

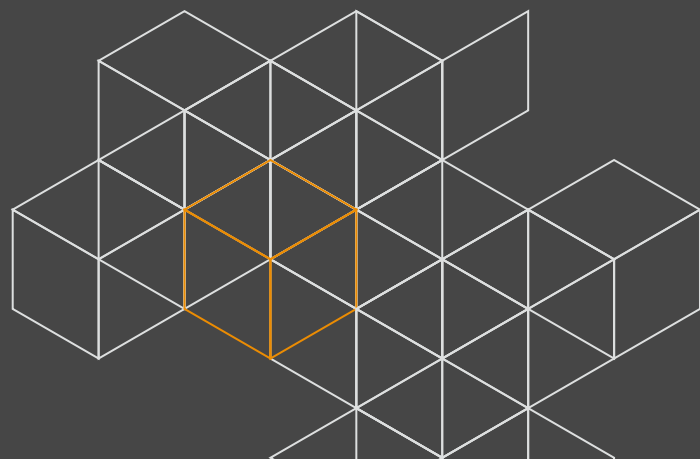


PwC Vietnam Newsbrief

Draft regulation released on global minimum tax in Vietnam



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At a glance

The introduction of a global minimum tax aims to create a fairer taxation system and tackle issues like base erosion and profit shifting. Vietnam is aligning with these international efforts, and the long-awaited draft decree on global minimum tax has now been published for comments. The draft decree is, in principle, aligned with the OECD Pillar 2 model rules and commentary, with the objective of meeting the conditions for a Qualified Domestic Minimum Top-up Tax (QDMTT) and a Qualified Income Inclusion Rule (Qualified IIR).



In detail



The Ministry of Finance has opened the floor for feedback on the draft decree until 6 December. The draft decree sets out essential guidance for multinational enterprises (MNE) operating in Vietnam, detailing the application of Resolution 107 effective from financial year 2024.

Clarification of financial year 2024

Resolution 107 took effect from the financial year 2024. The draft decree clarifies that financial year 2024 applies to the accounting period commencing on or after January 1, 2024. However, if the ultimate parent entity ("UPE")'s financial year starts in December 2023, that financial year will also be considered FY2024 under this draft decree.

For the purposes of the QDMTT, the financial year of the constituent entities ("CE") in Vietnam will align with the UPE's financial year. This ensures consistency and simplifies compliance across a group.

Financial accounting standards

For QDMTT purposes, the financial accounting standards used for consolidated financial statements will be applied. If it is not feasible to determine a CE's net income or loss using these standards, another acceptable or authorised financial accounting standard (such as the Vietnamese Accounting Standard) may be used. However, adjustments are required for permanent differences over EUR 1 million that result from discrepancies between these standards and the standards used for consolidation.

Allocation of QDMTT among CEs in Vietnam

MNE groups subject to QDMTT can decide how to allocate the top-up tax liabilities among their CEs in Vietnam. The allocation has to be declared to the tax authorities.

Currency for top-up tax calculation

QDMTT calculation is performed using the currency in which the UPE prepares its consolidated financial statements, with appropriate adjustments for exchange rate movements. The resultant top-up tax amount would be converted into Vietnamese Dong to make the payment into the State Budget.

Post filing adjustments and tax rate changes

The draft decree permits taxpayers to incorporate adjustments that increase the prior year's Covered Tax in the current year's Covered Tax. Conversely, any adjustments that decrease the prior year's Covered Tax will require a re-computation of the Effective Tax Rate and top-up tax for that prior year. However, if the adjustment is below EUR 1 million, taxpayers may choose to include such decrease in the current financial year.

Tax filing and administration

If the MNE has more than one CE in Vietnam, it must nominate one entity to pay the QDMTT in Vietnam within 30 days of the financial year end. Within 90 days of the financial year end, the nominated CE in Vietnam must submit an application to obtain a tax code for the payment of top-up tax. Within 9 months of the financial year end, the nominated CE must provide the General Department of Taxation a list of CEs within the MNE group in Vietnam that are subject to the QDMTT.

Contact us

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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