



# NOTABLE CONTENTS OF LAW ON VALUE-ADDED TAX 2024

TU THI PHUONG UYEN

On November 26, 2024, the National Assembly enacted the Law on Value-Added Tax 2024 (**Law on VAT 2024**), replacing the Law on Value-Added Tax 2008 and its amendments and supplements. The Law on VAT 2024 is developed and promulgated with the aim of refining VAT policies to enhance and broaden revenue sources, stabilize the state budget revenues, address the recent issues in implementing the Law on VAT, as well as reform administrative procedures to facilitate and protect the rights of taxpayers. The Law on VAT 2024 will take effect from July 1, 2025 with several notable provisions as follows:

Firstly, the Law on VAT 2024 supplements the regulations on taxpayers to align with the law on tax administration and VAT-related guiding documents, specifically:

- Organizations and individuals engaged in production and business activities in Viet Nam purchasing services (including cases where services are associated with goods) from foreign organizations that do not have any permanent establishment in Viet Nam, or from non-resident foreign individuals, except as stipulated in clause 4 and 5, Article 4 of the Law on VAT 2024; organizations engaged in production and business activities in Viet Nam purchasing goods and services to explore, develop, and exploit oil and gas fields from foreign organizations that do not have any permanent establishment in Viet Nam, or from non-resident foreign individuals.
- Foreign suppliers without permanent establishments in Viet Nam doing e-commerce business or digital platform-based business with organizations and individuals in Viet Nam (foreign

suppliers); organizations managing foreign digital platforms that deduct and pay tax incurred by foreign suppliers on their behalf; organizations doing business in Viet Nam that apply credit-invoice method to calculate VAT on services purchased from foreign suppliers without permanent establishments in Viet Nam via e-commercial channels or digital platforms, deduct and pay tax incurred by foreign suppliers on their behalf.

Secondly, the Law on VAT 2024 amends and supplements the regulations on non-taxable subjects and tax rates, including:

- Amending regulations on capital transfer not subject to VAT. When complying with the applicable regulations, enterprises and tax authorities have faced difficulties in determining if transferring investment projects or selling assets qualifies as capital transfer activity and whether it is subject to VAT. According to the Ministry of Finance, it is necessary to clarify the difference between capital ownership transfer (reflecting changes in capital) and asset transfer. Therefore, the Law on VAT 2024 amends the capital transfer provision as follows: *"Capital transfer includes the transfer of part or all of the capital invested in another economic organization (regardless of whether a new legal entity is established), transfer of securities, transfer of capital contribution right, and other forms of capital transfer as prescribed by law, including cases where an enterprise is sold to another enterprise for production or business purposes, and the acquiring enterprise inherits all rights and obligations of the sold enterprise in accordance with the law. Capital transfer under this provision*

does not include the transfer of investment projects or the sale of assets.”

- Adding “*Imported goods to donate or sponsor the prevention, control, and recovery from disasters, natural disasters, epidemics and wars*” to the non-taxable subjects for VAT. Previously, the Law on VAT only recognized “*imported goods in cases of humanitarian aid and non-refundable aid*” and “*goods and services sold to foreign organizations, individuals, or international organizations for humanitarian aid and non-refundable aid to Viet Nam*” as non-taxable subjects. This addition aims to encourage enterprises’ donations and sponsorship for humanitarian purposes to overcome the aftermath of disasters, natural disasters, epidemics, and wars.
- Supplementing specific definitions for goods and services subject to the 0% VAT rate, specifically:
  - (i)** Exported goods including: Goods from Viet Nam sold to foreign organizations or individuals and consumed outside of Viet Nam; goods from Viet Nam’s domestic market sold to organizations in non-tariff zones and consumed within non-tariff zones to directly serve export production activities; goods sold in isolated areas to individuals (foreigners or Vietnamese citizens) who have completed exit procedures; goods sold at duty-free shops;
  - (ii)** Exported services, which include Services directly provided to foreign organizations or individuals and consumed outside of Viet Nam; services directly provided to organizations in non-tariff zones and consumed within non-tariff zones to directly serve export production activities;
  - (iii)** Other exported goods and services which include international transportation; rental services vehicles used outside the territory of Viet Nam; aviation and maritime services provided directly or through agents for international transportation, etc.

*Thirdly, the Law amends and supplements the regulations on taxable price and time of tax determination to recognize and codify certain provisions in guiding documents, ensuring stability and transparency of the Law on VAT, including:*

- Amending the regulations on taxable price for imported goods: Specifically, the taxable price for imported goods is the dutiable values as prescribed by the law on export and import duties, plus import duty, additional import duties under law (if any), special consumption tax (if any), plus environmental protection tax (if any).
- Supplementing the regulations on determination of deductible land price when calculating taxable price for real estate business activities, as well as taxable price for specific production and business activities such as transportation, loading and unloading;

tourism services under the form of travel agencies; pawn services; VAT-liable books sold at the published price (cover price); etc., as prescribed by the Government.

- Supplementing the regulations on the time of VAT determination, specifically: **(i)** For goods, it is the time of transfer of the ownership or the right to use the goods to the buyer or the time of invoicing, regardless of whether payment has been received; **(ii)** For services, it is the time of service provision completion or the time of invoicing for the service, regardless of whether payment has been received.
- Supplementing the time of VAT determination for goods and services as prescribed by the Government, including: **(i)** Exported and imported goods; **(ii)** Telecommunications services; **(iii)** Insurance business services; **(iv)** Electricity supply, electricity production, and clean water supply activities; **(v)** Real estate business activities; **(vi)** Construction, installation, and oil and gas activities.

*Fourthly, the Law on VAT 2024 amends the regulations on VAT deduction conditions, for example:*

- Amending the regulations on cases where “*non-cash payment vouchers for purchased goods and services*” are not required. Under the applicable Law on VAT, such vouchers are not mandatory for the “*purchase of goods and services with a value of less than VND 20 million per transaction*”. The Law on VAT 2024 stipulates that non-cash payment vouchers are mandatory for all purchases of goods and services, except for certain specific cases as prescribed by the Government. This amendment is based on the increasing prevalence of non-cash payment methods and aims to prevent invoice splitting.
- Adding “*packing lists, bills of lading, and cargo insurance documents (if any)*” to the VAT deduction dossier for exported goods. According to the Ministry of Finance, these documents are required to prove that goods have been physically exported, thereby reducing tax fraud risks.

*Fifthly, the Law supplements the regulations on additional VAT declaration when declaring and deducting input VAT to align with the regulations on additional declaration in tax declaration dossiers under tax administration laws. Accordingly, when an enterprise detects any error or omission in the declared and deducted input VAT, it may submit an additional declaration before the tax authority or competent authority announces a decision on tax inspection or audit, in particular:*

- If there is an incorrect declaration of input VAT for a month/quarter that results in an increase in VAT payable or a decrease in refundable VAT, the enterprise must submit a supplementary

declaration in the month/quarter in which the error is detected; the enterprise must pay the additional VAT payable or return the excess VAT refund and pay any applicable late payment interest to the state budget, or

- If there is an incorrect declaration of input VAT for a month/quarter that results in a decrease in VAT payable or only an increase or a decrease in the refundable VAT carried forward to the next month/quarter, the enterprise must submit a declaration in the month/quarter in which the error is detected.

### **COMMENTS AND RECOMMENDATIONS**

The Law on VAT 2024 introduces significant changes that may generate major impacts on enterprises, individuals, and consumers. The legalization of regulations regarding the taxable price and the time of tax calculation not only enhances transparency but also helps mitigate legal risks and ensures consistency in tax management. Enterprises should proactively review their operations and update themselves on new regulations, particularly those related to VAT deduction conditions and the time of tax determination. Furthermore, they should take the initiative to contact and cooperate with tax authorities, thoroughly understand the detailed guidelines, and ensure effective compliance with the new regulations.