



Global Tax Update

Vietnam

Deloitte Tohmatsu Tax Co.

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Amended Law on a number of tax Laws; and Amended Law on Special Sales Tax

In the afternoon of 26 November 2014, the National Assembly of Vietnam approved two tax laws: the Amended Law on a number of tax Laws; and the Amended Law on Special Sales Tax ("SST").

Below are our summary of notable changes in aforementioned two tax laws.

(1) AMENDED LAW ON A NUMBER OF TAX LAWS

1) Corporate Income Tax ("CIT")

Removing the cap of 15% for advertising and promotion expenses.

Supplementing the entitlement subjects of most favourable incentive scheme – 10% tax rate in 15 years, tax exemption in 4 years and 50% tax deduction in following 9 years as follows:

- (i) New investment projects, that make products in the List of industrial supporting products prioritized for development, which may satisfy one of below criteria:
 - Industrial products supporting for high technology sector under regulation of the Law on High technologies;
 - Industrial products supporting for sectors of textile-garment, leather – footwear; electronics – IT; manufacturing -

assembling automobiles; mechanics that until 1 January 2015 are not produced domestically; or having been produced domestically but satisfied the technical standards of European Union (EU) or equivalent.

The List of industrial supporting products prioritized for development shall be regulated by the Government.

- (ii) Investment projects in manufacturing sector (exclusive of products subject to special sales tax, mining projects) having investment capital scale of at least twelve thousand billions, with disbursement time of no later than 5 years and using technologies subject to the evaluation under the Law on high-technologies, Law on science and technologies.

Supplementing the criteria for extension of preferential tax rate duration for projects required special investment attractions with large scale and high-technologies or projects stipulated in point (ii) as above (extension time shall not exceed 15 years).

Supplementing the principle for application of CIT incentives, accordingly enterprises having investment projects are entitled to CIT incentives under CIT regulations at licensing

time. In case CIT regulations change and enterprises satisfy the incentive conditions under amended or new regulations, enterprises are allowed to take options between enjoying incentives under regulations at licensing time or enjoying incentives under newly amended regulations for the remaining time.

2) Personal Income Tax ("PIT")

- Removing winning prizes from casinos from taxable subjects of PIT.
- Supplementing tax-exemption subjects (e.g.: eligible fisheries sailors, and vessel owners, etc.).
- Individuals declare PIT for income from business based on deemed tax rates for each specific field and industry. Income from business does not include individual income from business with annual revenue of VND 100 million and below.
- PIT calculation based on the one-off transferring prices will be the only prevailing calculation method for income from securities and real estate transfers.

3) Value Added Tax ("VAT")

Amending and supplementing regulations on goods and services not subject to VAT, or subject to 5% VAT (primarily agriculture-related products).

4) Tax administration

- Removing regulation on the submission of output, input invoice listings in monthly and quarterly VAT returns.
- Unifying regulations on the exchange rate for revenue, expense, taxable price, and tax submitted to the State Budget in foreign currencies.
- Supplementing regulations on the exemption of a number of documents and dossiers of enterprises that State Agencies already had.
- Removing the 0.07% late-submission

penalty level for late tax submissions exceeding 90 days. Accordingly, the 0.05% rate shall be applied consistently.

5) Implementation

The Law will take effect from 1 January 2015.

Terminating regulations on exchange rates for the determination of revenue, expense, taxable price, taxable income, assessable income, and tax submitted to State Budget of related Laws (CIT, PIT, VAT, Special Sales Tax, Import and export, and Customs Law).

(2) AMENDED LAW ON SPECIAL SALES TAX

Increase the special sales tax rates applicable to certain goods, services such as tobacco, wine, beer, casino and electronic games with prizes business.

Implementation:

- (i) The Law will take effect from **1 January 2016**.
- (ii) Supplementing the roadmap for application of special sales tax rate for tobacco (tax rate of 70% in the period 1 January 2016 – 31 December 2018; tax rate of 75% from 1 January 2019).
- (iii) Amending the roadmap for application of special sales tax rate for wine and beer.

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