

Vietnam News Brief*

An update on new VAT regulation

20 August 2009

Further guidance on requirement for payments to be made via bank for input VAT credit purposes

As covered in our News brief dated 16 January 2009, under VAT Circular 129, purchases of goods or services with a value of 20 million Vietnamese dong (including VAT) or more must be paid for via a bank in order to be eligible for input VAT credits.

On 20 July, the Ministry of Finance issued Letter 10220 to provincial tax departments providing further guidelines on the necessary documentation for this requirement, which includes the following provisions:

1. Acceptable proof of bank payment are documents proving money is transferred from the purchaser's bank account to the seller's bank account by cheque, payment order, collecting order, bank card..etc..
2. The following settlement methods can be considered as payments via a bank for input VAT credit purposes:
 - offsetting the value of goods or services purchased against the value of goods or services sold;
 - offsetting against loans or borrowings owned by the seller;
 - settling by an authorized third party.

Supporting documents are however required e.g. the purchase contract stating the mode of settlement. Various other documentary requirements are set out in Letter 10220.

3. Cases where payment is not considered as made via a bank:
 - cash payment made to the seller's bank account after 31 March 2009;
 - payment methods that are not in accordance with the prevailing regulations.