

Government proposes amendments to three key tax laws

In addition to the Law on Value-Added Tax (amended) submitted to the National Assembly at the 7th Session, the Government proposes adding two draft laws on Excise Tax (amended) and Corporate Income Tax (amended) to the agenda of the 8th Session (October 2024) to promptly remove difficulties for production and business.

1. Special consumption tax on alcohol and beer may increase

This afternoon (April 15), the National Assembly Standing Committee will begin its 32nd session, with the first item on the agenda being the draft Law and Ordinance Making Program for 2025, adjusted for 2024.

In the presentation on this content, the Government proposes to add 7 draft laws to the program of the 8th Session (October 2024), including 2 draft laws on amending the Law on Special Consumption Tax and amending the Law on Enterprise Income Tax. The amendment of both draft laws aims to timely remove difficulties for the production and business activities of enterprises, unblock and promote resources for socio-economic development, and ensure stable revenue for the state budget.

With the Draft Law on Amending the Law on Special Consumption Tax, the goal is also to switch to green energy and reduce emissions of harmful substances to health and the environment. Accordingly, the Government proposes to build a law with 7 policy groups, 完善 the regulations on taxable subjects, non-taxable subjects, tax basis, taxable price, tax rate, tax refund, and provisions on implementing regulations.

In coordination with the examination of the proposal to add the Draft Law on Amending the Law on Special Consumption Tax to the Law and Ordinance Making Program for 2024, the Standing Committee of the Financial and Budgetary Committee of the National Assembly assessed that the proposed amendments and supplements have been summarized and evaluated. There are still some difficulties and shortcomings.

Regarding specific policies, the Standing Committee of the Financial and Budgetary Committee of the National Assembly believes that, in addition to "soft drinks according to Vietnamese standards with a sugar content of over 5g/100ml", it is possible to review and supplement goods and services to the taxable subjects to ensure comprehensiveness.

With the policy of perfecting the regulations on tax rates, the Government proposes to stipulate a mixed tax calculation method (percentage tax rate and absolute tax rate) for tobacco products. For cigarettes, cigars and tobacco products, the Government proposes to supplement the absolute tax rate regulations. Increasing the special consumption tax rate (percentage tax rate) on alcohol and beer according to the roadmap is also a proposal in this amendment.

According to the Standing Committee of the Financial and Budgetary Committee of the National Assembly, these proposals will increase the effectiveness of the special consumption tax policy, contribute to directing consumption and be in line with the tax reform trend of other countries. The Standing Committee of the Financial and Budgetary Committee of the National Assembly also basically agreed with the orientation of preferential tax rates for natural gas vehicles (expected to apply a tax rate of 70% of gasoline-powered cars of the same type).

2. Lower corporate income tax for small businesses

The proposed amendment to the Corporate Income Tax Law includes 7 policy groups related to taxpayers and taxable entities, and tax-exempt income. This amendment will also adjust the corporate income tax rate for certain groups of taxpayers to suit new requirements and contexts. In addition, it will finalize preferential tax regulations and apply additional corporate income tax according to global base erosion anti-shifting (BEPS) regulations.

In support of the addition of this draft law, the Standing Committee of the National Assembly's Finance-Budget Committee generally agreed with a number of specific policies, such as supplementing regulations to apply a lower corporate income tax rate for small and micro-sized enterprises (estimated tax rates of 17% and 15%, respectively).

This time, the Government also proposed to amend and supplement a number of regulations on determining taxable income for corporate income tax in the direction of allowing enterprises with loss-making production and business activities (which are being granted corporate income tax incentives) to offset against profits from the transfer of real estate, investment project transfer, and investment project participation right transfer.

The Standing Committee of the National Assembly's Finance- Budget Committee believes that it is necessary to explain more clearly the policy objectives, clarify the beneficiaries and quantify the impact of tax reduction on the state budget.

Regarding the policy on taxpayers and taxable income, the Government proposed to expand the concept of permanent establishment to include foreign enterprises that provide goods and services in Vietnam through e-commerce, have income in Vietnam, and are not dependent on the place of business.

The Standing Committee of the National Assembly's Finance- Budget Committee believes that this regulation does not fully address the issue of taxing foreign suppliers through e-commerce platforms at present. This is because foreign suppliers are mainly resident in countries that have signed double tax avoidance agreements (DTAs) with Vietnam and will therefore be exempt from this corporate income tax under the DTA.

3. The Value Added Tax Law (Amendment) Bill: Addressing Practical Issues and Enhancing Tax Efficiency

The Value Added Tax (VAT) Law (Amendment) Bill is set to be presented to the National Assembly for review and feedback during the seventh session in May 2024. The draft bill, prepared by the Legislative Research Institute (under the National Assembly Standing Committee) and incorporating expert opinions, proposes amendments and additions to 10 articles of the current VAT Law. These include provisions on taxpayers, non-taxable entities, tax base, tax rates, methods of deducting input VAT, refund cases, effective date of implementation, and implementing.