



TAX & LEGAL ALERT

The new Law on Value Added Tax No. 48/2024/QH15

December 2024



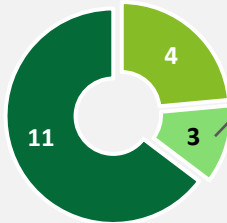
Following our [Alert](#) on the Draft Law Amending the Law on VAT in May 2024, the Law on Value-Added Tax ("VAT") **No. 48/2024/QH15** was officially approved on 26 November 2024, during the 8th session of the National Assembly, after a period of public consultation and revisions to the draft. This marks a significant milestone in strengthening the legal framework for taxation, with the aim of facilitating business operations while ensuring fairness and transparency in VAT collection. The key amendments are expected to have substantial impacts on business activities in the coming period. Below is Deloitte's detailed update on the key provisions of the New Law.

General Information



The Law on VAT was approved with **04 chapters and 18 articles**, of which:

- No change
- New article
- Amended and supplemented



03 new Articles

- » **Article 8:** Time of VAT determination
- » **Article 13:** Prohibited acts in VAT deduction and refund
- » **Article 17:** Amendments and supplements to the provisions of the Personal Income Tax Law



Enforcement effect (Article 18)

The new Law on VAT will officially take effect from 01 July 2025, except for the case of regulations on the turnover of non-taxable business households and individuals, which will take effect from 01 January 2026.

01 July 2025

Highlights

📍 SUPPLEMENTS OF VAT REGULATIONS ON E-COMMERCE BUSINESS ("E-COMMERCE") AND DIGITAL PLATFORMS (Article 4 & Article 9)

10% VAT rate shall be applied to services provided by foreign suppliers without having permanent establishments in Vietnam to organizations and individuals in Vietnam through e-commerce or digital platforms.

This aligns with the Law on Tax Administration 2019 and the Law amending 7 Laws (effective from 01 January 2025), regarding supplemented taxpayers for e-commerce activities, specifically:

- **Foreign suppliers without having permanent establishments** in Vietnam who conduct e-commerce or digital-based business activities with organizations and individuals in Vietnam; and
- **Organizations that operates e-commerce exchanges and digital platforms with payment functions**, shall be responsible for withholding and remitting taxes on behalf of business households and individuals being vendors in e-commerce platforms and digital platforms.

This content will be provided in details by the Government.

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Highlights (continued)

AMENDMENT AND SUPPLEMENT TO CONDITIONS FOR INPUT VAT DEDUCTION (Article 14)

The minimum value of invoice required to have non-cash payment vouchers has been abolished, accordingly, non-cash payment vouchers is a mandatory condition for deducting input VAT for all purchased goods and services, except for some special cases prescribed by the Government.

Additional documents are required as conditions to deduct input VAT for exported goods and services, namely: packing list, bills of lading, goods insurance documents (if any), etc.

PROVIDED OBLIGATIONS ON ADDITIONAL DECLARATION OF INPUT VAT WHEN ERRORS ARE DETECTED (Article 14)

The New Law on VAT continues to maintain the principle that input VAT arising in any month or quarter has to be declared and deducted when determining the payable tax amount of that month or quarter, and further stipulates as follows:

In case of detecting errors in the deducting input VAT, the taxpayer shall make an **additional declaration before the tax authority or competent authorities announces the decision on tax audit or tax inspection**, in the following two situations:

- Taxpayers shall declare and deduct **in the tax period in which the error occurred** if the additional declaration in that period leads to an **increase in the tax payable or a reduction in the tax refundable**.
- Taxpayers shall declare and deduct **in the tax period where the error was discovered** if the additional declaration for that tax period results in a **reduction of the tax payable or only increases or decreases the VAT amount** that can be carried forward to the next period.

AMENDMENT AND SUPPLEMENT TO THE TIME OF VAT DETERMINATION (Article 8)

The time of VAT determination for goods and services are now legislated and supplemented at law level, specifically:

- For goods, it is the time of transferring ownership or the right to use the goods to the buyer, or the time of invoice issuance, regardless of whether payment has been received.
- For services, it is the time of completing the service provision or the time of invoice issuance, regardless of whether payment has been received.

The time of VAT determination shall be detailed by the Government.

INCREASE OF THE VAT EXEMPTION THRESHOLD FOR BUSINESS HOUSEHOLDS AND INDIVIDUALS (Article 5 and Article 17)

Goods and services of business households and individuals that have production and business activities with an **annual revenue up to VND 200 million are exempt from VAT**.

The corresponding provisions in the current Law on Personal Income Tax regarding the revenue threshold for Personal Income Tax exemption on business income of households and individuals that have production and business activity are amended accordingly.

This provision will **take effect from 01 January 2026**.

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Highlights (continued)

CHANGES IN VAT RATES APPLIED FOR SPECIFIC GOODS AND SERVICES (Article 9)

Some notable cases:

Added objects not subject to VAT:

- Fresh food that has not been processed into other products or has only been preliminarily processed by organizations and individuals that self-produce or self-catch for sale and at the import stage;
- Goods imported by financial leasing companies for financial lease to enterprises in non-tariff zones;
- Some other goods such as imported goods to support the prevention and control of natural disasters, epidemics, wars; Goods bought and sold and exchanged to serve the production and consumption of border residents.

Objects not subject to VAT and those not required to declare VAT being moved to 5% applicable VAT rate:

- Fertilizer;
- Fishing vessels in offshore and border areas; special-use machinery and equipment for agricultural production;
- Enterprises and cooperatives that buy products of cultivation, animal husbandry, aquaculture, and fishing that have not been processed into other products or are only preliminarily processed and sold to other enterprises and cooperatives (at commercial stage).

Objects not subject to VAT being moved to 10% applicable VAT rate:

- Securities registration, securities market organization services at stock exchanges or securities trading centers; other securities business activities.
- Public postal, telecommunications, and internet services provided under government programs.
- Services related to the maintenance of zoos, botanic gardens, parks, street greenery, and public lighting.

Removal of objects applying 5% VAT rate:

- Unprocessed pine resin;
- Unprocessed timber;
- Sugar and by-products in sugar production, including molasses, bagasse, and mud cake;
- Cultural activities, exhibitions, sports, film production, and activities related to film import, distribution, and screening.

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SUPPLEMENTED REFERENCE TO SPECIALIZED REGULATIONS TO DETERMINE VAT OBLIGATIONS (Article 5)

A great number of references to specialized regulations are amended and supplemented, to determine VAT obligations, of which some highlights include:

- Livestock breed products and animal feeds in accordance with the legislation on animal husbandry; plant propagation materials in accordance with the legislation on crop cultivation;
- Credit extension services in accordance with the legislation on credit institutions;
- Derivative products in accordance with the legislation on credit institutions, the legislation on securities and the legislation on commerce;
- Teaching and vocational training activities in accordance with the legislation on education and vocational education;
- Defense and security products in accordance with the list promulgated by the Minister of National Defense and the Minister of Public Security, and imported products and services in service of the defense and security in accordance with the list promulgated by the Prime Minister;
- Medical devices in accordance with the legislation on management of medical devices;
- The dutiable price of imported goods in accordance with the import dutiable value provided in the legislation on import and export tax.

AMENDMENTS TO PROVISIONS ON EXPORTED GOODS AND SERVICES APPLYING 0% VAT (Article 9)

The definition of exported goods and services subject to 0% VAT is amended, specifically:

- Exported goods include goods **from Vietnam** sold to overseas organizations and individuals and consumed outside Vietnam; goods **from inland Vietnam** sold to organizations in non-tariff zones and consumed in non-tariff zones **directly used for production to export activities**;
- Export services include services provided directly to organizations and individuals abroad and **consumed** outside Vietnam; provided directly to organizations in non-tariff zones and **consumed** in non-tariff zones **directly serving export production activities**.

Additional case is supplemented to the list of 0% VAT rate application: goods sold in the quarantine area to individuals (foreigners or Vietnamese) who have carried out exit procedures.

Regulations having been already implemented under the current Law on VAT, **are legalized**:

- Goods sold at duty-free shops and other cases of exported goods and services are subject to 0% VAT rate;
- Cases not subject to 0% VAT rate.

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Highlights (continued)

AMENDMENTS TO REGULATIONS ON CASES OF VAT REFUND (Article 15)

The following cases of VAT refund are supplemented for the production of goods and provision of services subject to 5% VAT rate:

- If a business establishment **only produces goods or provides services subject to 5% VAT rate** and has an unpaid input VAT amount of VND 300 million or above, after 12 consecutive months or 04 consecutive quarters, it shall be entitled to a VAT refund;
- If a business establishment **apply different VAT rates**, they shall be refunded according to the allocation rates prescribed by the Government.

Amendments to VAT refund for export activities:

- **VAT refund shall not be applied to goods that have been imported and then exported** to other countries;
- **Clarification is made to the allocation of input VAT** of exported goods and services where separation of input VAT for exports and domestic sales are undefined, to be the allocation rate of revenue from exported goods and services over the total revenue of **taxable** goods and services of the refund period;
- **Clarification is made to the VAT refund policy for the input VAT amount** determined for exported goods and services but not yet refunded because **it exceeds 10% of the turnover of exported goods and services of the previous period** to be deducted in the next period to determine the VAT amount refunded for export activities of the next period.

Amendments to VAT refund for investment activities:

- Investment projects considered for VAT refund include **cases of expansion investment projects**;
- **Supplement the time limit of 01 year** for submission of VAT refund dossiers from the date of the investment project or investment stage completion;
- **Clarification is made to the determination of completion date of an investment project or investment stage to be the date** on which revenue is generated of the investment project or investment stage, excluding revenue from the trial run stage, revenue from financial activities and liquidation of raw materials of the investment project.

Abolishment of regulations on VAT refund in cases of enterprise **ownership transfer, enterprise conversion, merger, consolidation, division, separation or termination of operation** (except for cases of dissolution or bankruptcy).

Supplement of conditions generally applied for VAT refund: **The sellers must have declared and paid VAT** according to regulations for invoices issued to business establishments requesting VAT refund.

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LEGALISATION OF PROHIBITED ACTS IN VAT DEDUCTION AND REFUND (Article 13)

The legalisation of prohibited acts in VAT deduction and refund covers those related to the purchase and sale of invoices; using illegal invoices/documents; creating bogus transactions; making invoices when suspending business (except for valid cases); failure to transfer e-invoice data as prescribed; falsifying or illegally accessing the invoice information system; bribery or fraud for tax gain, and collusion between related parties for tax evasion or appropriation purpose.

DELOITTE'S COMMENTS AND RECOMMENDATIONS

- In general, this New Law on VAT shows the determination of the National Assembly and the Government to build a **stringent legal system with specific regulations, aligning and synchronizing with specialized legislations** for practical production and business activities, and at the same time effectively support taxpayers compliance. The Law revised contents have received special attention from the business community, especially with notable proposals potentially imposing strong impacts on the production and business activities of exporters and participating in international supply chains. However, at the current stage, this is the first step in making principles, whilst detailed guidance will be provided through **Decrees and Circulars that businesses are recommended to follow**.
- The New Law on VAT is **closely linked to the issues being discussed** and clarified recently, such as the condition on export services applying 0% VAT rate, being "**directly serving export production activities**". These provisions are expected to be specified in the guiding documents under the Law. The more comprehensive the analysis and review for enactment of such guidance, the better it will help businesses to comply effectively.
- From business perspective, under such changes in the provisions of the New Law on VAT, enterprises are recommended to make impact **assessment, and tax and business planning** thoroughly. Specifically, impact assessment on changes in VAT regulations on business activities should be made, including the impact on cash flow, profits, investment decisions, and risk management. At the same time, it is also necessary to develop business model and the supply chain appropriately, helping to quickly and effectively adapt to the New VAT Law provisions.
- With the visible impacts of the New VAT Law, the business community is **recommended to consult tax experts** for impact assessment and analysis of the new regulations to each specific enterprise, for compliance and effective business/tax strategies.

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