

Tax & Custom Alert

Highlighting recent tax and custom developments in Vietnam.

Global Minimum Tax ("GMT") Introduction & Potential Tax Reforms – Update

Following Vietnam's National Assembly's passed Resolution 107/2023/QH15 dated 29 November 2023 on GMT ("**Resolution**"), the Vietnam Prime Minister issued Decision 19/QD-TTG dated 8 January 2024 directing the Ministry of Finance to collaborate with competent authorities to draft a decree guiding the implementation of GMT in relation to some provisions of the Resolution. These provisions include article 2.2 on taxpayers, article 4.10 on Qualified Domestic Minimum Top-up Tax (QDMTT), and article 5.13 on the Income Inclusion Rule (IIR). This decree would be granted by the Government before 31 October 2024.

Vietnam, as a member of the Inclusive Framework on Base Erosion and Profit Shifting Project (BEPS) ("**Inclusive Framework**"), has agreed under Article 8.3 of the Global Anti-Base Erosion ("**GloBE**") Rules to apply the GloBE Rules consistent with the Agreed Administrative Guidance, subject to the requirements of Vietnam law. The Agreed Administrative Guidance is released by the Inclusive Framework in three sets, published separately in February 2023, July 2023, and December 2023. The Inclusive Framework Please click [here](#) to read our previous Legal Update on the GloBE Rules.

Thus, Vietnam's implementing regulations to be issued in the future should align with the Agreed Administrative Guidance. Our further updates on Vietnam's implementing regulations on GMT will be discussed in the next issue of our Tax and Custom Alert.

Value-added Tax ("VAT") Reduction Policy in 2024

On 28 December 2023, to implement Resolution No. 110/2023/QH15 passed by Vietnam's National Assembly, the Government issued Decree 94/2023/ND-CP ("**Decree 94**") together with Appendices guiding VAT reduction policy from 1 January 2024 to 30 June 2024 ("**Relevant Period**"). Decree 94 took effect from 1 January 2024.

Decree 94 provides, among others, that the groups of goods and services currently subject to the tax rate of 10% would now be subject to the tax rate of 8% consistently in the stages of importation, manufacturing, processing, and trading during the Relevant Period, except for the following groups:

- (a) telecommunications, financial activities, banking, securities, insurance, real estate trading, metals and prefabricated metal products, mining products (excluding coal mining), coke, refined petroleum, and chemical products (as set out in Appendix I);
- (b) goods and services subject to Special Consumption Tax (as set out in Appendix II); and
- (c) information technology in accordance with the regulations on information technology provided for in Appendix III.

Decree 94 also stipulates that a VAT reduction of 20% on a deemed rate (%) of revenue applies to (i) business establishments adopting VAT credit method, (ii) business households and (iii) business individuals.

VAT Reforms – Proposed Changes in a New Law on VAT

The Vietnam Government recently issued a draft of a new law on VAT ("**draft VAT law**") which will introduce significant changes to the VAT policy on VAT exemption, rates and refund. These may potentially impact several business sectors including agriculture, maritime, banking, stock exchange, and telecommunication. The new law will replace the current VAT law issued in 2008 and its amendments.

Most of the changes proposed in the draft VAT law reflect the issues resolved in the rulings issued by the tax authorities in the past years. The past rulings may thus provide guidance for specific cases relating to the proposed amendments, with the new law serving to legitimise such guidance. From these amendments, it appears that the VAT collection by the Government has been enhanced to augment the State Budget of Vietnam.

It is noted that the draft VAT law is not included in the list of regulations which will be passed by the National Assembly of Vietnam in 2024.

Further Information

Please feel free to reach out to our contact partner/s should you have queries on the above developments.

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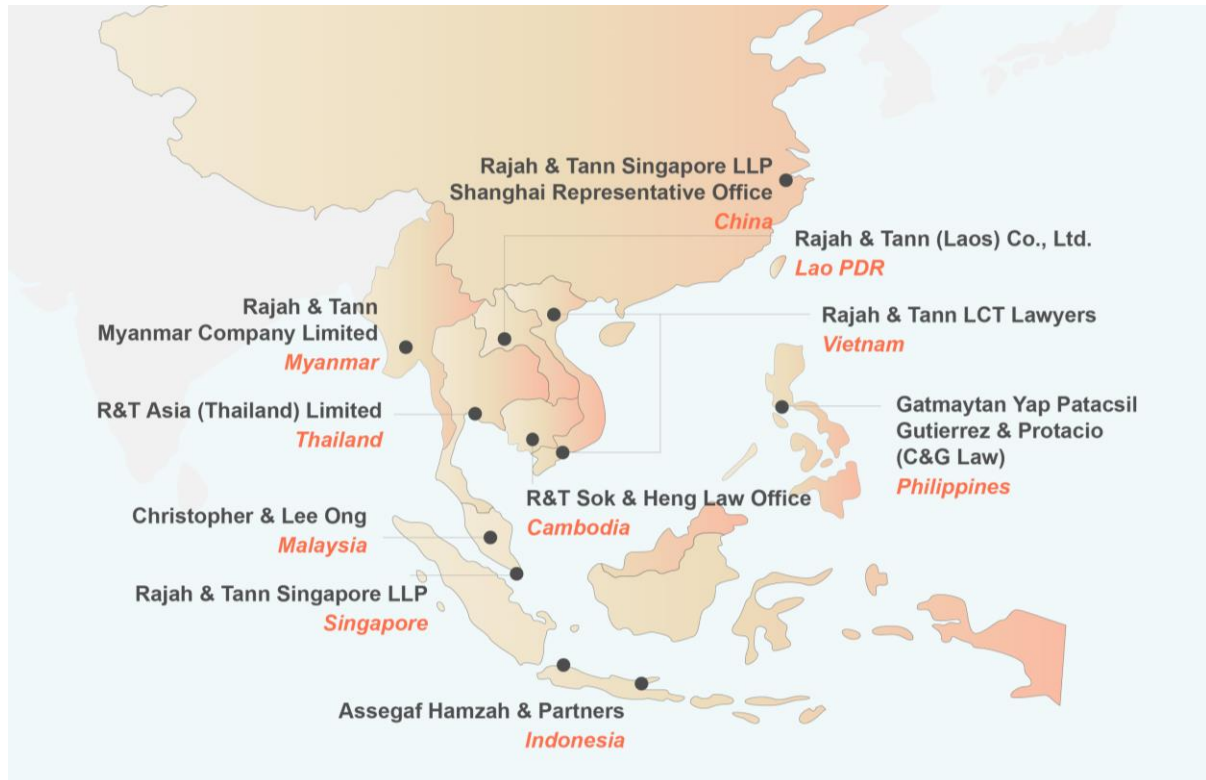
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