

Some new guidelines on business license fee

My Hiep

Document: Circular 65/2020/TT-BTC amending and supplementing some articles of Circular 302/2016/TT-BTC providing guidelines for the business license fee (Circular 65)

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- **Key content:**

In order to provide detailed guidelines for some provisions of Decree 22/2020/ND-CP providing amendment and supplementation to some articles of Decree 139/2016/ND-CP providing for business license fee (**Decree 22**) and other applicable guiding documents, on July 9, 2020, the Ministry of Finance issued Circular 65 with some main contents as follows:

Firstly, supplementing the subjects which are exempted from business license fee. Accordingly, enterprises¹ belonging to the following subjects will be exempted from business license fee²:

- (i) Branches, representative offices, business locations (**Dependent units**) of sole proprietorships operating in mountainous regions are exempted from business license fee for the entire duration of their operation. The mountainous regions are determined according to regulations of the Committee on Ethnic Minority Affairs;
- (ii) Newly established enterprises (being granted with new tax code, new business code) shall be exempted from business license fee for the first year of establishment or official commencement of business. During the period of business license fee exemption, if the enterprises establish Dependent units, those Dependent units are also exempted from the business license fee during this period;

¹ Decree 22, Article 1, clause 1; Circular 65, Article 1, clause 2

² In addition to enterprises, Decree 22 and Circular 65 also supplement other subjects that are exempted from business license fee, including: (i) Cooperatives and cooperative unions (including their Dependent units) operating in the field of agriculture, (ii) People's credit funds operating in mountainous regions (The mountainous regions are determined according to regulations of the Committee on Ethnic Minority Affairs), (iii) Household businesses, individuals or groups of individuals engaging in production/business for the first time, (iv) Public secondary education schools and public pre-schools, (v) other non-enterprise organizations such as economic organizations of political organizations, socio-political organizations, social organizations, socio-professional organizations, people's armed forces, other organizations operating in production and business.

(Details are specified in clause 2, Article 1, Circular 65)

In the case where an enterprise is established before February 25, 2020 and establishes Dependent units from this date (if any), the payment of the business license fee by the enterprise and its Dependent units shall be made in accordance with Decree 139/2016/ND-CP on business license fee (**Decree 139**);

- (iii) Small and medium sized enterprises (**SMEs**) converted from household businesses are exempted from the business license fee within 3 years from the date on which the first Enterprise Registration Certificate is granted. During the period of business license fee exemption, if Dependent units of these SMEs are established, they shall also be exempted from the business license fee for the period mentioned above.

In case of Dependent units established from February 25, 2020 onwards, the duration for business license fee exemption of such Dependent units will be from the date on which their Operation Registration Certificate is granted to the end of the period for which the SME is exempted from the business license fee.

If the Dependent units are established before February 25, 2020 and are eligible for exempt from the business license fee as prescribed in Article 16 of the Law on Assistance for Small And Medium Sized Enterprises, the duration for business license fee exemption of such units will be from February 25, 2020 until the end of the period for which the SME is exempted from business license fee.

SMEs converted from household businesses before February 25, 2020 are exempted from the business license fee under Article 16 and Article 35 of the Law on Assistance for Small and Medium Sized Enterprises.

Secondly, amending the regulations on the time limit for declaring and paying business license fee for subjects that newly commence production, business or are newly established. Accordingly, instead of declaring and paying business license fee at the latest on the last day of the month of commencement of business operation with regard to enterprises of newly engaging in business operation (or within 30 days from the date on which the Enterprise Registration Certificate/Investment Registration Certificate and Tax Registration Certificate is granted with regard to enterprises that have established a business facility but has not yet come into operation)³, this deadline is adjusted to January 30 of the year following the year of the enterprises' commencement of production/business or establishment⁴.

³ Circular 302 guiding the business license fee, Article 5, clause 1, point a.1 and point a.3; Decree 139, Article 5, clause 1

⁴ Decree 22, Article 1, clause 3; Circular 65, Article 1, clause 5

- **Some comments and recommendations:**

The supplementation of subjects that are exempted from business license fee is expected to help enterprises reduce operation costs, increase business efficiency and promoting private investment, especially in establishing new enterprises and encouraging household businesses to convert into enterprises⁵.

Enterprises should update the provisions on business license fee exemption in Circular 65, the contents on procedures for declaration and payment of business license fee specified in Decree 139 and Decree 22 to prepare complete and accurate application documents; at the same time, it is necessary to notice the time of declaration and payment of business license fee for newly established enterprises or when the incentive period for business license fee exemption is over, especially enterprises that are exempted from business license fee.

⁵ Vietnam Financial Times, *Exemption from business license fee encourage business investment*, dated November 23, 2019. See further at: <http://thoibaotaichinhvietnam.vn/pages/thue-voi-cuoc-song/2019-11-23/mien-le-phi-mon-bai-se-khuyen-khich-dau-tu-kinh-doanh-79346.aspx>