



FCWT INSIGHT

Foreign Contractor Withholding Tax (FCWT | WHT | FWT) is not a separate type of taxation. FCWT is a term referring to the Value-Added Tax (VAT) and Corporate Income Tax (CIT) / Personal Income Tax (PIT) obligation of foreign contractors/sub-foreign contractors:

- For foreign organizations: VAT and CIT
- For foreign individuals: VAT and PIT

APPLICABLE SUBJECTS

Foreign contractors (FC)

Foreign business organizations with or without a Permanent Establishment (PE) in Vietnam; or Foreign business individuals being residents or non-residents => doing business in Vietnam or having income derived from Vietnam based on contracts with Vietnam parties.

Sub – foreign contractors (SFC)

Foreign business organizations with or without a Permanent Establishment (“PE”) In Vietnam, or Foreign business individuals being residents or non-resident => doing business in Vietnam or having income derived from Vietnam based on contracts with the FC in order to perform a portion of the FC’s contract with Vietnam parties.

DECLARATION METHOD

There are 3 methods for FCWT declaration. Based on each situation and satisfied conditions, FC/ SFC considers and choose an appropriate manner for WHT declaring and filings.

- Deduction method
- Deemed method
- Hybrid method

DEDUCTION METHOD

Conditions to apply

- Having a permanent establishment or being tax resident in Vietnam;
- Having a contract lasting for 183 days or more; and
- Maintaining accounting records in accordance VAS

Declaration

$$\text{VAT payable} = \text{Output VAT} - \text{Deductible Input VAT}$$

$$\text{CIT payable} = \{\text{Taxable income} - \text{Deduction (if any)}\} * \text{CIT rate (20\%)}$$

Registration & Filing

- Vietnamese party carry out tax notification for FCs within 20 working days from signing date
- FCs declare monthly VAT and periodic/annual declaration for CIT

DEEMED METHOD

Conditions to apply

- FCs/SFCs do not satisfy any condition stipulated in the Deduction method

Declaration

$$\text{VAT payable} = \text{VAT Taxable turnover} \times \text{Deemed Added VAT rate (*)}$$

$$\text{CIT payable} = \text{CIT taxable turnover} \times \text{CIT rate as \% of turnover (*)}$$

Note:

(VAT Taxable turnover: include CIT + include expenses paid by Vietnamese party on behalf of the FCs/SFCs)

(CIT taxable turnover: exclude VAT + include cost (if any) which Vietnamese party has paid on behalf of FCs/SFCs)

Registration & Filing

- Vietnamese party carry out tax notification for FCs within 20 working days from signing date
- Vietnamese parties withhold FCT and pay to tax authority on behalf of FCs on an ad-hoc basis (within 10 days from the payment date) or on monthly basis (if payment arises usually).

(*) Deemed tax rates for some main industries

Industry	Deemed VAT rate	Deemed CIT rate
Services	5%	5%
Restaurant, hotel and casino management services	5%	10%
Construction, installation without supply of materials, machinery or equipment	5%	2%
Construction, installation with supply of materials, machinery or equipment	3%	2%
Interest	Exempted	5%
Royalty	Exempted	10%

HYBRID METHOD

Conditions to apply

- Having a permanent establishment or being tax resident in Vietnam;
- Having a contract lasting for 183 days or more; and
- Maintaining accounting records in simplified VAS (apply accounting system sufficiently to record input and output VAT of contract performance).

Declaration

VAT: deductible method (as Full VAS method)
CIT: fixed % on turnover (as Deemed method)

Registration & Filing

- Vietnamese parties carry out tax notification for FCs within 20 working days from signing date
- FCs declare monthly VAT; CIT from each payment within 10 working days from the payment date. In case of many payments in the month, CIT declaration can be made on a monthly basis

