



# Global Tax Update

Vietnam

Deloitte Tohmatsu Tax Co.

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## Law amending some articles of the Law on Value Added Tax, Law on Special Sale Tax and Law on Tax Administration

On April 6, 2016, The National Assembly passed the Law amending some articles of the Law on Value Added Tax (“VAT”), Law on Special Sale Tax (“SST”) and Law on Tax Administration. Notable guidance under the Amendment Law includes:

### (1) Value Added Tax (VAT)

The Law **removes** the provision on claiming **refund for input VAT not yet fully credited after 12 consecutive months or 04 consecutive quarters**. Accordingly, the outstanding input VAT shall be carried forward to be offset in next period rather than be claimed for refund.

Nevertheless, **VAT refund should still be applicable** to the cases of input VAT incurred during the **investment period** or input VAT **corresponding to export goods/ services**. To be more specific:

- 1) New Investment Project in which input VAT has not yet been fully credited of VND 300 million or more shall be entitled to VAT refund except for the following cases:
  - Investor has not fully contributed the chartered capital as registered;
  - Investment project in conditional business

lines and trades but does not meet the conditions stipulated under Investment Law;

- Investment project that exploits natural resources licensed after 01 July 2016, or manufacturing project in which the cost of natural resources and energy expenses account for 51% and above of the total cost of the product.

- 2) For enterprises that **export goods and services**, if the input VAT not yet fully credited amounts to VND 300 million or more, the enterprises shall be entitled to VAT refund, except for cases when the goods are exported not in accordance with customs regulations.

### (2) Special Sale Tax (SST)

- In cases of imported goods, the taxable value for the calculation of SST shall be the selling price set by the importer of goods manufactured domestically, instead of customs dutiable value + import duty under current regulations.
- In case the manufacturer sells goods to a trading entity who is a related party of the manufacturer, the taxable value for the calculation of SST shall not be a stipulated

percentage (%) lower in comparison to the selling price by the trading entity to customers. Accordingly, the Government shall stipulate a specific percentage for each type of goods under a Decree guiding the implementation of the Amendment Law.

- To amend the SST rates applicable to automobiles that contain fewer than 24 seats. Specifically, the Law stipulates higher tax on vehicles with a cylinder capacity of 2,000 cm<sup>3</sup> or more, while prescribes lower tax on automobiles using biofuels.

### (3) Tax Management

Interest of late payment reduced from 0.05% per day to 0.03% per day. This rate shall be applied since July 1, 2016. Any tax debt incurred before July 1, 2016 (including tax debt incurred as a result of tax inspection) shall be eligible for a 0.03% interest rate since 1 July 2016.

The Amendment Law shall take effect from July 1, 2016.

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