

CONTINUAL APPLICATION OF VALUE-ADDED TAX REDUCTION POLICY

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On December 28, 2023, the Government issued Decree 94/2023/ND-CP on value-added tax (VAT) reduction policy under Resolution 110/2023/QH15 dated November 29, 2023 of the National Assembly (**Decree 94**). Decree 94 takes effect from January 1, 2024 to the end of June 30, 2024, with some notable contents as follows:

Firstly, regulating the scope of groups of goods and services eligible for VAT reduction. Accordingly, Decree 94 defines the VAT reduction subjects including all groups of goods and services with the current tax rate of 10%, except for some groups of goods and services, typically as follows:

- Telecommunication, financial activities, banking, securities, insurance, real estate trading, metals and products from prefabricated metals, mining products (excluding coal mining), etc. Details of this group are included in **Appendix I** enclosed with Decree 94;
- Goods and services subject to special consumption tax as specified in **Appendix II** promulgated together with Decree 94 such as cars with less than 24 seats, including cars carrying both people and goods with two or more rows of seats, with fixed partition design between passenger compartment and cargo compartment; all kinds of gasoline and so on;
- Information technology under the law on information technology as detailed in **Appendix III** promulgated together with Decree 94 such as portable data processing machines not exceeding 10 kg (for instance, laptops), machines combining two or more functions: printing, scanning, copying, faxing that can be connected to automatic data processing machines or to network, etc.

It should be noted that the reduction of VAT for each type of goods and services mentioned above shall be applied consistently for stages of import, production, processing, and commercial business. In addition, for the groups of goods and services in Appendices I, II, and III promulgated under Decree 94 which are: (i) not subject to VAT or (ii) subject to VAT of 5% under the provisions of the Law on VAT, the provisions of the Law on VAT shall be applied and such goods, services shall

not be eligible for VAT reduction.

Secondly, regulating the VAT reduction rate for each group of entities and the procedures to implement VAT reduction for each reduction level. Accordingly, Decree 94 specifies as follows:

- *For business establishments that pay VAT using the credit invoice method:* This type of entity is entitled to apply the VAT rate of 8% for goods and services eligible for VAT reduction. Regarding the implementation procedure, when issuing VAT invoices for the provision of goods and services eligible for VAT reduction, business establishments shall write “8%” on the “VAT rate” line; VAT amount payable; and the total amount payable by the buyer. Based on the VAT invoice issued, the business establishments selling goods or providing services shall declare output VAT, and the goods buyers and service users shall declare and deduct input VAT according to the reduced tax amount stated on the VAT invoice. It should be noted that, when goods and services are provided with different tax rates, the relevant VAT invoice must clearly state the tax rate of each goods or service.

- *For business establishments that pay VAT using the direct method (as a percentage (%) on revenue):* This type of entity shall be eligible for a 20% reduction in the percentage rate used as the basis for VAT calculation when issuing invoices for goods and services eligible for VAT reduction. When issuing invoices for the provision of goods and services eligible for VAT reduction, the business establishments shall write the full amount of the goods, and services before the reduction in the “Sum” column, the amount payable after the reduction (by 20% of the percentage rate on revenue) on the “Total amount” line, and the note: “an amount of..., equivalent to 20% of the percentage rate used as the basis for VAT calculation, is reduced according to Resolution No. 110/2023/QH15” on the invoice.



Comments and recommendations

Decree 94 is formulated based on inheriting the entire VAT reduction policy of Decree No. 44/2023/ND-CP dated June 30, 2023. The reduction of VAT under Decree 94 is one of the solutions developed to coordinate with other tax, fee, and charge solutions to facilitate enterprises to reduce production costs, increase profits, and increase the ability to stimulate demand. Therefore, enterprises need to update any information related to the group of subjects eligible for VAT reduction within the scope of this Decree, along with specific reduction levels for different groups of VAT declaration entities and the procedures for implementing VAT reduction to implement tax reduction policies properly and promptly in accordance with the Decree, ensuring their legitimate interests in business activities.