

Foreign Contractor Withholding Tax in Vietnam

March 2023 | Tax Department

Vietnam imposes a sophisticated withholding tax system on foreign business activities in Vietnam or in relation to Vietnam. This Foreign Contractor Withholding Tax applies to certain payments by a Vietnamese contracting party to foreign parties earning income from Vietnam without setting up a legal entity in Vietnam. The FCWT is not a special tax but a certain form of calculating

and paying Corporate Income Tax, Value Added Tax, and Personal Income Tax.

The practical handling of the foreign company is not very complicated if the parties understand the legal framework and implement it correctly when drafting the contracts. If this important step is missed, the consequences can be costly.

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