Taxes

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Taxes: Corporate taxation, Payroll and social security taxes.

Resident/non-resident Residence is not defined, but a corporation generally is considered to be resident if it is incorporated in Vietnam. All companies and other legal entities incorporated and carrying on a business in Vietnam are subject to various local indirect taxes and corporate income tax (CIT). They are also required to apply Vietnamese Accounting System Standards (VASS) and Vietnamese Accounting Standards (VAS). These are generally based on International Accounting Standards, with some modifications. Foreign companies carrying on business in Vietnam without setting up a legal business presence may be taxed under a foreign contractor withholding tax (FCWT) regime, which mainly comprises value added tax (VAT) and CIT. They need to pay the same corporate taxes as local companies if they meet the conditions of a resident business, and register under the relevant business laws in Vietnam. For corporate tax purposes, there are no differences between the tax rules applicable to businesses owned by Vietnamese nationals and foreign companies.

- **Tax authority: General Department of Taxation.**

Corporate taxation

Residents are taxed on worldwide income; non-residents are taxed only on Vietnamese-sourced income. Foreign-source income derived by residents is subject to corporation tax in the same way as Vietnamese-sourced income. The standard CIT rate is 20% for any business incorporated in Vietnam. Oil and gas businesses, and other sectors exploiting rare and precious natural resources, are taxed at rates from 32% to 50%, subject to the specific decision of the Ministry of Finance on a case-by-case basis. Vietnamese CIT is applied at the national level, with no further local taxes. There is no surtax or alternative minimum tax.

Tax year/filing

The standard fiscal year is the calendar year. Different fiscal years are allowed, provided that the fiscal year-end is a quarter-end. Corporate taxpayers must notify local tax authorities for formal financial reporting and tax filing purposes.

Capital gains tax

Generally, capital gains made by an enterprise in Vietnam will form part of the taxable income of the enterprise, and will be taxed at the standard CIT rate. No incentive CIT rate, exemptions or reduced rates apply to capital gains. The transfer value is based on the actual price according to the transfer contract. A deemed fair market value will be used if no contract price is available or if the price stated in the contract is deemed to be not at arm’s length. The taxable gain is determined as the excess of the sales proceeds less costs and transfer expenses. A specific capital gains tax, called capital assignment profits tax (CAPT), is imposed on gains made by foreign companies on the transfer of interests in a foreign invested or unlisted Vietnamese company. The rate of the CAPT is 20%. The disposal of an investment in a Vietnamese company requires approval from the licensing authorities.

Other taxes

Companies exploiting natural resources, including water, are subject to natural resources tax (NRT) at various rates from 1% to 40%. Business registration tax (commercial licence tax) is levied annually on all companies and ranges from VND 1 million to VND 3 million, depending on the type of business.

Sales taxes/VAT (incl. financial services)

The standard VAT rate is 10%. Rates of 0% and 5% are applicable to the export of certain goods/services and the provision of certain essential goods and services, respectively. There is a wide range of VAT-exempt goods and services (e.g. certain types of agricultural production, medical services, education and training, etc.). Special sales tax (SST) is applicable to the production and import of certain goods and the provision of certain services (e.g. alcohol, motor vehicles, petrol, tobacco, certain air-conditioners, gambling, massages, golf clubs, lotteries, etc.). SST rates range from 10% to 70%. Preferential import duty rates of 0–135% apply to goods imported into Vietnam and originating from countries with most favoured nation trading status with Vietnam. Special preferential import duty rates ranging from 0% to 135% apply to goods from several countries that have free trade agreements (FTAs) with Vietnam, including CEPT (i.e. ASEAN countries) and other FTAs (i.e. the ASEAN–Japan Free Trade Agreement, the ASEAN–India Free Trade Agreement, the ASEAN-China Free Trade Area Agreement, the ASEAN–Korea Free Trade Agreement, and the ASEAN–Australia and New Zealand Free Trade Agreement). A duty is charged on natural resource exports at rates up to 45%, while an export duty is commonly applied on scrap and natural resource export.

Payroll and social security taxes

There is no payroll tax payable by employers. Employers and employees are subject to statutory social security contributions (employers at a rate of 18% and employees at a rate of 8%). These contributions are limited to the lower of the employee’s total contracted remuneration or VND 21 million per month (equivalent to USD 1000). Both employers and employees are required to make a contribution for health insurance (employers at a rate of 3% and employees at a rate of 1.5%). The unemployment insurance system applies to Vietnamese citizens working under labour contracts with an indefinite term, or with a definite term of 12–36 months, with employers that have at least ten individuals in their organisation. The compulsory unemployment insurance contribution is 3%, of which the state, employers and employees each contribute 1%.

Source: Treasury Management Profile 2016 Vietnam. HSBC

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