



12 October 2018

## ***Customs Update: import duty exemption not applicable for materials imported for production of goods destined for in-country export***

On 5<sup>th</sup> October, the General Department of Customs issued official letter no. 5826/TCHQ-TXNK in response to queries raised by the Customs Department of Tay Ninh Province regarding the import duty policy applicable to imported materials and consumables.

In OL 5826, the GDC ruled that the import duty exemption scheme is not applicable where an enterprise imports materials & consumables to manufacture products for export, but where such products are in-country exported to another enterprise in Vietnam under the instruction of an overseas buyer (i.e. the tripartite transaction among an overseas entity, a seller in Vietnam, and a buyer also in Vietnam).

The GDC has therefore requested provincial Customs Departments to revisit cases where import duty exemptions have been granted for imports used for such in-country exported products, and to retrospectively collect customs duty & taxes and late-payment interest & penalties thereon.

On another point, the Ministry of Finance is currently developing a new decree to amend and supplement Decree 134/2016/ND-CP on the implementation of the Law on export and import duties. In the draft Decree, the Ministry of Finance also expresses a similar view with the GDC on this issue, i.e. the import duty exemption scheme would only be applicable to materials & consumables imported for production of goods destined for export to overseas or to physical free trade zones.

## Contact us – PwC Customs team

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