

ALERT ON TAX AND CUSTOMS POLICY

Updates on The duty incentive scheme for automotive manufacturers and The duty incentive scheme for automotive supporting industry under Decree No. 57/2020/ND-CP

June 2020



For reference only, not for distribution or sale

General Introduction

On 25 May 2020, the Government has enacted **Decree No. 57/2020/ND-CP** ("Decree 57") amending and supplementing a number of articles of Decree No. 122/2016/ND-CP ("Decree 122") and Decree No. 125/2017/ND-CP amending and supplementing a number of articles of Decree 122 ("Decree 125").

Decree 57 will take effect from 10 July 2020, and will have significant impact on the business activities of enterprises operating in the automotive industry and the automotive support industry.

Key areas impacted by Decree 57 are as follows:

- Amendment to import-export tariff schedules including :
 - i. Additional tariff lines subject to export duty;
 - ii. Adjustments to the export duty rates on a range of tariff headings – examples **74.11, 25.05**;
 - iii. Adjustments to the import duty rates of goods under a number of tariff headings – examples **32.15, 54.02, 84.14, 84.20, 85.04**.
- Amendment and supplement of :
 - i. The duty incentive scheme for automobile spare parts imported for manufacturing and assembling automobiles ("**duty incentive scheme for automotive manufacturers**"); and
 - ii. The duty incentive scheme for materials, supplies and spare parts for the manufacturing, processing (assembling) of automotive supporting industry products prioritized for the development of the automobile manufacturing, assembly industry in 2020 - 2024 ("**duty incentive scheme for automotive supporting industry**").

Further details on the impact of Decree 57 will have on the "**duty incentive scheme for automotive manufacturers**" and the "**duty incentive scheme for automotive supporting industry**" are following pages.

Should you have any questions, or need more specific information on Decree 57 and how it will impact your business activities, please contact one of Deloitte Vietnam's Tax and Customs specialists listed at the end of this Alert.

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The duty incentive scheme for automotive manufacturers

1

APPLICABLE ENTITIES

Enterprises are granted with **Certificates of eligibility for automotive manufacturing and assembly** issued by the Ministry of Industry and Trade.

2

QUALIFYING CONDITIONS

Supplementing a number of conditions for automotive spare parts

Specifying conditions on enterprises manufacturing and assembling electric automotive, battery-powered automotive, hybrid automotive, biofuel automotive, natural gas automotive

Amending and supplementing conditions for enterprises manufacturing and assembling automotive using petrol and diesel

1. Conditions for an automotive model

- Under 4-digit HS code prescribed for each group of automotive products and standard categories for one automotive model in each group.
- Enterprises are allowed to amend or supplement the model and number of registered models.

2. Conditions on minimum total output and minimum specific output

- Definition of **minimum total output and minimum specific output** is amended;
- Specified cases of minimum total output and minimum specific output eligible to enjoy the scheme;
- Ways to determine the minimum total output for enterprises manufacturing and assembling both gasoline and diesel automotive and electric automotive, battery-powered automotive, hybrid automotive, biofuel automotive, natural gas automotive; and
- Method to calculate output if the first incentive review period is less than 06 months for a petrol and diesel automotive manufacturing and/or assembling enterprises.

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The duty incentive scheme for automotive manufacturers (*cont.*)

3

INCENTIVE DURATION

No more than 06 months from 01 Jan to 30 Jun and from 01 Jul to 31 Dec on annual basis

4

CUSTOMS DECLARATION

- “Customs mode”: A43 - Importation of goods eligible for incentive scheme
- “The company’s internal management number”: e.g. “#&7b”

5

APPLICATION PROCEDURE

The company applies for the **duty incentive scheme for automotive manufacturers**



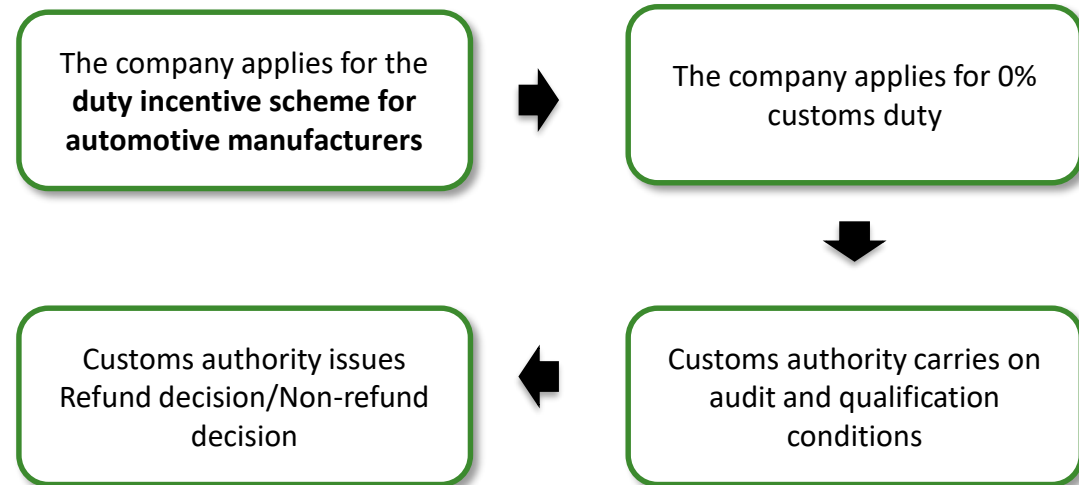
The company applies for 0% customs duty



Customs authority issues Refund decision/Non-refund decision



Customs authority carries on audit and qualification conditions



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The duty incentive scheme for automotive supporting industry

1

APPLICABLE ENTITIES

- Automotive supplies, spare parts manufacturers, processing entities
- Automotive manufacturers directly manufacture, assemble automotive supplies, spare parts

2

APPLICABLE METHOD

Materials, supplies and spare parts apply common import duty rate, preferential import duty or special preferential import duty; not yet take 0% import duty.

3

QUALIFYING CONDITIONS

1. Conditions for applying enterprises

Conditions for automotive supplies, spare parts manufacturer, processing entities

Conditions for automotive manufacturers directly manufacture and assemble automotive supplies, spare parts

2. Conditions for imported materials, supplies, and spare parts

- Included in the **List of supporting industry product for automotive manufacture and assembly**; and
- Imported materials, supplies, spare parts are classified as not **yet manufactured domestically**.

4

INCENTIVE DURATION

No more than 06 months from 01 Jan to 30 Jun and from 01 Jul to 31 Dec on annual basis

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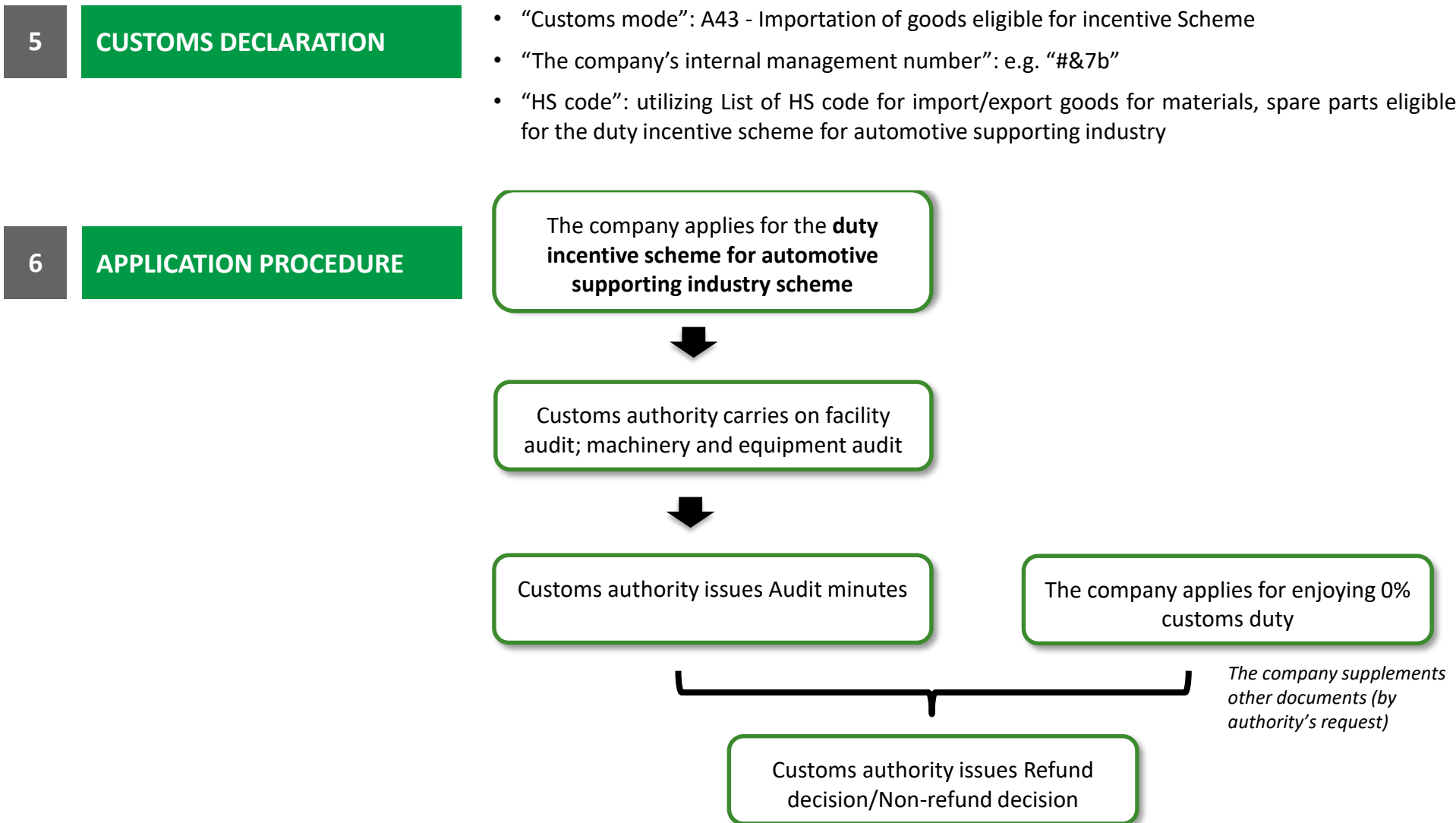
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The duty incentive scheme for the automotive supporting industry (cont.)



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What can Deloitte support?

Deloitte Vietnam's Global Trade and Customs specialists can provide practical and hands-on support in the following areas:

Support the company in **assessing** if they can satisfy the conditions of the duty incentive schemes

Support the company in **applying for** the duty incentive schemes

Support the company in **preparing and submitting** dossiers to enjoy incentive of 0% import duty

Support the company in **corresponding** with Customs authority during Audit on manufacturing/processing facility and incentive application dossiers

Advise on HS code classification for products eligible for The duty incentive scheme and The duty incentive scheme for automotive supporting industry

Provide **other Tax, Trade and Customs services** per the company's request

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