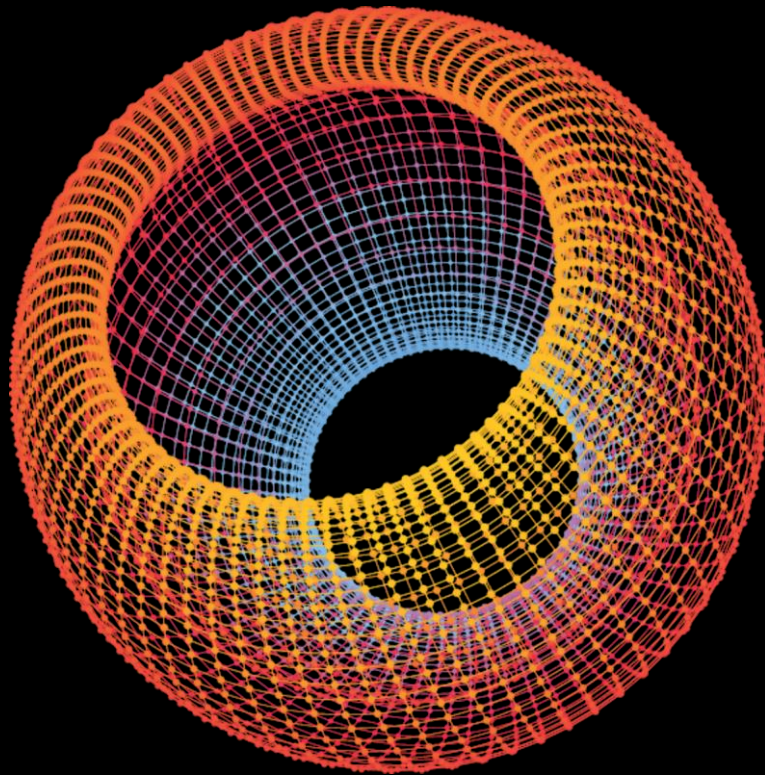


**Deloitte.**

# TAX & LEGAL NEWSLETTER

For Enterprises in the Social Network and  
Online Electronic Gaming industries

March 2025



## INTRODUCTION

**Dear Valued Clients and Business Partners,**

As the digital landscape in Vietnam continues to evolve, so do the legal frameworks that govern it. Recent trends highlight an increased focus on cybersecurity, data privacy, content regulation, and the control of online platforms, where much of our activities take place nowadays. In this dynamic environment, the newly issued Decree No. 147/2024/ND-CP on management, provision and use of internet services and online information has reflected the government's commitment to ensuring national security, protecting citizens, and regulating online content.

To support businesses navigating this evolving landscape, Deloitte Vietnam is pleased to present **our Tax & Legal Newsletter for Enterprises in the Social Network and Online Electronic Gaming industries**. This Tax & Legal Newsletter captures the highlight of the new legislation in Decree No. 147/2024/ND-CP, outlining critical obligations pertaining to the operation and management of social networks and online gaming business.

Through this publication, our Valued Clients and Business Partners will be better equipped to look for potential opportunities and stay ahead of the upcoming changes in Vietnam's gaming and social networking markets. Enhanced compliance, effective tax management, and operational efficiency are crucial for sustainable growth in this fast-paced digital age.

Deloitte Vietnam offers a full suite of legal and tax consulting services aim at promoting compliance and sustainable business practices. Our dedicated team is here to assist you in navigating legal and regulatory challenges while optimizing your tax strategies to achieve your business objectives.

Deloitte Vietnam is always honored to accompany our esteemed Clients and Partners!



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## Highlights of the tax and licensing implications for social networks and electronic gaming business in Vietnam

### I. Overview of new regulations guiding social network and electronic gaming business

On 09 November 2024, the Government issued Decree No. 147/2024/ND-CP ("**Decree 147**") on the management, provision and use of the Internet and online information. Effective from 25 December 2024, Decree 147 aims to improve the efficiency of state management in the field of Internet services and online information. Key points of the new regulation include:



**Synchronization with other specialized legal regulations** (e.g. the Law on Cybersecurity, and the Law on Intellectual Property) by supplementing the legal compliance requirements and obligations for social network and online electronic game providers.



**Requirements for issuing operational licenses are considered more explicitly and targeted to the specific activities.** For social network services, high-traffic social networks require a **License for Social Network Service Provision**, while low-traffic networks (unless they offer livestreaming or revenue-generating activities) only need to provide a notification. For electronic gaming services, the classification now includes players aged 16 or older (16+).



**Enhanced management and regulations on cross-border social networks and electronic game services** by detailing the requirements and cases subject to notification and registration with competent authorities.

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## Highlights of the tax and licensing implications for social networks and electronic gaming business in Vietnam

### II. Overview of the legal landscape of the social network and online gaming business

#### 1. Foreign investment in social networks and online electronic gaming services:

In general, enterprises incorporated in Vietnam must register their business lines in accordance with the Vietnam's Services Industrial Classification (VSIC). Relevant business lines for social network and online gaming services include Information portal (6312), Data processing, hosting and related activities (6311), Software Publishing (5820) and Toy and game manufacturing (3240). Note that while some business lines are fully open for foreign investment, others, like Toy and game manufacturing, limit foreign ownership to 49%. Depending on the specific business activities to be conducted in Vietnam, investors should consider the appropriate business lines for registration. In practice, we observe that many foreign investors successfully established its presence, either as wholly owner enterprise or via a joint venture arrangement in Vietnam to engage in social networks and online gaming services.

#### 2. Statutory licensing procedure for business operations:

As the licensing process for eligibility as a provider of social network and electronic game services is crucial, the key considerations are outlined below:

- The new Decree 147 sets out two kinds of social networks, classified based on the number of regular visits per month. Accordingly, social networks without livestream features or revenue-generating activities are required to obtain the Notification on Social Network Service Provision. Should the number of regular monthly visits reach **10,000 or more (averaged over 06 consecutive months) or if there are more than 1,000 regular users in a month**, the Ministry of Science and Technology ("**MOST**") will issue a notification to the service provider, prompting the company to apply for a **License of Social Network Service Provision**.
- For online electronic games, as analyzed above, service providers who are foreign investors must obtain (i) an Investment Enterprise Certificate for the establishment of an investment project, (ii) an Enterprise Registration Certificate to incorporate the foreign invested enterprise ("**FIE**") overseeing such project. Following this, the FIE is obligated to obtain the sub-licenses for online gaming operations and game publication as follows:
  - For G1 games (i.e., electronic games with interaction between many players at the same time through the enterprise's game server system), the FIE must apply for License of G1 Online Electronic Game Service Provision and Decision of G1 Online Electronic Game Publication.
  - For other games classified under G2, G3, G4 games: Certificate of G2, G3, G4 Online Electronic Game Service Provision and Notification on G2, G3, G4 Online Electronic Game Publication are required.
- Additionally, when distributing online electronic games via app store (*defined as a digital platform used to post, distribute, install, and update applications on the websites*) or websites and cloud services, foreign investors are also subject to the above requirements (i.e. including establishment of the FIE and obtainment of sub-licenses).

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## Highlights of the tax and licensing implications for social networks and electronic gaming business in Vietnam

### II. Overview of the legal landscape of the social network and online gaming business (cont.)

#### 3. Highlights of changes in legal considerations compared to Decree No. 72/2013/ND-CP<sup>1</sup>:

Building upon the framework established by Decree 72/2013/ND-CP (“Decree 72”), Decree 147 has supplemented and detailed responsibilities and operational requirements in terms of providing social networks and online electronic games.

##### A. Social network services:

- Decree 147 introduces new responsibilities for service providers, including prohibiting the posting or allowing users to create content such as reports, investigations, or press interviews on social networks. Additionally, providers must connect to the MOST's monitoring system to track user statistics and access data.
- In terms of eligibility for sub-license application, Decree 147 imposes additional conditions, such as: (i) content management personnel must be Vietnamese citizens (whereas Decree 72 allows for foreigner with temporary residence card); and (ii) the service providers are required to authenticate accounts using the statutory personal identification number for users engaging in commercial live-streaming.
- The new Decree 147 also sets out robust measurements with a defined timeline in terms of handling violated contents on the social network of the service providers, such as:
  - Inspecting, monitoring and removing information and services that violate prohibited acts regulated under the Law on Cybersecurity (e.g., history distortion, gender discrimination, etc.) no later than 24 hours from the time of detecting the violation, or 48 hours from receipt of the complaint from a service user in Vietnam.
  - Applying other measures like preventing and removing contents that violate the law within 24 hours at the request of competent authorities; temporarily or permanently block the activities of accounts, community pages, community groups, content channels, etc.

<sup>1</sup> Decree No. 72/2013/ND-CP issued on 15 July 2013 by the Government of Socialist Republic of Vietnam on management, provision and use of internet services and online information.

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## Highlights of the tax and licensing implications for social networks and electronic gaming business in Vietnam

### II. Overview of the legal landscape of the social network and online gaming business (cont.)

#### 3. Highlights of changes in legal considerations compared to Decree No. 72/2013/ND-CP1 (cont.)

##### B. Online electronic games services:

- Electronic games providers across all G1, G2, G3, G4 categories are required to strictly classify the games by player's age in accordance with Decree 147. This is one of the contents to be assessed for license application.
- Enterprises applying for license/ permit to provide and publish electronic games are required to satisfy the following additional conditions:
  - Establish a technical equipment system to authenticate player accounts using mobile phone numbers in Vietnam;
  - Ensure that the content and script of electronic games do not simulate prize-winning casino games or use card images.
- For G2, G3, G4 games, requirements for technical equipment systems are now quite similar to those of G1 games. In which, the services provider must maintain the systems for storing and updating full player information, as well as managing the playing time during the day.
- Furthermore, online electronic game service providers are now required to **retain player information** throughout the player's usage of the service and for 06 months after the player stops using the service. This is a new obligation under Decree 147 compared to the old Decree 72.

#### 4. Transitional obligations

With Decree 147 effective on 25 December 2024, both social network and online electronic game service providers are given a 90-day period to complete the following:



##### Social network service providers

- Report to the MOST the total number of visits and the number of regular users on their social network; and
- Authenticate active accounts of social network service users as prescribed by Decree 147. Note that **this is also applicable to cross-border service providers that use data storage rental services within Vietnam or have over 100,000 visits per month from users in Vietnam.**



##### Online electronic game service providers

- Report released games to the MOST/Department of Science and Technology.

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## Highlights of the tax and licensing implications for social networks and electronic gaming business in Vietnam

### III. Tax implications

#### 1. For domestic enterprises providing social network and online electronic gaming services

##### Corporate Income Tax (“CIT”) incentives

Under the current CIT regulations that CIT incentives are available based on two criteria: (i) incentivized business sectors and (ii) incentivized locations. As an incentivized business sector, software production as stipulated would be qualified for CIT incentives as outlined below<sup>2</sup>:

- A preferential CIT rate of 10% for 15 years starting from the first year of revenue generation. The preferential rate could be extended up to 30 years upon a decision by the Prime Minister;
- CIT exemption for 04 years and 50% CIT reduction for the subsequent 09 years, counting from the first year the company generates taxable income or from the fourth year the company having revenue, whichever comes first.

To be eligible for the aforementioned CIT incentives, it is crucial that online electronic game service providers must self-assess whether they conduct software production activities during the provision of their services and satisfy the regulatory requirements for software production. In practice, the classification of online electronic games as software and detailed guidance on the 07 processes of software production activities have not been clearly guided by the authorities. Therefore, interpretations on the classification and qualification of software production between taxpayers and authorities may differ.

Regarding the social network service, these services are not eligible for the incentivized business sector to enjoy the CIT incentive in Vietnam.

##### Value Added Tax (“VAT”) implications

From the current VAT Law, the software/software services are eligible for VAT exemption. However, due to a lack of clear guidance on classifying services provided through social networks and online electronic game services as software/software services under the Law on Information Technology, the standard VAT rate of 10% would be prudently applied to the services, except for cases being classified as provision of software/software services.

<sup>2</sup> Pursuant to Clause 1, Article 19 of Circular No. 78/2014/TT-BTC dated 18 June 2014 issued by the Ministry of Finance, as amended by Clause 1, Article 11 of Circular No. 96/2015/TT-BTC dated 22 June 2015; Clause 1, Article 20 of Circular No. 78/2014/TT-BTC, as amended by Clause 1, Article 12 of Circular No. 96/2015/TT-BTC.

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## Highlights of the tax and licensing implications for social networks and electronic gaming business in Vietnam

### III. Tax implications (cont.)

#### 2. For cross-border suppliers conducting social network and online electronic gaming services in Vietnam

On 29 September 2021, the Ministry of Finance released Circular No. 80/2021/TT-BTC providing that offshore digital platform-based service providers in Vietnam are subject to Vietnamese VAT and CIT on revenue derived from the Vietnamese users at a deemed rate.

##### Tax Filing Responsibility

Per the current regulations, it is required that cross-border suppliers conducting the digital-based business through an intermediary digital system to connect with customers, all connection activities take place in a digital environment, will directly register, declare and pay the digital tax in Vietnam or authorize a representative for the tax filing. Therefore, cross-border social network and online electronic gaming services suppliers would be required to directly register, pay and declare the digital tax for the Vietnam income-sourced.

Non-compliance with Vietnamese tax regulations, the Tax authority might impose tax claw-back and relevant penalties. In the worst case, they could leverage their action to notify and collaborate with other competent authorities (i.e. MOST, Ministry of Public Security) to suspend the business of overseas suppliers in Vietnam.

##### Applicable tax rates on goods and services provision

Currently, there is no clear guidance on the applicable tax rate for the provision of social network and online electronic game services. From the interpretation of the existing regulations and certain private tax rulings for precedent cases, the applicable tax rate could be varied depending on the nature and definition of the service provision as follows:

- Provision of access/ use right for software: VAT exemption and 10% CIT;
- Royalty charge: 5% VAT and 10% CIT;
- Social network services might be treated as general services to apply the 5% VAT and 5% CIT.
- In-game items/ currency: There is no clear guidance on the applicable tax rate. However, a draft Law of the digital technology industry proposes defining virtual items, units, and bonus points as types of unit, graphic images used in video games, which cannot be converted into money or valuable goods for sales transactions. If finalized, revenue from these digital products may be considered as revenue from providing online video game services.

Based on our practical experience assisting other overseas digital service providers doing business in Vietnam, the applicable tax rate remains a controversial topic and inconsistent interpretation among the Vietnam tax authorities.

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## Highlights of the tax and licensing implications for social networks and electronic gaming business in Vietnam

### IV. Recommendation for businesses

#### 1. Stay informed of policy developments

- Domestic enterprises and foreign investors should regularly review updates from the Vietnamese government and regulatory authorities to stay informed of any changes or clarifications; and
- Staying informed enables companies to quickly adapt their strategies and engage with the Government on relevant investment opportunities.

#### 2. Re-assess business cases and investments

- Domestic enterprises should revisit current business strategies, including plans for expansion or new investments, to explore the optimal opportunities to maximize benefits in Vietnam's market, particularly for social network and electronic gaming licensing and compliance requirements;
- Review the CIT incentive schemes and VAT treatment currently applied for software production activities;
- Cross-border social network and online electronic gaming services suppliers are advised to proactively register and comply with tax declaration and payment obligations for revenue generated from Vietnam;
- Domestic enterprises should develop a plan to align their operations with the new regulations well before the effective date to avoid disruptions, especially the transitional obligations between Decree 72 and Decree 147; and
- A proactive approach will help optimize understanding and adhering to licensing and tax obligations, which is crucial for the continuity of operations in the social network and gaming industry from Government policies.

#### 3. Amplify perspectives in policy contributions

- Businesses could consider actively communicate with the Government, voicing practical needs and concerns to contribute to the policies that address industry challenges and align with business objectives.

#### 4. Consult with experts

- Domestic enterprises and foreign investors should seek guidance from experts, particularly Deloitte's Tax and Legal consulting team, to fully understand the implications of Decree 147 and leverage available incentives effectively;
- Given the complexity of the matter, it is advisable to conduct a thorough analysis of which income is subject to Vietnamese digital tax as per Circular No. 80/2021/TT-BTC and the corresponding tax rate applicable to each type of income earned in Vietnam; and
- Expert advice can support companies in making informed decisions and align strategies with evolving regulatory frameworks.

By staying informed and proactive in addressing regulatory changes, businesses can better navigate the complexities of Vietnam's tax and legal landscape, ensuring compliance, optimizing operations, and achieving strategic goals.

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## Contact Us

We are always ready to serve our partners and clients with a team of experts to support clients in the social network and online electronic gaming industries. This team consists of experienced consultants in many social network and online electronic gaming industries, who will provide in-depth and practical advice.

To start a conversation, please contact us:



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