

International Tax, Domestic Tax and Customs

Tax & Customs Alert

Highlighting recent tax and customs developments in Vietnam

Notice on Impact on Tax Treaties Between Vietnam and other Countries

The Notice on the effectiveness of tax treaties between Vietnam and other countries ("**Notice 12**") was issued by Vietnam Ministry of Foreign Affairs on 23 June 2023. Pursuant to Notice 12, Vietnam signed the multilateral convention to implement tax treaty related measures to prevent base erosion and profit shifting (commonly known as the "**Multilateral Instrument**" or "**MLI**" in short), which took effect on 1 September 2023.

The Vietnam Government has announced the modifications to some articles of the tax treaties between Vietnam and other countries. The list of tax treaties to be modified includes the tax treaties of 75 countries with Vietnam. As of today, Vietnam has signed tax treaties with over 80 countries, over 70 tax treaties of which have come into effect. Prior to being a signatory to the MLI, Vietnam conducted negotiations with other countries and approved some protocols to amend tax treaties with some countries such as Singapore, Korea, etc.

It is expected that there will be some significant impact on tax exemption application under the relevant tax treaties between Vietnam and other countries, when Vietnam tax authorities assess the application dossiers of tax exemption under the tax treaties.

Tax Exemption for Innovative Startup Enterprises – Special Policies for HCMC

Following Vietnam's National Assembly's passed Resolution No. 98/2023/QH15 ("**Resolution 98**") on 24 June 2023, the Government granted Decree No. 11/2024/ND-CP ("**Decree 11**") which took effect from 2 February 2024. Decree 11 provides some details of the implementing mechanisms and special policies to boost the economic development of Ho Chi Minh City ("**HCMC**").

Decree 11 provides guidance on tax incentives for enterprises having innovative startup activities conducted in HCMC during the effective period of Resolution 98. The effective date of Resolution 98 is from 1 August 2023. Its expiry date has yet to be determined.

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- (a) Corporate income tax ("**CIT**") exemption for a period of five years from the time when the enterprises have taxable income from innovative startup activities. After the end of the effective period of Resolution 98, the enterprises which have been granted CIT exemption are still entitled to the same tax incentives until the tax incentives end.
- (b) Personal income tax (PIT) and CIT exemption for individuals and organisations having capital gains from full or partial transfer of capital in, or transfer of the right of capital contribution to, the enterprises having innovative startup activities conducted in the HCMC, except for gains from transfer of stocks, bonds, fund certificates and other securities according to regulations.
- (c) The enterprises having innovative startup activities must comply with the regulations for the prioritised sectors, criteria, conditions, and innovative startup activities to be issued by The HCMC People's Council.

Cambodia and Vietnam Special Preferential Tariff

The Vietnam Government issued Decree No. 05/2024/ND-CP dated January 24, 2024 on the Government of Vietnam's Special Preferential Import Tariff to implement the Arrangement on Bilateral Trade Enhancement between the Government of the Socialist Republic of Vietnam and the Government of the Kingdom of Cambodia in the 2023-2024 period ("**Decree 05**").

Attached to Decree 05 are appendices including:

- (a) Appendix I - Special Preferential Import Tariff;
- (b) Appendix II – List of import goods under quota; and
- (c) Appendix III – List of pairs of international border gate for import-export of the goods entitled to Special Preferential Import Tariff.

To be able to enjoy the preferential import tariff, the imported goods must satisfy the following three conditions:

- (a) They must be included in the list set out in the Special Preferential Import Tariff at Appendix I.
- (b) The importation must be substantiated by Certificate of Origin (CO) form S granted by the competent authorities of Cambodia.
- (c) They must be imported through the pairs of international border gates set out at Appendix III

If you have any queries on the above, please feel free to contact our team members below who will be happy to assist.

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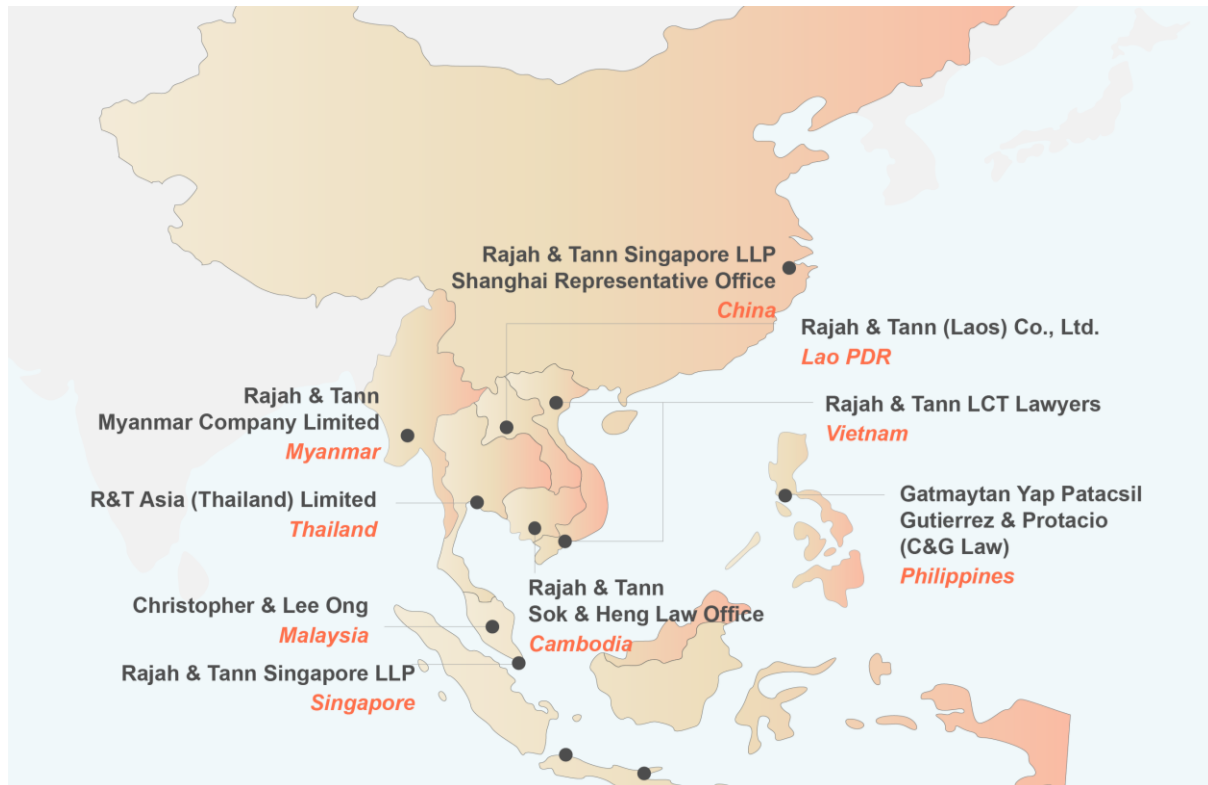
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