# **TOPIC 6: FUNDAMENTALS OF VALUE ADDED TAX**

## Introduction to Value-Added Tax (VAT) (General and in Vietnam) (2 người)

### Definition (Qtrang)

* Value-added tax (VAT) is one of the most common forms of taxation globally and is employed by many countries to generate revenue.
* Article 2, Law on Value Added Tax 2008 prescribes that:

“Value-added tax (VAT) is a tax imposed on the added value of goods or services arising in the process from production, circulation to consumption.”

VAT is regulated by the Law on VAT issued in 2008, amended for the first time in January 2013. Vietnam operates a non-cumulative all-stages VAT-system. The common VAT-rate is 10%.

Therefore, VAT is only applicable to the added value, not all the total value of goods and services.

VAT is the indirect tax added to the selling price of goods and services. Production and business units shall take the VAT tax obligations to the state although the consumers pay VAT.

(Ref: <https://english.luatvietnam.vn/legal-news/value-added-tax-2022-8-regulations-to-know-4729-91400-article.html> )

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### Distinguishing VAT from Sales taxes, Income taxes, Corporate Income Tax (CIT) and Personal Income Tax (PIT) (Qtrang)

- Sales Taxes: Sales taxes are typically applied at a single point of sale, whereas VAT is imposed at multiple stages in the supply chain. VAT credits are available for businesses to offset taxes paid earlier in the production process, while sales taxes generally cannot be recovered by businesses.

- Income Taxes: Income taxes are levied on an individual's or company's earnings, whereas VAT is imposed on the value added to goods and services. Income taxes are not directly related to transactions or economic activities like VAT.

- Corporate Income Tax (CIT): CIT is a tax on a corporation's profits, while VAT is based on the value added during production and distribution. CIT is typically applied to a company's net income, after expenses and deductions, while VAT is levied on the total value added.

- Personal Income Tax (PIT): PIT is a tax on an individual's income, including wages, investments, and other sources of personal earnings. VAT, on the other hand, focuses on the value added to goods and services at each stage of production and distribution, not on individual income.

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### Pros and Cons/limitation of Value-Added Tax (VAT) - Hà

Pros:

1. **Revenue-generating capacity:** VAT is known for its capacity to generate substantial revenue for governments. It can provide a stable and predictable source of income, which can be used to fund public services and infrastructure development.

* An improvement from the old national sales tax mechanism (Charles E. McLure Jr., 1988).
* Introduction of a VAT reduces the marginal cost of public funds if and only if it also leads an optimizing government to increase the tax ratio (Keen & Lockwood, 2013)

1. **Broad Tax Base:** VAT has a broad tax base as it is applied to a wide range of goods and services.

* A broad-based business tax imposed at each stage of the production and distribution process and designed to tax final household consumption (Tait, Ebel, and Le, 2005, p. 461)

=> This helps in distributing the tax burden across various sectors of the economy, reducing the reliance on a few specific industries or individuals.

1. **Transparency and Audit Trail:** VAT requires businesses to maintain proper records and documentation of their transactions. This creates a transparent system with an audit trail as accurate and timely processing of VAT returns are required for verification by auditors.

=> Making it easier for tax authorities to verify and enforce compliance, as evident in the case of Vietnam retailers. (Duve, 2016)

1. **Export Competitiveness:** In Vietnam, Zero rated VAT (or exempt on VAT) applies to exported goods and services, international transport, and goods and services that are not subject to VAT (Article 5 Law on Value Added Tax) when exported, with certain exceptions. This reduces the tax burden on exports, making them more competitive in international markets and encouraging economic growth.

Cons:

1. **Burden on Consumers:** VAT is ultimately borne by consumers as they pay the tax on their purchases. It increases the cost of goods and services, particularly for essential items, which may disproportionately affect low-income individuals and households.
2. **Administrative Complexity:** VAT can be administratively complex, especially for small businesses. Compliance with VAT regulations requires businesses to maintain proper records, submit regular returns, and calculate the tax liability accurately. This administrative burden can be challenging and costly for smaller enterprises.
3. **Compliance and Enforcement Challenges:** VAT imposes threats of invasion (tax loopholes) from business. Tax evasion and fraud can occur as some businesses may underreport their sales or overstate their input VAT claims to reduce their tax liability. Some common tactics in Vietnam case:

* Taking advantage of the management and VAT invoices and sales invoices usage to evade taxes, specifically:

+ Understate sales units to hide income, hide income.

+ Do not state completely or incorrectly state elements on the invoice such as address, tax code, or stating lower selling price than the actual payment value to hide revenue.

+ Used invoices shipped to customers but turned around and reported profit…. (E-magazine of Jurisdiction - Tạp chí điện tử Pháp lý)

=> Additional cost and complexity in mitigating non-compliance behavior.

1. **Regressiveness:** VAT is considered regressive because it tends to have a **greater impact on low-income individuals and households**. Since it is a consumption tax, those with lower incomes tend to spend a larger portion of their income on goods and services, resulting in a higher proportional tax burden.

=> Income-based inequality has increased due to the VAT adoption (Alavuotunki et al. 2017), especially reducing the welfare of people in poverty as evident in developing countries.

### Legal base (Cơ sở pháp lý) (Hà)

* Law on Value-added tax and amending and supplementing VAT laws

1. **Law on Value added-tax 2008** (begins to take effect from January 1, 2009).

2. **Law No. 31/2013/QH13** amending and supplementing a number of articles of the VAT Law (effective from January 1, 2014).

3. **Law No. 71/2014/QH13** amending and supplementing a number of articles of Tax Laws (effective from January 1, 2015).

4. **Law No. 106/2016/QH13** amending and supplementing a number of articles of the VAT Law, Special Consumption Tax Law and Tax Administration Law (effective from July 1, 2016).

* Decrees guiding law on Value-added tax

1. **Decree 209/2013/ND-CP** detailing and guiding the implementation of a number of VAT Law articles (beginning to take effect from January 1, 2014)

2. Amended and supplemented by **Decree 91/2014/ND-CP, Decree 12/2015/ND-CP, Decree 100/2016/ND-CP, Decree 10/2017/ND-CP, Decree 146/2017/ND-CP , Decree 49/2022/ND-CP , Decree 44/2023/ND-CP**.

* Circulars guiding law on Value-added tax: issued with the purpose of simplification of tax formalities made by formal legal documents.

1. **Circular 219/2013/TT-BTC** guiding the VAT Law and Decree 209/2013/ND-CP (beginning to take effect from January 1, 2014)

=> Amended and supplemented by Circular 119/2014/TT-BTC, Circular 151/2014/TT-BTC, Circular 26/2015/TT-BTC, Circular 193/2015/TT-BTC, Circular 130/2016/TT-BTC , Circular 173/2016/TT-BTC, Circular 93/2017/TT-BTC, Circular 25/2018/TT-BTC, Circular 82/2018/TT-BTC, Circular 43/2021/TT-BTC

=> This Circular provides guidance on the commodities and services that are subject to tax and not subject to tax, taxpayers, basis and methods for calculating, deducting, refunding tax, and the places to pay value-added tax (VAT).

2. **Circular 150/2010/TT-BTC** guiding on value added tax and corporate income for press agencies (begins to take effect from November 11, 2010).

3. **Circular 72/2014/TT-BTC** on value-added tax refund for goods brought by foreigners and Vietnamese residing abroad when leaving the country (begins to take effect from July 1, 2014) [Amended and supplemented by Circular 92/2019/TT-BTC, Circular 80/2021/TT-BTC].

4. **Circular 92/2015/TT-BTC** guiding a number of tax contents (begins to take effect from July 30, 2015) [Amended and supplemented by Circular 40/2021 /TT-BTC, Circular 80/2021/TT-BTC].

5. **Circular 40/2021/TT-BTC** guiding value added tax, personal income tax and tax management for business households and individual businesses (begins to take effect from January 1 /08/2021) [Amended and supplemented by Circular 100/2021/TT-BTC].

Circular: <https://thuvienphapluat.vn/van-ban/EN/Thue-Phi-Le-Phi/Circular-21-VBHN-BTC-2021-Guidance-on-implementation-of-the-Law-on-value-added-tax/512873/tieng-anh.aspx>

## Basic mechanics of VAT (3 người)

### Taxpayer/ Taxable persons (Who is subject to VAT?/ Who is not?) (Yến)

As regulated in **Article 4 of** [**Law on VAT 2008**](https://thuvienphapluat.vn/van-ban/Thue-Phi-Le-Phi/Law-No-13-2008-QH12-of-June-3-2008-on-value-added-tax-83884.aspx)**,** entities required to pay value-added taxes include:

* **Business establishments**: manufacturing or trading goods and services, regardless of their business lines, forms, and organization, subject to value-added tax in Vietnam;
* **Importers**: importing goods subject to value-added tax from overseas

*(Law on VAT 2008 - Article 4)*

Specifications: [**Circular No. 219/2013/TT-BTC**](https://nhankiet.vn/en/r37/2192013TTBTC.html#:~:text=This%20Circular%20provides%20guidance%20on,%2Dadded%20tax%20(VAT).) **Article 3**

### Supplies of Goods and Services (Yến)

#### Taxable goods and services

**According to Article 3 of Law on VAT 2008,** Goods and services subject to VAT (hereinafter referred to as taxable goods and services) are those used in production, trading, and consumption in Vietnam (including those purchased from overseas organizations and individuals), except those specified in Article 5 of Law on VAT

#### Exempt goods and services

Pursuant to **Article 5 of Law on VAT 2008 and Article 4, Circular No. 219/2013/TT-BTC** which provides amendment to the law, we have 26 objects not liable to VAT presented by 26 clauses which you can review at home later. I suggest you view the Circular for it also provides examples for certain clauses:

1. **Products from farming** (including agroforestry products), breeding, and aquaculture that are produced, catched, sold, or imported and are **not processed** into other products (hereinafter referred to as unprocessed) or have **only** been **preprocessed**

Preprocessed products are those that have only been cleaned, dried, husked, grinded, milled, threshed, split, cut, salted, put in cold storage (cooled or frozen), preserved with sulfur dioxide, sulphur solution, or other solutions, and other common means of preservation.

Example 2: Company A signs a contract to raise pigs with company B, under which company A receives remuneration from company B or sells products to company B. The payment for pig raising paid by company B and the pigs sold to company B are not subject to VAT.

When company B sells the pigs or have them processed for sale, they are subject to VAT.

2. **Breeds of livestock, plant varieties**, including eggs, breeds, seeds, stems, tubers, semen, embryos, genetic materials that are **raised, imported, and traded**. The breeds of livestock and plant varieties that are not subject to VAT are the products of the importers and traders that have the certificates of registration of animal breed or plant variety trading issued by regulatory bodies. The animal breeds and plant varieties that apply quality standards of the state must satisfy the requirements imposed by the state.

3. **Irrigation services**, plowing services, dredging channels, dredging in-field trenches serving agricultural production; harvesting services.

4. **Salt** derived from seawater, rock salt, pure salt, refined salt, iodized salt composed primarily of sodium chloride (NaCl).

5. State-owned houses sold to tenants.

6. Transfer of right to use land (hereinafter referred to as land tenure).

…

26. The goods and services below:

a) Duty-free goods at duty-free shops prescribed by the Prime Minister.

b) Goods in national reserve sold by national reserve authorities.

c) Charged activities of the state according to the laws on fees and charged.

d) Bomb and mine clearance carried out by the army at the constructions funded by government budget.

If the purposes of the goods that are not subject to VAT during importation are changed, VAT shall be declared and paid to the customs authority where the customs declaration is registered. The entities that sell goods to the domestic market must declare and pay VAT to their supervisory tax authorities.

### Implementation of VAT (Tuyền)

#### Time to determine VAT

* A tax point is the date on which VAT becomes due on a particular transaction
* The time to determine VAT taxable revenue will be differentiated, depending on the type of goods and services the business provides.
* "Point of Time for Fixing VAT" refers to the specific moment in a transaction or production process when Value Added Tax (VAT) is determined and applied. It determines when and on what VAT will be calculated and collected. The timing can vary depending on tax regulations and can be based on the transaction date, delivery date, or payment date, among others. It dictates how VAT is calculated and collected in business transactions.
* Circular 219/2013/TT-BTC: Art 8

| **Activities** | **Time to determine VAT** |
| --- | --- |
| Selling goods | When the ownership/right to use the goods is transferred |
| Providing services | When the provision of services is completed, regardless of whether payment has been received or not |
| Providing telecommunications services | The time to complete the data check on telecommunications connection service charges under economic contracts between  telecommunications service providers, but no later than 2 months from the month in which the telecommunication connection service charges are incurred |
| Providing electricity, clean water | When the electricity and water consumption indicators are recorded on the bill |
| Trading in real estate, building infrastructure, building houses for sale, transfers, or rent | The time of payment collection according to project implementation progress or payment collection schedule specified in the contract |
| Trading in real estate, building infrastructure, building houses for sale, transfers, or rent | The time of acceptance and handover of the project. project items, construction volume, and completed installation, regardless of  whether money has been collected or not. |
| Importing goods | The time to register the customs declaration |

### VAT in Imports & Exports (Tuyền)

***Import:*** Import VAT is understood as the amount of tax payable by the importing enterprise on the value of imported goods (including excise tax, import tax and environmental protection tax if any). Most imported goods would spare a tax rate of 10%

**How to calculate VAT on imports**

The process of calculating VAT on imported goods is a complex process that requires thoroughness and understanding of the factors involved. VAT is usually applied based on the value of products or services after they have reached the consumer. Similarly, when calculating VAT for imported goods, we will apply the following formula:

**Import VAT = Taxable price of imports x VAT rate**

Circular 83/2014/TT-BTC guiding the implementation of VAT according to the List of goods provides detailed instructions. This circular stipulates that the VAT rate of imported goods is usually 10%. However, some goods are only subject to a 5%. For some goods and services, the VAT rate is 0%, but this does not apply to imported goods.

The formula for calculating the import VAT calculation price is prescribed according to Article 7, Consolidated Document No. 01/VBHN-VPQH dated 28/04/2016, as follows:

**VAT calculation price = Import price at the border gate + Import tax cost + Excise tax cost + Environmental protection tax cost.**

– The entry price at the border gate is the price of goods imported to the first border gate.

– Cost of import tax (if any) = Import price at the border gate x import tax rate (specified by type of import).

– Excise tax cost (if any) = (Import price at border gate + import tax cost) x excise tax rate (specified by type of import).

– Cost of environmental protection tax (if any) = Number of taxable goods x tax rate per unit of goods.

– Non-payable tax expenses will be calculated as zero. Thus, we can determine the VAT calculation price for imported goods.

***Export:*** According to the provisions of the Law on Value Added Tax 2008 amended and supplemented in 2016,exported goods and services are subject to a tax rate of 0%

**Conditions for 0% tax rate:**

a/ For exported goods:

- Have contracts for sale and processing of goods for export; export consignment contracts;

- Have proof of payment for goods exported via banks and other documents as prescribed by law;

- Have a customs declaration as prescribed in Clause 2, Article 16 of Circular 219/2013/TT-BTC.

## Assessment of VAT (3 người)

### What is input and output VAT? (TTrang)

| Input VAT |
| --- |
| Input VAT is the amount of tax that a business pays on the goods and services it purchases for its business operations. It is called “input” VAT because it is the VAT paid on the inputs or purchases used by the business to produce goods or provide services.   The amount of input VAT paid can usually be used to offset VAT liabilities on sales (output VAT). In other words, even though a business paid VAT to their suppliers, this tax paid can typically be recovered from the government and is therefore not a net cost to the business. |
| Output VAT |
| Output VAT is the tax charged by a business on the goods and services it sells to its customers. It is called "output" VAT because it is the VAT the business generates or outputs from its sales.   When a business sells goods or services to a customer, it adds VAT to the price of the goods or services, which becomes the output VAT. The business must then account for this output VAT to the government by submitting a VAT return and paying the VAT due to the tax authority.   By charging output VAT on its sales, a business is effectively collecting tax on behalf of the government. If a business fails to collect or pay the correct output VAT, it may face penalties or other legal action from the tax authority. |
| Reference: <https://www.fonoa.com/blog/input-vat-vs-output-vat> |

### Taxable price (Thư):

Article 7.1 Law on VAT specified cases of taxable price:

Taxable price is the selling price exclusive of VAT but inclusive of excise tax (if any) or import tax (for imported goods).

Taxable prices include surcharges and additional charges to be enjoyed by business establishments and are determined in VND (converted into VND at the average exchange rate on the inter-bank foreign currency market, announced by the State Bank of Vietnam at the time if needed). (Article 7.2, 7.3 Law on VAT)

Other cases include goods and services used for barter, internal consumption or donation; asset lease; goods sold by mode of installment or deferred payment; goods processing; construction and installation activities; real estate trading; commission-enjoying goods or service trading agencies and brokerage; goods and services for which payment documents indicating payment prices inclusive of value-added tax are used, which are clearly instructed under the clause.

### Tax rates (Thư):

According to Article 8 and Article 5 of the Law on VAT, depending on the category of goods or services, the VAT rates are as follows:

* A 0% rate applies to exported goods/services, including goods/services sold to overseas/non-tariff areas and consumed outside Vietnam/in the non-tariff areas, goods processed for export or in-country export (subject to conditions), goods sold to duty-free shops, certain exported services, construction and installation carried out for export processing enterprises, aviation, marine, and international transportation services.
* A 5% rate applies generally to areas of the economy concerned with the provision of essential goods and services. These include clean water, teaching aids, books, unprocessed foodstuffs, medicine and medical equipment, husbandry feed, various agricultural products and services, technical/scientific services, rubber latex, sugar and its by-products, social housing, and certain cultural, artistic, and sport services/products.
* The 10% 'standard' rate applies to activities not specified as not subject to VAT, exempt, or subject to the 0% or 5% rate.

#### **VAT reduction from 10% to 8%: impacts and problems in implementation (Giang)**

On 28 January 2022, the government released Decree 15/2022, providing a 2% VAT reduction for goods and services that are currently subject to 10% VAT (with certain exceptions) for the period from 1 February 2022 to 31 December 2022.

Ref: <https://taxsummaries.pwc.com/vietnam/corporate/other-taxes>

On 30 June 2023, the Government of Vietnam issued Decree No. 44/2023/ND-CP to implement the value added tax (“VAT”) rate reduction policy (“Decree 44”) passed by the National Assembly on 24 June 2023 in accordance with Resolution No. 101/2023/QH15 (“Resolution”). The Resolution reduced the VAT rate from 10% to 8% for the period 1 July 2023 to 31 December 2023.

Ref: <https://www.allenandgledhill.com/vn/perspectives/articles/25010/vnkh-reduces-vat-rate-to-8-from-1-july-2023>

Few days ago, on 29 November 2023, the National Assembly agreed to reduce the value-added tax (VAT) rate by 2% for groups of goods and services specified in Resolution 43/2022 of the National Assembly on fiscal and monetary policies to support the recovery program socio-economic recovery and development during the period from January 1 to June 30, 2024.

Similar to the VAT reduction policy implemented in 2022, the following three groups of goods and services are not entitled to the VAT Reduction Policy.

(i) Group 1: Telecommunications, financial activities, banking, securities, insurance, real estate business, metals and prefabricated products, mining products (excluding coal mining), coke coal, refined petroleum, chemical products (see Appendix I, attached to Decree 44, for details)

(ii) Group 2: Goods and services subject to special consumption tax (see Appendix II, attached to Decree 44, for details)

(iii) Group 3: Information technology under the information technology laws (see Appendix III, attached to Decree 44, for details)

Ref: <https://insightplus.bakermckenzie.com/bm/tax/vietnam-vat-rate-reduced-to-8-in-mid-2023>

In theory, when an economy is in trouble, to stimulate consumption and relieve immediate pressure on people and help businesses survive, the government can take short-term tax policy actions involving tax breaks such as VAT and goods and services tax (GST). These indirect taxes apply as transactions take place, irrespective of whether a business is profitable. The effectiveness of this "prescription" has been proven by the fact that many other economies have taken similar steps in response to COVID-19, including Germany, Italy, the Republic of Korea, Spain, the UK and China.

##### ***The cost to the state budget in*** VAT

In February of 2022, the Vietnamese government cut the VAT from 10 to 8 percent to boost the pandemic-hit local economy. The cut, which was in place until the end of December of 2022, cost Vietnam’s state budget an estimated 44 trillion VND

This policy is not new in Vietnam - the country did a similar move in 2009 to cushion the economy against the global financial crisis.

In the last 6 months of the year, the expected decrease in state budget revenue is equivalent to about 24 trillion VND (for state budget revenue in 2023, it is expected to decrease by 20 trillion VND due to the amount of VAT payable in December 2023 filed in January 2024).

Ref: <https://mof.gov.vn/webcenter/portal/btcvn/pages_r/l/tin-bo-tai-chinh?dDocName=MOFUCM272896&dID=275886>

In the first 6 months of 2024, it is expected to reduce state budget revenue by about 25 trillion VND (about 4.175 trillion VND/month).

Ref: <https://www.mof.gov.vn/webcenter/portal/vclvcstc/pages_r/l/chi-tiet-tin?dDocName=MOFUCM290804>

##### The impact on consumers and businesses - VAT reduction policy 2022:

In 2022, under an National Assembly resolution on financial monetary policies for the socio-economic recovery programme, the implementation of VAT reduction helped businesses and people save a total of about 44.5 trillion VND (1.87 billion USD). The VAT reduction partly helped the country's total retail sales of consumer goods and services increase by 19.8%, while domestic VAT collection increased by 10% year-on-year.

After 3 months of implementation (July, August and September 2023), the VAT reduction policy has supported businesses and people with a total of about 11.7 trillion VND.

Ref: <https://www.mof.gov.vn/webcenter/portal/vclvcstc/pages_r/l/chi-tiet-tin?dDocName=MOFUCM290804>

**Difference between tax rate of 0% and non-taxable objects**

The definitions of the tax rate of 0% and non-taxable objects are different:

| **Criteria** | **Non-taxable** | **Tax rate of 0%** |
| --- | --- | --- |
| Subjects: | In accordance with Article 4, Circular No. 219/2013/TT-BTC, non-taxable objects include:  Products of cultivation (including products from planted forests) and husbandry, reared and fished aquatic and marine products which have not yet  been processed into other products... | In accordance with Article 9, Circular 219/2013/TT-BTC, the 0% tax rate applies to exported goods and services; construction and installation of works overseas and in non-tariff zones; international transportation; and goods and services not liable to VAT upon exportation, except cases:  - Offshore reinsurance; offshore transfer of technologies or intellectual property rights; offshore capital transfer, credit extension or securities investment; derivative financial services; outbound post and telecommunications services....  - Petrol and oil sold to domestically purchased automobiles of businesses in non-tariff zones;  - Automobiles sold to organizations and individuals in non-tariff zones; |
| Taxable objectives | Non-taxable objectives | Taxable objectives |
| VAT declaration | No VAT declaration is required because enterprises and business establishments are non-taxable objectives | VAT declaration is required to be because enterprises and business establishments are taxable objectives. |
| Tax deduction and refund | Business establishments are not deducted with input VAT of goods and services, included with the value of fixed assets, materials, or other business expenses. | VAT is deducted and refunded. |
| Meaning | Encourage enterprises to develop necessary industries for everybody. | Encourage enterprises to export, and promote exports of goods and services abroad. |

### VAT calculation methods (Hằng):

According to Law on Value-added tax No.13/2008/QH12

Decree 209/2013/NĐ-CP detailing and guiding implementation of a number of articles of law on value-added tax

Circular 219/2013/tt-btc guidance on implementation of the law on value-added tax and the government's decree no. 209/2013/nd-cp dated december 18, 2013 providing guidance on some articles of the law on value-added tax

Formula to calculate: Value-added tax = Taxable price of value added tax x Value-added tax rate

#### Direct method:

Direct method is stipulated in 2 specific methods:

* Determine VAT directly on added value:
* Subjects of application: Enterprises and business establishments with activities of buying, selling, manufacturing, and designing gold, silver, and gemstones.
* Formula for calculating VAT payable: VAT payable = added value x VAT rate
* That is:
* VAT rate is 10%
* Added value = Selling price of gold, silver and gemstones sold - Purchase price of the corresponding purchased gold, silver and gemstones.
* For example: In the VAT calculation for the fourth quarter of 2021, ABC Accounting Company sold a gold bracelet with a purchase price of 6,000,000 VND, selling price of: 10,00,000 VND.

➞ Thus, the VAT amount payable in the fourth quarter of 2021 = (10,000,000 VND - 4,000,000 VND) \* 10% = 600,000 VND.

* Determine VAT directly on revenue:
* Subjects of application:
* Enterprises, cooperatives, and active business establishments with annual revenue from customers of less than 1 billion VND, except for cases of voluntary registration to apply the deduction method;
* New enterprises, cooperatives, and business establishments are opened for operation, except for voluntary registration;
* Households, individual businesses;
* Foreign organizations and individuals doing business and operating in Vietnam but not establishing legal entities in Vietnam under the Investment Law;
* Other foreign organizations that do not fully implement or do not implement the accounting, invoice, and document regimes as prescribed (except for foreign organizations and individuals providing goods and services for search activities). find, explore, develop and exploit oil and gas);
* Other economic organizations that are not businesses or cooperatives, unless registered to pay tax by the deduction method.
* Formula for calculating VAT payable: VAT payable = Revenue \* VAT rate
* That is:
* Revenue for calculating VAT is the total amount of money actually collected by business establishments and enterprises selling goods and services from customers recorded on VAT invoices for goods and services subject to VAT, including surcharges. , additional fees that business establishments and enterprises enjoy.
* The percentage for business establishments and enterprises to calculate VAT on revenue is specified for each activity as follows:
  + Commercial industry, buying and selling goods: 1%;
  + Services without goods, construction industries without providing raw materials: 5%;
  + Manufacturing, transportation, providing services with goods, construction with providing raw materials: 3%;
  + Other business activities: 2%.
* For example: ABC Accounting Company in the fourth quarter of 2021 had total revenue from providing accounting services of: 50,000,000 VND.

➞ Thus, the VAT amount payable in the fourth quarter of 2021 = 50,000,000 VND x 5% = 2,500,000 VND.

#### Credit method:

* Subjects of application:
* Applicable to business establishments and enterprises that fully implement accounting, invoice and document regimes according to the provisions of law on accounting, tax law, invoices and documents;
* Annual business revenue of 1 billion VND or more.
* Note: In case a business establishment or enterprise has an annual revenue of less than 1 billion VND and fully implements the accounting regime, invoices and documents according to the regulations on voluntary registration to apply the tax deduction method, then This method is still applied.
* Formula for calculating VAT payable: VAT amount = Output VAT amount - Deductible input VAT amount
* That is:
* The output value-added tax amount is the addition of the value-added tax amount of the goods and services sold by the enterprise recorded on the VAT invoice;
* Deductible input VAT amount (=) total VAT amount recorded on VAT invoices when purchasing goods and services (including invoices for purchasing fixed assets) used for production and trading of goods , services subject to VAT, VAT amount recorded on the import VAT payment slip of imported goods or VAT payment slip on behalf of the foreign party.
* For example: In the tax period of the fourth quarter of 2021, ABC Accounting Company has a total output VAT recorded on sales invoices of: 10,000,000 VND and a total input VAT amount recorded on VAT invoices for purchases of goods and services: 6,000,000 VND.

➞ Thus, the VAT amount payable in the fourth quarter of 2021 = 10,000,000 VND - 6,000,000 VND = 4,000,000 VND.

## Tax Administration (3 người)

### Tax Refund (Hằng)

The value-added tax (VAT) refund is an administrative tax procedure designed to seek reimbursement from tax authorities for the value-added tax associated with the acquisition of goods and services for production and business operations, which had been previously paid by the taxpayer on behalf of the purchaser.

1. **CASES AND CONDITIONS FOR VAT REFUNDS**

* Taxpayers who pay VAT using the tax deduction method are eligible for a refund if **the input VAT has not been fully deducted** in the current month or quarter and can be **carried forward** to subsequent periods.
* Taxpayers who have registered for VAT payment using **the deduction method** and are engaged in **new investment projects** during the initial investment phase with unclaimed input VAT on goods and services purchased for investment and the remaining VAT exceeding three hundred million VND are entitled to a value-added tax refund.
* Taxpayers who, within a given month or quarter, engage in the export of goods or services and possess unclaimed input VAT exceeding three hundred million Vietnamese Dong are eligible for a monthly or quarterly value-added tax refund. This excludes cases involving imported goods for export or exported goods without exportation conducted at the customs area following customs law provisions.
* Taxpayers who pay VAT using the tax deduction method qualify for a value-added tax refund when undergoing changes in ownership, company transformation, mergers, consolidations, divisions, split-ups, dissolution, bankruptcy, or termination of operations, provided there is either an excess of paid VAT or unclaimed input VAT.
* **Foreigners or Vietnamese citizens residing abroad, holding passports or immigration documents issued by foreign authorities, are eligible for a VAT refund on goods purchased in Vietnam and transported with them upon departure.**
* Programs and projects funded through non-refundable official development assistance (ODA), non-refundable aid, or humanitarian aid: The program/project owner or the main contractor, as designated by the foreign donor, may request a refund of the VAT paid for goods and services procured in Vietnam for the program/project.
* Organizations in Vietnam using non-refundable aid or humanitarian aid funds from foreign organizations or individuals to acquire goods and services for non-refundable aid or humanitarian aid programs/projects in Vietnam are also eligible for a VAT refund on such goods and services.
* Entities entitled to diplomatic privileges and immunities, as per the laws governing diplomatic privileges and immunities when procuring goods and services in Vietnam for use, are eligible for a refund of the VAT stated on the VAT invoice or payment document indicating the payment inclusive of VAT.

1. **VALUE-ADDED TAX REFUND APPLICATION**

In compliance with the law on value-added tax, in addition to the request for the reimbursement of state budget contributions using Form No. 01, the following specified documents are requisite when applying for VAT refunds:

* Cases of VAT refunds pertaining to investment projects:
* A copy of the Investment Registration Certificate, Investment Certificate, or Investment License, where the issuance of an Investment Registration Certificate is mandated;
* For projects involving construction structures: A copy of the Land Use Right Certificate, Land Allocation Decision, or Land Lease Agreement conferred by the competent authority; construction permit;
* A copy of the Charter Capital Contribution Documentation;
* A copy of the business license applicable to conditional business lines and sectors; Certificate of eligibility for business and investment in conditional business and investment lines and sectors; Documents from the competent state authority permitting business and investment in conditional business and investment lines and sectors as stipulated by regulations;
* A schedule of invoices and supporting documents for purchased goods and services using Form No. 01-1/HT;
* Decision on the Establishment of the Project Management Unit, Decision on the Assignment of Investment Project Management by the investment project owner, Organizational and Operational Regulations of the investment project branch or Investment Project Management Unit.
* Cases of VAT refunds pertaining to exported goods and services:
* A schedule of invoices and supporting documents for purchased goods and services using Form No. 01-1/HT, issued with Appendix I to this Decree, except for taxpayers who have already submitted electronic invoices to the tax authority;
* A list of cleared customs declarations using Form No. 01-2/HT, issued with Appendix I to this Decree for cleared exported goods in compliance with customs law provisions.
* Tax refunds shall be made before inspections for taxpayers involved in producing exported goods, provided they have maintained compliance with tax and customs legislation for two consecutive years and those without exposure to high risks, as defined by the Tax Management Law.
* Cases of VAT refunds for programs or projects funded through non-refundable official development assistance (ODA):
* Cases where non-refundable ODA is directly managed and executed by the program or project owner;
* Cases where non-refundable ODA is directly managed and executed by the sponsor.
* Cases of VAT refunds for goods and services domestically purchased using non-refundable aid outside official development assistance:
* A copy of the Decision approving program and project documents, and non-project aid, and program, project, non-project documents as stipulated by regulations;
* A request for confirmation of eligible non-business capital expenditure and request for investment capital payment for investment expenditure by the project owner, as stipulated by regulations;
* A schedule of invoices and supporting documents for purchased goods and services using Form No. 01-1/HT.
* Cases of VAT refunds for goods and services domestically purchased using international emergency relief aid for disaster assistance and recovery efforts in Vietnam:
* A copy of the Decision to receive emergency relief aid (in cases of international emergency relief aid) or the Decision on the policy to receive international emergency relief aid for disaster assistance and recovery efforts, accompanied by international emergency relief aid documents for disaster assistance and recovery efforts.
* A schedule of invoices and supporting documents for purchased goods and services using Form No. 01-1/HT.
* Cases of VAT refunds for diplomatic privileges and immunities:
* A schedule of VAT on purchased goods and services for use by diplomatic missions, using Form No. 01-3a/HT, confirmed by the Directorate of State Protocol under the Ministry of Foreign Affairs, on the applicability of diplomatic privileges and immunities for tax refund eligibility;
* A schedule of diplomatic personnel qualified for VAT refunds using Form No. 01-3b/HT.
* **Cases of VAT refunds for commercial banks acting as agents for VAT refunds to foreigners upon departure:**
* **A schedule of supporting documents on VAT refunds for foreigners upon departure, using Form No. 01-4/HT;**
* **Cases of VAT refunds pursuant to the decision of the competent authority, as stipulated by law: Decision from the competent authority.**

In practice, the tax refund process entails numerous intricate provisions and procedures. Foremost, taxpayers must ensure the proper maintenance and presentation of all tax reports, accounting records, financial statements, relevant invoices and supporting documents encompassing the entire investment, establishment, and operation of their enterprises in strict adherence to regulations. Additionally, they should be ready to furnish information for the verification and substantiation of tax obligations.

Notably, it is critical to satisfy conditions for input value-added tax recognition and subsequent deduction or refund, including the existence of invoices for value-added tax on the purchase of goods or services or tax payment documents for value-added tax at the importation stage; availability of non-cash payment documents for purchased goods or services, except for individually purchased goods or services valued below twenty million Vietnamese Dong; execution of contracts with foreign entities regarding the sale or processing of goods and the provision of services; and maintenance of sales invoices for goods or services, non-cash payment documents, and customs declarations for exported goods.

### Tax registration (Dương)

According to Circular 156/2013/TT-BTC Law on Tax Management and the Enterprise Law for newly-established business to receive their tax codes concurrently with the Enterprise Registration Certificate (ERC)

VAT registration procedure:

* For foreign companies

Foreign companies have two ways of expanding their companies in Vietnam – through subsidiaries and branch offices.

Here are the documents to draft in order to obtain a VAT certificate in Vietnam in 2023:

* the standard application form;
* information about the company (the tax identification code and business license);
* details about the parent company.

There is no need for foreign companies to appoint local representatives when or after completing VAT registration in Vietnam in 2023.

Organizations and individuals who are liable for tax and are conducting business and production operations must apply for tax registration within 10 working days from the date that:

• They are granted business registration certificates, establishment and operation licenses or investment certificates;

* They commence their business operation (for households and individuals subject to business registration but have not yet obtained business registration certificates);
* Their responsibility to withhold and pay taxes on behalf of others arises

The Vietnamese VAT number can be obtained within 10 days of the business registration certificate’s issuing.

Since there is no separate procedure for VAT registration

For local companies: the same process but different conditions:

COMPARISONS:

Threshold for VAT Registration:

Domestic Companies: Domestic companies need to register for VAT if their annual revenue from taxable goods and services exceeds the threshold set by the government (currently 1.8 billion VND).

Foreign Companies: Foreign companies must register for VAT if they engage in activities subject to VAT in Vietnam and meet the criteria, regardless of their revenue threshold.

Moreover, even with the same process, foreign companies would be required to provide more complicated documentation (such as incorporation documents, tax identification documents, and information regarding their fixed place of business, dependent agent, or representative office in Vietnam).

### sTax declaration (Dương)

#### I/ Generally, if your business produces or trades taxable products in Vietnam, you must declare VAT monthly or quarterly basis.

1. Monthly basis

According to Article 8, Decree 126/2020/ND-CP

"1. Other taxes and revenues belonging to the state budget collected by tax administration agencies are declared monthly, including:

a) Value added tax, personal income tax. In cases where taxpayers meet the criteria prescribed in Article 9 of this Decree, they can choose to declare quarterly."

=> you’ll need to file VAT returns every month, within 20 days after a month ends

Thus, VAT is a tax declared monthly. If the business meets the criteria below, it can choose to declare VAT quarterly.

2. Quarterly basis

Pursuant to Point a, Clause 1, Article 9, Decree 126/2020/ND-CP, the criteria for applying quarterly tax declaration for VAT are as follows:

2.1. For newly established businesses

Most importantly, if you’ve just started your business (e.g. first-year business), you must declare VAT quarterly.

2.2. For businesses in operation

Essentially, according to Section 15 of Resolution No.151/2014/TT-BTC on tax amendment, if you have revenue from the previous year of no more than 50 billion VND, you must adopt a quarterly declaration. After that, you can change to a monthly declaration or continue with the quarterly declaration, depending on the revenue earned in that first year.

=> you need to file VAT returns within 30 days after a quarter-end

3. Special cases

- In case the taxpayer is declaring tax monthly and is eligible to declare tax quarterly and chooses to switch to declaring tax quarterly, send a written request to change the tax period from monthly to quarterly according to form No. 01/ DK-TDKTT issued together with Appendix II of Circular No. 80/2021/TT-BTC to the directly managing tax agency no later than January 31 of the year in which quarterly tax declaration begins. If after this deadline the taxpayer does not send a document to the tax authority, the taxpayer will continue to declare tax on a stable monthly basis for the entire calendar year.

- In case the taxpayer discovers that he or she is not eligible to declare tax quarterly, the taxpayer must declare tax monthly from the first month of the next quarter. Taxpayers do not have to resubmit monthly tax declarations of previous quarters, but must submit a statement determining the increase in monthly tax payable compared to the amount declared quarterly according to form No. 02/XD-PNTT. issued with Appendix II of Circular No. 80/2021/TT-BTC and must calculate late payment interest according to regulations.

- In case the tax authority discovers that the taxpayer is not eligible to declare tax quarterly, the tax authority must re-determine the increased tax amount payable monthly compared to the number of taxpayers who have declared and must calculate the late fee. submit according to regulations. Taxpayers must declare tax monthly from the time they receive the tax authority's document.

(Point a, Clause 1, Article 8 and Point a, Clause 1, Clause 2, Article 9, Decree No. 126/2020/ND-CP).

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#### II/ Declaration method

1. Deduction method

Pursuant to Article 12, Circular 219/2013/TT-BTC, the tax deduction method applies to businesses that fully implement accounting, invoices, and documents as prescribed, including:

Enterprises with annual revenue from selling goods and providing services of 1 billion VND or more, except business households and individuals who pay tax by the direct method.

Business establishments voluntarily register to apply the tax deduction method, except for business households and individuals who pay tax using the direct method.

2. Direct method

* Mainly business establishments engaged in buying, selling, and processing gold, silver, and gemstones.
* Active enterprises and cooperatives with annual revenue from selling goods and providing services of less than one billion VND, unless the subjects register to voluntarily apply the deduction method.
* Newly established businesses and cooperatives, except for voluntary registration of tax deduction methods.
* Foreign business organizations and individuals that do not have a permanent establishment in Vietnam but generate revenue in Vietnam but have not fully implemented the accounting, invoice and documentation regime according to current tax regulations .
* Other economic organizations, unless registered to pay tax using the tax deduction method.

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Model 04/GTGT:

CASE:

1. - Company B begins its business from January 2015, thus VAT shall be declared quarterly in 2015. In 2016, tax shall be declared monthly or quarterly?

**Answer: In 2016, tax shall be declared monthly or quarterly depending on the revenue in 2015. If in 2015, the turnover is below 50 billion VND, so they must declare quarterly. For the following years after, if the revenue is above 50 billions, then if they wishes to declare tax monthly shall send a notification (using the form No. 07/GTGT enclosed herewith) to the supervisory tax authority not later than the submission of the VAT declaration of the first month of the tax year in which VAT are declared monthly.**

Nguồn tham khảo:

<https://hcmtax.gov.vn/tin-tuc/3-huong-dan-khai-thue-gia-tri-gia-tang.html>

<https://thuvienphapluat.vn/phap-luat/thoi-su-phap-luat/tong-cuc-thue-huong-dan-lap-mau-to-khai-thue-gtgt-thang-va-quy-theo-mau-so-01gtgt-nam-2023-nhu-the--83183.html>

### Cases VAT declaration and payment are not required (TTrang)

Pursuant to Article 5, Circular No. 219/2013/TT-BTC (a number of articles are amended and supplemented by Circular No. 119/2014/TT-BTC and Circular No. 193/2015/TT-BTC)

| 1) Income comprising compensation, bonuses or allowances receivable; proceeds from the assignment of emission rights and other financial income |
| --- |
| *Example: Enterprise A receives from enterprise B an amount of VND 50 million as compensation for contract cancellation. In this case, enterprise A shall make a receipt and does not have to declare and pay VAT on that amount.* |
| 2) Purchasing services from abroad (seller has no permanent establishment in Vietnam) and consumed outside Vietnam |
| *Example:  a. Repair of transport vehicles.  b. Repair of machinery and equipment.  c. Advertising and marketing  d. Investment and commercial promotion.  e. Brokerage for the sale of goods/services.  f. Training.  g. Sharing fees and charges for international post and telecom services between Vietnam and the foreign party where such services are provided outside Vietnam.  h. Services for lease a line or satellite frequency band.* |
| 3) Organizations and Individuals not conducting business or being VAT-payer when selling assets |
| *Example: Person A is not a business individual, friend A sells a shirt to friend B. At that time, person A does not have to declare and pay tax from shirt selling activities.* |
| 4) Transfer of investment projects for production of and trading in goods or services subject to value-added tax to enterprises or cooperatives |
| *Example: P Joint Stock Company implements an investment project to build an industrial alcohol factory. By March 2014, the investment project had completed 90% of the design project and the investment value was 26 billion VND. Due to financial difficulties, P Joint Stock Company decided to transfer the entire investment project to X Joint Stock Company with a transfer price of 28 billion VND. X Joint Stock Company received the transfer of the above investment project to continue producing industrial alcohol*. |
| 5) Enterprises and co-operatives paying VAT by the tax credit method and selling products from cultivation or breeding and aquatic products which have not yet been processed to become other products or which have only been subject to conventional semi-processed **to enterprises and co-operatives** engaged in the phrase of commercial business. (Note: If sold to other i**ndividuals and other organizations in the production process**, the company must declare and pay tax at the tax rate of 5%.) |
| *Example: Food company B is a business establishment that pays VAT according to the deduction method for purchasing rice from organizations and individuals that directly grow and sell rice. are not subject to VAT.  + If B sells rice to Company D (a vermicelli and pho production enterprise), then B does not have to declare, calculate and pay VAT.  + If B sells rice directly to consumers, then B must declare and pay VAT at the VAT rate of 5%*. |
| 6) Fixed assets transferred within one group of companies |
| 7) Others:  - Amounts of money collected not related to the sale of goods and services  - Capital contributions in the form of assets  - Transfer of assets upon division, merger, consolidation or conversion of business |
| Reference:  <https://lawyer-vietnam.com/wp-content/uploads/2018/03/GP_VAT_06-2016.pdf> <https://knowledge.sapp.edu.vn/knowledge/tx/f6-technical-articles-thu%E1%BA%BF-gi%C3%A1-tr%E1%BB%8B-gia-t%C4%83ng-vat-part-1>  <https://english.luatvietnam.vn/legal-news/value-added-tax-2022-8-regulations-to-know-4729-91400-article.html> |

### Invoice (Quyên)

Invoice must be prepared when selling goods or services, including goods and services used for donation, exchange, promotion, advertising or used as samples (except goods for internal circulation or internal consumption). VAT invoices can either be purchased from the local authority or be printed by the enterprise itself if the enterprise has the registered capital of VND 15 billion based on paid up capital. Before using invoices (except invoices distributed by the tax authorities), enterprises must send the notification on invoice issuance to the tax authorities. The tax authorities shall provide a written opinion within 5 business days from the receipt of notification on invoice, if not, the enterprise is entitled to use invoices. Invoices must disclose:

i. Invoice type;

ii. Serial number of invoice;

iii. Name of the duplicate of the invoice;

iv. Name, address and tax identification number of the seller;

v. Name, address and tax identification number of the buyer;

vi. Name, unit of calculation, quantity and unit price of goods or service; total

amount in figures and words;

vii. Signatures and full names of the buyer and the seller and the date of issuing

the invoice;

viii. Name of the invoice printing organization (applicable for invoices printed on

order);

Invoices shall be made in Vietnamese. Where it is necessary to add words in a foreign language, these words must be put in brackets or under Vietnamese words and in a smaller font size.

All business enterprises in Vietnam, business households, economic organizations, as well as individuals paying tax using the declaration method must use e-invoices (except for certain cases).

To begin using e-invoices business should register and obtain approval from the tax authorities via the General Department of Taxes (GDT) web portal.

There are two types of e-invoices:

* E-invoices with a verification code: Businesses that are ‘high risk tax enterprises’, defined as those with equity less than US$635458.50 (VND 15 billion) and have certain other features, will have to use e-invoices with a verification code for 12 consecutive months. After 12 months, the tax authorities will reassess for possible approval to use e-invoices without a verification code.
* E-invoices without a verification code: Enterprises approved by the tax authorities may use e-invoices without a verification code. Other cases are those in certain economic sectors such as electricity, petrol, telecommunication, natural water, credit institutions, insurance, medical, e-commerce, supermarkets, trading, transportations, etc as well as other companies which satisfy certain conditions. However, they must transfer all e-invoice data to the tax authorities, either directly or via an authorized e-invoicing service provider. If the companies transfer data directly to the tax authorities’ portal, certain technical conditions for connection with the tax authorities’ portal must be satisfied. Before using e-invoices (either with or without verification codes), companies must register and obtain approval from the tax authorities via the web portal of the GDT.

### Tax Checks and Inspection (Quyên)

The Vietnamese tax authority will conduct checks and inspections on the basis of analyzes of information and data relating to the taxpayer in order to assess the observance of law or to collect or verify proof to identify any breach of the law.

Tax checks will be conducted at the headquarters of the tax management body on a regular basis in order to assess the completeness and accuracy of information and source documents in tax files.

When conducting a tax check, the tax management body will announce the decision on tax check to the taxpayer. Afterwards, it will conduct the tax check within five business days and provide a record about results of the tax check to the taxpayer within five business days from completing the tax check. Enterprises with diversified lines of business and a wide scope of business will be subject to tax inspections regularly. Whenever the tax management body decides to inspect an enterprise, it will send a decision about the inspection to the enterprise within three days and inspect the enterprise within 30 days from the date of such an announcement. After inspecting, it will provide a report of inspection to the taxpayer.

Law on Tax Management (2012), Article 77.

Law on Tax Management (2012), Article 83.

### Common mistakes regarding VAT (Giang)

* + 1. Common mistakes when declaring input VAT

1. **Deduction of input VAT on returned products and services**

For products and services that are returned by the buyer to the seller, the buyer needs to adjust the input VAT and the seller should adjust the output VAT. Both the buyer and the seller should pay attention to the reasons for returning the goods specified in the contract such as: Poor quality goods, wrong specification and types.

- If it is a business organization that returns goods: Buyer shall make a record of returning the goods, issue a VAT invoice to return the goods to the seller, on the invoice clearly state: Invoice of returning goods due to poor quality or wrong specifications, types (according to Section 2.8, Appendix 04 of Circular No. 39/2014 / TT-BTC).

- If the non-business organization (Department of Finance, Department of Labor, Department of Invalids and Social Affairs ...) returns the goods, the buyer should make a return record stating the reason for the return as poor quality, wrong specification ..., quantity of returned goods, corresponding amount, tax amount ... and returns the original VAT invoice. In case the buyer only returns a part of the purchased goods, it must also return the original VAT invoice before the seller issues the additional VAT invoice.

- If the individual returns the goods: The individual has no invoice, the individual needs to return the original VAT invoice and goods return record to the seller. In case the individual loses the invoice, he / she must pay a fine equal to ½ of the invoice value and the individual must pay the fine to the tax agency by himself.

1. **Input VAT deduction for products lost during inventory, or losses caused by natural disasters or individuals**

- Products are lost when stocktaking: If the product is fully compensated, the enterprise is not allowed to deduct the input VAT on that product but must reduce the input VAT and cost because that product is no longer in stock and not used for production and business. If the accountant handles the lost products by issuing sales invoices for the lost products so that the company can deduct input VAT, the enterprise will be fined (fined twice) because this is a fictitious invoice. If the accountant handles it by compensating with another product, it is not accepted because the seller will issue an invoice for the offset product, if the buyer is the name of the enterprise, this is the new purchase, while if the name is individual, it has nothing to do with the enterprise.

- Products lost due to natural disasters (floods, lightning ...): Enterprises are still entitled to a deduction of input VAT on this product (Clause 1, Article 4 of Circular No. 219/2013 / TT -BTC). However, if the enterprise has purchased insurance and is compensated at the VAT-inclusive amount, it is not deductible, and if the enterprise has purchased insurance and is compensated at the VAT-exclusive price, the VAT will be deducted normally. If the company has not purchased insurance for that product, the enterprise is still entitled to input VAT deduction for the part of the lost product that can be determined.

- Loss of product caused by an individual: The individual is responsible for the loss, and the company can support the individual apart. The input VAT on products lost by individuals is not deductible.

1. **Distribution to deduct VAT monthly and at the end of the year for goods not subject to VAT, goods not subject to tax declaration, and goods subject to VAT**

When allocating for monthly and year-end VAT deduction for goods not subject to VAT and goods subject to VAT, the accountant shall apply the content of Clause 9, Article 1 of Circular No. 26/2015 / TT-BTC to allocate VAT for the two activities, the accountant should pay attention to the denominator part of the formula with the item "revenue not subject to tax declaration" in accordance with Article 5 of Circular No. 219/2013 / TT-BTC and Article 1 of Circular No. 193/2015 / TT-BTC. Enterprises are only allowed to deduct input VAT on production of products subject to VAT. The input VAT used in common for items that are not subject to VAT declaration and for goods subject to VAT is fully deducted, so the accountant does not need to allocate it.

* + 1. Common mistakes when declaring output VAT

1. **Invoicing improperly according to regulations**

- Not issue invoices for revenue from payment according to progress for capital construction works, real estate, and infrastructure.

- Not issue invoices for construction, and installation that have been completed, accepted and handed over.

- The time of issuing the invoice is not in accordance with regulations

- Invoices are made in contravention of regulations.

- Not issue an invoice at the end of the day or have made but the payment amount is lower than the actual amount collected in case the buyer does not get an invoice.

- Trading in goods and services left out of the book. That is not import invoices and vouchers to not have to output invoices.

- Determining the wrong time of recording VAT-liable turnover. For example: In cases where goods are sold with deferred payment or installment payment or rentals paid in advance for many periods, invoices are issued and collected but VAT is not declared.

1. **Wrong determination of VAT calculation value**

For example: in case of issuing an invoice but incorrectly determining the land price to be deducted from the VAT-liable turnover for real estate trading, construction of infrastructure, house for sale....

1. **Failure to declare (incorrectly declaring) the VAT-liable turnover**

- Not declare revenue from the sale of property.

- No tax declaration for liquidation of fixed assets or sales of scraps, or wastes.

- Not declare and calculate output VAT on goods given, donated, or exchanged.

- Declare incomplete or lower revenue on the invoice.

1. **Other errors**

- For deductions that do not comply with legal procedures in accordance with regulations. For example Incompletion of procedures for commercial discounts or sales discounts.

- Goods and services that fail to export procedures but still declare 0% VAT.

- Incorrectly determine and declare tax rates for goods and services that are not subject to VAT.

- For companies doing business in many fields, establishing many branches in different areas but only declaring and paying VAT for the main business lines without declaring revenue for other activities

* + 1. Common mistakes when refunding VAT

- Documents proving exported goods:

+ Failure to explain the difference between the invoice and the customs declaration, between the invoice and payment receipt.

+ Lack of legal payment documents for exported goods.

+ There is no customs confirmation at item 47 of the customs declaration.

- An application form for VAT refund does not identify the specific object of VAT refund (export or cumulative negative 3 months, etc.).

- The general declaration of the arising amount requested for refund does not match the monthly declared VAT amount (must be adjusted to the wrongly declared amount before making a VAT refund dossier).

- The deputy director or authorized person who signs the tax refund request letter VAT is not considered valid.

- The account that requested to transfer the VAT refund amount does not match the account number and the name of the bank registered with tax agencies.

Reference:

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