

31 May 2024

To:

- **Mr. Tran Thanh Man**, Chairman of the National Assembly
- **Mr. Nguyen Duc Hai**, Vice Chairman of the National Assembly
- **Mr. Le Quang Manh**, Chairman of the National Assembly's Finance and Budget Committee
- **Mr. Ho Duc Phoc**, Minister of Finance

Subject: Asia Internet Coalition (AIC) Industry Comments on the Draft law on Value Added Tax (VAT) ("Draft VAT Law")

As an introduction, the [Asia Internet Coalition \(AIC\)](#) is an industry association of leading Internet and technology companies that promotes the understanding and resolution of Internet policy issues in the Asia Pacific region. Our mission is to represent the Internet industry, and participate in and promote stakeholder dialogue between the public and private sectors, sharing best practices and ideas on Internet technology and the digital economy.

We are writing this letter in response to the Draft VAT Law, which is scheduled to be submitted to the National Assembly (NA) for comments during its 7th session. Members of the AIC appreciate the opportunity to share views, principles, and best practices regarding Vietnam's efforts to increase its tax base.

Under the existing law, exported services provided by Vietnamese companies can be subject to VAT zero-rating, which is also noted under Article 5 of the Draft VAT Law, if the services are directly provided for foreign organizations/individuals and are consumed overseas. This provision has been crucial in promoting international trade and supporting businesses that offer services beyond Vietnam's borders.

However, the Draft VAT Law proposes to limit the types of exported services eligible for VAT zero-rating, restricting the eligible services to the following categories: rental of vehicles for use outside Vietnam's territory; international transportation services; aviation and maritime services directly related to international transportation. If implemented, this change would have significant implications, as the majority of services provided by Vietnamese entities and consumed outside Vietnam would no longer fall within the limited scope of services eligible for VAT zero-rating. Instead, these entities would face additional tax exposure, as they would be unable to claim VAT refunds.

We propose maintaining the current scope for zero-rating while enhancing clarity on the concept of "consumed overseas" through practical examples. Zero-rating international services aligns with global

best practices, encouraging foreign companies to leverage Vietnam's skilled workforce and contribute to employment opportunities.

Limiting this scope could increase the cost of doing business in Vietnam, potentially prompting multinational corporations (MNCs) to reconsider their investments and resource allocation. Furthermore, technology companies based in Vietnam, especially those offering international services, would face increased costs due to limited zero-rating eligibility. This reduction in competitiveness may undermine the country's tech-driven growth strategy on the global stage.

We urge the Ministry to carefully consider the proposed changes. A balanced approach that supports economic growth, encourages foreign investment, and maintains a competitive business environment is essential for Vietnam's continued success.

Should you have any questions or need clarification on any of the recommendations, please do not hesitate to contact me directly at Secretariat@aicasia.org or +65 8739 1490. Thank you for your time and consideration.

Thank you for your attention on this matter.



Sincerely,

Jeff Paine

Managing Director

Asia Internet Coalition (AIC)

CC:

- **Mr. Le Thanh Long**, Minister of Justice
- **Mr. Tran Van Son**, Minister - Chairman of the Office of the Government
- **Mr. Cao Anh Tuan**, Deputy Minister of Finance
- **Mr. Mai Xuan Thanh**, Director General of the General Department of Taxation