

# Tax Newsletter

**04/2017**

In this newsletter, Grant Thornton Vietnam would like to update you on the tax regulations on deals between individuals doing business with Uber, Agoda.com, Traveloka.com, Booking.com, Expedia.com... as follows:

1. **Value Added Tax (“VAT”) and Personal Income Tax (“PIT”) declaration for individuals doing business under Business Cooperation Contracts (“BCC”) with Uber**
2. **Tax and tax administration regulations on the operation of Foreign-Based Companies which are running businesses in the field of e-commerce or bookings/reservations, in Vietnam.**



## 1. VAT and PIT declaration for individuals earning income under business cooperation contracts with Uber

The Hanoi Department of Taxation has issued official letters providing detailed guidance as follows:

- Uber or Uber's authorized organizations are responsible for declaring and paying taxes including VAT of 3% and PIT of 1.5% on behalf of the individuals earning income from signing business cooperation contracts with Uber.
- For the individuals who currently declare and pay taxes under the deemed method, when signing business cooperation contracts with Uber, the income to be taxed under the deemed method is exclusive of income earned under business cooperation contracts with Uber.
- For the individuals who earn income only from business cooperation contracts with Uber, they are not required to declare and pay tax to the district tax departments.

## 2. Tax and tax administration regulations on the operation of Foreign-Based Companies which are running business in the field of e-commerce or booking in Vietnam

According to the Ministry of Finance, Foreign-Based Companies running booking business in Vietnam by online methods ("FBCs") such as Agoda.com, Traveloka.com, Booking.com, Expedia.com, which adopt direct method for Foreign Contractor Tax ("FCT") (i.e. neither applying VAT credit method nor filing VAT return and CIT return) shall be subject to FCT including Corporate Income Tax ("CIT") and VAT on the commission earned from the agreements signed with Vietnamese Accommodation Establishments (i.e. hotels, motels) at prescribed rates as below:

- 5% for VAT
- 5% for CIT

Accommodation Establishments are liable for declaring and paying FCT on behalf of FBCs in compliance with the aforesaid legislation. During the implementation process, the tax departments shall inspect and support establishments in determination, declaration and settlement of tax liabilities according to the regulations, in particular:

- In case customers make payment directly to the Accommodation Establishments in Vietnam, and afterwards the Accommodation Establishments pay the booking commissions to the FBCs, the Accommodation Establishments shall be responsible for declaring and paying tax on behalf of the FBCs.
- In case customers make payment directly to the FBCs and the FBCs will transfer the rental fees to the Accommodation Establishments after deducting their commissions:
  - Where the agreement between FBCs and the Accommodation Establishments was already signed, the Accommodation Establishments will have responsibility in notifying the FBCs of their tax obligation, declaring and paying FCT on the behalf of the FBCs.
  - Where the agreement between FBCs and the Accommodation Establishments has not been signed, the Accommodation Establishments will have to explicitly indicate the tax liability of the FBCs when signing contract and be responsible for declaring and paying FCT on behalf of the FBCs.

# Contact

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