

UNITED

STATES

VIETNAM

A SUMMARY

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THE VIETNAM TAX SYSTEM

A Summary

Introduction

Indirect taxes comprise the bulk of GVN's revenue. According to the 1958 GVN revised budget, tax receipts totaled VN\$8.1 billion, 89 per cent of all revenue from domestic sources. Of this VN\$8.1 billion, indirect taxes claimed VN\$6.7 billion or 83 per cent.

The following table breaks down GVN budgeted tax revenues for Fiscal Year 1958:

	(Millions)	Per Cent
Total tax revenues	VN\$8,077.2	100.0
<u>Taxes on income and profits</u>	<u>663.5</u>	<u>8.2</u>
Income tax	470.0	5.8
Dividend tax	193.5	2.4
<u>Sales, turnover and excise taxes</u>	<u>2,297.9</u>	<u>28.4</u>
Production tax on local goods	180.0	2.2
Indirect consumption taxes	256.5	3.2
Luxury taxes	47.0	0.6
Other indirect taxes (paddy, auto licenses)	94.3	1.2
Excise taxes on imported goods	391.7	4.8
Excise taxes on local products	943.0	11.6
Miscellaneous excise taxes	195.4	2.4
Indirect taxes	190.0	2.4
<u>Customs receipts</u>	<u>4,422.7</u>	<u>54.8</u>
Production taxes on imported goods	2,200.0	27.2
Customs duties	2,182.7	27.0
Additional customs receipts	40.0	.6
<u>Other taxes</u>	<u>693.1</u>	<u>8.6</u>
Property taxes	140.1	1.7
Business license tax	95.0	1.2
Surtaxes	4.0	--
Inheritance, registration and stamp taxes	454.0	5.6

The minor role of the tax on income and profits is highlighted by its relative share of all tax revenues -- 8.2 per cent.

In proportion to 1958 gross national product, tax revenues totaled 10 per cent. This compared with 15 per cent for Formosa, 8 per cent for the Philippines, and 16 per cent^x for Cambodia -- economies comparable to South Viet Nam.

^x This figure, however, includes revenue from government operated enterprises.

Collections

Custom duties, excise taxes, registration taxes, and other indirect taxes are administered by agencies within the Finance Ministry which transfer the taxes collected to the Central Government through the National Treasury. All other direct and indirect taxes are collected by municipal or provincial tax offices as branches of the main office. These offices enforce all tax regulations within their jurisdictions; in addition, they issue assessment notices, provide information to taxpayers, and conduct examinations and investigations.

Direct Taxes

I. Business Income Tax

<u>Applicability</u>	<u>Taxable Income</u>	<u>Rate</u>
Net profits of natural persons and proprietorships	VN\$1.5 million and above	16 %
Net profits of corporations and societies	VN\$1.5 million and above	24 %

Business incomes of less than VN\$1.5 million annually are subject to arbitrary assessments.

II. Dividend Taxes

<u>Applicability</u>	<u>Taxable Dividends</u>	<u>Rate</u>
Firms incorporated in Viet Nam with main offices in France or the French Union	All distributed dividends	24 %
Firms incorporated in Viet Nam with main offices outside France or the French Union.	All distributed dividends	30 %
Business in other than corporate form	All distributed dividends	24 %

III. Income Tax on Wages and Salaries

<u>Applicability</u>	<u>Taxable Income 1/</u>	<u>Rate</u>
All persons in Viet Nam receiving wages, salaries, and pensions regardless of source or country of origin	To VN\$50,000	1 %
	VN\$50,000 - VN\$100,000	2 %
	Above VN\$100,000	5 %

1/ Allowable deductions include VN\$30,000 for each taxpayer, VN\$15,000 for a spouse, VN\$5,000 for each child, and VN\$3,000 for each dependent parent or grandparent of either the taxpayer or his spouse.

IV. Consolidated Income Tax
(General Tax on Revenue)

<u>Applicability</u>	<u>Taxable Income</u>	<u>Rate 2/</u>
The combined income from all sources of all physical persons whose main residence or business activity is in Viet Nam	Less than VN\$10,000	1 %
	Above VN\$800,000	50 %

2/ ~~annually~~ The above rates are increased by 20 per cent on incomes exceeding VN\$200,000 of persons over 30 years of age.

Lawful Deduction

- VN\$30,000 - personal exemption for taxpayer
- VN\$15,000 - exemption for spouse of taxpayer
- VN\$ 5,000 - exemption for each dependent child
- VN\$ 3,000 - exemption for each dependent parent of taxpayer

Penalties

Relative to the Income and Consolidated Income Taxes, the following penalties are invoked:

- a. Delay in filing returns - 25 per cent of the tax.
- b. False declarations - for evasions of more than VN\$10,000, 20 per cent of the tax on the net income evaded; but where the evaded income exceeds VN\$50,000, the penalty is triple the tax on income evaded.
- c. **Arbitrary** assessment - where taxpayer denies any tax liability, and such is decided not to be the case, an arbitrary assessment is imposed.

V. Business License Tax (Patente)

<u>Applicability</u>	<u>Rate</u>
Annual fee payable by every individual practicing a trade, profession, or industry in Viet Nam.	Tax consists of a basic fee and a proportional impost . Basic fee: Wholesale grain traders: 2,000 VN\$2,000 - VN\$30,000 Large enterprises: VN\$100,000 (max.) Petroleum wholesalers: VN\$75,000 (max.) Rubber manufacturers: VN\$60,000 (max.) Pharmacists: VN\$16,000 (max.) Range of basic fee for corps.: VN\$25,000 - VN\$100,000

V. Business License Tax (Patente) (Cont.)

Applicability

Rate

Proportional impost:
 Corporations: 10 % of rental value of premises.
 Other businesses and professions: 3 % - 8 % of rental value of premises.
 Industrial establishments: Impost is calculated on rental or actual value of whole means of production.

Indirect Taxes

I. Production Tax

The production tax replaces the former turnover and general interior taxes repealed in 1957.

Applicability

Rate

Locally produced commodities, on wholesale price	6 % of the sales price
Imports:	
Basic necessities	15 % of C.I.F. plus duty value
Luxury commodities	35 % of C.I.F. plus duty value
All other articles	25 % of C.I.F. plus duty value

Numerous exemptions are permitted from the production tax on locally produced commodities.

II. Consumption Tax

Applicability

Rate

Restaurants:	
Foods	10 % on purchases in excess of VN\$100
Alcohol	
Beverages	
Ice	VN\$100 per metric ton
Meat:	
Sheep and lambs	VN\$25 per head
Pigs	VN\$50 per head
Buffaloes	VN\$100 per head
Cattle	VN\$120 per head
Gasoline	VN\$2.50 per liter
Precious metals and objects:	
Gold items	10 % of sale price
Items other than gold	20 % of sale price

II. Consumption Tax (Cont.)

<u>Applicability</u>	<u>Rate</u>
Entertainment:	
Theaters, circuses, concerts, and athletic events	5 % of admission charge
Wine shops, cinemas, dance halls and horse races	20 % of admission charge

Operation Tax on Motor Vehicles

<u>Applicability</u>	<u>Rate</u>
Cylinder capacity of auto:	
Less than 1,200 cc.	VN\$1,000 per year
1,200 cc. - 2,000 cc.	VN\$2,000 per year
2,001 cc. - 4,000 cc.	VN\$3,000 per year
over 4,000 cc.	VN\$4,000 per year
Business cars (incl. jeep and hearse)	VN\$500 per year
Motor bicycles and tricycles	VN\$300 per year
Other indirect taxes:	
Charity tax on entertainment	
Tax on paddy transformation (VN\$3 per quintal)	
Tax for the testing of instruments	

III. Customs Duties

Customs duties on imports are levied ad valorem and are based on the landed value of goods.

<u>Applicability</u>	<u>Rate</u>
Imports from all countries having a commercial agreement with S. Viet Nam, and the U.S.	5 % - 75 % - minimum rates
Imports from all countries not having commercial agreements with S. Viet Nam. These rates also apply to ICA financed imports from countries not having commercial agreements with S. Viet Nam.	Maximum rates, which are twice the minimum rates

Perequation Tax

<u>Applicability</u>	<u>Rate</u>
Certain imports deemed to be in potential competition with locally produced commodities: gasoline cloth, leaf tobacco, newsprint, plywood, leather, wheat flour, and sugar	10 % - 50 % ad valorem of C.I.F. plus duties ^x

^x The perequation tax is assessed at specific rates on wheat flour and sugar.

Perequation Tax (Cont.)

Applicability

Rate

Customs duties on exports are set at 5 % for all products except rubber, corn, paddy, rice and derivatives.

Duties on Special Exports (Ad Valorem)

<u>Commodity</u>	<u>Rate</u>
Rubber	3 %
Corn	5 %
Paddy	12 %
Rice:	
Riz Cargo (low quality)	10 %
White	10 %
Broken	8 %
Flour	6 %

Taxable value for establishment of ad valorem rates is set quarterly.

IV. Other Taxes on Imports and Exports

License tax on export of iron ore and manganese materials: 2 % ad valorem.

Inspection tax on agricultural products.

<u>Product</u>	<u>Rate</u>
Corn	VN\$0.50 per 100 kgs.
Paddy and derivatives	0.40 " " "
Rice	1.10 " " "
Copra	4.00 " " "

Sanitation inspection fees on forest and vegetable products.

<u>Product</u>	<u>Rate</u>
Seedlings or parts of seedlings	VN\$0.50 per unit
Wood	10.00 per cu. meter
Seeds	0.05 - 0.10 per kg.
Consumable seeds	0.02 per kg.
Other vegetable products	0.03 per kg.

Medical inspection fees for animals.

<u>Animals</u>	<u>Rate</u>
Horses	VN\$1.00 per head
Cattle	0.30 " "
Pigs	0.15 " "
Poultry	0.01 " "
Dogs, cats, circus animals	2.00 " "

IV. Other Taxes on Imports and Exports

(Continued)

Tax on ocean going vessels.

<u>Tonnage</u>	<u>Rate</u>
Less than 1 ton	VN\$10. per year
1 - 5 1-5 5 tons	20. per ton per year
5 to 10 tons	30. per ton per year
Above 10 tons	40. per ton per year

V. Excise Taxes

On Imports

<u>Commodity</u>	<u>Consumption Tax</u>	<u>Recognition x Fee</u>	<u>Surtax</u>
Unmixed European alcohol	VN\$ 25.50 per liter	VN\$0.15 per liter	VN\$12 per liter
Refined Sugar	85.00 per 100 kg.	1.00 per 100 kg.	
Raw sugar	93.00 per 100 kg.	1.00 per 100 kg.	
Brown palm-sugar	85.00 per 100 kg.	1.00 per 100 kg.	
Brown sugar	50.00 per 100 kg.	1.00 per 100 kg.	
Beer	150.00 per 100 liters	1.00 per 100 liters	
Gasoline	108.90 per 100 kg.		93.50 per 100 kg.
Petroleum	147.90 per 100 kg.		35.70 per 100 kg.
Matches	35 % of sale price	0.10 per case of 10 boxes of 50 sticks	Variable
Flints	2.55 per kg.	5.00 per kg.	
Black explosive powder	8.50 per kg.	0.05 per kg.	
Peroxidized powder	25.50 per kg.	0.10 per kg.	
Fireworks	68.00 per kg.	1.00 per 100 kg.	
Radio tubes	17.00 per tube		
Tobacco, prepared	40 % of sales price	0.06 per kg.	
Cigarettes	40 % of sales price		10 % of approved price
Cigars	76.50 per kg.		35.00 per kg.

Excise Taxes

On Local Products

<u>Commodity</u>	<u>Consumption Tax</u>	<u>Recognition Fee</u>	<u>Surtax</u>
Unmixed European-type alcohol	VN\$ 25.50 per liter	VN\$0.15 per liter	VN\$12.00 per liter
Unmixed local alcohol	5.00 & 8.50 per liter	0.15 per liter	4.00 per liter
Unmixed and denatured alcohol	1.70 per liter	0.15 per liter	4.00 per liter

x Inspection fee to determine quality.

Excise Taxes (Cont.)

Consumption taxes on the following locally produced products are the same as for the imported commodities:

- Beer
- Sugar
- Matches
- Explosive powder
- Fireworks
- Tobacco (except raw tobacco)

VI. Registration and Miscellaneous Taxes

Registration Tax

<u>Applicability</u>	<u>Rate</u>
Real estate	18 %
Moveable properties	9 - 14.4 %
Civil, legal, and extra-judicial acts	24 %

Inheritance Tax

<u>Applicability</u>	<u>Rate</u>
Inheritances, Vietnamese sources	7.2 - 18 %
Inheritances, foreign sources	24 %

Stamp Duties

<u>Applicability</u>	<u>Rate</u>
Official papers	VN\$10-VN\$30, according to size of papers
Receipted invoices for cash payments	.2 % ad valorem
Checks	VN\$3.-5.

Taxes on Mines and Quarries

<u>Applicability</u>	<u>Rate</u>
Surface area of mines and quarries	VN\$9. per hectare per year
Output of mines and quarries	1 % of value of volume of production

Taxes on Corporate Stock

<u>Applicability</u>	<u>Rate</u>
Corporate dividends on stock and shares	10 % (paid by corp.)
Stock transfers	2.4 % of market value

Mortmain Tax on Corporate Properties

Rate: .6 % of assessed value

Registration Tax and Stamp Duties on Insurance Policies

.24 % - 36 %