

Guidance on import duty exemption for subcontracted materials under contract manufacturing arrangements

Following our [newsbrief](#) dated 17 December 2020 regarding the Government's instruction on import duty exemption for materials imported under contract manufacturing models where such materials are sent to local vendors for processing, on 23 February, the General Department of Customs (GDC) issued official letter no. 879/TCHQ-TXNK guiding provincial customs authorities in this respect.

Under OL 879, the GDC opines that subcontracted contract manufacturing materials imported from 1 September 2016 are eligible for import duty exemption providing that relevant customs procedures are completed by importers. However, the import duty exemption is only granted if the production of the exported goods is partially outsourced or a partial portion of the imported materials are sent to local vendors for processing. VAT exemption is also applied if the import duty conditions are met by importers.

The GDC instructs provincial customs departments to refund taxes imposed on such subcontracted materials and not to impose duty or taxes for similar pending cases.

The GDC also requests provincial customs departments to conduct customs audits on companies engaged in outsourcing activities relating to contract manufacturing imported materials where there is any risk indication.

However, it is silent under OL 879 on the tax treatment of any duty or tax which companies have voluntarily declared and paid to customs authorities for such subcontracted materials. PwC Vietnam customs team would be pleased to discuss potential claims for duty refunds.

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 or if you require our official advice or assistance, please reach out to us.



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