

## **TAX BULLETIN January 2025**

### **1. New key points of Value Added Tax Law 48/2024/QH15**

On 26 November 2024, the National Assembly approved the new VAT Law No 48/2024/QH15 which will take effect from 1 July 2025. Some significant changes in the new VAT law are summarized as follows:

- ❑ *Scope of taxpayers:*
  - Adding in foreign suppliers without permanent establishments in Vietnam which conduct e-commerce business or business on digital platforms; and foreign organisations which operate the platform and withhold and declare tax on behalf of foreign suppliers.
  - Adding in organizations which operate an e-commerce market platform, and a digital platform, and withhold and declare tax on behalf of business households and individuals operating on e-commerce platforms, digital platforms.
- ❑ *Non-taxable goods and services*
  - Increasing the annual revenue threshold of business individuals, households which are VAT exempt from VND 100 million to 200 million;
  - Adding in imported goods for the purpose of supporting and sponsoring natural disaster prevention, epidemics, and wars according to Government regulations.
- ❑ *Taxable price*
  - Zero taxable price for goods and services used for promotion according to the provisions of commercial law
  - Amending the determination of taxable prices of certain goods and services
- ❑ *Time of determining VAT liabilities*
  - Legalize regulation on the time of determining VAT which was previously guided only by decrees, circulars and official letter of the tax office.
  - Adding the time of determining VAT for goods: the time of transfer of ownership or right of use, or the date of issuing the invoice regardless of receiving payment or not.
- ❑ *Tax rates*
  - Revising tax rates applied to several goods and services

Goods, services	Current VAT rate	New VAT rate
<ul style="list-style-type: none"> <li>▪ Fertilizer products,</li> <li>▪ Fishing vessels and specialized machinery and equipment used for agricultural production</li> </ul>	Non-taxable	5%
<ul style="list-style-type: none"> <li>▪ Foreign suppliers without permanent establishments in Vietnam that conduct e-commerce and digital-based business activities with organizations and individuals in Vietnam</li> </ul>	5%	10%

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- Zero rated VAT applied to exported goods and services:
    - Exported goods are goods that are sold to organizations or individual overseas and consumed outside Vietnam; domestic goods that are sold to organisations in non-tariff areas and consumed within those areas serving the purpose of directly supporting export production activities.
    - Exported services are services that are directly provided to organizations or individual overseas and consumed outside Vietnam; services that are directly provided to organisations in non-tariff areas and consumed within those areas serving the purpose of directly supporting export production activities.
  - *Input VAT credit*
    - Removing VND 20 million threshold of non-cash payment. The threshold of non-cash payment may be instructed in a decree or circular
    - Regulations on declaration and deduction in case of incorrect or missing input VAT
      - Declaration in the original period: Adjust declaration in the month or quarter in which the incorrect or missing input VAT arises if the tax declaration in the month or quarter in which the incorrect or missing input VAT increases the amount of tax payable or reduces the amount of tax refund
      - Declaration in the discovered period: Adjust declaration in the month or quarter in which the incorrect or missing input VAT reduces the amount of tax payable or only increases or decreases the amount of VAT creditable to be transferred to the following month or quarter.
  - *VAT refunds*
    - VAT refunds for exports:
    - VAT refund for investment projects:
      - Allowing VAT refunds for business expansion investments during the investment stage where the accumulated input VAT is VND300 million or more.
      - The time limit for businesses with investment projects to apply for VAT refund is within one year from the date when the investment project, investment phase, or investment unit is completed.
      - Date of completion of the investment project is the date of revenue generation of the investment project or the date of revenue generation of the investment phase or unit. This revenue does not include revenue generated during the trial period, revenue from financial activities, and liquidation of raw materials.
    - Amending VAT refund rules to benefit taxpayers in specific cases, such as those producing goods/services subject to 5% VAT, investment projects in conditional sectors or with incomplete charter capital and exported goods or services.
    - Ending VAT refunds with respect to change of ownership, change of enterprise types, merger, consolidation, separation, de-merger.

**2. Announcement on foreign suppliers who have not yet registered to declare and pay taxes in Vietnam (Official Letter No. 6369/TCT-DNL dated 31<sup>st</sup> December 2024 of the General Department of Taxation)**

The General Department of Taxation has informed the headquarters of banks and intermediary payment service providers about the list of foreign suppliers that have not yet registered to declare and pay taxes in Vietnam, including Agoda International Pte. Ltd; Paypal Pte. Ltd; Airbnb Ireland Unlimited; Booking.com BV. Accordingly, the General Department of Taxation requests the headquarters of banks and intermediary payment service providers to notify their branches of the list of foreign suppliers. The branches are required to declare, withhold, and fulfil the tax obligations on behalf of these foreign suppliers when making payments for transactions with them, as stipulated by law.

**3. Guidance on non-cash payments (Official letter No. 2928/CTVPH-TTHT dated 5<sup>th</sup> December 2024 of Vinh Phuc Tax Department)**

- Expenses for purchasing goods, services, materials, supplies, entertainment: In case being paid via individual bank account or credit cards of the Company' employees and reimbursed to employees from Company' bank accounts which are registered with the tax authority, these expenses will be determined as non-cash payments provided that the Company has authorized employees to make the payments by using their own bank account or credit cards and that the authorization of payment was specifically stipulated in the contract under writing as provided for in the Point c, Clause 6, Article 3, Circular No. 119/2014/TT-BTC of Ministry of Finance.
- Business trip expenses: Business trip expenses will be considered as non-cash payment if being supported by Company' s decision or other relevant document on assigning employees on business trips, Company's finance regulation or internal regulation, in which it is allowed for employees to make payment of business trip expenses via their own bank account or credit cards.

**4. Guidance on the registration of TIN for paying taxes on behalf of foreign sub-contractor (Official letter No. 5887/TCT-KK dated 13<sup>th</sup> December 2024 of General Department of Taxation)**

Pursuant to current provisions, in case where a foreign contractor has established an operation office in Vietnam (hereinafter referred to as "contractor office") and the contractor office has been granted a tax identification number by the tax authority for purpose of directly filing and paying the foreign contractor tax in Vietnam, the contractor office in Vietnam is considered as a Vietnamese party which shall be responsible for filing, paying the foreign contractor tax on behalf of foreign subcontractors in accordance with provisions in the Clause 2, Article 4, Decree No. 103/2014/TT-BTC. Therefore, the contractor office in Vietnam shall be responsible for tax registration in accordance with provisions in the Point g, Clause 2, Article 4; Point e, Clause 3, Article 5, and Point a, Clause 6, Article 7, Decree no 105/2020/TT-BTC for purpose of filing, paying the foreign contractor tax on behalf of foreign subcontractors.

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**5. Invoicing for support payment received from an insurance company (Official letter No. 4998/CTBNI-TTHT dated 21<sup>st</sup> November 2024 of Bac Ninh Tax Department)**

In case the Company receives a support payment for fire and explosion prevention from a insurance company under a property risk insurance policy, VAT invoice will be issued as follows:

- If the support payment received are not for the purpose of providing services (such as reparation, guarantee, advertisements and so on) to the insurance company, the VAT invoices are not required to be issued, but a payment receipt should be prepared in accordance with legal provisions instead.
- If the support payment received are for the purpose of providing services to the insurance company, VAT invoices shall be issued in accordance with provisions in the Clause 1, Article 4, Decree No. 123/2020/NĐ-CP dated 19<sup>th</sup> October 2020 of Government; and Clause 1, Article 10, Decree No. 123/2020/NĐ-CP.