

LEGAL BRIEFING

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Summary of support measures for businesses by the Vietnamese government during COVID-19

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With the onset of COVID-19, businesses in various sectors in Vietnam are experiencing a serious slowdown or cessation of operations in their businesses. Local enterprises have urged the Government to activate support policies to help them overcome difficulties in production and business due to the pandemic.

In response, the Government has issued several incentives in the form of regulations providing guidance and measures to support businesses affected by COVID-19. Below is our summary on some important incentives taken by the government to help businesses combat the situation.

I. The Master plan – Directive 11

Starting with Directive 11/CT-TTg on 4 March 2020, all state agencies are required to “provide assistance for people and enterprises affected by the pandemic, helping them resolve business difficulties and ensuring social security[...].” and also to “be prepared for opportunities; attract external resources and investments from various countries and regions [...]”.

The measures proposed or put in place by the Government in accordance with Directive 11 are categorised into 7 sections consisting of many direct requests and resolutions for helping severely affected individuals. Some salient points for businesses are highlighted and summarised below:

a) Access to capital, credit, finance, tax, trade, electronic payment

- The State Bank of Vietnam (SBV) is to ensure that credit institutions can provide adequate capital for businesses, simplify formalities, reduce the time for loan approvals, improve accessibility to bank loans, reschedule debt repayments, consider interest rate exemption/reduction and reduce bank fees.
- The Ministry of Finance (MOF) is to draft a decree on deferral of the deadline for payments of taxes and land rental fees, applicable to those affected by the Covid-19 outbreak. Also, the MOF is to arrange for a National Assembly’s resolution to increase the level of personal and dependent relief so that Personal Income Tax can be reduced; and apply certain Corporate Income Tax policies to support enterprises (especially small and medium-sized ones) which are facing difficulties.

- Vietnam Social Security Agencies are to postpone collection of social insurance premiums until June or December 2020 without charging late payment interest.

b) Reviewing and cutting administrative procedures and costs

- The Ministry of Transport is to simplify administrative procedures and reduce logistics costs in maritime, air, road, inland waterways and rail transport; and review and implement legislation on price/fee/charge/expense discounts in the aviation industry.
- The MOF is to consider exemption of periodic inspection in 2020 for enterprises that are not suspected of violations in order to help them overcome difficulties and sustain business operations.
- Inspectorates shall not carry out unplanned inspections except for special tasks that have been specifically assigned.
- All local government, within the scope of their management are to reduce charges and fees for entities affected by the Covid-19 outbreak, and not to increase state-fixed prices for input materials in Q1 and Q2/2020.

c) Facilitation of production and business; export and import production

- The Ministry of Industry and Trade (MOIT) is to ensure the supply of raw materials for manufacturing/business; organize production/distribution/circulation/supply of goods to meet consumer demands; consolidate the domestic market and support retail trading activities. The MOIT must also take measures to boost exports, improve the effectiveness of trade promotion, diversify and find new import and export markets and actively exploit opportunities under Free Trade Agreements; coordinate with the MOF to facilitate customs clearance, and address difficulties faced by importers and exporters.
- The MOF shall request tax authorities and customs authorities to simplify administrative procedures for customs clearance, tax refunds, tax deferrals, etc. for entities affected by the Covid-19 pandemic; take actions against abuse of epidemic control policies to harass enterprises during customs clearance and the export and import of goods.

d) Recovery and development of tourism and air transport

- The Ministry of Culture, Sports and Tourism (MOCST) shall run national tourism promotion programs; cooperate with tourism associations in promoting domestic tours; develop and advertise new products to attract international tourists, especially from unaffected areas; focus on development of domestic tourism nationwide.
- The Ministry of Foreign Affairs (MOFA) shall take charge and cooperate with the relevant authorities in relaxing certain requirements and improving procedures for

granting e-visas; propose visa-free entry for tourists in an All-inclusive Tourism Program until the end of 2020.

- The MOF shall take charge and cooperate with the MOCST in launching the Tourism Development Assistance Fund.

e) Accelerating progress, disbursement of capital and improvement of business conditions

Ministries, central and local authorities shall complete procedures for investment and complete the 2020 plan for disbursement of state capital in March 2020; speed up the disbursement of remaining capital of 2019 and 2020 (including ODA); focus on completing and putting into operation the major and important infrastructural works; make the best use of their design capacity to ensure socio-economic efficiency. Ministries, local governments, state-owned corporations shall frequently carry out inspection and implement appropriate measures to ensure construction progress and quality.

f) Resolving labour-related difficulties

The Ministry of Labour, War Invalids and Social Affairs is to draw up plans to support labour training and/or support employees who are laid off due to the Covid-19 outbreak; find solutions for managing foreign employees working throughout Vietnam, especially those coming from or moving through epidemic regions; and make plans to support enterprises to find alternative employee resources in case of a lack of foreign experts.

II. Specific incentives taken to date

After Directive 11, state agencies started to issue more detailed regulations regarding specific measures/solutions to help businesses overcome the virus outbreak.

- a) On 13 March 2020, the SBV issued Circular 01/2020/TT-NHNN on Debt rescheduling, Exemption or reduction of Interest and fees, Retention of Debt category to assist borrowers affected by Covid-19 Pandemic (“Circular 1”). Later in the month, on 31 March 2020, the SVB issued Directive No. 02/CT-NHNN regarding immediate measures of banks to deal with impacts of the Covid-19 pandemic (“Directive 2”).**

- Important measures from Circular 1 and Directive 2 are summarised below:

Debt rescheduling

- Borrowers affected by Covid-19 pandemic are entitled to request banks to consider rescheduling principal and interest (including exemption or reduction of interest) on their loans.
 - Banks must issue internal guidance for the debt rescheduling policy under Circular 1.
 - Banks and borrowers will agree on specific terms and conditions for debt rescheduling on a case-by-case basis.
 - Debts can generally be rescheduled up to a maximum a 12-month period.
- According to Circular 1, debt rescheduling can be requested when:
 - Debt obligations arise from lending and finance leases (other forms of credit are excluded);
 - The payment obligations are not overdue for more than ten days and hence it is important for borrowers to request banks to consider debt rescheduling before the end of this ten-day period;
 - Borrowers are obligated to pay debts within a period from 23 January 2020 to the day after the date falling three months from the end of the Covid-19 pandemic as announced by the Prime Minister; and
 - Borrowers are unable to pay due to impacts of the Covid-19 pandemic.

Bank provisioning

Banks are entitled to maintain provisioning based on their debt classification applied prior to 23 January 2020 with respect to rescheduled debts.

Other policies

Banks are recommended to extend loans to businesses operating in the sectors most affected by the Covid-19 pandemic, specifically,

- Banks are requested to cut operation costs and expenses (especially wages and remunerations) and suspend distribution of cash dividends to enable reduction of lending rates.
- Banks are requested to reduce fees for cashless transactions to encourage such transactions.

b) On 8 April 2020, the Government issued Decree No. 41/2020/ND-CP on extension for payment of tax and land rent (“Decree 41”).

Decree 41 applies to enterprises, organizations, households and individuals (hereinafter referred to as “taxpayers”) that:

- Manufacturer in the following business lines:
 - Agriculture, forestry and aquaculture;
 - Production and processing of food; textiles; garments; manufacture of leather and leather products; wood treatment and manufacture of products from wood, bamboo, rattan (except furniture); manufacture of products from straw and plaiting materials; manufacture of paper products; manufacture of rubber and plastic products; manufacture of products from other non-metallic minerals; metal production; mechanical working; metal treating and coating; manufacture of electronics, computers and optical products; manufacture of automobiles and other motor vehicles; furniture production;
 - Construction
- Operate in the following business lines:
 - Transport and warehousing; accommodation, food and drink; education and training; healthcare and social assistance; real estate trading;
 - Employment services; travel agencies, tourism services and auxiliary tourism services;
 - Composing, art and entertainment; library, archive, museum operation and other artistic activities; sports and entertainment; cinemas
- Manufacturer prioritized ancillary industry products or key mechanical products;
- Small enterprises and microenterprises;
- Credit institutions and foreign bank branches (FBB) shall provide assistance for enterprises, organizations and individuals affected by Covid-19 as prescribed by SBV

c) The deadline for tax and land rental fee payment shall be extended as below:

- Value Added Tax (“VAT”) obligation for the period from March to June 2020 or Quarter I and II/2020 shall be extended for five months;
- The deadline for settling Corporate Income Tax obligations for fiscal year 2019 (“FY19”) and provisional CIT of Quarter I and II/2020 shall be extended for five months from the statutory deadline. In case the enterprises already settled the CIT obligation of FY19, the Tax payers are allowed to offset with other tax obligations;

- o The deadline for settling VAT and Personal Income Tax obligations of individuals or household businesses for 2019 shall be no later than 31 December 2020; and
- o The deadline for settling land rental fee obligations in the first period of 2020 shall be extended for five months from 31 May 2020.

d) Procedure to apply for extension

The applicant must send a written request to extend payment of tax and land rent ("**Request for Extension**") (*the form of request is provided in the Appendix of Decree 41*) together with the tax declaration dossier on a quarterly (or monthly) basis to the tax authority.

If the Request for Extension is not submitted together with the tax declaration dossier on a quarterly (or monthly) basis, the deadline for submission of such written request is 30 July 2020.

If the applicant leases land in many different areas, the competent tax agency that directly manages the applicant will send a copy of the Request for Extension to each of the relevant tax offices where leased land is located.

e) On 9 April 2020, the Government issued Resolution No. 42/NQ-CP on measures to directly support those facing difficulties because of the Covid-19 outbreak ("Resolution 42**").**

According to Resolution 42, businesses affected by Covid-19 may receive support from the Government in cash as follows:

No.	Target Beneficiaries	Measures	Payment	Duration
1	Businesses with financial difficulties that have paid at least 50% of the suspension salary for employees (<i>According to Article 98.3 of</i>	0% interest unsecured loans up to 50% of regional minimum wage no more than 3 months	Monthly at Vietnam Bank for Social Policies (" VBSP ") Monthly disbursement directly to the suspended employees.	Maximum loan term is 12 months.

	<i>Labour Code</i>) from April to June	(no collateral required)		
2	Business households with revenue less than VND100 million/year and suspension of business from 1 April 2020	1,000,000	Monthly	According to the actual situation of the pandemic. No more than 3 months

More incentives/measures are expected to be provided by the government soon.

We will keep you updated as soon as we learn more.

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