

Vietnam NewsBrief*

An update on Tax Administration changes in Vietnam

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Removal of commission fee for withholding organisations

On 7 May 2008 Ministry of Finance issued guidance in relation to tax administration and, more specifically, the removal of the commission fee for withholding organisations.

Until recently, withholding organisations (i.e. the entities responsible for paying tax to the tax authorities) have been allowed to retain a commission fee upon declaration and withholding of tax for individuals or taxpayers. The Commission fee has varied depending on the kind of tax, for instance 0.5% of total tax liability for Personal Income Tax ; 0.8% (of the Corporate Income Tax liability) for Foreign Contractor Withholding Tax.

The new guidance states that the commission fee shall be abolished from the effective date of the Law on tax administration (i.e. 1st July 2007). Accordingly, withholding organisations are required to fully pay the tax liability declared in tax returns without deduction of the commission fee.

The guidance does not outline how to deal with commission fees already retained by withholding organisations during the period from 1 July 2007 to date. However, there is a risk the tax authorities will seek a refund for such amounts.
