HOLISTIC APPROACH ON OFFER

Stakeholders tell VET of the likely impact the Global Minimum Tax will have in Vietnam.

Vietnam has been known as an attractive country for investment due to its preferential tax incentives. With the application of a Global Minimum Tax (GMT), it will face many challenges in encouraging new investment from multinational enterprises (MNEs), granting tax incentives to existing foreign investors, maintaining current investors' investment funds, and supporting their expansion plans in Vietnam.

With delays by the government in adopting suitable solutions to reform certain policies, Vietnam may lose its competitive edge in attracting investments from MNEs from 2024 onwards and especially investments from developed countries, which include most European countries, the UK, Japan, and South Korea, among others, who have confirmed they will apply the GMT from 2024.

Vietnam is among 141 countries to apply the GMT from 2024, at which time it will face a reaction from MNEs on their investment strategies. Vietnam and other countries therefore need to develop their own strategies and solutions to effectively deal with the impact of the GMT.

Ms. Valerie Teo,
Tax Partner at Grant Thornton Vietnam

With a threshold on applying the GMT from 2024, of consolidated revenues of over €750 million ($807 million), it is expected that 1,015 FDI companies in Vietnam and their parent companies will be subject to the GMT. Therefore, the Vietnamese Government needs to develop supporting policies and investment laws to reduce any impact and maintain the competitiveness of the country's investment environment, via assessing the impact of increasing tax costs for FDI, attractive investment schemes for FDI sectors, and tax collection rights and incentive commitments to current FDI businesses in Vietnam; revaluate existing domestic tax laws to capture the impact of the GMT as well as develop non-tax preferential policies, for example subsidies and/or cuts in land rental fees and related land compensation fees, subsidies for supporting infrastructure, high-skilled worker training, supporting social housing for MNE workers, and cutting import taxes, etc.; obtaining opinions / recommendations from impacted MNEs and relevant ministries and agencies to develop suitable supporting policies; and studying the implementation of the GMT in other countries, particularly Asian countries, which is recommended for Vietnam to introduce attractive support policies and packages to help businesses impacted by the GMT.

Application of the GMT would support Base Erosion and Profit Shifting (BEPS) action plans and reduce tax evasion / profit shifting to tax havens.

Mr. Nguyen Dinh Huy,
Senior Manager of Tax Services at Grant Thornton Vietnam

With the participation of the OECD's inclusive framework, Vietnam and other countries can strengthen the transparency of tax environments, which will be an important matter for investors when considering investing in Vietnam. In implementing GMT policies from 2024, Vietnam also has the right to collect the additional top-up corporate income tax (CIT) to 15 per cent, providing an opportunity to increase domestic revenue in the short term. This is an important tax collection regime that the Vietnamese Government needs to consider and amend domestic laws to protect taxing rights and support to boost the State budget.

Over the next six months, the GMT will take effect in some countries and the Vietnamese Government should expedite the process of developing certain tax and non-tax policies to achieve two important goals: creating and maintaining a favorable investment environment, and actively protecting the right to apply a GMT rate of 15 per cent in Vietnam. ■

On one side, the implementation of the GMT is good news and Vietnam is essentially conforming to international laws. On the other hand, the problem that a lot of business organizations like EuroCham, of which I'm a member, and others are raising is that if joining the GMT does not come with a deeper formation, the tax system could result in tax increases for companies from abroad that are currently enjoying special tax treatment in Vietnam and that would discourage foreign investments.

Vietnam should reform its legal system to apply the rule of law. The problem that I see in Vietnam as a lawyer is that sometimes as a foreigner it is difficult to exercise your rights when it comes to business. In order to attract foreign investment, I would say the priority goes to the rule of law, before taxation. There are countries with high taxes and yet foreigners do go there.

Vietnam should go through its tax system and see how the implementation of the GMT impacts current incentives and how Vietnam could balance a potential increase in taxation with other types of tax related incentives, such as import duties or tax breaks for research and development, real estate, etc.

The core should be ensuring that investors are making profits with continuous growth. So what has to be ensured is growth, not really specific tax incentives or specific tax rates. There will always be a place in the world that is cheaper, that has better tax rates. But what investors look for is a holistic approach, which means exercising rights. Furthermore, it is also a matter of digitalization in public administration. If you create a setting where you have language, easy procedures, safety, cybersecurity, free trade agreements, etc., then eventually the tax impact can be absorbed by the attractiveness of the system as a whole.

Mr. Federico Vasoli,
Managing Partner at dMTV Global and Vice-Chairman of the Italian Chamber of Com merce in Vietnam (ICHAM)

Vietnam has the chance to go through its current system and reform it. Because, by 2024, Vietnam is required like everybody else to implement this system. It has a year and a half to see how it can be best adapted to, on one hand, conform to global standards like this, and on the other hand make sure that the global standards do not have a negative impact on the system as a whole. ■

THE INSIDER'S GUIDE TO BUSINESS AND LIFESTYLE

VIETNAM ECONOMIC TIMES

A PUBLICATION OF VIETNAM ECONOMIC ASSOCIATION

ISNN 2734 - 9683

Issue 343 | June 2023

Taxing task

Global minimum tax to reshape investment

Vietnam . . . . US$5.00	Britain. £6.90	France. FF50	Hong Kong . . . HK$75.00	Malaysia . . . . . Rgt 18.00	Singapore. . . . . . S$10.00	Switzerland. . . . SFr12.00	Thailand Baht175
Australia. . . . . . . A$13.00	Canada . . . . C$13.75	Germany DM15	Japan ¥850	Philippines P175.00	South Korea . . Won6,500	Taiwan NT180	USA $10.00