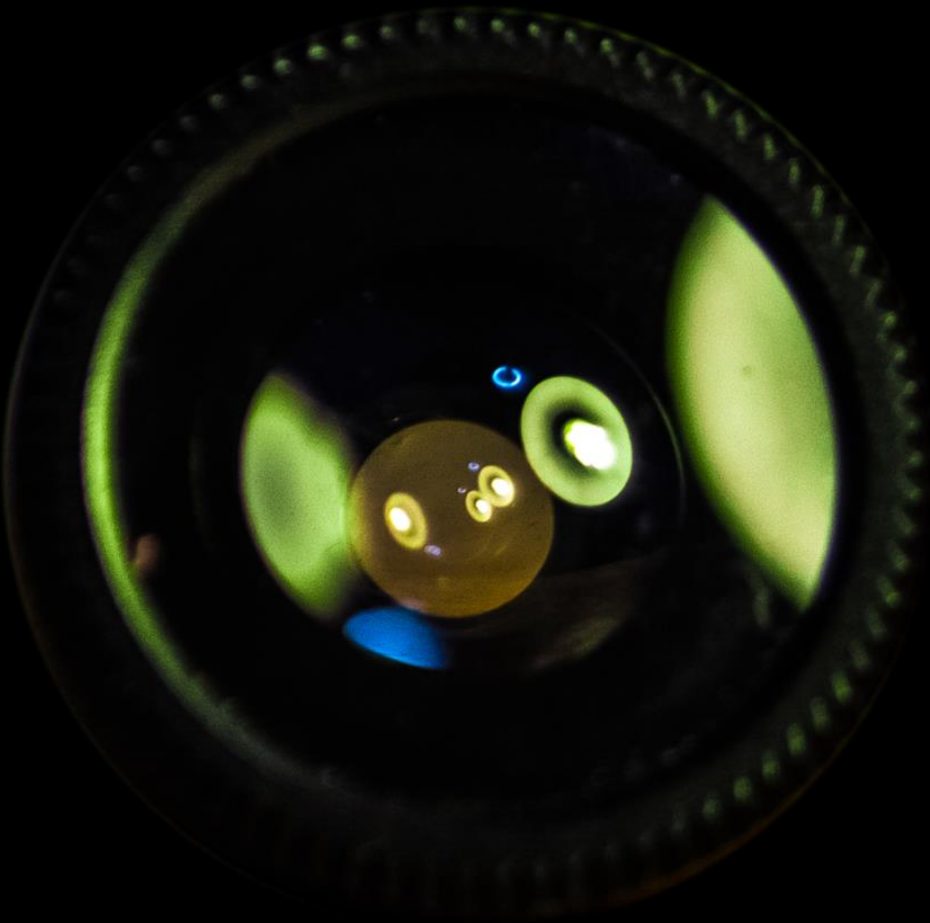


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TAX & LEGAL ALERT

Draft Amended Special Sales Tax Law

November 2024



Draft Amended Special Sales Tax Law



Background – Special Sales Tax Law amendment

Enacted in 2008 and amended four times, the Special Sales Tax (“SST”) Law No. 27/2008/QH12 has contributed to the success of the Tax System Reform Strategy for the period 2011 - 2020. However, in a dynamic economic landscape as well as to align with the goals of the Tax System Reform Strategy for the period 2021 - 2030, certain aspects of the SST policy require improvement.

Accordingly, the Ministry of Finance prepared the Draft Amended Law on SST and submitted the latest draft version to the Government on 27 September 2024, in which there are notable changes as follows:

- 1 Supplement taxable objects
- 2 Update non-taxable objects
- 3 Supplement tax bases in accordance with international practices
- 4 Increase the SST rate for certain items
- 5 Limit the cases eligible for SST refund

In this newsletter, we would like to summarize some notable contents in the Draft Amended SST Law for your reference.

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Draft Amended Special Sales Tax Law

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Notable changes

Supplement taxable objects

Adding soft drinks in accordance with Vietnamese standard with sugar content over 5g/100ml into taxable objects, at the SST rate of 10%.

Update non-taxable objects

Remove from non-taxable objects for goods imported from abroad into non-tariff zones, goods sold from the domestic market into and for use only in non-tariff zones, and goods traded between non-tariff zones.

Supplement into non-taxable objects for goods exported abroad yet returned by the foreign side upon import;

Supplement tax bases

Hybrid taxation base for tobacco products, including the current ad valorem taxation (75% on taxable price), and new specific-taxing method (fixed tax amount per quantity or weight) that increases annually during the period of 2026 – 2030.

Classify tobacco products into categories including cigarettes, cigars, pipe tobacco, chewing tobacco, or other forms and apply different specific-tax amounts.

Increase SST rates

Gradual increment of SST rate for alcohol and beer products on annual basis, including:

- Option 1: an increase of 5% per year in the period of 2026 – 2030; or
- Option 2: an increase of 15% in 2026, and 5% per year in the period of 2027-2030.

Limit cases eligible for SST refund

The following cases are not eligible for SST refund:

- Goods temporarily imported for re-export:
- Finalization of overpaid/ creditable SST amounts where an enterprise changes ownership, converts business type, merges, consolidates, divides, separates, or terminates operations.

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Upcoming progress

The Government shall submit to the National Assembly for approval of the Amended Special Sales Tax Law project at the 9th Session (May 2025).

Deloitte's views and recommendations

The changes in the Draft Amended SST Law are necessary and inevitable to meet the goals of the Tax System Reform Strategy for the period 2021 - 2030 in particular and Vietnam's long-term socio-economic development strategy in general, as well as in accordance with international practices that Vietnam participates in and other internal law amendments. Accordingly, to ensure effective operation and business when the amended SST Law takes effect, the company should consider:

- 1. Stay informed:** Continuously update on the draft amendments through articles releases from the Government and tax authorities, subscribe to specialized newsletters from experts in the field, as well as participate in relevant seminars.
- 2. Assess impact and planning:** Assess the potential impact of changes on the enterprise's production and business activities if the Draft Amended Law go live with quantitatively detailed analysis.
- 3. Advocate for reform:** Participate in forums and seminars to discuss with the board in-charge of the Draft Law/State Agencies/industry research experts to jointly analyze the impacts of the draft laws on businesses and policy goals in particular, and to the economy and society in general based on the scientific research with reliable data, with the aim of timely conveying the voice/contributions of the enterprise to policy-making bodies.
- 4. Engage tax professionals:** Collaborate with tax advisors to analyze the impacts of new regulations, thereby propose the effective tax planning strategies as well as making plans to adapt promptly.

Currently, Deloitte Vietnam continues working on to consult with the Ministry of Finance and the Government on the Draft Amended SST Law. In case the companies have business concerns in the process of studying the Draft Law, please contact Deloitte Vietnam so that we can assist in synthesizing the content of problems to provide comments to the Ministry of Finance.

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