

# ADVISER TO GLOBALTECH.CO

## For operation management taxation in Vietnam



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Background

Vietnam’s Background

Permanent Establishment in Vietnam

Implication on Income Tax & Value Added Tax

Key Findings

Importance of P/E in Digital Economic  
How can GlobalTech Co. follow future agenda?

Recommendation

- Importance on Permanent Establishment
- Personal Income Tax
- Double Tax Treaty
- Transfer Price Methodology
  - ✓ Transactional Net Margin Method (TNMM)

# Vietnam is ideal destination for a technology-enhanced development

POLITICAL

Vietnam’s participation in various free trade agreements (such as the CPTPP, EVFTA) offers favorable conditions for foreign tech companies, including reduced tariffs and improved market access.

ECONOMICS

In 2026 Vietnam’s cloud service market reached **US\$196** million and is anticipated to have a CAGR of **18.8%** up to 2026

SOCIAL

**78,59% of Vietnam population have access to Internet** in 2023

TECHNOLOGY

Vietnam has the **fastest-growing digital economy** in Southeast Asia

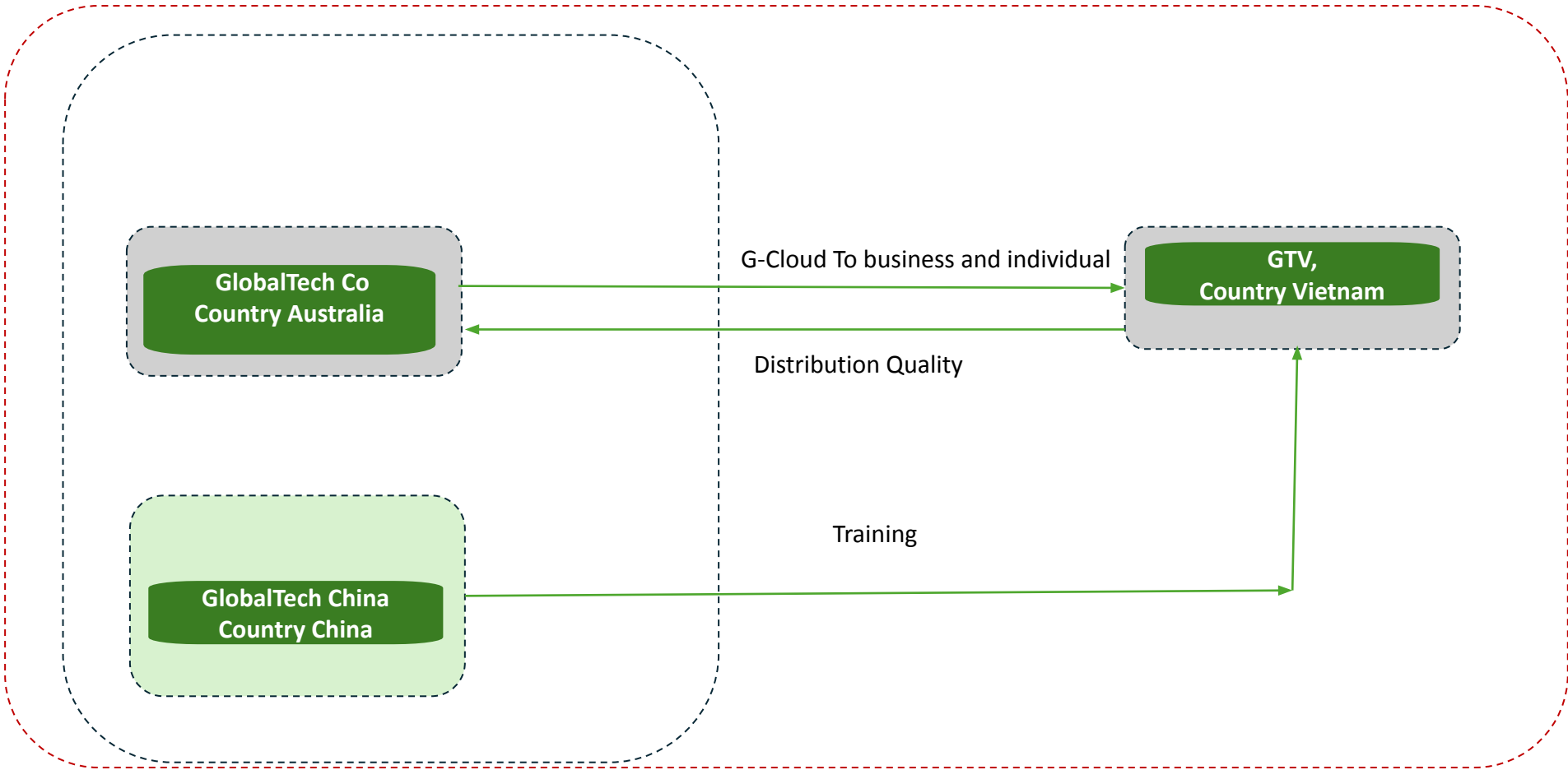
ENVIROMENTAL

Vietnamese government is increasingly prioritizing green technologies and sustainability, encouraging foreign investments in **renewable energy, electric vehicles (EVs), and environmentally friendly manufacturing.**

LEGAL

**Cybersecurity Law, Data Privacy Laws, Investment Law and Foreign Ownership, Intellectual Property (IP) Protection.**





GlobalTech Co.

Main Product: GlobalCloud Solutions and Services

|                      | Function  | Asset  | Risk   | Characteristraction   |
|----------------------|---|--|--|---|
| GlobalTech Australia | <ul style="list-style-type: none"><li>• R &amp; D</li><li>• Distribution</li><li>• Marketing &amp; Sales</li><li>• HR, procurement, administration, strategic management.</li></ul>                             | <ul style="list-style-type: none"><li>• Staff, offices, warehouses,</li><li>• Technology</li><li>• IP</li></ul>                          | <ul style="list-style-type: none"><li>• Operational Risks (Equipment Malfunction, Supply Chain Disruptions);</li><li>• Human Capital Risks</li></ul> | <ul style="list-style-type: none"><li>• Services provider/hub with a strategic management function.</li><li>• Intellectual property holder with a research and development function</li></ul> |
| GlobalTech Vietnam   | <ul style="list-style-type: none"><li>• Recruiting &amp; Training local IT specialists</li><li>• Services' Quality Control</li><li>• Distributor in Vietnamese market</li><li>• Marketing &amp; Sales</li></ul> | <ul style="list-style-type: none"><li>• Distribution Agreement with GTA</li><li>• Services contract with GTA (12% service fee)</li></ul> | <ul style="list-style-type: none"><li>• Exchange risks</li></ul>   | <ul style="list-style-type: none"><li>• Sales and marketing</li><li>• IT development</li></ul>  |
| GlobalTech China     | <ul style="list-style-type: none"><li>• Business optimization</li><li>• Strategic sourcing</li><li>• Distribution</li><li>• Delivery</li></ul>  | <ul style="list-style-type: none"><li>• Employees (training in Vietnam)</li><li>• Technology support for Vietnam</li></ul>               | <ul style="list-style-type: none"><li>• Operational Risks (Equipment Malfunction</li><li>• Human Capital Risks</li></ul>                             | <ul style="list-style-type: none"><li>• Services provider/hub with a strategic management function.</li></ul>   |

# The Significance of PE: Why Vietnam Should Not Ignore It

**~40%**

International tax  
disputes are related  
to PE

According to  
OECD



**\$500  
BILLION**

annual tax losses of up to  
500 billion USD globally.

According to ActionAid

**Amazon in Europe-2019**

TAX RATE= **1%**

Revenue= **11,6 BILLION USD**

*In Vietnam, PE: “a fixed place of business through  
which a foreign enterprise carries out **PART** or the  
**WHOLE** of its business or production activities*

## Physical presence:

- ✓ **Operating office**
- ✓ Factory
- ✓ Workshop
- ✓ Means of transportation
- ✓ Mine, oil and gas field...

## Construction activities

- ✓ **A building site or a construction**
- ✓ Installation
- ✓ Assembly project

## Service establishment:

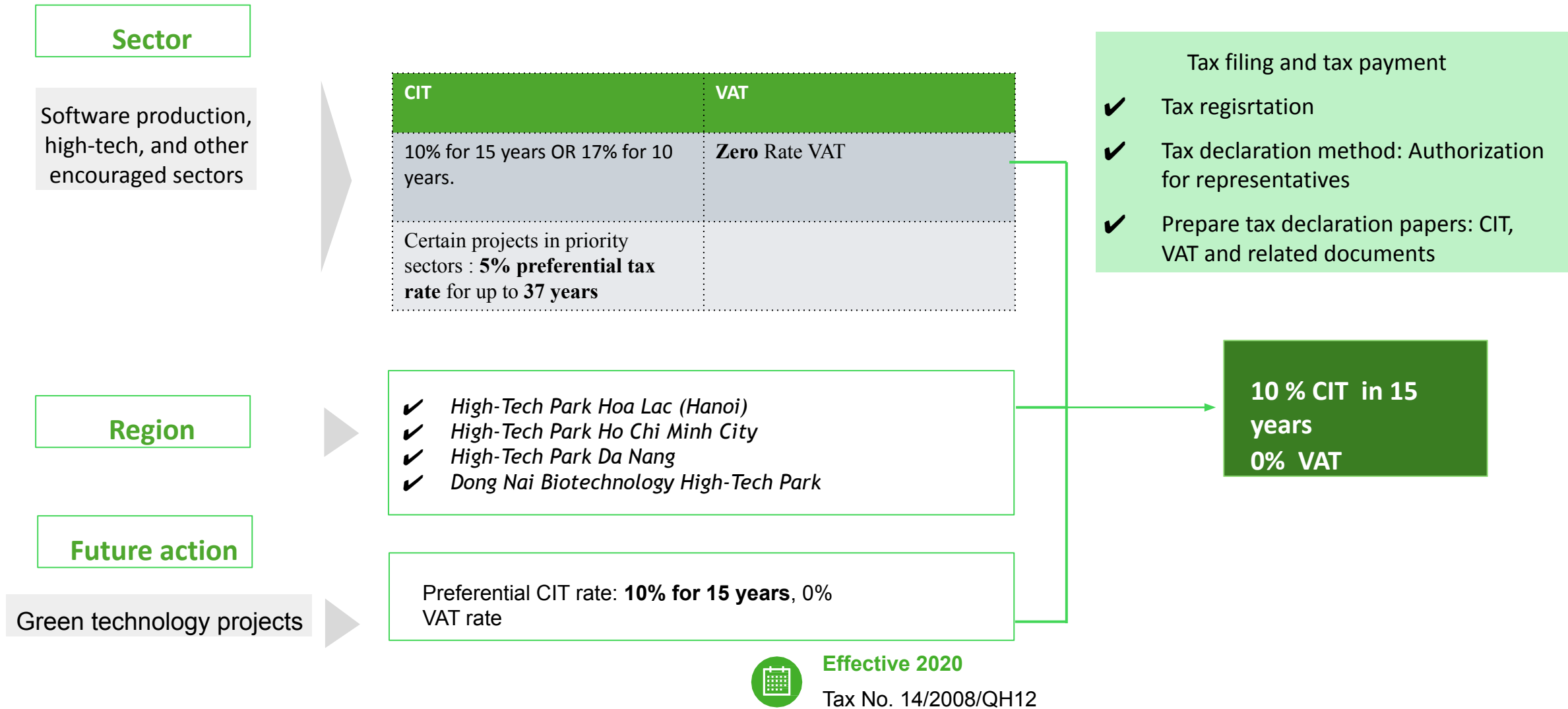
- ✓ **Services ( including consultancy services)**

**BOTH**

**GLOBAL TECH CO  
& GLOBAL TECH CHINA  
MUST CONSTITUTE TO  
PE IN VIETNAM**

Agreement on avoidance of double taxation  
between Vietnam and Australia 1992

# Applicable incentives for Global Tech in Vietnam and the conditions to be fulfilled



# Digital economy has upgraded the PE concept to align with the evolving business landscape in Vietnam

## Action 7: Preventing artificial permanent establishments

The PE concept, arguably one of the most critical principles underpinning treaty based international tax law, was a central focus of the BEPS by OECD.



## Vietnam has already established BEPS since 2022

Tax authorities have focused on issues related to permanent establishments (PE) and are pursuing positive policies.

*GlobalTech in Australia and China also follow the regulations under OECD control with GlobalTechVietnam.*

| Clearly delineate permanent establishments                                      | Implemented under Vietnamese law  | Some affected taxes  |
|---|---|--|
| Avoid and eliminate double taxation from two countries (such as income from PE) | Foreign companies with permanent establishments in Vietnam pay taxes according to the domestic law of the host country, then Vietnam can tax that income. | <ul style="list-style-type: none"><li>• Taxable income: PE income will be subject to corporate income tax in the jurisdiction where the headquarters is located.</li><li>• Market price principle, Transfer pricing documents</li><li>• Double taxation mitigation: To minimize double taxation, the PE country and the home country of the foreign enterprise often have tax treaties</li></ul> |



Deloitte.

Personal Tax Income imposed on employee and special circumstances under the Double Tax Treaty

PIT imposed on China employees

In 2024:

- 10 employees from GlobalTech China travel to Vietnam from **May 1<sup>st</sup> to May 25<sup>th</sup>**
- They are **tax residents** of China

Tax non-residents

Percent

|   |      |
|---|------|
| Employment income                             | 20%  |
| Interest (but not bank interest)/dividends    | 1-5% |
| Sale of shares/capital assignment             | 5%   |
| Income from royalties/franchising/copy rights | 5%   |
| Income from inheritances/gifts/winning prizes | 10%  |

Circumstances not taxed under the DTT

- 1
- Income derived from sources **outside Vietnam**, subject to certain conditions
- 2
- Income from **specific types of activities** ( Dividends, Interest, Royalties, ...)
- 3
- Income of **non-resident individuals** (Certain types of income earned by non-resident individuals or a foreign company and stays in Vietnam for a short period)
- 4
- Specific Treaty Provisions** (Shipping and air transport income Governmental income)

# Transfer pricing methods

## GlobalTech Co.

### Proposing TNMM Method

Causation

GTV performs routine functions such as recruitment, training and sales

12% retaining service fee on services contracts

Pros

- **Data efficiency:** leveraging aggregated financial data, making data gathering and analysis more efficient
- **Flexibility:** offering the freedom to select suitable profitability ratios (ROS or Berry ratio) based on the specific operations in Vietnam.

Cons

- Sensitive to external factors
- Special deals can be skipped

## GlobalTech China

### Proposing Cost Plus Method

Cause

Technical support activities


Pros

- **Suitable for technical support services:** Ideal for services with low or medium added value, commonly found in the technical support field.
- **Suitable for technical support services:** Ideal for services with low or medium added value, commonly found in the technical support field.

Cons

- Risk of inappropriate profit margin
- Challenges in determining proper cost





*“In this world  
nothing is certain  
but death and taxes”*

*- Benjamin Franklin -*