

Legal Update

June 2023

1. Decisions regulating the maximum short-term lending interest rate and interest rate for deposits in Vietnam Dong of organizations and individuals at credit institutions and foreign bank branches

The Vietnamese State Bank has promulgated Decision No. 1125/QD-NHNN issued on 16 June 2023 on the maximum short-term lending interest rate in Vietnam Dong of foreign credit institutions and bank branches for borrowers to meet their needs on capital serving a number of economic fields and branches as provided in Circular No. 39/2016/TT-NHNN dated December 30, 2016 (“**Decision 1125**”). The maximum short term lending rate is as follows:

- Credit institutions and foreign bank branches: 4.0%/year;
- People's credit funds and microfinance institutions: 5.0%/ year.

The Vietnamese State Bank has also issued Decision No. 1124/QD-NHNN on the maximum interest rate for deposits in Vietnam Dong of organizations and individuals at credit institutions and foreign bank branches as provided in Circular No. 07/2014/TT-NHNN dated March 17, 2014 (“**Decision 1124**”), particularly:

- Maximum interest rate for demand deposit and deposit with term less than 1 month: 0.5%/year;
- Maximum interest rate for deposit with term from 1 to 6 months: 4.75%/year;
- People's credit funds and microfinance institutions, the maximum interest rate shall be 5.25%/year.

Both Decision 1124 and Decision 1125 shall take into effect from 19 June 2023. It is noted that any interest rate applicable before the effective date of these Decision 1124 and Decision 1125 shall continue to be in force.

2. Draft Decree on value added tax (VAT) reduction policy of 2%

The Ministry of Finance has completed obtaining opinions from agencies, ministries, sectors, localities, and citizens to finalize the draft Decree on VAT reduction policy (“**Draft Decree**”) and submitted this to the Government.

The Draft Decree includes two (2) main parts: firstly, on VAT reduction and; secondly, implementation of such reduction. Some notable points under the Draft Decree are as follows:

- i. The VAT reduction rate will be applied as followings:
 - Business establishments that apply the deduction method for VAT calculation: 8% VAT rate;
 - Business establishments that apply the percentage of sales method for VAT calculation: reduction of 20% of the percentage rate to calculate VAT when issuing invoices.
- ii. VAT reduction will be applicable for the goods and services subject to 10% VAT rate, except for some groups of goods and services illustrated under the Annexes thereof;
- iii. Some implementation guidance will be also provided for ease of execution, such as information required in the invoices.

It is expected that the Draft Decree shall take effect from 1 July 2023.

3. Draft Resolution on reducing land rental and water surface rental

The Ministry of Finance has submitted to the Government the draft Resolution on reducing land rental and water surface rental in 2023 to promote production and business (“**Draft Resolution**”). The main items set out in the Draft Resolution are:

- i. Eligible Entities and Individuals: organizations, units, enterprises, households, and individuals who lease out land or water surface directly from the State according to either decision or contract or land use right certificate with annual rental payment terms.
- ii. Reduction rate: 30% of the payables of the land/ water surface rental in 2023. The reduction is not applicable for the payable charges of land/water surface rental for the years before 2023 and late payment (if any). In the event the land/water surface rental is subject to reduction or deduction of compensation or clearance scheme, the 30% rate shall be applied on the payables after such reduction or deduction.
- iii. The Draft Resolution also proposes for a simpler application, including an application form and a document verifying the title of the land (i.e., either of decision for land lease, land lease contract, land use right certificate).

The Draft Resolution will provide the timeline for land/water surface reduction application by 30 September 2023 to facilitate the collection of land/water surface rental to the State budget promptly.

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