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Tam Nguyen
Property Analyst
+84 28 3622 6868 (ext 3874)
tam.nguyen@yuanta.com.vn
<http://research.yuanta.com>
Bloomberg code: YUTA

Tax Payments Deferred for Real Estate Firms Event

- ▶ Another four types of businesses, including real estate companies, have been granted extensions to the mandatory deadline for tax payment.
- ▶ The relevant tax payments have been deferred by five months.
- ▶ Payment of two types of tax have been extended: corporate income tax and value-added tax.
- ▶ Covid Update: only one new case of Covid-19 has been recorded in Vietnam since April 5. The total number of cases is 241, including 150 (62%) from abroad and 91 secondary infections. In addition, 91 cases have fully recovered and there have been no deaths.

Details --

The Ministry of Finance added the four groups of businesses (including real estate companies) to its list of industries to be granted extended tax payment and land rent, part of a package estimated at VND 180 trillion (USD7.73bn) in value. Additionally, the MoF required SBV to publish the list of domestic commercial banks and foreign banks' branches that support institutions and individuals impacted by COVID-19 under the guidance of SBV. These new items were added to the second draft decree. The five-month extension is based on government estimates of the period in which the government expects the outbreak's economic impact to be in force. This timeline is based on the assumption that coronavirus will be controlled by the middle of May (i.e., the economic pain is expected to outlast the disease itself). The MOF may also choose to defer relevant tax payments by as much as 12 months if the virus is not brought under control in that timeframe.

Extensions to the corporate income tax are applied to unpaid corporate income tax expenses from 2019 and provisional corporate income tax expenses in 1H2020. Companies that have fully paid corporate income tax expenses for 2019 already can still benefit as these payments are to be offset by deferrals of other taxes.

Extensions to VAT payment are to be applied for the tax periods of March, April, and May.

Our view: The decree is clearly good news for businesses that have been affected by coronavirus. The MoF has sent a document to local tax branches requiring them to provide guidance to companies on the related procedures, so we believe it will be implemented quickly. Corporate income tax expenses accounted for 6.5% of total real estate developer revenues in 2019. Therefore, this decree represents another [positive and supportive policy](#) change that will reduce cash flow pressure during the crisis period. Our top picks remain [KDH \(BUY\)](#) and [VHM \(BUY\)](#).

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Taiwan persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities Investment Consulting
4F, 225,
Section 3 Nanking East Road, Taipei 104
Taiwan

Hong Kong persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities (Hong Kong) Co. Ltd
23/F, Tower 1, Admiralty Centre
18 Harcourt Road,
Hong Kong

Korean persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Head Office
Yuanta Securities Building
Euljiro 76 Jung-gu
Seoul, Korea 100-845
Tel: +822 3770 3454

Indonesia persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
PT YUANTA SECURITIES INDONESIA
(A member of the Yuanta Group)
Equity Tower, 10th Floor Unit EFGH
SCBD Lot 9
Jl. Jend. Sudirman Kav. 52-53
Tel: (6221) - 5153608 (General)

Thailand persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Thailand)
127 Gaysorn Tower, 16th floor
Ratchadamri Road, Pathumwan
Bangkok 10330

Vietnam persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Vietnam)
4th Floor, Saigon Centre
Tower 1, 65 Le Loi Boulevard,
Ben Nghe Ward, District 1,
HCMC, Vietnam
