| C | Related parties     | Not related parties |
| D | Not related parties | Not related parties |

- 9 TCD Co, an Australian company, signed a contract with HMC Co, a Vietnamese company, for TCD Co to provide consultancy skills training for HMC Co's staff in 2017. The value of the training agreement was USD100,000, gross of corporate income tax (CIT) and net of the value added tax (VAT) portion of foreign contractor tax (FCT). The contract value was made up of online courses (20%), whilst the remaining 80% was attributable to training courses which took place in Vietnam. HMC Co settled the contract value in full in 2017.

**What is the amount (in USD), net of foreign contractor tax (FCT), TCD Co can receive from HMC Co in respect of the above training agreement during the year 2017?**

- A USD95,000
- B USD94,737
- C USD98,947
- D USD96,000

- 10 SHDL Co is a Vietnamese company. In 2017, the company contributed capital to SBS Co, a newly established company in Vietnam, in the form of an indefinite-term land use right (LUR) for a piece of land in Ho Chi Minh City. The book value of the LUR recorded in SHDL Co's accounts before the contribution was VND100,000 million. The agreed capital contribution value was VND180,000 million. SHDL Co wants to use the maximum period to allocate the revaluation gain from the LUR to other income as allowed under prevailing corporate income tax (CIT) regulations.

**What is the taxable income figure in respect of the capital contribution of the land use right (LUR) to SBS Co which SHDL Co should declare on its corporate income tax (CIT) return for the year ended 31 December 2017?**

- A VND80,000 million
- B VND180,000 million
- C VND8,000 million
- D VND16,000 million

- 11** In January 2017, Mr Chris Beath, a 50-year-old Australian citizen, started his employment in Vietnam for VF Co, a Vietnamese company. In March 2017, his wife Allanda, also a 50-year-old Australian citizen, suffered an accident in Australia. She was not handicapped, but had to move to Vietnam to live with Chris from April 2017 to the end of the 2017 year. She had no income in 2017. VF Co provided Chris with cash support of VND120 million towards medical care expenses for Allanda in Vietnam during 2017.

**What is the total personal deduction/relief (in VND millions and ignoring social, health and unemployment insurance) Mr Chris Beath can claim in the year 2017 relating to his personal income tax (PIT)?**

- A VND228 million
  - B VND140 million
  - C VND260 million
  - D VND108 million
- 12** XAL Co is a foreign airline which has an office in Vietnam to sell airfares. In the fourth quarter of 2017, XAL Co earned gross revenue, i.e. before the deduction of any charges or refunds, of USD250,000, based on receipts and records. Of this amount, USD200,000 was for passenger transportation, and the remaining amount related to cargo transportation. Airport charges of USD5,000 were collected from these fares on behalf of the domestic airports. XAL Co also paid refunds of USD7,000 to passengers who returned their fares during the quarter.

**What is the total amount of taxable income (in USD) which XAL Co should declare for the corporate income tax (CIT) portion of the foreign contractor tax (FCT) in the fourth quarter of 2017?**

- A USD188,000
  - B USD238,000
  - C USD245,000
  - D USD193,000
- 13** CLT Co is a Vietnamese company employing 1,200 employees in 2017. The company has a policy to provide uniforms to employees in both cash and in kind. In 2017, the total uniform expenses paid by CLT Co was VND12,800 million, of which VND8,000 million was paid in cash to employees. 40% of the expenses in kind are not supported by proper documents.

**How much of CLT Co's uniform expenses are non-deductible for corporate income tax (CIT) purposes in 2017?**

- A VND8,880 million
  - B VND3,920 million
  - C VND9,920 million
  - D VND1,920 million
- 14** Mr Minh Phan, a Vietnamese citizen, was assigned to work in the United States (US) representative office of FTP Co, a company headquartered in Vietnam. In 2017, he received monthly gross income of USD10,000, plus an annual tuition fee of USD30,000 for Quang Phan, his ten-year-old son, for studying at a school in the US. The tuition fee was paid directly by the representative office of FTP Co to the school.

**What is the amount (in VND million, rounded to two decimals) of Mr Minh Phan's Vietnamese monthly personal income tax (PIT) liability in the year 2017 (before deducting any foreign tax credit)?**

You should assume Mr Minh Phan is not subject to any compulsory insurance in Vietnam.

- A VND85.49 million
- B VND66.80 million
- C VND86.75 million
- D VND65.54 million



- 15 NLED Co is a new foreign invested company which was established and began trading in Vietnam by the end of 2017. The company's fiscal year end is 31 December. NLED Co is eligible to declare value added tax (VAT) on a monthly basis.

**Which of the following combinations correctly describes the deadlines for settling the taxes which NLED Co will be subject to in 2018?**

	<b>Value added tax (VAT)</b>	<b>Provisional corporate income tax (CIT)</b>	<b>Business registration fee</b>
<b>A</b>	The last day of the month	The 30th day of the next quarter	The 90th day of the next year
<b>B</b>	The 30th day of the next month	The 90th day of the next quarter	The 10th day of the next year
<b>C</b>	The 20th day of the next month	The 30th day of the next quarter	The 30th day of the next year
<b>D</b>	The 30th day of the next month	The 30th day of the next quarter	The 30th day of the next year

**(30 marks)**

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

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

- 1 LMK Co is a foreign invested company, established in Vietnam in 2011. According to the regulations at the time it was licensed to operate, LMK Co was entitled to two years' corporate income tax (CIT) exemption plus a further three years' 50% tax reduction, with the same circumstances being required as per the current regulations for the tax holiday to commence. The tax returns of the company from the year of establishment to date showed the following results:

Year	Taxable income/(tax losses) (VND millions)	Year	Taxable income/(tax losses) (VND millions)
2011	(35,000)	2012	(20,000)
2013	(15,000)	2014	(5,000)
2015	8,000	2016	14,000

During 2017, the local tax authorities conducted a tax inspection of the company relating to the period from 2011 to 2016. The investigation resulted in the adjustment for some items which reduced the tax losses in 2011 and 2012 by VND6,000 million for each year; and also reduced the tax losses of 2013 and 2014 by VND5,000 million and VND1,000 million respectively.

In 2017, the company generated taxable income of VND22,000 million according to the draft tax return.

You should assume all the taxable income/tax losses were generated from LMK Co's main business operations.

**Required:**

- (a) Briefly state the principles for carrying forward a loss incurred by an enterprise in Vietnam according to prevailing corporate income tax (CIT) regulations. (2 marks)
- (b) Determine the tax incentives which LMK Co would apply in the years 2015 and 2016. (3 marks)
- (c) Calculate the amount of tax losses which can be utilised and offset against taxable income in each year for the period 2015 to 2017, and the remaining tax losses which can be carried forward to 2018 by LMK Co. (5 marks)

**(10 marks)**

**2** Mr Dung Tien is 22 years old and is a Vietnamese football player. He plays for the TH Football Club (THFC) in Vietnam and the national youth team of Vietnam. He entered into a two-year term labour contract with the THFC management company from the beginning of January 2017 and received the following remuneration package for his first year of service under the contract:

- Salary: VND45 million per month;
- Performance incentives: based on six months' salary if THFC is the champion of the league, or three months' salary in other cases; and
- One-off sign-on payment of VND2,400 million for his two-year contract of services (payment to be made at the time the contract is signed).

The remuneration stated in the contract is gross of personal income tax (PIT). Dung is responsible for his share of insurance contribution expenses.

THFC was ranked second in the league in 2017, which lasted from January to September 2017.

From October to December 2017, Dung played for the national youth team where, in addition to his THFC salary, he received a gross monthly allowance of VND15 million, which was paid to THFC who then paid it to Dung. By late 2017, the national youth team had made an historic achievement in an Asian football competition. For his excellent contribution towards this achievement, Dung received:

1. a cash prize of VND1,320 million, accompanied by a certificate of reward issued by the government authorities in charge of sports in Vietnam;
2. a car with a market value of VND800 million from a car assembling company; and
3. free-of-charge flights for one year up to a value of VND500 million from VNA, an airline in Vietnam.

Dung was single in 2017. He lived with his father who is 65 years old, and his mother who is 60 years old. Neither of his parents had any income in 2017.

According to a recent ruling issued by the tax authorities, the contractual one-off sign-on payment shall be taxed in the same manner as employment income.

**Required:**

**(a) Briefly explain the tax treatment for each of the three prizes received by Mr Dung Tien during 2017.**

(3 marks)

**(b) Calculate (in VND millions, rounded to one decimal) Mr Dung Tien's taxable employment income, and his total personal income tax (PIT) liability from all income sources for the year 2017.**

Note: You should list all of the income items referred to in the question, indicating by the use of '0' any non-taxable items.

(7 marks)

**(10 marks)**

**3** Agado is a company headquartered in Hong Kong providing an online travel booking platform. Subscribers to the platform (i.e. clients) can book hotel rooms worldwide, at a rate which is lower than the usual quoted price of the hotel.

In 2017, Agado entered into an agreement with TSQR Co, a luxury hotel company in Vietnam. As part of the agreement, TSQR Co will provide a 20% discount from the quoted price to clients who book rooms at the hotel via Agado. In addition, TSQR Co will pay Agado a referral fee of 15% of the room charge paid by clients. The referral fees receivable by Agado will be net of any Vietnamese withholding tax. The agreement provides two different mechanisms for collecting money from Agado clients:

- Clients can pay rent for a booked room to Agado via credit card or other online payment mechanism (such as PayPal). Agado then settles the residual rent after deducting the referral fees to TSQR Co; or
- Clients can pay the rent directly to TSQR Co for each booking made with Agado, and TSQR Co pays the referral fees due to Agado.

In 2017, TSQR Co received USD2.38 million from Agado and VND45,600 million directly from clients for room bookings made through Agado.

TSQR Co recently obtained confirmation from the local tax authorities that the activities of Agado would be treated as 'services' for foreign contractor tax (FCT) purposes in Vietnam.

**Required:**

**(a) Calculate (in VND million) the foreign contractor tax (FCT) which TSQR Co should declare on its FCT return for 2017 in respect of the agreement with Agado. (6 marks)**

**(b) (i) State the circumstances in which Agado may be exempt from the corporate income tax (CIT) portion of FCT in Vietnam in accordance with the double tax agreement (DTA) between Hong Kong and Vietnam.**

Note: You should assume the DTA follows the general guidance regarding implementation of double tax treaties in Vietnam. (2 marks)

**(ii) Briefly explain the initial procedures to be implemented for the DTA exemption to apply. (2 marks)**

**(10 marks)**

- 4 FNF JSC is a company which was established in Vietnam in 2013. The company generates revenue from transportation activities. These activities include public transportation by buses and other transportation activities. Under a feasibility study, the estimated revenue allocation between public transportation by buses and other transportation activities is 65% and 35% respectively. According to prevailing regulations, public transportation by buses is exempt from value added tax (VAT).

FNF JSC was in the construction and investment period from 1 January 2013 to 31 August 2014. The total amount of input VAT arising from non-current assets during that period was VND80,000 million, of which VND20,000 million related to the buses specifically used for public transportation activities. FNF JSC started generating revenue from September 2014. The revenue generated between September 2014 and August 2017 was as follows:

Revenue (unit: VND million)	Public transportation by buses	Other transportation activities
September 2014–August 2015	80,000	32,000
September 2015–August 2016	120,000	41,000
September 2016–August 2017	150,000	77,000

**Required:**

- (a) Calculate the total creditable or refundable input value added tax (VAT) which FNF JSC can claim in respect of the purchase of non-current assets as at 31 August 2014. (3 marks)
- (b) (i) Explain the appropriate tax treatment with regard to the creditable input VAT relating to the non-current assets of FNF JSC during the three-year period from September 2014 to August 2017, and calculate the adjustments needed, if any, to the creditable input VAT. (5 marks)
- (ii) State the daily rate of late payment interest applicable as at August 2017, and determine the amount of late payment interest, if any, on any adjustments in (b)(i) above. (2 marks)

**(10 marks)**

- 5 HTM Co is a limited liability company, established in Vietnam, and specialising in the manufacture of consumer products. The company's draft financial statements show profit before tax of VND80,000 million for the year ended 31 December 2017.

During a review of the draft financial statements, and before preparing the tax return of the company, the chief accountant of the company noted the following items which may potentially need adjustments in the tax return:

- (1) HTM Co purchased a machine for VND96,000 million on 31 March 2015. The original useful life of the machine was decided to be eight years (the regulated useful life schedule for the machine is from 8 to 12 years). On 1 October 2017, the company decided that the remaining useful life of the machine would be four years. The depreciation expense included in the draft financial statements reflects the original useful life of the machine.
- (2) HTM Co rented a house at a cost of VND100 million per month from an individual from May 2017. The house was used as a showroom for the company's products. HTM Co paid a deposit at the beginning of May 2017, based on two months' rent in advance, and paid the rent at the beginning of each month. The lease contract states that HTM Co is responsible for the individual's deemed personal income tax (PIT) and value added tax (VAT), each tax being calculated at 5% of the rent. In the draft financial statements, HTM Co has recorded the rent deposit, rent payments and tax payments as expenses.
- (3) In the 2016 financial statements, HTM Co made a provision of VND8,500 million, being 17% of the salary fund actually paid out in 2016. By 1 July 2017, HTM Co had paid VND6,500 million out of the provision. The remaining VND2,000 million was forfeited (i.e. not paid) and no adjustment has been made for this in the draft financial statements. The amount of salary fund actually paid during 2017 (excluding the above wage provision for 2016) increased by 50% from 2016. This amount, when divided by the total number of employees, is equivalent to an average of VND6.25 million per employee per month. HTM Co intends to make a similar provision of 17% of the salary fund actually paid during 2017. This amount is planned to be paid within the first quarter of 2018. This provision has not yet been made in the draft financial statements, however, it can be included in the audited financial statements.
- (4) In 2017, the premium expenses for voluntary pension insurance for employees totalled VND16,000 million. The benefits were clearly stated in the collective labour agreement of HTM Co.

**Required:**

**Calculate (in VND millions) the corporate income tax (CIT) liability to be declared by HTM Co for the year ended 31 December 2017, based on the profit before tax in the draft financial statements and the above information.**

Note: You should start your computation with the profit before tax of VND80,000 million in the draft financial statements, and list all of the items specifically referred to in (1) to (4) above, indicating by the use of '0' any item for which no adjustment is required.

**(15 marks)**

**6 For the purposes of this question, you should assume that today's date is 31 December 2017.**

Mr Nobi Nobita, a 52-year-old Japanese citizen, was employed to work in Vietnam from 1 January 2017 by Local-I Co, a company established in Vietnam. Nobi was accompanied by his wife, Shizuka, who is 50 years old. Shizuka is a part-time teacher working for a foreign language centre in Vietnam, from which she earns VND10 million per month. They have two children, Nobisuke who is 19 years old, and Nobijaiko who is 12 years old. Nobijaiko has resided in Vietnam with his parents since 1 January 2017 and has been attending school throughout 2017. Nobisuke came to Vietnam in June 2017 to attend a half-year of university. Neither child had any income in 2017.

In 2017, Nobi's remuneration package from Local-I Co included the following items:

- Monthly salary: USD25,000.
- Performance bonus: one month's salary to be paid in February each year, plus a variable incentive dependent on the company's performance. Nobi was paid a bonus of USD80,000 in May 2018 based on the company's performance in 2017.
- Air fares: Local-I Co paid for two return trips for Nobi and his whole family to visit Japan, at a cost of USD1,000 per person. In May 2017, Nobi also requested that Local-I Co book one return trip at a cost of USD1,500 per trip per person for his family to visit Australia, where Shizuka's parents live. The company decided to pay for the air fare for Nobi only and to deduct the air fare for his family from his salary.
- Housing: Local-I Co signed a contract directly with the landlord for Nobi and his family to live in a property. The rent paid by Local-I Co was USD2,800 per month.
- Tuition fees: the company agreed to pay tuition fees in Vietnam for both children at an annual cost of USD12,000 each. The tuition fees are paid directly to the school and university in two equal instalments, due in March and October each year (in 2017, in respect of Nobisuke, only one payment was made in October).
- Car: The company rented a car for Nobi and his family at a cost of VND15 million per month. According to the records, in 2017 40% of the car's usage related to Nobi's transportation from home to the company's premises and vice versa. The remainder was for his family's personal use.
- Relocation allowance: Nobi was offered a relocation allowance of up to USD10,000, to be settled directly by the company to the vendor. The actual costs were USD13,800, for which Nobi settled the difference with the vendor himself.

The remuneration is gross of Vietnamese tax. You should assume Nobi registered all eligible dependants on time with relevant documents, and was responsible for his part of social, health and unemployment insurance in the same manner as a local employee.

**Required:**

- (a) Calculate (in VND millions, rounded to one decimal) the taxable and non-taxable income (before any housing benefits) of Mr Nobi Nobita in 2017.**

Note: You should list all the items of income, other than any housing benefits, specifically referred to above, indicating by the use of a '0' any item which is not relevant. (10 marks)

- (b) Calculate (in VND millions, rounded to one decimal) Mr Nobi Nobita's monthly taxable income (including any taxable housing benefits) and the personal income tax (PIT) liability in respect of his employment income for the year 2017.** (5 marks)

**(15 marks)**

**End of Question Paper**