

How to Overcome the Complexity of the Foreign Contractor Tax in Vietnam

Best Practices, Technical & Practical pitfalls



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Introduction



Supplies of goods, services and other income by enterprises without a presence in Vietnam are in nearly all cases subject to the so-called “Foreign Contractor Tax”. This tax collection system covers corporate income tax (“CIT”) and Value Added Tax, but also Personal Income Taxes on income derived by individuals. Engineering and construction projects carried out in Vietnam, supply of equipment and installation, but even loans and insurance arrangements will resort under this tax regime. In most cases, the payer of the income will as far as tax authorities are concerned be liable to deduct the tax at source, file a tax declaration and pay the tax. Although based on simple principles, the FCT is fairly complex in practice. Different tax rates and values apply to different business lines. The process of registration and tax filing, which has a significant effect on actual tax liabilities, is not always clear to the enterprises concerned who must register in which circumstances. Different rules may apply in case a “double taxation agreement” governs the income that is paid abroad.

As a result, FCT issues are often highly frequent, important and difficult in the business of many enterprises. An incorrect understanding of the FCT liability may result in penalties, interests or in overpaying taxes that are actually not even due. Enterprises cannot always engage tax consultants for each and every payment. It is, of course, quite beneficial to enterprises that they dispose over a good understanding of how the FCT applies to the payments they make. In this detailed one day seminar, well-known experts of the advisory profession share their valued knowledge and practical experiences with the course registrants. A detailed course program has been designed to meet the needs of key staff of enterprises in this regard. The objective is to provide a detailed practical understanding of the application of the tax, so that registrants are able to determine the tax consequences of real-life cases in their enterprise.

Key Points

- ✓ **Which withholding taxes apply to construction, installation and supply of services?**
- ✓ **Split services from equipment or not? Pros and cons**
- ✓ **How to obtain exemptions based on the double taxation agreement?**
- ✓ **Pan Special issues for assigning staff and management fees**
- ✓ **Onshore and offshore services: common pitfalls and how to avoid them**
- ✓ **Does the FCT apply when the payment is made from abroad?**