

# Tax Alert

VIETNAM

February 2009

## Circular 13/2009/TT-BTC on VAT reduction applicable to selected goods and services

As part of the investment and consumption stimulus scheme, and in order to contain the economic downturn and help businesses through challenging times, the Ministry of Finance issued Circular No. 13/2009/TT-BTC on 22 January 2009, providing for a VAT reduction on a number of goods and services.



### 19 items of goods and services entitled to 50% VAT reduction

Circular 13 provides for 19 items of goods and services, which are subject to 10% VAT under current regulations, to be entitled to 50% VAT reduction.

Essentially, most of the goods and services entitled to the VAT reduction are basic materials and equipment for industrial manufacturing and export. Particularly:

1. black coal and coal dust, coke, peat, coal lumps and coal bricks
2. selected basic chemicals (Circular 13 provides a list of these selected chemicals)
3. mechanical engineering products (except for mechanical engineering consumer goods), comprising
  - machinery and equipment such as: diesel engines, mills, lathes, planers, rollers, piercing mills, stamping mills; all types of complete and separate equipment; electricity meters, voltage stabilisers with a capacity of over 50 KVA, water meters; bridge girder structures; warehouse frame structures and products of metal structures; all types of automobiles (except for automobiles subject to special sales tax), all types of ships and boats and other means of transportation; all types of metal spare parts and semi-finished products for the above products
  - products being small production tools such as pliers, hammers, saws, chisels, shovels, hoes and sickles, tool sets which are mechanical engineering products, and nails

## 2 Tax Alert

- steel wire fencing from type B27 to B41, barbed wire, metal roofing, metal messenger cabling and metal conveyor belts
- high voltage electrical equipment and transforming equipment, safety boxes, electricity measuring equipment, safety fuses (12KV, 24KV and 36KV from 6A or more) and so forth
- 4. cars of all types
- 5. spare parts of cars including engine, gear-box, clutch and components of such spare parts
- 6. vessels and ships
- 7. cast moulds of all types including all types of moulds used as a tool for production of products or goods
- 8. explosives including blasting agents, fuses, detonators and other types which have been manufactured into specialised explosive products without changing their character and effect as explosives;
- 9. grindstone
- 10. artificial hard boards made from raw materials such as bamboo, wood powder, wood chips, wood fibre, sawdust, sugar-cane refuse, rice husk, excluding plywood products and plywood products made from natural woods
- 11. industrial concrete products including concrete bridge grinders, concrete beams and frame structures of houses, concrete piles, concrete power poles, concrete pipes used for sewers, concrete boxes of all types, panels and non-standard pre-cast reinforced concrete components (except for concrete bricks) and commercial concrete (concrete mortar)
- 12. automobile tyres and rubber tubing of size 900-20 and above
- 13. neutral glass tubing (such as ampoules for the purpose of injecting medicines and test tubes)
- 14. products from metallurgy, rolling and drawing of ferrous, non-ferrous or precious metals, except for imported gold
  - products from metallurgy, rolling and drawing of ferrous, non-ferrous or precious metals shall include metallurgical flat-rolled or drawn products used as raw materials or products, such as metal products in the form of bars, bullion, plates or wire
  - products which have been manufactured or processed from metallurgical flat-rolled or drawn products shall be subject to VAT rates applicable to their particular line of goods
- 15. automatic data processors and their parts and accessories (including computers of all types and parts of computers, specialised printers used for such computers), except for uninterruptible power supply (UPS)
- 16. loading and unloading, dredging for channelling rivulets, river ports or seaports; rescue and salvage activities
- 17. transportation (excluding international transportation) including transportation of goods, luggage or passengers, tourism transportation by air, land, rail, sea, except for broking and agency activities where only commission is earned and irrespective of whether the establishment directly carries out the transportation or sub-contracts it out
- 18. hotel businesses or tourism services included in package tours
- 19. printing services (excluding printing of money).

Of the above, it is worth noting that the 50% VAT reduction now applies to cars of all types (including cars subject to Special Sales Tax), computers, transportation services, hotel business activities and tourism services in the form of package tour.



### Invoicing for goods and services with reduced VAT

Circular 13 stipulates that when issuing VAT invoices for the above goods and services, the seller would simply indicate the VAT rate as "10% x 50%" on the VAT rate line, then calculate the VAT amount and the total payment amount by the buyer.

The output VAT of the seller and creditable input VAT of the buyer shall be based on the reduced VAT amount as indicated on the invoice.

### Effective date

Circular 13 shall apply to the above-mentioned goods and services for the period from 1 February 2009 to 31 December 2009.

Enterprises providing qualifying goods and services should proactively apply these new VAT incentives granted under Circular 13 in their favour.

## Contact us

Warrick Cleine,  
Managing Partner - Vietnam and Cambodia  
Head of Tax Advisory

### Hanoi

Huong Vu, Partner  
Le Thi Kieu Nga, Director  
Hoang Duong, Director  
Tran Gia The, Senior Manager  
Pham Thi Thu Trang, Senior Manager  
Nakatani Takeshi, Japanese Desk

16th Floor, Pacific Place  
83B Ly Thuong Kiet Street  
Hoan Kiem District

Tel: +84 4 3946 1600  
Fax: +84 4 3946 1601  
e-Mail: [kpmghanoi@kpmg.com.vn](mailto:kpmghanoi@kpmg.com.vn)

### Ho Chi Minh City

Ninh Van Hien, Partner  
Rolf Winand, Partner  
Ta Hong Thai, Partner  
Nguyen Cong Ai, Director  
Hoang Anh Tuan, Director  
Ho Thi Bich Hanh, Director  
Tran Thi Tuyet Nhung, Director  
Do Trong Hoai, Senior Manager  
Nguyen Thanh Hoa, Senior Manager  
Pham Thi Thuy Hong, Senior Manager  
Hideto Oshio, Japanese Desk

10th Floor, Sun Wah Tower  
115 Nguyen Hue Street  
District 1

Tel: +84 8 3821 9266  
Fax: +84 8 3821 9267  
e-Mail: [kpmghcmc@kpmg.com.vn](mailto:kpmghcmc@kpmg.com.vn)

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2009 KPMG Limited, a Vietnamese limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. All rights reserved.  
KPMG and the KPMG logo are registered trademarks of KPMG International, a Swiss cooperative.