



Tax Update

April 2018 Tax Update highlights the following key points:

- ▶ **Guidance on claiming an additional input special consumption tax (SCT) imposed by the customs authorities.**
- ▶ **Guidance on invoicing and value added tax (VAT) declaration for sponsorship received from a parent company.**
- ▶ **Guidance on the application of special preferential import tax rates (ATIGA tax rates) for on-the-spot exports.**
- ▶ **Circular 01/2018/TT-BKHDT from the Ministry of Planning and Investment (MPI) issuing the list of machinery and equipment which are domestically manufactured.**

Official Letter 14675/CT-TTHT (OL 14675) dated 4 April 2018 issued by the Ha Noi Tax Department providing guidance on claiming an additional SCT imposed by the customs authorities.

According to the OL 14675, where there is additional input SCT on import goods that is imposed by the customs authorities, the company is not allowed to offset such additional input SCT against the SCT on goods sold domestically. Such additional SCT shall be recorded as a deductible expense for CIT purposes.

The non-credibility and CIT expense recognition of the additional input SCT imposed by the customs authorities has been a grey area. This interpretation is unfavourable to enterprises.

Official Letter 14676/CT-TTHT (OL 14676) dated 4 April 2018 issued by the Ha Noi Tax Department providing guidance on invoicing and VAT declaration for sponsorship received from a parent company.

Following OL 14676, where a company receives a sponsorship from its parent company for business operation support (which does not amount to conducting repair service, warranty, promotion, and advertising for the parent company), the company is not required to declare and pay VAT on such sponsorship. The company records such received sponsorship as “other income” for CIT calculation purposes.

If the company receives a sponsorship from the parent company to conduct repair service, warranty, promotion, and advertising, it is required to issue invoices and pay VAT accordingly.

Official Letter 1973/TCHQ-TXNK (OL 1973) dated 12 April 2018 providing guidance on the application of special preferential import tax rates (ATIGA tax rates) for on-the-spot exports.

Following OL 1973, in the case of indirect exports, as the goods are not directly transported from export countries into Vietnam, the conditions of special preferential tax rates (ATIGA tax rates) are not satisfied.

Circular 01/2018/TT-BKHDT (Circular 01) dated 30 March 2018 issuing the list of machinery and equipment which are domestically manufactured.

Circular 01 of the MPI is effective from 15 May 2018 (as a replacement of Circular 14/2015/TT-BKHDT). This circular issues the list of machinery, equipment, replaced parts, special-use transportation means, raw materials, materials, and semi-finished products which are domestically manufactured.

9 goods domestically manufactured are listed in Circular 01 as follows:

1. The list of specialized transportation domestically manufactured (92 items);
2. The list of machinery and equipment domestically manufactured (366 items);
3. The list of building materials domestically manufactured (113 items);
4. The list of raw materials, materials, components and replaced parts domestically manufactured (678 items);
5. The list of components and parts for cars domestically manufactured (197 items);

6. The list of vital materials for oil and gas production activities domestically manufactured (73 items);
7. The list of constituents, materials and semi-finished products for ship building domestically manufactured (11 items);
8. The list of machinery, equipment, materials, components in industry of the telecommunication - information technology, digital content and software domestically manufactured (178 items); and
9. The list of plant varieties, breeds, fertilizers and pesticides domestically manufactured (204 items).

The relevant authorities and enterprises which have machinery and equipment imported to Vietnam will use the above lists to determine VAT-exemption and import-duty-exemption from 15 May 2018.

Contact

Please contact the below EY professionals from Ernst & Young Vietnam Limited for more information on this update or our Tax & Advisory Services:

Ha Noi Office

Huong Vu Partner
huong.vu@vn.ey.com

Trang Pham Partner
trang.pham@vn.ey.com

Nhung Nguyen Executive Director
nhung.hong.nguyen@vn.ey.com

Japanese Business Services

Junichi Harada Manager
junichi.harada@vn.ey.com

Korean Business Services

Kyung Hoon Han Manager
kyung.hoon.han@vn.ey.com

Ho Chi Minh Office

Robert King Partner
robert.m.king@vn.ey.com

Thinh Xuan Than Partner
thinh.xuan.than@vn.ey.com

Phat Tan Nguyen Partner
phat.tan.nguyen@vn.ey.com

Thy Anh Huynh Partner
thy.anh.huynh@vn.ey.com

Japanese Business Services

Takahisa Onose Partner
takahisa.onose@vn.ey.com

Korean Business Services

Cheon Ju Lee Director
cheon.ju.lee@vn.ey.com

EY | Assurance | Tax | Transactions | Advisory
About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.
©2018 Ernst & Young Vietnam Limited.
All Rights Reserved.

VN No. 030705001
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

ey.com