December 2024

Quick update on Global Minimum Tax

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Content

1. General information
Global Minimum Tax

The **Resolution 107/2023/QH15** and its **Draft Decree** on the application of additional CIT in accordance with regulations to prevent erosion of the global tax base.

Applied mechanism

i. Qualified Domestic Minimum Top-up Tax (“**QDMTT**”); and
ii. Income Inclusion Rule (“**IIR**”)

Minimum tax rate

Ensure that the minimum tax rate remain at **15%** according to OECD Pillar Two Rules

Subject of application

The Constituent Entities (“**CEs**”) of an MNE Group with revenues of at least **EUR 750 million** in Consolidated Financial Statements (at least two of the four prior Fiscal Years), except some cases

Basis for legal framework

Based on, and closely adhere to the OECD’s Global Minimum Tax (“**GMT**”) Rules

Applicable time

The Decree 107/2023/QH15 takes effect from January 1st, 2024, applied from the **Fiscal Year 2024**

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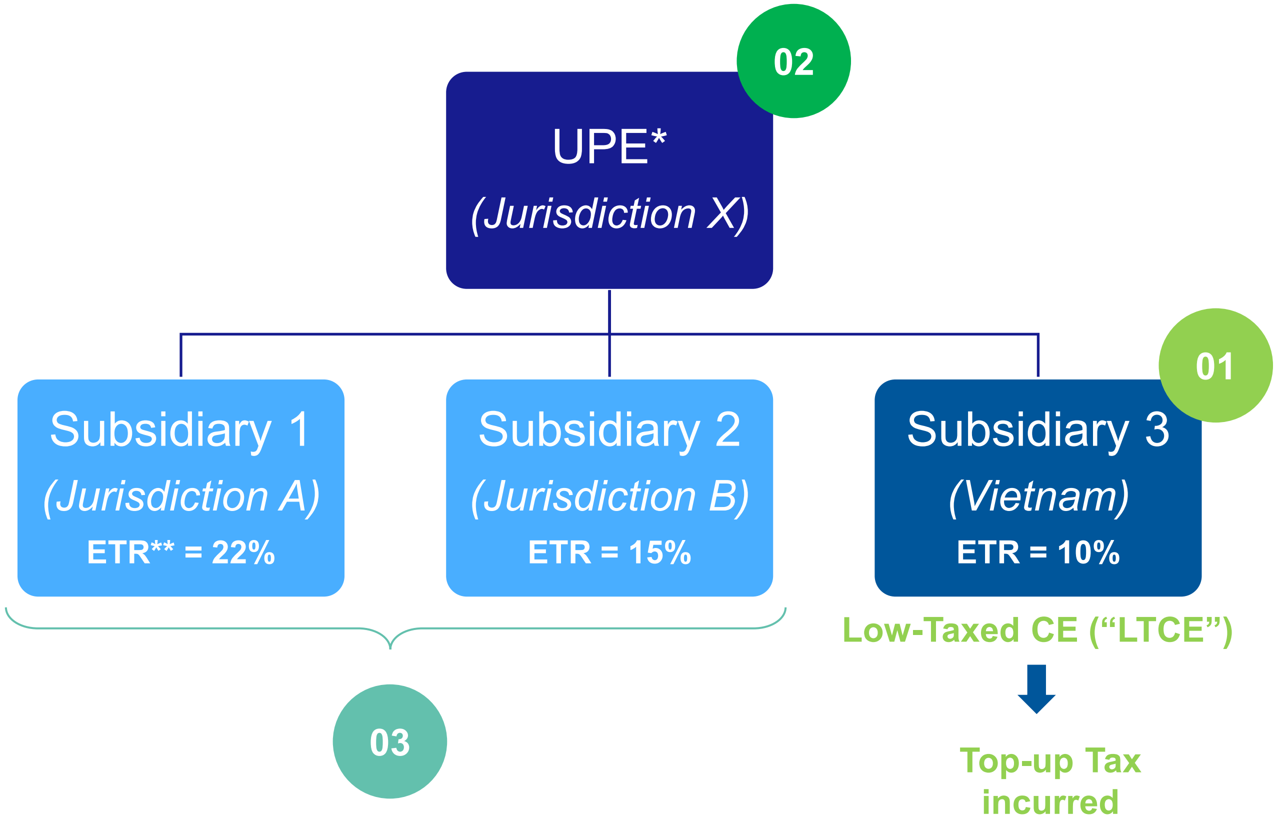
2. Agreed rule order
The application of the Top-down approach

A liability for top-up tax for a member of an in-scope MNE Group arises under three types of provisions: the Qualified Domestic Top-Up Tax (“**QDMTT**”), the Income Inclusion Rule (“**IIR**”) and the Undertaxed Payment Rule (“**UTPR**”).



01 QDMTT

Vietnam has the priority to collect the top-up tax **if QDMTT is in effect in Vietnam.**

02 IIR

If Vietnam has not yet implemented QDMTT, **Country X has the right to collect** the top-up tax in Vietnam **if IIR is in effect in Jurisdiction X.**

03 UTPR

If both QDMTT in Vietnam and IIR in Jurisdiction X have not yet been implemented, **subsidiaries in Jurisdiction A / B can collect** the top-up tax in Vietnam **if UTPR is in effect in Jurisdiction A/ B.**

(*) UPE: Ultimate Parent Entity
(**) ETR: Effective tax rate

3. Qualified Domestic Top-Up Tax and Income Inclusion Rule

The **Resolution 107/2023/QH15** and its **Draft Decree** on the application of additional CIT in accordance with regulations to prevent erosion of the global tax base

	Qualified Domestic Top-Up Tax ("QDMTT")	Income Inclusion Rule ("IIR")
Subject of application	**Vietnam has the right to collect top-up tax** if one or more Constituent Entities **("CEs")** of an MNE conduct business activities **in Vietnam** and have an effective tax rate ("**ETR**") **below the minimum rate of 15%.**	**Vietnam has the right to collect top-up tax** in cases where the **Parent Company** (whether ultimate, partially owned, or intermediate) of an applicable MNE is located **in Vietnam, and its CEs** are subject to an **ETR below 15%** in **foreign countries.**
Permanent safe harbour* (De Minimis Test) *(*) Please refer to the* ***Transitional safe harbour*** *in Section 5*	**QDMTT in Vietnam will be determined as 0** if the CEs simultaneously meet these conditions: • Average GloBE Revenue in Vietnam is below EUR 10 million; • Average GloBE Income in Vietnam is below EUR 1 million or a loss.	**The top-up tax in a jurisdiction will be determined as 0** if the CEs simultaneously meet these conditions: • Average GloBE Revenue in that jurisdiction is below EUR 10 million; • Average GloBE Income that jurisdiction is below EUR 1 million or a loss.
Declaration dossier** *(**) During the Transitional period, enterprises* ***will not be penalized*** *for violations in Global Minimum Tax ("****GMT****") declaration*	i. GMT information declaration - 01/TKTT-QDMTT; ii. QDMTT return - 01/TNDN-QDMTT; iii. Explanation of GAAP differences - 01/TM; iv. GMT information of UPE - 01/TKTT-IIR; and v. FS reports for consolidation purpose of CEs. **Deadline**: **12 months** after fiscal year-end of Ultimate Parent Entity ("**UPE**").	EGMT information declaration - 01/TKTT-IIR; i. IIR return - 01/TNDN-IIR; ii. Explanation of GAAP differences - 01/TM; iii. Consolidated FS of UPE; and iv. FS reports for consolidation purpose of CEs. **Deadline: 15 months** after fiscal year-end of UPE (**18 months** for 1st year the MNE is subject to GMT).

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3. Qualified Domestic Top-Up Tax and Income Inclusion Rule (cont.)

QDMTT calculation formula

$$\text{QDMTT} = \underbrace{\text{Top-up Tax (\%)}}_{\left(\text{Minimum tax rate (15\%)} \;-\; \text{Effective tax rate (ETR)}\right)} \times \underbrace{\text{Excess Profit}}_{\left(\textit{GloBE Net Income} \;-\; \textit{Substance-based income exclusion}\right)} + \text{Adjusted current Top-up Tax}$$

IIR calculation formula

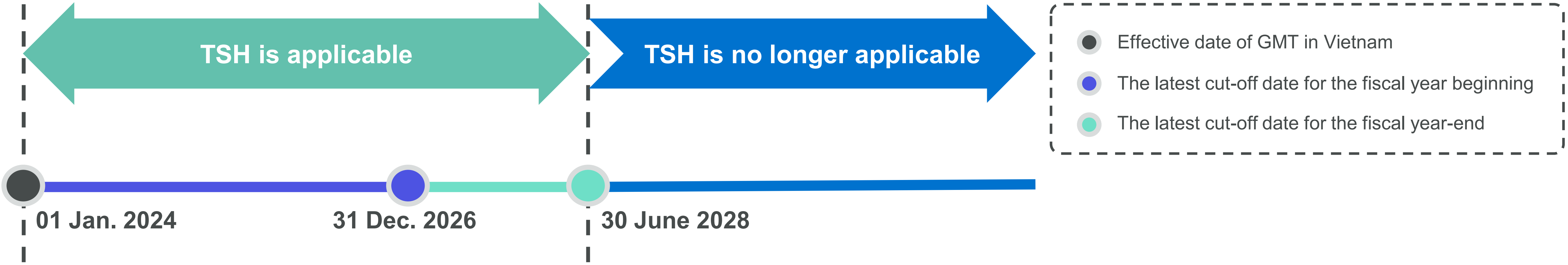
$$\text{Jurisdictional top-up tax} = \left(\underbrace{\text{Top-up Tax (\%)}}_{\left(\text{Minimum tax rate (15\%)} \;-\; \text{Effective tax rate (ETR)}\right)} \times \underbrace{\text{Excess Profit}}_{\left(\textit{GloBE Net Income} \;-\; \textit{Substance-based income exclusion}\right)} \right) + \text{Additional current Top-up Tax} - \text{Jurisdictional QDMTT}$$

4. Other mechanisms

Other mechanisms will be more specifically legislated in the coming time

- Regulations on taxable profits below the minimum rate: Undertaxed Payment Rule (“**UTPR**”)
- Regulations of minimum withholding tax: Subject to Tax Rule (“**STTR**”)

5. Transitional safe harbour ("TSH")



De minimis test

With qualified CbCR available, the **average GloBE revenue** of a jurisdiction is less than EUR10 million **and** the **average GloBE income** is less than EUR1 million (or incurring a GloBE loss).

Simplified ETR test

The simplified effective tax rate ("**ETR**") of the MNE in a jurisdiction is **at least 15%** for 2024, **16%** for 2025, and **17%** for 2026.

Routine profit test

CbCR Profit (or loss) before tax of the MNE in a jurisdiction is less than or equal to Substance-based Income Exclusion ("**SBIE**") for CEs in the jurisdiction per GloBE rules.

"**Once out, always out**" principle*

If an MNE Group has not applied the TSH for a jurisdiction in a fiscal year during which the MNE Group is subject to the GloBE Rules, **the MNE Group will not be eligible for that safe harbour in subsequent years**, unless there were no Constituent Entities located there in the previous fiscal year.

(*) Draft Decree providing guidance on Resolution 107/2023/QH15

6. Brief timeline for fiscal year 2024

Example for the fiscal year ended 31 Dec. 2024 for both Vietnamese CE and the UPE:

31 Dec. 2024

Fiscal year-end

30 Jan. 2025

- Notification on the appointment of a Filing CE
- Notification on the List of in-scope CEs

31 Mar. 2025

Submitting GMT registration application for the first time

31 Dec. 2025

Deadline for tax filing and paying of **QDMTT**

30 June 2026

Deadline for tax filing and paying of **IIR ***

**18 months for 1st year, 15 months from 2nd year onwards*

7. Our recommendation

01

Monitor updates on GMT implementation in Vietnam to ensure compliance with calculation and filing requirements.

02

Assess GMT applicability based on the group's consolidated revenue threshold

03

Identify in-scope CE(s) in Vietnam

04

Confirm eligibility for safe harbor conditions

05

Consider tax planning strategies incorporating the application of the SBIE

06

Inform the Group about required data, documents for submission, as well as the appointment of the Filing CE

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