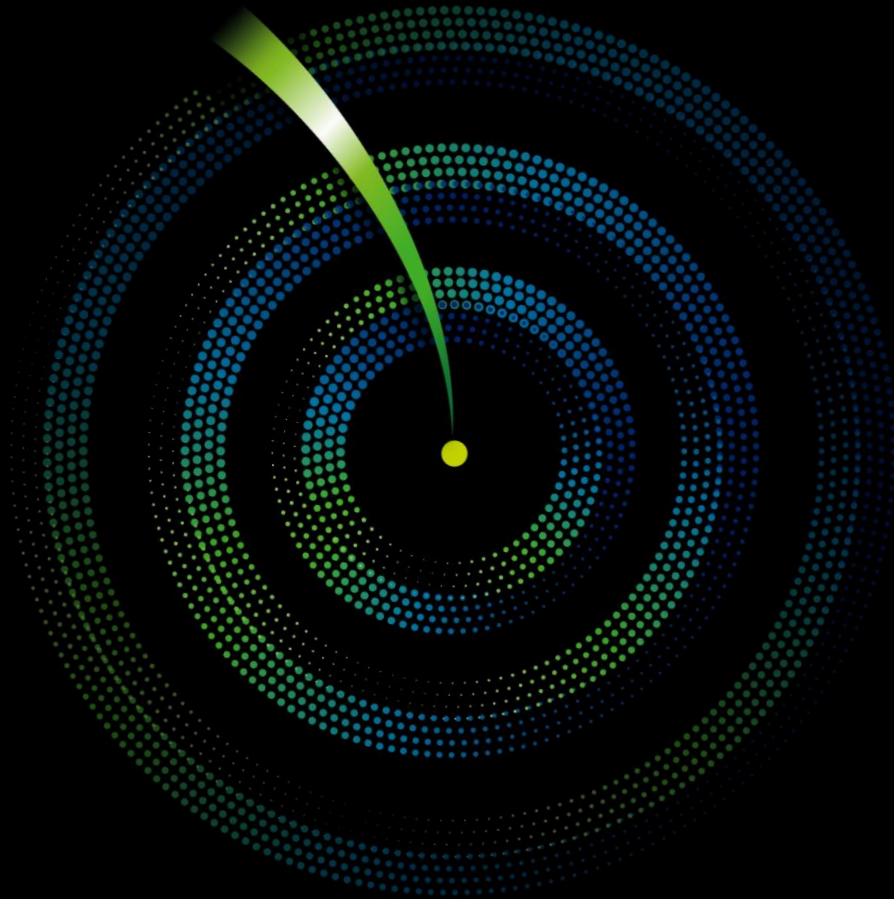




GLOBAL MINIMUM TAX INSIGHTS

Episode 03: Draft Decree providing guidance on
Resolution No. 107/2023/QH15

November 2024



On 12 November 2024, the Ministry of Finance opened a public consultation on the Draft Decree guiding the implementation of the Resolution No. 107/2023/QH15 ("**Resolution 107**") on the application of additional Corporate Income Tax ("**CIT**") in accordance with the Global Anti-Base Erosion ("**GloBE**") Rules ("**Draft Decree**"), including the regulations on the Qualified Domestic Minimum Top-up Tax ("**QDMTT**") and the Income Inclusion Rule ("**IIR**"). Below is Deloitte's detailed update on the key contents of the Draft Decree.

Introduction and Overview

- In terms of structure, the Draft Decree includes the main text, Appendix I on terminology, Appendix II on Top-up Tax calculation elements, and a set of filing templates. The main text of the Draft Decree are divided into three sections: (i) General Provisions, (ii) Specific Provisions, and (iii) Implementation Provisions. **Section II** of the Draft Decree provides detailed provisions for Top-up Tax calculation under QDMTT in Chapter I and under IIR in Chapter II. Notably, the Draft Decree specifies the provisions on **QDMTT first, with the IIR referencing QDMTT**, differing from the global minimum tax ("**GMT**") regulations of most of the other countries.
- Vietnam QDMTT is regulated based on the **GloBE Rules** and includes certain elements from the **OECD's Commentary and Administrative Guidance**. Despite containing some allowable variations in scope and calculation adjustments, it should be considered as being consistent with the GloBE principles. The IIR regulations also align with the GloBE rules and are referenced to those for QDMTT.
- Vietnam's QDMTT may qualify as a **QDMTT Safe Harbour** (which is to be announced by the OECD/IF after transitional and detailed peer review), potentially exempting multinational enterprise ("**MNE**") Groups from additional computation at the ultimate parent entity ("**UPE**") level, thereby reducing administrative burden.
- In terms of tax administration, the top-up tax under QDMTT and IIR will be a **new obligation**, which are distinct from the current CIT, requiring new processes for notification, registration, declaration, payment, and audit/inspection.
- The content of the Draft Decree is complex which is based on **international tax and accounting standards** (e.g. the concept of flow-through entities, hybrid entities, investment entities, etc.). Furthermore, some areas remain unclear (e.g. adjustments related to Material Competitive Distortion over EUR 75 million). As a result, it is crucial that businesses understand the technical details and accurately gather proper data for calculation and reporting purposes.
- Additionally, the Draft Decree also provides detailed provisions on the implementation of **Transitional CbCR Safe Harbour** mechanism. Kindly refer to our [Global Minimum Tax Insights - Episode 01 \(released in September 2024\)](#), for further details.

Recommendations

With GMT regulation comes into effective from **fiscal year ("FY") 2024**, enterprises should promptly kick-off the process of studying and preparation for compliance. Accordingly, Deloitte recommends the roadmap for compliance as follows:

<p>1</p> <p>Scoping</p> <ul style="list-style-type: none"> • Review and determine whether the group is in-scope based on the turnover threshold; • Determine constituent entities ("CE") in Vietnam and other related entities for the purpose of Effective Tax Rate and Top-up Tax calculation. 	<p>2</p> <p>Preparing for financial and accounting purpose</p> <ul style="list-style-type: none"> • Estimate Effective Tax Rate and Top-up Tax (if any) to assess the impact on financial results; • Consider accounting provision and financial disclosure under the Financial Statement ("FS") (if required) regarding the impact of GMT on individual CE and the Group. 	<p>3</p> <p>Optimization planning</p> <ul style="list-style-type: none"> • Study on options to optimize and minimize impacts (exclusions, elections, support policies, other incentives, etc.) • Review the applicability of appropriate Safe Harbour to minimize compliance burden. 	<p>4</p> <p>Preparing data points</p> <ul style="list-style-type: none"> • Understand regulation on the information and data needed for calculation; • Determine data sources and data appropriateness as required by regulation; • Develop procedures for data collection that is suitable with the scale and internal control of the group 	<p>5</p> <p>First year compliance</p> <ul style="list-style-type: none"> • Understand administrative requirements for filing purposes (<i>notification and registration, appointment of filing CE, supporting documents</i>); • Prepare for resources (<i>specialized staff, professional consultants, technology solutions, etc.</i>) to best support for the compliance process.
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Contact

Website: deloitte.com/vn

Email: deloittevietnam@deloitte.com

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A. Overall comparison of QDMTT versus IIR

In addition to the provisions stipulated in Resolution 107, the Draft Decree details the guidance on QDMTT and IIR in accordance with the GloBE Rules. Below is a summary and comparison of the key principles under the Draft Decree in relation to QDMTT and IIR:



	✔ QDMTT	✔ IIR
I. First FY of application	<p>The GMT regulation is applicable in Vietnam from FY 2024, specifically for:</p> <ul style="list-style-type: none"> Fiscal years beginning on or after 01 January 2024. In case CE adopts UPE's FY 2024 which has the starting date within December 2023, such FY will still be considered as FY 2024 for the purposes of applying GMT in Vietnam. 	
I. Subject of application	<p>Applying QDMTT to Vietnam-located entities of the in-scope MNEs, including:</p> <ul style="list-style-type: none"> CE Joint Venture and subsidiaries of Joint Venture (“JVs and JV subsidiaries”) Permanent establishment (“PE”) 	<p>Applying IIR to overseas entities of in-scope MNEs having parent company located in Vietnam, including:</p> <ul style="list-style-type: none"> CE JVs and JV subsidiaries PE Investment entities or insurance investment entities
II. Financial accounting standards	<ul style="list-style-type: none"> Based on the accounting standards used for preparing the Consolidated FS of UPE FY follows the UPE's FY Computation currency is the currency used for preparing the Consolidated FS of UPE, applying the principle of exchange rate conversion according to the UPE's accounting standard 	<ul style="list-style-type: none"> Based on the accounting standards used for preparing the Consolidated FS of UPE – Vietnamese Accounting Standards (VAS), adjusted to the Material Competitive Distortion. Material Competitive Distortion exists when the application of a specific principle or procedure that results in an aggregate variation greater than EUR 75 million in a FY as compared to the amount that would have been determined by applying the corresponding IFRS principle or procedure.
III. Determination of Top-up Tax	<ul style="list-style-type: none"> Top-up tax under QDMTT is levied directly on the entities mentioned in (I), applied to their total GloBE income, regardless of the ownership interests (including JV and JV Subsidiaries) MNEs shall decide on the allocation of top-up tax payable under QDMTT among CEs in Vietnam, however, required to declare the allocated tax amount in the QDMTT supplementary CIT return. 	<ul style="list-style-type: none"> Top-up tax under IIR is levied on parent companies in Vietnam allocable to the ownership interest in the entities of (I), including: <ul style="list-style-type: none"> Ultimate Parent Entity (UPE) Partially-owned Parent Entity (POPE) Intermediate Parent Entity (IPE) IIR is collected on a “top-down approach” in the ownership chain; Top-up tax of each CE is allocated based on the GloBE income ratio.

Contact

Website: deloitte.com/vn

Email: deloittevietnam@deloitte.com

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B. Specific provisions of Vietnamese QDMTT

The Vietnamese legislation on QDMTT has certain variances, however **should not affect** the consistency standard as in accordance with the OECD's GloBE Rules. Despite not being stated in the Draft Decree, according to the OECD's Administrative Guidance, it is understood that if Vietnam's QDMTT satisfies the conditions of **QDMTT Safe Harbour**, the MNE Group does not need to re-calculate the top-up tax for Vietnamese CE under the IIR in the UPE's jurisdiction.



Exclusions from QDMTT scope

- Stateless CE and Stateless PE
- Investment entities or Insurance Investment Entities



Adjustments not applicable under QDMTT

No adjustments to GloBE income or loss regarding:

- Disqualified Refundable Imputation Tax accrued as an expense;
- Gain or loss from disposition of assets and liabilities as part of a GloBE reorganization
- Qualified Refundable Income Tax Credit ("**QRTC**") and Mark-to-Market Transfer Tax Credit ("**MTTC**") treated as income
- Aggregate asset gain
- Election for intragroup transactions in same jurisdiction (tax consolidation)

Not included in adjusted covered taxes:

- Any amount of credit or refund in respect of a QRTC and MTTC that is recorded as a reduction to the current tax expense
- The amount of any covered taxes of CE-owners that is allocated to the CE in Vietnam under a Controlled Foreign Company ("**CFC**") tax regime
- The amount of any covered taxes of main entity that is allocated to the PE in Vietnam
- The amount of any covered taxes of CE-owners on income of the hybrid entity that is allocated to the hybrid entity
- The amount of any covered taxes of direct CE-owners that is allocated to the distributing CE.



Exclusion from QDMTT of MNEs in the initial phase of international activities

- Conditions of application:
 - The MNE has CEs in **no more than 6 jurisdictions**;
 - The total book value of tangible assets of all CEs in located in all jurisdictions other than the Reference Jurisdiction reference countries does **not exceed EUR 50 million**. The book value of tangible assets means the average of the beginning and end of year values of tangible assets (after taking into account accumulated depreciation, depletion, and impairment).
- Reference Jurisdiction: is the jurisdiction where the MNE Group has the highest total value of tangible assets for the first FY in which the MNE Group originally comes within the scope of the GloBE Rules.
- Applicable period: within **05 years** from the first FY in which the MNE Group comes within the scope of the GloBE Rules.

Contact

Website: deloitte.com/vn

Email: deloittevietnam@deloitte.com

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ASIA-PACIFIC TAX AWARDS 2024

C. Specific provisions of Vietnamese IIR

Principles for Imposing IIR Top-up Tax

The "top-down approach"

Top-up tax is collected in order of priority for parent entities in higher position within the chain of ownership, specifically as follows:

- **UPE:** shall pay tax on the portion allocated from the top-up tax of the Low-Taxed CE ("LTCE");
- **IPE:** shall pay tax on the portion allocated from the top-up tax of the LTCE, unless the UPE has applied a qualified IIR; or another IPE that owns a controlling interest in the IPE is required to apply a Qualified IIR

The "split-ownership rule"

- Notwithstanding the above "top-down approach", the **POPE** shall pay tax in an amount equal to its allocable share of the top-up tax of that LTCE, irrespective of whether the UPE is also applying a Qualified IIR. In which, POPE has been defined in the Resolution 107 as a parent entity that has **more than 20% of the ownership interests in its profits** held by other parties outside of the MNE Group.
- If a POPE is 100% owned by another POPE that also applies a Qualified IIR, the POPE in higher position of the chain of ownership shall pay top-up taxes.

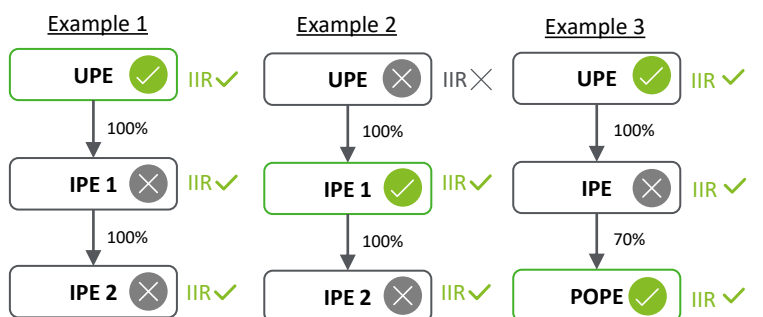
Allocation of Top-up tax

$$\begin{aligned}
 & \text{1 Parent Entity's Allocable Share of Top-up Tax} = \text{Top-up Tax of the LTCE (x) Parent Entity's Inclusion Ratio} \\
 & \text{2 Parent Entity's Inclusion Ratio} = \frac{\text{GloBE income of LTCE (-) Amount of such income attributable to ownership interests held by other owners}}{\text{GloBE income of LTCE}}
 \end{aligned}$$

IIR Offset Mechanism

All parent entities that have the right to collect top-up taxes of a LTCE will **reduce** from their tax payable an amount corresponding to the amount of tax that **already allocated and charged** by the parent entities located **below the chain of ownership**.

Illustrative examples:



✗ No top-up tax under IIR
 ✓ Pay top-up tax under IIR

IIR ✗ Jurisdictions not applying Qualified IIR
 IIR ✓ Jurisdictions applying Qualified IIR

Example 1:

- UPE shall pay top-up taxes under IIR
- Following the "top-down approach", IPE 1 and IPE 2 are not required to pay top-up taxes even though their jurisdictions adopted a Qualified IIR.

Example 2:

- Since the UPE jurisdiction does not apply a Qualified IIR, the IPE shall pay the top-up taxes.
- Following the "top-down approach", IPE 1 is the parent entity that is higher in the ownership chain (having controlling interests in IPE 2), thus IPE 2 shall not pay top-up taxes even though IPE 2 jurisdiction adopted a Qualified IIR.

Example 3:

- Following the "split-ownership rule", POPE shall pay top-up taxes under the IIR
- The UPE may also pay top-up taxes under the IIR, but the top-up tax amount paid by POPE will be offset against the top-up tax amount charged by the UPE.

QDMTT Safe Harbour

The MNE Group's top-up tax amount under IIR for a jurisdiction shall be deemed to be 0 (zero), provided that:

- The QDMTT in that jurisdiction meets the standards for **QDMTT Safe Harbour**, as listed by the Inclusive Framework on Base Erosion and Profit Shifting (BEPS);
- Not applicable in cases where the MNE is not subject to QDMTT in a jurisdiction, or the Tax Authority in a jurisdiction is unable to collect QDMTT for a CE in such jurisdiction ("**Switch-off rule**")

Contact

Website: deloitte.com/vn
 Email: deloittevietnam@deloitte.com
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D. Determination of the Effective Tax Rate

I. Effective tax rate (“ETR”) formula

$$\text{Jurisdictional ETR} = \frac{\text{A: Adjusted covered taxes for all CE in the jurisdiction in a FY}}{\text{B: Net GloBE income for all CE in the jurisdiction in a FY}}$$

A separate ETR is required in specific cases (not being blended with other CEs within the jurisdiction):

- JV and JV Subsidiaries
- MOCE and Minority-owned Subgroup
- Investment Entities or Insurance Investment Entities
- Stateless CE

II. Determination of GloBE income or loss

Starting point: Financial accounting net income or loss (“FANIL”) determined for a CE **BEFORE** any consolidation adjustments eliminating intra-group transactions in preparing Consolidated FS of the UPE. Thereafter, the FANIL shall be primarily allocated and adjusted as follows to determine the GloBE Income or Loss:

Cases	Allocation method
Between a main entity and a PE	<ul style="list-style-type: none"> • The net income or loss reflected in the separate financial accounts of the PE; in case the PE is not required to prepare such separate financial accounts, it shall be determined as if prepared on a standalone basis and in accordance with the accounting standards used to prepare the Consolidated FS of the UPE; • The net income or loss of a PE shall not be included in the GloBE income or loss of the main entity, unless the PE has a GloBE Loss.
Flow-through Entity	<ul style="list-style-type: none"> • The net income or loss of a flow-through entity is allocated to its owners that are not MNE Group entities, its PE and its CE-owners or the flow-through entity itself.

(1)
Allocation of income among CEs

Main mandatory adjustments	Other mandatory adjustments	Adjustments arising from elections made
<ul style="list-style-type: none"> • Net tax expense • Excluded dividends • Excluded equity gain or loss • Included revaluation method gain or loss • Gain or loss from disposition of • Gain or loss from disposition of assets and liabilities (GloBE reorganization) • Asymmetric foreign currency gains or losses • Policy disallowed expenses • Prior period errors and changes in accounting principles • Accrued pension expense 	<ul style="list-style-type: none"> • Arm’s length principle adjustments • QRTC and MTTC • Special rule for intragroup financing arrangements • Insurance company to adjust for policyholder taxes • Additional/restricted tier one capital distribution deductions 	<ul style="list-style-type: none"> • Exclusion of income from debt release • Stock-based compensation (5-year election) • Gains and losses using realisation principle (5-year election) • Aggregate asset gain (Annual election) • Election for intragroup transactions in same jurisdiction (5-year election)

(2)
Determination of GloBE Income or Loss

Exclusion of income from:

- International shipping (transportation of passengers or cargo by ships, leasing a ship, etc.); and
- Qualified ancillary international shipping (leasing, storage of containers, maintenance, cargo handlers, etc.)

Contact

Website: deloitte.com/vn

Email: deloittevietnam@deloitte.com

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D. Determination of the Effective Tax Rate (continued)

III. Determination of the adjusted covered taxes

Covered taxes are defined as:

- ✓ Taxes recorded in the financial accounts of a CE with respect to its income or profits or its share of the income or profits of a CE in which it owns an Ownership Interest;
- ✓ Taxes imposed in lieu of a generally applicable CIT;
- ✓ Taxes on distributed profits, deemed profit distributions, and non-business expenses imposed under an eligible distribution tax system;
- ✓ Taxes levied by reference to retained earnings and corporate equity, including a tax on multiple components based on income and equity.

Thereafter, covered taxes shall be primarily allocated and adjusted as follows to determine adjusted covered taxes:

(1) Allocation of covered taxes	Cases	Allocation method
	PE	The amount of any covered taxes included in the financial accounts of a CE with respect to GloBE income or loss of a PE is allocated to the PE
	Tax transparent entity	The amount of any covered taxes included in the financial accounts of a tax transparent entity with respect to GloBE income or loss allocated to a CE-owner is allocated to that CE-owner;
	CE having CE-owners who are subject to a CFC tax regime	The amount of any covered taxes included in the financial accounts of its direct or indirect CE-owners under CFC on their share of the Controlled foreign company's income are allocated to the CE
	Hybrid entity	The amount of any covered taxes included in the financial accounts of a CE-owner on income of the hybrid entity is allocated to the hybrid entity
	Distributing entity	The amount of any covered taxes accrued in the financial accounts of a CE's direct CE-owners on distributions from the CE are allocated to distributing CE

(2) Adjustment to covered taxes	+	Additions to covered taxes	-	Reductions to covered taxes
		<ul style="list-style-type: none"> • Any amount of covered taxes accrued as an expense; • Any amount of GloBE loss deferred tax asset used • Any amount of credit or refund in respect of a QRTC and MTTC; • Any amount of covered taxes that is paid in the FY and that relates to an uncertain tax position where that amount has been reduced from covered taxes in previous FY 		<ul style="list-style-type: none"> • The amount of current tax expense with respect to income excluded from the computation of GloBE income or loss; • Any amount of credit or refund in respect of a Non-QRTC and Non-MTTC that is not recorded as a reduction to the current tax expense; • Any amount of covered taxes refunded or credited, except for any QRTC and MTTC that was not treated as adjustment to current tax expense; • The amount of current tax expense which relates to an uncertain tax position; • Any amount of current tax expense that is not expected to be paid within three years

Contact

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

Email: deloittevietnam@deloitte.com

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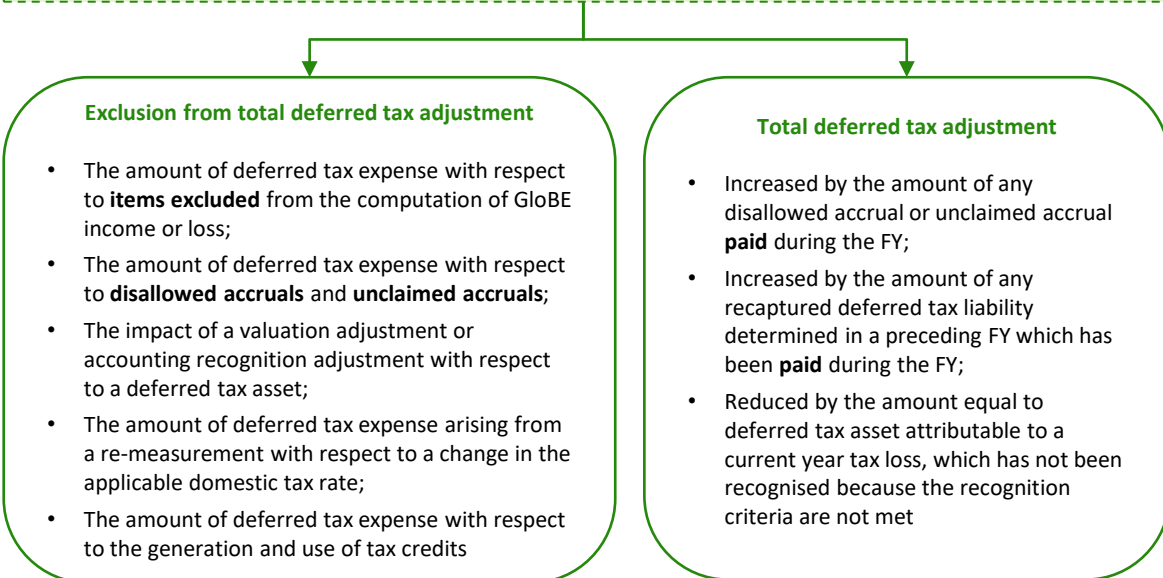


D. Determination of the Effective Tax Rate (continued)

III. Determination of the adjusted covered taxes (continued)

(3)
Adjustment to address temporary differences (Deferred Tax)

- Deferred tax expense is recognized in the income or loss in financial accounts of a CE. If the applicable tax rate is above 15%, the deferred tax expense must be **recasted at 15% ("Recast rule")**
- In case the deferred tax asset is **attributable to a GloBE Loss** that has been recorded at a rate below 15%, it may be **recasted at 15%**



(4)
Deferred taxes upon Transition Period

Deferred tax assets and deferred tax liabilities that are reflected in the financial accounts of all of the ce for **transition year** (*the first FY which the MNE Group is in-scope*) shall be taken into account when determining the ETR of the transition year and subsequent years.

Specific rules to keep in mind:

- ✓ Deferred tax assets and deferred tax liabilities include losses **that have not been recorded on financial accounts**;
- ✓ Where **deferred tax assets** and **deferred tax liabilities** are recorded at a tax rate **above 15%**, it must be **recasted at 15%**;
- ✓ In case where the **deferred tax assets** is attributable to a GloBE loss and has been recorded at a tax rate below 15%, it may be **recasted at 15%**

(5)
Post-filing adjustments and tax rate changes

- 1 Adjustments arising after QDMTT/IIR filing of previous FY
 - 2 Deferred tax expense resulting from a change of the applicable domestic tax rate (*)
 - 3 Current tax expenses that have not been paid within 03 years (**)
- Principles:**

 - Adjustments resulting in an **increase in covered taxes**: shall be adjusted to the **current period**
 - Adjustments resulting in a **decrease in covered taxes** and the amount is **immaterial (***)**: Make annual election to adjust to the **current period**
 - Adjustments resulting in an **decrease in covered taxes** and the amount is **material (***)**: Recalculate the ETR and Top-up tax of the **previous period**; any additional top-up tax incurred shall be paid in the current period.

(*) Only for the cases of increasing tax rate from the initial rate of below 15%, or reducing tax rate to below 15%

(**) Only for the accrued amount of above EUR 1 million per CE

(***) The materiality is determined to be EUR 1 million per jurisdiction

E. Determination of top-up tax

I. Top-up Tax Formula

$$\text{Top-up Tax} = \left[\text{Top-up Tax Percentage} \times \text{Excess Profits} \right] + \text{Additional Current Top-up Tax} - \text{Qualified Domestic Minimum Top-up Tax (QDMTT) (*)}$$

(*) Not applicable in the QDMTT formula

$$\text{Excess Profit} = \text{Net GloBE Income} - \text{Substance-based Income Exclusion}$$

II. Substance-based Income Exclusion

(1)
Payroll
Eligible
Costs

Including:

- **Expenditures for employees** (including salaries and wages as well as other direct and separate personal benefits to the employee such as medical insurance, payments to a pension fund or other retirement benefits, and stock-based compensation);
- **Payroll taxes** borne by the employer;
- Employer **social security contributions**

Excluding:

- Payroll costs that are **capitalised** and included in the carrying value of eligible tangible assets;
- Allocated costs that is attributable to an **international shipping income** and **qualified ancillary international shipping income**

(2)
Eligible
Tangible
Assets

Calculation basis: The average of the beginning and end of year carrying values eligible tangible assets

- 1) Carrying value = Historical value – Accumulated depreciation, amortisation, or depletion
- 2) Based on the carrying values **AFTER** after taking into account purchase accounting adjustments and elimination adjustments attributable to inter-company sales.

Including:

- Property, plant, and equipment;
- Natural resources;
- A lessee's right of use of tangible assets;
- A license or similar arrangement from the government for the use of immovable property or exploitation of natural resources that entails significant investment in tangible assets.

Excluding:

- Properties held for sale, lease or investment;
- Tangible assets used in the generation of international shipping income and qualified ancillary international shipping income;
- Any increase in the value of an asset and any incremental increase in depreciation resulting from applying revaluation model.

III. Additional Current Top-up Taxes

Including the top-up tax incurred as the results of:

- The **recalculation** of ETR and top-up tax for the prior FY;
- If there is **no net GloBE income** for the jurisdiction for the current FY, and the adjusted covered taxes amount that is less than zero and less than the **expected adjusted covered taxes**.

(Expected adjusted covered taxes = GloBE income or loss x 15%)

Contact

Website: deloitte.com/vn

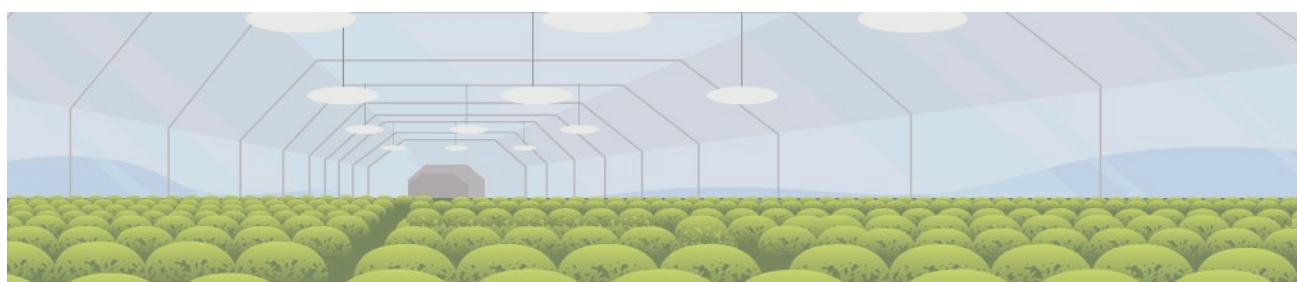
Email: deloittevietnam@deloitte.com

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F. Tax declaration, payment and administration

I. Tax registration and declaration

	<p>Appointment of Filing CE <i>30 days after the end of FY</i></p>	<ul style="list-style-type: none"> In case the MNE has more than 1 CE in Vietnam, the UPE or the CE in Vietnam shall notify Tax Authority on the appointment of a Filing CE. The appointment shall be carried out separately for each JV Group, MOCE and Minority-owned Subgroup. In case of no notification, Tax Authority will appoint as follows: <ul style="list-style-type: none"> ✓ For QDMTT: the CE that has the most significant total value of assets in financial accounts of the latest FY; ✓ For IIR: the UPE or POPE or IPE in Vietnam 																					
	<p>Tax registration <i>90 days after the end of FY</i></p>	<ul style="list-style-type: none"> Filing CE shall submit the dossier for tax registration to Tax Authority In case of changes in Filing CE: the new filing CE shall continue using the granted tax code and inherit tax obligations of the previous filing CE 																					
	<p>Notification on the List of in-scope CEs <i>9 months after the end of FY</i></p>	<ul style="list-style-type: none"> Filing CE shall send a notification on the List of in-scope CEs to Tax Authority In case of changes in list of in-scope CE, shall notify Tax Authority no later than the due date for submission of GloBE information return and supplementary CIT return. 																					
	<p>Tax filing</p> <ul style="list-style-type: none"> QDMTT: 12 months after the end of FY IIR: 15 months after the end of FY (18 months for the first year) 	<table border="1"> <thead> <tr> <th>A tax filing package includes:</th> <th>QDMTT</th> <th>IIR</th> </tr> </thead> <tbody> <tr> <td>• QDMTT/IIR GloBE information return</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>• Supplementary CIT return</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>• Explanation on variations due to differences between financial accounting standards</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>• GloBE information return prepared by the UPE (*)</td> <td>✓</td> <td></td> </tr> <tr> <td>• Reporting package of each CE used for preparing consolidated FS of the UPE</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>• Consolidated FS of the UPE</td> <td></td> <td>✓</td> </tr> </tbody> </table> <p><i>(*) Not required in cases where:</i></p> <ul style="list-style-type: none"> The MNE is not required to file this return in any jurisdiction; This return has been filed by the UPE or other CE located a Qualifying Competent Authority Agreement in effect with Vietnam. In this case, the Filing CE only needs to notify Tax Authority about the entity who filed this return and the jurisdiction where such entity resides in. 	A tax filing package includes:	QDMTT	IIR	• QDMTT/IIR GloBE information return	✓	✓	• Supplementary CIT return	✓	✓	• Explanation on variations due to differences between financial accounting standards	✓	✓	• GloBE information return prepared by the UPE (*)	✓		• Reporting package of each CE used for preparing consolidated FS of the UPE	✓	✓	• Consolidated FS of the UPE		✓
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Contact

Website: deloitte.com/vn

Email: deloittevietnam@deloitte.com

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F. Tax declaration, payment and administration (continued)

II. Tax declaration and payment currency

- As for the QDMTT/IIR information return, the explanation on variations due to differences between financial accounting standards: shall be the **currency used in preparation of the Consolidated FS** of the UPE;
- As for the Supplementary CIT Return and tax payment:
 - ✓ Vietnamese dong;
 - ✓ In case the top-up tax liabilities in the QDMTT/IIR information return is presented in the currency that is used in preparation of the Consolidated FS of the UPE (other than the Vietnamese dong): can choose to declare top-up tax in such foreign currency or convert into Vietnamese Dong (using the average exchange rate of December of the year when determining tax obligation)

III. Exchange rate

For the purpose of conversion of revenue, income thresholds and other relevant monetary thresholds under GMT:

- If the currency used in the Consolidated FS of the UPE is **Vietnamese dong**: the exchange rate used is the average central exchange rate or the average cross-calculated exchange rate of **December for the year immediately preceding** the year in which revenue or income arises, as quoted by the **State Bank of Vietnam**.
- If the currency used in the Consolidated FS of the UPE is **foreign currency**: the exchange rate used is the average exchange rate of **December for the year immediately preceding** the year in which revenue or income arises, as quoted by the **European Central Bank (ECB)**.
- If ECB does not announce the exchange rate for the currency used in the consolidated FS of the UPE: the exchange rate used is the average exchange rate of December for the year immediately preceding the year in which revenue or income arises, quoted by the **State Bank of the UPE jurisdiction**.

IV. Penalties reliefs during the transitional period

During the transition period (applicable to the FY beginning on or before 31 December 2026 but not including the FYs ending after 30 June 2028), **no administrative penalties** shall be imposed for the following tax administrative violations:

- Late tax registration; late notification on appointment of filing CE; late payment of top-up taxes up to 90 days after the deadline;
- Late notification of changes in tax registration after the deadline but there is no change to the tax registration certificate or tax identification number;
- Late notification of changes in tax registration up to 90 days after the deadline, resulting in changes in the tax registration certificate or tax identification number;
- False or insufficient declaration but does not lead to a shortfall in payable tax amount;
- Late submission of tax declaration up to 90 days after the deadline;
- Late submission of tax declaration 91 days or more after the deadline but does not incur payable tax amounts;
- Late submission of the tax declaration 91 days or more after the deadline, within the payable tax amount incurred and the taxpayer has fulfilled the tax amount and late payment interest into the state budget before the Tax Authority announces the tax audit/inspection decision or before the Tax Authority makes a record of the late submission;
- False or insufficient declaration of tax bases leading to a shortage of payable tax amounts but the transactions have been fully reflected in the accounting book with sufficient invoices and legal documents and taxpayers have voluntarily paid the full amount of underpaid tax and late payment interest into the state budget before the competent authority issues a decision on sanctioning administrative violations.

Contact

Website: deloitte.com/vn

Email: deloittevietnam@deloitte.com

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Contact us



Bui Tuan Minh
Country Tax & Legal Leader
+84 24 7105 0022
mbui@deloitte.com



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



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



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



Tran Quoc Thang
Tax Partner
+84 28 710 14323
qthang@deloitte.com



Pham Quynh Ngoc
Legal Partner
+84 24 710 50070
ngocpham@deloitte.com

Office

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

Contact

Website: deloitte.com/vn

Email: deloittevietnam@deloitte.com

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