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Import duty exemption for subcontracted portion under toll manufacturing contracts

On 21 October, the General Department of Customs issued Official letter no. 6774/TCHQ-TXNK guiding the import duty treatment applicable to goods imported under toll manufacturing contracts and then sent to subcontractors for processing.

According to the GDC, companies entering into toll manufacturing contracts with overseas principals are required to notify the subcontracting to Customs before delivering the imported goods to the subcontractors for processing. In case of late notification (i.e. subcontracting notification is made to Customs after the imported goods have been handed over to subcontractors), Customs will conduct a post-clearance audit at the importer's premises (i.e. the toll manufacturer) and perform site inspection at the subcontractors' premises whereby:

- No tax will be imposed if processing activities do in fact take place at the subcontractors' production plants, the processed goods are sent back to the toll manufacturer and such goods are subsequently exported. Only an administrative penalty of VND 2 to 5 million for late subcontracting notification will be imposed in such case; or
- Customs will impose import duty on the goods in question if any of the above conditions are not met.

PwC Customs team would be pleased to discuss customs compliance status with companies implementing such business models.

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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