

Vietnam NewsBrief*

A special update on the Vietnam Value Added Tax (VAT)

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New VAT circular on zero rating

The Ministry of Finance (MoF) has issued VAT Circular 112, providing guidance on the conditions for applying VAT zero rating to aviation, marine and international transportation services. Circular 112 is effective 45 days from the signing date, but applies retrospectively from 1 January 2009.

Key points include the following:

1. International transportation

International transportation can be zero rated if the following conditions are met:

- There is a contract for the transportation of passengers and cargos from overseas to Vietnam, or vice versa. If the contract includes a domestic leg, this can also be zero-rated.
- Payment for the services is made via a bank, or such other method of payment as is considered similar to payment via a bank. If the service is supplied to individuals, "direct" (undefined, but presumably meaning cash) payment is also accepted.

2. Aviation services

Services performed in international airports, e.g. catering, landing services, security, luggage handling, etc can be zero rated if the following conditions are met:

- There is a service contract or a request for services made by a foreign airline.
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- Payment for the services is made via a bank or such other method of payment as is considered to be similar to payment via a bank. "Direct" payment from a foreign airline is also accepted.

Passenger service charges are also subject to 0% VAT, but do not have to meet the above conditions.

3. Maritime services

Maritime services performed in seaports, e.g. towing, navigation, rescuing, quay and buoy, handling, etc. can be zero rated if the following conditions are met:

- There is a service contract or a request for services made by a shipping agent.
- Payment for the services is made via a bank or such other method of payment as is considered to be similar to payment via a bank.

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This publication is intended for general guidance only and should not form the basis of specific decisions. Please contact us for further information and details of our services. In Ho Chi Minh City: contact David Fitzgerald, Richard Irwin, Jean Loi, Sira Intarakumthornchai (Tax), Phan Thi Thuy Duong (Legal), Kenji Murayama (Japanese Business), Ian Lydall (Audit), Steve Gaskill (Advisory) at phone (84-8) 38230796, fax (84-8) 38251947. In Ha Noi: contact Dinh Thi Quynh Van (Tax), Le Anh Tuan (Legal), Eisuke Kofugata (Japanese Business), Nguyen Phi Lan (Audit), at phone (84-4) 39462246, fax (84-4) 39460705.