

TAXES OF VIET-NAM

A SUMMARY

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Taylor, Milton C.

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Milton C. Taylor

MICHIGAN STATE UNIVERSITY

VIET-NAM ADVISORY GROUP

Preface

This summary of the tax system of Viet-Nam was prepared in order to meet the need for general information on the principal taxes levied in this country. Although the report covers only central government taxes, except insofar as these are shared by provincial and local governments, the taxes described include all major levies on business and individuals. Potential investors in Viet-Nam will find the last section on tax exemption of particular interest.

The caveat should be offered that this summary is neither definitive nor officially approved. While care has been taken to ensure that the information is reliable, any brief description of a total tax system is bound to have many omissions. Also, the tax system presented covers only basic laws and decrees and not unique applications. Persons requiring precise legal information should consult the appropriate agencies of the Vietnamese Government, which in most cases will be either the General Directorate of Taxation or the Customs Directorate.

Milton C. Taylor
Michigan State University
Viet-Nam Advisory Group
July, 1960

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TAXES OF VIET-NAM

A Summary

Introduction

Before considering the various individual taxes in Viet-Nam, it is helpful to obtain some perspective by viewing the over-all sources of government revenues. Principal characteristics of the Vietnamese revenue system may be summarized as follows:

(1) Central government revenues are dominant, accounting for nearly 90 per cent of total central, provincial, and local government revenues. Provinces are, in turn, subsidized by the central government and villages by provincial governments. Also, some central government taxes are shared taxes; that is, a percentage increase to the central government tax is levied for the benefit of the provincial and village governments.

(2) Out of a total central government budget approximating 14 billion \$VN in 1958, tax revenues accounted for about 8 billion \$VN, with the remainder being covered by non-tax revenues and foreign aid.

(3) The tax revenues of about 8 billion \$VN are derived both from duties and taxes on imports and from internal tax collections. In 1958, approximately 3 billion \$VN was derived from internal taxes and about 5 billion \$VN at the import level.

(4) These internal taxes, which produced about 3 billion \$VN in 1958, are classified in Viet-Nam into four groups. The four groups, with percentages of total internal tax collections

for 1958, are: direct (28.3 per cent); indirect (27.5 per cent); excise (28.4 per cent); and registration (15.8 per cent). Table 1 following presents the various sources of internal revenues in 1958.

(5) Responsibility for the assessment and collection of central government taxes is divided among the General Directorate of Taxation, the General Directorate of Customs, and the General Treasury, all of which fall under the jurisdiction of the Secretary of State for Finance. The Tax Directorate assesses and collects most of the internal taxes, but the General Treasury collects direct taxes. All duties and taxes levied at the import and export levels are collected by the Customs Directorate. Finally, it may be noted that no tax conventions have been signed between Viet-Nam and other countries.

TABLE 1

Estimated Central Government Collections
Including Taxes on Foreign Trade,
Calendar year 1958

Tax		Estimated Percentage of Total Tax Collections ¹
1. Income Salary	.6)	
(direct) Profits	13.6)	
General-	3.1)	21.5
Interest and dividend	4.2)	
2. Cigarettes (excise)		17.3
3. Transference of property (registration)		12.2
4. Internal production (indirect)		11.3
5. Gasoline (indirect)		8.5
6. Miscellaneous excises (surtaxes on cigarettes, wine, etc...)		4.9
7. Land Rise	1.8)	
(direct) Mixed	1.1)	3.6
Urban	.7)	
8. Patente (direct)		3.4
9. Entertainment (indirect)		2.6
10. Beer (excise)		2.5
11. Stamps, etc. (registration)		2.0
12. Meat (indirect)		1.9
13. Vehicles (indirect)		1.5
14. Vietnamese wine (excise)		1.2
15. Insurance (registration)		.8
16. Paddy transformation (indirect)		.8
17. Tobacco leaves (excise)		.7
18. Matches (excise)		.5
19. Salt (excise)		.5
20. Tax on trustees (registration)		.4
21. Brown sugar (excise)		.4
22. Precious metal (indirect)		.3
23. Ice (indirect)		.3
24. Inheritance (registration)		.3
25. French wine (excise)		.2
26. Restaurant (indirect)		.2
27. White sugar (excise)		.1
28. Transference of shares (registration)		.05
	Total	99.95

¹Collections are based only on 1958 assessments.

INTERNAL TAXES

In presenting a brief description of each central government tax, internal taxes are described first followed by duties and taxes at the import and export levels. Internal taxes, in turn, are considered under four categories: direct, indirect, excise and registration taxes.

I Direct Taxes

(i) Income and profits: The Vietnamese system of income taxation includes four different taxes:

(a) Salaries and wages are taxed at the rate of 1 to 5 per cent, but there are only three brackets: 1 per cent on income up to 50,000\$VN; 2 per cent on income from 50,000\$VN to 100,000\$VN; and 5 per cent on income over 100,000\$VN. The abatements (personal exemptions) are 30,000\$VN for single persons and heads of households; 15,000\$VN additional for married persons; 5,000\$VN for each child under 21 years of age supported by the taxpayer; and 3,000\$VN for each parent or grandparent over the age of 60 years supported by the taxpayer, or under 60 years if ill and incapable of self-support. A professional deduction is allowed for travel, entertainment, etc. of 10 per cent of gross income up to 240,000\$VN and 5 per cent of gross income exceeding 240,000\$VN. There is no withholding of the tax on salaries and wages except for military personnel. Filing date for the tax, as it is for all income taxes, is April 1 for income received in the preceding calendar year.

(b) Both individuals and corporations are subject to a profits

tax, but this tax excludes from its base income from stocks and bonds and capital gains. Deductions include all ordinary and necessary expenses attributable to earning the profit. The profits tax on individuals has the same abatements (exemptions) as the income tax on salaries. Individuals are taxed at a rate of 16 per cent and incorporated businesses at 24 per cent.

Partnerships are taxed as corporations.

(c) In addition, the general income tax is levied on all income subject to the income tax on salaries and wages and to the individual profits tax. Deductions allowed are the same as for the salary and profits tax, as well as salary, profits, and general income taxes paid in the previous year. Tax rates for the general income tax are progressive within the range of 1 to 50 per cent.

There are 18 income brackets:

<u>Income Bracket</u> (\$VN)	<u>General Income Tax Rate</u> (Per Cent)
0 - 110,000	1
10,000 - 20,000	2
20,000 - 30,000	3
30,000 - 40,000	4
40,000 - 50,000	5
50,000 - 60,000	6
60,000 - 70,000	7
70,000 - 80,000	8
80,000 - 90,000	9
90,000 - 100,000	10
100,000 - 200,000	15
200,000 - 300,000	20
300,000 - 400,000	25
400,000 - 500,000	30
500,000 - 600,000	35
600,000 - 700,000	40
700,000 - 800,000	45
over 800,000	50

(d) The tax on dividends and interest paid by corporations is a withholding levy at the corporate level on dividend and interest payments. Tax rates vary between 18 and 30 per cent. For application of the tax, corporations are first divided into foreign and Vietnamese, with this distinction being made on whether or not the headquarters of the corporation is located in Viet-Nam. Foreign corporations are taxed at the rate of 30 per cent on all dividends and interest payments allocated to Viet-Nam. Vietnamese corporations are divided into two types. Dividends from family-type corporations are taxed at 18 per cent, while dividends from public corporations are taxed at 24 per cent. Interest payments by both types of Vietnamese corporations are taxed at 18 per cent.

Before concluding this section on the taxation of income and profits, sample tax calculations are offered for the application of the tax rates to an individual and to corporation. In the case of an individual with a salary income of 500,000\$VN and a wife and two children as dependents, the salary tax would be 15,400\$VN and the general income tax 67,900\$VN. Thus, the total tax would be 83,300\$VN, which represents 16.6 per cent of the taxable income of 500,000\$VN.

For a sample calculation applying to a corporation, the assumptions are made that the firm is a public corporation headquartered in Vietnam with a net income of 10 million \$VN and that 5 million \$VN in dividends and 2 million \$VN in interest are paid out. Under these circumstances, the profits tax of 24 per cent of net income would amount to 2,400,000\$VN the tax on dividends paid of 24 per cent would total 1,200,000\$VN, and the tax on interest paid of 18 per cent would be

360,000\$VN. Thus, the total income and profits tax burden would be 3,960,000\$VN or 39.6 per cent of net income.

(2) Land and buildings: There are three basic characteristics of the Vietnamese system of taxing real property: (a) The tax is primarily a central government source of revenue, with other levels of government receiving income based on percentage additions to the central government tax. (b) Land is taxed a specific amount per square meter or per hectare according to locational value or productive capacity, while buildings are taxed on the basis of actual or estimated rental value. (c) Four basic distinctions are made in the tax rates applicable to land depending on whether it is located in an urban center, used for rice production, used for other agricultural production, or borders a rural highway or street.

Because of the detail involved in the rate structure, only urban tax rates will be presented. The tax on buildings is 6 per cent of net rent, and net rent is 75 per cent of gross rent. The tax is applicable to both rented and owner-occupied buildings. Occupied urban land is classified into five categories:

Super class:	.85\$VN per square meter
First class:	.40\$VN per square meter
Second class:	.25\$VN per square meter
Third class:	.15\$VN per square meter
Fourth class:	.05\$VN per square meter

An illustrative tax calculation will make the application of these rates more apparent. The example assumes a building located in Saigon

on 1,000 square meters of land in the Super class with the building having an actual or estimated gross rent of 120,000\$VN per annum.

(1) Determination of the tax on land:

$$\begin{array}{rcl} \text{Area} & & \text{Rate} \\ 1,000 \text{ meters} & \times & .85\$VN \\ & & = 850\$VN \end{array}$$

(2) Determination of the tax on improvements:

$$\begin{array}{rcl} \text{Gross rent} - 25\% \text{ for Expenses} & \times & 6 \text{ per cent} \\ 120,000\$VN - 30,000\$VN & \times & 6 \text{ per cent} \\ & & = 5,400\$VN \end{array}$$

(3) Real estate tax for the central government:

$$\begin{array}{rcl} \text{Land Tax} + \text{Improvements Tax} & & \\ 850\$VN + 5,400\$VN & & = 6,250\$VN \end{array}$$

(4) Real estate tax for Saigon-Cholon:

$$\begin{array}{rcl} \text{Central Government Tax} & \times & 2 \\ 6,250\$VN & \times & 2 \\ & & = 12,500\$VN \end{array}$$

(5) Garbage removal tax for Saigon-Cholon:

$$\begin{array}{rcl} \text{Net Rent} & \times & 6 \text{ per cent} \\ 90,000\$VN & \times & 6 \text{ per cent} \\ & & = 5,400\$VN \end{array}$$

(6) Sewage tax for Saigon-Cholon:

$$\begin{array}{rcl} \text{Net Rent} & \times & 3 \text{ per cent} \\ 90,000\$VN & \times & 3 \text{ per cent} \\ & & = \underline{2,700\$VN} \end{array}$$

$$\text{Total Tax: } 26,850\$VN$$

(3) The Patente: The patente is a business license tax levied on most types of professional, commercial, and manufacturing activities. Exempt from the tax are teachers, farmers, the extraction of natural resources, and a few other business activities.

There are two parts to the tax. The first, which may be called the basic tax, is a specific levy determined by the type of business. All businesses are listed in Tables B and C of the Fiscal Code. Table

B records 743 different types of businesses and professions and establishes minima and maxima basic taxes for each. For example, a tailor may be taxed within the range of 60 to 3,000\$VN per annum. Table C lists 25 businesses which are given unique treatment. There is no range in Taxation for these businesses. For example, the basic tax on the manufacture of alcohol is 3\$VN per 100 liters.

Typical basic tax rates are:

Air travel agency:	1,600 to 30,000\$VN
Restaurant:	160 to 16,000\$VN
Commercial bank:	3,000 to 100,000\$VN
Manufacturer of bottles:	100 to 2,000\$VN
Sugar factory:	30\$VN for each horsepower of equipment
Mechanical weaving:	100 \$VN per loom
Large commercial enterprises:	8,000 to 100,000\$VN.
Importers:	2,000 to 50,000\$VN

In addition to the basic tax, there is an ad valorem levy applied to the rental value of the business property. This rental value tax is assessed only on the 743 businesses listed in Table B of the Fiscal Code and not on the 25 listed in Table C. The tax rates on rental value are progressive in the range of 3 to 10 per cent depending on the amount of the basic tax assessment. This tax rate applied to the annual rent, plus the basic tax, constitutes the total patente tax for the central government:

Percentage increases of the central government patente tax are added for the benefit of local governments. In the southern region of Vietn-Nam, the maximum percentage increases are 200 per cent for the Prefecture of Saigon-Cholon and 100 per cent for the provinces and villages. There is also a percentage increase of $2\frac{1}{2}$ per cent of the central government tax for the Chamber of Commerce.

To illustrate the above, the procedural steps in determining a hypothetical tax assessment may be calculated under the assumptions that a taxpayer operates a manufacturing plant in Saigon with a basic tax of 50,000\$VN, and an annual rental value of 300,000\$VN:

(a) Central government tax:

$$\begin{aligned} & \text{(Basic tax + 10\% of rental value)} \\ & 50,000\$VN + (.10 \times 300,000\$VN) = 80,000\$VN \end{aligned}$$

(b) Saigon-Cholon tax:

$$\begin{aligned} & \text{(200 per cent of central government tax)} \\ & 2 \times 80,000\$VN = 160,000\$VN \end{aligned}$$

(c) Chamber of Commerce tax:

$$\begin{aligned} & \text{(2\frac{1}{2} per cent of central government tax)} \\ & .025 \times 80,000\$VN = \underline{2,000\$VN} \end{aligned}$$

$$\text{Total tax} \quad \therefore 242,000\$VN$$

II Indirect Taxes

(1) Production tax: The production tax is levied on both the importation of products into Viet-Nam and on the internal production of goods, and is thus really two distinct taxes. Consideration of the production tax on imports is reserved for a later section dealing with duties and taxes at the import level.

The tax rate on internally produced goods is a uniform 6 per cent of the producer's selling price and is applied only at the producer's level. A tax credit is permitted for any previous production tax paid on goods purchased and to be used as raw material in the productive process. Because of this credit, the effective rate of the production tax is about 5 per cent instead of the statutory rate of 6 per cent.

Tax liability under the production tax is determined largely on

the basis of whether or not there has been a physical transformation of goods as a result of the productive process. Consequently, service industries and commercial undertakings are exempt, but manufacturing and construction are taxable. Small producers in any industry are exempt if three conditions are fulfilled: (a) no more than six employees (including family workers) are employed; (b) gross annual sales do not exceed 500,000\$VN; and (c) the use of machinery is subordinate to hand labor in the productive process.

A number of industries have been specifically made exempt from the production tax: (a) rice husks, bran, and broken rice; (b) sugar refining; (c) raw cotton, thread, and cotton textiles; (d) occidental or oriental drugs and medicines; (e) books, newspapers, and magazines; and (f) any production for export.

Six industries have been given exemption for a period of two years starting from June 3, 1959: (a) natural silks and rayon and products made from these materials; (b) insecticides; (c) chalk, pencils, and ink to be used by students; (d) agricultural and fishing equipment; (e) machines and spare parts used for industrial and craft purposes; and (f) moving pictures.

(2) Indirect tax on gasoline: Gasoline is subject to a customs duty and other taxes at the import level as well as to an indirect tax collected internally. The internal indirect tax is collected from the distributors of the product and is levied at the rate of 2.5\$VN per liter. (See a later section on the gasoline excise tax for a summary of all taxes on this product.)

(3) Entertainment tax: Taxable entertainment is subject to both a basic tax and a surcharge. For application of the basic tax, all taxable forms of entertainment are divided into two groups. A rate of 5 per cent of gross receipts is levied on theatrical performances, shows, musical presentations, concerts, exhibitions, athletic events, and circuses. The second group, taxed at 20 per cent of gross receipts, includes cafe and tea room entertainment, horse races, motion picture theatres, night clubs, and other forms of entertainment not specifically mentioned in the first group.

Both of these basic tax rates are then increased by a surcharge, which is 100 per cent of the basic tax in the southern region of Viet-Nam and 50 per cent of the basic tax in Central Viet-Nam and the Highlands.

(4) Consumption tax on meat: Animals destined for meat consumption are required to be brought to slaughterhouses for veterinary examination, at which time the consumption tax on meat is levied. Tax rates vary with the type of animal slaughtered: beef cattle: 120\$VN per head; buffalo: 100\$VN per head; hogs: 50\$VN per head; and sheep and goats: 25\$VN per head.

(5) Tax on the circulation of motor vehicles: There are two principal features of the rate schedule for this annual motor vehicle license tax: (a) low flat rates for light vehicles such as scooters and vehicles used for the transportation of passengers and freight; and (b) progressive rates for privately-owned vehicles based on the number of cubic centimeters per cylinder. Rates presently in effect are:

300\$VN: Two or three-wheeled vehicles registered with the Public Works Department.

500\$VN: Vehicles used for the public transportation of passengers and all trucks.

1,000\$VN: Privately-owned passenger vehicles with cylinders of 1,200 c.c.'s or less.

2,000\$VN: Privately-owned passenger vehicles with cylinders of 1,201 to 2,000 c.c.'s.

3,000\$VN: Privately-owned passenger vehicles with cylinders of 2,001 to 4,000 c.c.'s.

4,000\$VN: Privately-owned passenger vehicles with cylinders over 4,000 c.c.'s.

(6) Paddy transformation tax: This tax is based on the amount of paddy hulled by millers and on the amount of paddy converted by distillers into rice for the production of alcohol. The rate of the tax is 3\$VN per 100 kilos.

(7) Precious metals tax: Taxable sales include: (a) gold, silver, platinum, pearls, diamonds, and other precious stones used to make jewelry, as well as all jewelry items made of these products; (b) the following articles, provided that they are over 50 years of age: statues, paintings, fine arts, curios and antiques; objects made of earthenware, porcelain, and ivory; and other objets d'art; and (c) the sale of stamps for use in stamp collections.

Included in the base of the tax is the value of any labor expended on the taxable articles. Also the tax is a multi-level transactions levy, with sales at all levels of trade being taxable.

A uniform tax rate of 20 per cent is levied on all taxable articles except in the case of pure gold, which is taxed at ten per cent.

(8) Ice consumption tax: This levy is a specific excise tax of 100\$VN per metric ton (1,000 kilos) on the sale of ice at the producer's level. The base of the tax includes all ice produced regardless of its intended use.

(9) Tax on consumption in restaurants: A retail sales tax of 10 per cent is levied on charges for meals and drinks exceeding 100\$VN per person. The base of the tax includes the total bill for charges exceeding 100\$VN per person and not merely that portion of the price exceeding 100\$VN.

III Excise Taxes

(1) Tobacco: Tobacco products are subject to several different tax rates depending on the nature of the product and method of manufacture:

(a) The tax on the processing of tobacco for European-type tobacco products (in part made of imported tobacco) varies according to the product. For pipe tobacco, cigarettes, and cigarillos, there is a tax rate of 40 per cent of the retail price plus a surtax of 10 per cent. Cigars are taxed at 76.5\$VN per kilo, plus a surtax of 10 per cent and an additional tax of 5\$VN per kilo for each 50\$VN by which the retail price per kilo exceeds 350\$VN.

(b) Cigarettes manufactured exclusively with domestically produced tobacco are subject to a tax rate of 25 per cent of the retail price if the price does not exceed 4\$VN per package of 20 cigarettes and to a rate of 50 per cent if the retail price exceeds 4\$VN.

(c) The processing of tobacco for consumption in the traditional Vietnamese method with betel is subject to a tax rate of 8.50\$VN per kilo.

Imported tobacco is subject to a customs duty of 20 per cent, a production tax of 25 per cent, and a perequation tax of 50 per cent.

(2) Beer: Domestically produced beer is subject to a specific excise tax of 450\$VN per 100 liters plus a verification fee of 60,000\$VN per annum for each producer. Imported beer bears the same excise tax plus a customs duty of 75 per cent of CIF price, a production tax of 25 per cent of CIF plus customs duty, and a verification fee of 1.0\$VN per 100 liters.

(3) Alcohol: Alcoholic products are divided into four types for the application of the alcohol excise tax:

(a) Vietnamese wine (made from rice) is taxed at the rate of 5.00\$VN per liter of pure alcohol.

(b) Chinese wine (made from Vietnamese wine with the addition of Chinese herbs) is subject to an additional tax of 3.5\$VN per liter of pure alcohol, a surtax of 4\$VN per liter of pure alcohol, and an over-estimated tax of 2.0\$VN for each 20\$VN or part thereof by which the retail price exceeds 50\$VN per liter.

(c) French-type liqueurs bear a tax of 25.5\$VN per liter of pure alcohol, a surtax of 12\$VN per liter of pure alcohol, and an over-estimated tax of 5.0\$VN for each 50\$VN or part thereof by which the retail price exceeds 100\$VN per liter.

(d) Methyl alcohol is subject to only one excise tax with a rate of 1.7\$VN per liter of pure alcohol.

Imported liquors with an alcoholic content exceeding 15 per cent bear the same excise tax rates as domestically produced French-type liqueurs. Other levies at the import level are a customs duty of 75 per cent of CIF price and a production tax of 35 per cent of CIF price plus customs duty.

(4) Perfume: Internally produced perfume bears an excise tax made up of three components: (a) a consumption tax of 25.5\$VN per liter of pure alcohol; (b) a surtax of 12\$VN per liter of pure alcohol; and (c) an over-estimated tax of 5.0\$VN for each 50\$VN or part thereof by which the retail price exceeds 100\$VN per liter. Imported perfume is subject to the same excise taxes as well as to a customs duty of 80 per cent of CIF price and a production tax of 35 per cent of CIF price plus customs duty.

(5) Excise tax on salt and the government salt monopoly: The excise tax on salt was eliminated on December 31, 1958 and the government salt monopoly is in the process of being dissolved.

(6) Sugar: White refined sugar, imported raw sugar, and palm sugar bear an excise tax of 85\$VN per 100 kilos, while domestically produced brown or artisan sugar is taxed at 50\$VN per 100 kilos.

(7) Matches: This product is subject to three excise taxes: (a) a consumption tax of 35 per cent of the retail price; (b) a surtax measured by the difference between the requested and actual wholesale prices; and (c) a verification fee of 60,000\$VN annually for each match-producing firm. The surtax mentioned above arises when the

manufacturer requests a certain wholesale price for price control purposes before initiating production, and this price exceeds the actual wholesale price resulting from the manufacture of the matches. Excise taxes on imported matches are the same except that the verification fee is a low-rate specific tax of either .10\$VN or .15\$VN per box.

(8) Gasoline and kerosene: Gasoline bears an excise tax of 108.80\$VN and a surtax of 93.5\$VN, while kerosene has an excise tax of 147.9\$VN, and a surtax of 35.7\$VN. All of the above rates are based on 100 kilos. Gasoline also bears a verification fee of .08\$VN per 100 kilos and a warehousing fee of .06\$VN per kilo for the first six months and .03\$VN per kilo after the first six months. The Table following presents a summary of all taxes and fees levied on gasoline, automotive diesel, and kerosene.

TABLE 2

Summary of All Taxes and Fees Levied
on Gasoline, Automotive Diesel, and
Kerosene

<u>Tax</u>	<u>Gasoline</u>	<u>Automotive Diesel</u>	<u>Kerosene</u>
Customs	30%	20%	40%
Production	35%	25%	15%
Excise	108.80\$VN per 100 kilos	--	147.9\$VN per 100 kilos
Surtax on excise	93.5\$VN per 100 kilos	--	35.7\$VN per 100 kilos
Indirect	2.5\$VN per liter	--	--
Supervision	.08\$VN per 100 kilos	.08\$VN per 100 kilos	.08\$VN per 100 kilos
Statistics	6\$VN per metric ton	6\$VN per metric ton	6\$VN per metric ton
Docks	1.6\$VN per metric ton	1.6\$VN per metric ton	1.6\$VN per metric ton
Harbour equipment	8.58\$VN per metric ton	8.58\$VN per metric ton	8.58\$VN per metric ton

Customs millieme (For all products, 1/1000 of the total of duties and taxes).

(9) Flints: There is an excise tax of 2,550\$VN per kilo plus a verification fee of 5\$VN per kilo. In both cases, the taxes are applied without reference to the weight of the containers.

(10) Radio tubes: The rate of the tax is 17\$VN per tube regardless of its size.

(11) Gunpowder, ammunition, and firecrackers: Black gunpowder bears a consumption tax of 8.5\$VN and a verification fee of .05\$VN per kilo; smokeless gunpowder a consumption tax of 25.5\$VN and a verification fee of .10\$VN per kilo; ammunition with black gunpowder a levy of 85\$VN and a verification fee of 1\$VN per 100 kilos; ammunition with smokeless gunpowder a tax of 127.5\$VN and a verification fee of 1\$VN per 100 kilos; and firecrackers or fireworks a tax of 68\$VN and a verification fee of 1\$VN per 100 kilos.

(12) Carbonated drinks: A new excise tax was adopted in July, 1960 on carbonated drinks consisting of two parts, a consumption tax of 150\$VN per 100 liters and an "acknowledgement tax" of 1\$VN per 100 liters.

IV Registration and Miscellaneous Taxes

This group includes a wide number of dissimilar taxes which range from rather important business taxes to minor miscellaneous levies. It should be noted that the most important registration tax -- a withholding tax on dividends and interest payments -- is actually a form of income tax and has been dealt with in the preceding section on income and profits taxes.

(1) Registration tax on the transfer of property. This tax is levied on the sale price of property whenever title is transferred. On land and buildings the rate is 18 per cent for the first sale and 13.2 per cent for any subsequent sale. The tax rates on moveable property vary between 9 to 14.4 per cent, depending on the nature of the property.

(2) Registration tax on loan and rental contracts: This is an ad valorem levy on the value of the contract with a tax rate of 1.44 per cent. The tax is payable when the contract is registered.

(3) Registration tax on government contracts: All government contracts must be registered and are taxed at the rate of 1.2 per cent of the value of the contract.

(4) Registration tax on new companies: A tax of 1.2 per cent is levied on the value of a corporation's capital, which must be paid at the time the company is officially established by the act of registration.

(5) Registration tax on the transfer of vehicles: This tax is levied on the sale price of vehicles whenever title is transferred. The base of the tax is the sale price and the rates vary with the type of vehicle and its age as follows:

	New	Within 1 year of original purchase	Within 2 years of original purchase	Within 3 years of original purchase	Over three years from original purchase
Passenger vehicles with cylinders over 1,000c.c.'s	25%	20%	15%	10%	5%
Passenger vehicles with cylinders of 1,000 c.c.'s or less	15%	12%	9%	6%	3%
Trucks, buses, Jeeps, and three-wheeled vehicles	10%	8%	6%	4%	2%

- (6) Mortmain (mainmorte) tax: This is an annual tax on corporations levied in lieu of an estate or inheritance tax. A rate of .36 per cent is levied on the value of land, buildings, and fixed capital.
- (7) Stock transfers: The transfer of corporate shares is taxed at the rate of 2.4 per cent of the market value of the stock.
- (8) Gifts: There are different tax rates depending on the size of the gift and the relationship of the donor and donee. Tax rates vary between 7.2 and 24 per cent.
- (9) Inheritance tax: Rates vary depending on the nationality of the deceased, the relationship of the deceased to the heirs, and the size of the bequest. Rates vary from 7.2 to 24 per cent.
- (10) Annual tax on insurance premium payments: Rates vary according to the risk against which the insurance is carried, and the base of the tax is total premiums received by insurance companies. The principal rates are 5.40 per cent for marine, river, and air; 36.00 per cent for fire; 3.84 per cent for regular life; 6.48 per cent for life annuity; .24 per cent on credit advanced to exporters; and 7.20 per cent for all other insurance.
- (11) Land area and volume fees on mines and quarries: The land area fee on mines and quarries is 9\$VN annually per hectare, while the volumetric fee for mines is 1 per cent of the value of the minerals extracted and for quarries 5\$VN per cubic meter of material extracted.
- (12) Stamp duties: The rates of the duties on notarized papers are 10\$VN, 20\$VN, or 30\$VN, depending on the physical size of the paper. Receipts for cash payments are subject to a duty of .2\$VN on payments of 10\$VN to 100\$VN and .2\$VN for each succeeding 100\$VN or part thereof. There is no stamp duty on bank checks.

DUTIES AND TAXES ON IMPORTS AND EXPORTS

There are five principal types of duties and taxes applied at the import level as well as several minor taxes and fees on imports and exports. The five principal levies on imports are: (1) customs duties, (2) a production tax, (3) a perequation tax, (4) a stabilization surtax, (5) excises, and (6) indirect taxes. Both customs duties and the production tax are very broad in their application, covering virtually all imported products, while the remaining four taxes are more selective and narrow in application. Export taxes are also applied to relatively few products. Excises and indirect taxes are not described in this section as they have been considered previously when the internal tax system was reviewed.

(1) Customs duties: A distinction is made between minimum rates and general rates, which are double the former. Minimum rates are applied, in whole or in part, on goods arriving from countries which grant to Vietnam commensurate advantages or which subject Vietnamese goods to their lowest tariff rates. The general rates are applied to goods from other countries. Since some 32 countries grant commensurate advantages or lowest rates to Vietnamese goods, the general rates are almost never applied in practice.

Minimum rates vary between 5 and 80 per cent, with most products having rates between 30 to 40 per cent. Duties are applied on an ad valorem basis but a few are specific, as in the case of motion pictures films. Rates are generally low on industrial equipment and necessities and higher on non-essentials.

The following rates provide an indication of the customs duties on some of the most frequently imported goods: trucks and unfinished lumber: 5 per cent; condensed milk: 10 per cent; wheat flour: 12 per cent; air conditioners, industrial diesel motors, fertilizer, occidental drugs, and radios: 15 per cent; tobacco leaf and cotton thread for weaving: 20 per cent; gasoline: 30 per cent; passenger vehicles: 30 to 50 per cent, depending on CIF price; cameras: 35 per cent; raw sugar: 57 per cent; liquors: 75 per cent; and cosmetics: 80 per cent.

(2) Production tax: The base of the production tax is CIF price plus customs duties; and three different rates are levied: 15 per cent on necessities, 35 per cent on luxuries, and 25 per cent on all goods designated as neither necessities nor luxuries. Since 57 products are classified as necessities and 67 as luxuries, the vast number of imported items bear a tax of 25 per cent. Exemptions are provided for books, newspapers, and magazines; fuel used in Vietnamese planes flying to foreign countries; personal effects in the possession of travelers; samples of goods; and currency, stamps, and credit instruments.

Typical imports classified as necessities and bearing the low rate of 15 per cent are: condensed milk, cereal flour, petroleum, drugs, fertilizer, lumber, paper, tractors, agricultural implements, trucks, and industrial machines and equipment. Imports classified as luxuries and taxed at 35 per cent are liquors, tobacco products, silk, gems, refrigerators, private motor vehicles, cameras, watches, and radios. As it may be seen, most food and clothing products and many industrial raw materials are classified as neither necessities nor luxuries and are thus taxed at 25 per cent.

(3) Perequation tax: This levy is an extra-budgetary tax levied on 13 products for the purpose of providing revenue for export subsidies. The tax is applied in three different ways. On certain imports the tax is a percentage of CIF price, as follows:

Textiles made of cotton, ramie, or wool	30%
Products made of ramie or filament fibres	40%
Products made of rayon and wool	60%
Products made of synthetic fibres	80%
Products made of silk	100%
Cigarette leaf tobacco	50%
Skins and hides (leather)	20%
Newsprint	10%
Wood panel (plywood)	20%

In the case of kerosene and automotive diesel fuel, the perequation tax is a specific levy. Kerosene is taxed at the rate of 40.83VN per hecto-liter.

Finally, wheat flour, jute bags, and sugar bear a tax rate which is equal to the difference between the authorized selling price per metric ton including profit margin and the actual wholesale price per metric ton.

(4) Stabilization surtax: This is a tax levied on Vietnamese owned foreign exchange purchased by importers of certain products. The tax is levied at the flat rate of 503VN per 13U.S., in effect making a total exchange rate of 853VN per 13U.S. Revenues from the tax go to the Caisse de Compensation at the rate of 503VN per 13U.S. of foreign exchange allocated, and are used mostly for subsidizing exports, while the balance

of 35\$VN is deposited with the National Bank to purchase United States dollars at the official rate of exchange. During 1960, about 50 categories of products were subject to the stabilization surtax.

(5) Miscellaneous fees and taxes on imports and exports: These are not important with respect to revenue but are rather extensive in number.

(a) There is a statistics fee levied on imports and exports of 2\$VN per package for packaged goods, or per metric ton, per cubic meter, or per head for other goods and animals.

(b) Some forty commodities, such as copper, poultry, fish, and lacquer ware, are subject to an export duty of 5 per cent.

(c) Special export taxes are levied at the rate of 12 per cent on paddy, 10 per cent on rice, 8 per cent on rice breakings, 6 per cent on flour, 3 per cent on rubber, and 2 per cent on ores.

(d) There are inspection taxes on agricultural commodities varying between .40 to 10.0\$VN per 100 kilograms.

(e) Sanitation and inspection fees on the imports and exports of forest and vegetable products have variable low rates based either on weight or per unit.

(f) Medical inspection fees on the imports and exports of animals vary between .01\$VN per head on poultry to 2.0\$VN per head for dogs and cats.

(g) Ocean-going vessels bear an annual progressive tax based on tonnage of 10\$VN for ships of less than one ton to 40\$VN per ton for vessels over 10 tons.

TAX EXEMPTION FOR NEW INVESTMENT

Tax exemption for new productive investment was introduced by a Presidential Declaration of March 5, 1957. Included within the scope of the exemptions are industrial, agricultural, fishing, and transportation enterprises. Both new and expanding existing firms are eligible for exemption, but there are restrictions on the minimum amount of investment necessary to qualify in the case of existing firms. For there, the value of the expansion must be at least 500,000VN, and in the case of industrial enterprises the expansion must be "at least equal to 5 per cent of the value of existing assets valued at cost of replacement and (sic) acquisition."

Provision is made for the exemption of nine taxes, but each applicant for exemption is given individual determination as to the coverage of the exemption grant. The nine taxes are:

- (1) The registration tax on the establishment of new corporations;
- (2) The land (real property) tax for industrial plants and for the cultivation of crops other than rice;
- (3) The land area and volume fees for the exploitation of mines and quarries;
- (4) The tax on the profits of enterprises;
- (5) Customs duties on imported capital goods;
- (6) The production tax on imported capital goods;
- (7) The mortmain (mainmorte) tax during the first year of operation of a new corporation;
- (8) The deferment for corporations during the first year of operation of the advanced payment of the dividend tax; and

(9) Stamp duties.

In addition to the exemption of the above taxes, there is a provision which permits the payment of a premium on exported goods equal to the import duties paid on raw materials included in the exports.

Periods of exemption vary with respect to the different taxes.

The exemption of the real property tax on urban land and buildings may be granted for a period of three years. For the agricultural land tax, exemption may be granted until the year following that in which the first harvest is obtained. Those crops for which the yield is relatively low may be granted an additional exemption of up to five years. Land area and volume fees on mines and quarries may be exempted through the first year of productive exploitation, and further exemption may be granted if the production is relatively limited.

The time period for which the profits tax may be exempted differs between Vietnamese and foreign enterprises. Vietnamese owned companies or the Vietnamese share of joint Vietnamese-foreign owned companies may be given a 100 per cent exemption for the first three years, a 50 per cent tax reduction for the fourth year, and a 25 per cent reduction for the fifth year. Foreign owned companies or the foreign share of joint Vietnamese-foreign owned companies may be given a 100 per cent exemption for the first year and a 25 per cent tax reduction for the second and third years.

In the application of the relief from the profits tax, the exemption starts with the first year that a new firm earns a net profit. Also, for those years when less than full exemption is granted (i.e., the fourth

and fifth years for Vietnamese-owned capital, and the second and third years for foreign-owned capital) any reinvested profits attributable to previously exempted new investment are deducted from the tax base in arriving at taxable profits.

Requests for exemption must be submitted to the Department of National Economy. The requests are then reviewed by a committee consisting of representatives of the Departments of National Economy, Finance, and the General Directorate of Planning.

In addition to the exemption provisions described in this section, attention should be drawn to the tax relief available from the 6 per cent internal production tax. These exemptions are automatic and have been described in a preceding section of this report dealing with the production tax.