



POCKET TAX BOOK 2018

VALUE-ADDED TAX

Audit / Tax / Advisory

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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 \(Pocket Tax Book 2018 – Tax Administration\)](#)

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% \(Pocket Tax Book 2018 – Tax Administration\)](#)

- 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 Pocket Tax Book 2018 - Tax administration 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.



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