

Customs duty treatment applicable to goods subcontracted to an EPE for processing

On 4 September, the General Department of Customs issued official letter no. 5864/TCHQ-TXNK guiding the treatment in terms of import duty of goods processed by an export processing enterprise under a toll manufacturing agreement subcontracted by a domestic company.

According to the GDC, where materials are imported by a domestic company under a toll manufacturing agreement signed with an overseas principal, and such materials are sent to an EPE in Vietnam for processing, the import duty treatment applicable to the processed goods when they are imported back by the domestic company from the EPE is:

- import duty exemption is granted where the EPE does not use any other materials imported from overseas (i.e. the EPE only uses the materials supplied by the domestic company for the toll manufacturing); or
- if the EPE uses materials imported from overseas other than the materials supplied by the domestic company, the domestic company has to pay import duty on the value of these materials imported by the EPE plus the processing fee. The value of the materials supplied by the domestic company to the EPE and constituted in the processed goods received from the EPE is not dutiable.

Official letter 5864 does not guide whether such import duty paid by the domestic company can be refunded or not after the processed goods are exported out of Vietnam.

PwC Customs team would be pleased to discuss further this topic to explore potential duty savings should you enter into such arrangements.

Contact us – PwC Customs team

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. For further information, please reach out to us.



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