



VAT INSIGHT

Value-Added Tax (a.k.a VAT) is a kind of tax indirectly applying on goods and services (including goods and services purchased from organizations and individuals overseas) used for the purposes of production, trading and consumption in Vietnam.

DEFINITION



VAT taxpayers is the organizations and individuals producing and trading VAT taxable goods and services in Vietnam, regardless of the business line, form or organization of business.

Input VAT | VAT occurred from the goods and services purchased to serve for business operation of a company, supported by the invoice issued from the vendors.

Output VAT | VAT occurred from the goods and services provided to customers, clients, supported by VAT invoice issued from the company to its client.

DECLARATION METHOD

Generally, VAT declaration in Vietnam follows deduction method

VAT payables = Output VAT – Input VAT

- If Output VAT > Input VAT, there will be VAT payables for this period
- If Output VAT < Input VAT, remaining input VAT after netting-off is carried forward to next period for VAT declaration

VAT APPLICABLE RATE

In Vietnam, there are certain three (3) VAT rates: 0%, 5% and 10%; and VAT exemption.

VAT rate	Goods and Services
Exemption	Water supply and drainage, Salt product, Transfer of land use right Certain financial and banking services; Life insurance, health insurance Software products and software related services Etc.
0%	Exported goods and services (to overseas party and consumed outside Vietnam, in non-tariff zone) ; International transportation Construction and installation in overseas or in non-tariff zones Etc.
5%	Clean water used for production and living consumption Fertilizer; Feeds for cattle and poultry Cultivation products and husbandry, non-processing products of aquaculture and fishing Etc.
10% (*)	10% rate applies to all goods and services which are not subject to exemption, 0%, 5% as stated above

(*) Note that from 1 Feb 2022 to 31 Dec 2022, VAT rate of 10% applied on goods and services is adjusted to 8% (except for certain goods and service such as: telecommunication, financial activities, banking service etc.).

VAT FILINGS

For newly established enterprise, VAT filings is under quarterly basis and adopted for whole calendar year.

After 12-month period, total revenue of such period is used to determine periodical filings of consecutive year and apply for whole year.

- From VND 50 billion and above -> Monthly basis
- Below VND 50 billion -> Quarterly basis

