

CIRCULAR
PROVIDING GUIDELINES ON CONDITIONS APPLICABLE FOR
ZERO PER CENT VALUE ADDED TAX RATE FOR INTERNATIONAL
TRANSPORTATION AND AVIATION AND SHIPPING BUSINESS SERVICES

Pursuant to the *Law on Value Added Tax (VAT)* 13-1998-QH12 dated 3 June 1998;

Pursuant to Decree 123-2008-ND-CP of the Government dated 8 December 2008 with detailed guidelines for implementation of the *Law on Value Added Tax* ["Decree 123"];

Pursuant to Decree 118-2008-ND-CP of the Government dated 27 November 2008 on functions, duties, powers and organizational structure of the Ministry of Finance;

The Ministry of Finance hereby provides the following guidelines on conditions applicable for the 0% VAT rate to apply to international transportation and aviation and shipping business services:

Article 1 *Applicable to international transportation*

International transportation must satisfy the following conditions in order to qualify for the 0% VAT rate:

- There must be a contract for the carriage of passengers, luggage [and/or] cargo between the transport provider and the hirer for an international transport stage from Vietnam to an overseas country or vice versa, in a form which is consistent with the provisions of law. In the case of carriage of passengers, the transportation contract is the ticket. Where a domestic transport stage is included in an international transport contract, *international transportation* shall include such domestic transport stage. International transportation business providers must perform [contracts] in accordance with the law on transportation.
- There must be a receipt for payment via a bank or for another form of payment deemed to constitute payment via a bank. In the case of carriage of passengers being individuals, there must be receipts for direct payment.

Article 2 *Applicable to aviation industry*

1. Aviation services provided at international airport zones must satisfy the following conditions in order to qualify for the 0% VAT rate:

- There must be a contract for the provision of services with an organization overseas or with a foreign airline, or there must be a request to provide services made by an organization overseas or by a foreign airline.
- There must be a receipt for payment via a bank or for another form of payment deemed to constitute payment via a bank. If services are provided to an overseas organization or foreign airline and the services only arise irregularly and not pursuant to a regular schedule and there

is no contract, then there must be a receipt for direct payment by the overseas organization or foreign airline.

2. The tax rate of 0% shall not apply to the following aviation services: provision of aircraft meals; aircraft takeoff and landing services; aircraft parking services; aircraft security and protection services; security screening of passengers, luggage and cargo; luggage conveyor services within airport terminals; ground technical and commercial services; aircraft protection services; aircraft taxi services; aircraft piloting services; services of leasing facilities for passengers to embark and disembark aircraft; inward and outward flight control services; and services of transporting flight crews, stewards and passengers to and from aircraft parking areas. The tax rate of 0% shall apply to passenger service charges for international flights from Vietnamese airports.

Article 3 *Applicable to shipping business services*

Shipping business services must satisfy the following conditions in order to qualify for the 0% VAT rate:

- There must be a contract for the provision of services with an organization overseas or with a shipping agent, or there must be a request to provide services made by an organization overseas or by a shipping agent.
- There must be a receipt for payment for the services via a bank by the organization overseas or there must be a receipt for payment for the services via a bank by the shipping agent to the service provider or for another form of payment deemed to constitute payment via a bank.

The 0% VAT rate shall apply to the following shipping business services: tugboat assistance services; maritime pilotage services; maritime salvage services; wharfs [quays] and buoys; loading and offloading services; mooring and unmooring [services]; [services of] opening and closing cargo hold hatches; cargo hold cleaning services; and verification, receipt and delivery of cargo.

Article 4 *Organization of implementation*

1. This Circular shall be full force and effect forty five (45) days after the date of its signing, and shall apply as from the date of effectiveness of Decree 123.
2. Matters on which guidelines are not provided in this Circular and other matters which are not contrary to the guidelines in this Circular shall be implemented in accordance with Circular 129-2008-TT-BTC of the Ministry of Finance dated 26 December 2008 with guidelines for implementation of the *Law on Value Added Tax* and Decree 123.

Any difficulties or problems arising during implementation should be promptly reported to the Ministry of Finance for resolution.

Minister of Finance
Deputy Minister
DO HOANG ANH TUAN