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TAX ALERT

Vietnam releases draft resolution to adopt
Global Minimum Tax from 01 January 2024

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On 26 July 2023, the Vietnam Government discussed a [Draft Resolution](#) submitted by the Ministry of Finance to adopt the 15% Global Minimum Tax on multinational corporations having consolidated revenue of minimum EUR 750mil (“in-scope MNCs”), implemented by the OECD’s Global Anti-Base Erosion (“GloBE”) or Pillar 2 rules, including the **Qualified Domestic Minimum Top-up Tax (“QDMTT”)** and **Income Inclusion Rule (“IIR”)**.

Below are key highlights from the Draft Resolution:

- **Effective date: 01 January 2024.**
- **Scope of Pillar 2 adoption:**
 - **QDMTT:** applicable to Vietnamese subsidiaries of in-scope MNCs with a Vietnam-blended Effective Tax Rate (ETR) of below 15%. If the ETR is less than 15% a top-up tax equal to the difference between the ETR and 15% is applied to the Excess profit, being net GloBE Income less a tangible asset and payroll exclusion.
 - **IIR:** applicable to the Vietnam-based in-scope MNCs which directly or indirectly hold ownership in low-tax subsidiaries which have jurisdictional ETR in their operating countries of below the 15% minimum rate.
- **Who is the taxpayer for filing top-up taxes?**
 - **QDMTT:**
 - ✓ If the MNC has only one Vietnam-based subsidiary, then such Vietnam-based subsidiary is the taxpayer.
 - ✓ If the MNC has 02 subsidiaries or above: the Global Ultimate Parent Enterprise must submit a notification to the Vietnamese tax authority to **nominate a subsidiary as the tax-payer** on behalf of all Vietnamese subsidiaries **within 30 days** from the taxpayer’s fiscal year-end.
 - **IIR:** the in-scope Vietnam-based Ultimate/Intermediary Parent enterprise is the taxpayer.
- **Deadline for top-up tax filings (Lodging tax return and paying top-up taxes):**
 - **QDMTT:** within **12 months** from the taxpayer’s fiscal year-end.
 - **IIR:** within **15 months** from the taxpayer’s fiscal year-end.

Look ahead

- The Draft Resolution will **likely be discussed** in the general meeting of the Vietnam National Assembly to be held in **October 2023** and **will be effective from 01 January 2024** if approved.
- The Vietnam Government is **developing detailed guidance** for implementation from 01 January 2024.
- Taxpayers should prepare by making a detailed impact assessment on a group-basis to analyze their liabilities under the new rules and how they will comply with the new regulations.

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