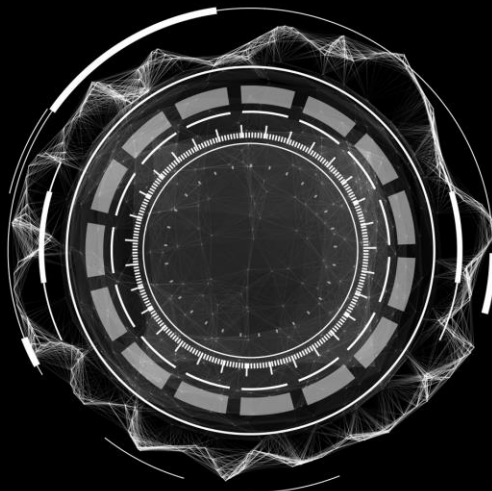


Vietnam | 25 February 2021



Alert on Official Letter No. 879/TCHQ-TXNK

Duty exemption available on raw materials, components imported for manufacture of finished goods for exports where manufacture involves outsourcing activities – Opportunities to apply for customs duty refunds

Dear Valued Clients,

On 23 February 2021, the General Department of Customs issued **Official Letter No. 879/TCHQ-TXNK (“OL 879”)** to provincial Customs authorities, providing guidance on the customs duty treatment of raw materials, components etc. (“goods”) imported to produce finished goods for export, and where their manufacture of the finished product involves outsourcing of some production activities.

Key points of OL 879 are:

1. Export manufacturing enterprises **can** enjoy duty exemption for imported goods, on customs declarations from **01 September 2016**, when outsourcing one or several stages of the production, provided that they receive back semi-finished products, and then continue manufacturing exports or receive the finished products for exports.
2. The local Customs authorities are requested to:

Contact

Thomas McClelland
National Leader
+84 28 7101 4333
tmcclelland@deloitte.com

Bui Ngoc Tuan
Partner
+84 24 7105 0021
tbui@deloitte.com

Bui Tuan Minh
Partner
+84 24 7105 0022
mbui@deloitte.com

Phan Vu Hoang
Partner
+84 28 7101 4345
hoangphan@deloitte.com

Dinh Mai Hanh
Partner
+84 24 7105 0050
handinh@deloitte.com

Suresh G Kumar
Partner
+84 28 7101 4400

2.1. Supervise the Customs Finalization Reports on the use of imported raw materials and supplies of export manufacturing enterprises, especially those having outsourcing activities.

2.2. Review the results of Post-clearance audit at the Head offices of exporting manufacturing enterprises which have outsourcing activities.

When it is confirmed that the manufacturing enterprises had received back (after outsourcing) semi-finished products and continued manufacturing, or received back finished products for export without domestic consumption, then the customs duty treatment shall be handled as follows:

- a. In case the enterprise has not yet been subject to customs duty imposition, the decision on imposition shall not be issued;
- b. In case the enterprise has been subject to customs duty imposition but has not yet paid the imposed amount, the imposition shall be adjusted, supplemented or suspended;
- c. In case the enterprise has been subject to customs duty imposition and paid the imposed amount, the decision on imposition shall be amended, supplemented or suspended. The paid amount which includes duty collection, late payment interest and administrative penalties shall be handled according to the Law on Tax Administration. The Value Added Tax ("VAT") that has been imposed, paid and not yet been refunded by the Tax authorities, shall be refunded by Customs authorities, and the enterprise shall declare adjustment for such input VAT imposed but refunded.

Summary

OL 879 provides significant opportunities for manufacturing enterprises to claim refunds of overpaid customs duties back to 01 September 2016 – provided the qualifying conditions can be satisfied.

Additionally, this OL provides opportunities for manufacturing enterprises to restructure their production arrangements to take advantage of the duty exemption – and in doing so reduce costs.

Next Steps

Deloitte Vietnam's specialist customs and global trade team, with a proven track record of securing customs duty refunds at both national and local level, can support manufacturing enterprises assess the implication that OL 879 has on their specific business operation – and in securing refunds of overpaid customs duties.

ksuresh@deloitte.com

Vo Hiep Van An

Partner

+84 28 7101 4444

avo@deloitte.com

Vu Thu Nga

Partner

+84 24 7105 0023

ngavu@deloitte.com

To follow our Alert on Resolution No. 178/NQ-CP (on which the OL 879 has the basis for issuance), please visit the following [link](#).

You can also access our [website](#) to view other Deloitte Vietnam's Tax Alert and Newsletter.

For more information on OL 879, and how it impacts your business, or on how we can support you to recover overpaid duties, please reach out to the Contacts listed, or your local Deloitte tax contact.

**With warm regards,
Deloitte Vietnam**

Hanoi Office

15th Floor, Vinaconex Tower,
34 Lang Ha Street, Dong Da District,
Hanoi, Vietnam

Tel: +84 24 7105 0000

Fax: +84 24 6288 5678

www.deloitte.com/vn

Ho Chi Minh City Office

18th Floor, Times Square Building,
57-69F Dong Khoi Street, District 1,
Ho Chi Minh City, Vietnam

Tel: +84 28 7101 4555

Fax: +84 28 3910 0750

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