

# REDUCING VALUE-ADDED TAX RATE TO 8% FOR SOME CLASSES OF GOODS AND SERVICES

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In order to concretize the contents of the Fiscal Policy to support the Socio-Economic Recovery and Development Program in Resolution 43/2022/QH15 dated January 11, 2022 of the National Assembly (**Resolution 43**), on January 28, 2022, the Government issued Decree 15/2022/ND-CP prescribing tax exemption and reduction under Resolution 43 on fiscal and monetary policies for supporting Socio-Economic Recovery and Development Program (**Decree 15**). Decree 15 takes effect from February 1, 2022 with notable contents related to the value-added tax (VAT) reduction policy as follows:

## **Classes of goods and services eligible for the value-added tax rate of 8%**

Decree 15 stipulates 2% reduction of VAT in 2022 (February 1, 2022 - December 31, 2022) for classes of goods and services currently applying the VAT rate of 10%, except for some classes of goods and services specified in 3 appendices issued together with Decree 15, such as: telecommunication, financial activities, banking activities, securities, insurance, real estate business, metal and precast metal products, mining products (excluding coal mining), coke mining, refined oil, chemical products; goods and services subject to excise tax; information technology as prescribed in the Law on Information Technology. The VAT reduction for each type of goods and services specified above shall be applied consistently at all stages including import, production, processing and trading.

## **Instructions for issuing value-added invoices**

For the business establishments that pay VAT using the credit-invoice method, when issuing VAT invoices for goods and services on which VAT is reduced, the business establishments shall specify the "8%" in the line of VAT rate, VAT amount payable

and total amounts payable on the issued invoice. The seller or service provider shall declare output VAT and the buyer or service user shall declare input VAT according to the VAT amount written on the VAT invoice.

For the business establishments that pay VAT using the direct method, when issuing sales invoices for goods and services on which VAT is reduced, the business establishments shall write the amount before reduction in the "Amount" column ("Thành tiền"), the amount payable after reduction (reduced by 20% of the tax rate on revenue) in the "Total amount" ("Cộng tiền hàng hóa, dịch vụ") line, and the note "an amount of..., equivalent to 20% of the percentage used as the basis for calculating VAT, is reduced according to Resolution 43/2022/QH15" ("đã giảm... (số tiền) tương ứng 20% mức tỷ lệ % để tính thuế giá trị gia tăng theo Nghị quyết số 43/2022/QH15") on the issued invoice."

Business establishments shall declare goods and services that are eligible for VAT reduction using Form No. 01 in Appendix IV issued with Decree 15 together with the VAT declaration form. In addition, when making invoices for selling goods or providing services, enterprises should pay attention to the following contents:

*Firstly*, when selling goods or providing services, taxpayers must issue separate invoices for goods and services eligible for VAT reduction. If business establishments fail to issue separate invoices for goods and services eligible for VAT reduction, they shall receive no VAT reduction.

*Secondly*, in case a business establishment issues an invoice and declares at the tax rate or percentage level without the reduction as prescribed in Decree 15, the seller and the buyer must make a minutes or enter into a written agreement clearly stating the

error. At the same time, the seller shall issue another invoice to correct the error and deliver it to the buyer. Based on the correction invoice, the two parties shall declare tax according to regulations.

*Thirdly*, for goods sold and services completed before February 1, 2022, the tax rate of 8% is not applicable, including the case that taxpayers issue invoices in February 2022 for goods and services sold/provided before February 1, 2022.



*Fourthly*, for invoices issued before February 1, 2022, but errors are only detected after February 1, 2022, and the taxpayers then issue the correction/replacement invoices, the tax rate at the time of selling goods or providing services shall still be applied because those goods/services were sold/provided before February 1, 2022.

*Fifthly*, if tax authorities examine and detect that a business establishments has issued invoices at the wrong tax rate, but taxpayers do not issue any correction/replacement invoices, penalties shall be imposed unders regulations.

## COMMENTS AND RECOMMENDATIONS

The promulgation of the regulations on VAT reduction in Decree 15 is considered an important and extremely necessary policy in the context that the economy has just experienced the Covid-19 pandemic. The reduction of VAT will help enterprises reduce tax liability, thereby accumulating certain financial resources for investment and expansion of production, business and service activities, contributing to solving difficulties caused by the impact of the Covid-19 pandemic on businesses.

In addition, the tax reduction is also expected to restore the purchasing power of consumers, who have been significantly affected by the Covid-19 pandemic. The reduction of VAT also contributes to reducing the cost of goods, reducing the impact of cost-push after the pandemic.

Decree 15 has just taken effect at the beginning of February; thus, it is inevitable that there will be some obstacles in its application. While waiting for detailed official instructions from state agencies, enterprises can actively follow the announcements and instructions of the Tax Department at the locality where they operate to effectively apply the regulations and ensure the interests of taxpayers.