

GMT Resolution Vietnam

On 29 November 2023, the Vietnamese National Assembly overwhelmingly approved the Global Minimum Tax Resolution (GMT Resolution). This new legislation, coming into effect on 1 January 2024, seeks to ensure that multinational enterprises (MNEs) pay a minimum tax rate of 15%.

Key Points:

1. **Taxpayers:** Defined as constituent units of MNEs with consolidated revenue exceeding €750 million for two out of four consecutive years, with specific exceptions outlined in regulations.
2. **Minimum Tax Rate:** 15%.
3. **Concepts:** Two primary concepts are adopted:
 - a. **Income Inclusion Rule (IIR):** Applies to certain parent companies in Vietnam holding low-tax foreign entities.
 - b. **Qualified Domestic Minimum Top-up Tax (QDMTT):** Applies to constituent units or groups of constituent units of MNEs with production or business activities in Vietnam during the financial year.
4. **Reporting:** Taxpayers are generally required to submit two prescribed forms:
 - a. **Information Declaration Form** under the GMT regulations.
 - b. **Additional Corporate Income Tax Declaration Form** accompanied by an explanatory note detailing any discrepancies arising from differences between applicable accounting standards. Further guidance on completing these forms is expected from the relevant authorities in due course.
5. **Deadlines:**
 - a. **QDMTT:** 12 months after the fiscal year-end for affected taxpayers.
 - b. **IIR:** First year - 18 months; subsequent years - 15 months.
6. **Estimated Impact:** The Ministry of Finance estimates that approximately 122 MNEs operating in Vietnam will be affected by the QDMTT regulations, resulting in an estimated additional tax revenue of VND14,600 billion.
7. **Discussion:** Alternatives to existing tax incentives were raised during the debate to maintain Vietnam's attractiveness to foreign investors.
8. **Implementation:** The National Assembly has tasked the Government and relevant ministries with researching and taking necessary actions to implement the GMT Resolution. The General Department of Taxation is currently drafting a detailed guiding decree to provide further clarity on its implementation.