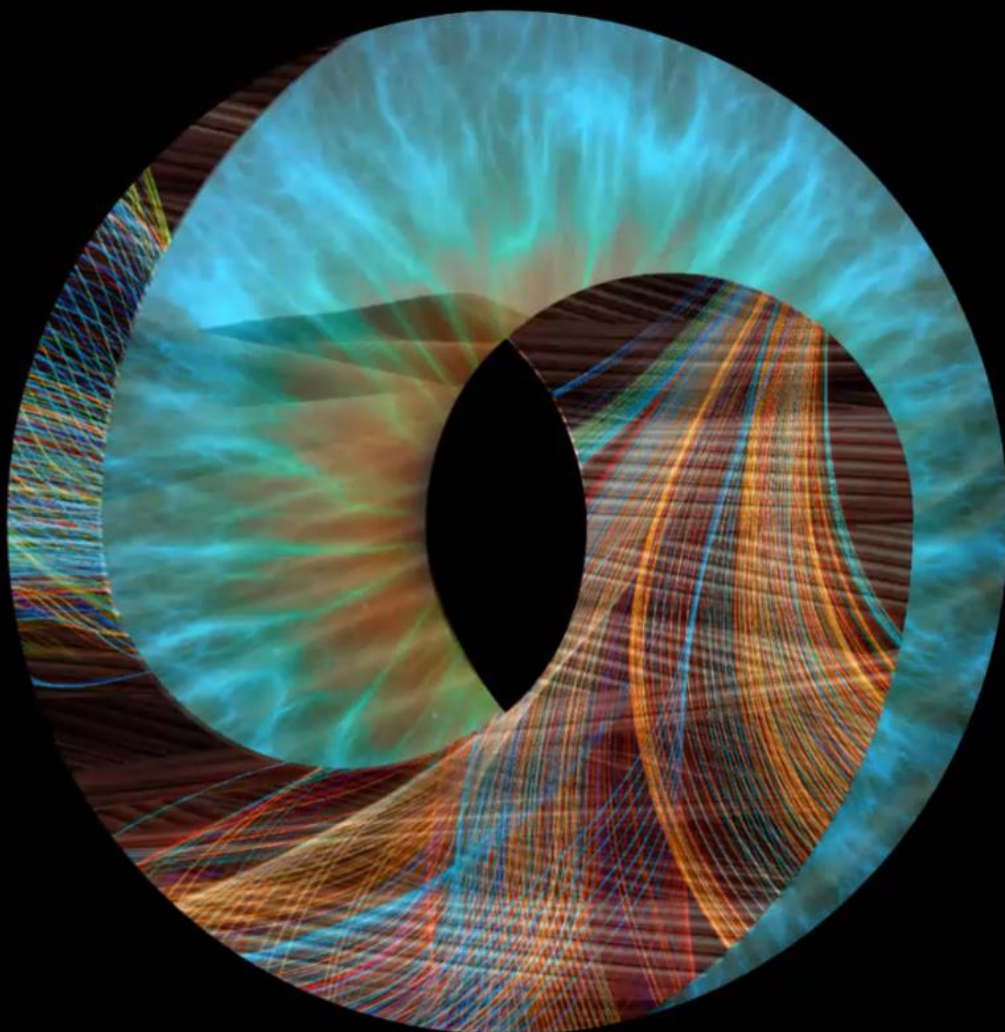


Deloitte.

TAX ALERT

Draft Law Amending the VAT Law
VAT 0% could be potentially no longer applied to
export services

May 2024



Draft Law Amending the VAT Law

In accordance with the 10-year Socio-Economic Development Strategy (2021-2030), Vietnam's tax policy framework is presently undergoing reforms aimed at harmonization with international standards. The overarching objective is to enhance the efficiency of tax management, striving towards the establishment of a unified tax system characterized by structural sustainability. This initiative seeks to ensure the judicious mobilization of resources for the state budget while contributing to the creation of a competitive environment conducive to the nation's economic integration and development.

During the period spanning 2024-2026, there are focused efforts on prioritizing amendments to Corporate Income Tax ("CIT"), Value Added Tax ("VAT"), and Special Consumption Tax ("SCT"). These proposed tax amendments hold the potential to instigate significant shifts in tax policies, thereby exerting profound implications on the wider business community. Understanding and staying abreast of these changes is crucial for businesses operating in Vietnam to ensure compliance and tax planning optimization strategies.

The draft amendment to the VAT Law is presently undergoing its conclusive approval stage, with an anticipated ratification slated for the fourth quarter of 2024. In this newsletter, we aim to provide the Company with an update on important changes related to export services in the draft law, in particular, the 0% VAT rate may no longer apply to export services, including those provided to Export Processing Enterprises ("EPEs") and companies operating in non-tariff areas.

Deloitte's views

Under the latest Draft Law Amending the VAT Law as of April 2024, the 0% VAT rate currently applied to exported goods and services has been narrowed and even eliminated the group of services provided to EPEs. This could place tremendous pressure on EPE and the vendors in its supply chain, due to additional cash flow or cost burdens. In particular, domestic enterprises serving EPEs are now required to issue invoices with standard VAT rate. As a result, it imposes a significant VAT burden on EPEs while there is no refund mechanism available. This adversely affects their cash flow, diminishes competitiveness, and may lead to profit reduction or even making losses, given typical profit margins of manufacturing/export processing companies may not be high. The immediate elimination of services to non-tariff areas will engender widespread financial and psychological repercussions on the investors.

Other concerns of business community yet resolved include VAT refund scheme for in-land import-export transactions, VAT treatment framework for ESG products/services, etc. Such issues may impact on the Company's current and future business and operation.

Deloitte has proactively participated in this policy making process, through either proposing our comments to the National Assembly and Ministry of Finance, and raise our voices in media channels, with some examples in the below links for your reference and explore more:

- [\[Diễn đàn doanh nghiệp\] Thu hẹp phạm vi áp dụng thuế suất 0% và nỗi lo của doanh nghiệp](#)
- [\[Diễn đàn doanh nghiệp\] Doanh nghiệp chế xuất gặp "gánh nặng" thuế GTGT](#)
- [\[Tin nhanh chứng khoán\] Nỗi lo phát sinh thêm thuế giá trị gia tăng](#)
- [\[Diễn đàn doanh nghiệp\] Dự thảo Luật Thuế GTGT \(sửa đổi\): Doanh nghiệp chế xuất "khó chòng chớn"](#)

Contact

Website: deloitte.com/vn

Email: deloittevietnam@deloitte.com

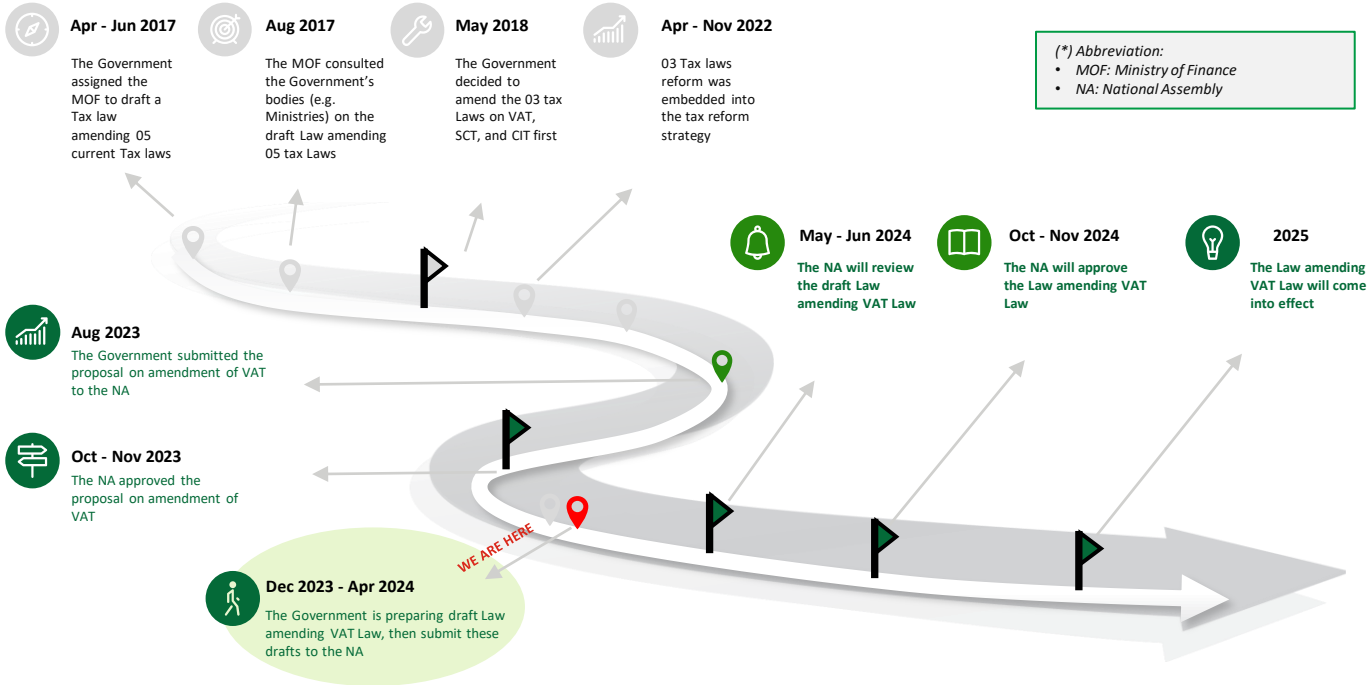
For reference only, not for distribution or sale

Transfer Pricing
Firm of the Year

Tax Firm
of the Year

Dự thảo Luật sửa đổi Luật thuế GTGT

Recent updates for appraisal process of the Draft Law Amending the VAT Law



In the Resolution No. 49/NQ-CP dated 17 April 2024, Special session on legislative development in April 2024, the Government discussed and solicited opinions on the Draft Law Amending VAT Law. Notably, in addressing the provisions concerning export services eligible for the 0% tax rate, the Government requests the MOF to continue studying international best practices, evaluating practical implementations, and conducting an in-depth analysis of criteria, classification principles, and the identification of export services. These efforts aim to establish a robust framework for delineating instances where export services qualify for the 0% tax rate, ensuring equitability and adherence to the fundamental nature of such services. Simultaneously, it aims to harmonize state management requirements and the interests of businesses in the export sector.

Deloitte's recommendations

The VAT Law has a broad scope of application and regulatory coverage, directly impacting the rights and interests of organizations, individuals, citizens, and businesses. As it is going to undergo the final stage of appraisal, for navigating upcoming changes in VAT law, the Company is recommended to:

- Stay Informed:** Keep abreast of tax law developments by regularly researching information, press releases from the Government and tax authorities. Subscribe to industry newsletters, participate in seminars, and seek advice from tax experts to stay updated on legal changes;
- Assess Impact and planning:** Evaluate the impact of changes in tax regulations on the company's business operations (such as impacts on cash flow, profits, investment decisions, and risk management; etc.);
- Advocate for Reform:** Timely convey the voice/contributions of the enterprise to policy-making bodies (possibly through Associations, industry organizations. etc.);
- Engage Tax Professionals:** Collaborate with tax advisors to analyze the impacts of new regulations to ensure compliance and effective tax planning strategies.

Contact

Website: deloitte.com/vn

Email: deloittevietnam@deloitte.com

For reference only, not for distribution or sale

Transfer Pricing
Firm of the Year

Tax Firm
of the Year

Contact Us



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



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



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



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



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



Vo Hiep Van An
Tax Partner
+84 28 7101 4444
avo@deloitte.com



Vu Thu Nga
Tax Partner
+84 24 7105 0023
ngavu@deloitte.com



Tat Hong Quan
Tax Partner
+84 28 7101 4341
quantat@deloitte.com



Vu Thu Ha
Tax Partner
+84 24 710 50024
hatvu@deloitte.com



Dang Mai Kim Ngan
Tax Partner
+84 28 710 14351
ngandang@deloitte.com

Hanoi Office

15th Floor, Vinaconex Building,
34 Lang Ha Street, Dong Da
District, Hanoi, Vietnam
Tel: +84 24 7105 0000
Fax: +84 24 6288 5678

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

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which is a separate and independent legal entity, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Bengaluru, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Mumbai, New Delhi, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

About Deloitte Vietnam

In Vietnam, services are provided by separate and independent legal entities, each of which may be referred to or known as Deloitte Vietnam.

This communication contains general information only, and none of DTTL, its global network of member firms or their related entities is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication.