

Value-Added Tax reduction in the last six months of 2023

Tax Alert | July 2023

This Alert is to update the Value Added Tax (VAT) reduction policy under Resolution No. 101/2023/QH15 dated 24 June 2023 issued by the National Assembly.

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The Government has issued Decree No. 44/2023/ND-CP dated 30 June 2023 (Decree 44) providing guidance on the implementation of Resolution No. 101/2023/NQ-QH15 dated 24 June 2023 regarding the VAT reduction policy applicable in the last six months of 2023. Decree 44 takes effect from 1 July 2023.

Decree 44 is based on the contents specified in Decree No. 15/2022/ND-CP dated 28 January 2022 (Decree 15) prescribing tax exemption and reduction policies under Resolution No. 43/2022/QH15 of the National Assembly on fiscal and monetary policies for supporting socio-economic recovery and development program and Decree No. 41/2022/ND-CP dated 20 June 2022 amending a number of articles of Decree 15.

The VAT reduction under Decree 44 has the following elements:

- ▶ A reduction of 2% VAT on goods and services currently subject to 10% VAT, except goods and services listed in Appendices I, II and III of the Decree.
- ▶ The three groups of goods and services that do not receive a reduction of the VAT rate include:
 - ▶ Telecommunication, financial activities, banking activities, securities, insurance, trading of real estate, metal and precast metal products, mining products (excluding coal mining), coke mining, refined oil and chemical products
 - ▶ Goods and services subject to Special Consumption Tax
 - ▶ Goods and services on information technology
- ▶ The lists of goods and services in Appendices I, II and III of the Decree are taken from Decree 15 with an update of the HS codes of several goods. These Appendices however state that the HS codes specified in the Appendices are only for these purposes. The determination of HS codes for actual imported goods must be based on the customs regulations.
- ▶ The VAT reduction will be implemented uniformly for all stages from import, production, processing and trading business. For coal, the VAT reduction applies to the mining stage only.
- ▶ Goods and services subject to a tax reduction must be declared on Form No. 01 issued in Appendix IV of Decree 44 together with a VAT declaration.
- ▶ The VAT reduction policy will be applied from 1 July 2023 to 31 December 2023 inclusive.

Similar to the VAT reduction that was provided in 2022, we anticipate questions from enterprises about the determination of the goods and services eligible for the VAT reduction, the application of tax reduction in adjustment/replacement invoices or invoicing for discounts and sales returns, etc. which could arise before, during and post the VAT reduction period. You may refer to our previous tax alerts/tax updates for more information on handling frequently observed concerns.

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