

2% reduction in Value-Added Tax rate (VAT) from July 1st 2023

Last weekend, the National Assembly of Vietnam approved the Ministry of Finance's proposal to reduce the value-added tax rate (VAT) by 2% (from 10% to 8% for goods and services that are subject to 10% VAT rate), in accordance with Resolution No.43/2022/QH15, from July 1st, 2023 to the end of December 31st, 2023. The reduction is one of the government's stimulating measures to support the economy, expected to boost consumer spending. In 2022, the policy was also implemented to help the economy recover from COVID-19 pandemic.

However, the policy will not apply to the following goods and services: telecommunication, information technology, financial activities, banking activities, securities, insurance, real estate business services, metal, precast metal products, mining products (excluding coal mining), coke mining, refined oil, chemical products, goods and services subject to excise tax.

Consumer spending is expected to benefit from this policy, nevertheless, it may also be driven by consumer confidence, financial power, expectations about future incomes, etc. For listed retailers and consumer-related companies (e.g MWG, FRT, SAB, etc.), the benefits may be limited as many products such as mobile phones, home appliances, cosmetics, detergents, beer, etc. are not allowed to enjoy the VAT rate cut.

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