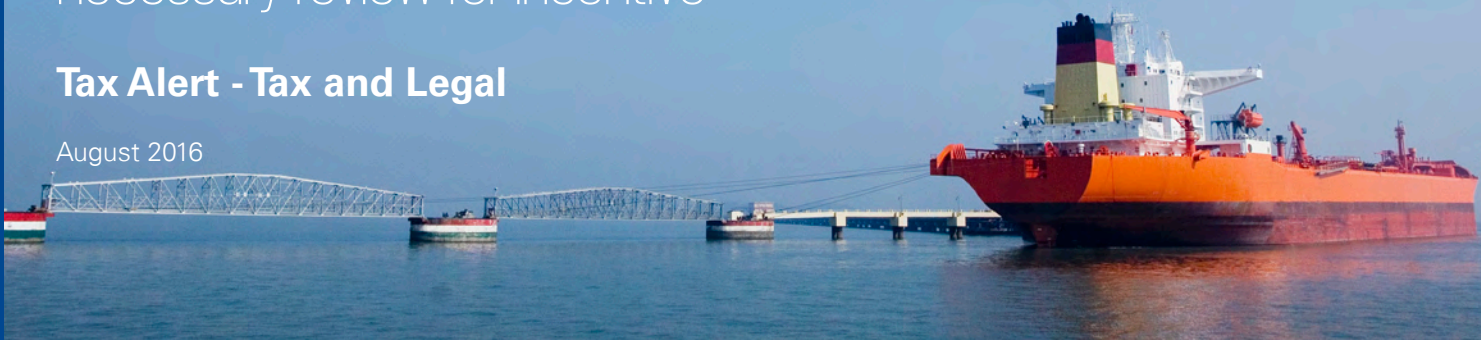




# 10 Free Trade Agreements – necessary review for incentive

## Tax Alert - Tax and Legal

August 2016



## To date, Vietnam has entered into ten bilateral and multilateral Free Trade Agreements (“FTAs”).

The common goal of the FTAs is to reduce or eliminate tariffs in accordance with the roadmap agreed in each FTA for a majority of the 9,578 tariff lines in the Import Tariff Table to reach a common tariff between 0% and 5%.

Businesses that depend on importing or exporting goods will realize preferential tariff rates when engaging in trade with business partners in FTA member countries.

On the other hand, tariff reductions on imports will result in an increase in imported goods, leading to competitive pressure on domestic businesses. Businesses operating in Vietnam that depend on importing and exporting should thus have a comprehensive understanding on the various roadmaps agreed under the various FTAs. This will help to ensure timely, strategic planning, to understand the anticipated changes affecting their revenue and expenses, and what could likely happen in the market to them and their competitors.

Exploring the FTA landscape can reveal significant reductions in duties and import-related costs. To take advantage of the FTAs, many conditions and qualifications are required and the documentation threshold can be complex. Even if a company is already claiming FTA benefits, closer examination of practices and procedures may reveal that critical compliance requirements are not met.

KPMG Vietnam has a dedicated and specialized customs and trade advisory team of professionals who will:

- Advise clients from all sectors on how to qualify and benefit from the available FTA to save your customs duty costs;
- Advise on planning and optimizing for the decrease in tariffs agreed under various FTAs in your future import-export;
- Review your current practices to identify non-compliance and advise necessary changes



Our team is part of the KPMG Asia – Pacific Trade & Customs Services practice, and we can leverage on our broad regional and global resources and experience.

Below we summarize the ten FTA in force as of today:

- (i) ASEAN Free Trade Agreement (AFTA), which eliminates 97% of the tariff rates out of all tariff lines, commencing in 1999 and accomplishing in 2018;
- (ii) ASEAN-China Free Trade Agreement (ACFTA), which eliminates 90% of the tariff rate out of all tariff lines, commencing in 2005 and accomplishing in 2018;
- (iii) ASEAN-Korea Free Trade Agreement (AKFTA), which eliminates 86% the tariff rate out of all tariff lines, commencing in 2007 and accomplishing in 2019;
- (iv) ASEAN-Australia and New Zealand Free Trade Agreement (AANZFTA), which eliminates 90% of the tariff rate out of all tariff lines, commencing in 2009 and accomplishing in 2020;
- (v) ASEAN-India Free Trade Agreement (AIFTA), which eliminates 78% of the tariff rate out of all tariff lines, commencing in 2010 and accomplishing in 2020;
- (vi) ASEAN-Japan Free Trade Agreement (AJFTA), which eliminates 87% of the tariff rate out of all tariff lines, commencing in 2008 and accomplishing in 2025;
- (vii) Viet Nam-Japan Free Trade Agreement (VJFTA), which eliminates 92% of the tariff rate out of all tariff lines, commencing in 2009 and accomplishing in 2026;
- (viii) Viet Nam-Chile Free Trade Agreement (VCFTA), which eliminates 88% of the tariff rate out of all tariff lines, commencing in 2016 and accomplishing in 2030;
- (ix) Viet Nam-Republic of Korea Free Trade Agreement (VRKFTA), which eliminates 88% of the tariff rate out of all tariff lines, commencing in 2016 and accomplishing in 2031;
- (x) Vietnam-Customs Union Free Trade Agreement between Vietnam and Customs Union Russia-Belarus-Kazakhstan (VCUFTA), which eliminates 90% of the tariff rates out of all tariff lines, commencing in 2016 and accomplishing in 2027.



## Contact us

### KPMG Tax and Advisory Limited

Warrick Cleine  
Chairman & CEO  
Vietnam and Cambodia  
Tax Managing Partner

#### Hanoi

Do Thi Thu Ha, Senior Partner  
Hoang Thuy Duong, Partner  
Le Thi Kieu Nga, Partner  
Nguyen Thu Huong, Partner  
Nguyen Ngoc Thai, Director  
Nguyen Hai Ha, Director  
Pham Thi Quynh Ngoc, Director  
Ho Dang Thanh Huyen, Director  
Taninaka Yasuhisa, Japanese Desk

46<sup>th</sup> Floor, Keangnam Landmark 72  
E6 Pham Hung Road, Me Tri Ward  
South Tu Liem District, Hanoi

T: +84 4 3946 1600  
F: +84 4 3946 1601  
E: kpmghanoi@kpmg.com.vn

#### Ho Chi Minh City

Nguyen Cong Ai, Partner  
Ninh Van Hien, Partner  
Ta Hong Thai, Partner  
Ho Thi Bich Hanh, Partner  
Nguyen Thanh Hoa, Director  
Huynh Ngoc Nhan, Director  
Nguyen Thanh Tam, Director  
Joost van Vliet, Director  
Terresa Yiu, Director  
Tran Duy Binh, Director  
Bui Thi Thanh Ngoc, Director  
Michal Jacob, Director  
Watari Takashi, Japanese Desk

10<sup>th</sup> Floor, Sun Wah Tower  
115 Nguyen Hue Street, Ben Nghe Ward  
District 1, Ho Chi Minh City, Vietnam

T: +84 8 3821 9266  
F: +84 8 3821 9267  
E: kpmghcmc@kpmg.com.vn

[kpmg.com.vn](http://kpmg.com.vn)

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2016 KPMG Tax and Advisory Limited, a Vietnamese limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.