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REVIEW TIMES

A BIMONTHLY PUBLICATION BY **RT ASEAN** ON
ALL THINGS FINANCIAL, DIGITAL, AND LEGAL



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Foreign Contractor Tax (FCT) implications in Vietnam

Foreign contractor tax is applied to foreign organisations and individuals undertaking business or earning income sourced from Vietnam on the basis of agreements with Vietnamese parties (including foreign owned companies). FCT is not a separate tax and normally comprises of a combination of Value Added Tax (“VAT”) and CIT, or Personal income tax (“PIT”) for income of foreign individuals.

Payments subject to FCT include interest, royalties, service fees, leases rentals, insurance premiums, transportation fees, income from transfers of securities, and from goods supplied within Vietnam or associated with services rendered in Vietnam.



Certain distribution arrangements where foreign entities are directly or indirectly involved in the distribution of goods or provision of services in Vietnam are subject to FCT – e.g., where the foreign entity retains ownership of the goods, bears distribution, advertising or marketing costs, is responsible for the quality of goods or services, making pricing decisions, or authorises/hires Vietnamese entities to carry out part of the distribution of goods/provision of services in Vietnam.

Cases where FCT is exempt include pure supply of goods (i.e. where the responsibility, cost, and risk relating to the goods passes at or before the border gate of Vietnam and there are no associated services performed in Vietnam), services performed and consumed outside Vietnam, and various other services performed wholly outside Vietnam (e.g. certain repairs, training, advertising, promotion, etc.).

Dividends

No withholding or remittance tax is imposed on profits paid to foreign corporate shareholders.

Interest

A withholding tax of 5% CIT applies to interest paid on loans from foreign entities. Offshore loans provided by certain government or semi-government institutions may obtain an exemption from interest withholding tax where a relevant double taxation agreement or inter-governmental agreement applies. Interest paid on bonds (except for tax exempt bonds) and certificates of deposit issued to foreign entities is subject to 5% withholding tax.

Royalties

FCT applies to payments to a foreign entity for the right to use or for the transfer of intellectual property (including copyrights and industrial properties), transfer of technology or software.

Important note

There is no dividend withholding tax in Vietnam on corporate shareholders.

Tax Declaration

Foreign contractor tax is applied to foreign organisations and individuals undertaking business or earning income sourced from Vietnam on the basis of agreements with Vietnamese parties (including foreign owned companies). FCT is not a separate tax, and normally comprises a combination of Value Added Tax (“VAT”) and CIT, or Personal income tax (“PIT”) for income of foreign individuals.

Payments subject to FCT include interest, royalties, service fees, leases rentals, insurance premiums, transportation fees, income from transfers of securities, and from goods supplied within Vietnam or associated with services rendered in Vietnam.

Foreign contractors can choose among three methods for tax payment - the deduction method, the direct method and the hybrid method.

While the Deemed method can be applied by foreign contractors without any specific conditions (and is the most common method, which can be applied), the Hybrid method and Declaration method require foreign contractors to satisfy the following conditions:

- Maintaining a contract duration of 183 days or more;
- Having a Permanent Establishment (PE) in Vietnam, (e.g a Project Office); and
- Applying the Vietnamese Accounting System.



Contributed by ASTC

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About the firm

ASTC is a high growth trusted professional service provider in Vietnam. We provide our Clients with a wide range of Value-added Tax, Auditing, Consulting, and Accounting services.

New Egyptian Accounting standards effective in 2021 and beyond

On 28 March 2019, the Egyptian Minister of Investment and International Cooperation issued Decree No. 60 of 2015 which includes new standards and amending some existing provisions of the Egyptian Accounting Standards. The amendments to the EASs have been published in the official gazette on 7 April 2019. These changes are mainly represented in:

8 Standards have been replaced:	10 Standards have been amended:	3 Standards have been removed:
EAS (1): Presentation of Financial Statements EAS (4): Statement of Cash Flows EAS (25): Financial Instruments "Presentation" EAS (26): Financial Instruments "Recognition and Measurement" EAS (34): Investment Property EAS (38): Employee Benefits EAS (40): Financial Instruments "Disclosures" EAS (42): Consolidated Financial Statements	EAS (15): Related Parties Disclosures EAS (17): Separate Financial Statements EAS (18): Investments in associates EAS (22): Earnings per share EAS (24): Income taxes EAS (29): Business Combination EAS (30): Interim Financial Statements EAS (31): Impairment of assets EAS (32): Non-current assets held for sale and discontinued operations EAS (44): Disclosure of interest in other entities	EAS (8) – Construction Contracts EAS (11) – Revenue EAS (20) – Finance Leases
		3 Standards have been added:
		EAS (47) – Financial Instruments EAS (48) – Revenue from Contracts with Customers EAS (49) – Leases

Hereunder we provide an overview over the three new standards which should be adopted for the financial periods commencing on or after 1 January 2021.

EAS No. (47) – Financial instruments:

This standard sets out rules for recognising and measuring assets, financial liabilities and certain contracts for the purchase or sale of non-financial items. It replaces EAS 26 "Financial Instruments: Recognition and Measurement", which is applied until 31 December 2020. The new standard brings together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.



(i) Classification and measurement:	Under EAS 47, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: 1. The company's business model for managing the assets; and 2. Whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.
(ii) Impairment	EAS 47 requires a company to record expected credit losses on all of its debt securities, loans and receivables, either on a 12-month or lifetime basis. The adoption of EAS 47 will fundamentally change the reporting entity's accounting for impairment losses for financial assets by replacing EAS 26's incurred loss approach with a forward-looking expected credit loss (ECL) approach. EAS 47 requires the reporting entity to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.
(iii) Hedge accounting	Under EAS 26, all gains and losses arising from cash flow hedging relationships were eligible to be subsequently reclassified to profit or loss. However, under EAS 47, gains and losses arising on cash flow hedges of forecast purchases of non-financial assets need to be incorporated into the initial carrying amounts of the non-financial assets. This change only applies prospectively from the date of initial application of EAS 47 and has no impact on the presentation of comparative figures.

Mandatory adoption date:

Standard No. (47) applies to periods beginning on or after January 1, 2021, and early application is permitted, provided that Egyptian Accounting Standards No. (1), (25), (26) and (40) modifications 2019 are applied together at the same dates.

EAS No. (48) – Revenue from contracts with customers:

EAS 48 establishes a five-step model to account for revenue arising from contracts with customers. Under EAS 48, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The five-steps model can be summarized as follows:

Step (1)	Step (2)	Step (3)	Step (4)	Step (5)
Identify the Contract with Customer	Identify the Performance Obligations (PO)	Determine the Transaction Price (TP)	Allocate (TP) To Each (PO)	Recognise Revenue as / when Each (PO) is Satisfied



The new revenue standard will supersede all current revenue recognition requirements under EAS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2021. Early adoption is permitted.

EAS No. (49) – Leases:

EAS 49 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model, instead of the requirements of the current Egyptian Accounting Standards which accounts for lease agreements as executory contracts with a straight-line charge to the statement of profit or loss.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

Effect on the statement of financial position	Effect on the statement of profit or loss & OCI
At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).	Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Remeasurement of lease liability:

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Transition to EAS 49 – Leases:

EAS No. (49) applies to financial periods beginning on or after January 2021 "except for leasing contracts subject to the Finance Leasing Law No. 95 of 1995 and law number 176 of 2018 it applies from the beginning of the annual reporting period in which Law 95 of 95 was cancelled". Early application is permitted if EAS No. (48) "Revenue from contracts with customers" is applied at the same time.

Contributed by



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Ziad is the audit services partner at Nearshore Middle East. He also heads the advisory services team in addition to the IFRS adoption team. He has extensive experience in dealing with audit and advisory clients in various sectors. His client base covers all types and sizes of companies. He has also conducted several financial due diligence engagements in Egypt and the Middle East, and he has helped many clients to convert to (IFRS).

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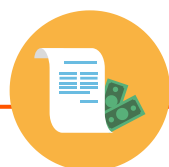
About the firm

Nearshore Middle East is an Egyptian Audit, Tax, and Advisory firm, providing external audit and taxation services ranging from litigation support and corporate finance, to VAT planning and project management.

Singapore Budget 2021 - Emerging stronger together

Key takeaways for Businesses

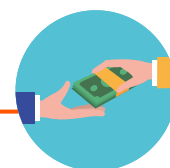
Tax Measures



Corporate Tax

- No changes in corporate tax rate and no CIT rebate for YA 2021
- Extension of the enhanced carry-back loss relief scheme to YA 2021
- Extension of the option to accelerate the capital allowance claim on acquisition of plant and machinery ("P&M") over 2 years
- Extension of the option to accelerate the deduction of expenses incurred on renovation and refurbishment ("R&R")
- Enhancement to the Double Tax Deduction for Internationalisation ("DTDi") scheme to cover more qualifying expenditures

Personal Tax



- No changes in personal income tax rate for YA 2021
- Extension of the 250% Tax Deduction for Qualifying Donations up to 31 December 2023



Goods & Services Tax (GST)

- No GST hike in 2021 but likely to increase between 2022 to 2025
- GST will be extended to low-value goods which are imported via air or post
- GST will also be extended to Business to Consumer (B2C) imported non-digital services

Supporting Businesses

High-growth enterprises



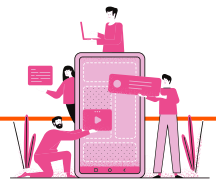
- Extend and enhance the Enterprise Financing Scheme – **Venture Debt Programme** - Increase cap on loan quantum from \$5 million to \$8 million



Mature Enterprises

- Extend enhanced support levels of up to 80% for **enterprise schemes**, from end Sep 2021 to end Mar 2022
- **Emerging Technology Programme** to co-fund the cost of adopting frontier technologies
- **CTO-as-a-Service** to provide businesses with access to professional IT consultancies
- **Digital Leaders Programme** to allow companies to hire a core digital team and develop a digital transformation roadmap

Large Local Enterprises



- \$1 billion **Local Enterprises Funding Platform** to help LLEs enter their next phase of growth
- **Corporate Venture Launchpad**: Co-funding for companies to build new ventures through collaborative venture studios
- **Open Innovation Platform (OIP)**: Matching problems faced by companies and agencies to solutions.
- **Global Innovation Alliance (GIA)**: Catalysing cross-border collaborations between Singapore and more than 25 major hubs globally over the next five years.

Supporting Workers



Job Support Scheme (JSS)

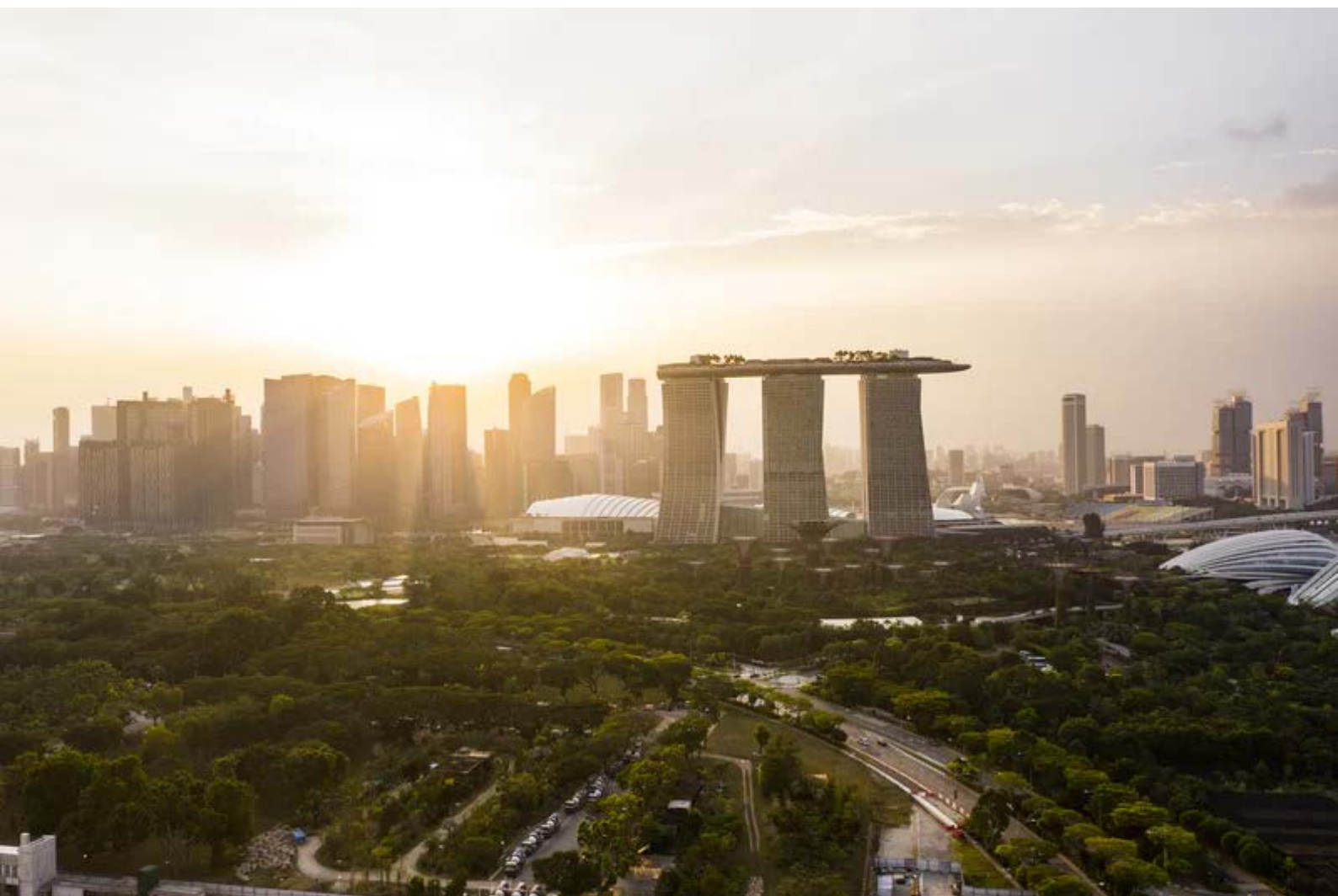
- **Extend support for Tier 1 sectors (Aviation, Aerospace, and Tourism)** - 30% for wages paid from Apr to Jun 2021, and 10% for wages paid from Jul to Sep 2021
- **Extend support for Tier 2 sectors (such as Retail, Arts and Culture, Food Services, and Built Environment)** - 10% for wages paid from Apr to Jun 2021
- Continue support for firms in other sectors till Mar 2021



Enhancement to wages & job opportunities

- **Extend Wage Credit Scheme:** Extended for a year at a co-funding level of 15% to support the employment of Singaporeans
- **Extend Capability Transfer Programme (CTP):** The CTP that supports foreign worker skills transfer will be extended up to end-Sep 2024
- **Reduce Manufacturing S Pass sub-dependency ratio ceiling:** The Government will reduce the sub-DRC for Manufacturing in two steps, to 18% from 1 Jan 2022, and to 15% from 1 Jan 2023
- **Extend Jobs Growth Incentive (JGI):** Companies that hire locals between Mar 2021 and end-Sep 2021 will receive wage support for up to 12 months based on 25% of the first \$5,000 of gross monthly income for non-mature workers and up to 18 months based on 50% of the first \$6,000 of gross monthly income for mature workers (aged 40 & above)

*Adapted from Ministry Of Finance (MOF), Singapore. To read the full Budget, click [here](#).



Payment services (Amendment) Bill introduced - Payment Services providers to anticipate changes

On 2 November 2020, the Payment Services (Amendment) Bill (the “Bill”) was introduced to amend the current scope of the Payment Services Act No. 2 of 2019 (the “PS Act”).

According to the explanatory brief issued by the Monetary Authority of Singapore (“MAS”), the Bill seeks to introduce legislative amendments to the PS Act to align Singapore’s current regulatory regime with the guidance issued by the Financial Action task Force (“FATF”) on Anti Money Laundering and Countering the Financing of Terrorism (“AML/CFT”) for Virtual Asset Service Providers (“VASPs”).

Key Amendments in the Bill

1. Regulatory Framework for VASPs

Under the Bill, the definition of Digital Payment Token (“DPT”) services will be expanded to include the following:

- (a) Transfer of DPTs: this will include any service of transferring or arranging the transfer of DPTs;
- (b) Provision of custodian wallet services for DPTs: this will include any conduct of safeguarding or administration of a DPT, or a situation where the service provider has control over the DPT/DPT instrument i.e. private keys/wallets; and
- (c) Facilitating the exchange of DPTs without possession of moneys by the DPT service provider: this will include any service provider that induces or attempts to induce any person to buy or sell any DPT in exchange for fiat or DPTs.

Payment service providers engaging in any of the above DPT services will need to be licensed under the PS Act and be subject to MAS’ AML/CFT regulations.



2. Empowering MAS to impose measures on DPT service providers

Recognising the growth potential of the DPT sector, the Bill ensures that MAS is equipped to implement appropriate measures to mitigate new risks in a timely manner. This includes inter alia:

- (a) imposing user protection measures on DPT service providers for the safekeeping of customer assets; and
- (b) additional measures on DPT service providers where it is in the view of MAS, *“necessary or expedient in the interest of the public or a section of the public, the stability of the financial system in Singapore or the monetary policy of MAS”*.

3. Cross-border money transfer services

Under the current regime, cross-border money transfer services are only regulated if they accept or receive money in Singapore. This is set to change under the Bill which seeks to further address AML/CFT risks by regulating service providers that broker money transfers between entities in different countries although moneys are not accepted or received in Singapore.

4. Additional Miscellaneous Amendments to the PS Act

The Bill will introduce the following additional amendments to the PS Act:

- (a) allow MAS to prescribe an additional subset of payment services or class of licensees to which the requirement to safeguard customer money can be extended to;
- (b) broaden the definition of domestic money transfer service to include situations where either the payer or the payee is a financial institution (as opposed to the current definition which only includes the situation where both the payer and payee are not financial institutions); and
- (c) provide that the general duty to use reasonable care not to provide false information to MAS applies to all persons, whether or not the person is an individual.

Exemption Period of 6 months granted

Payment service providers falling within the regulatory purview of the amended PS Act, or licensees who need to vary their license will be granted an exemption for six (6) months by the MAS as a result of the Bill.

*This update is provided to you for general information and should not be relied upon as legal advice.

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About the firm

PDLegal LLC is a firm offering a comprehensive range of legal services to its clients. This ranges from basic legal advice to complex litigation. Whatever the nature of the brief, the objective of the firm is to deliver personalised and approachable partner-level service in an efficient and cost-effective manner. As an independent and conflict-free law firm, we are often briefed to take on matters against major institutions and corporations. By virtue of our independence and expertise, foreign law firms and other local law firms look to us to act as Singapore counsel.

Audit & Assurance - International

1.1 International Auditing and Assurance Standards Board (IAASB) issues quality management standards

On 17 December 2020, the International Auditing and Assurance Standards Board (IAASB) released its three quality management standards. The three quality management standards are as follows:

- International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements;
- ISQM 2, Engagement Quality Reviews; and
- International Standard on Auditing 220 (Revised), Quality Management for an Audit of Financial Statements.

The standards are effective from 15 December 2022.

Click [here](#) for more information.

Financial Reporting - Singapore

2.1 ISCA issues FRB 8 “COVID-19 Government Relief Measures: Accounting for Foreign Worker Levy Waiver & Rebate”

As part of the Solidarity Budget announced on 6 April 2020, the Singapore Government provided business employers who hire foreign workers on work permits and S-passes with Foreign Worker Levy (“FWL”) waiver and FWL rebate to ease the labour costs of such firms during the circuit breaker period. The FWL waiver and FWL rebate were extended and enhanced in subsequent Budgets and Ministry of Manpower Press Releases.

The Institute of Singapore Chartered Accountants (ISCA) issued Financial Reporting Bulletin (FRB) 8 on 24 December 2020 to provide accounting guidance and key considerations on how to account for the FWL waiver and FWL rebate granted.

Click [here](#) for more information.



Financial Reporting - International

3.1 IASB proposes new IFRS Standard to give investors a more complete picture of the financial performance of rate-regulated companies

On 28 January 2021, the International Accounting Standards Board (IASB) published an exposure draft (ED) on proposals for a new accounting standard that would require companies subject to rate regulation to give investors better information about their financial performance.

The proposed Standard would replace the IFRS 14 Regulatory Deferral Accounts. The deadline for comments on the ED is 30 June 2021.

To access the ED Regulatory Assets and Regulatory Liabilities, click [here](#). To access the overview of the proposals that introduces the proposed requirements, click [here](#).

Ethics - International

4.1 IESBA revises ethics code to address objectivity of engagement quality reviewers and other appropriate reviewers

On 14 January 2021, the International Ethics Standards Board for Accountants (IESBA) issued revisions to the International Code of Ethics for Professional Accountants, including International Independence Standards.

The revisions provide guidance that supports ISQM 2 in addressing the eligibility of an individual to serve in an engagement quality reviewer (EQR) role. These revisions address the objectivity of an EQR and other appropriate reviewers. This project dovetailed with the International Auditing and Assurance Standards Board's (IAASB's) development of International Standard on Quality Management (ISQM) 2, Engagement Quality Reviews, which was finalized in December 2020.

Click [here](#) for more information.

4.2 IESBA proposes holistic approach to defining a public interest entity

On 29 January 2021, the IESBA released the Exposure Draft (ED), Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code. The exercise is performed in collaboration with the International Auditing and Assurance Standards Board (IAASB) to seek convergence on related terms and concepts.

The proposed revisions broaden the definition of a public interest entity (PIE) to include more categories of entities, given the level of public interest in their financial condition, for the purposes of additional independence requirements to enhance confidence in their audits.

The IESBA invites all stakeholders to comment on the ED by visiting the IESBA website. Comments are requested by 3 May 2021. To access the ED, click [here](#).



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