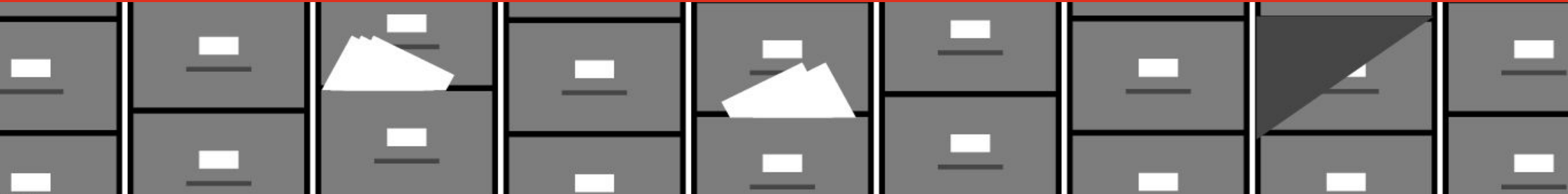


# Draft Decree regulating the 2% VAT cut



## At a glance...

13 June 2024

In late May 2024, the Government has approved the proposal to implement a resolution to extend the cut in value-added tax (VAT) from 10% to 8% on specific groups of goods and services from 1 July until the end of 2024, as suggested by the Ministry of Finance in the Document 116/TTrBTC dated 27 May 2024.

The proposed resolution to reduce the VAT rate by 2% in the last 6 months of 2024 is expected to be passed at the 7th Meeting of National Assembly XV.

In the meantime, the Government also publishes a draft Decree on 2% VAT reduction.



## Some proposed key changes

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### **2% VAT reduction**

- The 2% VAT reduction will be applicable to goods and services which are currently subject to 10% VAT (with certain exceptions). Compared with previous Decrees i.e. Decree 15/2022, Decree 44/2023, Decree 94/2023, the draft Decree does not extend the scope of application of the VAT rate reduction.
- The draft Decree also provides the lists of goods and services not entitled to the 2% VAT reduction with details of product codes and HS codes.
- Similar to the previous reduction periods, the 2% VAT reduction for eligible goods/ services will be consistently applied for all stages from importation, manufacturing, processing and trading, except for coal exploitation.
- For companies declaring VAT under the deduction method, on VAT invoices, the VAT rate will be stated as “8%”. Where goods/services sold are subject to different VAT rates, the VAT rate of each goods/services must be clearly indicated on an invoice.



## Some proposed key changes

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### **2% VAT reduction (cont')**

- Where the seller has issued VAT invoices for eligible goods/ services with the normal VAT rate without taking into account this 2% VAT reduction, then the seller and the buyer must handle this according to the invoicing regulations and adjust the output VAT and input VAT accordingly.
- The goods/ services subject to 2% VAT reduction shall be declared on Form 01 promulgated under the draft Decree which will have to be submitted together with the VAT returns.

# Contact us

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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