



## Customs Alert

*Vietnam Customs and Global trade alert – A fresh perspective*

*New lists of domestically produced goods will restrict entitlement to customs duties and import VAT exemptions.*

April 2018

## NEW LISTS OF DOMESTICALLY PRODUCED GOODS WILL RESTRICT ENTITLEMENT TO CUSTOMS DUTIES AND IMPORT VAT EXEMPTIONS

Machinery, equipment, semi-finished products, raw materials and certain other goods, that are imported for establishment and operation of Incentivized or Encouraged projects, can be imported exempt from customs duties and import VAT.

One of the conditions for obtaining exemptions is that the goods to be imported are not “domestically produced”.

On 30 March 2018, the Ministry of Planning and Investment (“MPI”) issued Circular No. 01/2018/TT-BKHDT (“Circular 01”), that revises and expands lists of goods that MPI considers to be domestically produced. Therefore, imports of those goods will no longer be exempted from customs duties and import VAT.

Appendixes attached to Circular 01, provide details of the goods now determined to be domestically produced. We have summarized the Lists as follows:

- Appendix I: Specialized means of transport;
- Appendix II: Machineries and equipment;
- Appendix III: Construction supplies;
- Appendix IV: Raw materials, supplies, components, spare parts;
- Appendix V: Automotive parts and components;
- Appendix VI: Supplies for petroleum operations;
- Appendix VII: Raw materials, supplies and semi-finished products for shipbuilding;
- Appendix VIII: Machineries, equipment, raw materials, supplies and parts for telecommunication - information technology, digital contents, software;
- Appendix IX: Crop varieties, livestock breeds, fertilizers, crop protection chemicals.

**Note:** Appendix V, VIII and IX are new lists.

Circular 01 will take effective from 15 May 2018 and replace Circular 14/2015/TT-BKHDT dated 17 November 2015.

### WHAT THIS MEANS FOR YOU

The revised, and new Lists that have been issued under Circular 01 will certainly restrict the opportunity for enterprises to take advantage of customs duties and/or VAT once it takes effect on 15 May 2018.

It is important to note that the goods now listed as “domestically produced” are very precisely described. Goods falling outside those specified descriptions will still be entitled to exemptions – provided all conditions of the incentivized or encourage projects are satisfied.

What is not clear, is the treatment of goods that have been previously approved under specific incentivized or encouraged projects, but are physically imported on or after 15 May 2018. Our observation is that regardless of prior approval had been given, enterprises may not be able to claim the customs duties and VAT exemptions.

## WHAT TO DO

Enterprises should review whether the goods, they intend to claim customs duty and/or VAT exemptions on, are caught by the expanded Lists. Particular attention should be given to the descriptions, and technical specifications, of those goods now considered to be domestically produced.

If, from the review, it is determined customs duties/VAT exemptions may no longer be available from 15 May 2018, enterprises could consider:

- Advancing the shipment of the goods to Vietnam so they arrive and cleared through Customs controls before 15 May 2018;
- Paying the customs duties and import VAT, to avoid challenges and delays at the border point, or being penalized as a result of future audits by the Tax and Customs authorities. Consideration would need to be given to the HS Classification, origin (FTAs) and valuation of the imported goods when determining the tax exposures.

## HOW WE CAN SUPPORT

Deloitte Vietnam’s customs specialists, have a proven track record in supporting companies obtain customs duty and/or VAT exemption status.

Specifically, our team can provide practical and hands-on support to importers in the following areas

- Review the goods to be imported and determine whether, or not, they could still be entitled to customs duties and/or VAT exemptions;

- Advise on the HS classification code(s) that could apply to the goods to be imported, and the associated customs duty rate(s) payable – taking into consideration preferential customs duty rates under available FTAs;

Advise on the customs valuation of the imported goods, including what scope there was to exclude certain costs from the dutiable value;

- Support in any representations to Customs or Tax authorities, with regard to preserving customs duty and or VAT exemptions for impacted goods imported on or after 15 May 2018.

Should you have any inquiries, please contact us.

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## Contact

**Thomas McClelland**

**Tax Leader**

+84 28 3910 0751

tmcclelland@deloitte.com

**Dion Thai Phuong**

**Tax Partner**

+84 28 3910 0751

dthai@deloitte.com

**Suresh G Kumar**

**Tax Partner**

+84 28 3910 0751

ksuresh@deloitte.com

**Bui Ngoc Tuan**

**Tax Partner**

+84 24 6268 3568

tbui@deloitte.com

**Phan Vu Hoang**

**Tax Partner**

+84 28 3910 0751

hoangphan@deloitte.com

**Bob Fletcher**

**Director**

**Customs & Global Trade**

+84 28 3910 0751

fletcherbob@deloitte.com

**Bui Tuan Minh**

**Tax Partner**

+84 24 6268 3568

mbui@deloitte.com

**Dinh Mai Hanh**

**Tax Partner**

+84 24 6268 3568

handinh@deloitte.com

**Website:** [www.deloitte.com/vn](http://www.deloitte.com/vn)

**Email:** [deloittevietnam@deloitte.com](mailto:deloittevietnam@deloitte.com)

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