



CASES OF EXIT SUSPENSION FOR LEGAL REPRESENTATIVES OF ENTERPRISES DUE TO TAX ARREARS

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The Law on Tax Administration 2019, as amended and supplemented in 2024, has supplemented the provisions regarding exit suspension for certain groups of subjects (including individuals being legal representatives of enterprises (**Legal Representatives**)) who have yet to complete their tax payment obligations with the tax arrears and the overdue period threshold as prescribed by the Government. Accordingly, on February 28, 2025, the Government promulgated Decree No. 49/2025/ND-CP on the thresholds for the application of exit suspension (**Decree 49**) with some notable points as follows:

Firstly, regarding the subjects of application of Decree 49, in addition to the groups of subjects enumerated in clause 1 Article 66 of the Law on Tax Administration 2019, as amended and supplemented in 2024 (e.g., Legal Representatives subject to coercive enforcement of tax administration-related administrative decisions),

Decree 49 has specified in detail the group of subjects comprising “*individual business owners, business household owners, **individuals being legal representatives of enterprises**, cooperatives, and cooperative unions that no longer operate at the registered address*”. This regulation is deemed necessary as it assists tax authorities in collecting tax arrears, particularly from taxpayers who have yet to fulfill their tax payment obligations or no longer operate at the registered address.

Secondly, regarding the thresholds for tax arrears and overdue period in cases of exit suspension, the Legal Representative of an enterprise will be subject to exit suspension in one of the following cases:

- Case 1: The enterprise is subject to coercive enforcement of administrative decisions on tax administration with tax arrears of 500 million Viet Nam dong or more, which has been overdue for more

than 120 days from the payment deadline as prescribed.

The basis for this tax debt threshold is determined based on statistical data on enterprises' tax arrears amount in combination with references to the experience of Taiwan. Accordingly, the Government has established the threshold for tax arrears for enterprises at 500 million Viet Nam dong (which is ten times higher than the threshold applicable to individuals). Furthermore, the stipulation of the threshold for an overdue period of more than 120 days aims to ensure the effective collection of tax arrears, enhance taxpayers' compliance, and ensure the feasibility of immediate implementation (given that debts overdue for more than 120 days are already categorized into a separate debt monitoring group).

- Case 2: The enterprise that no longer operates at the registered address has overdue tax arrears as prescribed, and has not fulfilled its tax payment obligations after 30 days from the date of the tax authority's notification about the application of exit suspension measures.

Thirdly, regarding the notification about exit suspension and cancellation of exit suspension, to implement the notification requirements on the application of exit suspension measures stipulated under clause 1 Article 66 of the Law on Tax Administration 2019, as amended and supplemented in 2024, Decree 49 provides the methods for notifying Legal Representatives about the application of exit suspension measures, including:

- For a Legal Representative under Case 1, the tax authority directly managing the taxpayer shall provide electronic notification via the taxpayer's electronic tax transaction account or by publishing a notice on its official website.
- For a Legal Representative under Case 2, the tax authority directly managing the taxpayer shall notify on its website.

After 30 days from the date of sending the notification, the tax authority shall issue a document of exit suspension, and send it to the immigration authority to apply exit suspension to the Legal Representative. However, in the event that the Legal Representative has fulfilled tax payment obligations, the tax authority shall immediately issue a notification on cancellation of exit suspension to send to the immigration authority. Consequently, the Legal Representative subject to exit suspension will be permitted to exit the country once the immigration authority cancels the exit suspension.

Decree 49 is anticipated to raise taxpayers' awareness of compliance with the legal framework governing tax administration, whilst augmenting the effectiveness of collecting tax arrears, in line with tax administration practices. Therefore, enterprises are obligated to ensure full compliance with their tax payment obligations to preclude the imposition of sanctions under the laws on tax administration. Furthermore, to mitigate potential disadvantages arising from any lack of awareness regarding the application of exit suspension measures, Legal Representatives of enterprises should regularly monitor the relevant information by:

- Accessing the official website of gdt.gov.vn/wps/portal/Home/nt/xc and inputting the required information fields to check their own exit suspension status; or
- Accessing the eTax Mobile application via their VNeID electronic identification account to check notifications on the application of exit suspension measures by tax authorities.

NHQuang&Associates is willing to provide answers and advice to any question or request raised by valued Clients and readers regarding the new provisions of Decree 49 as well as tax and finance-related matters.