

31 December 2024  
Volume 16, Issue 4

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### **Network News – Singapore New Appointment**

As the saying goes — “Aim high at the sky”. We should aim high to succeed in our goals and for Reliance Audit, the Russell Bedford network firm in Singapore, the start will be the strategic expansion of our leadership team.

Reliance Audit is excited to announce expansion of our leadership team, effective January 1, 2025. These appointments—Chloe Loke as Director, and Larry Liang and Jamie Lee as Associate Directors —underscore

our commitment to growth and excellence in audit and assurance services. With an expanded leadership team, we are well-positioned to continue delivering exceptional value to our clients while supporting the firm's long-term growth.

**Chloe Loke, Director (Effective January 1, 2025)**

Chloe joined Reliance Audit in April 2024 after leaving PwC, bringing a wealth of experience in managing complex audit and accounting challenges. Her pragmatic approach has been instrumental in helping new clients—particularly those transitioning from other firms—resolve outstanding audits and meet statutory compliance requirements within tight deadlines. Chloe's ability to manage high-pressure situations while building strong, trust-based client relationships has been central to our success in attracting new business. Her promotion to Director, effective January 1, 2025, reflects her leadership and the significant contributions she has made to the firm's continued growth.

**Jamie Lee, Associate Director (Joined October 2024)**

Jamie joined Reliance Audit in October 2024 as Associate Director, bringing over 12 years of experience from PwC, including a two-year secondment to PwC Myanmar. During her time in Myanmar, Jamie worked with a diverse range of clients—from multinational corporations to local businesses—and played a key role in developing the Myanmar practice. At Reliance Audit, Jamie is responsible for overseeing the firm's quality management system, ensuring that our audit engagements consistently meet the highest standards. Her expertise in process improvement, client satisfaction, and service delivery will play a crucial role in supporting our continued success.

**Larry Liang, Associate Director (Effective January 1, 2025)**

Larry has been with Reliance Audit for 10 years, starting as a fresh graduate and growing into one of the firm's key contributors. His experience spans both local and international markets, including a three-year tenure with our affiliated firm in China and Hong Kong, where he played an instrumental role in building and servicing our Chinese client base. Larry's promotion to Associate Director, effective January 1, 2025, reflects his technical expertise, leadership in client service, and significant contributions to the firm's overall growth.

**Why Reliance Audit Attracts Talent from the Big 4**

At Reliance Audit, we combine the high standards of Big 4 firms with the flexibility and supportive culture of a smaller firm. Our professionals enjoy greater ownership over their work and career development, along with the ability to balance work with personal priorities. This flexibility, alongside ample opportunities for growth and advancement, makes Reliance Audit an appealing choice for top talent from the Big 4, who are looking for a fulfilling career in a dynamic and balanced environment.

We are proud of our ability to attract talented professionals who are seeking not just career success but also a fulfilling work-life balance. By fostering a team-oriented culture and offering greater autonomy in both work and career development, we empower our staff to deliver exceptional service while achieving their personal and professional goals.

**Positioned for Continued Growth and Success**

As we enter 2025, Reliance Audit is strategically positioned for continued growth. The expansion of our leadership team reflects the firm's focus on delivering high-quality audit and assurance services that drive client satisfaction and business growth. Our ability to attract and retain top talent from leading global firms is a testament to our growing reputation and the opportunities we offer for professionals looking to make a significant impact.

With a strengthened leadership team and an ongoing commitment to excellence, we are well-positioned to meet the evolving needs of our clients, expand our service offerings, and continue to grow. We remain focused on building lasting client relationships, nurturing talent, and delivering exceptional value in every engagement.

### CHINA

## INTERPRETATION OF FISCAL POLICIES FROM THE THIRD PLenary SESSION



The 3rd Plenary Session of the 20th Central Committee of the CPC recently adopted a Resolution emphasizing the need to deepen fiscal and tax system reform as part of macroeconomic governance improvement. Key tasks for the next five years include enhancing the fiscal relationship between central and local governments, optimizing the tax structure, and refining the budget system.

### Improve Fiscal Relationship Between the Central and Local Governments

One of the core objectives of the fiscal and tax systems reform set in this Plenary Session is to effectively increase local fiscal capacity. The following fiscal and tax measures are proposed to achieve the objective:

1. Moving consumption tax collection further down the production-to-consumption chain, with the power of collection steadily being passed to local governments, aiming to allocate consumption tax revenue to local governments to supplement their main tax sources.

Among China's 18 major taxes, consumption tax ranks third after VAT and corporate income tax, fully allocated to the central government. In 2023, it accounted for 8.9% of tax revenue, totalling RMB 1.6 trillion (MOF data, see Appendix). There has been long-standing market demand for consumption tax reform. Moving collection further down the production-consumption chain will bring more benefit to economically powerful provinces with large markets, populations, and consumption power.

2. Improving the VAT credit refund policy and the channels for making tax deductions and optimizing the ratio for taxes shared between the central and local governments, which will help guarantee the main sources of tax revenue at the local level.
3. Giving local governments the authority to set the rate for the new single surtax within a predetermined range. It will facilitate tax collection and administration, improve tax compliance, stabilize local income and enhance the enthusiasm for local tax administration.
4. Perfecting the fiscal transfer payment system and increasing general transfer payments. The policy direction in this regard is to increase the proportion of central government expenditures and reduce the fiscal burden on local governments.

### Improve the Tax System and Optimize the Tax Structure

Another key task for the next 5 years is to optimize the tax structure, which will be mainly achieved through tax legislation. According to the Legislative Plan of the Standing Committee of the 14th National People's Congress announced in 2023, the **VAT Law**, **Consumption Tax Law**, **Customs Duties Law**, and **Tax Collection and Administration Law** are all listed as first-category items.

*" Key tasks for the next five years include enhancing the fiscal relationship between central and local governments, optimizing the tax structure, and refining the budget system."*

## CHINA

(Continued)

- Among them, the Customs Duties Law was passed in April this year and will take effect on December 1, 2024. The third review of the VAT Law (Draft) will take place in December. From the previous versions of VAT Law (Draft), it is expected that the VAT legislation will mainly follow the prevailing policies.
- According to the 2024 Legislative Work Plan for the State Council, it is planned to submit the draft Consumption Tax Law and the draft Tax Collection and Administration Law to the Standing Committee of the National People's Congress for deliberation, and two laws will be the short-term focus of tax legislation.

In addition, there will also be steady progress in rolling the urban maintenance and construction tax, education surcharges, and local education surcharges into one single local surtax, as well as improving the individual income tax system. Individual income tax is an important component of the direct tax system, and its reform will go further towards the simplification of the tax system and the fairness of the tax burden.

### Improve the Budget System

The Resolution specifies that all revenues generated on the basis of the exercise of administrative power, government credit, state-owned resources and assets will be placed under government budget management, the budgeting and performance assessment systems for state capital operations will be improved, and reforms for zero-based

## UPDATES ON CRYPTO-ASSET REPORTING FRAMEWORK

On 13 December 2024 the Government announced a press release relating to Crypto-Asset Reporting Framework. According to the release, the Government has informed the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) of the OECD of Hong Kong's commitment to implementing the Crypto-Asset Reporting Framework (CARF). This aligns with our policy of enhancing international tax transparency and combating cross-border tax evasion.

CARF was published by the OECD in June 2023 with a view to ensuring that global tax transparency would be maintained in light of the rapid growth of the crypto-asset market. CARF is structured as an extension of the existing Common Reporting Standard for Automatic Exchange of Financial Account Information in Tax Matters (AEOI). It provides a similar mechanism for annual automatic exchange of tax-relevant crypto-asset account and transaction information among jurisdictions where crypto-asset users or controlling persons are tax residents.

To ensure an effective global implementation of CARF on a level playing field, the Global Forum has invited all tax jurisdictions that host a relevant crypto-asset sector and have been identified as immediately relevant to CARF (including Hong Kong) to implement it. Based on the latest timetable set by the Global Forum, the Government aims to commence the first automatic exchanges with relevant jurisdictions under CARF from 2028. Accordingly, it is targeted that the necessary local legislative amendments be in place by 2026.

## HONG KONG



*"...the Government has informed the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) of the OECD of Hong Kong's commitment to implementing the Crypto-Asset Reporting Framework (CARF)."*

(Continued)

Meanwhile, stablecoins have been identified by the Hong Kong regulators as the first batch of crypto-assets for inclusion in the regulatory framework. The Hong Kong Monetary Authority (HKMA) has initiated a sandbox for stablecoin issuers, with the first batch of participants announced in July 2024. This sandbox allows issuers to test their products in a controlled environment under regulatory supervision.

Priority is accorded to stablecoins as they purport to reference to one or more fiat currencies and are anticipated to have more application in commercial activities than other crypto-assets such as bitcoins which are mainly for investment or wealth preservation. Given the anticipated increase of use in commercial activities, it is felt that stablecoins may pose a greater or more imminent monetary and financial stability risks. As stablecoins are pegged to a reserve of assets, the pegging facilitates minimization of price volatility and provides assurance that they are backed by liquid assets. Stablecoins are therefore suitable as a medium of exchange and for everyday business transactions, cross-border payments and transaction settlement at reduced conversion fees.

The key matters for inclusion in the regulatory framework include:

- Governance – establishment and maintenance of rules governing in-scope stablecoin arrangements;
- Issuance – arrangement on the issuance, creation and destruction of in-scope stablecoins;
- Stabilization – mechanism for stabilization and reserve management arrangement for in-scope stablecoins; and
- Wallets – arrangement on service provision for storing users’ crypto keys for access and management of in-scope stablecoins.

The regulatory requirements for stablecoins shall cover the following specific aspects:

- Overall framework – to embrace ownership, governance and management, financial resources requirements, risk management, AML & CFT, user protection, statutory audit and disclosure.
- Full backing and redemption – to require the value of the reserve assets meeting the value of the outstanding stablecoins at all times, and to require redemption into the referenced fiat currencies at par within a reasonable period. Hence, stablecoins that derive value from arbitrage or algorithms are likely not admissible for licensing.
- Principal business restriction – to require the stablecoin issuers to refrain from conducting other business activities.
- HKD-backed stablecoins regulated – to bring in-scope under the Hong Kong regulatory framework entities carrying on regulated activities with HKD-backed stablecoins whether they operate in Hong Kong or elsewhere.

To round up, below is the key progress of establishing the regulatory framework relating to stablecoins:

*1 - Consultation Conclusions:* In July 2024, the HKMA and the Financial Services and the Treasury Bureau (FSTB) published the conclusions of their consultation on the proposed regulatory regime for stablecoin issuers.

*2 - Legislative Framework:* The HKMA is preparing a bill to implement this regulatory regime, which is expected to be introduced to the Legislative Council before the end of 2024. This bill will include licensing and supervisory guidelines to help stablecoin issuers comply with the new regulations.

*“Priority is accorded to stablecoins as they purport to reference to one or more fiat currencies and may pose a greater or more imminent monetary and financial stability risks.”*



**(Continued)**

3 -*Sandbox Participants*: The HKMA has also initiated a sandbox for stablecoin issuers, with the first batch of participants announced in July 2024. Participants are allowed to test their products in a controlled environment under regulatory supervision.

4 -*Global Coordination*: Hong Kong's approach aligns with international efforts to regulate crypto-assets. This has been confirmed by the press release mentioned above. These steps are part of Hong Kong's broader strategy to embrace financial innovation while ensuring stability and protecting consumers and commitment to international tax transparency and combating cross-border tax evasion.

## UPDATES ON AUDITING AND ACCOUNTING, ENVIRONMENTAL LAWS AND DIRECT TAXES

In this write-up, we have discussed the various updates on Auditing and Accounting, Environmental laws, and Direct taxes.

*On 6 December 2024, the Reserve Bank of India ('RBI') presented its Monetary Policy Statement, 2024-25. RBI projects 6.6% as India's real GDP growth for the year 2024-25.*

### Auditing and Accounting

#### 1. National Financial Reporting Authority ('NFRA') clarifies the role and obligations of the 'Group auditors' under the Companies Act, 2013 and the applicable Standards.

In October 2024, NFRA issued a circular clarifying the roles and obligations of the 'Principal Auditor' and 'Other Auditors' in the audit of 'Group Financial Statements' ('GFS'). The circular reiterates the role and obligations of the auditors to correctly interpret the provisions of:

- The Companies Act, 2013 ('the Act')
- Standards on Auditing ('SA'), i.e. SA 200 and SA 600 in particular
- Standards on Quality Control ('SQC')

It applies to the entities covered under Rule 3 of the NFRA Rules, 2018, being:

- Listed entities (on Indian/Foreign Stock Exchange)
- Insurance, Banking, and Electricity generation companies
- Unlisted public companies, having, as on 31st March of the immediately preceding financial year:
  - paid-up capital of INR 500 crores and above  
OR
  - annual turnover of INR 1,000 crores and above  
OR
  - aggregate outstanding loans, debentures, and deposits of INR 500 crores and above.

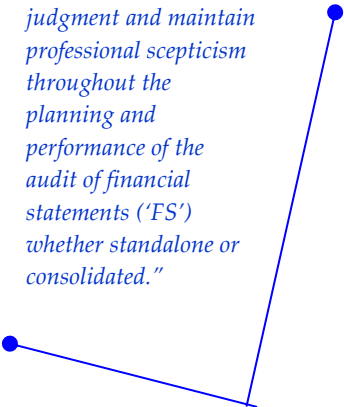
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Chartered Accountants

*"On 6 December 2024, the Reserve Bank of India presented its Monetary Policy Statement, 2024-25... projects 6.6% as India's real GDP growth for the year 2024-25."*

(Continued)

*“The auditor must exercise professional judgment and maintain professional scepticism throughout the planning and performance of the audit of financial statements (‘FS’) whether standalone or consolidated.”*


**Key takeaways of the circular:**

- The circular aims to prevent audit failures and loss of confidence in audit of Public Interest Entities.
- It states that the overall objectives of the audit of financial statements are the same for a Principal Auditor or a Component/Other auditor.
- The circular casts a responsibility on the Principal Auditors to conduct adequate procedures in audits of GFS even if, in their opinion, a particular SA by itself, does not require them to do so.
- According to SA 200: ‘Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing’, the auditor shall comply with all SAs relevant to the audit.
- The auditor must exercise professional judgment and maintain professional scepticism throughout the planning and performance of the audit of financial statements (‘FS’) whether standalone or consolidated.
- **The term ‘should’ used in SA 600:** ‘Using the Work of Another Auditor’ is mandatory and not left to the discretion/arbitrary choice of the Principal Auditor. Hence all the requirements mentioned under various paragraphs of the SA are to be mandatorily undertaken by the undertaken by him.
- Sharing of the work papers by the Component Auditor/Other Auditor with the Principal Auditor is permissible for discharging the latter’s professional duties. Such sharing of work papers is also consistent with SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, which state: **The statutory auditor of a listed entity shall undertake a limited review of the audit of all the entities/companies whose accounts are to be consolidated with the listed entity** as per the relevant accounting standard (AS 21/Ind-AS 110) in accordance with guidelines issued by the Board on this matter.
- The Principal Auditor should consider the professional competence of the other auditor, in the context of a specific assignment, if such other auditor is not a member of the Institute of Chartered Accountants of India (‘ICAI’). This does not prevent the Principal Auditor from evaluating the professional competence of another auditor (being a member of ICAI) for gathering sufficient appropriate audit evidence and forming an opinion on the GFS.

**2. ICAI issues Quality Management Standards – SQM1 and SQM2**

On 14 October 2024, the Auditing and Assurance Standards Board of the ICAI issued two new Standards on Quality Management, viz.,

- **SQM 1: Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements –** This Standard deals with a firm’s responsibilities to design, implement and operate a system of quality management for audits or reviews of financial statements, or other assurance or related services engagements.
- **SQM 2: Engagement Quality Reviews –** This SQM applies to all engagements for which an engagement quality review is required to be performed in accordance with SQM 1 / SQC. It deals with the appointment and eligibility of the engagement quality reviewer, and the performance and documentation of the engagement quality review.
- **Both SQM 1 and SQM 2 are recommendatory from 1 April 2025 and mandatory from 1 April 2026.**

The present ‘Standard on Quality Control’ (‘SQC’):1 will continue to be applicable till SQM 1 and SQM 2 become applicable.

## Environmental Laws

Recently, the Ministry of Environment, Forest and Climate Change introduced three comprehensive sets of rules to enhance transparency and efficiency in addressing environmental violations. The below-notified rules provide a systematic approach to conduct enquiries in cases of violations under the relevant Acts and provide a manner for penalising the offenders.

- Environment Protection (Manner of Holding Inquiry and Imposition of Penalty) Rules, 2024
- Air (Prevention and Control of Pollution) (Manner of Holding Inquiry and Imposition of Penalty), 2024
- Water (Prevention and Control of Pollution) (Manner of Holding Inquiry and Imposition of Penalty) Rules, 2024

## Direct Taxes

On 29 November 2024, the Central Board of Direct Taxes ('CBDT') introduced the Safe Harbour Rules ('SHR') for foreign companies engaged in the diamond mining business.

### Key features of the SHR:

1. The eligible assessee (foreign company) must be engaged in the diamond mining business and the sale/gross receipts must be from the sale of raw diamonds.
2. The assessee can apply for SHR if the profits and gains of the eligible business chargeable to tax under the head "Profits and gains of business or profession" are 4 % or more of the gross receipts from such business.
3. For the purposes of exercising option for safe harbour, the assessee shall furnish Form No 3CEFC, complete in all respects, to the Assessing Officer before furnishing the return of income under section 139 for the relevant previous year.
4. If the option for Safe Harbour is exercised, the following consequences shall apply:
  - The transfer price declared by the assessee will be accepted by the revenue authorities.
  - Deductions under sections 30 to 38 are deemed to be allowed.
  - Depreciation is deemed to be claimed, and the written-down value ('WDV') of assets is adjusted accordingly.
  - Set-off of unabsorbed depreciation under section 32(2) or carried-forward business losses under section 72(1) are disallowed.
  - Set-off of losses from other businesses under section 70(1) or other heads of income under section 71(1)/(2) against business profits is not allowed.
  - The assessee exercising the option for SHR shall not be entitled to invoke a mutual agreement procedure under an agreement to avoid double taxation under section 90 or 90A.

**INDIA**

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# MFP

M. F. Padernal and Co.

### VAT on Digital Services

Republic Act (RA) No. 12023, which imposes a 12% Value Added Tax (VAT) on digital services provided by both resident and non-resident digital service providers (DSPs) consumed in the Philippines, was signed into law on October 2, 2024.

Under the new law, the term “digital service” is defined as any service that is supplied over the internet or other electronic network with the use of information technology and where the supply of the service is essentially automated. Digital services include online search engine, online marketplace or e-marketplace, cloud service, online media and advertising, online platform, or digital goods.

DSP, on the other hand, is a resident or nonresident supplier of digital services to a consumer who uses digital services. Nonresident DSP means a DSP that has no physical presence in the Philippines.

The DSPs, whether resident or non-resident, are liable to 12% VAT of the gross sales derived from digital services consumed in the Philippines. While resident DSPs incur and remit the 12% VAT as usual, nonresident DSPs will be taxed based on whether the consumer of the digital service is VAT-registered.

For non-VAT registered consumers, the nonresident DSPs will remit the VAT to the Bureau of Internal Revenue (BIR). For VAT-registered consumers, the law introduces a “reverse charge mechanism” wherein the consumer is liable to remit the VAT to the BIR 10 days following the end of the month when the VAT was withheld. In the usual VAT mechanism, the seller is responsible for filing and paying VAT; however, this responsibility is now shifted to the purchaser of digital services.

VAT-registered consumers of digital services may claim the same as input tax, while nonresident DSPs are explicitly disallowed from claiming the same as tax credits.

VAT-registered nonresident DSPs classified as online/e-marketplaces are further liable to remit the VAT on the transactions of nonresident sellers that go through their platform, subject to the condition that the online marketplace controls the terms and conditions of the supply of goods and is involved in the ordering or delivery of the goods.

The law meanwhile exempts the following: online educational services from private educational institutions duly accredited by the Department of Education, Commission on Higher Education, or Technical Education and Skills Development Authority; the sale of online subscription-based services to the mentioned government agencies and other educational institutions recognized by them; and online services provided by banks, non-bank financial intermediaries performing quasi-banking functions, and non-bank financial intermediaries, including those rendered through different digital platforms.

Nonresident DSP must manually or electronically register for VAT and issue a digital sales or commercial invoice for every sale of digital services if: (i) VATable gross sales for the past 12 months have exceeded the current effective VAT threshold (currently Php 3,000,000); or (ii) there are reasonable grounds to believe that the VATable gross sales for the next 12 months will exceed the same threshold. The Bureau of Internal Revenue shall establish a simplified automated registration system for nonresident DSPs.

*“VAT-registered consumers of digital services may claim the same as input tax, while nonresident DSPs are explicitly disallowed from claiming the same as tax credits.”*

For DSPs that are required but failed to register, the Commissioner of Internal Revenue has the power to suspend its business operations in the Philippines by blocking the digital services in coordination with the Department of Information and Technology through the National Telecommunication Commission.

**(Continued)**

DSPs that are not required to be VAT-registered may be imposed a withholding percentage tax, the rate of which will be determined by the Secretary of Finance.

**Philippines Formally Bans Offshore Gaming Operations**

On November 5, 2024, President Ferdinand Marcos Jr. signed and issued Executive Order (EO) No. 74, s. 2024 formalizing the ban on Philippine offshore gaming operations (POGOs) in the country. The ban covers all Philippine offshore gaming operators (POGOs), internet gaming licensees (IGLs), and other offshore gaming licensees.

Applications for new licenses, permits or authorizations of POGO/IGL and other offshore gaming applicants, as well as applications for other licenses, permits or authorizations for POGO, IGL and other offshore gaming-related/auxiliary/ancillary services, shall no longer be allowed.

All existing licenses, permits or authorizations issued to POGO/IGL and other offshore gaming operators shall no longer be renewed or extended. Those with existing licenses have until December 31, 2024 to wind up and completely cease their operations.

*“All existing licenses, permits or authorizations issued to POGO/IGL and other offshore gaming operators shall no longer be renewed or extended.”*

**Philippines Passes New Tax Law for Economic Boost**

President Ferdinand Marcos Jr. has signed the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) Act (Republic Act No. 12066) into law on November 8, 2024.

The law expands, amends and clarifies some provisions of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, which was passed in 2021. The law aims to streamline value-added tax (VAT) provisions, provide more globally attractive and competitive tax incentives and improve ease and reduce cost of doing business.

Among the highlights of the new tax law are the following:

- Streamlined VAT and excise tax refund process by limiting the documentary requirements and clarifying VAT concerns raised by export-oriented enterprises
- Reduced corporate income tax rate for Registered Business Enterprises (RBEs) under the Enhanced Deductions Regime (EDR) from 25% to 20%
- Introduction of the Registered Business Enterprise Local Tax (RBELT) of not more than 2% of gross income in lieu of all local taxes, fees and charges, for RBEs under the Income Tax Holiday (ITH) and EDR
- Exemption of RBEs under the 5% Special Corporate Income Tax (SCIT) rate from all national and local taxes, local fees and charges
- Enhanced deduction schemes for export and domestic market enterprises:
  - a. One hundred percent (100%) additional deduction on power expense incurred in the taxable year.
  - b. Deduction for reinvestment allowance to manufacturing and tourism industries - no more than fifty percent (50%) of the amount reinvested

## PHILIPPINES

(Continued)

shall be allowed as a deduction from its taxable income within a period of five (5) years from the time of such reinvestment.

- c. Fifty percent (50%) additional deduction on expenses relating to exhibitions, trade missions, or trade fairs.
- d. Net operating loss carry over (NOLCO) of the registered project or activity during the first three (3) years from the start of commercial operation, which had not been previously offset as deduction from gross income, may be carried over as deduction from gross income within the next five (5) consecutive taxable years immediately following the last year of the ITH entitlement period of the project.

- Extended incentive periods for qualified RBEs, initially capped at a maximum of 10 years now to a period of 17 to 27 years
- Tax or duty exemption on donations of capital equipment, raw materials, spare parts, or accessories to the government, state-owned corporations, Technical Education and Skills Development Authority, state universities and colleges, Department of Education, and schools accredited by the Commission on Higher Education
- Increased investment capital approval threshold for Investment Promotion Agencies (IPA) from Php1 billion to Php15 billion; only projects exceeding Php15 billion will now be required for review by the Fiscal Incentives Review Board.
- Institutionalized adoption of flexible work arrangements as a business model for registered business enterprises in economic zones and freeports, without disruption in the enjoyment of their tax incentives

“Through this law, we seek to attract both domestic and global investments, focusing on strategic industries”, the President said in his speech during the ceremonial signing of the law.

## VIETNAM

### MAJOR LAW CHANGES ON TAX APPLICATION AND ADMINISTRATION



As with the fast-changing pace of the business and investment environment in the digital age, current legal regulations in Vietnam have revealed many limitations in administration and practical application to suit the development needs of new business models and the increase in average personal income. On November 30, 2024, the 8th session of the National Assembly of Vietnam ended with the approval of 18 laws, 21 resolutions and initial discussions on 10 draft laws. Many of these regulations will take effect from January 2025.

The large number of passed laws and amendments are likely to affect the management of enterprises and investment activities of foreign investors significantly. Some notable changes which will be applied to organizations/ individuals doing business in Vietnam (especially for cross-border, e-commerce transactions) are as follows:

#### Law on Value Added Tax (amended), effective from July 1, 2025:

- Some changes in the classification of goods and services that are not subject to VAT, subject to 0% tax rate and changes in other applicable tax rates.

(Continued)

- Conditions for all input VAT deductions will now require non-cash payment supporting documents (while cash payments of less than VND 20,000,000 were allowed previously).
- Conditions for VAT refund: the buyer is only eligible for VAT refund in cases where the seller has declared and paid VAT on the issued invoice. This condition is to eliminate cases of tax refund based on fabricated invoices.
- Additional definition for VAT taxpayer includes foreign suppliers without a permanent establishment in Vietnam who conduct e-commerce business activities on digital platforms with organizations/individuals in Vietnam (collectively referred to as “foreign suppliers”). In addition, organizations who manage e-commerce trading/digital platforms (with payment functions) must declare, deduct, and pay VAT on behalf of sellers for transactions made via their platforms.

#### Amending and supplementing the Law on Tax Administration:

- Foreign suppliers engage in e-commerce business activities or trading of goods and services based on other types of digital platforms, have obligations to directly or authorize others to complete tax registration, make tax declarations and payments in Vietnam (effective from January 1, 2025).
- Business individuals, legal representatives of enterprises, foreigners, etc.... must fulfill their tax payment obligations before leaving the country. This may affect individual investors and representatives of foreign companies who may be temporarily suspended from leaving the country in case they have not fulfilled their tax obligations (the tax authorities will notify taxpayers in cases when they impose such suspensions).

*“Foreign suppliers engage in e-commerce business activities or trading of goods and services... have obligations to directly or authorize others to complete tax registration...”*

#### Amendments and supplements to the Law on Personal Income Tax:

- Amendments to the Law on Personal Income Tax are also adjusted in a synchronous manner with the amendments to the Law on VAT and the Law on Tax Administration in the direction of: regulating the responsibilities of organizations and individuals paying income, managing e-commerce trading floors and digital platforms... to declare, deduct and pay personal income tax on behalf of taxpayers participated on their platforms, including both resident and non-resident taxpayers in Vietnam.

In general, these changes and supplements to various Tax Laws focus on solving administrative issues of cross-border transactions to avoid tax losses. As in the cases of Temu and Shein (e-commerce trading platforms), who have taken initial steps to penetrate the Vietnamese market without being officially licensed, connecting domestic consumers with competitive pricing goods mainly originating from China. Temu has to temporarily suspend its operation after a discussion with the Ministry of Industry and Trade until the license is approved.

Along with other regulatory changes and amendments passed by the National Assembly at the same time such as the Law on Planning, Law on Investment, Bidding, Accounting, Auditing, Securities, Handling of Administrative Violations, Health Insurance... organizations and individuals (including foreign investors) conducting businesses in Vietnam will have to prepare for many adjustments in strategy and approach in the near future.

### Disclaimer

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 endeavor 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.

Business consultants with a  
global perspective

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