



FTA between EU and Viet Nam to enter into force 1 August 2020

Issue N-13-2020, 9 July 2020

In brief

On 30 June 2020 it was published in the Official journal of the European Union that the Free Trade Agreement (FTA) between the European Union (EU) and the Socialist Republic of Viet Nam (Viet Nam) will enter into force on August first of this year.

In detail

What can this possibly mean for your company?

If you are involved in business with Viet Nam, the entry into force of the Free Trade Agreement can have a direct significant tariff and administrative impact on your imports into Viet Nam. You might benefit from an immediate duty cost reduction given that you meet all the conditions to do so.

Seeing as Viet Nam currently falls under GSP it could be that your company is already profiting from reduced tariffs on import into the EU. In this respect, it is important to assess which effect the new FTA will have, since the rules and conditions under the FTA will not necessarily be the same as under GSP.

For a period of two year after entering into force of the FTA Viet Nam will stay part of GSP, however after that period, only the FTA can be utilized to import products with Viet Nam origin against a preferential duty rate into the EU.

Often the rules and regulations included in an FTA are more favourable then those under GSP. As such it is worth already looking into the FTA to assess whether there are any interesting opportunities for your company even though your company is already profiting under GSP.

On the other hand, it is not given that an FTA is more favourable and as such it is also important to analyse whether after the two-year transition period your company can still benefit from a preferential tariff upon import into the EU. that it now enjoys under GSP. For example, in case a company uses regional cumulation between ASEAN countries, this will only be possible for a very limited number of products under the FTA.

Main facts

This FTA is the second one that the EU concludes with a Southeast Asian country after Singapore. The Trade Agreement will open more opportunities at both sides thanks to the removal and reduction of tariffs (up to 99% tariffs eliminated on both sides).

The preferential tariff treatment will be applicable into Viet Nam solely upon submission of statements of origin made out:

- By exporters registered in the EU's REX system; or
- By any exporter for any consignment whose total value does not exceed EUR 6000.

For import of products of Viet Nam origin into the EU, it seems that Viet Nam exporters:

- Will need to obtain EUR.1 certificates; or
- Have an approved exporter license to be able to self-issue origin statements; or
- An origin statement issued by any exporter for any consignment whose total value does not exceed EUR 6000.

Switzerland

An FTA between Viet Nam and Switzerland is still under negotiation. Goods originating in Viet Nam can be imported in Switzerland with reduced duty rates, using the GSP scheme (if direct transport rule is fulfilled). Columns will flow automatically but insert a column break if required (**Page Layout-Breaks-Column**).

The takeaway

Our team is ready to discuss these new developments with you and assess the impact they have on your trading activities.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

Theo C Parperis, Nicosia
Partner
Head of Tax & Legal
theo.parperis@pwc.com

Marios S Andreou, Nicosia
Partner
Head of Tax Advisory
marios.andreou@pwc.com

Chrysilios Pelekanos, Nicosia
Partner
In charge of Tax Reporting Strategy
chrysilios.pelekanos@pwc.com

Martha Lambrou, Limassol
Director
Tax Advisory
martha.lambrou@pwc.com

Michael Michael, Nicosia
Director
Tax Advisory
michael.michael@pwc.com

Or your usual PwC contact

PwC Cyprus
PwC Central
43 Demostheni Severi Avenue
CY-1080 Nicosia, Cyprus
P O Box 21612
CY-1591 Nicosia, Cyprus

www.pwc.com.cy