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TAX ALERT

Vietnam – Israel Free Trade Agreement

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Vietnam – Israel Free Trade Agreement

Overview of the free trade agreement between Vietnam and Israel

After 12 rounds of negotiation, spanning 7 years, on 25 July 2023, Vietnam and Israel signed the Vietnam - Israel Free Trade Agreement (“**VIFTA**”) in Tel Aviv, Israel. Notably, Israel is the first country in West Asia with which Vietnam has signed a FTA, and Vietnam is also the first country in Southeast Asia that Israel has signed a FTA with.

The Agreement consists of 15 chapters and several appendices covering trade in goods, services - investment, rules of origin, technical barriers to trade (“**TBT**”), sanitary and phytosanitary measures (“**SPS**”), customs, trade remedies, government procurement, and legal – institutional framework.

Benefits in bilateral trade and investment for both countries

According to tariff commitments, the VIFTA will ultimately remove duties on at least 86% of Vietnam’s products and 93% of Israel’s products. According to the Vietnam Ministry of Industry and Trade, the two countries expect to raise bilateral trade turnover from \$2.2 billion last year to \$3 billion in the near future.

For Vietnam, the VIFTA will create a favorable environment to promote and export Vietnam’s main products (including smartphones, footwear, fresh agricultural produce, and food products) not only to Israel but also to other markets in the Middle East, North Africa, and South Europe. At the same time, Vietnam will have the opportunity to access Israel’s high-tech products (including chemicals, machinery, medical and optical equipment, rubber, and plastics) at a lower cost.

For Israel, the VIFTA is expected to open up the market for their goods, including high-tech products, not only to Vietnam but also ASEAN and the Indo-Pacific, as well as other major economies that Vietnam also signed FTAs with.

Aside from helping to boost two-way trade in goods, the VIFTA is also expected to further boost relations between the two countries, and encourage growth in investment, services, digital transformation, and technology transfer.

Contact

Website: [deloitte.com/vn](https://www.deloitte.com/vn)

Email: deloittevietnam@deloitte.com

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What is next

After the signing of the Agreement, both Vietnam and Israel need to finalize their domestic legal procedure in order to implement the Agreement. Both parties are targeting to complete those ratification procedures in early 2024.

To take advantage of the opportunities that VIFTA provides, we recommend that Vietnam enterprises (both importers and exporters) should carefully study the tariff reductions, non-tariff commitments, as well as other standard measures, provided in the Agreement, to analyze and evaluate the potential opportunities and associated challenges the Agreement may bring to their current and future business.

For more information on how VIFTA could impact your business, please contact our tax specialists.

Contact

Website: deloitte.com/vn

Email: deloittevietnam@deloitte.com

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Contact Us



Thomas McClelland
National Tax Leader
+84 28 7101 4333
tmcclelland@deloitte.com



Bui Ngoc Tuan
Tax Partner
+84 24 7105 0021
tbui@deloitte.com



Bui Tuan Minh
Tax Partner
+84 24 7105 0022
mbui@deloitte.com



Phan Vu Hoang
Tax Partner
+84 28 7101 4345
hoangphan@deloitte.com



Dinh Mai Hanh
Tax Partner
+84 24 7105 0050
handinh@deloitte.com



Vo Hiep Van An
Tax Partner
+84 28 7101 4444
avo@deloitte.com



Vu Thu Nga
Tax Partner
+84 24 7105 0023
ngavu@deloitte.com



Tat Hong Quan
Tax Partner
+84 28 7101 4341
quantat@deloitte.com

Hanoi Office

15th Floor, Vinaconex Building,
34 Lang Ha Street, Dong Da
District, Hanoi, Vietnam
Tel: +84 24 7105 0000
Fax: +84 24 6288 5678

Ho Chi Minh City Office

18th Floor, Times Square
Building, 57-69F Dong Khoi
Street, District 1,
Ho Chi Minh City, Vietnam
Tel: +84 28 7101 4555
Fax: +84 28 3910 0750



Vu Thu Ha
Tax Partner
+84 24 710 50024
hatvu@deloitte.com



Dang Mai Kim Ngan
Tax Partner
+84 28 710 14351
ngandang@deloitte.com



Bob Fletcher
Director, Trade and Customs
+84 28 7101 4398
fletcherbob@deloitte.com

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