ITX InTouch

The latest in indirect tax news for the Asia Pacific region

Issue 2, 2022 – March 2022

pwc

Introduction

Welcome to the latest issue of InTouch which covers the key developments in value added tax (VAT) and goods and services tax (GST) in the Asia Pacific region during the period January to March 2022. As economies within our region become increasingly impacted by Global events, the role indirect taxes play in either supporting targeted stimulus measures or aiding revenue collections will become more and more critical.

Please reach out to any of the PwC contacts listed in this issue if you have any questions on the news items.

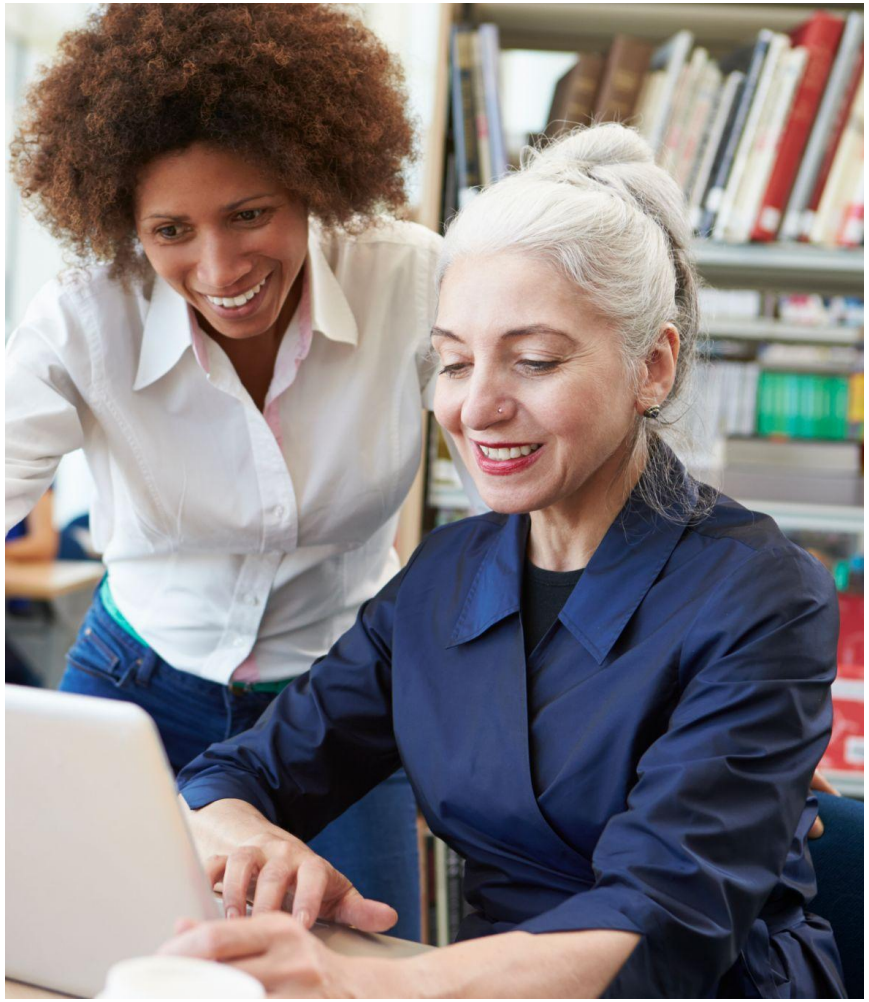

Table of contents

Australia

ATO's future engagement under the Top 100 GST Program

The Australian Taxation Office (ATO) has published a document setting out how it will approach future engagement with taxpayers in its Top 100 Goods & Services Tax (GST) Program after the initial assurance review. The document states that taxpayers that have received in the ATO's initial review an overall high assurance rating that the taxpayer pays and reports the right amount of GST will be subject to further review at least once every four years. Taxpayers in this category are expected to proactively engage with the ATO and make disclosures of material business changes, changes in GST positions taken, and any new or significant transactions. A list of the types of disclosures the ATO expects to be disclosed on a real time basis is set out at Appendix A of the document. Taxpayers that received an overall medium assurance will be subject to a periodic assurance review at least once every four years, with possible targeted assurance activities during the intervening period on areas of concern. Where the initial review contained recommended next steps for the taxpayer, the ATO will review what action has been taken in relation to these steps during the next review. The ATO states that overall low assurance taxpayers will be comprehensively and intensely reviewed through an annual justified trust assurance review using a whole of business approach. Top 100 Annual Compliance Arrangement (ACA) taxpayers that achieve overall high or medium assurance will revert to an annual ACA review.

GST administration annual performance report 2020–21

The ATO has released the 2020-21 GST administration annual performance report. According to the report, the net GST gap calculated for 2019-20, is estimated to be 7.8 per cent, resulting in the ATO receiving over 92 per cent of the GST revenue that was expected to be collected. In other highlights, as the economy recovered from COVID-19 in 2020-21,

AUD 73.1 billion was raised in GST cash collections. This included AUD 1.0 billion in GST for supplies of digital products and services, and low value imported goods and AUD 2.3 billion in liabilities through client engagement activities including compliance and lodgement enforcement activities and high-risk refund case work.

ATO updates

Landlord entitled to underpayment on rent on GST-exclusive basis

The New South Wales Supreme Court has held in Shimden Pty Ltd v Park Pty Ltd [2022] NSWSC 267 that a commercial landlord was entitled to recover underpaid rent on a Goods & Services Tax (GST) exclusive basis. The landlord had mistakenly issued invoices for rent on a GST inclusive basis, however the Supreme Court held that rent payable under the contract was properly GST exclusive based on its terms. The landlord was able to rely on the lease terms on the basis that the Supreme Court was not satisfied that the parties had adopted a mutual assumption in relation to GST and were bound by the terms of the lease as they had executed it.

No input tax credit for falsified transactions

The Administrative Appeals Tribunal (AAT) has held in Kais Jewellery (Syd) Pty Ltd v Feder Commissioner of Taxation [2022] AATA 425 that the taxpayer was not entitled to input tax credits on purported scrap gold acquisitions on the basis that it failed to substantiate that the acquisitions were actually made. The ATO had originally disallowed the input tax credits on the basis of evidence, including statements made by a supplier of the purported scrap gold that invoices had been falsified. The AAT affirmed the ATO's decision on the basis that it could not be satisfied that the transactions had actually occurred and that while tax invoices were a significant aspect of Australia's GST system, they did not create a taxable supply.

For more information please contact

Michelle Tremain
Partner, PwC Australia
Indirect Taxes lead, Asia-Pacific
Phone: +61 8 9238 3403
Email: michelle.tremain@pwc.com

Value-added Tax (VAT) – Regulations/Circulars

Public Notice Jointly Issued by MOF and STA on Further Implementing the Refund of VAT Credit Balance

The Ministry of Finance (MOF) and State Taxation Administration (STA) jointly issued Public Notice [2022] No. 14 to further enhance the polices on the end-of-period excess input VAT credit refund.

1. For Small-and-tiny Enterprises (STEs), the applicable scope of the policy of full refund of incremental VAT credits on a monthly basis that is currently enjoyed by the advanced manufacturing sector is expanded to cover all qualified STEs (including individually owned businesses). Also, the STEs can enjoy a lump sum refund of existing VAT credits.

2. For 6 specific sectors (i.e. “manufacturing”, “scientific research and technical services”, “electricity, heating, gas and water production and supply", "software and information technology services", "ecological protection and environmental governance" and "transport, warehousing and postal " sectors, hereinafter referred to as “manufacturing and other sectors”) , the applicable scope of the policy of full refund of incremental VAT credits on a monthly basis that is currently enjoyed by the advanced manufacturing sector, to all qualified enterprises (including individually-owned businesses) in the manufacturing and other sectors. Also, those enterprises can enjoy a lump sum refund of existing VAT credits.

Public Notice Jointly Issued by the MOF and STA Regarding the VAT Exemption Treatment for Small-scale VAT Payers

The MOF and STA jointly issued Public Notice [2022] No. 15 to further support the development of STEs.

1. From 1 April 2022 to 31 December 2022, the income of the small-scale VAT payers with an applicable VAT rate of 3% is exempt from VAT.

2. For income items subject to prepayment of VAT at the rate of 3%, the VAT prepayment will be suspended.

3. Relevant tax preferential policies for COVID-19 prevention and control as stipulated in Public Notice [2021] No. 7 is extended until 31 March 2022.

For more information, please contact Robert Li, National Indirect Tax Leader - PwC China

For more information please contact:

Robert Li
Senior Manager - Indirect Tax, PwC China
Phone: +86 (21) 2323 2596
Email: robert.li@cn.pwc.com

India

Notifications/Circulars for CGST

CGST Notifications

- ***Notification No. 01/2022- Central Tax dated 24-02-2022*** Seeks to implement e-invoicing for the taxpayers having aggregate turnover exceeding Rs. 20 Cr from 01 st April 2022.
- ***Notification No. 02/2022 - Central Tax dated 11-03-2022*** Seeks to Appoint Common Adjudicating authority for adjudicating the show cause notices issued by DGGI under GST.

Case laws

- The Supreme Court in case of **Toyota Kirloskar Motor Private Limited**, under the Pre-GST regime, has held that outdoor catering services provided to employees within the employer's premises was for 'personal use' or 'personal consumption' of the employees and hence would be excluded from the definition of 'Input services' as provided under Cenvat Credit Rules, 2004 ('CCR') i.e., no credit would be available in case of such service.
- Gujarat Appellate Authority for Advance Ruling (AAAR) in the matter of **M/s. Aristo Bullion Pvt. Ltd.** has held that Section 16(1) of the CGST Act only states the eligibility and conditions for taking ITC. It does not impose any restriction on utilization of the legitimately earned ITC. Section 16(1) nowhere mandates to prove one-to-one correlation of inputs with particular outward supply. Therefore, the amount of input tax credit lying in the electronic credit ledger can be utilised by the appellant for making any payment of output tax payable by him.
- Maharashtra Appellate Authority for Advance Ruling (AAAR) in the matter of **M/S. Cummins India Limited** [Advance Ruling No. MAH/AAAR/AM- RM/01/2021-22 dated December 21, 2021] has held that registration and compliance as an Input Service Distributor (ISD) is mandatorily required to distribute ITC on common input services received by a unit on behalf of other units. AAAR has concluded that, for the purpose of distribution of ITC of common input services, registration as an ISD is mandatorily required.
- Maharashtra Bench of the Authority for Advance Ruling (AAR) in the case of **Emcure Pharmaceuticals Limited**, held that no GST shall be payable for recoveries made on account of provision of Canteen facility, Notice pay recovery and Transportation facility to employees. It was ruled that all three of the aforementioned recoveries shall not to be treated as a transaction made in the course or furtherance of business and consequently, no GST shall be payable.
- Authority of Advance Rulings (AAR) in the case of **Ganga Kaveri Seeds Pvt. Ltd.** [TS-52-AAR(TEL)-2022-GST] and **M/s M. NARASIMHA REDDY & SONS** [2022-VIL-33-AAR] held that supply of seeds made by the applicants are not falling under the ambit of agricultural produce and accordingly the outsourced activities (storage, packing, loading, unloading, cleaning, grading, transportation etc) would not be exempt under GST law. Hence, no exemption on outsourced activities in relation to seeds if not qualifying as agriculture produce.

For more information please contact:

Pratik Jain
Partner, National Leader - Indirect Tax, PwC India
Phone: +91 98111 41868
Email: pratik.b.jain@pwc.com

Malaysia

Postponement of implementation of excise duty on pre-mixed preparation of sugar sweetened beverages

It was announced in the 2022 Budget in October 2021 that with effect from 1 April 2022 excise duty would be imposed on certain pre-mixed preparations of sugar sweetened beverages (SSB) containing a total sugar content exceeding 33.3 grams per 100 grams. However, the Royal

Malaysian Customs Department (RMCD) made an announcement on 31 March 2022 that the above implementation has been postponed to a later date that is to be announced. We will provide you with the date and details of the implementation once the RMCD has finalised and released them.

For more information please contact

Raja Kumaran
Tax Director, Indirect Tax, PwC Malaysia
Phone: +60 (3) 2173 1701
Email: raja.kumaran@pwc.com

New Zealand

The Taxation (Annual Rates for 2021–22, GST, and Remedial Matters) Act

The Taxation (Annual Rates for 2021–22, GST, and Remedial Matters) Act ("the Act") was passed in March, with Royal assent given on 30 March 2022. The new Act includes a variety of policy and technical changes to New Zealand's tax legislation. We provide a high-level summary of the GST changes we anticipate as having the most significant impact below.

Cryptoassets

The Act confirms the following key GST changes / clarifications for cryptoassets:

- Cryptocurrency will be neither taxable nor an exempt supply – as such, transactions involving cryptocurrencies should effectively be ignored from a GST perspective.
- Non-fungible tokens ("NFTs") will be captured by ordinary GST principles, including the remote services rules.
- Services which involve arranging the provision, or transfer, of ownership over cryptocurrency are confirmed as being exempt e.g. brokerage services.
- Options over cryptocurrency are also confirmed as being exempt from GST.

All the above changes are deemed to apply retrospectively (from **1 January 2009** – when Bitcoin was launched). In addition, GST-registered businesses will be able to claim GST in respect of costs incurred on crypto coin issues (from **1 April 2017**).

Modernising invoicing requirements

The Act includes significant changes to the invoicing and record-keeping requirements, which were widely considered to be out of date.

One of the most significant changes is the removal of the requirement to issue and hold a single prescribed "tax invoice" document. This change permits input tax to be recovered and businesses to be compliant as long as they hold specific information (known as "taxable supply information" – in some form, e.g., commercial invoices, supply agreements etc).

Despite the good intention to simplify and modernise the rules, there are a number of drafting complexities in the rules so care will be required. Some of the more significant changes (including the removal of the requirement to issue tax invoices) have been deferred by one year and will apply for taxable periods beginning on or after **1 April 2023**.

The following changes came into force from 30 March 2022:

- There is no longer a requirement to obtain the Commissioner's approval before issuing Buyer Created Tax Invoices.
- Reissued invoices are no longer required to be marked "copy only".

We provided more detailed commentary on these changes when they were proposed in our September Tax Tips Alert.

GST grouping

Historically there had been an inconsistent approach to how widely the GST grouping rules should be applied - i.e., whether all supplies should be considered to be made / received by the representative member, or by

the individual entities (in which case the benefits of grouping were mainly administrative).

The Act has clarified this and has adopted a "wide" view - i.e., all supplies made by members in a GST group are deemed to be made by the group's representative member.

In addition, the Act permits companies leaving GST groups to limit their *joint and several* liability.

Overall, the changes are positive, but care will be required in many grouping scenarios especially for partially exempt taxpayers and for situations where companies enter or exit the GST group. We expect Inland Revenue will issue interpretative guidance.

Allowing a second-hand goods input tax credit on supplies between associated persons

Historically if two parties were associated this would automatically remove the purchaser's ability to claim a second-hand goods tax credit.

The Act has removed this restriction and permits input tax to be recovered by an associated person, based on what would have been available to the original purchaser.

We provide full commentary on the Bill (including all tax type changes) in our latest Tax Tips publication.

Other Updates

QWBA: Are certain services supplied by airport operators to international airline operators zero-rated?

Inland Revenue recently released a draft Question We've Been Asked (QWBA) addressing whether services supplied by airport operators to international airline operators should be zero-rated under section 11A(1)(a) of the GST Act. The types of services looked at in the QWBA included garbage disposal, lighting, security, aircraft parking and terminal services.

The QWBA concludes that these services should be standard rated at 15% on the basis that they do not involve the transport of passengers or goods, which is a requirement for section 11A(1)(a) to apply.

QWBA: Importers and recalculated GST

This QWBA answers the question of whether a GST-registered importer who overpays GST to the New Zealand Customs Service (Customs) can claim an input tax deduction for the whole amount of the GST paid.

The issue will only arise if the registered importer has actually paid GST to Customs. As such, if an error has been discovered before a payment is made, then the importer should contact Customs to fix the error.

However, the QWBA concludes that the proper mechanism would be for a GST-registered importer to claim the full GST input tax credit where the importer has overpaid, rather than Customs refunding the overpaid GST.

Where the importer is not GST-registered, so is not entitled to claim the input tax, Customs is allowed to refund any overpaid GST.

QWBA: Customs brokers and GST levied

This QWBA asks whether a customs broker can treat GST that is paid to Customs on behalf of their importer clients as part of their taxable activity when accounting for GST.

The QWBA concludes that a broker *cannot* claim a GST input tax credit for amounts paid to Customs on behalf of an imported client on the basis that:

- The customs broker does not pay the GST that Customs collects on their own account. They pay it on behalf of the importer.
- The customs broker is not the person who enters the goods for home consumption. To the extent they arrange for this to happen, the customer broker is merely acting as an agent for the importer.
- The customs broker does not use the goods for making their taxable supplies. To the extent that the customs broker is also a freight

forwarder, the delivery of the goods is not considered a use in making taxable supplies.

This is a significant GST development for the broker / freight forwarding industry.

Public Ruling: Importers and input tax deductions

This draft ruling outlines when invoice-based importers can claim an input tax deduction on GST levied by Customs. It also explains what documentation importers can use to support their claim for an input tax deduction.

The ruling will replace BR Pub 06/03, “Importers and GST input tax deductions”, with effect from 30 June 2022. The key differences between that publication and the current draft are:

- references have been updated for the Customs and Excise Act 2018; and
- commentary to the ruling has been revised to reflect updated practices and processes.

Additionally, the draft looks to cover new ground, such as:

- circumstances where a manual invoice or statement will be issued; and
- record-keeping requirements.

For more information please contact:

Eugen Trombitas
Partner, PwC New Zealand
Phone: +64 21 493 903
Email: eugen.x.trombitas@pwc.com

Philippines

Clarification of Issues in relation to Revenue Regulations (RR) No. 21-2021 Implementing the Amendments to the Value-Added Tax (VAT) Zero-Rating Provisions

The Commissioner of Internal Revenue has issued Revenue Memorandum Circular No. 24-2022 to clarify the transitory provisions and issues pertaining to the VAT zero-rating transactions under RR No. 21-2021 and on the effectivity and VAT treatment of transactions by registered business enterprises (RBEs) particularly, the registered export enterprises.

Salient provisions of the issuance include the following:

- With the passage of CREATE, only those goods and services that are directly and exclusively used in the registered projects or activities of RBEs shall qualify as VAT zero-rated local purchases.
- Thus, the “cross border doctrine”, or the rule that the sales of goods/services by a VAT-registered seller to registered enterprises inside the economic and freeport zones were treated as constructive export subject to zero percent (0%) VAT, has been rendered inoperative.
- Effectively zero-rated sales shall only apply to sales of goods and services rendered to persons or entities who have direct and indirect tax exemption granted pursuant to special laws or international agreements to which the Philippines is a signatory.
- Business enterprises duly registered with the concerned Investment Promotion Agencies (IPAs) shall now be governed by the provisions of CREATE with respect to their tax incentives. Enterprises registered prior to the effectivity of CREATE shall continue to enjoy VAT exemptions and VAT zero-rating, subject to the rules as provided in Rule 18, Section 5 of the CREATE IRR (i.e., only to those goods and services directly attributable to and exclusively used in the registered product and activity of the export enterprise during the period of registration until the expiration of the transitory period).
- Business enterprises duly registered with the concerned IPA shall be accorded VAT zero-rating only on their local purchases of goods and/or services that are directly and exclusively used in the registered project or activity.
- The sale of goods and services that transpired from 27 June 2021 to 30 June 2021 should be subjected to 12% VAT. Meanwhile, for the sale of goods and services from 1 July 2021 to 27 July 2021, the seller and the buyer have the following options: (1) retain the transaction as subject to VAT; or (2) revert the transaction from VATable to zero-rated.
- Sales declared by the taxpayers as zero-rated for the period of 1 July 2021 up to 9 December 2021 (before the effectivity of RR No. 21-2021) shall remain as zero-rated transactions applying the non-retroactivity rule under Section 246 of the Tax Code. However, for those taxpayers that declared their transactions as subject to VAT, the options stated above may be followed
- The sale of goods and services by VAT-registered suppliers to registered export enterprises enjoying the fiscal incentives under CREATE shall be treated as VAT zero-rated, provided that the goods and services are directly and exclusively used in the registered projects/activities. The VAT zero-rating shall be enjoyed for a maximum period of 17 years from the date of registration, unless extended under the Strategic Investment Priority Plan (SIPP).
- The taxability of existing export enterprises registered prior to CREATE are as follows:

0% VAT

1. Sales of suppliers from the customs territory to existing registered export enterprises inside the Ecozones or Freeport zones but only until the expiration of the transitory period or for the remaining period of their incentives; and

2. Sales by VAT registered sellers to export enterprises registered with Board of Investments (BOI) and IPAs other than PEZA.

12% VAT

1. Sale of goods/services to existing registered non-export enterprises located inside the Ecozones or Freeport zones;

2. Sale of goods/services to non-resident foreign buyers by non-RBEs not enjoying incentives, but were delivered or rendered to export-oriented companies in the Philippines; and

3. Local purchases of a VAT-registered RBE with expired registration with an IPA

VAT exempt

1. The sale of processing, manufacturing or repacking services by PEZA RBEs entitled to 5% GIT or SCIT to persons doing business outside the Philippines which goods are subsequently exported, where the services are paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the BSP; and

2. The sale of raw materials or packaging materials by a PEZA RBE entitled to 5% GIT and SCIT to a non-resident buyer for delivery to a resident local export-oriented enterprise to be used in manufacturing, processing, packing, or repacking in the Philippines of the said buyer's goods.

- All approved applications and applications for VAT zero-rating that were suspended due to the effectivity of RR No. 9-2021 shall remain effective as if the RR was not implemented should the taxpayers involved in the transaction opt to revert the same as VAT zero-rated, except for the four (4)-day period covering 27 June 2021 to 30 June 2021.
- The IPA shall issue annually a VAT 0% certification only to registered enterprises. On the other hand, the registered export enterprise buyers shall provide their suppliers with a photocopy of BIR Form No. 2303, as well as the Certificate of Registration and VAT Certification issued by IPA. The registered export enterprise shall provide their suppliers a sworn declaration stating that the goods and/or services being purchased shall be used directly and exclusively in the registered project.
- Should a local supplier inadvertently pass on VAT to the registered export enterprise, the latter may contest the same and/or resolve with the former the reimbursement of VAT paid, if any. The previously issued SI/OR must be surrendered/returned to the local supplier for cancellation or replacement.
- VAT paid or incurred for purchases not directly and exclusively used in the registered project or activity of the registered export enterprise are not allowed for VAT refund. However, the following options may be availed of:
    a. If VAT registered and enjoying ITH, claim the passed-on VAT as input tax credit and apply against future output VAT.
    b. Should there be no sales subject to VAT, accumulate the input tax credits and claim as VAT refund upon expiration of VAT registration.
    c. If non-VAT registered, charge to cost or expense account.

(Revenue Memorandum Circular No. 24-2022 dated 23 February 2022)

Guidance on the claim of Input VAT on Purchases or Importations of Capital Goods Pursuant to Section 110 of the National Internal Revenue Code of 1997, as amended by TRAIN Law

The Commissioner of Internal Revenue has issued RMC 21-2022 to clarify the work-around procedures and guidelines in claiming input VAT on capital goods pending the revisions on BIR Forms 2550M and 2550Q

pursuant to Section 110 of the Tax Code, as amended, and implemented under Section 4-110-3(c) of Revenue Regulations 13-2018.

The work-around procedures and guidelines prescribed by the RMC are as follows:

BIR Form No.	Affected fields	Description	Remarks
2550M (v. February 2007)	Schedule 3(A)	Purchases/Importation of Capital Goods (Aggregate Amount Exceeds PHP1m)	Instead of the actual useful life in terms of months, place number "1" under columns "E" and "F" and encode the input tax claimed from purchase/s of capital goods exceeding PHP1m in Column "G"
2550Q (v. February 2007)	Schedule 3(A)	Purchases/Importation of Capital Goods (Aggregate Amount Exceeds PHP1m)	Instead of the actual useful life in terms of months, place number "1" under columns "E" and "F" and encode the input tax claimed from purchase/s of capital goods exceeding PHP1m in Column "G"

**An illustration was provided in the RMC for your reference.*

In addition, the RMC clarified that under EFPS and eBIR Forms, the balance of input tax to be carried to the succeeding periods shall be computed automatically by the systems. Thus, for implementation purposes, all input tax on purchases of capital goods shall already be allowed upon purchase/payment and will no longer be deferred effective 1 January 2022. In accomplishing the relevant schedules, the taxpayer shall indicate roman numeral "1" as the estimated and recognized useful lives and encode the total input taxes claimed under column "G", to show a nil amount under column "H".

Taxpayers with unutilized input VAT on capital goods prior to 1 January 2022 shall be allowed to amortize the same as scheduled until fully utilized. Thus, Schedule 3(B) should still be filled-out. If the capital goods are transferred within five (5) years or prior to the exhaustion of the amortizable input tax, the unamortized portion can be claimed as input tax credit in full during the month/quarter when the sale or transfer was made.

(Revenue Memorandum Circular No. 21-2022 issued 21 February 2022)

For more information please contact:

Malou Lim
Tax Managing Partner, PwC Philippines
Phone: +63 (2) 8845 2728
Email: malou.p.lim@pwc.com

Vietnam

1. Resolution 11 provides various measures to support businesses

On 30 January, the Government issued Resolution 11/NQ-CP on socio-economic recovery measures and implementation of Resolution 43/2022/QH15 on fiscal and monetary policies.

Below are some notable points:

Among various solutions set out in Resolution 11, we highlight some notable tax measures:

- 2% VAT reduction in 2022 which the Government has released Decree 15/2022 to provide guidance in this respect.
- Extension of the deadline for payment of VAT (in addition to CIT, PIT, SST and land rental) in 2022.

It is envisaged that the Government will provide implementing guidance for certain of the above measures soon.

2. Decree 15/2022 guiding the 2% VAT rate cut in 2022

Following Resolution No. 43/2022/QH15 (fiscal and monetary policies) to support the Socio-Economic Development and Recovery Program, the Government has just released Decree 15/2022 on 28 January. This provides guidance on the 2% VAT reduction, which took effect from 1 February 2022, as follows:

- The 2% VAT reduction will be applicable to goods and services which are currently subject to 10% VAT (with certain exceptions). Decree 15 provides the lists of goods and services not entitled to the 2% VAT reduction with details of product codes and HS codes.
- The 2% VAT reduction for eligible goods/ services will be consistently applied for all stages from importation, manufacturing, processing, and trading. However, it is important to note that this VAT reduction does not apply to coal exploitation.
- The effectiveness of the 2% VAT reduction will be from 1 February 2022 to 31 December 2022 (inclusive).
- For companies declaring VAT under the deduction method, the VAT rate will be stated as “8%” on VAT invoices. Importantly, companies are required to issue separate VAT invoices for goods/services being entitled to 2% VAT reduction.
- In the case that invoice adjustments are required, i.e., if the seller has issued VAT invoices for eligible goods/ services with the normal 10% VAT rate without considering this 2% VAT reduction, then the seller and the buyer must prepare minutes or a written agreement specifying the mistakes, and the seller should issue an adjustment invoice. Based on the adjustment invoice, the seller and the buyer should adjust the output VAT and input VAT.
- The goods/ services subject to 2% VAT reduction should be declared on Form 01 promulgated under Decree 15 which has to be submitted together with the VAT returns.

Further guidance on 2% VAT reduction is provided in the Official letter 2688/BTC-TCT, dated 23 March 2022 and issued by the MOF to all provincial tax departments. Please see key points as follows:

- List of goods not subject to 2% VAT reduction; provincial tax departments should guide the taxpayers to compare between the goods/ services produced/ traded by the taxpayers with the goods/ services that fall under the exception list under Decree 15 for which 2% VAT reduction is not allowable.

- Timing for issuance of invoices and the availability of 2% VAT reduction:
  - For invoices issued before 1 Feb 2022 to collect the service fees in advance with the VAT rate of 10%, whereby the services will be performed from 1 Feb to 31 Dec 2022, then no VAT reduction would be available for such invoices. For the remaining service fee where invoices are issued from 1 Feb to 31 Dec 2022, VAT reduction can be applied.
  - Where goods or services were provided in Jan 2022, but invoices were issued in Feb 2022 then VAT reduction can't be applied.
  - For invoices issued before 1 Feb 2022 with the VAT rate of 10% but there were mistakes and the goods value and/ or VAT amount need to be changed or the goods need to be returned after 1 Feb 2022, then the adjustment invoices or invoices to return goods are still subject to the VAT rate of 10%.
  - For special goods or services such as electricity, VAT reduction can be applied for invoices issued from 1 Feb to 31 Dec 22.

For more information please contact:

Annett Perschmann-Taubert
Partner, Tax Services, PwC vietnam
Phone: +84 28 3823 0796
Email: annett.perschmann@pwc.com

Thank you