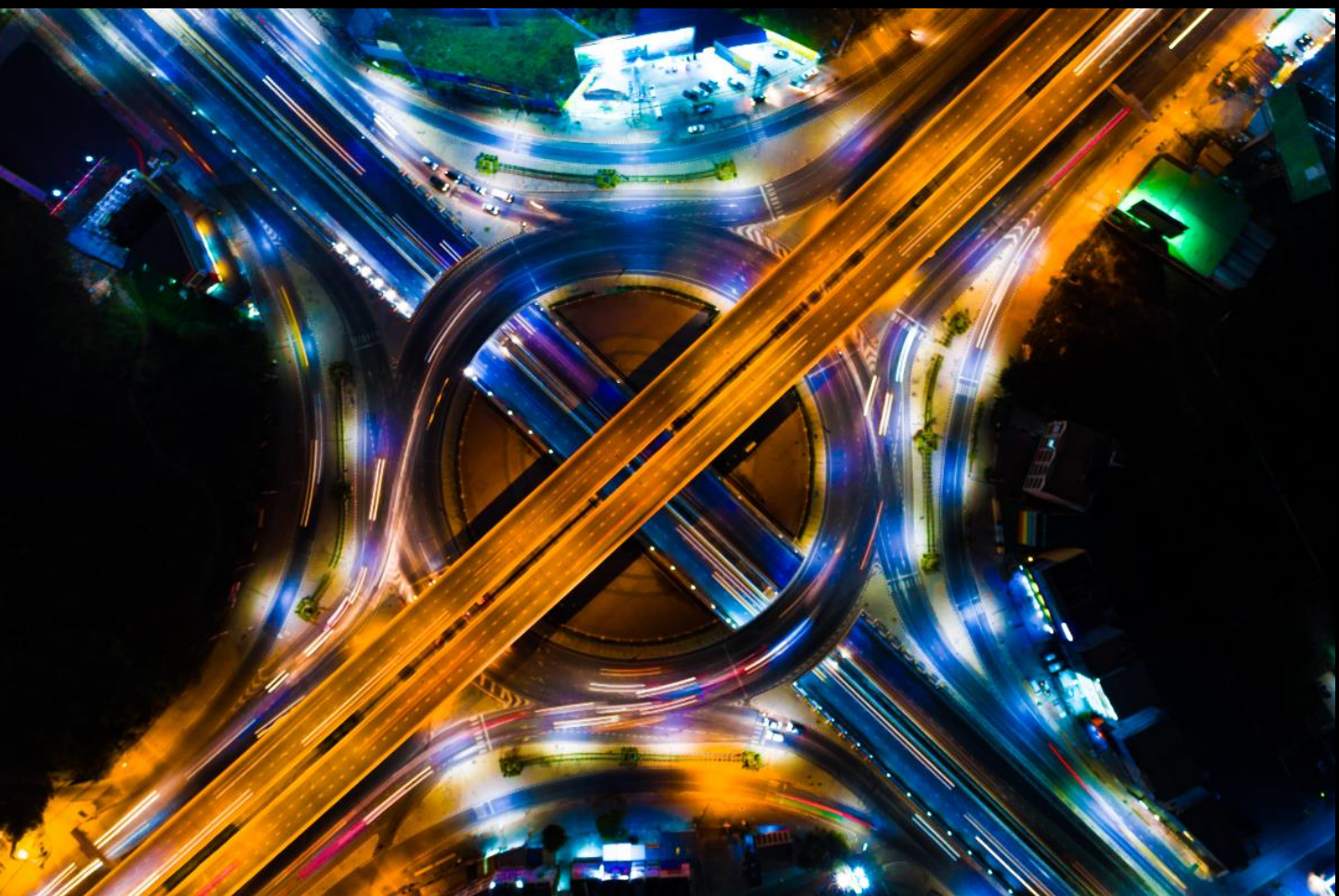


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Tax Alert

Proposal of the General Department of Customs to amend Article 35, Decree No. 08/2015/ND-CP on in-land import-export activities

June 2023



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Proposal of the General Department of Customs to amend Article 35, Decree No. 08/2015/ND-CP on in-land import-export activities

On 29 May 2023, the General Department of Customs (“GDC”) has sent the **Official Letter (“OL”) No. 2587/TCHQ-GSQL** and **OL No. 2588/TCHQ-GSQL** to customs departments nationwide, General Department of Taxation (“GDT”), and other relevant departments of the Ministry of Finance, to seek for opinions on the amendment and supplementation to Article 35 of the Decree No. 08/2015/ND-CP (“Decree 08”) in relation to the in-land import-export regulations.

Specifically, the GDC proposes **to entirely abolish the current regulations on in-land import-export transactions** in Article 35 of Decree 08. Per GDC’s proposal, GDT and its provincial tax departments shall take responsibility for managing and collecting taxes in the following common cases of in-land import-export as follows:

- **For goods that are processed by Vietnamese entity for foreign traders but sold by foreign traders to organizations or individuals in Vietnam:** the processor must change the using purpose for the processed goods, pay corresponding taxes as applied for imported goods from overseas.
- **For goods that are manufactured by Vietnamese entity from import duty exempted materials for export to overseas organizations or individuals and designated to be delivered to another Vietnamese entity:** the export manufacturing entity must change the using purpose of import duty exempted materials and pay for corresponding taxes, if any.
- **For goods that are traded between a domestic enterprise and a foreign trader without presence in Vietnam and designated to be delivered in Vietnam:** an agency contracts should be signed or VAT invoices should be used by the foreign trader and the designated goods receiver, for tax obligations fulfilment purpose.

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Potential impacts

- Current in-land import-export transactions shall be no longer available;
- Critical impact on the supply chains and/or business models in application;
- Cash flow burden due to additional duties and tax liabilities;
- Potential changes in other related regulations; and
- Business cost will increase to adapt the new regulations.

Our recommendations

- Raise concerns to customs authorities and closely follow up with the progress of GDC proposal;
- Consider restructuring the supply chain and business model to adapt with the change of regulations;
- Utilize the available incentive schemes to mitigate the impacts of such potential regulation changes;
- Evaluate potential impacts and draw up remedial actions to mitigate operation risks.

Notes: *This proposal of GDC has not been adopted and still be subject to discussion. Considering its significant impact, Deloitte shall keep our value clients updated on the progress when available.*

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