

BPO service providers bear unreasonable VAT

VietNamNet Bridge – The 10 percent VAT rate imposed on the export data digitalization service has blocked the information technology firms' way to develop and expand the markets.

The unreasonable taxation

Some months ago, the HCM City Department of Information and Communication sent a petition to the Ministry of Information and Communication, asking the ministry to rescue the enterprises which exported data digitalization services.

The department said that for the last many years, the digital information content export had been imposed the VAT rate at zero percent until March 1, 2012, when the Circular No. 06 of the Ministry of Finance took effects. With the new legal document, the digitalization service now bears the 10 percent VAT rate instead of zero percent as previously.

The local management agency, which considered relating legal documents thoroughly, came to a conclusion that the VAT Law stipulates that the majority of export services, except some certain cases, enjoy the zero VAT rate. It was unclear why the Ministry of Finance decided that the digitalization service exports must be imposed 10 percent VAT.

A senior executive of GHP Far East at that time complained that the 10 percent tax imposition would not only cause big losses to Vietnamese enterprises but also lessen the attractiveness of the Vietnamese investment environment in comparison with the regional countries.

The parent company of GHP Far East, Swiss Post Solution (SPS) also expressed its worry about the changes in the policies of the Vietnamese government.

Ministry amended circular, but it's unclear about validity day

The Ministry of Finance has finally agreed that the digitalization service exports must be subject to the zero VAT. It has amended the circular that guides the implementation of the VAT Law, lowering the tax rate on that kind of service from 10 percent to zero percent.

However, enterprises still cannot enjoy the zero percent tax as they have been expecting for so long. The problem is that the ministry, though having amended the circular, has not stipulated when the amended circular takes effects.

Nguyen Thi Phuong Thao, General Director of Digi-Texx, said most of its foreign clients believe that the 10 percent taxation is an unreasonable decision, and that they do not accept to pay the 10 percent tax. Some loyal clients only accept to share 50 percent of the tax with the Vietnamese service providers.

Thao said that data digitalization firms have seen their turnover decreasing over the last year as they unreasonably have to bear the 10 percent tax rate.

After the Ministry of Finance admitted the mistake, saying that export services must be either subject to zero VAT rate or to tax exemption, Vietnamese firms immediately informed to their foreign partners that the tax rate would be lowered to zero percent, slated for the first quarter of 2013.

The HCM City Taxation Sub-department, at a meeting with IT firms, reassured them that the

information about the circular amendment would come no later than March 31, 2013.

However, both the taxation sub-department and firms are wrong about the procedures for issuing new legal documents. No information about the validity of the regulation on the zero tax rate has come out so far.

Meanwhile, Vietnamese IT firms have been looking forward to seeing the new regulation taking effects soon.

Thao said the current problematic political relationship between China and Japan has prompted Japanese investors to head their investments for other countries instead of Japan. Vietnamese firms have every reason to hope to attract the attention from Japanese partners. The Japanese market is hoped to help Vietnamese firms offset the decreases in the turnover from the European and American markets.

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