

Proposal on the timing of invoice for the revenue recognition for exported goods

Tax Alert | August 2023

This Alert is to announce the consideration of the General Department of Taxation on the timing of invoice issuance and revenue recognition for exported goods.

Visit other Tax Updates [here](#)

Hanoi Tax Department (HNTD) has requested the General Department of Taxation (GDT) to confirm a proposal that the timing of invoice issuance and revenue recognition for exported goods should be based on the date those exported goods pass the customs supervision area.

The GDT has invited some specialty departments under the Ministry of Finance (MoF) and the General Department of Customs to have a meeting to discuss the matter. The GDT has also enclosed initial legal basis to the invite.

If the proposal approved, it may potentially impact businesses in monitoring their exported goods, and on Value Added Tax (VAT) refund application.

- ▶ From a customs perspective, per Article 53 of Circular 38/2015/TT-BTC dated 25 March 2015 issued by MoF as amended by Clause 33, Article 1 of Circular 39/2018/TT-BTC dated 20 April 2018 issued by MoF, shipment of goods will be considered “completed with export procedures” after these goods are customs-cleared and pass the customs supervision area.
- ▶ From a tax perspective, the GDT has pointed out some differences in legal basis for the revenue recognition:
 - ▶ Per the VAT regulations, timing for revenue recognition for VAT purpose for exported goods should be the date of completion of customs procedures as in the customs declaration
 - ▶ Per the invoicing regulations, timing for invoice issuance for exported goods should be the date of completion of procedures for exported goods
 - ▶ Per the Corporate Income Tax regulations, timing for revenue recognition for sales of goods should be the date of transferring/handing ownership right, use right of goods from seller to buyer
- ▶ After analysis, the GDT has tentatively aligned with the proposal made by HNTD that timing for invoice issuance and revenue recognition for exported goods would be based on the date exported goods pass the customs supervision area, i.e., the date of completion of procedures for exported goods.
- ▶ The GDT though has not made decision re HNTD’s proposal that if approved, the new guidance is retroactively applicable for businesses.

Our thoughts

- ▶ Currently, businesses are relying on the date of customs clearance to issue invoice and accordingly recognize revenue for exported goods.
- ▶ From a customs perspective, goods may be cleared for customs but still under customs supervision. To pass customs supervision area, businesses are required to carry out some more steps depending on the locations, warehouse, and ports where businesses are storing/exporting goods. In practice, the date of goods passing customs supervision area may be after the date of customs clearance.
- ▶ Following the above proposal by tax authorities, if approved, businesses need to monitor the date of goods passing through customs area for the purpose of invoice issuance and revenue recognition. Otherwise, there may be impacts, minor or major, on determination of VAT declaration and/or refundable VAT amount in one specific tax period.
- ▶ Finance team should work closely with logistics team to set up a protocol to monitor this.

Contact

Hanoi office

Huong Vu | General Director
EY Consulting Vietnam Joint Stock Company
huong.vu@vn.ey.com

Japanese Business Services (JBS)
Takaaki Nishikawa | Director
Ernst & Young Vietnam Limited
takaaki.Nishikawa@vn.ey.com

Korean Business Services (KBS)
Kyung Hoon Han | Director
Ernst & Young Vietnam Limited
kyung.hoon.han@vn.ey.com

Ho Chi Minh City office

Robert King | Indochina Tax Leader
robert.m.king@vn.ey.com

Anh Tuan Thach
Partner | Tax Consulting
EY Consulting Vietnam Joint Stock Company
anh.tuan.thach@vn.ey.com

Japanese Business Services (JBS)
Takahisa Onose | Partner
Ernst & Young Vietnam Limited
takahisa.onose@vn.ey.com

Korean Business Services (KBS)
Phil Choi | Director
Ernst & Young Vietnam Limited
phil.choi@vn.ey.com

Chinese Business Services (CBS)
Owen Tsao | Director
Ernst & Young Vietnam Limited
owen.tsao@vn.ey.com

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

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. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

©2023 EY Consulting Vietnam Joint Stock Company.
All Rights Reserved.

APAC No. 16280801
ED None

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

ey.com/en_vn