



A Practical Guide To Corporate Tax And Compliance Work In Vietnam

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A STEP-BY-STEP GUIDE TO CORPORATE TAX AND COMPLIANCE WORK IN VIETNAM



As you may know, fulfilling tax obligations is one of the mandatory and most important things to do when doing business anywhere in the world, and Vietnam is no exception. All companies in Vietnam, be it international or domestic and big, medium or small, are required to comply with the local accounting and tax regulations.

Therefore, it is essential to understand how taxes can affect your company and business and what kind of taxes you and your company must pay to the Vietnamese government while running a business and earning revenue in the country.

For enterprises, the most common types of taxes in Vietnam that you must familiarise yourself with include:

-  Corporate income tax (CIT)
-  Value added tax (VAT)
-  Personal income tax (PIT)

In this guidance, we show you Vietnam's tax system structure and discuss tax rates and tax obligations, to help you get a clearer picture of [registering a company in Vietnam](#).

What is the Tax structure in Vietnam?

As briefly mentioned above, it is mandatory for every business and company in Vietnam to fulfill tax obligations such as paying taxes and filing reports and submitting reports on the company's financial status, among other things, according to the regulations.

When a foreign company has a domicile in the territory of Vietnam, it will be treated as a Vietnamese tax resident. Therefore, the company has to fulfill the obligation as a resident taxpayer.



CORPORATE INCOME TAX

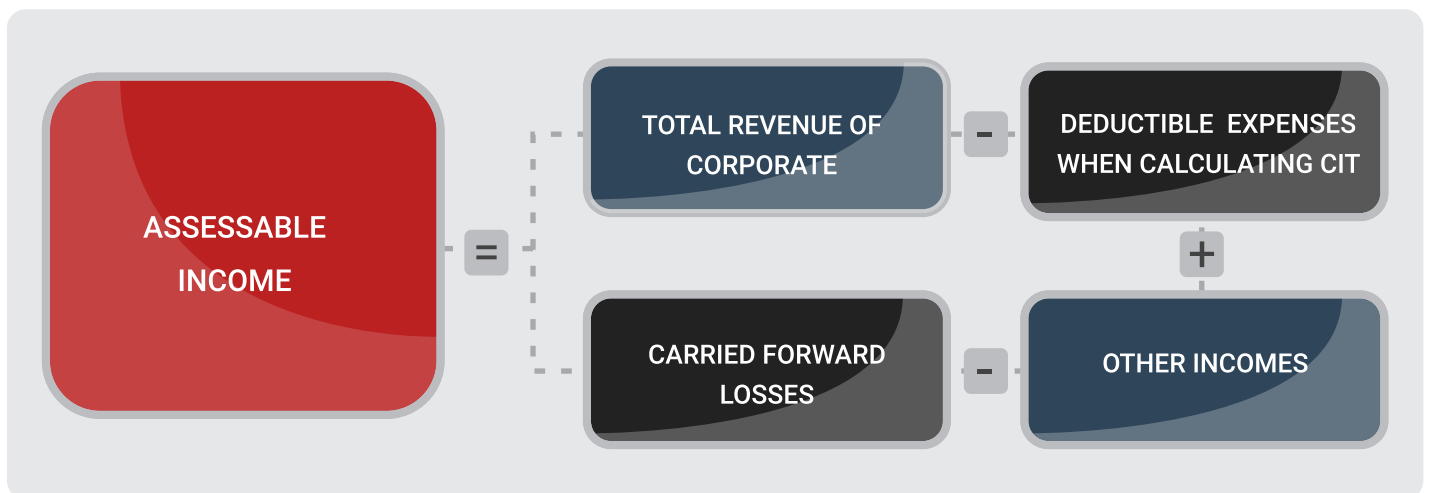
Corporate income tax in Vietnam, in general, is applicable at a flat rate of 20%. Certain industries and few businesses located in specific regions get tax rate incentives. The tax rate incentives are determined based on the location of your business, the industry of your business, and the specific conditions of projects undertaken by you.

The rate of CIT on exploration and extraction of petroleum in Vietnam is from 32% to 50%. The CIT rate of rare and valuable resources in Vietnam is 50%. For rare and precious natural resource mines applies the corporate income tax rate of 40% (where at least 70% of the allocated area must be located in geographical areas with difficult socio-economic conditions). The CIT rates of projects are determined by the location in which your project takes place.

CIT calculation method In Vietnam:

$$\text{ASSESSABLE INCOME} \times \text{CIT Rate} = \text{CIT Payable in the period}$$

In Which



In relation to the corporate tax rates, investors are encouraged to take advantage of the different tax incentives offered by the Vietnamese government to businesses engaged in the encouraged sectors that include:

- ✓ Healthcare
- ✓ High-tech companies
- ✓ Software development
- ✓ Education
- ✓ Infrastructure development
- ✓ Environmental protection
- ✓ Aquatic and agricultural products processing
- ✓ Scientific research
- ✓ Renewable energy

VALUE ADDED TAX

Value Added Tax in Vietnam is a tax imposed by companies on consumers when they purchase goods or services for production, consumption, and trading purposes. The VAT is also levied on goods and services purchased from foreign sources.

The VAT rate depends on the type of goods and/or services sold by your company. In Vietnam, business owners also act as VAT middlemen and are responsible for collecting the VAT from the users and paying it forward to the Vietnamese government.

If your company is engaged in trading and importing goods and/or services in Vietnam, you must register for VAT declaration right after you have secured your business licenses.

In most cases, a flat VAT rate of 10% applies. Goods and services reflecting the State's priority and encouragement policies have a VAT rate of 5%. The rate of VAT may also change, depending on the government regulation by each point time.

There are 26 groups of goods and services not subject to VAT to encourage the development of agricultural production; support for materials that cannot be produced domestically; services related practically and directly to people's lives and are not of business nature.

Here is a complete list of the VAT rates that you need to be aware of:

All other taxable goods and services: standard VAT rate (10%).

Basic food and beverages, essential goods, public transports, agricultural production and services, medical equipment: basic VAT rate (5%).

International transportation, overseas construction, exported goods and services, agricultural equipment, animal feed, fertilisers: zero VAT rate (0%).

YOU CAN CALCULATE VAT IN VIETNAM BY ADOPTING EITHER METHOD:

1

The direct method
 $\text{VAT payable} = \text{turnover} \times \text{VAT rate}$

2

The indirect (credit) method
 $\text{VAT payable(deductable)} = \text{output VAT} - \text{input VAT}$

VAT REFUNDS IN VIETNAM APPLIES FOR THE BELOW CASES:

- ✓ VAT refund for exported goods and services.
- ✓ VAT refund for investment projects

The VAT refund can only be granted to taxpayers that satisfy the following conditions:

- 1 Being a business that pays tax according to the deduction method,
- 2 Having been granted an enterprise registration certificate or an investment license (practice license) or an establishment decision issued by a competent authority,
- 3 Having a stamp in accordance with the law,
- 4 Prepare and keep accounting books, accounting documents as per the law on accounting;
- 5 Have a deposit account at the bank according to the tax code of the business.

When can the enterprises submit the dossier for getting a VAT refund?

When the VAT input is not completely deducted after 12 months or 4 quarters in continuity and the carry forward amount of VAT deductible exceeds 300 million, the taxpayer shall receive a refund.

Personal income tax (PIT)

Personal income tax withheld from wages, salaries must be declared and paid monthly or quarterly. The monthly or quarterly tax declaration and payment is only determined once from the first month in which tax deduction arises and applies to the whole tax year, specifically as follows:



Monthly personal income tax declaration

The income-paying enterprise incurs the withheld tax amount in the month of at least one type of personal income tax return of VND 50 million or more.



Quarterly personal income tax declaration

Enterprises are subject of value added tax quarterly declaration.

The Enterprise pays the income with the withheld tax amount in the month on the personal income tax returns under VND 50 million.



Personal income tax must be declared and paid at each time of income generation.

Every time income gets generated by various activities, enterprises shall carry out tax declaration and payment procedures on behalf of individuals. Those activities include real estate transfer; capital transfer of individuals, securities transfer of individuals, and individuals with income from property rental (for these cases, the enterprises must receive authorisation from individuals having income)

The rate of PIT depends on the kind of income under the contract which individuals sign with enterprises.

WHAT IS THE TAX REGISTRATION PROCESS IN VIETNAM?

To fulfill tax obligations in Vietnam, it is a must for every business to have what is called a company tax number. This tax number must be used throughout the operations. Currently, the company's tax code and the business license number are the same. To obtain a business registration number and company tax code, you need to submit an application form for company registration and all the required documents.

Let us understand the Business License Fees

Business License Fee is an amount of money that enterprises have to pay annually. The annual business license fee amount is not large but is a compulsory obligation. The enterprise must declare business license within 30 days in following year from the year getting ERC (Enterprise Registration Certificate).

The number of business license fees for organizations engaged in the production and trading of goods and services as follows:

No	Capital amount	Amount of business lisenace fee	Level
1.	Enterprises with charter capital or investment capital are over 10 billion VND	3.000.000VND/year	Level 1
2.	Enterprises with charter capital or investment capital are from 10 billion VND and less than 10 billions VND.	2.000.000VND/year	Level 2

If an enterprise changes its charter capital or investment capital, and the new capital effect the amount of business license fee obligation then the enterprises must re-submit the business license declaration sheet in the following year of the changing year. The basis for determining the business license fee amount is the charter capital or investment capital of the year preceding the year of calculation for the business license fee.

When Should you Pay Taxes in Vietnam?

Companies in Vietnam must pay a business license fee in annually within the first 30 days of the new Calendar year.

With regard to the value added tax in Vietnam, you must be file and submit the VAT return monthly by the 20th of the following month. Quarterly VAT filing and submission are allowed for taxpayers whose turnover does not exceed VND 50 billion in the previous year. For this case, the declaration and payment taken by the last day of the first month in the following quarter.

The deadline to pay personal income tax and personal income tax declaration are the same (if it has any tax payable).

Companies in Vietnam are required to submit their provisional corporate income tax within 30 days after every quarter. Further, companies are required to calculate and remit any corporate income tax payable balance within 90 days after each financial year for the annual final corporate income tax returns.

Vietnam's standard financial year is January 1 to December 31. However, companies in Vietnam, depending on their business activities, are allowed to adopt their own financial year and the alternative financial year that can end on either March 31, June 30, or September 30.

Need help with navigating Vietnam's tax system and regulations?

100% compliance is a must to run a successful business in Vietnam, away from legal risks, sanctions and penalties. We are here to guide you and provide you with peace of mind, from setting up your Vietnam company to staying compliant and managing your taxes with ease.

Get in touch with us today

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