

Tax Alert

VIETNAM

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Ministry of Finance guidance on application of Circular 134/2008/TT-BTC

On 10 March 2009, the Ministry of Finance issued Official Letter 2665/BTC-TCT (OL 2665) to provide more specific guidance on Circular 134/2008/TT-BTC regarding taxation of foreign contractors.

According to OL 2665, foreign contractor and sub-contractor contracts signed before 1 January 2009 will continue to pay Value Added Tax and Corporate Income Tax according to the previous Circular 05/2005/TT-BTC dated 11 January 2005 on foreign contractor taxation until such contracts are terminated.

As such, foreign contractors who registered to pay tax under the 'hybrid' method (i.e. paying VAT under the credit method and CIT under the deemed percentage method) under Circular 05 are now allowed to continue to apply this registered method until the date of contract termination.

However, OL 2665 does not explicitly provide which regulations will apply in case of contracts signed before 1 January 2009 and later extended after 1 January 2009 by way of an appendix to the original contract.

Foreign contractor contracts on air transport, sea transportation, international mail services, and international freight forwarding services will be governed by Circular 134 from 1 January 2009.

Foreign contractors and Vietnamese parties in the above mentioned contracts should note this guidance for proper tax filing.

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