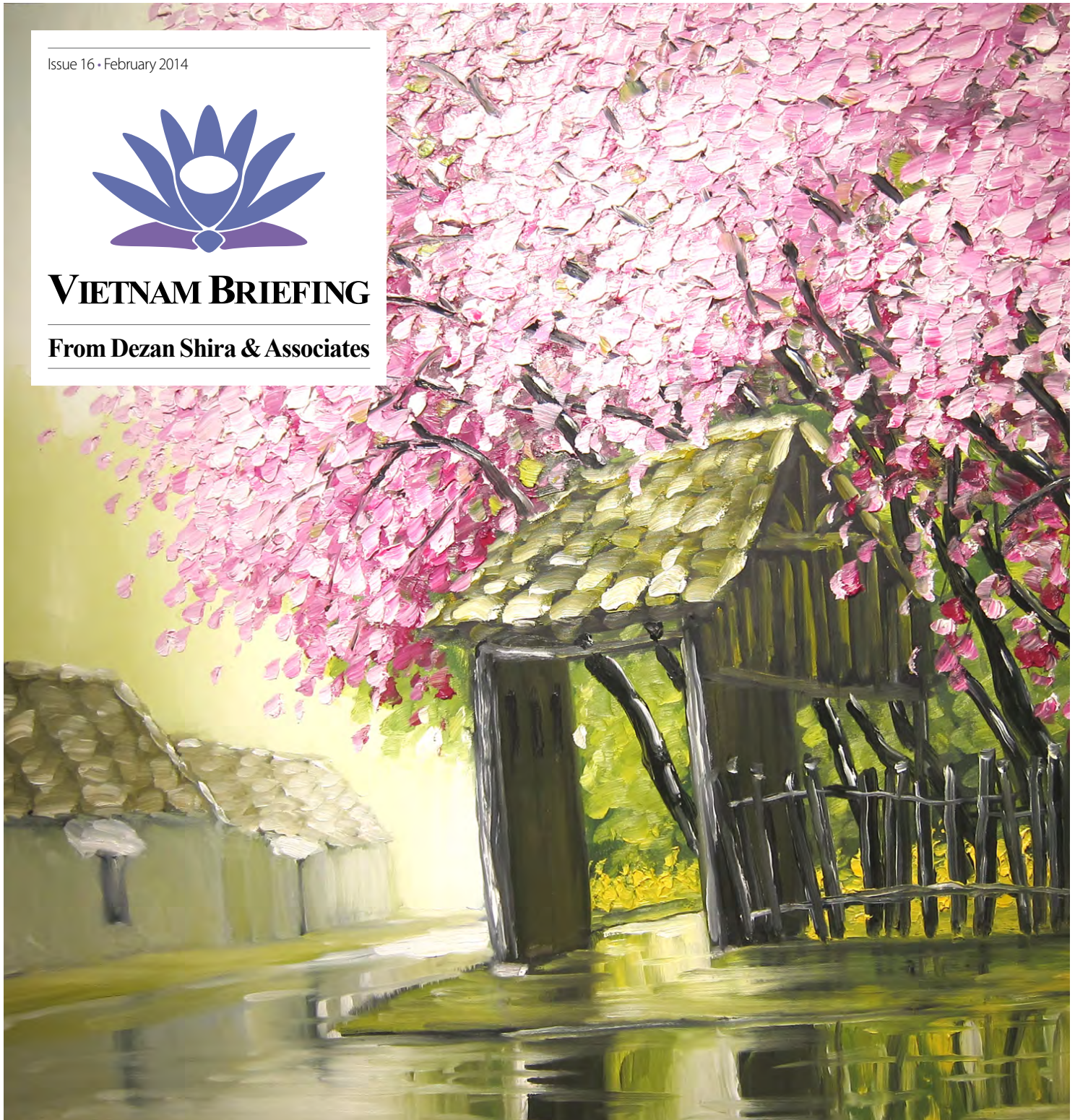


Issue 16 • February 2014



VIETNAM BRIEFING

From Dezan Shira & Associates



A Guide to Understanding Vietnam's VAT

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What is VAT & Who
Does it Affect?

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How to Make VAT Work
for You

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Proper Procedure
For Filing VAT

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Introduction



Dear Clients and Readers,

As Vietnam's dynamic economy continues to evolve, its tax regime is also continuing to develop to fit the new needs of the country and those doing business within it. While Vietnam is attempting to simplify its Value-Added Tax (VAT) system, properly filing your VAT and ensuring that you are entitled to, and receive, such things as exemptions and refunds, remains a confusing process.

With certain exceptions, all transactions related to goods and services used for production, trading, or consumption are subject to VAT. It is thus very important to determine correctly which VAT calculation method best suits your business and ensure that the tax process is followed carefully.

In this issue of Vietnam Briefing, we attempt to clarify the entire VAT process by taking you through an introduction as to what VAT is, who and what is liable, and how to pay it properly. In order to give you further in-depth information, we have also created a series of categories (e.g., Financial, Imports/Exports) of goods and services subject to VAT that you will be able to click on and follow to take a deeper look at a particular industry segment.

Kind regards,

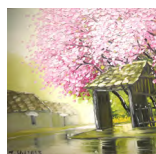
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Spring in the mountain

Le Thanh Son

Oil on canvas, 110 x 130 cm

Green Palm Gallery

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This Month's Cover Art

A Guide to Understanding Vietnam's VAT

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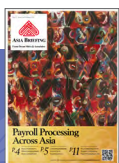
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What is VAT & Who Does it Affect?

– By Dezan Shira & Associates Vietnam and Edward Barbour-Lacey

Introduction

Value-added Tax (VAT) is a broadly-based consumption tax assessed on the value added to goods and services arising through the process of production, circulation, and consumption. It is applicable to the majority of goods and services bought and sold for use in the country. Goods which are sold for export and services which are sold to customers abroad are normally not subject to VAT.

Vietnam's main VAT laws are based on the *Law on VAT No.13/2008/QH12* dated June 3rd, 2008 and *Law No.31/2013/QH13* (the *Law on Amendment of VAT*) dated June 19, 2013 which amends and adds to the *Law on VAT* by the Vietnam's National Assembly. The *Law on Amendment of VAT* came into effect on January 1, 2014.

VAT is an indirect tax on domestic consumption applied nationwide rather than at different levels such as state, provincial or local taxes. It is a **multi-stage tax** which is collected at every stage of the production and distribution chain and passed on to the final customer.

What is covered by VAT?

The Law on VAT applies anywhere in Vietnam's territory over which it exercises sovereignty and jurisdiction. Except otherwise specified, transactions related to goods and services used for production, trading or consumption in Vietnam are subject to VAT.

Transactions related to the products and services below will be considered as non-taxable transactions:

- [Media](#)
- [Housing](#)
- [Financial](#)
- [Machinery/Equipment](#)
- [Import/Export](#)
- [Healthcare](#)
- [Farming/Animals/Plants](#)
- [Gifts](#)
- Insurance and insurance related services.
- Mass transit by bus and tramcar.
- Goods and services of business household or individuals with annual turnover of VND 100 million or less.



We have provided further in-depth information on a number of product and services categories. Simply click on the categories above to explore it in-depth.

Updates

The *Law on Amendment of VAT 2013* provided clarification on non-taxable subjects, taxable price, tax rate, tax calculation method, tax credit and refund. The Law took effect on January 1, 2014. More specifically, the law:

- Defines exported goods and services which receive a tax rate of zero percent as: goods and services used abroad and in non-tariff areas, and goods and services supplied to foreign customers under the Government's regulations;
- Supplements a tax rate of five percent for selling, leasing and purchasing social housing which took effect on July 1, 2013;
- Amends and adds to the tax deduction method and direct calculation method on value added;
- Amends and adds to tax return circumstances.

Who Can Be Taxed

Taxable persons are:

- Organizations and individuals producing or trading in VAT-liable goods and services in Vietnam, regardless of their business lines, forms and/or organization; and
- Organizations and individuals importing goods or purchasing services liable to VAT from abroad.



Related VAT Reading

Revisiting China's Value-Added Tax Reform



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Vietnam's VAT Tax Rates

Vietnam has three VAT rates: 0 percent, 5 percent and 10 percent. 10 percent is the standard rate applied to most goods and services unless otherwise stipulated.

Zero Percent Tax Rate

Applies to exported goods and services; work construction and installation for export processing enterprises; international transportation; and **certain goods and services** not liable to VAT upon exportation.

There are a number of conditions relating to the application of the 0 percent tax rate for export-related goods:

Goods and Services ineligible for the zero percent tax rate include:

- Outbound post and telecommunication services;
- Petrol and oil sold domestically to businesses in non-tariff zones;
- Automobiles sold to organizations and individuals in non-tariff zones;
- Services provided by businesses to organizations and individuals in non-tariff zones, including the lease of housing, workshops, halls, offices, hotels and warehouses and storage yards; transportation of employees; and catering services;
- Sports competitions, art, cultural and recreational performances, conferences, hotels, training, advertising and travel (if provided

to overseas organizations and individuals);

- Certain goods and services in the **Financial** category;
- Certain goods and services in the **Import/Export** category.

Goods and services ineligible for the zero percent tax rate are subject to the corresponding tax rates applicable to goods and services sold or provided domestically.

Five Percent Tax Rate

Goods and services entitled to the tax rate of five percent include:

- Scientific and technological services;
- Certain goods and services in the **Farming and Animals** category;
- Certain goods and services in the **Healthcare** category;
- Certain goods and services in the **Media** category.

Ten Percent standard tax rate

Applies to all goods and services not otherwise specified in the VAT law. The VAT rates previously specified apply uniformly to each type of good or service at the stages of importation, manufacture, processing and trading.

Exemptions

A variety of goods and service transactions may qualify for VAT exemption. It is best to **contact a tax professional** to ensure that all regulations are followed.

VAT Registration

Registration of tax is a compulsory procedure for organizations and individuals in order to run a business in Vietnam. There is no separate procedure for VAT registration, it is included at the beginning of the tax registration for each kind of taxable person.

Organizations and individuals who are liable for tax and are conducting business and production operations must apply for tax registration within 10 working days from the date that:

- They are granted business registration certificates or establishment and operation licenses or investment certificates;
- They commence their business operation (for organizations not subject to business registration and households and individuals subject to business registration but have not yet obtained business registration certificates);
- Their responsibility to withhold and pay taxes on behalf of others arises; or
- Refundable VAT amounts arise under the tax law, for project managers and foreign contractors.

Generally, each taxable person will be required to register and obtain a single tax code for declaration and payment of tax to state authorities.

Voluntary Registration

There is no voluntary registration for VAT in Vietnam. However, certain business entities are excused from registration, these include:

- Foreign business organizations not having Vietnam-based permanent establishments;
- Foreign business individuals being non-resident objects that do business in Vietnam or earn income in Vietnam on the basis of contracts, agreements or commitments between foreign contractors and Vietnamese organizations and individuals. In this case, the Vietnamese party shall carry out VAT registration and pay taxes on behalf of the foreign contractors and/or sub-contractors.

Non-resident business VAT registration

A non-resident business is not required to register for VAT in Vietnam. If they do business in Vietnam or earn income in Vietnam, the Vietnamese party will register for VAT on their behalf.

A non-resident is a person who does not satisfy one of the following conditions:

- Being present in Vietnam for a period of 183 days or more within one calendar year or for 12 consecutive months from the first date on which the individual is in Vietnam. The date of arrival and the date of departure shall each be calculated as one day.



- Having a regular residential location in Vietnam in either of the following cases:
 - » Having a registered place of permanent residence under the law on residence;
 - » Having rented a house for residence in Vietnam in accordance with the law on housing under a rent contract with a term of 183 days or more in a tax year.

Transactions Liable for VAT

Goods and Services

Most transactions related to goods and services used for production, trading or consumption are subject to VAT, except those otherwise specified. If service provision activities are carried out both in Vietnam and overseas, such services are subject to VAT for the contract value performed in Vietnam, except the provision of insurance services for imported goods.

When goods are imported from abroad, the place of the chargeable event for the supply of goods is the location where the goods are at the point of entry into Vietnam and the import VAT is levied.

Intangibles such as land-use rights, intellectual property rights, etc. are not subject to VAT.

Taxability of Imports

In general, all goods and services imported for the purpose of production, trading or consumption in Vietnam are subject to VAT, excepting goods and services traded between foreign countries, non-tariff areas, and between non-tariff areas.

Imported goods

Imported goods are liable to VAT for the total value of goods in the import stage, except certain products included in the **Farming and Animals** and **Machinery and Equipment** categories.

Temporary imports or re-exported Goods

Goods transferred out of border gates or transited via Vietnamese territory, goods temporarily imported for re-export or goods temporarily exported for re-import are not subject to VAT.

Imported services

Services attached to VAT-liable goods imported from abroad on the basis of contracts serving the production, business and consumption in Vietnam are liable to VAT.

Place of Supply

Goods

The place of taxation is determined by where the goods are supplied. General rules for determining the place of supply of goods for VAT purposes are as follows:

- » The place where the shipping of the goods to the customer begins;
- » The place where the goods are located at the time that the customer acquires the power to dispose of the goods.

Services

The place of taxation is determined by where the services are supplied.

Chargeable Amount

The chargeable amount of taxable price includes the following terms:

- For goods and services sold by production and business establishments, the taxed price is the selling price exclusive of VAT. For excise tax-liable goods and services, the taxed price is the selling price inclusive of excise tax but exclusive of VAT.
- For goods sold on installment or deferred payment, the taxed price is the lump-sum VAT-exclusive selling price, excluding interests on installment or deferred payments.
- For goods processing, the taxed price is the VAT-exclusive processing price under the processing contract.
- For transportation, loading and unloading, the taxed price is the VAT exclusive freight or loading and unloading charge rate.
- For tourist services in the form of tours under contracts signed with tourists at a package price, this package price is regarded as the VAT-inclusive price.
- The taxed price of services provided both in Vietnam and overseas is the value of services provided in Vietnam as indicated in the service provision contract.
- Click here for in-depth information on the **Import/Export** category.
- Click here for in-depth information on the **Housing** category.
- Click here for in-depth information on the **Financial** category.

Choosing the Correct Calculation Method

There are two methods for calculating VAT:

2 Methods for Calculating VAT

Credit Method			
Payable VAT Amount	=	Output VAT Amount	- Creditable Input VAT Amount

Direct Method			
Payable VAT Amount	=	Added Value of Sold Goods or Services*	* VAT Rate

*Added value of sold goods or services = Selling price – Purchasing price of goods or services.

Credit method

Most businesses are required to use the **credit method**, which applies to business organizations established under the *Law on Enterprises*, foreign invested enterprises and foreign parties to business cooperation contracts.

The output VAT amount is the total amount of VAT on sold goods and services as indicated in the VAT invoices. The creditable input VAT amount is the total VAT amount on goods or services purchased, and on imported goods as indicated in VAT invoices and other relevant documents proving VAT payment.

In order to claim the input VAT, taxpayers must obtain proper VAT invoices from suppliers. In addition, the following conditions must be met:

- The VAT invoices from the purchase of goods and services are legal;
- There is evidence of payment via a bank for the purchased goods and services, except where the total value of the purchase of goods and services is below VND 20 million.

The invoices must be filled out fully and properly, displaying all surcharges and additional charges. Where the VAT invoices do not indicate the VAT amounts, the output VAT will be the payment price indicated on the invoice multiplied by the VAT rate.

Payment and declaration of VAT is made on a monthly basis, where the taxpayer adds and subtracts the input and output VAT, and pays or claims the balance to the relevant bodies. As the situation

is normalized every month, no annual VAT finalization is required at the end of the year.

Companies will be given a grace period of six months to correct errors in the declaration and deduction of input VAT. Where the taxpayer's input VAT is not credited for three or more consecutive months, it can claim a refund from the tax authorities. In certain cases, exporters with excess input VAT credits exceeding VND 200 million may be granted a refund on a monthly basis.

Direct method

The **direct method** applies to business establishments and foreign organizations or individuals without resident offices, but which generate income in Vietnam and have not implemented the Vietnamese Accounting System (VAS). The direct method also applies to gold, silver and gem trading activities.

According to this method, VAT depends on total revenues, which is not known with certainty until the end of the accounting year. As such, the monthly payments are just provisional and the total amount of VAT may be different at the end of the year. Therefore, when using the direct method of calculation, tax finalization procedures must be done within three months following the end of the year.

Taxpayers adopting the VAT direct method should use sales invoices instead of VAT invoices.

How to Make VAT Work for You

– By Dezan Shira & Associates Vietnam and Edward Barbour-Lacey

Business establishments which pay VAT according to the credit method are entitled to input VAT credit as follows:

- Input VAT on goods or services used for the production of and trading in VAT-liable goods and services may be wholly credited, including also the uncompensated input VAT on lost VAT-liable goods.
- The input VAT on fixed assets used for the production and trading of goods or services both subject and not subject to VAT may be wholly credited.
- For goods or services used for the production of and trading in goods or services liable and not liable to VAT, only the input VAT amount on goods or services used for the production of and trading in VAT-liable goods or services is creditable.
- Having a VAT invoice on goods or services purchased or a document proving the payment of VAT at the stage of importation.

- Having a via-bank payment document of purchased goods or services, except goods or services valued at under VND 20 million upon each time of purchase.
- For exported goods and services, apart from the conditions specified above, the business establishment must also have a contract signed with a foreign party on the sale or processing of goods or service provision, a goods or service sale invoice, a via-bank payment document and a customs declaration.
- [Click here for in-depth information on the **Gifts** category.](#)
- [Click here for in-depth information on the **Farming and Animals** category.](#)
- [Click here for in depth information on the **Machinery** category.](#)

Improper Filing

Business establishments are not eligible for the deduction of VAT in



the following cases:

- Use of VAT invoices not in compliance with law provisions;
- Invoices not being specified or incorrectly specified so that it is unable to identify the seller or the buyer;
- Fake invoices, VAT receipts, erased invoices, fraudulent invoices;
- Invoices which specify the incorrect actual value of goods, services being purchased, sold or exchanged.

Mixed transactions

Input VAT for goods and services used for production or business related to VAT taxable and non-taxable goods and services, only the input VAT of goods and services used for production or business related to VAT taxable goods or services shall be deducted.

Business establishments must separately account for the deductible input VAT and non-deductible input VAT. If business establishments cannot separately account them, the input VAT shall be deducted under the ratio of the VAT taxable revenue on the total revenue from sold goods and services.

Input VAT of fixed assets used for both production, business of VAT taxable and non-taxable goods, and services are completely deducted.

Time of deduction or credit

The input VAT arising in a month shall be declared and credited upon the determination of the payable tax amount of that month, regardless of whether goods or services have been delivered.

Establishments conducting business of both taxable and non-taxable goods shall monthly apportion the deductible VAT of purchased goods and services

Jan	Feb	Mar	Apr	May	June
July	Aug	Sept	Oct	Nov	Dec

In December, establishments shall calculate and apportion the deductible input VAT of the year to declare and adjust the apportioned deductible input VAT of the previous months

Refunds to registered persons

Domestic refunds

Businesses and organizations paying tax by the credit or deduction method, and which have followed all necessary VAT regulations, are entitled to a **VAT refund** according to the following circumstances:

- For business establishments having input VAT amounts not completely deducted for three or more consecutive months;
- Businesses, newly-founded under investment projects, which have applied for business and VAT registration under the deduction method, are eligible for a VAT refund on goods and services used for investment each year. If the total VAT amount of purchased

goods and services used for the investment is VND 200 million or more, the amount is eligible for a VAT refund.

When business establishments subject to VAT under the deduction method have an investment project in the investment stage, they must declare and offset VAT on purchased goods and services used for the project together with the VAT declaration of the production and business being implemented. After clearing, any uncredited VAT amount on goods and services purchased for investment totaling VND 200 million or more may be refunded.

If in a month, a business exports goods or services and has an uncredited input VAT amount of VND 200 million or more on exported goods in that month, it can be considered for VAT refund on a monthly basis.

The *Law on Amendment of VAT* changed the VAT refund in terms of increasing the amount and period of tax refund. Particularly:

- When business establishments pay VAT according to the tax credit method and have their input VAT amounts not fully credited within a month or quarter, they may have such tax amounts credited in the following period.
- A business establishment having registered to pay VAT according to the tax credit method is entitled to a tax refund if it has a new investment project and has an amount of VAT on purchased goods or services used for investment not yet credited and the remaining tax amount is VND 300 million or more.
- Business establishments that export goods or services in a month or quarter are entitled to VAT refund on a monthly or quarterly basis if they have an uncredited input VAT amount of VND 300 million or more.

Refunds to Non-registered Persons (domestic and foreign)

Foreigners and overseas Vietnamese can get a VAT refund with respect to goods bought in Vietnam and carried along when leaving the country.

Provisions for the Transfer of Liability

Vietnam-based production and business organizations and individuals that purchase services from foreign organizations without permanent establishments in Vietnam or overseas individuals not residing in Vietnam shall be responsible for declaring and paying VAT in Vietnam on behalf of suppliers.

Other Mechanics

Businesses may declare and credit VAT on goods and services purchased through authorization given to other organizations or individuals, and the organizations or individuals that are named in the invoices on such purchases.

Proper Procedure For Filing VAT

– By Dezan Shira & Associates Vietnam and Edward Barbour-Lacey

Registration and VAT Number

The VAT number is the tax code of the company and is registered within 10 days from issuance of the business registration certificate.

Business establishments, including subsidiaries, have to register VAT payment to the direct tax agency under the guidance of the tax agency.

VAT Invoices

A VAT invoice is an invoice reserved for organizations and individuals that declare and calculate VAT by the **credit method** in the following activities:

- » Sale of goods and provision of services inland;
- » International transport;
- » Export of goods into non-tariff zones and cases regarded as export.

The below entities are required to provide VAT invoices:

- Enterprises established under law in industrial parks, economic zones, export-processing zones or hi-tech parks;
- Enterprises having a charter capital level prescribed by the Ministry of Finance.

Public non-business units conducting production and business activities may themselves print invoices after obtaining their tax identification numbers.

Types of VAT Forms

- Value-added invoice;
- Sales invoice;
- Self-printed invoice;
- E-invoice; and
- Invoice printed on order.

VAT Returns

Filing and Payment of VAT

Business establishments must declare VAT each month and submit a tax declaration in the first 20 days of the following month. In the absence of incurred input or output VAT, business establishments still have to declare and submit a tax declaration.

Business establishments who trade numerous goods and services with various VAT rates must declare VAT in accordance with the tax rate prescribed for each type of goods or service. If the business establishments cannot determine the tax rate, they must calculate and pay tax at the highest tax rate on goods and services.

Required electronic filing

The **Law on Tax Administration** requires VAT taxpayers, whose business entity is in a city or province that has the qualified IT infrastructure, to file and/or declare VAT online with the tax authorities.

Electronic tax filing is implemented periodically on a monthly, quarterly, or yearly basis.

Time of payment or deposit

Business establishments must make VAT payment no later than the 20th day of the next month. Business establishments and importers have to pay VAT upon each importation. In the tax period, business establishments pay VAT in accordance with their method of deduction, if the input VAT is more than the output VAT, the deduction is carried forward to the next period. VAT is paid in Vietnam dong (VND).

Content of the VAT Invoice:

- a) Name of invoice type
- b) Symbol of invoice number pattern and symbol of invoice
- c) Name of the sheets in the invoice
- d) Serial number of invoice
- e) Name, address and tax identification number of the seller and buyer
- f) Name, unit of calculation, quantity and unit price of goods or services; total amount in figures and words
- g) Signatures and full names of the buyer and seller, seal of the seller (if any), and date of making out the invoice
- h) Name of the invoice printing organization, billing software supplier or intermediary organization providing e-invoicing solutions
- i) Invoices shall be made in Vietnamese

VAT Summary

– By Dezan Shira & Associates Vietnam and Edward Barbour-Lacey

Registration

Each business establishment has a unique registered tax code which is also the registered business code and enterprise code.

Place of Supply

All goods and services supplied in Vietnam are subject to VAT regardless of if they are domestic or imported services and goods.

Tax Base

The taxable price for calculating VAT is the selling price excluding VAT.

Recovery of input tax

Input VAT is recoverable but only applies to enterprises which pay VAT under the deduction method.

The enterprise which has exported domestic goods or services can claim a VAT refund on a monthly basis with respect to exported activities if the input VAT credits apportioned to exported activities is VND 200 million or more.

On January 1, 2014, the new VAT law will come into effect. The law's changes include new rules on claiming VAT refunds. According to the new law, a VAT refund can be claimed if a taxpayer has accumulated input VAT credits for at least one year. For new projects under construction, the threshold to claim a VAT refund is increased from VND 200 million to VND 300 million.

Time limit for submission of tax declaration:

VAT payers are classified into two types: taxpayers who declare and pay tax on a monthly basis, and those who declare and pay tax on a quarterly basis.

The deadline for declaration, submission and payment of VAT for the quarterly method is the 30th day of the following quarter; for the monthly method it is the 20th day of the following month.

Recordkeeping

All accounting books must be recorded in the originals and the legal representative of the enterprises is responsible for preservation and recording of such materials.

Appointment of tax representative

Legal representatives of taxpayers can directly sign documents and dossiers for transactions with tax agencies or authorize their deputies to sign documents and dossiers. The authorization must be made in writing and the authorization documents must be kept

at the enterprises.

An authorization document must specify the duration and scope of the authorization and shall be sent to the tax agencies together with documents and dossiers for the first transaction in the authorization duration.

Audits and E-audits

VAT is a part of a financial statement that is audited every fiscal year. According to the law, the following enterprises shall be audited:

- Foreign-owned invested enterprises;
- Credit institutes;
- Financial organizations and insurance business enterprises;
- Joint stock companies and limited companies which are listed on the stock exchange.

Interest and Penalties

A taxpayer who pays tax after the prescribed time limit or extended time limit for tax payment, or after the time limit stated in the notice and handling decision of a tax administration agency shall fully pay the tax and late payment interest amount. The penalty will be determined at the progressive rate of 0.05 percent of the late paid tax amount per each day of the late payment period not exceeding ninety days or 0.07 percent of the late paid tax amount per day of late payment after ninety days.

Tax payers who violate VAT shall be dealt with as follows:

- Payment of VAT fines later than the specified date of payment shall be charged 0.1 percent of the late amount.
- Tax perjury and tax evasion, in addition to having to pay the tax under the provisions of law on VAT, shall be fined one to five times the amount of the fraud or tax evasion.

Statute of Limitations

For acts violating tax procedures, the statute of limitations for sanctioning is two years. For acts of tax evasion or tax fraud not serious enough for penal liability examination, the statute of limitations for sanctioning is five years.

Special Regimes or Arrangements

If imported goods are refunded to overseas traders, import VAT and import duties' refund can be claimed in proportion with actual re-exported goods. If the company registers the temporary import and re-export declaration, imported goods shall not be subject to VAT. If the company registers a business declaration, imported goods shall be subject to VAT.



What are some ways to improve VAT recovery and have a more VAT-efficient structure for my company?

While there is no effective way to increase your VAT refund, there is an efficient way to meet the conditions to ensure that you are entitled to a VAT refund. Businesses and organizations **paying tax** by the credit method that have met all their VAT registration requirements are entitled to a VAT refund according to the following circumstances:



Bui Hong Hanh

Manager, Business Advisory Services
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VAT refund is conducted when the output VAT is less than the input VAT. Thus:

- When business establishments pay VAT according to the tax credit method and their input VAT amounts are not fully credited within a month or quarter, they may have such tax amounts credited in the following period.
- A business establishment having registered to pay VAT according to the tax credit method is entitled to a tax refund if it has a new investment project, has an amount of VAT on purchased goods or services used for investment not yet credited, and the remaining tax amount is VND 300 million or more.
- Business establishments that export goods or services in a month or quarter are entitled to VAT refund on a monthly or quarterly basis if they have an uncredited input VAT amount of VND 300 million or more.

Additionally, to be eligible for a VAT refund, the requirements below must be met:

- Have a VAT invoice on goods or services purchased or a document proving the payment of VAT at the stage of importation;
- Have a via-bank payment document of purchased goods or services, except goods or services valued at under VND 20 million upon each time of purchase;
- For exported goods and services, apart from the conditions specified above, the business establishment must also have a contract signed with a foreign party on goods sale or processing or service provision, a goods or service sale invoice, a via-bank payment document and a customs declaration.

How can I limit my exposure to VAT?

To limit VAT exposure, a VAT taxpayer using the **tax credit method** should be aware of the guidelines that will help them determine input VAT credit. These guidelines are as follows:

- Input VAT on goods or services used for the production of and trading in VAT-liable goods and services may be wholly credited, including also the uncompensated input VAT on lost VAT-liable goods.
- The input VAT on fixed assets used for the production and trading of goods or services both subject and not subject to VAT may be wholly credited;
- The input VAT on goods used by enterprises as donations, gifts or presents or for sale promotion or advertising in various forms to serve the production of and trading in VAT-liable goods and services is creditable.
- The input VAT on goods and services purchased by businesses, for the production of or trading in goods and provision of services to foreign organizations and individuals or international organizations for the provision of humanitarian aid or non-refundable aid, may be wholly credited;
- For goods or services used for the production of and trading in both goods or services liable and not liable to VAT, only the input VAT amount on goods or services used for the production of and trading in VAT-liable goods or services is creditable;
- Establishments can declare and credit input VAT on goods and services purchased for production and business at all stages of capital construction investment, production and processing if they are engaged in: agricultural production, aquaculture or fishing, organizing closed production processes, accounting their production and business results in a centralized manner, and using products at the stage of agricultural production; rearing and fishing aquatic or marine products as raw materials for further production and processing into VAT-liable products (including unprocessed agricultural, forest and aquatic products for export or processed products liable to VAT) .
- Input VAT on goods and services used in prospecting, exploring and developing oil and gas fields to the first day of exploitation or production may be wholly credited.



More questions:

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