

RSM VIETNAM

# TAX BOOK 2023



THE POWER OF UNDERSTANDING  
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## Disclaimer

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The materials contained in this booklet were assembled in July 2023 and were based on the law enforceable and information available at the time.

# Taxation

## General overview

Most business and investing activities will be affected by the following major applicable taxes in Vietnam:

- Corporate income tax (“CIT”)
- Value added tax (“VAT”)
- Personal income tax (“PIT”)
- Foreign contractor tax (“FCT”)
- Others: business license tax (“BLT”), special sale tax (“SST”), natural resources tax (“NRT”), environment protection tax (“EPT”), land rental, import and export duties and other relevant taxes and fees.

All taxes are national taxes; there are no local, city or provincial taxes in Vietnam.

Tax administration is controlled by the General Department of Taxation, which operates under the Ministry of Finance. Tax affairs may also be handled by Department of Large Enterprise Tax Administration, local provincial and district Tax Departments.

# Corporate income tax

## Tax rates

Currently, the CIT standard rate is 20%. For organizations in these following certain industries, they will be liable to the higher CIT rates:

- Organizations operating in the oil and gas industry are subject to rates ranging from 32% to 50%, depending on the location and specific project;
- Any organizations engaging in prospecting, exploration and exploitation of mineral resources are subject to CIT rates of 40% or 50% depending on location.

CIT payable may be reduced under tax incentive schemes.

## Tax incentives

### Scope of tax incentive applications

Tax incentives and criteria for eligibility to tax holidays and reduction are set out in the CIT regulations, i.e. tax incentives are granted to new investment projects based on regulated encouraged sectors, encouraged locations and the size of the project.

- The sectors which are encouraged by the Vietnamese Government include education, health care, sport/culture, high technology, environmental protection, scientific research and technology development, infrastructural development, processing of agricultural and aquatic products, software production and renewable energy, manufacturing products of supporting industries prioritized for development as prescribed by Vietnamese laws.
- Locations which are encouraged include qualifying economic and high-tech zones, certain industrial zones, difficult and extreme difficult socio-economic areas.

Business expansion projects (including expansion projects licensed or implemented during the period from 2009 to 2013 which were not entitled to any CIT incentives previously) which meet certain conditions are also entitled to tax incentives. New investment projects and business expansion projects do not include projects established as a result of certain acquisitions or reorganizations.

## Preferential CIT rates

### *The general principles of application*

#### Preferential CIT rates:

The three common preferential CIT rates of 10%, 15% and 17% are available for 15 years and 10 years respectively, starting from the year of generating revenue from the incentivized activities. From 01 January 2016, certain cases which were entitled to the preferential CIT rate of 20% now enjoy a rate of 17% instead. When the period of applying the preferential rate expires, the CIT rate will be reverted to the standard CIT rate.

The preferential rate of 15% will apply for the entire project life in certain cases. Certain sectors as prescribed separately by the Prime Minister will enjoy the 10% rate for entire period of operation of the project.

R&D and large investment projects listed in the Law on Investment are eligible for special investment incentives. According to a variety of factors, the CIT incentives are various. The most advantageous package includes a preferential tax rate of 5% for a period of 37 years, 6 years of tax exemption, plus a 50% CIT reduction for the next 13 years. Furthermore, there is a time-limited exemption/reduction from land and water rental costs, as well as water rental fees.

#### Tax exemption and reduction:

Taxpayers may be also eligible for tax exemption and reduction. Tax exemption for a certain period will begin immediately after the enterprises firstly make profits from the incentivized activities, following by a period where tax is charged at 50% of the applicable rate.

However, where the enterprises have not derived taxable profits within 3 years of the commencement of generating revenue from the incentivized activities, the tax exemption/reduction will start from the fourth year of generating revenue. Criteria for eligibility for these exemption and reduction are also set out in the CIT regulations.

### *The examples of preferential CIT rates*

10% CIT rate shall be applied:

- *Within 15 years* for new investment projects in an area with especially difficult socio-economic conditions, in economic zones and in high-tech zones; and to new investment projects in the sectors of high technology, scientific research and technological development, investment in development of especially important infrastructure facilities of the State, and production of software products; the products support the high technology sector; the products support the garment, textile and footwear, information technology, automobiles assembly, mechanics sector and they are not produced domestically as at 1 January 2015, or if produced domestically, they meet the quality standards of the EU or equivalences.
- *Within 15 years* for large manufacturing projects with investment capital of VND 6,000 billion or more disbursed within 3 years of being licensed (**excluding** those related to the manufacture of products subject to special sales tax or those exploiting mineral resources) can also qualify for CIT incentives if the projects meet either of the following criteria:
  - Minimum revenue of VND 10,000 billion/annum for at least 3 years from the year of generating turnover from the project (from the 4th year at the latest after the year of generating turnover, the enterprise must attain a total turnover of at least VND 10,000 billion/annum); or
  - Headcount of more than 3,000/annum at least 3 years from the year of generating turnover from the project (from the 4th year at the latest after the year of generating turnover, the enterprise must have attained headcount of more than 3,000/annum on regular basis).
- *Within 15 years* for large manufacturing projects are defined to include projects with investment capital of VND 12,000 billion or more, disbursed within 5 years of being licensed (excluding those related to the manufacture of products subject to special sales tax or those exploiting mineral resources) and using technologies appraised in accordance with relevant laws (This regulation took effective from 2015).

- *For the entire period of operation* for the enterprises in the sectors of education and training, occupational training, health care, culture, sports, environment, social housing, forestry, agriculture, fishing, salt production and publishing. Furthermore, this incentive is subject to detailed conditions provided by the Prime Minister.

15% CIT rate shall be applied:

- *For income of the enterprises* from farming, breeding, processing of agricultural and aquatic products in geographical areas not classified as areas with difficult socio-economic conditions or extremely difficult socio-economic conditions.

20% (to be reduced to 17 % from 01 January 2016) CIT rate shall be applied:

- *For the first 10 years* for income from new investment projects in areas with difficult socio-economic conditions, in the production of high-qualified steel or energy-saving products, the manufacturing of machinery and equipment serving agriculture, forestry, aquaculture, salt production, production of irrigation equipment, the production of foodstuff for cattle and the development of traditional trades.
- *For the entire period of operation* for people's credit funds, cooperative banks, and micro finance institutions.

### Other matters

The additional tax reductions may be available for the enterprises engaging in manufacturing, construction and transportation activities which employ large number of female staff or employ ethnic minorities. Tax incentives which are available for investment encouraged sectors do not apply to other income, which is broadly defined.

### Calculation

CIT is calculated under the following formulas:

CIT payable	=	(Assessable Income – Science and Technology Development Fund) x CIT rate
Assessable income	=	Taxable income – (Tax exempt income + Tax loss carried forward)
Taxable income	=	(Taxable turnover – Deductible expenses) + Other taxable income

The taxable income is the income shown in the financial statements, subject to certain adjustments due to the differences between tax and accounting regulations. Taxable income includes income derived by business operations and other activities (including income from the transfer of capital or securities, the transfer of immovable property and other extra earnings).

Taxpayers are required to prepare an annual CIT return which includes a section for making adjustments to accounting profit to arrive at taxable profit.

## Deductible expenses vs non-deductible expenses

### Deductible expenses

Expenses shall be treated as deductible expenses for CIT purposes if they fully meet the following conditions:

- Being actual incurred and related to the production and business activities;
- Having sufficient legitimate invoices and supporting documents;
- Having non-cash payment vouchers for invoices of purchased goods and services from VND 20 million and above; and
- Not being in the list of non-deductible expenses mentioned below.

### List of Non-deductible expenses

- Depreciation of fixed assets not used for business purposes or exceeding the regulated depreciation rates;
- Employment costs not actually paid or not clearly stipulated under a labor contract, collective labor agreement or company's policies;
- Employee welfare expenses exceeding the cap of one-month average monthly salary;
- Contribution to voluntary pension insurance, life insurance for employees exceeding VND3 million/ person/ month;
- Provisions for severance allowance and payments of severance allowance in excess of the prescribed amount according to the Labor Code.
- Overhead cost allocated to the Permanent Establishment by foreign companies exceeding the amount determined based on the revenue- based allocation ratio;
- Interest on loans from non-economic and non-credit organizations exceeding 1.5 times the interest rate announced by the SBV;

- Interest on loans corresponding to the portion of charter capital not yet contributed in accordance with registered contribution schedule;
- Net interest expenses exceeding 30% EBITDA (for enterprises having related party transactions). The excess amount may be carried forward for five consecutive years;
- Periodical accrued expenses not paid or not fully paid at the end of the period;
- Provisions for financial investment losses, inventory devaluation, bad debts, product warranties or construction works, not in accordance with regulations;
- Unrealized foreign exchange losses due to the year-end revaluation of foreign currency items other than account payables;
- Administrative penalties, fines, late payment interest, etc.;
- Donations other than certain donations for education, health care, natural disaster or building charitable homes among other things;
- Certain expenses directly related to the issuance of stock, the payment of dividends, the purchase or sale of treasury shares, and other expenses directly related to the increase and decrease of capital;
- Service fees paid to related parties that do not meet certain conditions.

For certain businesses such as insurance enterprises, securities trading and lotteries, the Ministry of Finance provides specific guidance on deductible expenses for CIT purposes.

Companies are allowed to set up a tax-deductible R&D fund to which they can appropriate up to 10% of annual profits before tax. Various conditions apply.

### **Tax loss carried forward**

Taxpayers shall carry forward tax losses fully and consecutively for a maximum period of five years. Carry-back of losses is not permitted.

Losses arising from incentivized activities can be offset against profits from non-incentivized activities, and vice versa. Losses from the transfer of real estate and the transfer of investment projects can be offset against profits from other business activities, but not vice versa.

There is no provision for any form of consolidated filing or group loss relief.

## Administration

Taxpayers subject to CIT are obliged to file tax declarations on an annual basis.

Taxpayers are required to make quarterly provisional CIT payments based on estimates. The provisional CIT payments made in the 04 quarters must not account for less than 80% of the final CIT liability for the year. The quarterly CIT shall be paid by 30th of the first month of the subsequent quarter.

Timeline for both filing the annual CIT finalization return and paying taxes is no later than the last day of the third month after the end of the fiscal or calendar year.

The standard tax year is the calendar year. The enterprises are required to notify the tax authorities in cases they use a tax year (i.e. fiscal year) other than the calendar year.

## Profit remittance

Foreign investors are permitted to remit their profits annually at the end of the financial year or upon termination of the investment in Vietnam. Foreign investors are not permitted to remit profits if the investee enterprise has accumulated losses.

The foreign investor or the investee enterprise are required to notify the tax authorities of the plan to remit profits at least 7 working days prior to the scheduled remittance.

# Value added tax

## Scope of applications

Value added tax (“VAT”) applies to goods and services used for production, trading, and consumption in Vietnam (including goods and services purchased from non-residents). A domestic business must charge VAT on the value of goods or services supplied.

In addition, VAT applies on imported goods. The importer must pay VAT to customs authorities at the time they pay import duties.

VAT payable is calculated as the output VAT charged to customers less the input VAT suffered on purchases of goods and services.

## Tax rates

The (“general”) rate is 10% applicable to those subject to VAT but not in the 0% or 5% case.

In addition, there are other rates of 5% and 0% and VAT exemption, as below:

- 0%** This rate applies to exported goods and services; construction and installation of works overseas and in non-tariff zones; as well as international transportation. Exported goods and services include goods and services sold and provided to overseas organizations or individuals AND consumed outside Vietnam, to organizations or individuals in non-tariff areas, or to foreign customers in accordance with laws. Besides, there are some certain cases treated as exportation such as goods processed for export or in-country export (subject to conditions), on-spot exports as prescribed by laws, goods exported for sale at overseas fairs and exhibitions.

To apply tax rate of 0%, the provision of goods and services has to meet the conditions as stipulated by local laws.

- 5%** This rate applies generally to areas of the economy concerned with the provision of essential goods and services. These include: clean water (except for bottled water and other beverages); sugar and its by-products; medicine (except for medicine included in healthcare service package), medical equipment and instruments as prescribed by the Ministry of Health; teaching aids; children's toys; books (except for books exempt from VAT); various agricultural products and services; unprocessed foodstuffs sold at the commercial stage (except the cases exempt from VAT or not required to declare and pay VAT); technical/scientific services; certain cultural, artistic, sport services/products and social housing.

When a supply cannot be readily classified based on the tax tariff, VAT must be calculated based on the highest rate applicable for the particular range of goods which the business supplies.

### **Goods or services which are exempt from VAT or not required to declare and pay VAT**

<b>VAT exemption</b> (No output VAT shall be charged and the input VAT is <b>not creditable</b> )	<b>Not required to declare and pay VAT</b> (No output VAT shall be charged and the input VAT can be <b>creditable</b> )
<ul style="list-style-type: none"> <li>• Certain agricultural products that have not been processed into other products or which have just been through preliminary processing at the importation stage;</li> <li>• Goods/services provided by individuals having annual revenue of VND 100 million or less;</li> <li>• Imported or leased drilling rigs, aircraft and ships of a type which cannot be produced in Vietnam;</li> <li>• Transfer of land use rights (subject to the conditions);</li> <li>• Financial derivatives and credit services (including credit card</li> </ul>	<ul style="list-style-type: none"> <li>• Revenue from compensation, bonuses and subsidies (except those provided in exchange for certain services), transfers of emission rights and other financial revenues;</li> <li>• Certain services rendered by a foreign organization which does not have a permanent establishment in Vietnam where the services are rendered outside of Vietnam, including repairs of vehicles, machinery or equipment; advertising and marketing;</li> </ul>

<b>VAT exemption</b> (No output VAT shall be charged and the input VAT is <b>not creditable</b> )	<b>Not required to declare and pay VAT</b> (No output VAT shall be charged and the input VAT can be <b>creditable</b> )
<p>issuance, finance leasing and factoring); sale of mortgaged assets by the borrower under the lender's authorization in order to settle a guaranteed loan and provision of credit information;</p> <ul style="list-style-type: none"> <li>• Various securities activities including fund management;</li> <li>• Capital assignment, securities transfer;</li> <li>• Foreign currency trading;</li> <li>• Debt factoring;</li> <li>• Certain insurance services (including life insurance, health insurance, agricultural insurance and reinsurance);</li> <li>• Health services, veterinary medicine services, including medical examination and treatment services for humans and animals;</li> <li>• Elderly/disabled people care services;</li> <li>• Teaching and vocational training as prescribed by laws;</li> <li>• Printing and publishing of specialized newspapers, magazines and certain types of books;</li> <li>• Public transportation by bus and electric car;</li> <li>• Technology transfer, the assignment of intellectual property rights; the provision of software products and software services except exported</li> </ul>	<p>promotion of investment and trade to overseas; brokerage activities for the sale of goods and services overseas; training; sharing charges for certain international telecommunication services; leasing of transmission lines and satellite frequency bands overseas in accordance with the Law on Post and Telecommunications;</p> <ul style="list-style-type: none"> <li>• Sales of assets by non-business organizations or individuals who are not registered for VAT;</li> <li>• Transfer of investment projects;</li> <li>• Sale of agricultural products for commercial purposes that have not been processed into other products or which have just been through preliminary processing;</li> <li>• Capital contributions in kind;</li> <li>• Certain asset transfers between a parent company and its subsidiaries or between subsidiaries of the same parent company;</li> <li>• Collections of compensation/indemnities by insurance enterprises from third parties;</li> <li>• Collections on behalf of other parties which are not involved in the provision of</li> </ul>

<b>VAT exemption</b> (No output VAT shall be charged and the input VAT is <b>not creditable</b> )	<b>Not required to declare and pay VAT</b> (No output VAT shall be charged and the input VAT can be <b>creditable</b> )
<p>software which is entitled to VAT rate of 0%;</p> <ul style="list-style-type: none"> <li>• Gold imported in pieces which have not been processed into jewelry or other products;</li> <li>• Exported natural resources which are unprocessed or processed with at least 51% of their costs being natural resources and energy;</li> <li>• Imports of machinery, equipment and materials which cannot be produced in Vietnam for direct use in science research and technology development activities;</li> <li>• Equipment, machinery, spare parts, specialized means of transport and necessary materials which cannot be produced in Vietnam for prospecting, exploration and development of oil and gas fields;</li> <li>• Goods imported in the following cases: international non-refundable aid, including from Official Development Aid, foreign donations to government bodies and to individuals (subject to limitations);</li> <li>• Fertilizer, feed for livestock, poultry, seafood and other animals, machinery and equipment specifically used for agriculture.</li> </ul>	<p>goods/services (e.g. if Enterprise A purchases goods/services from Enterprise B, but pays to Enterprise C and Enterprise C subsequently pays to Enterprise B, then the payment from Enterprise C to Enterprise B is not required to declare and pay VAT);</p> <ul style="list-style-type: none"> <li>• Commissions earned by (i) agents selling services, including postal, telecommunications, lottery, airlines/bus/ship/train tickets, at prices determined by principals; and (ii) agents for international transportation, airlines and shipping services entitled to VAT rate of 0%; and (iii) insurance agents;</li> <li>• Commissions from the sale of exempt goods/services; Goods exported and then re-imported back to Vietnam due to sales returns by overseas customers;</li> <li>• Remunerations received from Government Bodies to perform the collection and payment on behalf of Government Bodies for some certain activities</li> </ul>

## Exported goods and services

Services rendered directly and goods sold to foreign enterprises, including the enterprises in non-tariff areas, are subject to VAT rate of 0% if they are consumed outside Vietnam or in non-tariff areas.

Various supporting documents are required in order to apply VAT rate of 0% to exported goods and services (except for international transportation services): e.g. the contracts, the evidence of non-cash payment and customs declarations (for exported goods).

There are a number of services specified in the VAT regulations which do not qualify for VAT rate of 0%, in particular advertising, hotel services, training, entertainment, tourism provided in Vietnam to foreign customers; and various services provided to non-tariff areas (including leasing of houses, transport services for employees to and from their workplace and certain catering services) and services in relation to trading or distribution of goods in Vietnam.

## Calculation methods

There are two VAT calculation methods:

### Deduction/ credit method

This method applies to business establishments maintaining full books of accounts, invoices and documents in accordance with the relevant regulations, including: (i) Business establishments with annual revenue subject to VAT of VND1 billion or more; (ii) Certain cases voluntarily registering for VAT declaration under the deduction method.

Accordingly,  $\text{VAT payable} = \text{Output VAT} - \text{Input VAT}$ .

- **Output VAT**

The output VAT to be charged is calculated by multiplying the taxable price (net of tax) by the applicable VAT rate.

For goods sold on an instalment basis (except for real estate). VAT is calculated on the total price without interest, rather than the instalments actually received.

For imported goods, VAT is calculated on the import dutiable value plus import duty plus special sales tax (if applicable) plus environment protection fee (if applicable).

- **Input VAT**

For domestic purchases, input VAT is based on VAT invoices. For imports, input VAT credits are based on the tax payment voucher.

Input VAT credits on payments of VND 20 million or more can only be claimed where the evidence of non-cash payment is available. Input VAT withheld from payments to overseas suppliers (i.e. under the foreign contractor tax system) can also be claimed where the taxpayer makes VAT-able supplies.

If a business sells VAT exempt goods or services, it cannot recover any input VAT paid on its purchases. This contrasts with supplies entitled to VAT rate of 0% or not required to declare and pay VAT, where the input VAT can be recovered. Where a business generates both VAT-able and VAT exempt sales, it can only claim an input VAT credit for the portion of inputs used in the VAT-able activity.

#### Direct method

This method applies to:

- Business establishments with annual revenue subject to VAT of less than VND 1 billion;
- Individuals and business households;
- Business establishments which do not maintain proper books of account and foreign organizations or individuals carrying out business activities in forms not regulated in the Law on Investment;
- Business establishments engaging in trading in gold, silver, and precious stones.

Accordingly,  $\text{VAT payable} = \text{value added of goods or services sold} \times \text{VAT rate}$ .

Where there is a negative value added from the trading in gold, silver or precious stones in a period, it can be offset against any positive value added of those activities in the same period. Any remaining negative balance can be carried forward to a subsequent period in the same calendar year but cannot be carried over to the next year.

The VAT declaration method must be kept for two years in a row after being selected.

## Discounts and promotions

Price discounts reduce the value on which VAT applies. However, certain types of discounts may not be permitted as a reduction before the calculation of VAT, and various rules and conditions apply.

## Goods and services for internal consumption

Goods and services for internal consumption are not subject to output VAT provided that they are business-related expenses of the enterprises.

## Administration

In Vietnam, all organizations and individuals that produce or trade VAT-able goods and services must register for VAT. In some circumstances, branches of a company must register separately and submit VAT on their own activities.

Corporations with diverse commercial operations in several provinces that are accounted for centrally at the head office must declare VAT centrally at the head office, but must allocate and pay such tax in the respective provinces. The allocation rule is applied in the following cases:

- Manufacturing dependent units/business locations
- Real estate transfer
- Construction activities (only applicable to VAT)
- Hydropower plants located in various provinces
- Electronic lottery business

The VAT payable allocated to manufacturing dependent units/business locations located in different provinces is the revenue before VAT of the respective manufacturing dependent unit/business location multiplied by 2% (for goods subject to 10% VAT) or 1% (for goods subject to 5% VAT).

If the allocated VAT payable determined by the aforementioned method exceeds the head office's VAT payable, it should be recalculated based on the head office's VAT payable, prorated by the proportion of the respective manufacturing dependent unit's or business location's revenue (before VAT) to the corporation's overall revenue (before VAT).

VAT returns must be filed monthly by the 20th of the next month, or quarterly by the last day of the first month of the following quarter (for companies with the prior year annual revenue of VND 50 billion or less).

## Refunds

VAT refunds are granted in the certain cases such as:

- Exporters having excess input VAT credits over VND 300 million. The refunds are provided on a monthly or quarterly basis, in line with the VAT declaration period of taxpayers. The amount of input VAT relating to export sales (meeting the criteria for VAT refunds) that can be refunded to a taxpayer must not exceed 10% of its export revenue. VAT refunds are available to companies which import goods and then export them without further processing subject to various conditions;
- New projects of the enterprises adopting VAT deduction method which are in the pre-operation investment phase and have accumulated VAT credits over VND 300 million. Exceptions include conditional investment projects which do not satisfy the regulated investment conditions, or investment projects of the enterprises whose charter capital has not yet been contributed as regulated;
- The enterprises having overpaid VAT or outstanding input VAT when conducting liquidation, bankruptcy, changes in the ownership of the enterprises, changes in the enterprise form, merger, consolidation, demerger, division;
- Certain ODA projects, diplomatic exemption, foreigners buying goods in Vietnam for consumption overseas.

In other cases where a taxpayer's input VAT in the current period exceeds its output VAT, the excessive amount must be carried forward to offset against output VAT of the next period.

## Tax invoices

### E-invoices

E-invoices are compulsorily required from 1 July 2022 onwards.

Companies must register and acquire permission from the tax authorities via the GDT online site before using the invoices.

### E-invoices with verification code

Most of companies use e-invoices with verification codes from tax authorities when selling goods or providing services regardless of the value of each transaction.

## E-invoices without verification code

Companies that are permitted to use e-invoices without obtaining verification codes from tax authorities include those in certain economic sectors such as electricity, petrol, telecommunications, transportation, credit institutions, insurance, e-commerce, supermarkets, and other businesses that meet certain criteria.

Companies that use electronic invoices without verification codes must send the relevant data to the tax authorities either directly or through an authorized e-invoicing service provider.

# Personal income tax

## Scope of applications

Expatriate and Vietnamese individuals working in Vietnam or having Vietnam-source income are subject to personal income tax (“PIT”).

Vietnam imposes PIT based on the residence of the individuals, i.e. PIT on their worldwide income for tax resident or PIT on Vietnam sourced income for tax non-resident.

## Tax residency

Any foreign individual shall be considered a PIT resident if he/ she meets one of the following conditions:

- Being present in Vietnam for 183 days or more in a tax assessment year;
- Having a permanent residence in Vietnam (including a registered residence which is recorded on the permanent/temporary residence card in case of foreigners);
- Having a leased house in Vietnam with a term of 183 days or more in a tax year and unable to prove tax residence in another country.

Individuals not meeting the conditions for being tax resident are considered tax non-residents. Non-residents are subject to PIT at a flat tax rate of 20% on their Vietnam sourced employment income and at various other rates on their non-employment income.

Tax residents are subject to Vietnamese PIT on their worldwide taxable income, wherever it is paid or received. Employment income is taxed on a progressive tax rate basis. Other income is taxed at a variety of different rates.

## Tax assessment year

The Vietnamese tax year is the calendar year. However, where in the calendar year of first arrival an individual is present in Vietnam for less than 183 days, his/her first tax assessment year shall be the 12 consecutive months from the first date of arrival. As from the second year, the tax assessment year shall be the calendar year.

## Taxable income

Taxable income generally comprises 10 main types of income: employment income, business income, income from capital investments, income from capital transfers, income from real property transfers, winnings or prizes, royalties, income from franchises, income from inheritances and receipts of gifts.

### Employment income

The definition of taxable employment income is broad and includes all cash remuneration and various benefits-in-kind. However, the following items are not subject to tax:

- Payments for business trips;
- Payments for telephone charges/ stationery costs;
- Payments for uniforms (subject to a cap if the uniforms are paid in cash);
- Overtime premium (i.e. the additional payment which is higher than the normal working hours salary);
- One-off allowance for relocation to Vietnam for expatriates and from Vietnam for Vietnamese working overseas, to Vietnam for Vietnamese residing overseas on a long term basis and returning to Vietnam to work;
- Once per year home leave round trip airfare for expatriates and Vietnamese working overseas;
- School fees up to high school in Vietnam/overseas for children of expatriates/Vietnamese working overseas;
- Training;
- Mid-shift meals (subject to a cap if the meals are paid in cash);
- Certain benefits in kind provided on a collective basis (e.g. membership fee, entertainment, healthcare, transportation to and from work);
- Airfares for employees working on a rotation basis in a number of industries such as petroleum or mining;
- The voluntary and non-accumulated insurance premiums paid by the employer to the employees (for example, health insurance and accident insurance) and;
- Allowances/ benefits for wedding, funeral paid under the company policy (subject to a cap).

## Non-employment Income

Taxable non-employment income includes:

- Business income (including rental income in excess of VND100 million/year);
- Investment income (e.g. interest, dividends);
- Gains on sale of shares;
- Gains on sale of real estate;
- Inheritances in excess of VND10 million;
- Winning prizes/gifts in excess of VND10 million (excluding income from winnings at casinos);
- Income from copyright / franchising / royalties / receiving gifts in excess of VND10 million.

Exempt income:

- Income from the transfer of real property between various direct family members;
- Income from the transfer of a residential house or right to use residential land and assets attached to land by an individual who has one sole residential house and/or land-use right in Vietnam;
- Income from the value of a land use right of an individual to whom the State allocated such land without payment of, or with reduced land use fees in accordance with laws;
- Income being receipt of the real properties which are inheritances/gifts between various direct family members;
- Income being interest on money deposited at credit institutions/banks, interest from life insurance policies, and interest from Government bonds;
- Income being foreign currency received from Vietnamese residing overseas;
- Income being retirement pensions paid in accordance with the Social Insurance Law (or the foreign equivalent), monthly retirement pensions paid under voluntary insurance schemes;
- Scholarships;
- Compensation payments from life and non-life insurance contracts, compensation for labor accidents and other State compensation payments;

- Income received from charitable funds or from foreign-aid sources for charitable or humanitarian purposes;
- Income of Vietnamese vessel crew members working for foreign shipping companies or Vietnamese international transportation enterprises; and
- Income from winning at casinos.

There are a range of conditions and restrictions applicable to the above exemptions.

### Foreign tax credits

In respect of tax residents who have overseas income, PIT paid in a foreign country is creditable.

### Tax deductions

The tax deductions allowed for qualified resident taxpayers (i.e. employment income of tax residents) include:

- Contributions to statutory compulsory social insurance, health insurance, unemployment insurance (for expatriates, these include social security insurance premium that is compulsory under the laws of their home country);
- Contributions to local voluntary pension schemes (subject to a cap);
- Contributions to certain charitable organizations or funds which are licensed by authorities;
- Tax allowances:
  - Personal allowance: VND 11 million/month
  - Dependent allowance: VND 4,4 million/month/dependent (the dependent allowance is not automatically granted, and the taxpayer needs to register qualifying dependents and provide supporting documents to the tax authority).

## Tax rates

### Employment income

*For residents:* The unified progressive tax rates applicable to (worldwide) employment income are as follows:

Average monthly assessable income in VND (after tax deductions)	Tax rate (%)	Tax liabilities
Up to 5,000,000	5	Assessable income * 5%
Over 5,000,000 up to 10,000,000	10	Assessable income * 10% - 250,000
Over 10,000,000 up to 18,000,000	15	Assessable income * 15% - 750,000
Over 18,000,000 up to 32,000,000	20	Assessable income * 20% - 1,650,000
Over 32,000,000 up to 52,000,000	25	Assessable income * 25% - 3,250,000
Over 52,000,000 up to 80,000,000	30	Assessable income * 30% - 5,850,000
Over 80,000,000	35	Assessable income * 35% - 9,850,000

*For non-residents:* A flat tax rate of 20% is applicable to Vietnam-sourced employment income.

## Non-employment income

Type of income	Tax rates	
	Resident	Non-resident
Business income (if the annual business income is in excess of VND 100 million)	Flat rate 0.5% to 5% depending on particular business sector	1% for trading; 2% manufacturing and others; 5% for services
Income from capital investment	5%	5%
Transfer of securities	0.1% on gross sale proceeds	0.1% on gross sale proceeds
Income from capital assignment	20% on net gains	0.1% on gross sale proceeds
Income from transfer of property	2% on gross sale proceeds	2% on gross sale proceeds
Income from royalty, technology transfer/ franchising exceeding VND 10 million per contract	5% on excessive amount	5% on excessive amount
Income from winnings or prizes, inheritance, gifts exceeding VND 10 million per occasion of winning prize	10% on excessive amount	10% on excessive amount

## Administration

### Tax codes

Individuals who have taxable income are required to obtain a tax code. Those who have taxable employment income must submit the tax registration file to their employer who will subsequently submit this to the local tax authorities. Those who have other items of taxable income are required to submit their tax registration file to the district tax authorities of the locality where they reside.

## Tax declaration and payment

For employment income, PIT incurred on this income has to be declared and paid provisionally on a monthly or quarterly basis by the 20th day of the following month or by the end of the first month following the reporting quarter. The amounts paid are reconciled to the total tax liability at the year-end.

An annual final tax return must be submitted and any additional tax must be paid by the end of the third month after the year-end.

Expatriate employees are also required to carry out a PIT finalization on termination of their Vietnamese assignments before exiting Vietnam. They can authorize their employer or other organization/ individual as stipulated in Civil Law to finalize their PIT, provided that the individual or organization commits to being responsible for the PIT payable as required by laws. PIT finalizations return for the income earned up to the termination of employment contract date must be filed within 45 days after his/ her departure.

Vietnamese companies are required to submit a notification to the local tax authorities providing information on any of them foreign contractor's employees (including their name, income information, passport number, etc.) that are sent to provide services in Vietnam at least 7 days before the individuals start working in Vietnam.

For non-employment income, the individual is required to declare and pay PIT in relation to each type of taxable non-employment income. The PIT incurred on non-employment income of individuals must be declared and paid on a regular basis, often each time income is received.

### ***Withholding obligations for payments to business individuals***

Companies paying bonuses, cash and non-cash support, promotion, trade discount, payment discount, and compensation to business households or business individuals which pay tax on a deemed basis are required to withhold PIT and VAT from such payments.

# Foreign contractor tax

## Scope of applications

In Vietnam, there is a specific foreign contractor tax collection mechanism ("FCT") which describes the tax obligations of foreign contractors who do business in or receive income from Vietnam.

Foreign contractors are foreign business organizations with or without a permanent establishment in Vietnam, and foreign business individuals whether they are residents or non-residents of Vietnam doing business in Vietnam or having income arising in Vietnam on the basis of a contract/ agreement or undertaking between such foreign contractor and a Vietnamese organization individual.

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.

The FCT comprises two components: VAT and income tax. In which, VAT and CIT apply to a Foreign Contractor that is a business entity; VAT and PIT apply to an individual business foreign contractor.

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.).

## Payment methods

There are three methods of FCT payment, including:

### Declaration method

Under the deduction method, the foreign contractor shall register to fully adopt Vietnamese Accounting System (VAS) for purposes of filing VAT and CIT returns. From a tax compliance perspective, there is no difference between a foreign contractor applying VAS and an enterprise incorporated in Vietnam.

The FCT under this method is assessed as follows:

- a) VAT payable equals output VAT less input VAT. The foreign contractor is able to claim input VAT credits.
- b) CIT payable is at the general CIT rate (20%) on net profit (i.e. revenue less deductible expenses).

The foreign contractors must fulfill certain conditions for adoption of this method.

### Direct method (withholding method)

Under the direct method (withholding method), foreign contractors are not required to directly pay FCT to the tax authority since the Vietnamese party is required to withhold and file FCT (VAT and CIT components) from payment(s) made to the foreign contractor at the deemed percentage of taxable turn-over.

The deemed VAT and CIT of FCT rates vary depending on the nature of the goods and the services provided. Below is deemed VAT and CIT of FCT rates under the current regulations:

Type of business activities		Deemed VAT (%)	Deemed CIT (%)
<b>Trades</b>	Distributing, supplying goods; Distributing, supplying goods associated with services rendered in Vietnam (including the form of on-spot export and import) <b>(b)</b> ; Supplying goods under INCOTERMS where the seller bears risk relating to goods in Vietnam.	Exempt <b>(a)</b>	1

Type of business activities		Deemed VAT (%)	Deemed CIT (%)
<b>Services</b>	Services	5	5
	Restaurant/ hotel/ casino management services	5	10
	Services together with the supply of machinery and equipment <i>(if the contract could not separate the value of machinery/ equipment and services)</i>	3	2
<b>Insurance</b>	Insurance	5/Exempt (c)	5
	Re-insurance abroad, commission of the reinsurance transfer	Exempt	0.1
<b>Leasing</b>	Leasing of machinery and equipment	5	5
	Leasing of aircraft, airplane engines/ spare parts, vessels <i>(for aircraft and vessel cannot be produced in Vietnam)</i>	Exempt	2
<b>Banking</b>	Derivative financial services	Exempt	2
	Loan interest	Exempt	5
<b>Capital Investment</b>	Transferring securities/ deposit certificates	Exempt	0.1
<b>Oil &amp; Gas</b>	Supply of goods and/or services for oil & gas exploration and development	Standard: 10 <i>(or 5/ Exempt)</i>	5
	Leasing of drilling rigs	Exempt	5
<b>Construction</b>	Construction, installation with the supply of materials, machinery, equipment	3	2
	Construction, installation without the supply of materials, machinery, equipment	5	2

Type of business activities		Deemed VAT (%)	Deemed CIT (%)
<b>Transportation</b>	Transport (including the transport by seaway, by airway)	3/0(d)	2
<b>Royalty</b>	Royalty/ License fee	Exempt/ 5(e)	10
<b>Others</b>	Other production	3	2
	Other business activities	2	2

**Note:**

- VAT will be exempt where goods are exempt from VAT or where import VAT is paid upon importation stage;
- If the contract for the supply of goods associated with services rendered in Vietnam could not separate the value of goods and services, the highest FCT rates will be applied to the whole value of the contract;
- Certain types of insurance are exempt from VAT (see “VAT Exemption” in VAT section);
- International transportation is subject to VAT rate of 0%;
- Only software licenses, transfer of technology, transfer of intellectual property rights are exempt from VAT. Other royalties (such as the transfer of the right to use intellectual property including copyrights and industrial properties) may be subject to VAT.

### Hybrid method

The hybrid method is a combination of the withholding method and the deduction method whereby the foreign contractor can declare and pay VAT in accordance with the tax credit method and pay CIT as a percentage of assessable turnover.

Foreign contractors wishing to adopt the hybrid method must:

- Have a PE in Vietnam or be tax resident in Vietnam;
- Operate in Vietnam under a contract with a term of more than 182 days; and
- Maintain accounting records in accordance with the accounting regulations and guidance of the Ministry of Finance.

## Circumstances not subject to FCT

FCT shall not apply to the following cases:

- Pure trading of goods (whether with warranty obligation terms or not): FCT shall not apply if all conditions below are met:
  - The goods are delivered at an offshore port or Vietnam port; and
  - All obligations of the seller cleared at either port destination; and
  - Sellers bear no inland cost/responsibilities/risks of transferred goods.
- Services performed AND consumed outside of Vietnam.
- Services performed outside of Vietnam, including:
  - Repair of means of transportation, machinery and equipment;
  - Advertising and marketing services (except advertising via Internet);
  - Investment and commercial promotion services;
  - Brokerage services for sale of goods overseas;
  - Training (except online training);
  - Sharing freight charges paid for international postal services and telecommunications services (that are provided outside Vietnam) between Vietnam and foreign countries;
  - Leasing of transmission lines and satellite frequency bands overseas in accordance with the Law on Post and Telecommunications.
- Foreign organizations and individuals using a bonded warehouse or inland clearance depot (ICD) as a warehouse serving international transport, transit, border-gate transfer or storage of goods or for processing by other enterprises.

## Dividends

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

## Interest

CIT rate of 5% applies to interest paid on loans from foreign enterprises. Offshore loans provided by certain government or semi-government institutions may obtain an exemption from interest 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 enterprises is subject to CIT of 5%.

Interest is exempt from VAT of FCT.

## Taxation of E-commerce activities

Decree 126/2020/ND-CP guides some articles of Law on Tax Administration 2019 for e-commerce activities, Circular 80/2021/TT-BTC stipulates a tax filing mechanism for foreign companies doing e-commerce, digital business and other business in Vietnam without a permanent establishment. Foreign companies will be granted a tax code and declare tax online at the portal of the General Department of Taxation ("GDT") on a quarterly basis and pay tax online.

If such foreign companies do not directly register, declare and pay tax in Vietnam, Vietnamese organizations and parties have the following responsibilities:

- If the Vietnamese customers are registered businesses, they have to withhold and declare tax on behalf of the foreign companies (similar to the current mechanism of foreign contractor tax).
- If the Vietnamese customers are individuals, the banks or payment intermediary organizations are required to withhold and declare tax on a monthly basis.
- If the individuals use cards or other payment methods from which the banks or payment intermediary organizations cannot withhold, the banks or payment intermediary organizations are required to track and report payments made to the foreign companies to the Vietnamese tax authorities on a monthly basis.

The GDT officially launched the portal for direct tax registration, declaration and payments by foreign e-commerce companies in Vietnam on 21 March 2022. The GDT also published the names of the foreign companies registering up to November 2022.

For the foreign companies registered, declared and paid tax in Vietnam via the portal, corporate customers in Vietnam do not make withholding taxes on their payments.

# Double taxation agreements

## Overview

Vietnam has concluded more than 80 DTAs with various countries and territories (including Singapore, Hong Kong, China, Korea, Japan, Germany, the United Kingdom, Denmark, Canada). A number of other DTAs are also in stage of negotiation. It is noteworthy that DTA between Vietnam and United States of America has been signed but not effective at present.

General speaking, DTAs mainly aim to eliminate double taxation by (1) granting tax exemption or reduction to residents of the Contracting countries signed DTAs with Vietnam, or (2) allowing credit against the taxes payable in their home countries. Besides, DTAs provide legal framework for the cooperation and assistance between the tax authorities of Vietnam and the Contracting countries in the international tax administration to prevent tax evasion for taxes on income and asset.

DTAs application follow the basic principles as below:

- If there is inconsistency between provisions of DTAs and local tax laws, the provisions of DTA shall be prevailed;
- However, if relevant tax obligations stipulated in the DTAs do not exist in Vietnam or the DTAs requires to tax at higher tax rates than local tax rates, the local laws shall be prevailed;
- Where a term in a DTAs is not defined, it will be interpreted as defined by local laws.

## Subjects of application

DTAs apply to both foreign organizations and individuals (herein after referred to as “foreign contractors”) who are residents of Vietnam, or residents of the Contracting countries signed DTAs with Vietnam, or both if they meet the conditions as prescribed by DTAs and local laws.

## Taxes subject to application

DTAs only apply to taxes on income and assets which are particularly stipulated in each DTA. In case of Vietnam, taxes under DTAs typically include:

- Personal Income Tax; and
- Corporate Income Tax.

## The process of application

Tax exemption/ reduction under a DTA is not automatically granted. Generally, foreign contractors must conduct certain procedure including submission of a dossier of notification of eligibility for tax exemption or reduction under a DTA to the Vietnamese tax authorities within 15 days before the deadline of tax declaration.

With respect to claims for DTA relief, the process changed from notification to approval with effect from 1 January 2022. A deadline for the tax authorities to examine and assess DTA claims is established. The tax authority is required to make a decision within 40 days of receiving sufficient documents, either approving the amount of tax eligible for exemption/reduction or notifying taxpayers in writing of any rejection of the application.

In some certain cases, the deadline of submission of the dossier will be separately stipulated by local laws. Foreign contractors can authorize Vietnamese parties (who engage in the agreements with the foreign contractors or have the assets which are owned by foreign contractors) to submit the dossier on behalf of the foreign contractors.

Generally, the application usually requires the following documents:

- A notice of eligibility for tax exemption or reduction under the DTA;
- An original copy of residence certificate granted by the tax authority of the country of residence in the year preceding the year of notification of eligibility for tax exemption or reduction; and
- A copy of the contracts and other relevant supporting documents.

*(For each certain case, the required documents of the dossier will be different depended on local laws. Therefore, it is suggested that foreign contractors and their Vietnamese parties should carefully reconcile the prevailing regulations before submitting the dossier)*

Failing to submit such dossier, Vietnamese parties will be responsible for withholding and paying tax on behalf of the foreign contractors, but the refund can still be claimed within three years from the date arising tax liability. The refund procedures are normally more onerous, time-consuming, and costly.

## Beneficial ownership and anti-avoidance provisions

DTA application will be denied where the main purpose of an arrangement is to obtain beneficial treatment under the terms of a DTA or where the recipient of the income is not the beneficial owner.

The guidance dictates that a substance over form analysis is required for the beneficial ownership and outlines the factors to be considered, which include:

- Where the recipient is obligated to distribute more than 50% of the income to an entity in a third country within 12 months;
- Where the recipient has little or no substantive business activities;
- Where the recipient has little or no control over or risk in relation to the income received;
- Back to back arrangements;
- Where the recipient is resident in a country with a low tax rate;
- Where the recipient is an intermediary or agent.

## Withholding tax rates

A summary of withholding tax rates is presented below:

No.	Countries/ Territories	Interest (%)	Royalties (%)	Notes
1	Algeria	15	15	1, 2
2	Australia	10	10	-
3	Austria	10	7.5/10	2
4	Azerbaijan	10	10	2
5	Bangladesh	15	15	2
6	Belarus	10	15	2
7	Belgium	10	5/10/15	2
8	Brunei	10	10	2
9	Bulgaria	10	15	2
10	Cambodia	10	10	2
11	Canada	10	7.5/10	2
12	China	10	10	2
13	Croatia	10	10	-
14	Cuba	10	10	-

No.	Countries/ Territories	Interest (%)	Royalties (%)	Notes
15	Czech Republic	10	10	2
16	Denmark	10	5/15	2
17	Egypt	15	15	1
18	Estonia	10	7.5/10	-
19	Finland	10	10	2
20	France	Nil	10	-
21	Germany	10	7.5/10	2
22	Hong Kong	10	7/10	2
23	Hungary	10	10	-
24	Iceland	10	10	2
25	India	10	10	2
26	Indonesia	15	15	2
27	Iran	10	10	2
28	Ireland	10	5/10/15	2
29	Israel	10	5/7.5/15	2
30	Italy	10	7.5/10	2
31	Japan	10	10	2
32	Kazakhstan	10	10	2
33	Korea (South)	10	5/15	2
34	Korea (North)	10	10	2
35	Kuwait	15	20	1, 2
36	Laos	10	10	-
37	Latvia	10	7.5/10	2
38	Luxemburg	10	10	-
39	Macau	10	10	2
40	Macedonia	10	10	1
41	Malaysia	10	10	2
42	Malta	10	5/10/15	2
43	Mongolia	10	10	2
44	Morocco	10	10	2

No.	Countries/ Territories	Interest (%)	Royalties (%)	Notes
45	Mozambique	10	10	-
46	Myanmar	10	10	2
47	Netherlands	10	5/10/15	2
48	New Zealand	10	10	-
49	Norway	10	10	2
50	Oman	10	10	2
51	Pakistan	15	15	2
52	Palestine	10	10	-
53	Panama	10	10	-
54	Portugal	10	7.5/10	2
55	Philippines	15	15	2
56	Poland	10	10/15	-
57	Qatar	10	5/10	2
58	Romania	10	15	2
59	Russia	10	15	-
60	San Marino	10/15	10/15	-
61	Saudi Arabia	10	7.5/10	2
62	Serbia	10	10	2
63	Seychelles	10	10	-
64	Singapore	10	5/10	2
65	Slovakia	10	5/10/15	2
66	Spain	10	10	2
67	Sri Lanka	10	15	2
68	Sweden	10	5/15	2
69	Switzerland	10	10	-
70	Taiwan	10	15	-
71	Thailand	10/15	15	2
72	Tunisia	10	10	2
73	Turkey	10	10	2
74	UAE	10	10	2

No.	Countries/ Territories	Interest (%)	Royalties (%)	Notes
75	Ukraine	10	10	2
76	United Kingdom	10	10	2
77	United States	10	5/10	1, 2
78	Uruguay	10	10	-
79	Uzbekistan	10	15	2
80	Venezuela	10	10	2

**Note:**

1. Not in force yet.
2. Interest derived by certain government bodies is exempt from withholding tax.

In most cases, the limits set by the DTA are higher than the present withholding rates under domestic law, the domestic rates will apply.

### Base Erosion and Profit Shifting (“BEPS”) initiatives

Viet Nam has deposited its instrument of ratification for the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS Convention), which now covers around 1 850 bilateral tax treaties, underlining its strong commitment to prevent the abuse of tax treaties and base erosion and profit shifting (BEPS) by multinational enterprises.

As a result, potentially up to 80 of Vietnam’s double tax agreements (“DTAs”) could be altered once the BEPS Convention comes into effect. Taxpayers should be aware of these potential changes to DTAs and the impact this may have on their plans for structuring their investments and transactions to claim treaty benefits in Vietnam.

In addition, the Vietnamese government also has included a plan to review the impact of international tax reforms (e.g., Pillar 1 and Pillar 2) and amend or make changes to the domestic tax laws accordingly.

# Transfer pricing

## Overview

Vietnam introduced the first “anti-transfer pricing” regulation in 1997, which was initially applicable to Foreign Invested Enterprises only. The regulation subsequently underwent several amendments and was largely left unimplemented until 2005. It was then revised substantially to extend its application to all enterprises and became the effective guidelines for “transfer pricing” (“TP”) (as opposed to “anti-transfer pricing”) to date. The guidelines had also undergone a change in 2010 by the release of the regulation known as “Circular 66”, which took effect on 06 June 2010.

On 24 February 2017, Vietnam’s Government issued Decree No. 20/2017/ND-CP on Tax administration of enterprises with related party transactions (Decree 20), which replaced Circular 66.

On 24 June 2020, the government released Decree No. 68/2020/ND-CP (“Decree 68”) amending Clause 3, Article 8 of Decree 20 which relaxed the interest expenses deductibility cap rules. These new rules took effect from the signing date. However, under certain conditions, non-deductible interest expenses can be carried forward for a maximum period of 5 years.

On 5 November 2020, the Government issued Decree No. 132/2020/ND-CP (“Decree 132”), setting out new rules on transfer pricing in Vietnam. Decree 132 takes effect from 20 December 2020 and applies for the CIT tax year of 2020 onwards and replaces Decree 20 and Decree 68.

Vietnam’s transfer pricing rules also apply to domestic related party transactions.

Several changes and amendments are stipulated by Decree 132 including:

## Subjects of application

Decree 132 extends the subjects of application to be entities manufacturing and trading goods and services who pay the corporate income tax and have transactions with their related parties (including taxpayers not following the declaration method i.e. foreign contractors).

## Related party definition

As compared with the regulations at Decree 20, Decree 132 supplements related party definitions as follows:

- Both enterprises are managed or controlled in terms of their personnel, financial and business activities by individuals, each of whom is in one of the following relationships with the others such as a wife, husband, natural/ foster father, natural/ foster child, natural/ foster older/ younger sibling, brother/ sister-in-law, maternal/ paternal grandfather/ grandmother, maternal/ paternal grandchild, and maternal/ paternal aunt, uncle and nibbling;
- A related enterprise performs the disposition or acquisition transaction in at least 25% of their equity within a tax period; the borrowing or lending transaction in at least 10% of their equity performed at the transaction time falling within a tax period with a person holding the executive office or the controlling interest in the enterprise, or with a person in one of the relationships prescribed in point g of this clause.

## TP methodologies

The acceptable methodologies in Vietnam for determining arm's length pricing are analogous to the principles espoused by the Organization for Economic Cooperation and Development (OECD) in the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations, including comparable uncontrolled price method, resale price method, cost plus method, comparable profits method, and profit split method.

## Expansion of the scope for selection of comparables

The priority of selection of comparables remains unchanged. That is, the comparables selected should be in the following order: (i) internal comparables of taxpayers; (ii) comparables residing in the same country and territory with taxpayers; and (iii) comparables in regional countries with similar industries and economic conditions.

However, Decree 132 includes some amendments to the principle relating to expanding the scope of selection of comparables for specific and unique related party transactions in the absence of independent comparables as detailed below:

- Prioritizing using comparables in the economic sub-sector with the highest level of comparability in the same zonal area and extend to the provincial zone and then to the whole of Vietnam rather than prioritizing on comparables in the same geographical market.

- Expanding the scope of geography for benchmarking analysis to include countries in the region with comparable industry conditions and economic development levels.

### **Narrowing the arm's length**

Decree 132 narrows down the standard arm's length range. In particular, the arm's length range is a set of values ranging from the 35<sup>th</sup> percentile to the 75<sup>th</sup> percentile (tightened from the 25<sup>th</sup> to the 75<sup>th</sup> percentile range under Decree 20). As such, the lower-quartile of the threshold is raised by 10%. Therefore, taxpayers will need to re-assess their transfer pricing positions for financial year 2020 onwards to ensure that their margins fall within this tighter range.

### **Three-tiered TP documentation and four forms of related party transactions (RPTs) disclosure return**

Similar to Decree 20, Decree 132 still requires a three-tiered TP documentation, specifically Local file, Master file and Country-by-country report. The three-tiered TP documentation has to be prepared before the submission date of annual tax return.

If the taxpayer's ultimate parent resides in Vietnam and has worldwide consolidated revenues in the fiscal year of over VND 18,000 billion, the ultimate parent company in Vietnam is responsible for preparing and submitting the CbCR. Under Decree 132, the CbCR is required to be filed with the tax authorities within 12 months from the fiscal year-end. However, if the ultimate parent is outside Vietnam, the CbCR is not required to be filed locally, if the CbCR can be made available to the Vietnamese tax authorities through the automatic exchange of information ("AEOI") procedure. A company is however required to submit the CbCR and relevant notification locally in certain circumstances.

When tax authorities carry out transfer pricing inspections and audits, the time limit for submission of the transfer pricing files shall be subject to regulations laid down in the Law on Inspection, starting after receipt of information requests.

Regarding the disclosure of related party transaction, Decree 132 requires four appendices of related party transaction disclosure returns, replacing the forms as required by Decree 20, specifically:

- Appendix I - Information on related party relationship and related-party transactions;
- Appendix II - List of information, documents required for Local file
- Appendix III - List of information, documents required for Master file; and
- Appendix IV - Information for Country-by-Country Report.

## TP compliance exemption

The following exemptions are provided to a taxpayer that:

- Has sales revenue of less than VND 50 billion (around US\$ 2.5 million) and the value of its related party transactions is less than VND 30 billion (around US\$ 1.5 million).
- Engages in simple functions, has revenue of less than VND 200 billion (around US\$ 100 million) and achieve a ratio of earnings before interest and taxes to revenue of at least 5% for distribution function; 10% for manufacturing function; and 15% for processing function.
- Has signed an Advance Pricing Agreement (APA) and submitted annual APA report(s).

In addition, a partial exemption (TP documentation is exempt, but certain RPTs disclosures are still required) is available if:

- The taxpayer only has transactions with related parties who are subject to CIT in Vietnam; and
- The taxpayer and its related parties apply the same CIT rate and enjoy no CIT incentives.

## Tax deductibility of related party expenses

Decree 132 stipulates the cap on tax deductibility of interest expenses as follows:

- The cap on the deductibility of loan interest expenses for CIT increases to 30% (up from the current 20%). The calculation of this deductibility cap is based on the ratio of net interest expenses (after offsetting interest income) over total net profit plus net interest expenses and depreciation expenses (EBITDA).
- Interest expense which is in excess of the 30% cap can be carried forward to the following tax years and deducted if the ratio of net interest expense/ EBITDA is below 30% in those years. The time limit for such carry forward rule is five (05) years.

- The 30% interest cap is not applicable in certain cases including: loans of taxpayers who are credit institutions, insurance institutions; ODA (Official Development Assistance) loans, preferential loans made by the Government and loans made for implementing national programs and state social benefit policies.

In case taxpayers are entitled to exemption of declaration, TP documentation, then total deductible interest expenses for CIT is still determined according to the above cap.

For intercompany expenses, for tax deductibility purpose a taxpayer must demonstrate that the services provide economic benefit and to provide evidence (supporting documents) on the reasonableness of the service charge calculation method. A tax deduction will not be allowed for expenses where the direct benefit or additional value to the taxpayer cannot be determined, such as duplicated services or shareholder costs. Further, the mark-up portion of third-party expenses that are recharged to a Vietnam taxpayer are not deductible.

The related party transactions that are inconsistent with arm's length principle or do not contribute to generating revenues, added value to the production and business activities of taxpayer shall be considered as non-deductible expenses.

### **Advance pricing agreement (“APA”) opportunity**

The Advance Pricing Agreement (“APA”) mechanism in Vietnam was introduced by the Ministry of Finance through Circular 201/2013/TT-BTC on 20 December 2013, with its effective implementation commencing in February 2014. Subsequently, Circular 45/2021/TT-BTC replaced Circular 201 on 3 August 2021, in accordance with Decree 126/ND-CP issued on 19 October 2020.

The APA mechanism in Vietnam encompasses unilateral, bilateral, and multilateral APAs. An acceptable APA must encompass crucial details, including the names and addresses of the related parties that participate in the APA, description of the related party transactions regulated by the APA, methodologies for determining transaction values as the basis for tax calculation, important presumptions that may have material considerable impacts on the implementation of the APA, and regulations on responsibilities of both taxpayers and tax authorities.

The APA application process consists of several stages, namely: pre-filing (optional), official filing, assessment, discussion and negotiation, and conclusion. There is no specific timeline has been established for each stage of the APA application.

An APA can be effective for up to three tax years, not exceeding the number of years the taxpayer has operated and declared taxes in Vietnam.

### TP audits

As of the beginning of 2023, there has been a noticeable and continuous rise in the number of transfer pricing audits in Vietnam, reflecting a growing focus on this area by tax authorities in Vietnam. These audits have evolved into a more sophisticated and rigorous approach to ensure compliance and equitable taxation.

Tax authorities frequently challenge the validity of comparables specified in TP documentation, the deductibility of intra-group service expenses, and fluctuations in segmented and/or whole company profit margins over time.

High transfer pricing risk companies with foreign direct investment (“FDI”) capital and losses, lower business results compared to local counterparts, substantial related-party transactions, eligibility for tax incentives, and expenses from related parties are the primary focus of tax authorities.

Recognizing the potential impact of transfer pricing on overall tax liabilities, tax authorities are now integrating transfer pricing assessments as a standard component of broader tax inspections. This indicates a growing awareness of the importance of transfer pricing compliance in the country's tax landscape.

## Capital gains tax

Gains derived from the assignment of capital in a Vietnamese company are subject to CIT rate of 20%, generally referred to as capital gains tax (CGT) although it is not a separate tax as such. The taxable gains are determined as the excess of the sale proceeds less cost (or the initial value of contributed charter capital for the first transfer) less expenses relating to the transfer.

Where the assignor is a foreign entity, a Vietnamese assignee is required to withhold the tax due from the payment to the assignor and account for this to the tax authorities. Where the assignee is also a foreign entity, the Vietnamese party in which the shares/ capital are transferred is responsible for conducting the CGT obligations on behalf of such foreign enterprise. The CGT declaration and payment is required within 10 days from the date of official approval of the sale of shares/ the assignment of capital by a competent body or, where approval is not required, 10 days from the date the involved parties reach the agreement on the sale of shares/ the assignment of capital.

Vietnamese tax authorities have the right to adjust the transfer price for CGT purposes where the price is not proper with arm's length principle or where the price is not stipulated in the capital transfer agreement.

Recently, Vietnamese tax authorities challenge not only the transfer a Vietnamese entity, but also the capital transfer transactions of an overseas parent entity who hold the (direct or indirect) capital/ shares in Vietnamese entities.

Foreign entity who transfers "securities" (this is a specified term, which includes shares of public/ listed joint stock companies) are subject to presumptive tax rate of 0.1% on gross sale proceeds, regardless of whether the transfer is profitable or not.

For local corporate shareholder or foreign entity who applies the deduction method, gains derived from the sale of shares/ the assignment of capital/ the transfer of securities will be taxed at CIT rate of 20%.

For individual shareholder, tax implications on the sale of shares/ the assignment of capital/ the transfer of securities will be separately stipulated by the prevailing regulations on PIT.

Below is the summary of tax implications on the sale of shares/ the assignment of capital/ the transfer of securities in Vietnam:

Transferors		Capital transfer	Security transfer
Individual shareholder (PIT)	Resident	20% on gains	0.1% on gross sale proceeds
	Non-resident	0.1% on gross sale proceeds	
Corporate shareholder (CIT)	Foreign entity (who applies the deemed CIT of FCT in direct and hybrid methods)	20% on gains	0.1% on gross sale proceeds
	Local and foreign entities (who apply the deduction method)	20% on gains	

## Social, health and unemployment insurance contributions

Unemployment insurance ("UI") contributions are applicable to Vietnamese individuals only. Health insurance ("HI") contributions are required for Vietnamese and foreign individuals that are employed under Vietnam labor contracts for at least 03 months.

From 01 December 2018, social insurance ("SI") contributions are also applicable to foreign individual working in Vietnam under a work permit or practicing certificate or license and work under labor contract with an infinite term or a definite term of 1 year or more.

Certain foreign employees internally transferred within a group and employees who have reached the statutory retirement age (60 years for males, 55 years for females) are not subject to compulsory SI contributions.

SI/ HI/ UI contribution rates for Vietnamese employees are as follows:

	SI (*)	HI	UI	Total
Employee	8%	1.5%	1%	10.5%
Employer	17.5%	3%	1%	21.5%

(\*) Please refer to the table below

SI	Employer	Employee	Effective date of contribution requirement for foreigners
Sickness, maternity funds	3%	-	1 December 2018
Occupational diseases and accident funds	0.5% (**)	-	1 December 2018
Retirement and death funds	14%	8%	1 January 2022

(\*\*) Effective from 15 July 2020, companies operating in industries with a high risk of occupational disease and accidents, subject to meeting specific conditions, can apply for a lower contribution rate of 0.3% instead of the current regulated rate of 0.5%.

From 1 January 2018, the income subject to SI / HI/ UI contributions includes the salary, certain allowances and other regular payments according to the Labor Code but the income is capped at 20 times the minimum salary for SI/ HI contributions and 20 times the minimum regional salary for UI contribution:

- The minimum salary from 01 July 2019 is VND 1,490,000/month
- The minimum salary from 01 July 2023 is VND 1,800,000/month (Decree No. 38/2022/ND-CP)
- The minimum regional salary in 2023 is regulated in Decree No. 38/2022/ND-CP as below:

<b>Region</b>	<b>The minimum regional salary (VND/month)</b>
Region I	4,680,000
Region II	4,160,000
Region III	3,640,000
Region IV	3,250,000

The above minimum regional salary is no change compared to the minimum regional salary applied from the year 2022.

The said compulsory insurances are payable on monthly basis and should be paid at the end of each month. The employer will deduct the employee's SI, HI and UI contributions from their salaries. Both the employee's and employer's compulsory insurance contributions are then accounted to the authorities. Statutory employer's contributions for SI, HI and UI do not constitute a taxable benefit to the employees.

## Other taxes

### Business license tax

Business license tax (“BLT”) is a direct tax imposed on entities conducting business activities in Vietnam, paid by enterprises annually for each calendar year that they do business in Vietnam. All enterprises, organizations or individuals (including branches, shops and factories) and foreign investors operating businesses in Vietnam are subject to BLT.

The amount of BLT due is based on the amount of registered capital, as shown in the accompanying table.

BLT rates and relevant guidance are based on a fee schedule set out under Circular 65/2020/ TT-BTC. Rates for economic entities depend on corporate structure and the amount of registered capital, while rates for households and individuals depend on yearly incomes as follows:

<b>BLT rates for economic entities</b>	
<b>Registered capital (billion VND)</b>	<b>BLT/ year (VND)</b>
Over 10	3,000,000
Under 10	2,000,000
Branches, representative offices, business premises, public service providers, other business entities	1,000,000
<b>BLT rates for households/ individuals</b>	
<b>Yearly income (million VND)</b>	<b>BLT/ year (VND)</b>
Over 500	1,000,000
Over 300 to 500	500,000
Over 100 to 300	300,000

Deadlines for submission of declarations for BLT under Decree No. 26/2020/ND-CP as below:

- New businesses (except household businesses and individual businesses), including medium and small enterprises converted from household businesses) and existing businesses that establish new dependent units or business location shall submit the licensing fee declaration by January 30 of the year preceding the establishment or inauguration year.
- In case capital is changed during the year, the licensing fee payer shall submit the declaration by January 30 of the year succeeding the year in which the change occurs.
- Household businesses and individual businesses are not required to submit licensing fee declarations. Tax authorities shall determine the licensing fees payable according to their tax declaration dossiers and tax administration database.

## Special sales tax

Special sales tax (“SST”) is a form of excise tax that applies to the production or import of certain goods and the provision of certain services. Imported goods (except for various types of petrol) are subject to SST at both the import and selling stages.

### Taxable price

Taxable price of good/service is selling price of good/ service exclusive of special sales tax, environmental protection tax, and VAT. The tax authorities may evaluate the taxable price if the selling price is not considered to be in accordance with the market price. The taxable price of imported goods upon importation is the sum of dutiable price and import duties.

An anti-avoidance provision may set a minimum taxable price in certain situations where manufactured or imported goods are subsequently sold by a trading company to entities that are not third parties.

### Tax credits

Taxpayers producing SST liable goods from SST liable raw materials are entitled to claim a credit for the SST amount paid on raw materials imported or purchased from domestic manufacturers. Where taxpayers pay SST at both the import and selling stages, the SST paid at importation is creditable against SST paid at the selling stage.

## Tax rates

The Law on SST divides items subject to SST into two categories:

1. Commodities - cigarettes, liquor, beer, automobiles having less than 24 seats, motorcycles, airplanes, boats, petrol, air-conditioners up to 90,000 BTU, playing cards, votive papers; and
2. Service activities - discotheques, massage, karaoke, casinos, gambling, lotteries, golf clubs and entertainment with betting.

The SST rates are as follows:

Products / Services	Tax rates (%)
Cigar/Cigarettes	75
Spirit/Wine	35 – 65
Beer	65
Automobiles having less than 24 seats	10 – 150
Motorcycles of cylinder capacity above 125cm <sup>3</sup>	20
Airplanes	30
Boats	30
Petrol	7 – 10
Air-conditioner (not more than 90,000 BTU)	10
Playing cards	40
Votive papers	70
Discotheques	40
Massage, karaoke	30
Casino, jackpot games	35
Entertainment with betting	30
Golf	20
Lotteries	15

## Natural resources tax

Natural resources tax ("NRT") is payable by industries exploiting Vietnam's natural resources such as petroleum, minerals, forest products, natural seafood, natural bird's nests, and natural water. Under some certain circumstances, natural water used for agriculture, forestry, fisheries, salt industries and sea water for cooling purposes may be exempt from NRT.

The tax rates vary depending on the natural resource being exploited, ranging from 1% to 40%, and are applied to the production output at a specified taxable value per unit.

Various methods are available for the calculation of the taxable value of the resources, including cases where the commercial value of the resources cannot be determined. Petroleum, natural gas and coal gas are taxed at progressive tax rates depending on the daily average production output.

## Environment protection tax

Environment protection tax ("EPT") is an indirect tax which is applicable to the production and importation of certain goods deemed detrimental to the environment, the most significant of which are petroleum and coal. The tax rates are as follows:

Goods	Unit	Tax rate (VND)
Petrol, diesel, grease, etc.	liter/kg	1,000 – 4,000
Coal	ton	15,000 – 30,000
HCFCs	kg	5,000
Plastic bags (*)	kg	50,000
Restricted use chemicals	kg	500 - 1,000

(\*) Excludes plastic bags used for packaging or which are considered as environmental-friendly.

## Land rental

The rental of land use rights by foreign investors (if not contributed as capital) is in effect a form of property tax. It is usually known as land rental and the range of rates is wide depending upon the location, infrastructure, and the industrial sector in which the business is operating.

In addition, owners of houses and apartments have to pay land tax under the law on non-agricultural land use tax. The tax is charged on the specific land area used according to the prescribed price per square meter and progressive tax rates ranging from 0.03% to 0.15%.

## Import and export duties

### Import duties

#### *Rates*

Import and export duty rates are subject to frequent changes and it is always prudent to check the latest position.

Most goods imported into Vietnam are subject to import duty except when they meet the conditions for exemption.

Import duty is computed on an ad valorem basis, i.e., multiplying the imported good's dutiable value by the corresponding import duty rate.

Import duty rates are classified into 3 categories: ordinary rates, preferential rates, and special preferential rates. Preferential rates are applicable to imported goods from countries that have Most Favored Nation (MFN, also known as Normal Trade Relations) status with Vietnam. The MFN rates are in accordance with Vietnam's World Trade Organization ("WTO") commitments and are applicable to goods imported from other member countries of the WTO.

Special preferential rates are applicable to imported goods from countries that have a special preferential trade agreement with Vietnam. Vietnam has such free trade agreements with various countries including the ASEAN member states, Japan, China, India, Korea, Chile, Australia and New Zealand and has concluded negotiations with the customs union of Russia, Belarus and Kazakhstan. Vietnam has concluded 3 important agreements, including: the European Union FTA (EVFTA), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and the United Kingdom (UKVFTA).

In addition, Vietnam is negotiating other agreements including the European Free Trade Association (Vietnam and Iceland, Liechtenstein, Norway, and Switzerland) and with Israel are in progress.

To be eligible for preferential rates or special preferential rates, the imported goods must be accompanied by an appropriate Certificate of Origin. When goods are sourced from non-preferential treatment/non-favored countries, the ordinary rate (being the MFN rate with a 50% surcharge) is imposed.

Import VAT is also applied to imported goods at a rate most commonly of 10%.

### *Calculations*

In principle, Vietnam follows the WTO Valuation Agreement with certain variations. The dutiable value of imported goods is typically based on the transaction value (i.e. the price paid or payable for the imported goods, and where appropriate, adjusted for certain dutiable or non-dutiable elements). Where the transaction value is not applied, alternative methodologies for the calculation of the customs value will be used.

Special Sales Tax and Environment Protection Tax apply to some products in addition to import duties. VAT will be also applied on all imported goods and services (unless they are exempt from VAT under the prevailing regulations).

### *Exemptions*

Import duty exemptions are provided for projects which are classified as encouraged sectors and goods imported in certain circumstances.

Categories of import duty exemption include:

- Machinery & equipment, specialized means of transportation and construction materials (which cannot be produced in Vietnam) comprising the fixed assets of certain projects;
- Materials, supplies, components imported for processing of exports;
- Materials, supplies and components imported for the production of exported goods;
- Machinery, equipment, specialized means of transportation, materials (which cannot be produced in Vietnam), office equipment imported for use in oil and gas activities;

- Goods manufactured, processed, recycled, assembled in a free trade zone without using imported raw materials or components when they are imported into the domestic market;
- Materials, supplies and components which cannot be domestically produced and which are imported for the production of certain encouraged projects;
- Goods temporarily imported or exported for the purpose of warranty, repair, and replacement;
- Other cases prescribed by Law on Export and Import Duties.

### Refunds

There are various cases where a refund of import duties is possible, including for:

- Goods for which import duties have been paid but which are not actually physically imported;
- Imported raw materials that are not used in production and which must be re-exported;
- Imported raw materials that were imported for the production of products for the domestic market but are later used for the processing of goods for export under processing contracts with foreign parties.

### Export duties

Export duties are charged only on a few items, basically natural resources such as sand, chalk, marble, granite, ore, crude oil, forest products, and scrap metal. Rates range from 0% to 40%. The tax base for computation of export duties is the FOB /Delivered at Frontier price, i.e. the selling price at the port of departure as stated in the contract, excluding freight and insurance costs. If the customs values of the exported goods cannot be determined using the transaction value method, the customs authority will determine them using the following customs valuation bases in the following order: the transaction prices of similar exported goods in the customs authorities' pricing database, the selling prices of similar goods in the local market with certain adjustments, or the selling prices of exported goods collected, classified & adjusted by the customs authorities.

### Other taxes potentially imposed on imports

Other taxes, in addition to import duty and import VAT, may be levied on imported goods. These taxes include SST, environment protection tax, anti-dumping tax, safeguard tax and anti-subsidy tax, which are applied to a limited number of goods.

### Customs audit

The customs office may perform post customs audits either at their offices or at the customs declarants' premises. These inspections normally focus on issues including HS code classification, valuation, compliance with export/ toll manufacturing exemption schemes and certificates of origin.

## Tax audit and penalties

Tax audits are carried out regularly and often cover a number of tax years. Prior to an audit, the tax authorities send to taxpayer a written notice specifying the timing and scope of the audit inspection.

There are detailed regulations setting out penalties for various tax offences. These range from relatively minor administrative penalties through to tax penalties amounting to various multiples of the additional tax assessed. For discrepancies identified by the tax authorities (e.g. upon audit), a 20% penalty will be imposed on the amount of tax under-declared. Late payment of tax is subject to interest of 0.03% of the tax liability for each day late.

The general statute of limitations for imposing tax and late payment interest is 10 years (effective 1 July 2013) and for penalties is up to 5 years. Where taxpayer did not register for tax, there is no statute of limitation for imposing tax and late payment interest.

If taxpayers do not agree with the outcome of a tax audit, they may consider going through a tax appeal process (which may comprise two stages). Alternatively, taxpayers can bring the case to court.

# Accounting

## Accounting Law

The Accounting Law in 2015 was promulgated based on inheriting, amending, and supplementing several contents of the 2003 Accounting Law to fit the actual conditions of Vietnam's Economy and Society.

The Accounting Law in 2015 has clearly defined the principle of "fair value" to create a premise for the application of international financial reporting standards ("IFRS") in enterprises.

## Vietnamese Accounting Standards ("VAS")

In the period 2001 - 2005, the Ministry of Finance issued 26 Vietnamese Accounting Standards, applicable to all businesses in all fields and economic sectors operating in the territory of Vietnam, through the following Decisions:

- Decision 149/2001/QD-BTC on 31 December 2001
- Decision 165/2002/QD-BTC on 31 December 2002
- Decision 234/2003/QD-BTC on 30 December 2003
- Decision 12/2005/QD-BTC on 15 February 2005
- Decision 100/2005/QD-BTC on 28 December 2005

## Accounting system

The accounting system includes many accounting regimes prescribed for enterprises in different industrial fields.

Enterprises are generally required to adopt the Vietnamese Accounting System with the following regulations.

- **Circular 200/2014/TT-BTC** applies for all types of enterprises.
- **Circular 133/2016/TT-BTC** provides guidance on bookkeeping, preparation of financial statements of small and medium enterprises (SME) defined by the prevailing regulations. Besides, these enterprises may apply the accounting system under Circular 200/2014/TT-BTC, relevant regulations, and such accounting policies are applied consistently throughout the fiscal year.

- **Circular 132/2018/TT-BTC** applies for micro-enterprises. The micro-enterprises may choose to apply the accounting system under Circular 132/2018/TT-BTC or Circular 133/2016/TT-BTC that such regime is appropriate for business characteristics and managerial requirements of these enterprises.

In addition, for businesses operating in specific fields (securities, oil and gas, banking, etc.), some accounting principles and relevant legal documents will be required.

### General regulations on accounting for an enterprise

Framework	Accounting period
<ul style="list-style-type: none"> <li>• Vietnamese Accounting System, Vietnamese Accounting Standards and applicable regulations</li> </ul>	<ul style="list-style-type: none"> <li>• 12 months (calendar year or starting from the first day of the first month of this quarter to the end of the last day of the last month of the previous quarter of the following year).</li> <li>• Where the first or last annual accounting period is less than 90 days, it may be aggregated with the next or previous annual accounting period respectively but must be less than 15 months.</li> </ul>
Currency	Language
<ul style="list-style-type: none"> <li>• VND or foreign currency</li> <li>• Foreign currency is to be used as their accounting currency and to prepare financial statements, provided that they meet all the stipulated requirements.</li> <li>• In addition, it is also required to convert the financial statements prepared in foreign currencies into Vietnam Dong in accordance with the regulations.</li> </ul>	<ul style="list-style-type: none"> <li>• Vietnamese but can be combined with foreign languages.</li> </ul>

Seal	Accounting documents
<ul style="list-style-type: none"> <li>Companies are permitted to decide the type, quantity, form and contents of their official seals. The management, use and storage of an entity's seal must comply with its charter.</li> </ul>	<ul style="list-style-type: none"> <li>Hard copies and/or electronic files</li> <li>Where the local authorities request copies for testing, inspection, reconciling and monitoring, these enterprises may be required to print out the electronic accounting documents signed by their legal representatives.</li> </ul>
Retention	Chief Accountant
<ul style="list-style-type: none"> <li>Five (05) years for documents serving management or operation of the enterprise.</li> <li>Ten (10) years for documents directly used to record accounting books and prepare financial statements.</li> <li>Permanence for historical accounting documents having importance on economic, national security, and defense.</li> </ul>	<ul style="list-style-type: none"> <li>Newly set up companies could appoint its accountant in charge for the first-time operation in Vietnam.</li> <li>However, the appointment should not exceed 01 year; and then an appointment of Chief Accountant should be conducted under the regulation.</li> </ul>

## Financial Statements

Financial statements are used for aggregating and describing financial conditions and performance, are consist of

- Balance sheet
- Income statement
- Cash flow statement
- Notes to the financial statements
- Other statements required by law.

The annual financial statement shall be submitted to the competent authority within 90 days from the end of the annual accounting period as prescribed by law.

Additionally, listed entities and public interest entities must prepare and submit semi-annual financial statements.

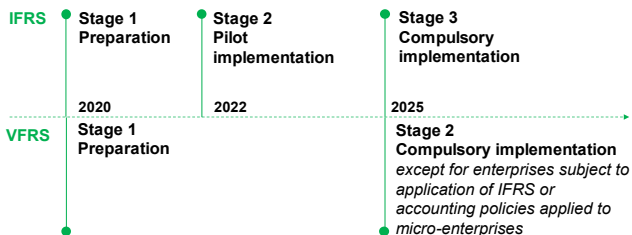
## Heading to International Financial Reporting Standards (“IFRS”)

On 16 March 2020, the Ministry of Finance issued Decision No. 345/QĐ-BTC approving the scheme for application of IFRS in Vietnam.

IFRS is expected to bring benefits to businesses in consist of enhancing transparency and comparability in financial reporting that should better facilitate the provision of financial information to relevant stakeholders and attract more foreign investment.

The Ministry of Finance concurrently promulgates the implementation of the Vietnamese Financial Reporting Standards (VFRS) on the principle of maximum absorption of international practices, in line with the characteristics of Vietnam’s Economy and the demands of enterprises, ensuring its feasibility in the implementation process.

The IFRS and VFRS implementation roadmap has the following stages.



# Auditing

## Vietnamese Standards on Auditing (“VSA”)

The Ministry of Finance issued 47 Vietnamese Standards on Auditing based on International Standards on Auditing.

Enterprises and organizations whose annual financial statements have to be audited by auditing firms or branches of foreign auditing firms in Vietnam include:

- Enterprises with foreign investment;
- Credit institutions established and operating under the Law on Credit Institutions;
- Financial institutions, insurance enterprises, insurance brokerage firms;
- Public companies, issuers, and securities trading organizations;
- State-owned enterprises, enterprises, organizations implementing the national important projects, group-A projects using state funds, Enterprises and organizations with state contributed capital and the projects funded by other State capital prescribed by the Government;
- Auditing firms, branches of foreign auditing firms in Vietnam.

## Deadline of submission

### Auditing Contract

- The Auditing contract of an enterprise or organization should be signed with independent auditing firms at least 30 days before the end of the enterprise’s fiscal year.

### Audited Financial Statements

- The deadline for submitting audited annual financial statements can vary from type of business to business, but generally be completed within 90 days of the end of the fiscal year.
- Reviewed interim financial statements must be completed within 45 days of the end of the first six months of the financial year.
- These financial statements should be filed with the applicable licensing authority, the Department of Corporate Finance, local tax authorities, Department of Statistics, and other relevant authorities.

## About RSM Vietnam

RSM Vietnam is one of the leading mid-tier accounting and advisory firms in Vietnam, which was established in July 2001. RSM Vietnam has become a member of RSM network since 2012. RSM Vietnam has more than 400 professional staff serving mid to large public-listed, multi-national and private companies in various industries. RSM Vietnam serves clients worldwide as an independent and highly integrated member of the RSM network which is ranked among the top 6 global accounting networks with correspondent firms in over 120 countries, over 830 offices worldwide, and more than 57,000 staff around the world.

RSM Vietnam was founded by the group of the certified public auditors (CPAs) and accredited consultants, who had worked in the field of the auditing and consulting since the very first days of this industry in Vietnam. Currently, we have the offices in Ho Chi Minh City, Hanoi, and Da Nang. RSM Vietnam is the 8th largest provider of tax services and audit and accounting services in Vietnam based on the ranking of the Ministry of Finance.

Our services include:

### Audit services

- Audit of financial statements
- Audit of capital implementation, audit of basic construction finalization
- Audit of the financial statements for tax reporting
- Audit of the operational expenses
- Review of financial information
- Review of financial information based on the agreed-upon procedures
- Fraud investigation & dispute service

### Tax services

- Tax health check
- Tax risk management
- Tax retainer
- Tax audit assistance
- Tax review and tax filing assistance
- Application for tax incentives
- Tax structuring
- Reviewing client tax returns

- Preparing tax returns for individuals who should file returns directly
- Working with tax authorities on behalf of clients
- Assisting clients in tax planning

### Transfer pricing

- Assistance in compliance obligations (preparation of transfer pricing documentation and related party transactions disclosure returns)
- Preparation/ Review of supporting transfer pricing documentation and policies
- Transfer pricing planning and structuring
- Transfer pricing dispute solution
- Transfer pricing training

### Advisory services

#### Corporate advisory

- Corporate setting up
- Corporate secretarial assistance
- Strategy and business plan
- Governance compliance
- Performance improvement
- Growth strategy

#### Transactions support

- Assisting in merger and acquisition processes
- Corporate valuation
- Finance, tax, legal and operation due diligence
- Buy side assistance
- Sell side assistance
- Assisting in negotiation of the sale and purchase agreement
- Advising on the post deal implementation
- Assisting in searching business partners
- Assisting in fund raising
- Business restructuring

#### Business process solutions

- Consolidating and preparing of financial statements or management accounting reports
- Reviewing the accounting process
- Designing, implementing and supporting the accounting system
- Providing the accounting staff and chief accountant

- Consulting the cost accounting system
- Consulting the accounting system
- Payroll outsourcing
- Providing bookkeeping services
- Providing the in-house accounting training (including financial and management accounting)
- Providing recruitment and labour outsourcing services
- Assisting in global staff mobilization
- Advising labour compliance
- Advising labour cost structuring
- Advising human resource strategy

## Risk advisory

### Risk advisory

- Special operation review/ outsourcing
- Internal audit
- Quality assurance review
- Risk management
- Internal control
- Corporate government and compliance

### Internal audit

- Special operation review/ Outsourcing
- Internal audit advisory
- Quality assurance review

### Internal control

- Evaluate existing internal controls and make appropriate recommendations for further improvements.
- Establish internal control framework
- Provide compliance audit service
- Ethics and fraud awareness related training.

### Risk management

- Establishment of Enterprise Risk Management function.
- Support for improvements of existing risk management framework.
- Provide independent assessment of risk management function.
- Facilitate the identification of your business's top critical risks.
- Provide risk workshop and awareness session.

### Corporate governance advisory

- The Board of Directors' Control Self-Assessment (CSA)
- Professionalizing the Board of Directors' work
- Assisting to establish and maintain the governing structure

### Business continuity plan

- Internal audit
- Business continuity and crisis management
- Pandemic preparedness planning
- Culture, governance and risk
- Effectiveness and efficiency

### Business controls review

- Review existing operating procedures, identify inadequacy and ineffectiveness of the key business processes
- Benchmark processes and/or systems against leading industry control templates
- Optimize existing internal controls to address the most critical business risks
- Develop a risk-based, internal control framework
- Upskill your team on controls documentation in accordance with COSO (Committee of Sponsoring Organizations of the Treadway Commission) method

### IT advisory

- IT general controls
- Application review (including ERP e.g. SAP, Oracle)
- IT technical assessment
- Control framework
- Cyber security to best practices to identify gaps for improvement

### Payroll outsourcing services

### Customs and international trade advisory services

### Support for local IPO and overseas listing

### Country desk services

- Chinese business services

## Contacts

Please contact any of the professionals listed below for further details of our services in Vietnam and for world-wide contacts

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We regularly share insights about the Vietnamese market via newsletters and our website. To sign up for our email alerts on regulatory & tax changes, please contact our Marketing at: [marketing@rsm.com.vn](mailto:marketing@rsm.com.vn)



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