



POCKET TAX BOOK 2018

Audit / Tax / Advisory

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Part A. Vietnamese tax system

Vietnamese tax system involves the following taxes:

- Corporate income tax (CIT);
- Personal income tax (PIT);
- Value-added tax (VAT);
- Foreign contractor tax (FCT);
- Export-Import duty;
- Special consumption tax (SCT);
- Natural resource tax (NRT);
- Environmental protection tax (EPT)
- Licensing fees, ...

Taxpayers are required to comply with law on tax declaration and payment.

Those who do not comply with law would be penalized or enforced by the State authority in accordance with the law in order to compel them to fulfill their tax obligation.

The table summarizing several important transactions and related taxes

Transaction \ Related subjects	Enterprise	The ultimate consumer	Individuals having income from other than wages or salaries/ Investors ⁽¹⁾	Individuals having income from wages or salaries	Foreign contractors, Foreign sub-contractors ⁽²⁾
Income from wages or salaries				PIT	
Purchasing goods and services consumed in Vietnam		VAT	PIT		FCT
Importing goods and services	Import duty, NRT, SCT, VAT				
Manufacturing and trading of goods and services	CIT		PIT		
Supplying of services or services attached to goods in Vietnam					FCT
Capital transfer; securities transfer	CIT		PIT		FCT
Real Estate transfer	VAT, CIT		PIT		
Capital investment	CIT				
Purchasing assets with registered ownership	VAT	VAT			
Winning prize			PIT	PIT	
Income from copyright			PIT		FCT
Natural resource exploitation	NRT, CIT		NRT		

(1) Investors include individuals having income from capital investment, capital transfer, securities transfer, real estate transfer, and other incomes from other than wages or salaries.

(2) Foreign contractors: see part 1 Section VI. Foreign contractor tax for details.

I. Personal Income tax

Personal income tax (PIT) is a direct tax imposed on the income of individuals living, working or doing business in the territory of Vietnam.

Legal Documents

- Law on personal income tax 2007 No. 04/2007/QH12.
- Law No. 26/2012/QH13 amending and supplementing some articles of the Law on personal income tax.
- Law No. 71/2014/QH13 on amendments to tax Laws.
- Decree No. 65/2013/ND-CP elaborating some articles of Law on personal income tax and Law amending and supplementing some articles of the Law on personal income tax.
- Decree 91/2014/ND-CP on amendments to Decrees on taxations.
- Decree 12/2015/ND-CP on elaboration of the Law on amendments to tax Laws and amendments to some articles of Decree on taxations.
- Circular 111/2013/TT-BTC guidance on Law on personal income tax, the Law on amendments to the law on personal income tax, and the Decree No. 65/2013/ND-CP elaborating some articles of Law on personal income tax and Law amending and supplementing some articles of the Law on personal income tax.
- Circular No. 151/2014/TT-BTC on implementation of Decree No. 91/2014/ND-CP on amendments to Decrees on taxations.
- Circular No. 92/2015/TT-BTC on guidelines for Value added tax and personal income tax incurred by residents doing business; implementing some amendments to some articles on personal income tax of Law No. No. 71/2014/QH13 on amendments to tax Laws, and Decree No. 12/2015/NĐ-CP on elaboration of the Law on amendments to tax Laws and amendments to some articles of Decree on taxations.
- Circular No. 95/2016/TT-BTC on guidelines for tax registration.
- Other relevant amending, supplementing and guiding documents.

1. Subject to PIT

Subjects to personal income tax include individuals as follows:

- Resident and having taxable income in and / or outside the territory of Vietnam, irrespective of where the income is paid.
- Non-resident but having taxable income arising within the territory of Vietnam, regardless of where income is paid.

Non-residents are individuals who do not meet the conditions of being residents.

The Definition of “resident” and “non-resident”

Resident means a person who satisfied one of the following conditions:

- Being present in Vietnam for 183 days or more in a calendar year or 12 consecutive months counting from the first date of their presence in Vietnam;
- Having a place of permanent residence in Vietnam, which is a registered place of permanent residence or rented house for dwelling in Vietnam under term in rent contract of 183 days or more in a tax year. Or in case of having a place of permanent residence in Vietnam but being actual present in Vietnam less than 183 days he/she fails to prove that he/she is resident person of other country.



Definition of PIT taxable income: Taxable incomes consist of income from wages, salaries and other incomes other than wages or salaries.

Taxable incomes from wages or salaries are the total personal income earnings of employees received from employers who are paid as stipulated in Clause 2, Article 3 of Law on personal income tax 2007 and other amended documents, other guidelines; except for the followings:

- Allowances for sudden difficulties, allowances for laborers suffering from labor accidents or occupational diseases; lump-sum maternity or child adoption allowances, allowances for working capacity decrease, lump-sum retirement allowances, monthly death gratuity, severance and job loss allowances, unemployment subsidies and other allowances, subsidies as prescribed in the Labor Code and the Law on Social insurance;
- Lump-sum allowances upon transferring region for foreigners coming Vietnam for residence, and Vietnamese people that go to work abroad, and Vietnamese people that have long-term residence overseas then go back to work in Vietnam;
- Allowances for attraction of laborers to work in certain branches or in certain regions.
- Allowances according to specific characteristic of occupations.
- The mid-shift meal does not exceed the limitation imposed by the Ministry of Labor, War Invalids and Social Affairs at 730,000 VND/person/month (Clause 4, Article 22, Circular 26/2016/TT-BLĐTBXH)
- Insurance premium are not compulsory and without accrual of insurance premium (including cases where insurance is purchased from insurers who are not established and operate under the laws of Vietnam which are allowed to sell insurance in Vietnam).
- Lump sum allowances for stationery, per diem, phone calls, attires, etc. that are not in excess of the limits prescribed by the State.
- Payments for means of transporting employees from home to work and vice versa according to regulations of the employers.
- Payments for training to improve the qualifications and skills of employees which suit the professional work of employees or in accordance with plans of employers.
- Supports provided by employers for medical examination and treatment of fatal diseases suffered by employees and their families (children, spouse, parents).
- The amount received from the income payers for employees' and their families' funeral and wedding shall comply with rules and regulations of the income payer and the guidance on determination of income subject to corporate income tax of instructional documents of the Law on Corporate income tax.
- Payments for round-trip air tickets made by the employers for foreign employees in Vietnam and Vietnamese employees overseas to go home once a year.
- The tuition fees for children of foreign employees in Vietnam to study in Vietnam, for children of Vietnamese employees overseas to study overseas from preschool to high school, which is paid by the employers on their behalf.
- Payments paid by employers for dispatching, reassigning foreign employees in Vietnam in accordance with labor contract, standard work schedules in accordance with international practice of some industries such as petroleum, mineral extraction.
- Incomes from the additional payments for working at night or working overtime in excess of wages according to the Labor Code.
- Pensions shall be paid from the Social Fund or Voluntary retirement Fund as prescribed.
- Incomes from wages and remunerations of Vietnamese crew members from working for foreign shipping companies or Vietnamese shipping companies that provide international transport services.
- Incomes of individuals being ship owners or individuals having the right to use the ships from provision of goods/services directly serving offshore fishing.

PIT taxable incomes other than from wages or salaries include the incomes from the following activities:

- Production and business activities having revenue from selling goods and services; independent professional activities of individuals possessing practice licenses or certificates under laws, whose revenue is VND 100 million or more each year.
- Capital investments including loan interest, share dividends and other form investments in accordance with regulations.
- Capital transfer including transfer of capital in economic organizations, transfer of securities and other forms as prescribed.
- Real estate transfer including transfer of land use rights and assets attached to land; ownership or use of house right; land lease and water surface rent right; other forms of transfer of real estate.

Some PIT tax-exempt incomes other than salaries or wages:

- Incomes from transferring of real estate between: spouses; parents and their children; adoptive parents and their adopted children; fathers-in-law or mothers-in-law and daughters-in-law or sons-in-law; grandparents and their grandchildren; or among blood siblings.
- Incomes from transferring of residential houses, rights to use residential land and assets attached to residential land of individuals who have only one residential house or land use right in Vietnam.
- Incomes from the value of land use rights of individuals who are assigned land by the State and not required to pay money or granted reduced land levy as prescribed by the laws.
- Incomes from receipt of inheritances, gifts that are real estates between: spouses; parents and their children; adoptive parents and their adopted children; fathers-in-law or mothers-in-law and daughters-in-law or sons-in-law; grandparents and their grandchildren; or among blood siblings.

- Winnings including lottery winnings; betting; promotion; prize-winning games and other forms of prizes.
- Copyright including the transfer, deliver of ownership and use rights of intellectual property in accordance with the Law on Intellectual Property; income from technology transfer in accordance with the Law on Technology Transfer.
- Franchising.
- Inherit.
- Gifts.

- Incomes from interests on deposits at credit Institutions, foreign bank brands or interests from life insurance contracts; incomes from Government bond.
- Incomes from foreign exchange remittances.
- Incomes from scholarships.
- Incomes from indemnities paid under life insurance policies, non-life insurance policies, compensations for labor accidents, compensations paid by the State, and other compensations as provided for by law.
- Incomes received from charity funds licensed or recognized by State authority and operating for charity, humanitarian, study encouragement or non-profit purposes.
- Incomes received from governmental or non-governmental foreign aid for charity or humanitarian purposes approved by State authority.

2. Bases for PIT calculation

2.1. The formula for determining PIT

$$\text{PIT payable} = \text{Taxable income} \times \text{PIT tax rate}$$

- Income from wages or salaries of resident individuals is imposed in accordance with the partially progressive tariff.
- Income other than wages or salaries is imposed the full rate schedule.

Table 1- Taxable income and tax rate of each taxable income:

No.	Taxable income	Resident	
		Taxable income determination	Tax rate
1	Income from wages or salaries	Taxable income from wages or salaries – tax reduction (see section 2.1 below)	The progressive tariffs are presented in table 2.
2	Income from business activities	Taxable revenue (see section 2.2 below)	<ul style="list-style-type: none"> Goods distribution and supply: 0.5%. Services, construction without contract materials: 2%. Property leases, insurance agents, lottery agents, multi-level sales agents: 5%. Manufacture, transportation, services associated with goods, construction with contracted materials: 1.5%. Other business activities: 1%.
3	Income from capital investment	Taxable income	5%

4	Income from contributed capital transfer	Transfer price – purchase price of the capital transfer – related reasonable expenses	20%
	Income from securities transfer	Transfer price each time	0.1%
5	Income from real estate transfer	Transfer price each time	2%
6	Income from inheritances or gifts	The income exceeds VND 10 million each time	10%
7	Income from copyright, franchising	The income exceeds VND 10 million each time of transfer contract	5%

STT	Taxable income	Non-resident	
		Taxable income determination	Tax rate
1	Income from wages or salaries	Taxable income from wages or salaries	20%
2	Income from business activities	Taxable revenue (similar to resident)	<ul style="list-style-type: none"> • Goods: 1%. • Service: 5%. • Manufacture, construction, transportation, and other business activities: 2%.
3	Income from capital investment	Taxable income	5%
4	Income from transferring contributed capital	Transfer price each time	0.1%

	Income from securities transfer	Transfer price each time	0.1%
5	Income from real estate transfer	Transfer price each time	2%
6	Income from inheritances or gifts	The income exceeds VND 10 million each time in Vietnam	10%
7	Income from copyright, franchising	The income exceeds VND 10 million each transfer contract in Vietnam.	5%

Table 2- The partially progressive tariffs

Level	Taxable income/ year (million VND)	Taxable income/ month (million VND)	Tax rate (%)
1	Up to 60	Up to 5	5
2	Over 60 to 120	Over 5 to 10	10
3	Over 120 to 216	Over 10 to 18	15
4	Over 216 to 384	Over 18 to 32	20

5	Over 384 to 624	Over 32 to 52	25
6	Over 624 to 960	Over 52 to 80	30
7	Over 960	Over 80	35

2.2. Tax reduction

- Premiums of social insurance, health insurance, unemployment insurance, professional liability insurance for certain occupations that are subject to compulsory insurance.
- Contributions to the voluntary retirement fund, voluntary retirement insurance with the maximum reduction of no more than VND 1 million / month / person as prescribed.
- Contributions to Charity Funds, Humanitarian Funds, Study Encouragement Funds.
- Family circumstance deductions:
 - For taxpayer: VND 9 million/month.
 - Deduction for dependent is VND 3,6 million/month/person. Each dependent should be deducted only once per taxpayer in the tax year. Taxpayers must determine dependents who meet all conditions for family circumstance-based reductions according to regulations and provide dossiers evidencing their family circumstances.

2.3. Revenue for calculating PIT

- Taxable revenue from business activities is total proceeds from sales, processing fee, commission, goods and services provision arising in the tax period.
- Taxable revenue for business individuals is the flat revenue that has been stable for a year. In cases where through the investigation, verification, examination and inspection data, the tax calculation revenue is changed from 50% or more to the flat revenue, the tax authority would redetermine the flat revenue in according with law on tax administration applied to the remaining period of the tax year.



3. Declaration, finalization, and paying PIT

3.1. Declaration and paying PIT

Individual having taxable incomes	Income-paying organization
Tax period	
<ul style="list-style-type: none"> Income from wages or salaries shall be declared monthly or quarterly. Income from business activities shall be declared quarterly, annually or when it is incurred. Other incomes shall be declared when they are incurred 	<ul style="list-style-type: none"> Declaring monthly or quarterly is determined one time from the first month of tax deduction and applied for the full year. Withholding tax on a monthly or quarterly basis. If no PIT deduction occurs, no tax declaration If there is a deductible tax amount of at least one type of PIT declaration of 50 million VND or more, tax declaration shall be made on a monthly basis, except for cases where the organization or individual pays incomes liable to VAT declaration on a quarterly basis.
Tax declaration dossier	
<ul style="list-style-type: none"> Individuals having income from wages or salaries shall directly declare at tax authorities: Form No. 02/KK-TNCN. Other cases are prescribed at Article 16 Circular 156/2013/TT-BTC and other amended documents. 	<ul style="list-style-type: none"> Form No. 05/KK-TNCN (applied for income from wages or salaries). Form No. 06/TNCN (applied for incomes from capital investment transfer, securities transfer, copyrights, franchising, winning prizes of residents and non-residents; incomes from business activities and capital transfer of non-residents)

Place for submission of tax declaration dossiers	
<ul style="list-style-type: none"> The Tax Department directly manages the workplace or place of business in Vietnam Other cases stipulated in Circular 156/2013/TT-BTC and other amendments and supplements 	<ul style="list-style-type: none"> Income-paying organizations and individuals that are production and business establishments shall submit their tax declaration dossiers to tax authorities directly managing such organizations and individuals. Income-paying organizations are foreign diplomatic missions, international organizations and representative offices of foreign organizations shall submit their tax declaration dossiers to the Tax Departments of the localities where they are headquartered.
Time limit for declaration and temporary payment of PIT Paying tax and how to pay tax (See Tax administration section for details)	

Tax declaration for other incomes:

Incomes	Tax declaration
Business individuals paying taxes under the flat tax method and business individual paying taxes when it is incurred	Form No. 01/CNKD
Individuals having income from real estate transfer; income from inheritances and gifts which are real estate.	Form No. 03/BĐS-TNCN
Residents having income from capital transfer; individual having income from securities transfer directly declaring at tax authorities.	Form No. 04/CNV-TNCN

Individuals having income from inheritances and gifts which are not real estate	Form No. 04/TKQT-TNCN
Individuals receiving dividends as shares, profits recorded as increased capital when transferring	Form No. 04/ĐTV-TNCN
Individuals having income from business activities, capital investment, copyrights, franchising, and winning prizes from abroad.	Form No. 04/NGG-TNCN

PIT deduction

- Income-paying organizations withhold tax amounts and deduct payable tax amounts into taxpayers' incomes before paying incomes.
- Employees who have worked for from 3 months or more in the tax year and registered for family circumstances deduction at organizations shall be deducted under the partially progressive tariff.
- Employees who do not sign labor contract or have being worked for less than 3 months in the tax period with an income of VND 2 million/ month or more, he/she must be deducted by 10% of this income.

3.2. PIT finalization

The tax finalization is implemented at the end of fiscal year only applies to income from salaries or wages.

For incomes other than salaries or wages, the PIT shall be declared and paid at each time of arising of tax payment without tax finalization.

Foreigners are required to finalize tax upon the termination of their Vietnamese work term and before leaving Vietnam.

Individuals having income from wages or salaries	Income-paying organization
In cases where PIT finalization is required	
<ul style="list-style-type: none"> Have additional tax. Have overpaid tax and have a need to request a refund or offset in the next tax period. Being subject to tax reduction due to natural calamities, fires, accidents, dangerous diseases. Residents who are foreigners who terminate their contracts in Vietnam must declare tax finalization with the tax authorities before their departure. 	<ul style="list-style-type: none"> Income-paying organizations and individuals shall be required to declare PIT finalization and finalize PIT for individuals who delegate, regardless of whether tax deduction arising or not. In case no income is paid, PIT finalization is not required. However, Ho Chi Minh taxation Department requires the official letter to inform that there is no income in the year (no specific form).
Delegation for tax finalization <p>Individuals who only earn income from wages or salaries, who sign labor contract for at least 3 months at an income-paying organization and are actually working at such organization at the time of delegation for tax finalization, even if he/she has worked less than 12 months in a year and have irregular income at others on a monthly average not exceeding VND10 millions already deducted PIT at 10% without PIT finalization request for such income; can delegate to finalize tax to the income-paying organization with the income paid by such organization.</p>	

Dossiers of PIT finalization	
<ul style="list-style-type: none"> Form No. 02/QTT-TNCN, Form No. 02-1/BK-QTT-TNCN attached to Circular No. 92/2015/TT-BTC. Other documents as required. 	Form No. 05/QTT-TNCN, Form No. 05-1/BK-QTT-TNCN, Form No. 05-2/BK-QTT-TNCN (for 2 such appendixes are required for taxpayers having tax code, Form No. 05-3/BK-QTT-TNCN attached to Circular 92/2015/TT-BTC.
Place for submission of tax declaration dossiers	
<ul style="list-style-type: none"> The tax department where the individual submitted the tax declaration in the year. Other cases prescribe at Point c, Clause 3, Article 21 Circular No. 92/2015/TT-BTC dated June 15, 2015 	<ul style="list-style-type: none"> Income-paying organizations and individuals that are production and business establishments shall submit their tax declaration dossiers to tax authorities directly managing such organizations and individuals. Income-paying organizations are foreign diplomatic missions, international organizations and representative offices of foreign organizations shall submit their tax declaration dossiers to the Tax Departments of the localities where they are headquartered. Other cases prescribed at Clause 1, Article 16 Circular 156/2013/TT-TC dated November 6, 2013
Deadline for submission of tax finalization declaration dossiers (See Tax administration section for details) <p>The deadline for submission of tax finalization declaration dossiers is the 90th day after the end of the calendar year.</p>	

Finalization PIT applicable to foreigners residing in Vietnam and earning incomes both in Vietnam and in foreign countries:

- For incomes in foreign countries, organizations paying in foreign countries with PIT deduction, taxpayers shall be entitled to deduct PIT amounts already paid overseas in the amount of PIT payable in Vietnam, which must not exceed the payable PIT amount Vietnamese tax is distributed to the income generated abroad.
- In cases in according to foreign laws, where foreign tax authorities do not issue written certifications of tax paid, taxpayers may submit copies of certificates of tax deduction (with information of the tax declaration form) issued by income payers or copies of bank documents for tax paid overseas with certification of taxpayers.



II. Value-added tax

Value-added tax (VAT) is a tax imposed on the added value of goods or services arising in processing stages from production, circulation to consumption in Vietnam.

Legal Documents

- Law No. 13/2008/QH12 on value-added tax.
- Law No. 31/2013/QH13 on amendments to the Law on value-added tax.
- Law No. 71/2014/QH13 on amendments to Tax laws.
- Law No. 106/2016/QH13 on amendments to some articles of the Law on value-added tax, the Law on Special consumption tax, and the Law on Tax administration.
- Decree No. 92/2013/ND-CP on elaboration of some articles of Law amending and supplementing some articles of Law on Corporate income tax, and Law on Value-added tax.
- Decree No. 209/2013/ND-CP detailing and guiding implementation of Law on Value-added tax.
- Decree No. 91/2014/ND-CP on amendments to Decrees on Taxations.
- Decree No. 12/2015/ND-CP on elaboration of Law on amendments to tax Laws, and amendments to some articles of Decrees on Taxation.
- Decree No. 100/2016/ND-CP detailing and guiding implementation for some articles of Law on amendment of the Law on Value-added tax, the Law on Special consumption tax, and the Law on Tax administration.
- Circular No 219/2013/TT-BTC on guidelines for implementation of Law on value-added tax and Decree No. 209/2013/ND-CP detailing and guiding implementation of Law on Value-added tax.
- Circular No. 141/2013/TT-BTC on guidelines for implementation of Decree No. 92/2013/ND-CP on elaboration of some articles of Law amending and supplementing some articles of Law on Corporate income tax and Law, and Law on Value-added tax.
- Circular No.151/2014/TT-BTC on guidelines for implementation of Decree No. 91/2014/ND-CP on amendments to Decrees on Taxations.
- Circular No. 193/2015/TT-BTC amending and supplementing the Circular No 219/2013/TT-BTC on guidelines for implementation of Law on Value-added tax and Decree No. 209/2013/ND-CP detailing and guiding implementation of Law on Value-added tax.
- Circular No. 26/2015/TT-BTC guidance of implementation of Decree No. 12/2015/ND-CP on elaboration of Law on amendments to Tax Laws, and amendments to some articles of Decrees on Taxation; and amendments to some articles of Circular No. 39/2014/TT-BTC on invoices for goods and service provision.
- Circular No. 99/2016/TT-BTC on management of refund of value-added tax.
- Circular No. 130/2016/TT-BTC guidance for Decree No. 100/2016/ND-CP detailing and guiding implementation for some articles of Law on amendment of the Law on value-added tax, the Law on Special consumption tax, and the Law on Tax administration; and amendments to some articles of tax-related circulars.
- Other relevant amending, supplementing and guiding documents.

1. Taxable object and other related objects

Taxable objects are goods and services used for production, trading or consumption in Vietnam (including goods and services purchased from organizations and individuals abroad).

Non-taxable objects are detailed in [Appendix 1- VAT non-taxable objects](#)

Taxable persons are the final consumers consuming goods and services in Vietnamese territory through purchasing goods and service at price VAT included.

Taxpayers are organizations, individuals manufacturing, trading goods and services subjected to VAT and organization, individuals importing goods subjected to VAT.



2. Basis for VAT calculation

2.1. The formula for VAT determination

$$\text{VAT} = \text{Taxable price} \times \text{VAT tax rate}$$

2.2. Taxable price

Subjects	Taxable price
Goods and services provided by production and business enterprises	Sale price without VAT
Goods subject to Special consumption tax (SCT)	Sale price without VAT + SCT
Goods subject to environmental protection tax (EPT)	Sale price without VAT + EPT
Goods subject to special consumption tax and environmental protection tax	Sale price without VAT + SCT + EPT
Imported goods	Imported price at border checkpoints + import duty (if any) + SCT (if any) + EPT (if any)
Goods and services used for exchange, internal consumption, donation	The VAT calculation price of goods or services of the same or similar kind at the time of arising

Assets rental activities	The rent is exclusive of VAT
Goods sold by installment or deferred payment	The original price exclusive of VAT and interest
Goods processing	The price under the processing contracts exclusive of VAT
Construction and installation	The VAT-exclusive values of the completed constructions or works
Real estate trading	The transferring price excluding VAT– price for transferring land use right payable to the State budget
Acting agents, brokers, commission services	Commissions received without VAT

2.3. VAT rate

There are three tax rates: 0%, 5% and 10%. In which the VAT rate of 10% imposed to objects not subject to the VAT rate of 0% and objects not subject to the VAT rate of 5%.

Details of objects subject to the tax rate of 0% and objects subject to the tax rate of 5% in [Appendix 2- Objects subjects to VAT rate of 0%](#) and [Appendix 3- Objects subject to VAT rate of 5%](#)

- If the business entity does not determine the specific tax rate, it shall calculate and pay tax at the highest rate of the goods or services produced or traded by the entity.
- For imported goods, the tax rates specified in the Preferential Import Tariff shall apply.

3. VAT calculation method

There are two VAT calculation methods: VAT deduction method and direct calculation on added value.

Basing on the conditions of the business to determine the appropriate tax calculation method.

3.1. VAT deduction method

Applicable objects: applied by the taxpayers that adhere to the accounting and invoicing practice according to accounting and invoicing laws, including:

- Business entity having at least VND 1 billion in annual revenue from goods and services supply subjected to VAT, except for business households and business individuals.
- Business entity voluntary to apply credit-invoice method, except for the business households and individuals.

VAT payable determination

$$\text{VAT payable} = \text{Output VAT} - \text{Deductible VAT input}$$

- VAT output = \sum taxable price x tax rate (Sold goods and services).
- The deductible input VAT shall be equal to the total VAT stated on the VAT invoices for the purchase of goods or services and the vouchers of VAT payment for the imported goods and satisfy the following regulations:
 - Legitimate VAT invoices for purchased goods and services or vouchers of payment of VAT on imported goods, or vouchers of payment of VAT on behalf of foreign organizations that do not have Vietnamese legal status and the foreigners that do business or earn income in Vietnam.
 - Vouchers of non-cash payments for the purchased goods and services (including imported goods) that cost 20 million VND or more inclusive of VAT, except for the purchases each time that cost below 20 million VND inclusive of VAT; and imports being gifts, donations from overseas entities.

It is not allowed to deduct the input VAT on purchases goods and services used for production, trading goods and services not be subject to VAT.

Input VAT on fixed assets used for both production, trading of goods and services both subject and not subject to VAT, only VAT serving for production and trading of the goods and services subject to VAT should be deducted.

Value added tax on goods and services sold to organizations and individuals using humanitarian aid or non-refundable aid shall be fully deducted.

3.2. Direct calculation method

3.2.1. Direct calculation method on added value

Applicable subjects:

- Buying and selling gold, silver, precious stones.

Formula to determine VAT payable:

$$\text{VAT payable} = \text{The added value of the goods or services sold} \times \text{VAT rate}$$

$$\text{The added value of gold, silver, gemstones} = \text{Selling price of gold, silver and gems sold} - \text{Purchasing price of input gold, silver and precious stones}$$

If the value added of gold, silver, and gemstones in the tax period is negative (< 0), it may be offset against the positive value added (> 0). In case there is no positive value added or the positive value added is not sufficient to cancel out the negative value added, the negative value added shall be transferred to the next tax period of the year (but not to the next fiscal year).

3.2.2. Direct calculation method on revenue

Applicable subjects:

- Enterprises and cooperates that are operating with annual revenue less than VND 1 billion, except for case of voluntary registration for application of the tax deduction method.
- Business households and individuals.
- Foreign organizations and individuals conducting business in Vietnam not pursuant to the Law on Investment and other organizations that fail to adhere or adhere insufficiently regulations on accounting, invoices and documents as prescribed by law.

The formular to determine VAT payable

$$\text{VAT payable} = \text{Direct VAT rate \%} \times \text{Revenue}$$

Direct VAT rates applied to various business lines:

Business line	Direct VAT rates
Goods distribution or supply	1%
Services or construction exclusive of building materials	5%
Manufacturing, transport, services associated with goods, construction inclusive of building materials	3%
Other lines of business	2%

Taxable revenue: the total revenue from selling goods and services, which is written on the sale invoice for taxable goods and services, inclusive of the surcharges to which the seller is entitled.

4. VAT declaration, payment and refund

4.1. Cases of exemption on declaring and paying VAT

See details in *Article 5, Circular 219/2013/TT-BTC*, the followings are some highlights:

- Monetary compensation, bonus, allowance, or payment for transfer of emission permit, or other finance revenues, except for receiving money for services such as repair, warranty, promotion, advertising.
- A business organization or individual in Vietnam purchases services from a foreign organization that does not have a permanent establishment in Vietnam, or from an overseas individual that is not a resident in Vietnam. These services include: repair of vehicles, machinery, equipment (including supplies and parts); advertising, marketing; trade promotion; brokering sale of goods and services to abroad; training, sharing of international postal and telecommunications services.
- Transfer of investment projects for production, trading of goods or services subject to VAT.
- Fixed assets are transferred between the parent company and subsidiaries or among of these subsidiaries.
- Assets are contributed to establish a new company.
- The on-behalf payments that are not related to the sale of goods/services
- Imported goods that have been exported but returned by the foreign party.

4.2. VAT declaration and payment

VAT declaration dossier

Applicable case	Declaring form
Enterprises pay VAT on the deduction method	Form 01/GTGT
Enterprises pay VAT on the deduction method for investment projects	Form 02/GTGT
Enterprises paying direct VAT on the added value (entities engaged in the purchase and sale of gold, silver and gems)	Form 03/GTGT
Enterprises pay VAT directly on the revenue	Form 04/GTGT

Place for submission of VAT declaration dossier: Direct managing tax authorities.

Tax period

- Declaration of VAT on a monthly basis is applied for VAT taxpayers not eligible to declare on a quarterly basis, provisional each time arising.
- Declaration of VAT on a quarterly basis is applied for VAT taxpayers earning the total revenue from the sale of goods and services of the previous year of VND 50 billion or less.
- Declaration of temporarily calculated VAT on each time of arising is applied for extra-provincial construction, installation, travelling sales, transferring of real estate.
- Declaration of VAT on each occasion for VAT on the basis of the direct method on the revenue of the irregular traders.

Quarterly or monthly tax declaration is stable throughout the calendar year and is stable over a three-year period.

The deadline for submitting VAT declaration and payment: [See the Tax administration section for details](#)



4.3. VAT refund

Case of VAT refund:

- For business entities in the month (for case of monthly declaration), quarterly (for case of quarterly declaration) that have exported goods or services with an input VAT amount not yet credited for VND 300 million or more, the monthly or quarterly value added tax amounts shall be refunded;
 - If the month, quarterly input tax amount not yet deducted is less than VND 300 million, the deduction shall be made in the subsequent month and quarter;
 - In cases where both goods and services are exported, there are also goods and services for domestic consumption if after deduction with payable tax amounts, the input VAT amounts not yet deducted from the goods and the remaining export service of VND 300 million or more, business entities shall be entitled to tax refund.
- Where an existing business entity is subject to VAT by the deduction method, there are new investment projects (except for investment projects on construction of houses for sale) which are in the investment stage and have not been put into operation. If the business entity has not yet registered its business and has not made tax registration, the input VAT amount to be subtracted with the payable VAT amount of the production and business operation at the head office, after offsetting the VAT input amount of the goods or services for investment the remaining amount of VND 300 million or more, VAT will be refunded.
- Business entities that pay VAT by the tax deduction method shall be refunded VAT upon conversion of ownership, transformation of the enterprise, merger, combination, division, separation, dissolution, bankruptcy or termination of operation having overpaid of VAT amounts or input VAT amounts not yet fully credited.
- Programs; projects funded with non-refundable Official Development Assistance (ODA) or non-refundable aid or humanitarian aid.
- Subjects entitled to diplomatic privileges and immunities under the law on diplomatic privileges and immunities, which purchase goods and / or services in Vietnam for use, shall be refunded the VAT amount already inscribed on the VAT invoices or on the payment vouchers where the payment price is included with the VAT.
- Foreigners and Vietnamese residing abroad who hold passports or immigration papers granted by foreign State authorities shall be entitled to tax refund for goods purchased in Vietnam and accompanying them upon exit.
- Decisions on refund of VAT by competent authority according to law provisions and cases of VAT refund under treaties to which Vietnam is a member.

III. Corporate income tax

Corporate income tax (CIT) is a direct tax on the income of an organization, a legal entity.

- Corporate income tax is imposed on the enterprise's income after deducting expenses to generate income in the tax period. Therefore, the enterprise only has to pay corporate income tax when it has profit.
- Corporate income tax shall be adjusted for enterprises established under the provisions of Vietnamese law and foreign enterprises having taxable incomes generated in Vietnam.

The CIT incentive policy aims to attract investment in disadvantaged areas, encourage the development of specific sectors, encourage regional and regional economic restructuring, and create a competitive incentive mechanism for attracting foreign investment.

Legal Documents

- Law No. 14/2008/QH12 on Corporate income tax.
- Law No. 32/2013/QH13 on amendments to the Law on Corporate income tax.
- Law No. 71/2014/QH13 on amendments to tax Laws.
- Decree No. 218/2013/ND-CP on elaboration and guidance implementation of Law on Corporate income tax.
- Decree No. 91/2014/ND-CP on amendments to some articles of Decrees on taxations.
- Decree No. 12/2015/ND-CP guidance on implementation of Law on amendments to tax Laws and amendments to some articles of Decrees on taxations.
- Circular No. 78/2014/TT-BTC guidance on implementation of Decree No. 218/2013/ND-CP on elaboration and guidance implementation of Law on Corporate income tax.
- Circular No. 151/2014/TT-BTC guidance on implementation of Decree No. 91/2014/ND-CP on amendments to some articles of Decrees on taxations.
- Circular No. 96/2015/TT-BTC guidance for corporate income tax in Decree No. 12/2015/ND-CP guidance on implementation of Law on amendments to tax Laws and amendments to some articles of Decrees on taxations; and amendments to some articles of Circular No. 78/2014/TT-BTC, Circular 119/2014/TT-BTC, and Circular 151/2014/TT-BTC.
- Other relevant amended and supplemented by- law documents.

1. Taxpayer

CIT payers are production and business organizations which have taxable incomes according to regulations.

- Enterprises established under the provisions of Vietnamese law shall pay tax on taxable incomes generated inside and outside Vietnam.
- Foreign enterprises having Vietnamese permanent establishments shall pay tax on taxable income generated outside Vietnam in connection with the operation of such permanent establishment and taxable income arising in Vietnam. (detailed guidance for this subject is found in item VI. Foreign Contractor Tax)
- Foreign enterprises without permanent establishments in Vietnam shall pay tax on taxable incomes generated in Vietnam. *(detailed guidance for this subject is found in item VI. Foreign Contractor Tax).*

The definition of “permanent establish of foreign enterprises”

A production or business establishment through which a foreign enterprise carries out part or all of its production and business activities in Vietnam, including:

- Branches, executive offices, factories, workshops, transport means, oil fields, gas fields, mines or other natural resource exploitation sites in Vietnam.
- Location of construction, construction, installation, assembly.
- Establishments providing services, including counseling through employees or other organizations or individuals.
- Agent for foreign enterprises.
- Representatives in Vietnam who are representatives authorized to sign contracts on behalf of foreign enterprises or representatives not authorized to sign contracts in the name of foreign enterprises, but regularly carry out delivery of goods or provide services in Vietnam.

The definition of “CIT taxable income”

CIT taxable incomes include:

- Income from production and trading of goods and services;
- Other income includes income from capital transfer, transfer of capital contribution; income from transfer of real estate, transfer of investment projects, transfer of rights to participate in investment projects, transfer of rights to explore, exploit and process minerals; income from property use rights, property ownership, including income from intellectual property rights in accordance with the law; Income from transfer, lease or liquidation of assets, including valuable papers; income from deposits, loans, foreign currencies; receivables from bad debts have been written off; receipts from payable debts cannot be identified; past incomes from previous business activities and other incomes, including incomes from production and business activities outside Vietnam.

2. Basis of CIT calculation

2.1. Formula for CIT determination

CIT	=	Assessable income	x	CIT tax rate
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Taxable income and tax rate for each type of assessable income:

Taxable income	Assessable income determination	Tax rate
Taxable income in tax period	<p>Assessable income = taxable income - (tax-exempt income + losses carried forward from previous years).</p> <p>In which:</p> <p>Taxable income = (revenue – deductible expenses) + other incomes</p> <p><i>Tax-exempt incomes and losses carried forward from previous years are details in Section III, point 2.2 and 2.4 respectively.</i></p>	<p>20%: Common CIT rate</p> <p>32% to 50%: CIT rate for oil and gas prospection, exploration and exploitation in Vietnam.</p> <p>40% or 50%: CIT rate for prospecting, exploring and exploiting rare and precious resources (including platinum, gold, silver, tin, wolfram, antimony, precious stones, rare earths except for oil and gas).</p>

Income from capital transfer	Transfer price - purchase price of the transferred capital - transfer cost	20%
Income from securities transfer	Stock price - purchase price of transferred securities - transfer cost	20%
Income from transfer of real estate	<p>Taxable income - losses from property carried forward from previous years (if any)</p> <p>In which:</p> <p>Taxable income = Revenue from real estate transfer - Cost of real estate transferred - Transfer costs.</p>	20%.

An enterprise that has different production and trading activities subject to different tax rates shall calculate the income from each activity separately and multiply it by the corresponding tax rate.

Income from the transfer of real estate or investment projects; income from the transfer of the right to participate in investment projects or the right to explore, exploit and process minerals as prescribed by law shall be separately accounted and are ineligible for enterprise income tax incentives.

2.2. Tax-exempt incomes

- Income from agriculture, forestry, fishery and salt production in accordance with the law.
- Incomes from the supply of technical services directly for agriculture.
- For incomes from carrying out the scientific research and technological development contracts in accordance with law on scientific and technology.
- Income from goods production and trading or service provision activities of enterprises employing disabled, drug-detoxified and HIV-infected laborers, who account for at least 30% of the average number of laborers of these enterprises in a year.
- Income from vocational training dedicated to the ethnic minorities, the disabled, underprivileged children, the objects of social evils, people undergoing detoxification, detoxified people, HIV/AIDS sufferers.
- Incomes divided from capital contribution, share purchase, joint venture or economic association with domestic enterprises, after contributed capital recipients, share issuers or joint venture or association parties have paid enterprise income tax under the Law on Enterprise Income Tax.
- The grants received are used for educational activities, scientific research, culture, art, charity, humanity and other social activities in Vietnam.
- Incomes from the first-time transfer of certified emission reductions (CERs) of enterprises granted with emission reduction certificates.
- Incomes from the performance of the State-assigned tasks of the Vietnam Development Bank in credit for investment development, for export,; incomes from credit activities for the poor and other policy beneficiaries by the Social Policy Bank; incomes of the single-member limited liability company managing assets of Vietnamese credit institutions; incomes from revenue-earning activities in the performance of the State-assigned tasks of state-owned financial funds.
- The undivided income of the establishments socializing the education, training, health and other socialized fields (including Offices of judicial inspection) is left for investment and development of those establishment as prescribed by specialized law on education – training, health and other socialized fields; the income forming the undivided assets of cooperatives which are established and operating under the provisions of the Law on cooperatives.
- Incomes from technology transfer in the prioritized fields of transfer of technology to organizations and individuals in geographical areas with particularly difficult socio-economic conditions.
- The income of the bailiff office (except for the income from activities other than the return of the bailiff) during the pilot period in accordance with the provisions of law on enforcement of civil judgments.

Bailiff office and bailiff activities shall comply with the provisions of relevant legal documents on this issue.

2.3. Deductible expense and non-deductible expense

Expenses are deductible when fully satisfy the following conditions:

- Actual expenses arising in relation to production and business activities of enterprises.
- Expenses with adequate lawful invoices and documents as required by law. For expenses for purchase of goods or services with invoices valued at VND 20 million or more (VAT-inclusive prices) each, there must be non-cash payment documents except from cases where no non-cash payment documents are required as prescribed.
- Not included in the list of expenses not deducted under regulations.

Non-deductible expense – See [Appendix 4- Non-deductible expenses when determining CIT taxable income](#) for details, the followings are some of highlights:

- Expenses that do not fully meet the conditions on deductible expenses when determining taxable income.
- Depreciation of fixed assets which is not in accordance with current stipulations, the excessive depreciation in compare with current stipulations.
- Employee remuneration expenses which are not actually paid or without valid payment vouchers; are not stated in a labor contract, collective labor agreement or the company financial policies.
- Expense in excess of VND3 million/month/person for: Deduction for voluntary retirement fund, voluntary retirement insurance, life insurance for laborers; The amount exceeding the level prescribed by the law on social insurance and health insurance to deduct social security funds (compulsory social insurance, supplementary pension insurance), insurance fund for health and unemployment insurance fund for employees.
- The excessive cost of business management expenses allocated by the foreign enterprises to the permanent establishment in Vietnam as calculated by the following formula:

Business management expenses allocated by foreign companies to the permanent establishment in Vietnam in the tax period	=	Taxable revenue of the permanent establishment in Vietnam in the tax period	x	Total business management expenses of foreign companies in the tax period
		Total revenue of company abroad including the revenue of permanent establishments in other country in the tax period		

- Expenses directly related to the issuance of shares (excluding shares being payable debts) and of dividends (excluding dividends of shares being payable debts), and purchase and sale of treasury shares, and other expenses directly related to the increase and decrease of equity of enterprises.
- Fine payments for administrative violations.
- Input VAT which has been credited or refunded, PIT, CIT.

- Provision fund to add for the wage fund of the subsequent year if not meeting 1 in 2 following conditions:
 - The annual level of provision fund must not exceed 17% of the implemented wage fund.
 - Spending all provision in 6 months from the last day of fiscal year.
- Interest expenses shall not be included in deductible expenses in the following cases:
 - The interests of working capital loans of entities other than credit institutions or economic organizations shall exceed 1.5 times the basic interest rate announced by the State Bank of Vietnam at the time of borrowing.
 - Payments of interest from loans corresponding to the missing charter capital, under the capital contribution schedule stated in the enterprise's charter.
 - Interest expenses that do not support production and business activities or have insufficient invoices / vouchers.
 - Total interest expenses in the period exceeded 20% EBITDA (regulated in Decree 20 & Circular 41).
 - In cases where the EBITDA is negative, all interest expenses in the tax period shall not be deducted when determining taxable income.

2.4. Carrying forward of losses

Enterprises that have suffered losses after making tax finalization may carry forward **continuously the whole loss** to subsequent years' taxable incomes (taxable incomes exclusive of tax-exempt incomes). The maximum duration for loss carry-forward is 5 consecutive years, counting from the year following the year the losses arise.

- The loss from the transfer of real estate, the transfer of investment projects, the transfer of the right to participate in investment projects shall be offset against profits from production and business activities.
- Losses from production and business activities entitled to CIT incentives shall be offset against profits from production and business activities not eligible for CIT incentives and vice versa.

3. CIT incentives

Objects eligible for CIT incentives:

- New investment projects in geographical areas where investment is encouraged, operating in the field of investment promotion or large-scale projects.
- Expansion projects should meet certain criteria.

Companies eligible for CIT incentives may enjoy a preferential tax rate (10%, 15%, 17%), tax reduction or tax exemption within the time required by law depending on the conditions of the project.

Objects and conditions for enjoying CIT incentives	Preferential tax rate	Exemption tax	Tax reduction
<i>The income of enterprises from the implementation of new investment projects in areas where investment is encouraged: economic zones, hi-tech zones and areas with particularly difficult socio-economic conditions.</i>	10% for 15 years	Maximum not more than 4 years	A 50% reduction of the payable tax amount shall not exceed 9 subsequent years
<i>Incomes of enterprises from the implementation of new investment projects in the fields of investment promotion, consist of:</i> Scientific research and technological development; application of high technologies on the list of high technologies prioritized for development investment in accordance with the Law on High Technologies; nursery of high technologies and hi-tech enterprises; venture investment in development of high technologies on the list of high technologies prioritized for development in accordance with the Law on High Technologies; construction investment and commercial operation of establishments nursing high technologies and hi-tech enterprises; investment in development water plants, power plants, water supply and drainage systems; bridges, roads, railways; airports, seaports, river ports; air fields, stations and other particularly important infrastructure facilities decided by the Prime Minister; production of software products; manufacture of composite materials, light building materials, rare and precious materials; generation of renewable energies, clean energy and energy from the waste disposal; development of biotechnology.	10% for 15 years	Maximum not more than 4 years	A 50% reduction of the payable tax amount shall not exceed 9 subsequent years
<i>Incomes of enterprises from the implementation of new investment projects in the field of environmental protection, covering manufacture of equipment for treating environmental pollution, equipment for environmental observation and analysis; environmental pollution treatment and protection; collection and treatment of wastewater, exhaust and solid wastes; recycling and reuse of wastes;</i>	10% for 15 years	Maximum not more than 4 years	A 50% reduction of the payable tax amount shall not exceed 9 subsequent years
<i>Hi-tech enterprises and agricultural enterprises applying high technologies defined in the Law on High Technologies</i>			
<i>Incomes of enterprises from the implementation of new investment projects in the fields of production (except projects producing goods items liable to special consumption tax and mineral mining projects):</i> <ul style="list-style-type: none"> A project has an initial registered investment capital of at least VND 6 	10% for 15 years	Maximum not more than 4 years	A 50% reduction of the payable tax amount shall not exceed 9 subsequent years

<p>(six) trillion, fully disburses the capital within 3 years after being granted an investment license and meet 1 in 2 the following conditions:</p> <ul style="list-style-type: none"> ○ The total revenue is at least VND 10,000 billion per year after not more than 3 years from the first year in which revenues are generated by the project. ○ The enterprise's annual average number of employees has over 3,000 employees after not more than 3 years from the first year in which revenues are generated by the project ● Scale of investment capital of at least VND 12,000 billion, using technology evaluated according to regulations, disbursing total investment capital for registration up to 5 years from the date of investment license according to the law on investment. 			
<p><i>Incomes of enterprises from the implementation of new investment projects engaged in manufacturing industrial products supporting prioritized development if they meet one of the following conditions:</i></p> <ul style="list-style-type: none"> ● Supporting industrial products for high technologies according to the Law on High Technologies; ● The products support the garment, textile, footwear, electronic, IT, , automobile assembly, or mechanical sectors and were not produced domestically as at 1 January 2015, or if produced domestically but they had to meet the quality standards of the EU or equivalent. 	10% for 15 years	Maximum not more than 4 years	A 50% reduction of the payable tax amount shall not exceed 9 subsequent years
<p><i>Income of enterprises from investment in socialization fields: Education and training, vocational training, healthcare, sports, environment, judicial inspection.</i></p>	10%	Maximum not more than 4 years	<ul style="list-style-type: none"> ● Projects implemented in areas with difficult or extremely difficult socio-economic conditions: a 50% reduction of the payable tax amounts for the subsequent 9 years; ● Projects implemented in areas not included in the list of areas with difficult or extremely difficult socio-economic conditions: a 50% reduction of the payable tax amounts for 5 subsequent years.

Incomes of publishing houses from <i>publication activities</i> in accordance with the Law on Publication.	10%	Not applicable	Not applicable
Incomes of press agencies from <i>printing newspapers</i> in accordance with the Law on Publication	10%	Not applicable	Not applicable
Incomes of enterprises from the implementation of projects <i>on investment and trading in social houses for sale or lease to or finance lease</i> by the subjects in accordance with the Housing Law.	10%	Not applicable	Not applicable
Income from some activities in <i>agriculture-forestry-fishery sector in socio-economic difficulty areas</i> .	10%	Not applicable	Not applicable
The incomes of cooperatives operating in the fields of agriculture, forestry, fishery and salt production outside socio-economic difficulty and socio-economic difficulty areas.	10%	Not applicable	Not applicable
Incomes of enterprises from farming, breeding, and agro-processing and fish processing in areas other than socio-economic difficulty and socio-economic difficulty areas	15%	Not applicable	Not applicable
Income of enterprise from <i>performing new investment projects in the areas with difficult socio-economic conditions</i> .	17% for 10 years	Maximum not more than 2 years	A 50% reduction of the payable tax amount shall not exceed 4 subsequent years
<i>Income of enterprise from performing new investment project in the field of investment incentives</i> : production of high-quality steel, energy saving products, machinery and equipment for agriculture, forestry, fishery and salt industry; production of irrigation and drainage equipment; production, refining of cattle, poultry and aquatic animal feed; development of traditional industries.			
Income of enterprises from implementing <i>new investment projects in industrial zones, except for industrial zones in geographical areas with favorable socio-economic conditions</i> .	20%		

The duration of applying the incentive tax may be extended if the project meets the criteria prescribed by law. However, the extension duration shall not exceed the period for which the preferences are granted for the first time.

Some other notes:

- Separate accounting of income from production and business activities is entitled to CIT incentives.
- At the same time, if the enterprise is entitled to more than one tax incentive for the same income, the enterprise is preferred to apply the most favorable tax rate.
- During the tax year, if the enterprise fails to satisfy one of the tax preference conditions, the tax year is not entitled to tax incentives.
- Incomes from real estate transfer, transfer of investment projects, transfer of rights to participate in investment projects, transfer of mineral exploration, mining or processing rights under the law are required to account separately for CIT declaration and payment, it is not eligible for CIT incentives.

The list of industries eligible for investment incentives is detailed in *Appendix I issued together with Decree No. 118/2015/ND-CP dated November 12, 2015 of the Government*.

The list of geographical areas eligible for investment incentives is specified in *Appendix II to the Government's Decree No. 118/2015/ND-CP of November 12, 2015*.



4. CIT declaration, finalization and payment

CIT declaration and finalization

- Tax period and tax declaration

Applicable case	Tax period	Declaring Form
Real estate transfer (for enterprises without real estate business function)	As each time arising	Form No. 02/TNDN
CIT from transfer of capital (for foreign organizations doing business in Vietnam or earning income in Vietnam (collectively referred to as foreign contractors), which do not operate under the Investment Law, the Enterprise Law)	As each time arising	Form No. 05/TNDN
For incomes from ordinary production and business activities of enterprises (not of the above types)	<p>It is not required to submit quarterly declaration of provisional CIT but only finalized at the end of the fiscal year/ year of the dissolution.</p> <p>However, businesses must temporarily pay CIT quarterly.</p> <p>If the tax amount temporarily paid in the tax period is lower than the payable CIT amount of 20% or more, the enterprise shall have to pay money for late payment of a difference of 20% or more between the temporarily paid tax amount and the tax amount required to pay in according to the finalization after the last day of the deadline for tax payment of the fourth quarter of the enterprise to the date of actually paying the outstanding tax amount as compared to the finalization.</p>	Form No. 03/TNDN

- Place to submit CIT return:
 - At the tax authorities directly managing (Taxation Department or District Tax Department).
 - In cases where an enterprise has its production establishment that accounts dependently in a province or a city belonged directly to central government other than the locality where its head office is located, the tax declaration dossier shall be submitted in the locality where it is headquartered (involving parts arising in dependent establishment).

CIT payment

- Place to pay CIT:
 - In the location where the head office is located.
 - Where enterprises have production establishments that account dependently located in provinces or cities belonged directly to central government other than the localities where they are headquartered, tax amounts shall be paid at the places where they are headquartered and where the establishments are located. The amount of CIT payable at each location shall be allocated on the basis of the proportion of expenses incurred in the dependent establishment in relation to the total expenses of the enterprise.
- Based on the results of production and business, enterprises temporarily pay the quarterly CIT.
- Deadline for paying CIT ([See Tax administration section for details](#)):
 - Temporary quarterly payment of CIT: no later than the 30th of the following quarter.
 - In case of declaration of CIT on each occasion: Within 10 days from the date of arising of the obligation.
 - Payment of CIT finalization: Within 90 days from the end of the calendar year or fiscal year. Dossier for dissolution: 45 days from the date of dissolution decision.

5. Profit Remittance

Foreign investors are permitted to remit their profits annually at the end of the fiscal year or upon termination of the investment in Vietnam. Foreign investors are not permitted to remit profits if the investee company has accumulated losses after carrying forward losses.

Conditions for profit remittance:

- Foreign investors have fulfilled their financial obligations to the State of Vietnam in accordance with the law.
- Submitted audited financial statements and CIT finalization declarations to the direct tax administration authorities.

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

IV. Foreign contractor tax (FCT)

Foreign contractors' tax is the adjusted tax for foreign organizations and individuals that do not operate under Vietnamese law and earn income from the providing services or services associated with goods in Vietnam.

Foreign contractors that are identified as foreign organizations with or without permanent establishments in Vietnam or individuals residing or not residing in Vietnam and conducting business activities in Vietnam.

[The definition of "permanent establishment of the foreign enterprise" see at section III, point 1 \(CIT\)](#)

Note: In cases where the Agreements on Avoidance of Double Taxation signed by the Socialist Republic of Vietnam contain different terms on permanent establishment or resident, the provisions of that Agreements shall be complied.

Legal Documents

- Circular 103/2014/TT-BTC on guidance for fulfillment of tax liability of foreign entities, individuals doing business in Vietnam or earning income in Vietnam.
- Circular No. 156/2013/TT-BTC guidance on implementation of Law on tax administration, Law on the amendments to the Law on tax administration, and Decree No. 83/2013/ND-CP.

1. Taxpayers

- Organizations established and operated under Vietnam's law or registers its operation under Vietnam law, other organizations and business individuals:
 - Purchasing services, services attached to goods, or paying income incurring in Vietnam under main contracts or subcontracts;
 - Purchasing goods in the form of on-spot ex-import or under Incoterms;
 - Distributing goods or providing services on behalf of foreign entities in Vietnam.
- Foreign contractors and foreign sub-contractors do business in Vietnam or earn income in Vietnam, and satisfy the following conditions:
 - [Having permanent establishment](#) ⁽³⁾ in Vietnam or [being resident](#) ⁽⁴⁾ in Vietnam.
 - The period of business operation in Vietnam under the main contract or subcontract is at least 183 days from the effective date of the contract or subcontract.
 - Applying Vietnam's accounting practice and tax registration, having tax code

⁽³⁾ See details in the definition of "permanent establishment" in Section III, Part 1 (CIT).

⁽⁴⁾ See details in the definition of "resident individual" in Section I, Part 1 (PIT).

2. Basis for FCT determination

2.1. Applicable taxes

Foreign contractors, foreign sub-contractors are required to perform the following tax obligations:

- Value added tax (VAT) and corporate income tax (for business organizations);
- Value added tax (VAT) and personal income tax (for foreign individuals doing business).

Objects subject to VAT:

Services or services attached to goods subject to VAT that are provided by foreign contractors and foreign sub-contractors under main contracts and subcontracts and used for manufacture, sale, and consumption in Vietnam.

CIT taxable income:

- Incomes from provision of goods, services, and services attached to goods in Vietnam under main contracts and subcontracts (except for the case in Article 2 Circular 103/2014/TT-BTC).
- If goods is delivered to a location in Vietnam (except for the case in Clause 5 Article 2 Circular 103/2014/TT-BTC), or goods provision is attached to some services provided in Vietnam such as marketing, sale promotion, installation, test run, warranty, maintenance, replacement, and other services (including complimentary services), whether or not such services are part of the goods supply contract, then income subject to corporate income tax of foreign contractors and foreign sub-contractors is the total value of goods/services.

Incomes incurring in Vietnam in any form under main contracts or sub-contracts, regardless of the location where the contractor or subcontractor operate their business. Detail as following:

- Income from transfer of asset use right, ownership, transfer of the right to participate in business contracts/ projects in Vietnam, transfer of property right in Vietnam.
- Income from copyright means any income paid for the right to use, transfer of intellectual property rights and technology transfer, software copyright.
- Income from transfer and liquidation of assets.
- Income from securities transfer.
- Fines and compensations paid by parties breaching contracts.
- Income from loan interest means income from loans; income from deposit interest (except for deposit interest of foreigners and interest derived from deposit accounts meant to sustain operation in Vietnam of diplomatic missions, representative offices of international organizations and non-governmental organizations in Vietnam); income from interest on late payment under contracts; income from bond interest and bond discounts (except for tax-free bonds), treasury bills; income from deposit certificates.
- Other incomes defined by law.

The personal income tax obligation shall be implemented in accordance with the law on personal income tax (see Section I. Personal Income Tax)

3. FCT declaration and calculation method

3.1. Declaration method

By this method, foreign contractors pay VAT by the deduction method and pay the foreign contractor tax on the basis of declaration of revenue, which is similar to that of an enterprise established in Vietnam (see sections II and III).

Applicants:

- Having [permanent establishment](#) ⁽⁵⁾ in Vietnam, or [being resident](#) ⁽⁶⁾ in Vietnam.
- The period of business operation in Vietnam under the main contract or subcontract is at least 183 days from the effective date of the contract or subcontract.
- Applying Vietnam's accounting practice, tax registration and issued with a tax code by tax authority.

⁽⁵⁾ See details in the definition of "permanent establishment" in Section III, Part 1 (CIT pocket).

⁽⁶⁾ See details in the definition of "resident individual" in Section I, Part 1 (PIT pocket).

3.2. Direct method

If the foreign contractors fail to meet one of the conditions for applying the tax payment by the declaration method, they shall pay tax according to this method. Accordingly, pay VAT and CIT according to the method of calculation on revenue.

Value-added tax:

VAT payable	=	VAT taxable revenue	x	VAT rate on taxable revenue
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Foreign contractors must not deduct VAT on goods/services purchased to execute contracts.

- Revenue subject to VAT is total revenue from provision of services and services attached to goods subject to VAT received by the foreign contractor or foreign sub-contractor inclusive of tax payables and any costs (if any) paid by the Vietnamese party on behalf of the foreign contractor or foreign sub-contractor. (See more detail in Clause 1, Article 12 of Circular 103/2014/TT-BTC)
- VAT rate on taxable revenue are detailed at Section IV, point 3.4.

Where foreign contractors supply goods or services for conducting oil and gas field prospecting, exploration, development and exploitation activities by direct method, the Vietnamese party shall have to withhold and pay VAT before payment.

$$\text{The amount of tax paid on behalf} = \text{The total payment exclusive of VAT} \times \text{VAT rate applied to the goods/services provided by the foreign contractor}$$

Corporate income tax:

$$\text{CIT payable} = \text{CIT taxable revenue} \times \text{CIT rate on taxable revenue}$$

- CIT taxable revenue is the total revenue exclusive of VAT received by the foreign contractor or foreign sub-contractor, inclusive of tax payables. Revenue subject to CIT includes the expenses paid by the Vietnamese party on behalf of the foreign contractor or foreign sub-contractor (if any). (See also detail in Clause 1, Article 13 of Circular 103/2014/TT-BTC).
- CIT rate on taxable revenue are detailed at Section IV, point 3.4.

3.3. Hybrid method

In this method, foreign contractors pay VAT by the deduction method, and pay CIT according to percentage of revenue.

Applicants:

Foreign contractors satisfy all of three following conditions:

- Having a permanent establishment in Vietnam or being resident in Vietnam.
- The period of business operation on Vietnam under the main contract or subcontract is at least 183 days from the effective date of the contract.
- Implementation of accounting in accordance with the law on accounting and guidance of the Ministry of Finance.

3.4. Tax rate on revenue in some cases:

Subjects	VAT rate	CIT rate
Trading: distribution, supply of goods, materials, machinery and equipment attached to services in Vietnam (including those provided in the form of on-spot ex-exports, except for goods processed under processing contracts with foreign organizations and individuals); supply of goods under Incoterms	Exemption	1%
Services, lease of machinery and equipment, insurance, lease of oilrig.	5%	5%
Restaurant, hotel, casino management services	5%	10%
Derivative financial services	Exemption	2%
Lease of aircraft, aircraft engines, spare parts of aircrafts and ships	Tax exemption for those	2%

	who cannot be produced in Vietnam	
Construction, installation, whether or not inclusive of materials, machinery and equipment	5%	2%
Other business and production activities, transport (including sea transport and air transport)	3% (international transport is imposed a tax rate of 0%)	2%
Transfer of securities, deposit certificates, reinsurance abroad, reinsurance commission	Exemption	0.1%
Loan interest	Exemption	5%
Income from copyright	Exemption	10%

4. FCT declaration and finalization

Dossier for FCT declaration and finalization

- For the case where the contractor chooses the "declaration method", the manner of declaration and settlement shall be the same as that of Vietnamese enterprises, as specified in Sections I and III.
- For the case of contractor selection of "direct method" and "mixed method", follow the instructions below.

	In case of paying VAT directly calculated on added value, CIT shall be calculated according to percentage of revenue (direct method)	In case of paying VAT by the deduction method, CIT shall be paid according to the percentage of revenue (mixed method)
Dossier for FCT declaration	<ul style="list-style-type: none"> Tax declaration form No. 01/NTNN (for Vietnamese parties withheld and paid on behalf of foreign contractors). A copy of the contract certified by the taxpayer. A copy of business license with certification of taxpayers. 	<ul style="list-style-type: none"> Tax declaration form No. 03/NTNN (for foreign contractors directly paying CIT according to percentage of taxable revenue). A copy of the contract certified by the taxpayer. A copy of business license with certification of taxpayers.
Dossier for FCT finalization	<ul style="list-style-type: none"> Declaration of contractors tax finalization in accordance with Form No 02 / NTNN (for Vietnamese parties withholding and paying taxes on behalf of foreign contractors). A list of foreign contractors and subcontractors participating in the performance of contractor contracts in accordance with Form No 02-1 / NTNN, 02-2 / NTNN. A list of tax payment documents. The contractor's liquidation (if any). 	<ul style="list-style-type: none"> Declaration of contractors' tax finalization in accordance with Form No 04/NTNN (for foreign contractors directly paying CIT according to percentage of revenue for tax calculation). A list of Vietnamese subcontractors participating in the performance of the contractor contract in accordance with Form No 02-2 / NTNN. A list of tax payment documents. The contractor's liquidation (if any).

Tax declaration period	<ul style="list-style-type: none"> On each occasion: within 10 days from the date of payment for foreign contractors. In cases where the Vietnamese party pays the foreign contractor several times a month, the tax declaration may be made on a monthly basis instead of the declaration made on each occasion of payment to the foreign contractor: no later than 20th of the following month. 	<ul style="list-style-type: none"> Declaration of VAT by deduction method: the same as for Vietnamese enterprises. Declaration of CIT in percentage of revenue: declaration made on each occasion within 10 days from day as foreign contractors received the settlement. In cases where foreign contractors receive monthly payments, they may register their tax returns on a monthly basis instead of making declarations on each occasion: no later than 20th of the following month.
Finalization period	<ul style="list-style-type: none"> Within 45 days of the end of the contract. 	
Place to submit Dossier for declaration and finalization of FCT	<ul style="list-style-type: none"> Tax authorities directly managing the company. 	

V. Relate-party transaction

Taxpayers engaged in related-party transactions must make declaration of their related-party transactions; eliminate factors causing reduction in tax obligations that are controlled or affected by related-party relationships in order to define tax obligations imposed on related-party transactions which are comparable to arm-length transactions having the same conditions.

Legal Document

- Decree No. 20/2017/ND-CP on tax administration with respect to enterprises that carry out related party transactions.

Decree No. 20 took effect on 1st May 2017 updated new guidelines of The Organization for Economic Co-operation and Development (OECD) and Base Erosion and Profit Shifting Project (BEPS).

- Decree No. 41/2017/TT-BTC guidance on implementation some articles of Decree No. 20/2017/ND-CP on tax administration with respect to enterprises that carry out related party transactions.

1. Determining related-party transactions and related parties

“**Related-party transaction**” is transactions arising between parties having related-party relationships during their production and business process, including purchase, sale, exchange, hire and rent for, transfer, and assignment of machinery, equipment and commodities, and providing services; borrowing, lending, financial service, financial assurance and other financial instruments; purchase, sale, exchange, hire and rentfor, transfer and assignment of tangible assets, intangible assets and agreement on joint use of resources such as synergies and cooperations in utilization of human resources; sharing of expenses between related parties.

Related parties are parties having relationships:

- A party participates directly or indirectly in the management, control or contribution of equity or investment in others
- Parties are directly or indirectly jointly managed, controlled, contributed capital, or invested by another party.

Specifically:

- Specify the cases where the parties are related parties: 10.
- Association via direct/ indirect ownership of capital: $\geq 25\%$.
- Association via borrowing and lending: loan principal $\geq 25\%$ of chartered capital of borrower; and principal $\geq 50\%$ of total medium and long-term liabilities of borrower.
The loan includes ones from third party which is guaranteed by a related party; and similar financial arrangements.
- Other cases specified in Clause 2, Article 5 of Decree 20.

The "substance-over-form" principle is introduced in Decree 20, which defines the nature of associated transactions to recognize / not recognize related-party transactions.

2. The responsibility of enterprise having related-party transactions

Declaration

Declaring information of related-party relationships and transactions using the form No. 01 at Appendix as promulgated in Decree No. 20/2017/ND-CP submitting it together with the corporate income tax finalization declaration.

Deadline: The same deadline for submission of CIT finalization declaration forms: 90 days from the end of fiscal year.

Retaining and providing the transfer pricing documentation package, including:

- Local file providing information on related-party transactions, policies and methods of determining prices for related-party transactions shall be made and kept at the taxpayers' offices.
- Master file containing information relevant for global corporations' overview and activities.
- Country-by-Country report of an ultimate parent company provides information regarding the profitability and tax payables of multinational corporations and the performance indicators of corporations.
 - If a taxpayer is an ultimate parent company that operates within the territory of Vietnam and generates at least VND 18.000 billion in global consolidated revenue, then it takes responsibility for preparing a Country-by-Country report included in the transfer pricing documentation package.
 - For a taxpayer having an overseas ultimate parent company, a taxpayer shall be responsible for submitting a copy of its ultimate parent company's Country-by-Country report where that ultimate parent company is required to submit this report to the tax authority in host-country. Where a taxpayer fails to provide a Country-by-Country report, that taxpayer is obligated to provide a written explanation letter in which reasons for such failure, legal bases, and references to specific legislative regulations of the counterparty country on prohibiting taxpayers from providing Country-by-Country reports.

Transfer pricing documentation must be prepared annually and completed before deadline for CIT finalization (within 90 days from fiscal year end); must be kept and presented on Tax Authority's request.

The deadline for submitting the transfer pricing documentation package when the tax authority requires:

- When a tax authority carries out transfer pricing inspection: no longer than 15 working days.
- During the consultation procedures prior to the inspection, audit: no longer than 30 working days. Where sound reasons are provided by taxpayers, the submission deadline shall be extended only once to no longer than 15 working days.

Exemption from preparing transfer pricing documentation:

- Taxpayer whose total revenue in tax period is less than VND 50 billion and total value of related party transactions in tax period is less than VND 30 billion;
- Taxpayer who signed Advance Pricing Agreement (APA) has submitted the annual report in accordance with legislation on Advance Pricing Agreement (APA).
- Taxpayer that carries out simple function, does not earn revenue, nor incur expenditure derived from using intangible assets and has revenue less than VND 200 billion and EBIT satisfies according to industries as following:
 - Distribution: $\geq 5\%$
 - Manufacturing: $\geq 10\%$
 - Processing: $\geq 15\%$.

Taxpayer who is exempt from preparing transfer pricing document may still be required to declare transfer pricing information in according to regulations.

3. Regulation on expenses not deductible when calculating CIT in specific cases for enterprises having related-party transactions

- Expenses incurred in associated transactions are inappropriate with the nature of arm-length transactions or do not contribute to generating revenue or income from production and business activities of taxpayers.
- Expenses incurred from some cases where service is provided.
- Interest expenses in the case that exceeds the limit of 20% of total earnings before interest, tax, depreciation and amortization (EBITDA).



VI. Special Consumption Tax (SCT)

Special consumption tax is a tax on certain goods and services on the list of State regulations on adjusting production or guiding consumption.

Special consumption tax is included in selling price of goods and services which the ultimate consumer pays for. Therefore, taxpayers are the producers of goods and services subject to SCT, persons those subject to SCT are consumers of goods and services subject to SCT.

Legal Documents

- Law No. 27/2008/QH12 on Special consumption tax.
- Law No. 70/2014/QH13 on amendments to some articles of Law on Special consumption tax.
- Law No. 106/2016/QH13 on amendments to some articles of Law on value-added tax, Law on Special consumption tax, and the Law on tax administration.
- Decree No. 108/2015/ND-CP on elaboration and guidance for implementation of some articles of the Law on Special consumption tax and the Law on amendments to the Law on Special consumption tax.
- Decree No. 100/2016/ND-CP on elaboration and guidance for implementation of some articles of Law on amendments to the Law on value-added tax, the Law on Special consumption tax and the Law on tax administration.
- Circular No. 195/2015/TT-BTC guidance on implementation of Decree No. 108/2015/ND-CP on elaboration and guidance for implementation of some articles of the Law on Special consumption tax and the Law on amendments to the Law on Special consumption tax.
- Circular No. 130/2016/TT-BTC guidance on implementation of Decree No. 100/2016/ND-CP on elaboration and guidance for implementation of some articles of Law on amendments to the Law on value-added tax, the Law on Special consumption tax and the Law on tax administration, and amendments to some articles of tax- related circulars.
- Circular No. 20/2017/TT-BTC on amendments to section 2 Article 4 Circular No. 195/2015/TT-BTC (as amended by the Circular No 130/2016/TT-BTC).

1. Taxpayers

Organizations and individuals produce, import goods and providing services which are subject to SCT.

SCT taxable objects and non-taxable objects are detailed at [Appendix 5- Objects subject to SCT](#) and [Appendix 6- Object not subject to SCT](#).

2. Basis for SCT determination

2.1. Formula to determine SCT

$$\text{SCT payable} = \text{Taxable price} \times \text{SCT rate}$$

Imported goods (except for petrol of all kinds) are subject to SCT at both importing and selling.

SCT taxable price

SCT taxable price of goods and services is the selling price, exclusive of SCT and VAT.

Objects	SCT taxable price
Domestically produced goods and imported goods	The selling prices imposed by manufacturers or importers.
Imported goods at importation	Prices subject to import duty plus (+) import duty. If imports are eligible for exemption or reduction of import duty, taxable price shall not include the reduction or exemption.
Goods sold on installment or deferred payment	The one-off selling price of such goods, exclusive of the installment or deferred interest payment

In cases where goods subject to SCT are sold to commercial business establishments where between commercial business establishments and the production establishments, import or commercial business establishment there are the relations of the parent company and subsidiary company or between the subsidiaries of the same parent company, the selling price used as a basis for determining the SCT calculation price must not be lower than 7% of the monthly average price of business establishments buying directly from production or importing establishments.

The tax authority shall impose the SCT calculation price in case the selling price used as a basis for determining the SCT calculation price of a production establishment or establishment which imports goods liable to SCT is lower than 7% of the average selling price of the business establishment.

SCT rates

No.	Products/Services	Tax rate (%)
1	Cigarettes, cigars and other tobacco products	
	From 1 January 2018 to 31 December 2018	70
	From 1 January 2019	75
2	Liquor (From 1 January 2018)	
	a) Of 20° or higher	65
	b) Of under 20°	35
3	Beer (From 1 January 2018)	65
4	Automobiles having less than 24 seats (From 1 January 2018)	10-150
5	Motorcycles with cylinder capacity above 125cm ³	20
6	Aircrafts	30
7	Yachts	30

8	Gasoline of all kinds	7-10
9	Air conditioners of 90.000 BTU or less	10
10	Playing cards	40
11	Votive papers and votive objects	70
12	Dance halls	40
13	Massage parlors and karaoke bars	30
14	Casinos and prize-winning video games	35
15	Betting	30
16	Golf business	20
17	Lottery business	15

3. SCT declaration

Tax declaration dossiers:

- Form No. 01/TTĐB.
- Table of SCT deduction form No. 01-1/TTĐB.

Taxpayers producing and trading goods and services; exporting goods which have not yet been paid SCT, then do not export but sell in the country, must submit a SCT declaration dossier with the direct tax administration authorities.

Period of declaration:

- Monthly basic: no later than 20th of the following month.
- Each time of arising basic: within 10 days from the date of tax obligation incurring (for goods purchased for exporting but then sold domestically).

SCT deduction

- Goods subject to the SCT shall be entitled to the deduction of the SCT amount already paid at the import stage when determining the SCT amount payable at the stage of sales.
- Taxpayers who produce goods subject to the SCT with materials that have paid SCT if they have legal documents may be deducted the tax paid on materials when determining the SCT amount must be paid at the production / import stage

VII. Environment Protection Tax (EPT)

Environment protection tax is imposed on certain goods and products having detrimental influences to the environment as using.

Legal Documents

- Law No. 57/2010/QH12 on environmental protection tax.
- Decree No. 67/2011/ND-CP on elaboration and guidance on implementation of some articles of the Law on environmental protection tax.
- Circular No. 152/2011/TT-BTC guidance on implementation of Decree No. 67/2011/ND-CP on elaboration and guidance on implementation of some articles of the Law on environmental protection tax.
- Others relevant amending, supplementing and guiding documents.

1. Taxpayers

Organizations, households and individuals that produce and /or import goods subject to environmental protection tax, when used, causing adverse impacts on the environment.

2. Basis for EPT determination

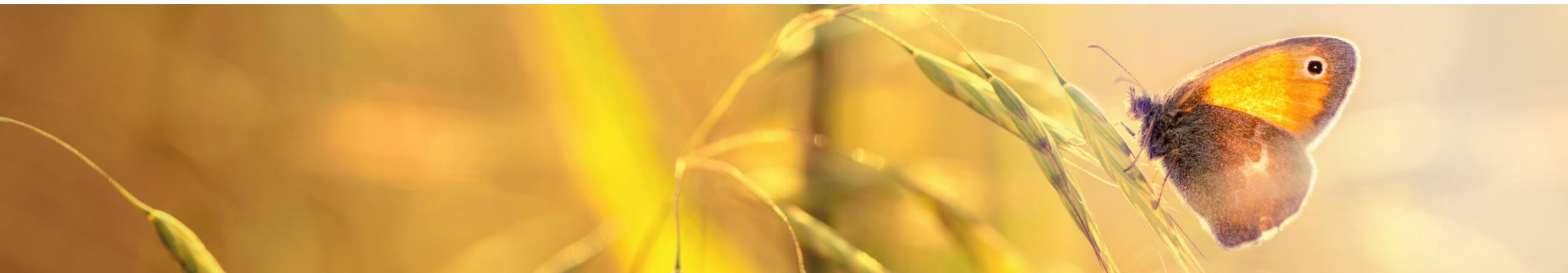
$$\text{EPT payable} = \text{Quantity of goods for EPT calculation} \times \text{Absolute tax rate}$$

EPT rate (absolute taxation)

Goods	Unit	Tax rate (VND/ unit)
Gasoline, diesel, grease (except ethanol)	Liter/kg	300-3,000
Coal	Ton	10,000- 20,000
Hydro-chloro-fluoro-carbon (HCFC)	Kg	4,000
Taxable plastic bags	Kg	40,000
Pharmaceuticals of restricted use	Kg	500-1,000

3. EPT declaration and payment

- Period of EPT declaration:
 - Monthly basis, and in accordance with the Law on tax administration (for goods sold, exchanged, consumed internally, donated).
 - On each time of arising basis, and at the same time declaring and paying import tax (for imported goods).
- Declaration form of environmental protection tax: Form No. 01/TBVMT.
- EPT is paid only once for goods produced or imported.



VIII. Import and Export duties

Import and export duties are indirect taxes levied on goods exported or imported across the national borders.

Export duties are involved in the selling price of exported goods, and the import duty payable are added to the cost of imported goods.

Legal Documents

- Law No. 107/2016/QH13 on export and import duties.
- Decree No. 134/2016/ND-CP guidance on the Law on export and import duties.
- Circular No. 38/2015/TT-BTC on customs procedures, customs supervision and inspection, export duty, import duty, and tax administration applied to exported and imported goods.
- Other relevant amending, supplementing and guiding documents.

1. Taxpayers

- Organizations and individuals as ex-/importers; entrusted ex-/importers.
- People entering and leaving Vietnam carrying exports or imports, sending or receiving goods through Vietnam's border and border checkpoints.
- Taxpayers' guarantors and other entities authorized to pay tax on behalf of taxpayers.
- Other cases prescribed by law.

Taxed goods

- Goods exported and imported through Vietnam's border and border checkpoints.
- Goods exported from the domestic market into non-tariff zones; goods imported from non-tariff zones into the domestic market.
- Goods on-spot exported-imported; goods exported and imported by enterprises exercising their right to export, import, or distribute.
- Import and export duties are not imposed on following objects: Goods in transit, transported via Vietnamese border gates checkpoints or borders, goods that are humanitarian aid or grant aid; amounts of petroleum used as resource tax paid to the State upon its export.

2. Basis for import and export duty determination

2.1. Import and export duty calculation method

2.1.1. Proportional duty method

Formula to determine:

$$\begin{array}{ccccccc} \text{The amount of export or} & & \text{Number of units of} & & \text{Taxable value per} & & \text{The tax rate is the} \\ \text{import duty} & = & \text{each item of} & \times & \text{unit of goods} & \times & \text{percentage (\%) of} \\ & & \text{goods actually} & & & & \text{each item} \\ & & \text{imported or} & & & & \\ & & \text{exported} & & & & \end{array}$$

Taxable value:

- Taxable value of exported goods: the selling price of the goods at the export border, excluding insurance premiums and international transport charges (CIF).
- Taxable value of imported goods: the actual price payable at the first importing point of entry (FOB).

Tax rate:

- Tax rates on exports are specified for each item in the export tariff. (In case of preferential agreements signed with the importing countries for export goods of Vietnam, the agreement shall be applied).
- Tax rates on imported goods include: preferential tax rates, special preferential tax rates and ordinary tax rates as specified in Clause 3, Article 5 of the Law on Import and Export Taxes 2016.

2.1.2. Fixed duty method

Formula to determine:

$$\begin{array}{ccccccc} \text{The amount of export or} & & \text{The volume of goods} & & \text{The amount of fixed} & & \text{Exchange rate} \\ \text{import duty} & = & \text{actually exported or} & \times & \text{duty per unit of goods} & \times & \text{for tax} \\ & & \text{imported} & & & & \text{calculation} \end{array}$$

2.1.3. Hybrid duty method

$$\begin{array}{ccccccc} \text{The amount of export or} & = & \text{The total amount of proportional tax} & + & \text{the total amount of fixed tax} \\ \text{import duty} & & & & \end{array}$$

2.2 Tax exemption

Some subjects are exempt from export and import duties:

- Exported or imported goods of foreign organizations and individuals granted diplomatic immunity and privileges in Vietnam (within the allowance under an international treaty to which Socialist Republic of Vietnam is a participant); luggage within the tax-free allowance of inbound and outbound passengers; imports to be sold at duty-free shops.
- Goods traded or exchanged across the border of border residents on the List of goods and within the tax-free allowance serving the manufacturing or consumption by border residents.
- Imported materials, supplies, components serving processing of exports; finished products imported to be attached on processed products; processing products for export.
- Materials, supplies, components imported for manufacture of export products.
- Goods manufactured, processed, recycled, assembled in a tariff-free zone without using imported materials or components when they are imported into the domestic market.
- Imported goods for fixed assets production of an entity eligible for investment incentives as prescribed by regulations of law on investment.
- Materials and components which cannot be domestically manufactured and are imported serving the manufacturing of investment projects eligible for investment incentives.
- Materials and components which cannot be domestically manufactured and imported for investment projects for manufacture or assembly of medical equipment given research and manufacture incentives shall be exempt from import duties for 05 years from the commencement of manufacture.
- Some goods exported or imported to protect the environment.

3. Import and export duty declaration and payment

Tax declaration dossiers

Customs dossiers shall be used as tax declaration dossiers:

- Customs declaration or documents replacing the customs declaration.
- Related documents: goods purchase and sale contract, commercial invoice, bill of lading, document of origin, export or import permit, written notice of inspection results or special inspection exemptions and other relevant documents.

Vouchers belonging to customs dossiers are paper vouchers or electronic vouchers.

Duty payment:

- Time limit for tax payment: Before customs clearance or release of goods under the terms of the Customs Law, except for cases eligible for guarantee or under the priority enterprise regime.
- Taxation locations: Treasuries, commercial banks, credit institutions, customs offices and tax service organizations.

Tax refund

Taxpayers who have paid import and export duties are entitled to tax refund in the following cases:

- Having no exports or imports, or the quantity of exports or imports is smaller than the quantity on which duty is paid.
- Any taxpayer who has paid ex-/import duty but the ex-/imports has to be re-im-/exported shall receive a refund of ex-/import duty and does not have to pay im-/export duty.
- Any taxpayer who has paid import duty on imports for manufacture and trading but the imports have been used for manufacture and the products have been exported.
- Machinery, equipment, tools, vehicles of organizations and individuals that are permitted to be temporarily imported for re-export, except for those rented to execute investment projects, construction and installation, manufacture, when they are re-exported to abroad or exported to a non-tariff zone.

IX. Natural Resources Tax (NRT)

Natural resources tax is a tax that regulates the exploitation and usage of natural resources.

This tax is built in the selling price of the resource that the consumers of the resource or product created from the resource have to pay for natural resources tax.

Collection for natural resource exploiters and the determination of the natural resources tax amount do not depend on the purpose of exploiting natural resources.

Legal Documents

- Law No. 45/2009/QH12 on Natural Resources Tax.
- Decree No. 50/2010/ND-CP on elaborations and guidance for implementation some articles of Natural Resources Tax.
- Circular No. 152/2015/TT-BTC guidance on Natural Resources Tax.
- Circular No. 12/2016/TT-BTC and Circular No. 174/2016/TT-BTC on amendments to Circular No. 152/2015/TT-BTC guidance on Natural Resources Tax.

1. Taxpayers

NRT taxpayers are organizations and individuals that exploit tax-liable natural resources of Vietnam, detail as following:

- If a joint venture is established among enterprises to exploit natural resources, the joint venture is the taxpayer;
- In case a Vietnamese party and a foreign party participate in a contract for business cooperation in resource extraction, the obligation to pay tax of each party must be specified in the contract.
- In case an exploiter conducts small-scale exploitation of natural resources and sells them to a principal purchaser that has a written commitment to declare and pay NRT on the exploiter's behalf, the principal purchaser shall be the taxpayer.

NRT taxable objects:

- Metallic minerals.
- Non-metallic minerals.
- Crude oil.
- Natural gas
- Coal gas.
- Natural forest products (except for animals and star anise, cinnamon, amomum and cardamom which are planted and protected by taxpayers planted in natural forest)
- Natural aquatic products.
- Natural water (except for natural water used for agriculture, forestry, fishery, salt production and sea water to cool down machineries).
- Natural swallow nests (except for those that organizations and individual collect from houses invested to attract natural birds to live in)
- Other resources prescribed by the laws

2. Basis for NRT determination

Formula to determine NRT

$$\text{NRT payable} = \text{Taxable natural resource quantity} \times \text{NRT taxable prices (Exclusive VAT)} \times \text{NRT rate}$$

Taxable natural resource quantity = the quantity of commercial natural resource actually exploited in the period.

NRT rate used as the basis for calculating natural resources tax for each kind of exploited natural resources are prescribed in the NRT rates attached to Resolution No. 1084/2015/UBTVQH13 dated December 10, 2015 issued by The Standing Committee of the National Assembly and amendments and supplements (if any), ranging from 1% to 35%.

- The specific tax rate for crude oil, natural gas and coal gas is determined progressively in parts by the average volume of crude oil, natural gas and coal gas exploited per day.
- In cases where a State authority imposes the NRT rate to be paid per unit of exploited natural resource, the NRT payable amount is determined as follows:

$$\text{NRT payable} = \text{Taxable natural resource quantity} \times \text{The NRT imposed on a unit of exploited natural resource}$$

3. NRT declaration and payment

Taxpayers of natural resources tax shall register, declare, calculate and pay taxes in accordance with the law on tax administration.

Monthly NRT declaration is the natural resource tax declaration form No. 01/TAIN.

Notes:

- Organizations and business households engaged in the exploitation of natural resources must perform tax registration and notify the tax authorities about the method of determining the NRT taxable prices for each type of exploitation dossier enclosed with the dossier of declaration of natural resource tax in the first month of exploitation.
- When changing the method of determining the NRT taxable prices, it is required to notify the tax authority in the month of the change.
- Monthly declaration of natural resources tax on all natural resources, regardless of inventories, are being processed or sold.

Annual tax finalization: Make a list attached to the tax finalization declaration Form No. 02/TAIN, details of exploitation output according to each mine corresponding to the permit.

X. Licensing fees

The licensing fee is a direct tax and is usually levied on the business license of the business and household businesses.

The licensing fee is collected annually.

Legal Documents

- Decree No. 139/2016/ND-CP on licensing fees.
- Circular No. 302/2016/TT-BTC guidance on licensing fees.

1. 1. Licensing fees payers

The organizations and individuals that operating their trade/production of goods and services except for the following cases:

- Individuals, groups of individuals and households that have their trade/production activities with annual revenues of less than 100 million dong or have their irregular trade/production activities without fixed location as guided by the Ministry of Finance.
- Organizations, individual, groups of individual and households that breed the aquaculture, perform fishery and provide fishing logistic services.
- The branches, representative offices and business locations of the cooperatives that provide direct technical service for agriculture.
- Other cases as prescribed.



2. Rate of licensing fees

Objects	Rate of licensing fees
Organizations carry out production and trading of goods and services	
Chartered capital/ investment capital of more than 10 billion	3,000,000 VND/ year
Chartered capital of VND10 billion or less	2,000,000 VND/ year
Branches, representative offices, business locations, non-business units and other economic organizations	1,000,000 VND/ year
Representative offices are not engaged in production and business activities	0

- The organizations, individuals, groups of individuals and households that have the trade/production activities or are newly-established, issued with tax registration certificate, tax code and business code within the first 06 months of the year shall pay the licensing fees of the entire year or 50% of the rate of licensing fees of the entire year if being established, issued with tax registration certificate, tax code and business code within the last 06 months of the year.

Individuals, households carry out production and trading of goods and services	
Revenue over 500 million VND/ year	1,000,000 VND/ year
Revenue from over 300 to 500 million VND/ year	500,000 VND/ year
Revenue from over 100 to 300 million VND/ year	300,000 VND/ year

- The organizations, individuals, groups of individuals and households that have the trade/production activities but do not declare their licensing fees shall pay the licensing fees of the entire year regardless of the time of detection of the first or the last 06 months of the year.

3. Licensing declaration and payment

- **The declaration of licensing fees** is done once when the fee payers newly start their business activities no later than the last day of the month of commencement of business operation. Where the fee payers newly establish their business facilities but not yet come into operation, they are required to make declaration of licensing fees within 30 days from the date of issue of certificate of business registration or certificate of investment registration and certificate of tax registration.
- **Place of submission the dossiers** of declaration of license fees is the tax authorities directly managing the fee payers.
- **The licensing fee declaration dossier** is the license fee declaration form attached to Decree No. 139/2016/ND-CP.
- **The deadline for payment of licensing fees** is January 30 every year, or the same deadline for submission of fee declaration dossiers to newly established establishments or newly set up establishments.

Part B. Tax administration

I. Tax administration

Legal Documents

- Law No. 78/2006/QH11 on tax administration.
- Decree No. 83/2013/ND-CP on elaboration of some articles of the Law on tax administration, and the Law on amendments to the Law on tax administration.
- Circular No. 156/2013/TT-BTC guidance on implementation for some articles of the Law on tax administration; the Law on amendments the Law on tax administration, and Decree No. 83/2013/ND-CP.
- Circular No. 95/2016/TT-BTC guidance on tax registration.

1. Tax registration

Taxpayers as individuals, enterprises and organizations, including foreign contractors, who are obliged to pay taxes, have to declare to the tax authorities or business registration office the basic information of the taxpayers.

- Taxpayers are enterprises that make tax registration under the Enterprise Law. Accordingly, the enterprise code is the business registration number and tax code of the enterprise.
- Each taxpayer will be given a unique tax code.

In dealing with tax authorities and other economic transactions related to the determination of tax obligations, taxpayers are obliged to write tax code on transaction documents.



Tax code registration Instructions

- Time limit for tax registration: 10 working days from:
 - Being granted business registration certificate or establishment and operation license or investment certificate;
 - Starting business with organizations that do not have to register for business or households and individuals that have to register for business but have not been granted business registration certificates yet;
 - Incurring the responsibility for tax deduction and tax payment on behalf;
 - Incurring obligation of personal income tax;
 - Incurring of request on tax refund.
- Tax registration documents: Detailed guidelines in Article 7 of Circular 95/2016/TT-BTC.
 - Declaration of tax registration.
 - A copy of the business registration certificate or establishment and operation license or investment certificate (for organizations and individuals doing business).
 - A copy of the decision on establishment or investment decision of the organization; Copy of identity card or passport for individuals (for organizations and individuals that do not have to register for business)
- Location for submission of tax registration documents: Detailed guidance in Article 8 of Circular 95/2016/TT-BTC.
 - Business organizations and individuals register tax at the tax authorities of the locality where such organizations or individuals are headquartered.
 - Organizations and individuals shall have to withhold and pay tax on behalf register tax at the tax authorities of the localities where such organizations or individuals are headquartered.
 - Individuals register tax at the tax authorities of the place where the taxable income is generated, place of permanent residence registration or temporary residence
 - Individuals paying personal income tax through income-paying entities, if authorizing the tax registration by the taxpayers themselves and their dependents to the income-paying entities, shall submit tax registration dossiers to the income-paying agencies. The income-paying entities shall sum up the tax registration declaration of each individual for submission to the tax authorities directly managing them.
- Types of submitting tax registration documents.
 - File for tax registration in hard copy.
 - Electronic tax registration documents.

2. Tax declaration

- Where tax must be declared monthly, quarterly or annually, despite that no tax is incurred during the period, or the taxpayer is eligible for tax exemption or reduction, the tax declaration is still required to be submitted on time.
- Where the information declared in the tax declaration dossier is inaccurate, incomplete or late, tax shall be imposed.
- **Tax declaration period:**
 - Tax declaration and calculation include monthly basis, quarterly basis, annually basis and each time of arising basis as well as changes in business structure such as division, separation, merger, dissolution, bankruptcy.
 - Declaration upon each time of arising basis: Declaration of import and export duties, temporary VAT calculated on each occasion for extra-provincial business activities, construction, installation and travelling sale of goods; VAT on each occasion of VAT according to direct method on the sales of irregular traders; special consumption tax on goods purchased for exporting but sold in the country; foreign contractor tax.
- **Deadlines for submitting tax declaration and finalization**
 - Monthly basis: no later than the date of 20th of the following month in which tax is incurred.
 - Quarterly basis and temporarily quarterly: no later than the date of 30th of the following quarter in which tax is incurred.
 - Annual basis: no later than the date of 30th of the first month of calendar year.
 - On each time of arising basis: no later than the 10th day from the day on which tax is incurred.
 - Annual tax finalization: within 90 days from the end of the calendar year or fiscal year.
 - Tax finalization in case of corporate division, separation, merger, transformation of corporate ownership, dissolution, termination of operation: within 45 days from the date of decision on corporate division, separation, merger, transformation of corporate ownership, dissolution, termination of operation.

3. Tax payment

- **Deadline for paying tax**

- Taxpayers, according to the tax declaration and calculation method, shall pay tax by the last day of the deadline for submission of tax declaration dossiers.
- Tax payment deadline is the basis for determining time for late payment of tax (from the date of tax payment deadline to the actual date of tax payment).

- **Currency for paying tax**

The currency for paying tax is VND. If paying in foreign currencies, taxpayers may only pay tax in the convertible foreign currencies according to regulations of the State bank and can convert into VND according to the actual exchange rate.

- **Place for paying tax**

Taxpayers may pay tax by cash, bank transfer, or electronical method, at:

- Commercial banks, credit institutions, other services as prescribed;
- State Treasury;
- The tax authority managing the tax collection;
- Organizations authorized by tax authorities to collect taxes.

- **Tax payable and the order of tax payment, late payment and fine:**

- The tax payable amount is based on the accepted declaration, if it is subject to tax impose, the deadline for tax payment shall be the time written on the tax agency's notification.
- The order of payment of taxes and fines (first incurred, first paid): Tax debt, arrears collect of tax due in previous year, tax incurred, fines.

- **Overpaid tax**

Taxpayers are entitled to offset the tax obligation with other taxes payable or in the next tax period, or to be refunded.

II. Tax examination and inspection

- The tax authority shall conduct the examination at the taxpayer's office in cases where the taxpayer fails to explain or supplement the information and documents according to the tax authority's notice; in case of signs of tax law violation; checking before tax refund and checking after tax refund as prescribed; or selected according to the annual plan or thematic; the cases of enterprise restructuring or cases of abrupt examination which complying with the direction of competent authorities.
- Tax inspection at the taxpayer's office in the case of: inspection under annual plan; abrupt inspections when detecting signs of tax-law violation by entities, organizations or individuals; inspecting for the settlement of complaints and denunciations, division, separation, merger, consolidation, dissolution, bankruptcy and equitization; or according with the request of heads of tax administration authorities at all levels or the Minister of Finance.

Before conducting tax examination and inspection, tax authorities shall send to taxpayers written notices about time and scope of tax examination and inspection.

III. Handling of tax law violations

The Law on Tax Administration 2006 and amending documents, guideline documents stipulate specific treatment of tax violations:

- The level of penalizing tax violations:
 - Taxpayers with late tax payment over the prescribed deadline are required to fully pay tax and late payment at the rate of 0.03% per day calculated on the late paid tax amount.
 - False declarations leading to the shortfall of payable tax amounts or the increase of refundable tax amounts must fully pay tax amounts declared incomplete and return the excessive tax refund and be fined 10% on the shortfall of payable tax amounts, the excessive tax refund and late payment of tax on the shortfall of payable tax amounts, the excessive tax refund.
 - Taxpayers who commit acts of tax evasion or fraud shall pay in full the tax amount as prescribed and be fined from 1 to 3 times the evaded tax amount.
- The deadline for penalizing tax violations:
 - Acts of violation of tax procedures: 2 years as from the date of committing the violation to the date of releasing the penalty decision.
 - Acts of tax evasion and tax fraud that are not liable to criminal prosecution, and acts of wrong declaration leading to decrease in the tax payable or increase in the tax refund: 5 years as from the date of committing the violation to the date of releasing the penalty decision.
 - The deadline for arrears tax collection is 10 years from the date of detecting the violation.
 - In cases where taxpayers fail to make tax registration, they are required to fully pay tax shortfall, evaded tax amounts, fraudulent tax amounts or tax late payments for the entire retrospective period, from the date of detecting violations.

Appendix 1 - VAT non-taxable objects

1. Products from farming, breeding, and aquaculture that are produced, caught, sold, or imported and are not processed into other products or have only been ordinarily preprocessed which organizations or individuals self-produce to sell and at the import stage.
Enterprises, corporations who purchase products from farming, breeding, and aquaculture that are produced, caught, sold, or imported and are not processed into other products or have only been ordinarily preprocessed to sell for other enterprises or corporations, are not required to declare, calculate and pay VAT but can deduct input VAT.
2. Breeds of livestock, plant varieties, including eggs, breeds, seeds, stems, tubers, semen, embryos, genetic materials that are raised, imported, and traded.
3. Irrigation and drainage; soil ploughing and harrowing; dredging of intra-field canals and ditches for agricultural production; services of harvesting farm produce
Fertilizers; machinery and specialized equipment serving agricultural production; offshore fishing ships with capacity greater than or equal 90CV and engaged in fishing or logistics services serving fishing; feeds for livestock, poultry, fish, and other animals.
4. Salt derived from seawater, mine salt, pure salt, refined salt, iodized salt composed primarily of sodium chloride (NaCl).
5. State-owned houses sold to tenants.
6. Land use right transfer.
7. Life insurance, health insurance, learner's insurance, other insurance services related to humans; insurance for livestock, plants and other agriculture insurance services; insurance for ships and instruments for fishing; reinsurance.
8. The following finance, banking, securities services:
 - a) Credit extension includes: loan, discounted transfer of negotiable instruments and other valuable papers; bank guarantee; finance lease; issuance of credit cards; domestic and international factoring; other forms of credit extension prescribed by law;
 - b) Loaning services provided by taxpayers that are not credit institutions;
 - c) Securities services include: securities brokerage; proprietary trading of securities; guaranteeing securities issuance; consulting securities investment; securities depository; management of securities investment fund; management of securities investment portfolio; market organization services of Stock Exchanges or securities trading centers; other securities services according to the laws on securities;
 - d) Capital transfers include: transferring part or the whole invested capital, including selling an enterprise to another enterprise to perform production and business activities; transferring of securities; other forms of capital transfers according to law;
 - đ) Selling debts;
 - e) Trading in foreign currencies;

- g) Derivative financial services include: swapping interest rates; forward contracts, futures contracts, foreign-exchange options; other derivative financial services according to law;
- h) Selling collateral for loans taken by organizations of which 100% of charter capital is possessed by the State, which are established by the Government to settle bad debts of Vietnamese credit institutions.
9. Health services, veterinary medicine services including medical examination and treatment services for human and animals; care services for elderly people and disabled people.
10. Public post and telecommunications and universal Internet services under the Governments programs.
11. Maintenance of zoos, parks, urban trees, public lighting; funeral services.
12. Renovation, repair and construction of cultural, artistic, public service and infrastructure works and residential houses for social policy beneficiaries, which are funded with people's contributions or humanitarian aid.
13. Teaching and vocational training as provided for by law.
14. State budget-funded radio and television broadcasting.
15. Publishing, importing, issuing newspapers, magazines, academic journals, political books, text books, law books, science – technology books, books in ethnic languages, printing propagating pictures and banners, including audio, video tapes, discs, or computer files; money, money printing.
16. Mass transit by bus and tramcar.
17. Machinery, equipment, parts, and materials that cannot be produced domestically and need to be imported to serve scientific research, technological development; machinery, equipment, parts, specialized vehicles, and materials that cannot be produced domestically and need to be imported to serve petroleum exploration; airplanes, oil rigs, and ships that cannot be produced domestically and must be imported to form fixed assets, or need to be hired from foreign partners to serve production, business, or to lease back.
18. Weapons and military equipment for security and defense purposes.
19. Goods imported as humanitarian aid or non-refundable aid; gifts for state agencies, political organizations, socio-political organizations, socio-political-professional organizations, social organizations, socio-professional organizations or peoples armed forces units; donations or gifts for Vietnam-based individuals within the Government-prescribed quotas; belongings of foreign organizations and individuals within diplomatic immunity quotas; and personal effects within duty-free luggage quotas.
- Goods and services sold to foreign organizations or individuals or international organizations for use as humanitarian aid, and non-refundable aid to Vietnam
20. Goods transferred out of border gate or transited via the Vietnamese territory; goods temporarily imported for re-export; goods temporarily exported for re-import; raw materials imported for the production or processing of goods for export under contracts signed with foreign parties; goods and services traded between foreign countries and non-tariff zones and between non-tariff zones.

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21. Technology transfer under the Law on Technology Transfer; transfer of intellectual property rights under the Law on Intellectual Property; computer software.
 22. Gold imported in the form of bars or ingots which have not yet been processed into fine-art articles, jewelries or other products.
 23. Exports that are raw natural resources or minerals which have not been processed into other products; exports that are goods processed from natural resources or minerals where the total value of natural resources or minerals plus energy costs makes up at least 51% of the product price.
 24. Artificial products used for the substitution of diseased people's organs; crutches, wheelchairs and other tools used exclusively for the disabled.
 25. Goods and services provided by business households and individuals that earn annual revenue of less than VND 100 million.

Appendix 2- Objects subject to VAT rate of 0% (stipulated at Article 9 Circular No. 219/2013/TT-BTC)

- Exported goods and services; construction and installation overseas and in tariff-free zones; international transport; exported goods and services that are not subject to VAT, except for the cases in Clause 3 of Article 9 Circular No. 219/2013/TT-BTC, in which 0% VAT is not applied.
- Exported goods and services are those that are sold to overseas organizations and individuals and are consumed outside Vietnam, sold to the entities in tariff-free zones, or sold to foreign customers as prescribed by law.

Appendix 3- Objects subject to VAT rate of 5% (stipulated at Article 10 Circular No. 219/2013/TT-BTC)

1. Clean water serving manufacture and routine life, except for bottled water and other soft drinks subject to 10% tax.
2. Ores used for fertilizer manufacture; pesticides and growth stimulants for plants and animals.
3. Digging and dredging channels, canals, ponds, and lakes serving agriculture; plant cultivation; preprocessing and preservation of agricultural products (except for dredging in-field trenches mentioned in Clause 3 Article 4 Circular No. 219).
4. The farming, breeding, aquaculture products that are unprocessed or preprocessed and in business trading (defined in Clause 1 Article 4 of Circular No. 219), except for the cases in Clause 5 Article 5 of Circular No.219).
5. Latex and resin that have undergone insufficient processing; fishing nets and fibers for making fishing nets regardless of materials.
6. Fresh foods for business, unprocessed forestry products for business, except for wood, bamboo sprouts, and the products enumerated in Clause 1 Article 4 of Circular No. 219.
7. Sugar; by-products during the sugar manufacture process including molasses, bagasse.
8. Products made of jute, rattan, bamboo, leaves, straws, coconut shells, hyacinth, and other handicrafts made of recycled materials from agriculture; preprocessed cotton; newspaper printing paper.
9. Medical equipment includes machinery and instruments serving healthcare such as: radiographic equipment serving medical examination and treatment, equipment and instruments for surgery and injury treatment; ambulances; instruments for blood pressure measurement, cardiography, blood infusion, syringes; birth control equipment, and other medical equipment certified by the Ministry of Health.

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10. Teaching aids include models, pictures, boards, chalks, rulers, compasses, other equipment and instruments for teaching, research, and scientific experimentation.
 11. Artistic activities, exhibitions, sports; art performances; cinematography; importing, distributing, and showing films.
 12. Children's toys; books other than those that are not subject to VAT mentioned in Clause 15 Article 4 of Circular No. 219.
 13. Scientific and technological services, which mean the activities that serve or assist in scientific research and technology development; the activities related to intellectual property; transfer of technologies, technical regulations and standards related to measurement, product quality, goods, nuclear and radiation safety, and atomic energy; consultancy, training, dissemination, and application of scientific and technological achievements to socio-economic fields under contracts for scientific and technological services defined in the Law on Science and technology, not including online games and Internet-based entertainments.
 14. Sale, lease, and lease-option of social housing according to the Law on Housing. Social housing means the housing invested by the state or the organizations and individuals from various economic sectors, which satisfy the criteria for housing in terms of selling prices, rents, and eligible buyers according to housing laws.

Appendix 4- Non-deductible expenses for determining CIT taxable income (stipulated at Section 2 Article 9 Circular 78/2014/TT-BTC and other amended documents)

1. Expenses fail to satisfy conditions of deductible expenses for determining CIT taxable
2. Depreciation of fixed assets which is not in accordance with current stipulations, the exceed depreciation in compare with current stipulations.
3. Expenses for raw materials, materials, fuel, energy and goods in excess of reasonable consumption norms.
4. Expenses for the purchase of goods and services without invoices, enterprises may make a list of purchased goods and services according to form No. 01/TNDN enclosed with this Circular, but they may not make a list attached with payment documents for goods sellers and service providers in the certain cases.
5. Salaries, wages and other amounts payable to employees that enterprises have accounted as production and business expenses in the period but have not been paid or have no payment documents as required by law; are not specified in labor contracts or collective labor agreement; financial regulations of the company.
6. Expenses for rewarding innovations and improvements for which enterprises have no specific regulations on rewarding innovations and improvements and have no council for test and acceptance of innovations and improvements.
7. Travel allowances for annual leaves not in accordance with the Labor Code.
8. Deductions for compulsory insurance funds for laborers in excess of the prescribed level; deductions for payment of trade union dues for laborers in excess of the prescribed level.
9. The amount in excess of VND 3 million a month a person which is paid to voluntary pension fund, purchase of voluntary pension insurance and life insurance for employees; the amount in excess of the limits prescribed by the law on social insurance and health insurance which is paid to social insurance funds (social insurance, compulsory additional pension insurance), health insurance fund, and unemployment insurance fund for employees.
10. Expenses for payment of unemployment allowances for laborers not in accordance with current regulations.
11. Expense for fixed asset leasing in excess of the rate of allocation by the number of years that the lessee has paid in advance the rental.
12. Creating and use of provisions for inventory price decrease, losses in financial investments, bad receivables and warranty of products, goods, construction and installation works.
13. Accrued expenses according to terms or periods but by the end of the term, the period have not been paid, such as major fixed asset repairs, accrued advance for activities that have already calculated revenue but still continue to perform their obligations under the contract
14. Losses due to exchange rate differences resulted from re-valuation of monetary items of foreign currency origin at the end of the tax period.
15. Expenses for educational fund, health fund, funding for remedying consequences of natural disasters, financing for building houses for the poor which are not in accordance with regulations.

16. Expenses for financing scientific research not in accordance with regulations.
17. Business management expenses allocated by overseas companies to their permanent establishments in Vietnam in excess of allocated expenses on revenue incurring in the tax period.
18. Expenses which are offset by other funding sources; expenses which have been paid from the science and technology development funds of enterprises; expenses for buying golf membership cards and for golf playing.
19. Expenses not corresponding to revenue for tax calculation, excluding the specific expenses in according to guidance of Minister of Finance.
20. Expenses for investment in basic construction in the stage of investment to form fixed assets.
21. Expenses directly related to the issuance of shares (excluding shares being payable debts) and payment of dividends (excluding dividends of shares being payable debts), and purchase and sale of treasury shares, and other expenses directly related to the increase and decrease of equity of enterprises
22. Fines paid for administrative violations.
23. Input VAT which are deducted or refunded, personal income tax, corporate income tax.
24. Expenses for insurance business, lottery business, securities business and a number of other specific business activities which do not comply with separate written guidelines of the Ministry of Finance
25. Provision fund for adding to wage fund of the following year which fails to satisfy one of two following conditions:
 - The annual level of provision is decided by enterprises but must not exceed 17% of the implemented wage fund.
 - Using such provision fund within 6 months from the fiscal year end.
26. Loan interests are not deducted in the following cases:
 - Interests paid for production and business loans borrowed from subjects other than credit institutions or economic organizations in excess of 150% of the basic interest rate announced by the State Bank of Vietnam at the time of borrowing.
 - Interests paid for loans corresponding to the deficit of registered charter capital (or investment capital for private enterprises) according to the capital contribution schedule specified in the charter of the enterprise.
 - Interest expenses are not available for production and business activities, insufficient invoices / vouchers.
 - Total interest expenses in the period exceeded 20% EBITDA (regulated in Decree 20 & Circular 41).
 - In cases where the EBITDA is negative, all interest expenses in the tax period shall not be deducted when determining taxable income.

Appendix 5- SCT taxable objects

1. Goods:

- a) Cigarettes, cigars and other tobacco products used for smoking, inhaling, chewing, sniffing or keeping in mouth;
- b) Liquor;
- c) Beer;
- d) Under-24 seat cars, including cars for both passenger and cargo transportation with two or more rows of seats and fixed partitions between passenger holds and cargo holds;
- đ) Two- and three-wheeled motorcycles of a cylinder capacity of over 125 cm³;
- e) Aircraft and yachts;
- g) Gasoline of all kind;
- h) Air-conditioners with capacity of 90,000 BTU or less;
- i) Playing cards;
- k) Votive papers and votive objects.

2. Services:

- a) Dance halls;
- b) Massage parlors and karaoke bars;
- c) Casinos; prize-winning video games, including jackpot and slot games and games on similar machines;
- d) Betting;
- đ) Golf business, including the sale of membership cards and golf playing tickets;
- e) Lottery business.

Appendix 6- SCT non-taxable objects

1. Goods which are directly exported by producers or processors, or which are sold or entrusted by these producers or processors to other business establishments for export;
2. Imported goods, including:
 - a) Goods as humanitarian aid or non-refundable aid; gifts for state agencies, political organizations, socio-political organizations, socio-political-professional organizations, social organizations, socio-professional organizations or people's armed forces units; and donations or gifts for individuals in Vietnam within the quotas prescribed by the Government;
 - b) Goods transited or transported via Vietnamese border checkpoints or borders, and goods transported to and from border checkpoints under the Government's regulations;
 - c) Goods temporarily imported for re-export and temporarily exported for re-import which are not subject to import duty or export duty within the time limit specified in the law on import duty and export duty;
 - d) Belongings of foreign organizations and individuals within diplomatic immunity quotas; personal belongings within duty-free luggage quotas; and goods imported for duty-free sale under law;
3. Aircraft, yachts used for transport of goods, passengers, tourists, and aircraft used for national defense and security purposes;
4. Ambulances; prison vans; hearses; cars designed with both seats and standing places for transporting 24 or more people; cars running in recreation, entertainment and sport areas which neither are registered for circulation nor traffic;
5. Goods imported from abroad into non-tariff areas, goods sold from the inland into non-tariff zones for use only in non-tariff zones, and goods traded between non-tariff zones, except under-24 seat cars.



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