



GLOBAL MINIMUM TAX IMPLEMENTATION: VIETNAM'S POLICY RECOMMENDATIONS

Le Thi Thao¹

¹Hue University, Vietnam

Email: ltthao@hueuni.edu.vn or thaolt@hul.edu.vn

<https://orcid.org/0000-0003-0602-3433>

Mobil: +84.905.026.623

Submitted: Sept 03, 2023; Reviewed: Okt 25, 2023 ; Accepted:

Article's Information

keywords:

Global minimum tax, implementation, recommendations, policy adjustment, Vietnam

DOIs:

<https://doi.org/10.25041/plr.v4i2.3170>

Abstract

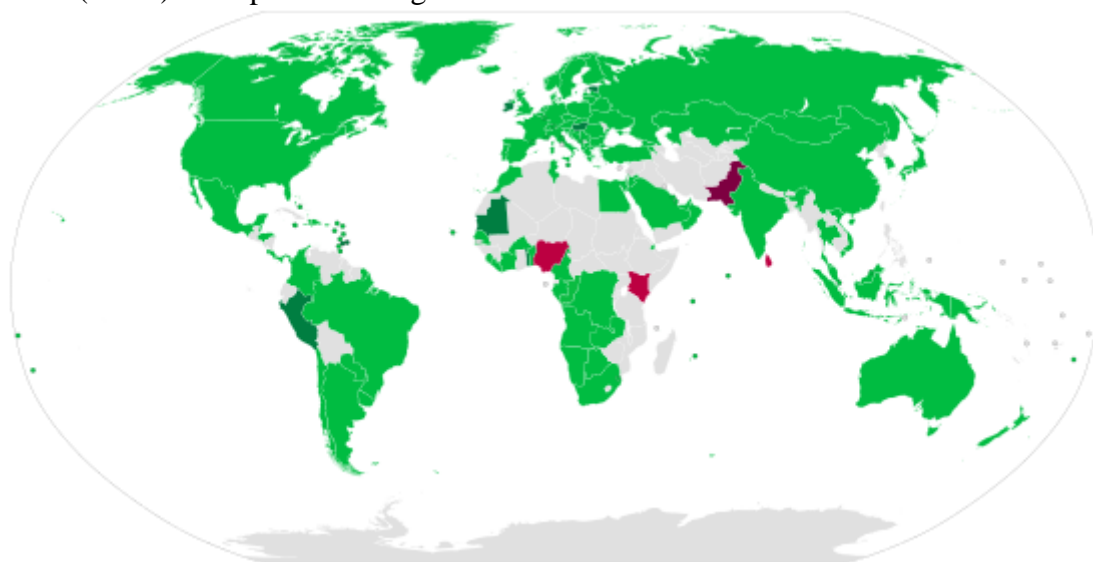
Applying the global minimum tax rule creates an equal tax competition environment among countries today and limits the phenomena of tax evasion, tax avoidance, transfer pricing, and profit transfer. That is inevitable in the current integration and globalization environment. According to the plan, the application of the global minimum tax rule will start from January 1, 2024 in Vietnam. On the basis of legal analysis methods, statistical methods and practical law assessment from secondary document information, the views of experts analyzing the current situation of corporate income tax policy in Vietnam. in the south, preferential policies to attract investment, opportunities and challenges when applying the global minimum tax rule and the impact on the development and improvement of tax policies for foreign investors to ensure goals of attracting investment and sustainable development. The article discusses and analyzes the various challenges that countries are facing when imposing a global minimum tax. on the following aspects: (i) neutralization of tax incentive policies; (ii) the taxing rights of the investing country; (iii) competitiveness in attracting investment; (iv) recommend solutions for the Vietnamese government in law-making and effective enforcement in the coming time. This study using normative juridical, qualitative research methods on the basis of secondary literature information has analyzed the



anticipated impact of the global minimum tax policy on Vietnam and the trend of building and perfecting legal policies, human, political, infrastructure, etc. tax and plan to gradually reform and internalize international commitments in the tax field in Vietnam.

A. Introduction

With development of the digital economy and globalization, it has had a great influence on the socio-economic of countries. Many multinational companies, transnational companies have many opportunities to choose the location, field and investment environment in countries that are likely to bring the best advantage to their company. Investment and development around the world, especially with appropriate tax collection management measures to prevent practices that undermine the tax base and transfer profits. In order to prevent tax base erosion and profit shifting (BEPS), OECD has developed and adopted the global minimum tax rule, so far 142/142 countries have joined and agreed, including Vietnam. The goal of the global minimum tax is designed to prevent a "race to the bottom"¹ of preferential tax rates between countries. The imposition of a global minimum tax creates a healthy and fair competition environment among countries. The global minimum tax rule is a progressive tax reform that aims to limit the fact that many large companies plan to minimize taxes by shifting profits to tax havens, or doing business via digital platforms. Transnational without a physical presence. The global minimum corporate tax rate, or simply the global minimum tax (abbreviated GMCT or GMCTR), is a minimum rate of tax on corporate income internationally agreed upon and accepted by individual jurisdictions. Each country would be eligible to a share of revenue generated by the tax. The aim is to reduce tax competition between countries and discouraged multinational corporations (MNC) from profit shifting to achieve tax avoidance.²



OECD plan to set a global minimum corporate tax rate of 15%

- Initial signatories
- Subsequent signatories
- Non-signatories
- Withdrawn

¹ Bundesfinanzministerium, 2019, A minimum tax will ensure greater fairness in international tax law .

² Investopedia . Global Corporate Minimum Tax: How Would It Work?

[Not members of the inclusive framework (unable to sign)]Source: *Global minimum tax 2023*, https://en-m-wikipedia-org.translate.goog/wiki/Global_minimum_corporate_tax_rate?_x_tr_sl=en&_x_tr_tl=en&_x_tr_hl=en&_x_tr_pto=sc

Implementing the actions of BEPS, in July 2021, the Finance Ministers and Central Bank Governors of the G20 agreed on the principle of a Two-Pillar solution to address tax challenges arising in the process of implementing BEPS. digitization of the economy (referred to as the Global Minimum Tax Agreement), including: Pillar 1 is tax allocation for digital-based business; Pillar 2 sets a global minimum corporate tax rate of 15% for multinationals to prevent them from relocating profits to low-tax countries to avoid taxes³. That is, pillar 2 does not require countries to jointly raise the tax rate to 15% and additionally tax the difference, but only provides a mechanism to collect tax in case corporations have tax paying subsidiaries. less than 15% in one country will be subject to an additional tax of 15% in the parent country to ensure the global minimum tax rate is reached.

Subject to the global minimum tax, the global minimum tax is a tax rate that will apply to multinational businesses with a global turnover of more than 750 million euros (about over VND 18,900 billion)⁴ and a profit of more than 10 %, about 75 million euros (about 1,897 billion VND) will be subject to the minimum tax rate of 15%. This means that, when these companies invest in foreign countries and pay income tax in the investing country (Vietnam) below 15%, they will have to pay the difference in the country where they are headquartered.

The global minimum tax rate brings many benefits to developed countries (investing countries - having investment flows abroad, the purpose is to pull corporations operating in production and business back to their parent country). corporations, limit corporate income tax avoidance by creating a common minimum tax rate and levying taxes on the difference between the general minimum tax rate and the lower tax rate in which the subsidiary invests in other countries), however, for developing countries (investment recipient countries), once this Code is applied by countries, it can reduce the attractiveness and competition in attracting foreign investment. In Vietnam, tax incentives are currently a tool to attract foreign investors, according to the current corporate income tax law, the common tax rate is 20% while the real investment incentive tax rate is 20%. economy is 12.3%. Thus, with the application of the global minimum tax rate of 15% (above the tax rate applied by Vietnam to businesses subject to this global minimum tax policy.) That means that when applying the global minimum tax, Investors will have to additionally pay the difference in tax to the home country, making Vietnam's tax incentives no longer effective or one of the advantages of attracting investment in the past. In general, Vietnam has the right to tax or not to additionally tax the differential tax rate according to the global minimum tax rule, but Vietnam has no right to ask other countries not to tax additional taxes or failure to implement these rules for foreign companies in Vietnam.

In fact, in the context of globalization, countries, especially emerging and developing countries, are under great pressure to compete to attract foreign investment through tax incentives due to This is one of the most important factors of these countries to attract FDI of multinational companies and corporations.

Therefore, the application of minimum tax regulations is one of the great challenges for Vietnam in maintaining and retaining foreign-invested enterprises in Vietnam in the coming time. The study of the strategy and plan for the implementation of the global minimum tax rule in Vietnam is an indispensable and urgent requirement to ensure that the advantages are

1. ³Anh Minh, 2023. Assess the impact of the global minimum tax on Vietnam to have a reasonable policy <https://baochinhphu.vn/danh-gia-tac-dong-cua-thue-toi-thieu-toan-cau-den-viet-nam-de-co-chinh-sach-hop-ly-102230418160404986.htm>

⁴ European Commission - European Commission

maintained and the sustainable investment environment is maintained. The problem needs an immediate solution.

B. Discussion

1. Impact of the application of the global minimum tax rule on Vietnam

The impact of the application of the global minimum tax rule on Vietnam approaches on two aspects: ensuring tax rights in Vietnam and competitiveness in attracting foreign investment.

First, neutralization of tax incentive policies

In an increasingly connected global economy, countries strive to attract foreign investment as a means to grow their economies and foster innovation. One effective way to do so is by offering tax incentives to incentivize foreign companies to invest in their jurisdiction.

- **Reduction or Waiver of Import Duties:** One of the key tax incentives to attract foreign investment is the reduction or waiver of import duties on goods and components imported for production or investment purposes. By reducing the cost of importing necessary materials, this incentive makes investing in a country more financially viable for foreign companies. It helps foster international trade and allows businesses to competitively access goods and technologies from global markets.

- **Tax Exemptions or Reductions for Foreign Direct Investment:** Offering tax exemptions or reductions for foreign direct investment (FDI) is a common practice to attract foreign businesses. This can include a reduced corporate income tax rate for a certain period of time or a complete tax exemption to encourage investment and stimulate economic activity. By reducing the tax burden on foreign companies, countries can attract more FDI and benefit from the associated economic growth and job creation.

- **Tax Holidays for Strategic Industries:** Strategic industries that are crucial for a country's economic development, such as high-tech manufacturing, export-oriented production, or renewable energy, can be granted tax holidays or special tax incentives. These incentives aim to attract foreign investment in areas deemed strategic by the host country, promoting the transfer of advanced technologies and encouraging the growth of key sectors. By providing tax holidays, countries can position themselves as attractive destinations for foreign companies seeking to invest in these industries.

- **Reduced or Waived Land and Property Taxes:** Another tax incentive that can be offered to foreign investors is the reduction or waiver of land and property taxes. This can significantly reduce the cost of establishing and operating businesses, making it more financially viable for foreign companies to invest in the new market. By lowering the financial barriers associated with land and property, countries can effectively attract foreign investors and stimulate economic growth.

Tax incentives play a crucial role in attracting foreign investment in the context of global minimum tax. By offering reductions or waivers of import duties, tax exemptions or reductions for FDI, incentives for R&D activities, tax holidays for strategic industries, reduced or waived land and property taxes, and special economic zones with tax benefits, countries can create an environment that is conducive to foreign investment. These incentives not only attract foreign capital but also encourage technology transfer, foster innovation, and stimulate economic growth. It is important for countries to carefully design and implement these tax incentives to ensure a balance between attracting foreign investment and maintaining a fair and equitable tax system. However, incentives in this tax policy will constitute in revenue and profit, which leads to the nullification of incentives when imposing a global minimum tax. Order to attract investments to their territory, it is a common practice for countries to resort to tax incentives, such as tax holiday schemes and other specific exemption regimes.

In general terms, tax holiday is a government incentive programme offering a temporary reduction or elimination of taxes. Specific exemption regimes include, for example, those that fully or partially exempt from the tax base income arising from certain sectors of the economy, types of entities or locations. While the GloBE Rules do not explicitly prohibit countries from adopting these exemptions, CIT-related incentives directed at businesses are likely to be affected. This is because, the GloBE Rules will have an impact on income-based taxes and, therefore, certain exemptions and tax holiday schemes aimed at temporarily “eliminating” income taxes will largely be affected by the charging of the top-up tax in the UPE jurisdiction. Naturally, if such measures target out of scope companies, or they do not lead to a reduction of the ETR below 15 per cent, they will remain unaffected provided that the UPE jurisdiction is not applying lower thresholds under its domestic implementation of the GloBE Rules⁵.

The GloBE Rules do not explicitly prohibit countries from maintaining a system of tax incentives, they might have an impact on the lower tax benefits arising from the use of incentives and lead to the need for countries to rethink their incentives policy⁶.

Second, ensure the right to tax

The right to tax is a dominant power in influencing businesses in business investment activities. That shows that Vietnam needs to consider when imposing a global minimum tax that cannot lose this power. Losing this power means giving the benefits that Vietnam itself has gained to the home country to enjoy, also known as "austerity" for others to eat.

If countries with CIT lower than 15% decide to do nothing, they might lose out on taxing rights. These taxing rights on locally generated income might go to another country. For example, if the parent MNC is located in a low tax jurisdiction which has not implemented the IIR, then the top-up tax will be calculated by the next intermediary holding company in the ownership chain. In this case the low tax jurisdiction would lose out on tax revenue over which it would have had primary taxing rights⁷.

On Vietnam's tax policy and taxing rights to adjust the Vietnamese legal system: investment law, corporate law, applicable tax law effective. With this direction, some countries have calculated and applied the internalization of the domestic minimum tax policy.

Thirdly, competitiveness in attracting foreign investment.

The notion that there is increasing competitive pressure on governments to reduce their corporation tax rates has been the subject of a growing theoretical literature — surveyed by Wilson⁸, and Fuest et al⁹. Tax competition takes place for attracting: Foreign direct investments; Portfolio investments, highly mobile financial capital, essential for financing the local companies and strengthening the local financial markets; Internal financial flows within the multinational companies that can be lured to own jurisdictions by attracting those corporate units used for international transfer of profits; Cross border shoppers, especially for those products subject to excise taxes, when there are significant differences in the level of those excises; High skilled labor, characterized by high mobility.¹⁰

⁵Belisa Ferreira Liotti, Joy Waruguru Ndubai, Ruth Wamuyu, Ivan Lazarovb and Jeffrey Owensa, 2022. The treatment of tax incentives under Pillar Two, Transnational corporations, Volume 29, 2022, Number 2 [.https://unctad.org/system/files/official-document/diaeia2022d3a2_en.pdf](https://unctad.org/system/files/official-document/diaeia2022d3a2_en.pdf). pg.38.

⁶Belisa Ferreira Liotti, Joy Waruguru Ndubai, Ruth Wamuyu, Ivan Lazarovb and Jeffrey Owensa, 2022. The treatment of tax incentives under Pillar Two, Transnational corporations, Volume 29, 2022, Number 2. https://unctad.org/system/files/official-document/diaeia2022d3a2_en.pdf. pg.44.

⁷Deloitte, 2022. Global minimum corporate income tax.

⁸Wilson, J.D., 1999. Theories of tax competition. *National Tax Journal* 52, 269–304.

⁹Fuest, C., Huber, B., Mintz, J., 2005. Capital mobility and tax competition: a survey. *Foundations and Trends in Microeconomics* 1, 1–62.

¹⁰Ioan Talpoş, Alexandru O. Crăşneac, 2010, The Effects of Tax Competition, *Theoretical and Applied Economics* Volume XVII (2010), No. 8(549), pp. 39-52

Competition through tax rates, when the authorities set lower tax rates relative to rates charged in other tax jurisdictions; competition through tax bases, if the authorities use various facilities for determining tax base (granting deductions, provisions on tax treatment of losses, different ways of recording depreciation); expenditure competition, when the authorities compete in providing public goods that increase productivity of businesses (eg, infrastructure, various subsidies) in order to make them choose their own jurisdictions¹¹.

Baldwin and Krugman¹² showed that tax harmonization by adopting a common tax rate will affect at least one of the two types of countries. Moreover, choosing a common tax rates between the high levels of developed countries and smaller levels in peripheral countries will affect both countries. The less developed would lose their tax advantages in attracting foreign investments and the industrialized (core countries) would have to reduce the public services volume. One possible solution to prevent amplification of tax competition between governments would be adoption of a minimum level of tax rates, regardless how low that level would be. This would represent a Pareto improvement because the industrialized countries would benefit without undermining the position of peripheral countries.¹³

One easy way to attract business is to lower taxes, especially income taxes. International tax competition, fueled by increases in the mobility of capital and labor, is a growing trend. The competition has both supporters and critics.

Advocates of tax cuts often point to the example of Ireland. The nation of 3.8 million inhabitants has a corporate income tax at only 10% and in recent years has received more foreign direct investment than Japan or Italy. Ireland's per capita income has rapidly caught up with the rest of Western Europe. Three arguments are often employed.

First, lower taxes make a country more attractive to business. Second, lower taxes reduce the efficiency loss associated with taxation. Finally, tax competition drives governments out of monopolies and forces them to become more efficient.

However, many claim that tax competition is harmful. First, it can distort investment decisions. Labor and capital may migrate to countries with low taxes, but these areas do not necessarily have the highest productivity. Second, highly progressive tax can no longer be applied because businesses and high-income individuals can move to low-tax jurisdictions. Thus competition reduces the redistributive effect of taxation.

Moreover, the induced lower tax revenue does not necessarily lead to efficient government spending. This is dangerous for poor countries who need to invest to solve infrastructure bottlenecks. The lower a government's tax revenues, the more debt it must assume. High sovereign debt deters investors, and places an onerous burden on future generations.

In short, countries should compete by fostering a favorable business environment in which taxation is just one factor, in order to attract skilled people and value added businesses. Also, governments should avoid being dragged into a "race to the bottom" by slashing revenue and running up debt.

With the tradition of developing countries, they have often taken advantage of preferential policies, tax exemptions and reductions as a competitive advantage through the investment environment. In addition, other supporting policies are applied such as technical, proposed supporting foreign companies in investment in basic infrastructure for production and forming fixed assets for industrial production; support for environmental protection; worker

¹¹ Ioan Talpoș, Alexandru O. Crâșneac, 2010, The Effects of Tax Competition, Theoretical and Applied Economics Volume XVII (2010), No. 8(549), pp.41

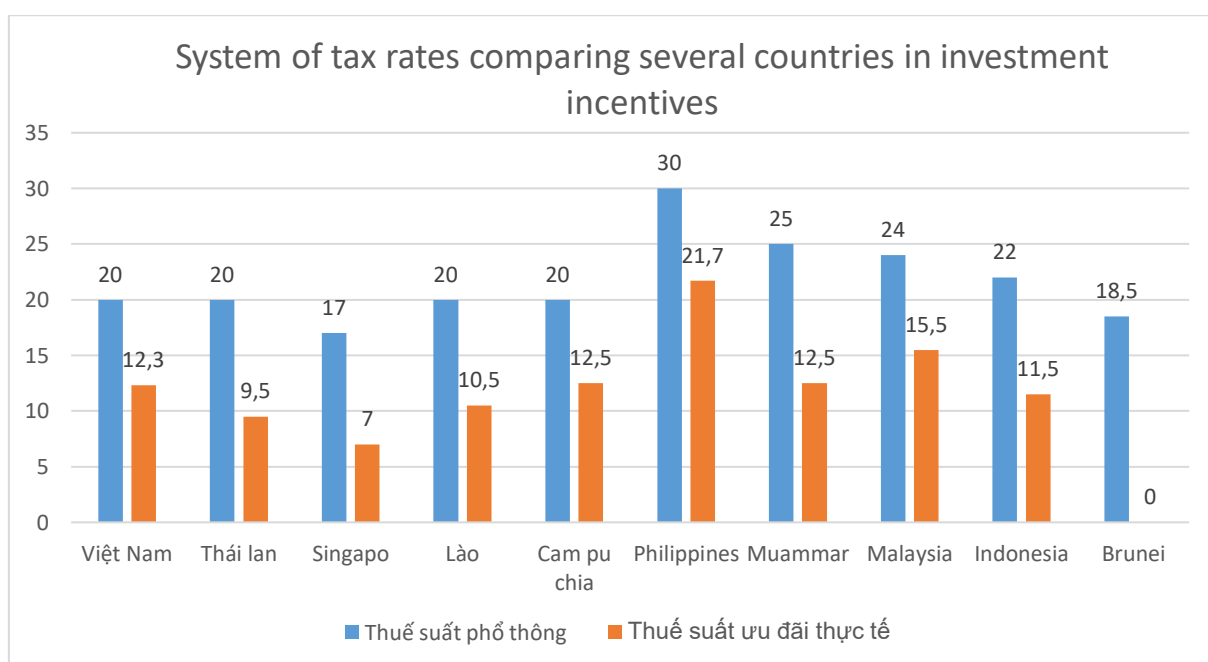
¹² Baldwin, R. E. and P. Krugman (2004). Agglomeration, integration and tax harmonization. European Economic Review 48, 1–23.

¹³ Ioan Talpoș, Alexandru O. Crâșneac, 2010, The Effects of Tax Competition , Theoretical and Applied Economics Volume XVII (2010), No. 8(549), pp.49

housing; social-health insurance for employees; research and development; High-tech application, environmentally friendly.

In addition, Vietnam also needs to create favorable conditions for investors on non-tax policies, such as exemption or reduction of land rent and reform of administrative procedures, to cut costs for businesses.¹⁴

Incentives in attracting investment of Vietnam are considered attractive compared to other countries in the region. In recent years, Vietnam has used tax incentives as a key tool in attracting foreign investment. That is the policy "exempt 4, reduce 9" (ie 4 years free, 9 years reduction) or 2 years exemption, 4 years reduction; Incentives for 23 special areas, 7 areas of lower incentives; Incentives according to 51/63 localities with particularly difficult and difficult conditions; Incentives in industrial parks, economic zones, high-tech zones... The general tax rate is 20%, according to preliminary estimates, the actual tax on FDI in Vietnam currently is 12.3%, lower than the level The global minimum is 15%. There are even some large corporations at only 2.75%-5.95%.¹⁵



Source: Ban Mai, 2023. Global minimum tax: "Filter" helps Vietnam choose good FDI or a new race in FDI attraction? <https://vneconomy.vn/thue-toi-thieu-toan-cau-mang-loc-giup-viet-nam-chon-fdi-tot-hay-cuoc-dua-moi-trong-hut-fdi.htm>

Thanks to competitive tax incentives, along with strengths such as: stable political economy, large labor force..., foreign investment flows into Vietnam have continuously increased over the years. Specifically, in 2020, for the first time, Vietnam entered the group of 20 leading FDI attracting countries in the world. In 2022, Vietnam also attracted nearly 30 billion USD, although a decrease compared to the same period, but showed a positive signal during the pandemic.

2. ¹⁴ Vietnamnews, 2023. Vietnam needs supports for foreign businesses when applying global minimum tax <https://vietnamnews.vn/economy/1521762/viet-nam-needs-supports-for-foreign-businesses-when-applying-global-minimum-tax.html>

3. ¹⁵ Ban Mai, 2023. Global minimum tax: "Filter" helps Vietnam choose good FDI or a new race in FDI attraction?

<https://vneconomy.vn/thue-toi-thieu-toan-cau-mang-loc-giup-viet-nam-chon-fdi-tot-hay-cuoc-dua-moi-trong-hut-fdi.htm>

The studies of economists show that there is no positive or negative relationship between attractive investment policies, the more foreign investment will come in. But investment incentives are one of the important tools to complement Vietnam's static comparative advantages. Vietnam is using tax incentives as a financial leverage tool to influence investment trends. The preferential policies on corporate income tax of Vietnam are considered to be attractive compared to other countries in the region: Common tax rate: 20% (higher than the global minimum tax rate); preferential tax rates: 10%, 15% and 17% depending on the field, industry, scale and area of investment; Special preferential tax rates are 5%, 7% and 9%. Along with tax incentives, the current law has provisions on tax exemption and reduction of 50% during the period of exemption or reduction¹⁶.

Currently, there are 1,015 foreign-invested enterprises in Vietnam whose parent companies are subject to the global minimum tax¹⁷. In which, there are more than 70 businesses that are likely to be affected by the global minimum tax when it is applied from 2024. If the countries with the parent company all enforce the global minimum tax, these countries will additional tax will be collected in 2024, estimated at more than 12,000 billion VND.¹⁸ Thus, tax incentives will no longer be effective, thereby posing a significant challenge to maintaining the competitiveness of Vietnam's investment environment.

According to statistics, there are currently about 335 projects with registered investment capital of over 100 million USD, operating in the field of processing and manufacturing industries in economic zones and industrial parks and are being enjoy corporate income tax incentives lower than 15%, of which, are usually enterprises in the high-tech sector. Accordingly, the total registered investment capital of these types of projects accounts for nearly 30% of the total FDI capital in Vietnam (about 131.3 billion USD).

Eurocham's 2022-23 Whitebook that 70% said Vietnam could increase foreign investment by reducing roadblocks in terms of administrative procedures, 53% suggested improving infrastructure, 35% suggested improving human resources and 47% suggested easing visa barriers for foreign experts¹⁹.

Experts worry that the introduction of GMTR in other countries would cancel out the tax incentives that Vietnam has laid down for years and result in tax revenues being effectively exported to those countries.

They took RoK companies operating in Vietnam for example. These companies are subject to a preference tax rate of 7%. Once GMTR comes into force in the RoK, the companies would have to pay an additional rate of 8% to RoK tax authorities, which is the difference between the Vietnamese rate and GMTR.²⁰

In Vietnam, about 335 projects with registered investment capital of over 100 million USD in manufacturing and processing industries are enjoying corporate income tax incentives with rates of lower than 15%, especially those in the hi-tech sector such as Samsung, Intel, LG,

4. ¹⁶ Chinhphu, 2023. The global minimum tax rate: Listen for the comprehensive 'picture'. <https://baochinhphu.vn/thue-suat-toi-thieu-toan-cau-lang-nghe-de-co-buc-tranh-toan-dien-102230320163823752.htm>

5. ¹⁷ Ai Van, Mai Hoa, 2023. Global minimum tax: Vietnam has 1,015 affected FDI enterprises <https://www.sggp.org.vn/thue-toi-thieu-toan-cau-viet-nam-co-1015-doanh-nghiep-fdi-bi-anh-huong-post683846.html>

6. ¹⁸ Dinh Truong, 2023, Thousands of FDI enterprises will be subject to the Global Minimum Tax <https://laodong.vn/Kinh-doanh/hang-nghin-doanh-nghiep-fdi-se-la-doi-tuong-cua-thue-toi-thieu-toan-cau-1181341.ldo>

7. ¹⁹ VNA, 2023. Vietnam to develop policies to adapt to global minimum tax <https://en.vietnamplus.vn/vietnam-to-develop-policies-to-adapt-to-global-minimum-tax/250242.vnp>

8. ²⁰ VNA, 2023. Global Minimum Tax a head-scratcher for Vietnamese policymakers. <https://vietnamnews.vn/economy/1493649/global-minimum-tax-a-head-scratcher-for-vietnamese-policymakers.html#>

Bosch, Sharp, Panasonic, Foxconn, and Pegatron. The total registered investment capital of those projects accounts for nearly 30% of the total FDI in Vietnam, about 131.3 billion USD²¹.

Therefore, when Vietnam applies this tax without timely responses, Vietnam can lose its competitive advantages in foreign investment attraction, while foreign investors' investment expansion plans will be affected too.

If Vietnam applies a global minimum tax, it will directly affect global FDI flows, so Vietnam will face many difficulties in attracting FDI through tax incentives. When tax incentives are no longer effective in attracting investment, Vietnam needs to take supportive measures to maintain competitiveness in attracting investment. Support measures should achieve two important goals. It is the interests of investors, support measures must bring real benefits to investors; Support measures must ensure that they do not violate international commitments to which Vietnam is a member, as well as comply with the rules of Pillar 2.

Vietnam needs to accelerate the process of developing a domestic law and show its support for the agreement and commitment to the global minimum tax rate. In the short term, Vietnam needs to take advantage of the support and advice of the OECD and other countries, regions, international organizations, corporations and foreign-invested enterprises through dialogue forums and conferences. Scientific drafting, policy communication, legal documents, global minimum tax rates and related taxes. However, the application of this rule may reduce the attractiveness and competition in attracting foreign investment of developing countries, including Vietnam.

2. Discuss the development and direction for the implementation of the global minimum tax in Vietnam

Many countries are destinations for tax havens that are hiding places for many businesses, multinational companies and tax avoiders^{22, 23} but whether they like it or not when imposing a global minimum tax, do countries participate or not? Otherwise, they are also affected by the right to collect taxes and the ability to attract investment in countries.

For example, if Korea implements this policy, Korean enterprises investing in Vietnam will still have to pay the deficit tax in Korea or other countries, regardless of whether Vietnam participates or not. This is not a bilateral agreement but a mechanism, a "game" between countries²⁴.

As of July 2022, the UK and Japan have drafted implementation guidelines for the agreement, while the overwhelming majority of other signatories has not yet taken steps in implementing the agreement²⁵.

Most countries of the European Union; Switzerland, UK, Korea, Japan, Singapore, Indonesia, Hong Kong (China), Australia... have confirmed to apply the 15% minimum tax rate rule, starting from 2024. In which, South Korea, Singapore, Japan... are countries with a large amount of foreign investment in Vietnam and are countries with many businesses that are subject to the global minimum tax. The global minimum tax rate regulation allows the investing country (eg Korea, China, Japan...etc) to tax a minimum of 15% on income for which the

²¹ VNA, 2023. Experts scrutinise global minimum tax implementation in Vietnam <https://en.vietnamplus.vn/experts-scrutinise-global-minimum-tax-implementation-in-vietnam/251746.vnp>

8.1. ²² *Corporate Tax Haven Index - 2021 Results.* <https://cthi.taxjustice.net/en/>

9. ²³ List of countries by tax rates. https://en-m-wikipedia/List_of_countries_by_tax_rates?_x_tr_sl=en&_x_tr_tl=en&_x_tr_hl=en&_x_tr_pto=sc

²⁴ Phan Duc Hieu, 2023. Finding ways to solve the global minimum tax challenge. <https://vneconomy.vn/tim-cach-hoa-giai-thach-thuc-thue-toi-thieu-toan-cau.htm>

²⁵ VOA, 2022. US Failure to Implement Global Minimum Tax Could Be Costly.

business is exempt or reduced from tax. (Including incentives, investment support such as incentives on CIT, import tax stated on the DT) in the investment recipient country (Vietnam).

According to Congress's Joint Committee on Taxation, if the US were to adopt the agreement and implement that rule, the Internal Revenue Service would collect an additional \$23 billion in 2023, and nearly \$319 billion in the 10 years ending in 2032. The committee says failure to adopt the rule could mean those revenues flow to other countries' treasuries.²⁶

Switzerland is planning to implement OECD minimum taxation through a constitutional amendment. This amendment will be put to a popular vote on 18 June 2023. If the amendment is approved, the Federal Council of Switzerland will have the authority to implement minimum taxation through an ordinance. After six years, the Federal Council will be required to submit a federal law to Parliament for approval.²⁷

The country has some of the lowest corporate tax rates in the world especially in canton Zug, home to heavyweight multinationals like Glencore, where the statutory tax rate is around 11%. This would change if, in June, Swiss voters approve a constitutional amendment to implement a minimum corporate tax rate of 15% under a global deal spearheaded by the Organization for Economic Cooperation and Development (OECD) and backed by more than 130 countries. If voters agree on the amendment, the higher tax rate would come into force in 2024²⁸.

Only a small fraction of companies in Switzerland will be directly affected by the tax reform, in fact, approximately 99% of companies in Switzerland will not be directly affected and will continue to be taxed as before.²⁹ Although the full financial impact of the reform is difficult to estimate, initially the annual tax receipts from the supplementary tax are estimated to bring in approximately CHF 1 billion to CHF 2.5 billion, which is equivalent to about 1.2 to 2.8 billion US dollars as of April 2023.

About 75% of the tax revenue is to be distributed to those cantons where large companies were previously taxed at a lower rate, and the Confederation is entitled to the remaining 25%. Vietnam can consider many different ways to attract foreign investment and encourage existing investors such as perfecting the domestic legal system, modernizing tax administration, improving the efficiency of foreign investment institutions. tax policies and diversify forms of investment support, especially after-tax support measures, following the general trend and in line with international commitments.

If Vietnam's traditional investment attraction policy is spearheaded by tax incentives and tax exemptions (a common tool in developing countries that need to attract investment capital), in the trend of economic transformation With the current digitalization and globalization, with the creation of a level playing field, limiting competition when applying the global minimum tax, countries, including Vietnam, need to turn their spears to other tools. Thereby: consulting and learning from the experiences of other countries in developing and applying standard domestic minimum tax policies, in addition, tax systems such as VAT, import tax, and personal income tax need to be taken into account. suitable tax rates, tax deduction and refund areas ensure advantages in swapping tax obligations from direct tax (corporate income tax) to indirect tax (VAT);

²⁶ Rob Garver, 2022. US Failure to Implement Global Minimum Tax Could Be Costly. <https://www.voanews.com/a/us-failure-to-implement-global-minimum-tax-could-be-costly/6676499.html>

²⁷ FDF, Federal Department of Finance, 2023. [Implementation of the OECD minimum tax rate in Switzerland](https://www.efd.admin.ch/implementation-of-the-oecd-minimum-tax-rate-in-switzerland) www.efd.admin.ch.

10. ²⁸ Jessica Davis Pluss, 2023. Switzerland's tax haven reputation runs deep even with <https://www.swissinfo.ch/eng/switzerland-s-tax-haven-reputation-runs-deep-even-with-reforms/48430002>

11. ²⁹ Switzerland's tax haven reputation runs deep even with. <https://www.swissinfo.ch/eng/switzerland-s-tax-haven-reputation-runs-deep-even-with-reforms/48430002>

It is necessary to stipulate corporate income tax in accordance with the global minimum tax (reaching the standard of 15% - according to the OECD's DMTT) to cope with the global minimum tax of countries with foreign investment in Vietnam. South (to apply the global minimum tax from 2024) and from January 1, 2024.

Global Minimum Tax Regulations, including the aggregate income regulation (IIR) and the sub-minimum taxable profit regulation (UTPR), to apply to Vietnamese businesses with overseas investments foreign companies and other businesses that are subject to the Global Minimum Tax to collect the difference (if any) ³⁰.

Researching, developing and applying the domestic additional tax policy for enterprises with large investment capital such as the additional tax policy that Vietnam has applied in the corporate income tax law in 1998 after the apply the common tax rate to enterprises in that investment field;

Along with that, over the past time, the Government has synchronously implemented reform of state administrative procedures in general, including reform of e-business registration procedures, electronic tax procedures to limit and minimize administrative procedures hinder business investment and limit progress to control and prevent corrupt acts; establish investment support infrastructure systems in all ways, with potential for attracting investment and advantages in the field of foreign investment.

One of the concerns of investors is that, it is expected that in the coming period, there will be investors who are not bound by the global minimum tax in the Vietnamese market, policies on green investment, development Sustainable development will be a long-term goal for attracting investment, economic and political security environment will be the core foundation for investors' destinations to overcome barriers of global minimum tax. .

The imposition of the global minimum tax also needs to take into account the arising legal mechanism, which is one of the concerns of many investors when a dispute occurs. Therefore, when formulating policies to prepare for the imposition of the global minimum tax, it is necessary to develop and anticipate a complete legal framework in both the substantive law as well as the formal law to ensure the harmony of national and international interests. benefit investors and avoid lawsuits between State management agencies and investors.

C. Conclusion and Recommendations

Darin Tuttle, Darin Tuttle, Chief Investment Officer of Tuttle Ventures, publicly on the initiative, applicable to reap that doubt it's impossible to enforce and globally smart country outside of the G7 would immediately lower its corporate tax rate the benefits of foreign direct investment ³¹. The application of the global minimum tax rule in Vietnam is inevitable when joining the international playing field. With the long-term work for Vietnam as well as other countries, it is necessary to have a plan for tax reform in the near future because with this global minimum tax rate will tend to increase ³², ³³, ³⁴. This study has analyzed the anticipated impact of the global minimum tax policy on Vietnam and the trend of building and perfecting legal policies, human, political, infrastructure, etc. tax and plan to gradually reform and internalize

12. ³⁰ Hai Minh, 2023. What solutions has Vietnam proposed regarding the global minimum tax rate?

<https://thuongtruong.com.vn/news/viet-nam-da-de-xuat-cac-giai-phap-nao-lien-quan-den-thue-suat-toi-thieu-toan-cau-102644.html>

³¹ Slav, Irina, 11 June 2021. Qwick Takes: The Global Minimum Corporate Tax. *Talking Biz News* .

³² South China Morning Post, 2021-07-31. [China says it will continue to work for 'fairer' global minimum tax rate](#)

³³ Deutsche Welle , June 6, 2021. G7 agrees 'historic' global minimum corporate tax rate

³⁴ Common Dreams, 7 July 2021. Top Economist Warns 15% Global Minimum Tax on Corporations Is 'Way Too Low.

international commitments in the tax field in Vietnam with the aim of (i) harmonizing interests between the State and investors; (ii) ensure a stable business investment environment; (iii) encourage investors to maintain and expand investment activities in Vietnam; (iv) continue to attract key investment projects in line with the country's socio-economic development strategy in the new period.

References

Baldwin, R. E. and P. Krugman (2004). Agglomeration, integration and tax harmonization. *European Economic Review* 48, 1–23.

Bundesfinanzministerium, 2019, A minimum tax will ensure greater fairness in international tax law.

Belisa Ferreira Liotti, Joy Waruguru Ndubai, Ruth Wamuyu, Ivan Lazarovb and Jeffrey Owensa, 2022. The treatment of tax incentives under Pillar Two, Transnational corporations. Volume 29, 2022, Number 2. https://unctad.org/system/files/official-document/diaeia2022d3a2_en.pdf. pg.38.

Common Dreams, 7 July 2021, Top Economist Warns 15% Global Minimum Tax on Corporations Is 'Way Too Low'.

Corporate Tax Haven Index - 2021 Results. <https://cthi.taxjustice.net/en/> List of countries by tax rates. https://en-m-wikipedia-org.translate.google.com/wiki/List_of_countries_by_tax_rates?x_tr_sl=en&x_tr_tl=en&x_tr_hl=en&x_tr_pto=sc

Chinhphu, 2023. The global minimum tax rate: Listen for the comprehensive 'picture'. <https://baochinhphu.vn/thue-suat-toi-thieu-toan-cau-lang-nghe-de-co-buc-tranh-toan-dien-102230320163823752.htm>

Deloitte, 2022. Global minimum corporate income tax.

Deutsche Welle, June 6, 2021. G7 agrees 'historic' global minimum corporate tax rate

European Commission - European Commission

Investopedia. Global Corporate Minimum Tax: How Would It Work?

Ioan Talpoş, Alexandru O. Crâşneac, 2010, The Effects of Tax Competition ,*Theoretical and Applied Economics* Volume XVII (2010), No. 8(549), pp. 39-52

FDF, Federal Department of Finance. Implementation of the OECD minimum tax rate in Switzerland". www.efd.admin.ch.

Fuest, C., Huber, B., Mintz, J., 2005. Capital mobility and tax competition: a survey. *Foundations and Trends in Microeconomics* 1, 1–62.

Jessica Davis Pluss, 2023. Switzerland's tax haven reputation runs deep even with <https://www.swissinfo.ch/eng/switzerland-s-tax-haven-reputation-runs-deep-even-with-reforms/48430002>

Ai Van, Mai Hoa, 2023. Global minimum tax : Vietnam has 1,015 affected FDI enterprises

<https://www.sggp.org.vn/thue-toi-thieu-toan-cau-viet-nam-co-1015-doanh-nghiep-fdi-bi-anh-huong-post683846.html>

List of countries by tax rates. https://en-m-wikipedia/List_of_countries_by_tax_rates?_x_tr_sl=en&_x_tr_tl=en&_x_tr_hl=en&_x_tr_pto=c

Phan Duc Hieu, 2023. Finding ways to solve the global minimum tax challenge. <https://vneconomy.vn/tim-cach-hoa-giai-thach-thuc-thue-toi-thieu-toan-cau.htm>

Ban Mai, 2023. Global minimum tax: “Filter” helps Vietnam choose good FDI or a new race in FDI attraction? <https://vneconomy.vn/thue-toi-thieu-toan-cau-mang-loc-giup-viet-nam-chon-fdi-tot-hay-cuoc-dua-moi-trong-hut-fdi.htm>

Anh Minh, 2023. Assess the impact of the global minimum tax on Vietnam to have a reasonable policy. <https://baochinhphu.vn/danh-gia-tac-dong-cua-thue-toi-thieu-toan-cau-den-viet-nam-de-co-chinh-sach-hop-ly-102230418160404986.htm>

Hai Minh, 2023. What solutions has Vietnam proposed regarding the global minimum tax rate? <https://thuongtruong.com.vn/news/viet-nam-da-de-xuat-cac-giai-phap-nao-lien-quan-den-thue-suat-toi-thieu-toan-cau-102644.html>

Rob Garver, 2022. US Failure to Implement Global Minimum Tax Could Be Costly. <https://www.voanews.com/a/us-failure-to-implement-global-minimum-tax-could-be-costly/6676499.html>

Slav, Irina, 11 June 2021. Qwick Takes: The Global Minimum Corporate Tax. *Talking Biz News*.

South China Morning Post, 2021-07-31. [China says it will continue to work for 'fairer' global minimum tax rate](#)

Switzerland's tax haven reputation runs deep even with. <https://www.swissinfo.ch/eng/switzerland-s-tax-haven-reputation-runs-deep-even-with-reforms/48430002>

Dinh Truong, 2023, Thousands of FDI enterprises will be subject to the Global Minimum Tax. <https://laodong.vn/Kinh-doanh/hang-nghin-doanh-nghiep-fdi-se-la-doi-tuong-cua-thue-toi-thieu-toan-cau-1181341.ldo>

VOA, 22.8.2022. US Failure to Implement Global Minimum Tax Could Be Costly.

VNA, 2023. Global Minimum Tax a head-scratcher for Vietnamese policymakers. <https://vietnamnews.vn/economy/1493649/global-minimum-tax-a-head-scratcher-for-vietnamese-policymakers.html#>

VNA, 2023. Experts scrutinise global minimum tax implementation in Vietnam <https://en.vietnamplus.vn/experts-scrutinise-global-minimum-tax-implementation-in-vietnam/251746.vnp>

VNA, 2023. Global Minimum Tax a head-scratcher for Vietnamese policymakers. <https://vietnamnews.vn/economy/1493649/global-minimum-tax-a-head-scratcher-for-vietnamese-policymakers.html#>

VNA, 2023. Vietnam to develop policies to adapt to global minimum tax. <https://en.vietnamplus.vn/vietnam-to-develop-policies-to-adapt-to-global-minimum-tax/250242.vnp>

Vietnamnews, 2023. Vietnam needs supports for foreign businesses when applying global minimum tax. <https://vietnamnews.vn/economy/1521762/viet-nam-needs-supports-for-foreign-businesses-when-applying-global-minimum-tax.html>

Wilson, J.D., 1999. Theories of tax competition. *National Tax Journal* 52, 269–304.