

FURTHER GUIDANCE ON IN-COUNTRY EXPORT-IMPORT TRANSACTIONS

On 16 November, the Ministry of Finance issued Official letter (“OL”) 15514/BTC-TCT to provide further guidance on the application of 0% VAT in relation to in-country export-import transactions. This issue was originally addressed in OL 1135/BTC-TT dated 24 January 2011 which stipulated that 0% VAT only applies to goods sold to foreign companies, but delivered to local companies, if these goods are used for the processing of goods which are subsequently exported. Please refer to our NewsBrief dated 21 March 2011 for further background.

OL 15514 now provides more relaxed requirements by only referring to Circular 129/2008/TT-BTC on VAT. According to OL 15514, to apply 0% VAT for in-country export-import transactions, the following conditions must exist:

- (i) the export/processing contract signed with the foreign party (i.e. the buyer) must state that goods are delivered to a recipient (i.e. the in-country importer) in Vietnam;
- (ii) the in-country export/import customs declaration must be certified by customs authority that the goods have been delivered to the in-country importer in Vietnam;
- (iii) the payment is made via bank transfer in a convertible foreign currency; and
- (iv) export/ VAT invoice specifies names of the foreign party, the in-country importer, and the place of delivery in Vietnam.

Please contact us if you would like to discuss further.
