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AmCham - Manufacturing Committee

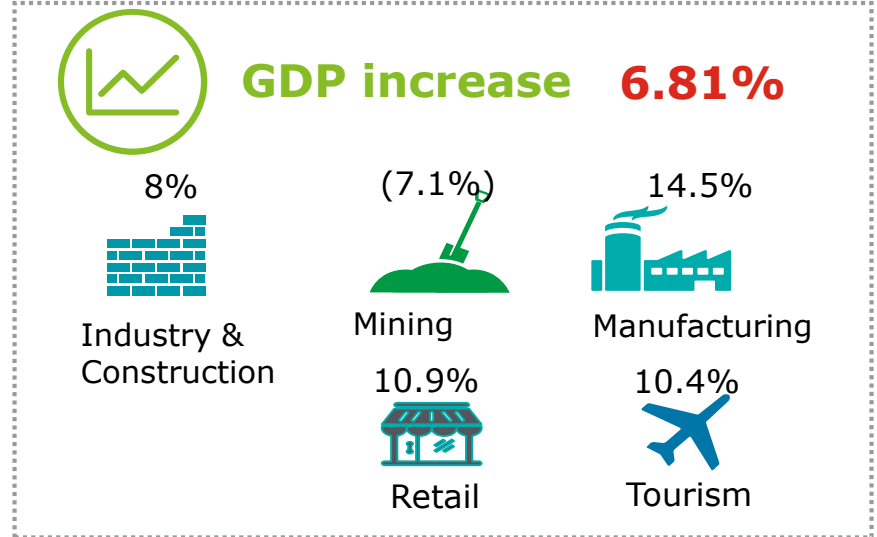
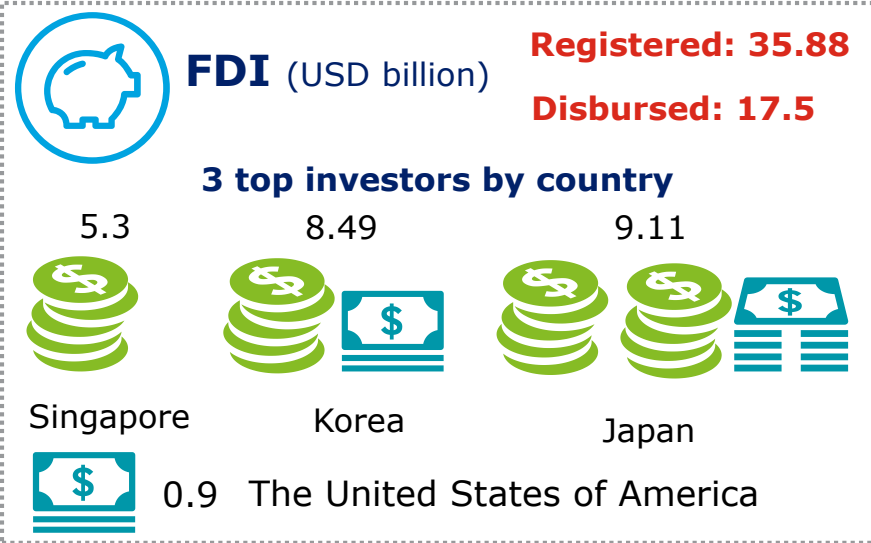
Vietnam Customs Update and Outlook for 2018

23 March 2018

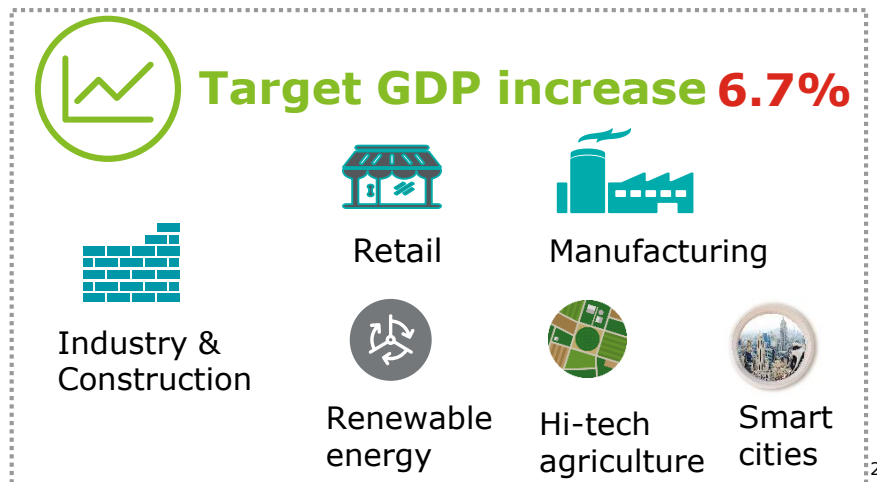
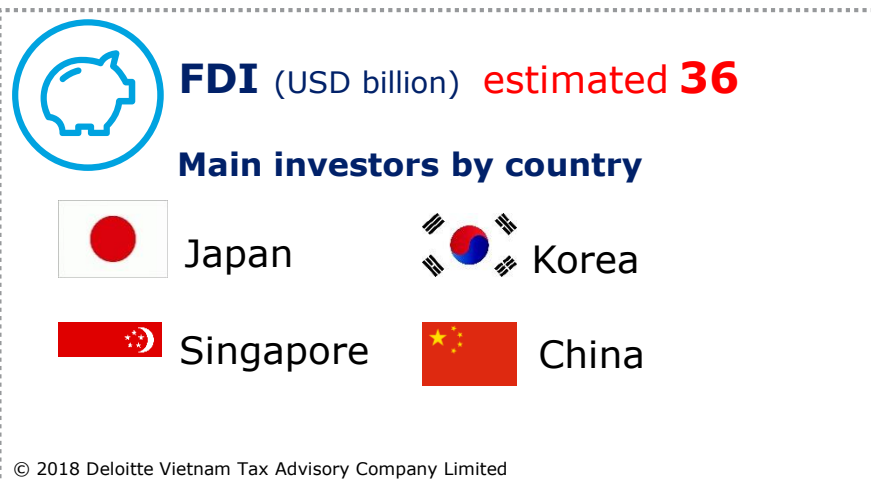
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A glance of Business environment in 2017



Projection of Business environment in 2018

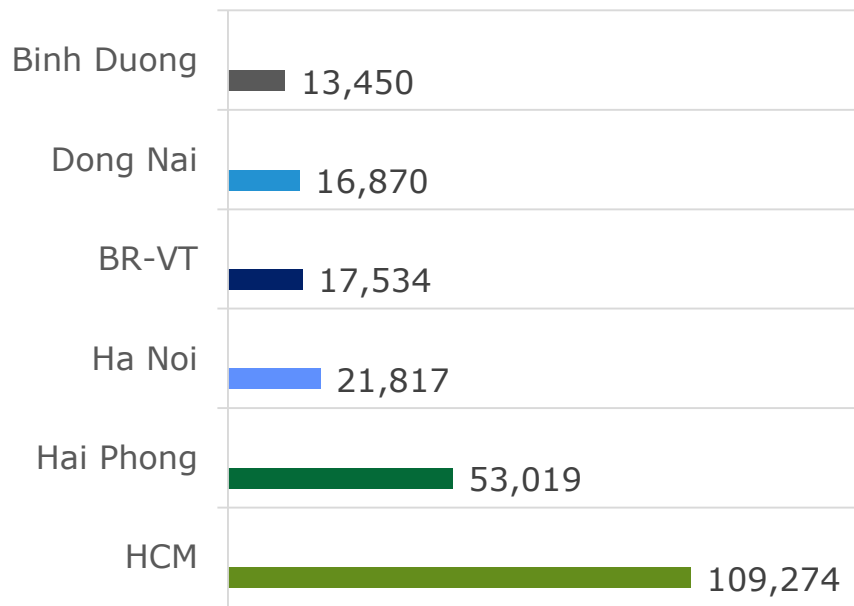


Vietnam Customs collection in 2017

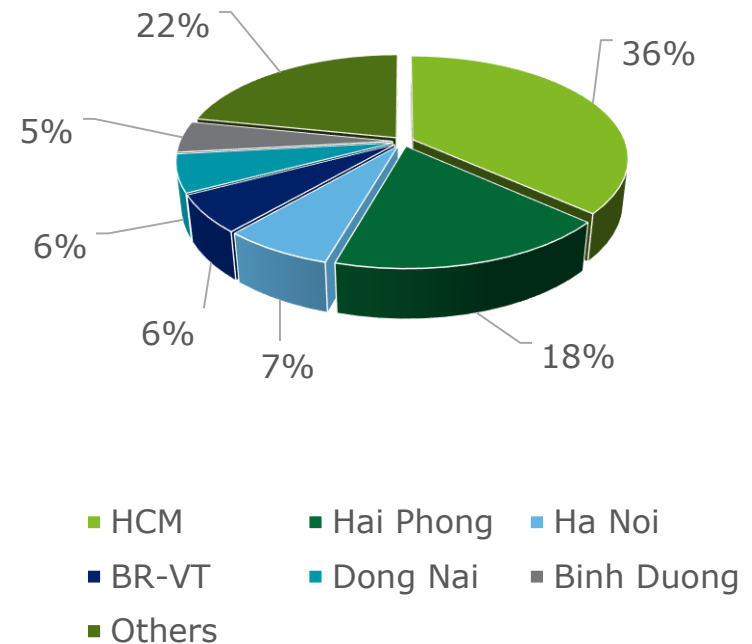


Customs collection (VND billion) 297,073 ~ 104.2% of 2017 plan

Customs collection of some large provinces



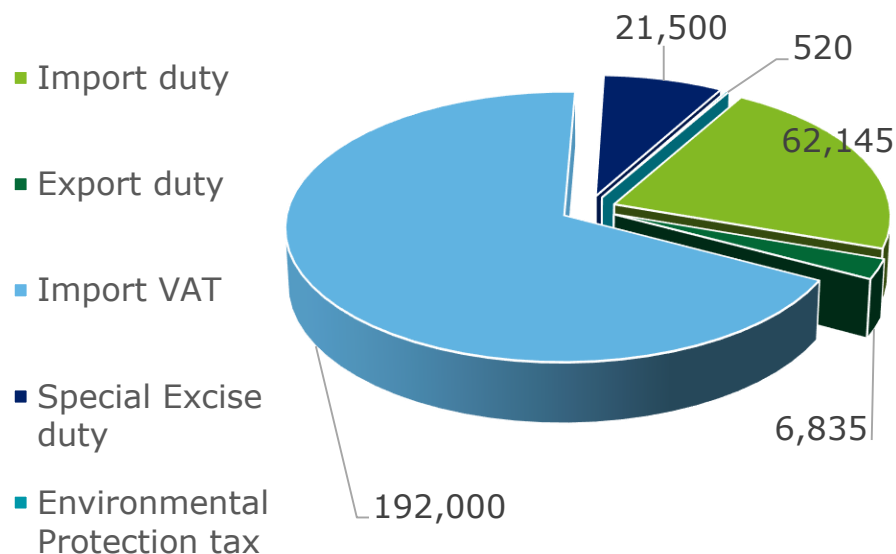
Ratio



Vietnam Customs Plan for 2018

Revenue collection target of:
283,000 billion VND

Customs collection (billion VND)



- **Decrease 0.7%** compared to 2017
- **Estimated 30,000bil VND shortfall** resulting from reduction of duty rates

Sectors subject to closer scrutiny:



Automotive



Garment



FMCG

Types of manufacturing company:

- Export Processing Enterprise – EPE
- Manufacturing/ Processing
- Re-processing/ Subcontractor

Planned changes to Customs regulations

- **Revisions/supplements to Customs regulations** to:
 - reduce administrative procedures, including:
 - ✓ Use of e-form D under ATIGA
 - ✓ Reduction in special inspection documents and procedures
 - clarify Customs requirements/obligations
- Greater emphasis on intelligence based examinations
- **FTA developments**
- 90% goods subject to 0% duty rate under ATIGA
- Ratification of EU-Vietnam FTA within 2018?
- Implementation of **CPTPP** commencing 2019 –
 - Supplements existing Multi-lateral and bi-lateral FTAs
 - Providing favorable market access to Canada, Mexico & Peru
- **Special Administrative-Economic Zones**
- **Duty/VAT exemptions linked to encouraged industries**



Planned changes to Customs regulations + expected practice



- Increase in border checks – HS Classification; COO and Valuation
- Increase in post-customs clearance inspections and audits – Valuation (treatment of Intellectual Property, price adjustments)
- Manufacturing/Processing for Export:
 - Tightening of controls on materials imported to produce finished goods
 - **Draft** Circular - regulating customs procedures, inspection and supervision is under review.
 - ✓ Greater focus on quantities of raw materials consumed;
 - ✓ Requirement to determine “Technical Bill of Materials” and “Actual Bill of Materials”
- Less flexible, and stricter interpretation of regulations, e.g.:
 - ✓ Customs procedures: refund of duty
 - ✓ Customs valuation: additive items, trade mark, manufacturing know-how, etc.
- More aggressive in pursuing underpayments and applying interest/penalties
- Administrative penalties @ 20% of taxes underpaid likely to be the norm

Impacts on Manufacturing Companies

Inventory management

Focus on managing quantities of exempt raw materials imported for export manufacturing:

- Requirement to submit technical BOM before exporting goods;
- Need to maintain actual BOM for the determination of tax payable for during customs audit or inspection;
- Requirement to provide detailed formula for determining:-
 - the exempted amount of raw materials attributed in exported goods, and
 - the customs duty liabilities on materials imported for export manufacturing but not exported
- Requirement to submit annual Finalization Report of exempt materials imported by quantity

HS classification, Origin and Customs value

Focus on:

- Machines and spare parts imported as fixed assets
- Materials imported for manufacturing/trading purpose
- Verification of Certificate of Origin

Tax exemptions

Greater opportunities for export manufacturing companies to enjoy duty exemption. e.g. for:

- fixed assets application (conditions/criteria) for encouraged projects with VND 6,000 billion invested capital, and
- rural investment project with 500 employees or more

Managing Customs Compliance

- Need to have robust processes in place for:
 - Determining HS Codes, Origin and Customs Valuation methodology
 - Operation of Trade Facilitation; Duty/VAT relief schemes, Exemptions
- Consider obtaining Customs Advanced Rulings – when necessary on:
 - Tariff Classification, and
 - Customs Valuation
- Need to develop and apply an effective Internal Compliance Program
 - Inventory management (IM-EX vs. domestic); Duty free-assets management;
 - Including management of customs brokers/agents
 - Periodic reviews of adopted practices
- Need to have an effective process to manage:
 - Border Challenges, Post-clearance Audits and Checks
 - Communications with Customs (direct/indirect)
- Need to be aware of key Customs developments that impact your business and act accordingly.



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- 24 years of consultancy practice in Deloitte Vietnam and the US;
- Member of the national Law Appraisal Council chaired by the Ministry of Justice;
- Board Member of Vietnam Tax Consultant Association;
- Regularly provide comment on draft laws and regulations on tax and customs;
- Succeeded in supporting various manufacturing and trading MNCs and state owned companies in terms of customs & indirect tax



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- 13 years service in UK Customs, including 4 years specializing in Customs valuation;
- 30+ years in customs consultancy and trade compliance including 15 years in Asia – Pacific. Former Head of Customs & Global Trade Services of Deloitte Asia Pacific and Southeast Asia;
- Has advised many manufacturing and trading MNCs structure their contractual and supply chain arrangements to be customs duty/VAT efficient.
- Key sectors include Consumer & Industrial Products, Energy & Resources, Life Sciences & Healthcare, and Technology, Media and Telecommunication.
- Vice Chair of Customs Working Group of the Transport and Logistics Sector Committee of EuroCham



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