

International Tax Vietnam Highlights 2021

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Recent developments

For the latest tax developments relating to Vietnam, see [Deloitte tax@hand](#).

Investment basics

Currency: Vietnam Dong (VND)

Foreign exchange control: VND must be used in transactions between Vietnamese entities and individuals, unless specifically allowed otherwise under the foreign exchange control regulations. A foreign currency can be used as the functional currency for accounting and reporting purposes, subject to certain conditions. Both residents and nonresidents can hold bank accounts in any currency. Foreign currency may be remitted overseas, although registration and/or tax requirements may need to be met.

Accounting principles/financial statements: Vietnamese Accounting Standards and the Vietnamese accounting system apply. Statutory financial statements must be prepared, audited, and submitted annually, except for listed companies whose financial statements are required to be audited and submitted on a semi-annual basis. IFRS adoption is encouraged from 2022 and mandatory after 2025 for certain enterprises. Vietnamese Financial Reporting Standards also are being developed based on internationally accepted standards.

Principal business entities: These are the joint stock company, limited liability company, and private enterprise. Branches of foreign corporations are limited to certain industries.

Corporate taxation

Rates

Corporate income tax rate	20%
Branch tax rate	20%
Capital gains tax rate	20%

Residence: Residence is not defined, but a corporation generally is considered to be resident if it is incorporated in Vietnam.

Basis: Residents are taxed on worldwide income; nonresidents are taxed only on Vietnamese-source income. Foreign-source income derived by residents is subject to corporate tax in the same way as Vietnamese-source income. Branches are taxed in the same way as subsidiaries.

Taxable income: Tax is imposed on a company's profits, which include the profits of affiliates and branches (dependent units). Taxable revenue includes income from the sale of goods; the provision of services; the leasing or sale of assets; the transfer of property, shares, or a business; joint venture operations with other economic entities; and financial operations.

Rate: The standard corporate tax rate is 20%. The rate for enterprises operating in the oil and gas and natural resource sectors ranges from 32% to 50%, depending on the project.

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

Taxation of dividends: Dividends paid by a company in Vietnam to its corporate shareholders are not subject to tax.

Capital gains: There is no separate capital gains tax; gains are taxed at the standard corporate tax rate of 20%. The transfer value is based on the actual price in the transfer contract, although a deemed fair market value will be used if no contract price is available or if the price stated in the contract is deemed not to be on arm's-length terms.

Losses: Losses may be carried forward to offset taxable income for up to five consecutive years after the year in which the losses are incurred. The carryback of losses is not permitted. Losses from transfers of real property and investment projects may be offset against profits from normal business operations in the same tax period. Group loss relief is not allowed.

Foreign tax relief: Foreign tax paid may be credited against Vietnamese tax, but must be determined based on pretax income. The credit is limited to the amount of Vietnamese tax payable on the foreign income.

Participation exemption: See "Taxation of dividends," above.

Holding company regime: There is no holding company regime.

Incentives: Preferential tax rates of 10% (for 15 years with a possible extension for up to 30 years with prior approval) and 17% (for 10 years) are available for taxpayers engaged in encouraged investment projects or in socio-economically disadvantaged locations, respectively, as stipulated by the government. Special large scale, high technology projects may be entitled to a preferential rate of 5% (for 22.5 years with a possible extension for up to a further 15 years with prior approval) on a case-by-case basis and subject to approval by the prime minister. A tax holiday from two to six years followed by a 50% tax reduction for a further four to 13 years is available from the earlier of the first profit-making year or the fourth revenue-generation year. Existing taxpayers with new projects also are entitled to tax incentives, subject to certain conditions.

Compliance for corporations

Tax year: The tax year is the fiscal year. A company must notify the tax authorities if its fiscal year differs from the calendar year, when a quarter-end fiscal year is allowed.

Consolidated returns: Consolidated returns are not permitted; each company with independent legal status is required to file a separate return.

Filing and payment: Provisional quarterly corporate income tax returns are not required, but a company is required to make quarterly provisional corporate income tax payments based on estimates. An annual declaration/filing must be made within 90 days after the fiscal year-end date. The total of the provisional corporate income tax payments made in the first three quarters of the tax year must be at least 75% of the annual corporate income tax liability. Any shortfall is subject to a late payment penalty.

Penalties: Penalties apply for failure to file, late filing, or the filing of a fraudulent return. Taxpayers are subject to an extra 0.03% penalty per day of late payment, 20% on underreported amounts, and more stringent penalties for evasion (up to 300%).

Rulings: A taxpayer can request a tax ruling from the local or the national tax authorities to clarify specific tax concerns.

Individual taxation

Rates		
Individual income tax rate	Monthly net taxable income	Rate
Employment income: resident	Up to VND 5 million	5%
	Over VND 5 million-VND 10 million	10%
	Over VND 10 million-VND 18 million	15%
	Over VND 18 million-VND 32 million	20%
	Over VND 32 million-VND 52 million	25%
	Over VND 52 million-VND 80 million	30%
	Over VND 80 million	35%
Employment income: nonresident		20%
Capital gains tax rate		20% (generally)

Residence: An individual is resident if the individual: (i) spends 183 days or more in aggregate in a 12-month period in Vietnam, starting from the date the individual arrives in Vietnam; (ii) maintains a residence in Vietnam; or (iii) has leased a residence for 183 days or more in a tax year, unless the individual is present in Vietnam for less than 183 days and can prove residence in another country.

Basis: Vietnamese residents are taxed on their worldwide income; nonresidents are taxed only on Vietnam-source income.

Taxable income: Employment income, including most employment benefits (whether in cash or in kind), is fully taxable. Dividends, interest (except for interest on bank deposits, life insurance, and government bonds), capital gains derived from securities trading, private business income with annual revenue exceeding VND 100 million, and other income from franchising, inheritance, the transfer of land use rights, and gifts/winnings or prizes (excluding casino winnings) also are taxable. Profits derived from the carrying on of a trade or profession generally are taxed in the same way as profits derived by companies.

Rates: For employment income, progressive rates ranging from 5% to 35% apply to residents, while nonresidents are subject to a flat rate of 20%.

Income from sources other than employment is taxed at rates ranging from 0.1% to 20%, which apply to both residents and nonresidents.

Capital gains - Resident individuals are taxable at a rate of 20% on gains from the transfer of shares in limited companies, partnerships, and joint ventures, and 0.1% on sale proceeds from the transfer of securities (e.g., shares, call options on

shares, bonds, treasury bills, fund certificates, and other securities according to the Law on Securities) in joint stock companies (whether public or non-public). Nonresident individuals are subject to 0.1% capital gains tax on the sale proceeds of all share and securities transfers.

Deductions and allowances: Subject to certain restrictions, tax deductions are granted for compulsory social security contributions made by employees, including social insurance (SI), health insurance (HI), and unemployment insurance (UI). Severance allowances, redundancy compensation, and “nonaccumulative” insurance premiums are not taxable. Other tax deductions include a personal deduction, a dependent deduction, a deduction for voluntary retirement fund contributions, and charitable contributions.

Foreign tax relief: Foreign tax paid may be credited against Vietnamese tax, but must be determined based on pretax income. The credit is limited to the amount of Vietnamese tax payable on the foreign income.

Compliance for individuals

Tax year: The tax year is the calendar year.

Filing status: Individuals must file separate returns; joint filing is not permitted.

Filing and payment: Tax on employment income is withheld by the employer and remitted to the tax authorities. An individual must file a tax return and make a final tax payment by 30 March in the year following the assessment year.

Penalties: Taxpayers are subject to an extra 0.03% penalty per day for the late payment of tax, 20% on underreported amounts, and more stringent penalties for tax evasion (up to 300%).

Rulings: A taxpayer can request a tax ruling from the local or the national tax authorities to clarify specific tax concerns.

Withholding tax

Rates				
Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%	5%	0%	5%
Interest	20%	5%	5%	5%
Royalties	20%	5%	10%	5%
Fees for technical services	20%	5%	5%	5%

Dividends: No withholding tax is imposed on dividends paid to resident or nonresident companies. Dividends paid to resident and nonresident individuals are subject to a 5% withholding tax unless, in the case of nonresidents, the rate is reduced under a tax treaty.

Interest: Interest paid to a resident company is subject to a 20% withholding tax; the rate is 5% for interest paid to a resident individual. Interest paid to a nonresident is subject to a 5% withholding tax, unless the rate is reduced under a tax treaty.

Royalties: Royalties paid to a resident company are subject to a 20% withholding tax; the rate is 5% for royalties paid to a resident individual. Royalties paid to a nonresident company are subject to a 10% withholding tax and, if paid to a nonresident individual, the withholding tax rate is 5%, unless the rates are reduced under a tax treaty. Income derived by a nonresident from the transfer of a right to use a trademark also is subject to a 5% value added tax (VAT).

Fees for technical services: Fees for technical services paid to a resident company are subject to a 20% withholding tax; the rate is 5% for such fees paid to a resident individual. A 5% withholding tax generally applies to technical service fees paid to a nonresident (along with 5% VAT), unless the rate is reduced under a tax treaty.

Branch remittance tax: There is no branch remittance tax.

Anti-avoidance rules

Transfer pricing: Vietnam has transfer pricing rules that generally follow the OECD guidelines. The following methodologies are permitted: comparable uncontrolled price (CUP), resale price, cost plus, comparable profit, and profit split. The taxpayer is required to prioritize the CUP method; other methods should be applied only after rejection of the CUP. The taxpayer must establish that it is using the “best” method appropriate under the circumstances.

Contemporaneous documentation is required under rules that generally follow the BEPS action 13 recommendations. The tax authorities can adjust profits if the pricing strategy is found not to be at arm’s length. The Vietnamese transfer pricing rules also incorporate the “substance over form” principle, leading to certain types of related party expenses being regulated as nondeductible for corporate income tax purposes. Advance pricing agreements are possible.

Interest deduction limitations: For entities with related party transactions, the deductibility of total net interest expense (i.e., interest expenses less interest income from bank deposits and lending) from related and unrelated transactions is capped at 30% of EBITDA (i.e., earnings before interest, tax, depreciation, and amortization). Nondeductible interest can be carried forward for five years and offset where the net interest expense/EBITDA ratio is below 30%.

Controlled foreign companies: There are no controlled foreign company rules.

Hybrids: There are no anti-hybrid rules.

Economic substance requirements: Corporate tax may be deemed payable where transactions do not have economic substance.

Disclosure requirements: Certain multinational enterprises are required to disclose detailed information on related party transactions by submitting an annual declaration form (along with the corporate tax return) and prepare transfer pricing documentation composed of a local file, master file, and country-by-country report (as necessary).

Exit tax: There is no exit tax.

General anti-avoidance rule: The tax authorities may deny tax treaty benefits by disregarding transactions that were not entered into for commercial purposes but only to obtain tax benefits.

Value added tax

Rates	
Standard rate	10%
Reduced rate	0%/5%

Taxable transactions: VAT is levied on most common goods and services, while Special Sales Tax (SST) is levied only on certain types of goods and services.

Rates: The standard rate of VAT is 10%, with reduced rates of 0% and 5%. SST rates range from 5% to 150%.

Registration: All organizations and individuals carrying on the production or trading of taxable goods and services in Vietnam must register for VAT purposes. Each branch or outlet of an enterprise must register separately and declare tax

on its own activities. Transfers of goods between branches may be subject to VAT. Registration for VAT is required within 10 days of the date of issuance of the business establishment license. Business households or individuals without a business license can register for VAT at the same time as their first VAT declaration.

Filing and payment: Monthly filing and payment of outstanding VAT must be made by the 20th day of the following month. Quarterly VAT filing and payment are allowed for certain taxpayers, which are due by the 30th day of the following quarter. Both paper invoices and e-invoices are permitted but the use of e-invoices is encouraged (and will become mandatory as from 1 July 2022).

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social security contributions: For Vietnamese employees, the employer is required to make SI, HI, UI, and labor accident and occupational disease insurance contributions of 17%, 3%, 1%, and 0.5% (0.3% for special cases with official approval), respectively. Vietnamese employees are required to make SI, HI, and UI contributions at rates of 8%, 1.5%, and 1% of the employee's salary, allowances, and other additional income, respectively.

For foreign employees, in certain circumstances, the employer is required to contribute to HI at a rate of 3% and to SI at a rate of 3.5% (including the sickness, maternity, occupational diseases, and accident funds). The employer's contribution to SI will increase to 17.5% (17.3% for special cases with official approval) on 1 January 2022.

Foreign employees are subject to HI at a rate of 1.5% in certain circumstances and will be subject to retirement and death fund contributions at a rate of 8% as from 1 January 2022.

Payroll tax: There is no payroll tax.

Capital duty: There is no capital duty.

Real property tax: The municipal authorities impose tax (e.g., land rental tax, land use fees) on the use of real property.

Transfer tax: There is no transfer tax.

Stamp duty: A stamp duty of 0.5% to 15% is imposed on certain types of asset, including real property.

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: Inheritances and gifts above VND 10 million are subject to income tax at 10%.

Other: Foreign contractor withholding tax is imposed on income from the provision of goods and services by nonresident entities (except on income from pure trading transactions with a delivery point to the border of Vietnam), which comprises corporate income tax and VAT at a total combined rate ranging from 0.1% to 15%.

Tax treaties: Vietnam has concluded approximately 80 tax treaties. Vietnam has not signed the OECD multilateral instrument (MLI). For information on Vietnam's tax treaty network, visit [Deloitte International Tax Source](#).

Tax authorities: Provincial tax departments; General Department of Taxation; Ministry of Finance

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