

3,006.62 38.97 ▲ 1.31%

2,649.71 33.35 ▲ 1.27%

807.90 2.93 ▲ 0.36%

10,744.54 50.83 ▲ 0.47%

1,367.42 13.28 ▲ 0.96%

TAX AND CORPORATE SERVICES

Tax Alert

VIETNAM

September 2010

Profits distributed by securities investment funds to institutional investors now confirmed to be taxed at 25%



According to recent Official Letter 10945/BTC-TCT of the Ministry of Finance to all local tax departments, when a securities investment fund pays out profits to its institutional investors, such profits (regardless of whether these investors are domestic or foreign investors) shall be subject to Corporate Income Tax at 25%. The fund management company shall be responsible to withhold, declare and pay this tax on behalf of the institutional investors in accordance with law.

Previously, under Circular 100/2004/TT-BTC dated 20 October 2004, the tax rate applicable to this profit was 20%.

Until recently, the applicable tax rate in this case has not been explicitly mentioned in the CIT regulations, causing some uncertainty on the matter. Now, with the issuance of OL 10945, the 25% certainty has been obtained.

Foreign investors trading securities directly in Vietnam through their own trading accounts are not affected by OL 10945 and shall continue to pay tax at 0.1% of the transfer value upon sale of securities.

Although OL 10945 does not state whether the tax treatment in this case would be applied to domestic Securities Investment Funds only or is applied to foreign funds as well, in our opinion, the tax position of foreign Securities Investment Funds would not be covered in this ruling as the distribution of profits of foreign investment funds would be out of the scope of Vietnamese CIT regulations. We understand that this issue will be further clarified at a later date and we will update you in due course.

Value

Change

%Change

3,006.62

38.97 ▲

1.31%

2,649.71

33.35 ▲

1.27%

807.90

2.93 ▲

0.36%

10,744.54

96.03 ▲

0.90%

0.98%

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