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Implementing the Global Minimum Tax: Policy Recommendations for Vietnam

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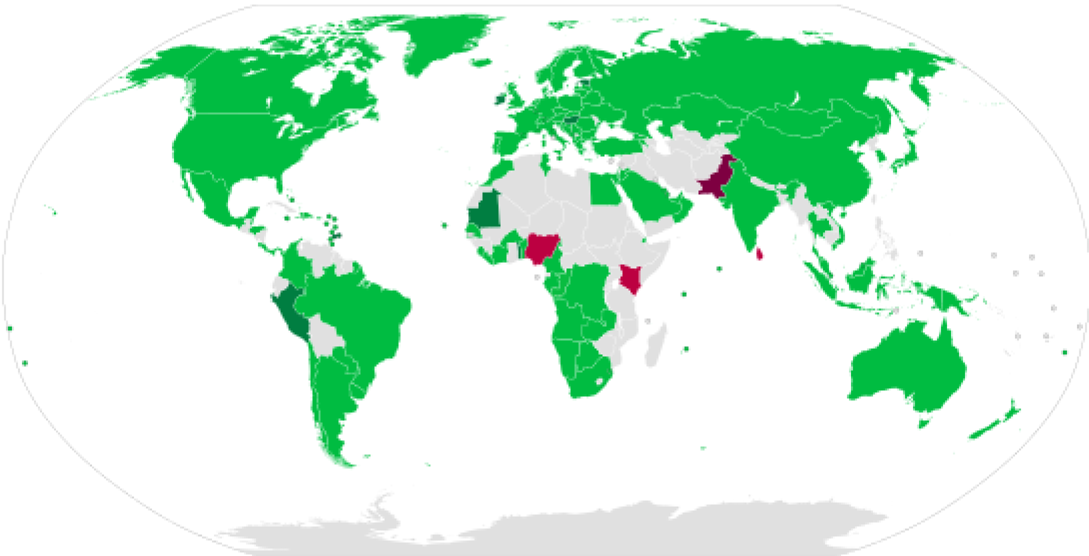
Abstract

The implementation of the global minimum tax rule aims to create a level playing field in tax competition among countries and address issues such as tax evasion, tax avoidance, transfer pricing, and profit shifting—challenges that are particularly pressing in the current era of integration and globalization. Scheduled to take effect in Vietnam on January 1, 2024, this rule has significant implications for the country's corporate income tax policy. This study employs legal analysis, statistical methods, and practical assessments based on secondary documents and expert opinions to evaluate the current state of corporate income tax policy in Vietnam, including its preferential investment policies. It explores the opportunities and challenges associated with the global minimum tax rule and its impact on the development and refinement of tax policies aimed at attracting foreign investment and ensuring sustainable development. The article addresses several key issues: (i) the neutralization of tax incentive policies; (ii) the taxing rights of the investing country; (iii) competitiveness in attracting investment; and (iv) recommendations for the Vietnamese government regarding law-making and effective enforcement. Using normative juridical and qualitative research methods based on secondary literature, this study analyzes the anticipated effects of the global minimum tax policy on Vietnam and examines the trends in legal and policy development, including efforts

	to reform and integrate international tax commitments.

A. Introduction

The development of the digital economy and globalization has profoundly influenced the socio-economic conditions of nations, providing multinational and transnational corporations with opportunities to select optimal locations, sectors, and investment environments that offer the greatest advantages. Effective tax collection management is essential to prevent practices that undermine the tax base and enable profit shifting. In response to Base Erosion and Profit Shifting (BEPS), the Organization for Economic Co-operation and Development (OECD) has introduced the global minimum tax rule, which has been endorsed by 142 countries, including Vietnam. This global minimum tax aims to prevent a "race to the bottom"[1] in preferential tax rates among countries, fostering a fair and competitive environment. It represents a progressive tax reform designed to limit the practices of large companies that minimize taxes by shifting profits to tax havens or conducting digital business without a physical presence. The global minimum corporate tax rate, or global minimum tax (GMCT), establishes an internationally agreed-upon minimum rate on corporate income, with participating countries entitled to a share of the revenue, thereby reducing tax competition and discouraging multinational corporations (MNCs) from profit shifting for tax avoidance.[2]



OECD plan to set a global minimum corporate tax rate of 15%
Initial signatories
Subsequent signatories
Non-signatories
Withdrawn
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*

[1] Bundesfinanzministerium, 2019, A minimum tax will ensure greater fairness in international tax law .
[2] Investopedia . Global Corporate Minimum Tax: How Would It Work?

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In July 2021, the Finance Ministers and Central Bank Governors of the G20 endorsed the implementation of the Base Erosion and Profit Shifting (BEPS) actions through the adoption of a Two-Pillar solution to address the tax challenges arising from the digitalization of the economy. This framework, known as the Global Minimum Tax Agreement, comprises two distinct pillars. Pillar 1 focuses on reallocating taxing rights over digital-based businesses, ensuring that profits are taxed in jurisdictions where business activities occur rather than solely where companies are headquartered.

Pillar 2 establishes a global minimum corporate tax rate of 15% for multinational enterprises to prevent profit shifting to low-tax jurisdictions. This pillar introduces a mechanism to impose an additional tax in the parent company's home country on profits that are taxed below the 15% threshold in the host country. Importantly, Pillar 2 does not require countries to collectively raise their tax rates to 15%.[3] Instead, it ensures that subsidiaries taxed below 15% will face a top-up tax in the parent company's country to meet the global minimum tax rate.The global minimum tax rate applies to multinational corporations with a global turnover exceeding €750 million (approximately VND 18,900 billion) and a profit margin exceeding 10%, equating to around €75 million (approximately VND 1,897 billion).[4] Therefore, if these corporations invest in countries where the income tax rate is below 15%—such as Vietnam—they will be required to pay the difference in tax in their home country.

The global minimum tax rate provides significant advantages to developed countries, which are typically the investing nations with outbound investment flows. This framework encourages multinational corporations to repatriate operations to their home countries by establishing a unified minimum tax rate and limiting tax avoidance through levying taxes on the difference between the global minimum rate and lower local rates. However, for developing countries that are recipients of foreign investment, such as Vietnam, this global minimum tax could reduce their appeal and competitiveness in attracting foreign capital. Currently, Vietnam offers tax incentives where the corporate income tax rate is 20%, but effective rates can drop to 12.3%. With the global minimum tax rate set at 15%, investors may be required to pay the difference to their home country, thereby diminishing the effectiveness of Vietnam's tax incentives. Although Vietnam can choose to apply or not apply additional taxes according to the global minimum tax rules, it cannot compel other countries to refrain from imposing supplementary taxes or ensure the enforcement of these rules for foreign companies operating within its borders.

In the context of globalization, countries, particularly emerging and developing ones, face intense pressure to compete for foreign investment by offering tax incentives, which are crucial for attracting foreign direct investment (FDI) from multinational corporations. Consequently, the implementation of global minimum tax regulations presents a significant challenge for Vietnam in maintaining and retaining foreign-invested enterprises. To address this issue, it is essential for Vietnam to develop a strategic plan for implementing these regulations. Such a strategy is vital to preserving the country's competitive advantages and ensuring a sustainable investment environment.

B. Discussion

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

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1. [3]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

[4] European Commission - European Commission

The impact of applying the global minimum tax rule on Vietnam can be examined from two main perspectives: ensuring tax rights in Vietnam and maintaining competitiveness in attracting foreign investment.

First, the neutralization of tax incentive policies is a significant concern. In a globally interconnected economy, nations endeavor to attract foreign investment to bolster economic growth and drive innovation. Tax incentives have long been a key tool for countries to encourage multinational companies to invest in their jurisdictions. The global minimum tax rule impacts Vietnam's tax incentive strategies in several key areas:

- Reduction or Waiver of Import Duties: One significant tax incentive is the reduction or waiver of import duties on goods and components necessary for production or investment. By lowering the cost of importing essential materials, this incentive makes investing in a country more financially attractive for foreign companies. It promotes international trade and enables businesses to competitively access goods and technologies from global markets.
- Tax Exemptions or Reductions for Foreign Direct Investment (FDI): Offering tax exemptions or reductions is a common practice to attract foreign businesses. This can include reduced corporate income tax rates for a specific period or complete tax exemptions, which stimulate investment and economic activity. By easing the tax burden on foreign companies, countries can draw more FDI, benefiting from economic growth and job creation.
- Tax Holidays for Strategic Industries: Countries often grant tax holidays or special incentives to strategic industries crucial for economic development, such as high-tech manufacturing, export-oriented production, or renewable energy. These incentives are designed to attract foreign investment in key sectors, facilitate the transfer of advanced technologies, and foster growth in important industries. Tax holidays help position countries as appealing destinations for foreign companies seeking to invest in these strategic areas.
- Reduced or Waived Land and Property Taxes: Reducing or waiving land and property taxes is another effective incentive for foreign investors. This approach lowers the costs associated with establishing and operating businesses, making investments in the new market more financially viable. By minimizing financial barriers related to land and property, countries can attract foreign investors and stimulate economic growth.

Tax incentives are pivotal in attracting foreign investment, particularly in the context of the global minimum tax framework. By offering reductions or waivers of import duties, tax exemptions or reductions for foreign direct investment (FDI), incentives for research and development (R&D) activities, tax holidays for strategic industries, and reduced or waived land and property taxes, countries can foster an investment-friendly environment. These incentives not only draw foreign capital but also promote technology transfer, spur innovation, and stimulate economic growth. However, the introduction of a global minimum tax could undermine the effectiveness of these incentives.

Tax holidays and specific exemption regimes—such as temporary reductions or eliminations of taxes—are common practices used by countries to attract investment. While the Global Anti-Base Erosion (GloBE) Rules[5] do not explicitly ban these tax incentives, they are likely to impact income-based tax benefits. The GloBE Rules impose a top-up tax to ensure a minimum effective tax rate (ETR) of 15%, which could nullify the benefits of tax holidays and other

[5]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.

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exemptions if they result in an ETR below this threshold. Therefore, countries may need to reassess and adjust their incentive policies to align with the global minimum tax requirements while still maintaining a competitive investment environment.[6]

Second, it is necessary to ensure the right to tax The right to tax is a crucial factor in influencing business investment decisions. For Vietnam, implementing the global minimum tax requires careful consideration to avoid losing its taxing rights. If Vietnam were to lose this power, the benefits would shift to the home country of multinational corporations (MNCs), effectively resulting in a scenario where Vietnam's economic gains benefit other countries. For example, if an MNC's parent company is based in a low-tax jurisdiction that does not implement the Income Inclusion Rule (IIR), the top-up tax would be levied by the next intermediary holding company in the ownership chain, causing Vietnam to forfeit potential tax revenue that it would have otherwise collected[7].

To address this, Vietnam must ensure that its tax policy and legal framework—including investment law, corporate law, and applicable tax laws—are aligned with the global minimum tax rules while preserving its taxing rights. This alignment might involve internalizing domestic minimum tax policies to maintain effective control over tax revenues generated within its jurisdiction.

Third, there is growing theoretical literature (Wilson[8] and Fuest et al[9]) on the competitive pressure faced by governments to lower corporation tax rates to attract various types of investments. This competitive pressure extends to attracting foreign direct investments, portfolio investments, highly mobile financial capital essential for local market development, and internal financial flows within multinational companies. Additionally, governments compete to attract cross-border shoppers, especially for products with significant excise taxes, and high-skilled labor, which is highly mobile.[10]

Tax competition can occur through various mechanisms. Authorities might engage in competition by setting lower tax rates compared to other jurisdictions, thereby attracting businesses seeking lower tax liabilities. Alternatively, competition can arise through tax bases, where different jurisdictions offer various deductions, provisions for tax treatment of losses, and differing methods of depreciation. Expenditure competition is another form, where governments compete by providing public goods, such as infrastructure and subsidies, to enhance business productivity and make their jurisdictions more appealing.[11]

According to Baldwin and Krugman[12], tax harmonization through the adoption of a common tax rate can impact different types of countries in various ways. Specifically, a uniform tax rate could adversely affect less developed countries by eliminating their tax advantages for attracting foreign investment. Conversely, more developed industrialized countries might face the need to reduce public services to accommodate the new tax standards.

One potential solution to mitigate the intensification of tax competition among governments is the adoption of a minimum tax rate. This approach, even if the minimum rate is relatively low, could offer a Pareto improvement. It would allow industrialized countries to benefit from

[6] 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.44.
[7] Deloitte, 2022. Global minimum corporate income tax.
[8] Wilson, J.D., 1999. Theories of tax competition. National Tax Journal 52, 269–304.
[9] Fuest, C., Huber, B., Mintz, J., 2005. Capital mobility and tax competition: a survey. Foundations and Trends in Microeconomics 1, 1–62.
[10] Ioan Talpoş, Alexandru O. Crâşneac, 2010, The Effects of Tax Competition, Theoretical and Applied Economics Volume XVII (2010), No. 8(549), pp. 39-52
[11] Ioan Talpoş, Alexandru O. Crâşneac, 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.

a standardized tax rate without significantly undermining the competitive position of peripheral countries.[13]

One effective strategy to attract business is through lowering taxes, particularly income taxes. International tax competition has grown with the increasing mobility of capital and labor, and this trend has both advocates and critics.

Supporters of tax cuts often cite Ireland as a successful example. Despite having a population of just 3.8 million, Ireland's corporate income tax rate is set at a mere 10%. This favorable tax rate has helped Ireland attract more foreign direct investment than countries like Japan or Italy, leading to a significant increase in its per capita income, which has rapidly converged with Western Europe’s average. Proponents of tax competition argue that lower taxes make a country more attractive to businesses, reduce the efficiency losses associated with taxation, and force governments to improve their efficiency by breaking monopolies.

On the other hand, critics of tax competition highlight several concerns. First, it can distort investment decisions, as labor and capital may migrate to low-tax jurisdictions that do not necessarily offer the highest productivity. Second, the ability of businesses and high-income individuals to relocate to low-tax areas undermines progressive tax systems, diminishing the redistributive effects of taxation. Additionally, reduced tax revenue does not always result in more efficient government spending, which can be detrimental for poorer countries that need to invest in infrastructure. Lower tax revenues often lead to increased sovereign debt, which can deter investors and impose a significant burden on future generations.

In developing countries, preferential policies, tax exemptions, and reductions have traditionally been used as competitive advantages to enhance the investment environment. Alongside these fiscal incentives, countries often implement additional supportive measures to attract foreign investment. These include technical support, assistance with basic infrastructure development, environmental protection initiatives, worker housing, social and health insurance for employees, and support for research and development, high-tech applications, and environmentally friendly practices.[14]

Vietnam has leveraged both tax and non-tax incentives to create an attractive investment climate. In addition to tax exemptions and reductions, such as the "4+9" policy (four years of full exemption followed by nine years of reduced rates), the country provides incentives for investment in 23 special economic zones and seven lower-incentive areas. Additional benefits are offered in 51 out of 63 provinces with particularly challenging conditions and in industrial parks, economic zones, and high-tech zones. With a general corporate tax rate of 20%, the actual effective tax rate for foreign direct investment (FDI) in Vietnam stands at approximately 12.3%, which is below the global minimum tax rate of 15%. Some large corporations benefit from even lower effective tax rates, ranging from 2.75% to 5.95%.[15]

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

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

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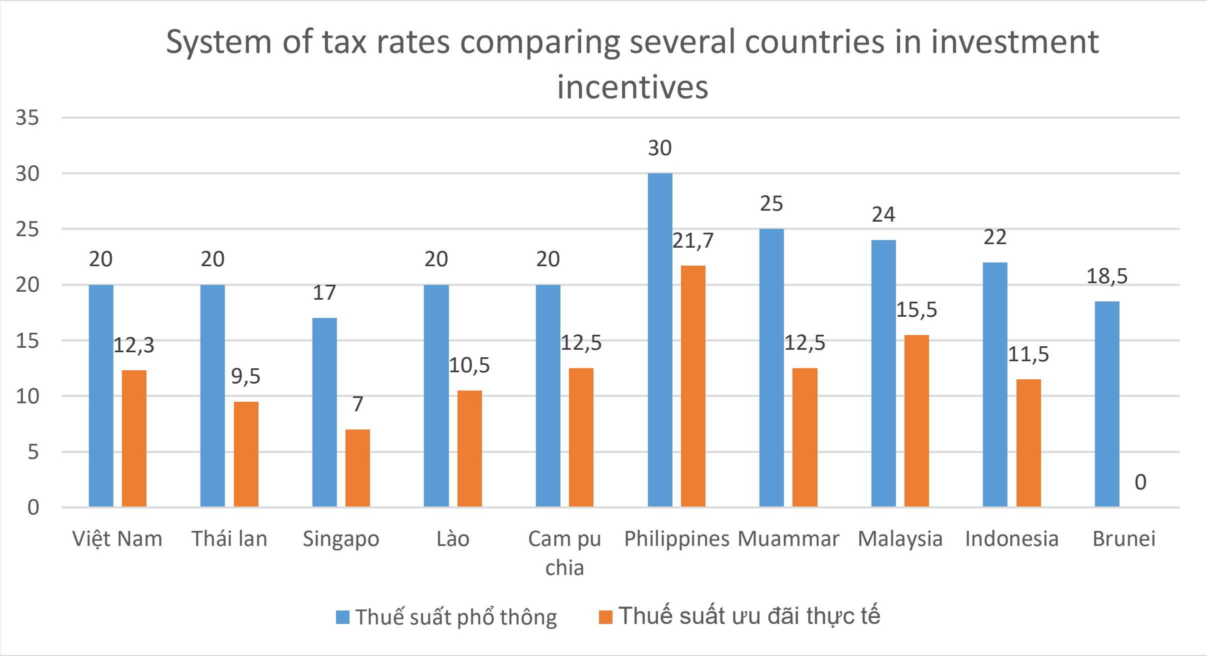

Source: Ban Mai, 2023. Global minimum tax: "Filter" helps Vietnam choose good FDI or a new race in FDI attraction? https://vneconomy.vn/thue-toi-thieu-toan-cau-mang-loc-giup-viet-nam-chon-fdi-tot-hay-cuoc-dua-moi-trong-hut-fdi.htm

Due to competitive tax incentives and other factors such as a stable political economy and a large labor force, foreign investment in Vietnam has demonstrated consistent growth over the years. Notably, in 2020, Vietnam achieved a significant milestone by entering the top 20 leading foreign direct investment (FDI) destinations globally. In 2022, despite a decrease compared to the previous period, Vietnam attracted nearly 30 billion USD, signaling resilience during the pandemic.

Economic studies indicate that there is no definitive positive or negative correlation between investment policies and the volume of foreign investment. Nonetheless, investment incentives play a crucial role in enhancing Vietnam's comparative advantages. The country utilizes tax incentives as a financial lever to influence investment trends. Vietnam's corporate income tax policy is relatively attractive compared to other regional countries, featuring a standard tax rate of 20%—above the global minimum tax rate—as well as preferential tax rates of 10%, 15%, and 17% based on the sector, industry, scale, and region of investment. Additionally, special preferential tax rates of 5%, 7%, and 9% are available, alongside provisions for tax exemptions and reductions of up to 50% during the exemption or reduction period.[16]

Currently, there are 1,015 foreign-invested enterprises in Vietnam whose parent companies are subject to the global minimum tax.[17] Among these, more than 70 businesses are likely to be impacted by the global minimum tax set to be enforced from 2024. If the parent companies in their respective countries implement the global minimum tax, Vietnam could face

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

an estimated additional tax revenue of over 12,000 billion VND in 2024.[18] Consequently, the effectiveness of tax incentives may diminish, presenting a significant challenge to maintaining the competitiveness of Vietnam's investment environment.

According to recent statistics, approximately 335 projects in Vietnam, each with registered investment capital exceeding 100 million USD, are operating within the processing and manufacturing industries in economic zones and industrial parks. These projects benefit from corporate income tax incentives with rates lower than 15%, particularly in the high-tech sector. Collectively, the registered investment capital of these projects constitutes nearly 30% of the total foreign direct investment (FDI) in Vietnam, amounting to approximately 131.3 billion USD.

Eurocham's 2022-2023 Whitebook highlights that 70% of respondents believe Vietnam could enhance foreign investment by reducing administrative hurdles, 53% suggest improving infrastructure, 35% advocate for better human resource development, and 47% recommend easing visa restrictions for foreign experts.[19]

Experts express concern that the implementation of the Global Minimum Tax Rate (GMTR) in other countries could undermine the tax incentives Vietnam has established over the years, potentially leading to a loss of tax revenue as it is redirected to those countries. For instance, South Korean companies operating in Vietnam, which currently benefit from a preferential tax rate of 7%, would be subject to an additional rate of 8% if the GMTR is enacted in South Korea. This additional rate reflects the difference between the Vietnamese tax rate and the GMTR.[20]

In Vietnam, approximately 335 projects in the manufacturing and processing sectors, each with registered investment capital exceeding 100 million USD, benefit from corporate income tax incentives at rates lower than 15%. These incentives are particularly advantageous for high-tech companies such as Samsung, Intel, LG, Bosch, Sharp, Panasonic, Foxconn, and Pegatron. Collectively, these projects represent nearly 30% of the total foreign direct investment (FDI) in Vietnam, amounting to approximately 131.3 billion USD.[21]

The introduction of a global minimum tax (GMT) could significantly impact Vietnam's competitive advantages in attracting foreign investment. If Vietnam does not respond promptly to this tax change, it risks losing its appeal to foreign investors, which could adversely affect their expansion plans.

The implementation of the GMT will directly influence global FDI flows, posing challenges for Vietnam in maintaining its investment attractiveness through tax incentives. To counteract the diminished effectiveness of these incentives, Vietnam must adopt supportive measures to sustain its competitive edge. These measures should achieve two primary objectives: first, they must provide tangible benefits to investors; second, they must comply with Vietnam's international commitments and adhere to the rules outlined in Pillar 2 of the GMT framework.

Vietnam needs to expedite the development of domestic legislation that aligns with the global minimum tax agreement and demonstrates its commitment to the GMT. In the short term, Vietnam should leverage the support and guidance of the OECD, along with other

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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#

[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

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countries, regions, international organizations, and foreign-invested enterprises through dialogue forums and conferences. This approach will facilitate the development of scientific policies, effective communication, and legal frameworks concerning the global minimum tax rate and related taxes. Nevertheless, the implementation of the GMT may reduce the attractiveness and competitiveness of foreign investment for developing countries, including Vietnam.

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

Many countries serve as tax havens, providing shelter for businesses, multinational corporations, and entities engaged in tax avoidance[22],[23]. The imposition of a global minimum tax (GMT) introduces complexities for these jurisdictions, which may be affected regardless of their participation in the agreement. Countries not participating in the GMT might still experience impacts on their tax collection rights and investment attractiveness.

For instance, if South Korea implements the GMT, South Korean enterprises investing in Vietnam will be required to pay the deficit tax in South Korea or other jurisdictions, irrespective of Vietnam's participation in the GMT. This scenario underscores that the GMT is not a bilateral agreement but rather a multilateral mechanism, often described as a "game" between nations.[24]

As of July 2022, the UK and Japan have drafted guidelines for implementing the GMT, while many other signatories have yet to take concrete steps. Several countries, including members of the European Union, Switzerland, the UK, South Korea, Japan, Singapore, Indonesia, Hong Kong (China), and Australia, have confirmed their intention to apply the 15% minimum tax rate starting in 2024. Notably, South Korea, Singapore, and Japan, which are significant sources of foreign investment in Vietnam, will impose the GMT on businesses operating in their jurisdictions.[25]

The GMT stipulates that investing countries (e.g., South Korea, China, Japan) must impose a minimum tax rate of 15% on income that is otherwise exempt or reduced in the host country (e.g., Vietnam) due to local incentives or support measures.

According to the U.S. Congress's Joint Committee on Taxation, if the United States adopts and implements the GMT, the Internal Revenue Service is projected to collect an additional $23 billion in 2023 and nearly $319 billion over the ten-year period ending in 2032. The committee warns that failure to adopt the GMT could result in these revenues flowing to other countries' treasuries.[26]

Switzerland is planning to implement OECD minimum taxation through a constitutional amendment, which is set to be put to a popular vote on June 18, 2023. If approved, the amendment will grant the Federal Council the authority to enact minimum taxation through an ordinance. After six years, the Federal Council will be required to submit a federal law to Parliament for further approval.[27] Switzerland currently boasts some of the lowest corporate

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.

[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 *www.efd.admin.ch*.

tax rates globally, particularly in the canton of Zug, which hosts major multinational corporations such as Glencore, with a statutory tax rate around 11%. This rate may change if Swiss voters approve the proposed constitutional amendment, which aims to establish a minimum corporate tax rate of 15% as part of a global agreement spearheaded by the Organization for Economic Cooperation and Development (OECD) and supported by over 130 countries. If the amendment is approved, the higher tax rate would take effect in 2024.[28]

Only a small fraction of Swiss companies will be directly impacted by this tax reform. In fact, approximately 99% of Swiss companies will continue to be taxed at the previous rates.[29] While the precise financial impact of the reform is challenging to estimate, it is projected that the supplementary tax could initially generate between CHF 1 billion and CHF 2.5 billion annually, equivalent to approximately 1.2 to 2.8 billion USD as of April 2023. Of the tax revenue generated, about 75% is to be allocated to cantons where large companies were previously taxed at lower rates, while the remaining 25% will be retained by the Confederation.

Vietnam could explore various strategies to attract and retain foreign investment. This might include enhancing the domestic legal framework, modernizing tax administration, improving the efficiency of foreign investment institutions, and diversifying investment support measures, particularly those related to after-tax benefits. These actions should align with international trends and commitments, ensuring that Vietnam remains competitive in the global investment landscape.

Vietnam must adapt its investment attraction strategies beyond traditional tax incentives and exemptions. One critical approach is to consult and learn from international practices. By studying how other countries have developed and implemented domestic minimum tax policies, Vietnam can adopt best practices and balance its tax system to manage investment attraction in light of global tax regulations.

Additionally, optimizing the tax system is crucial. Vietnam should review and adjust its VAT, import tax, and personal income tax rates to make the tax environment more competitive. By enhancing tax deduction and refund mechanisms, Vietnam can shift some of the tax burdens from direct taxes, like corporate income tax, to indirect taxes, such as VAT. This adjustment could potentially improve the attractiveness of the investment environment.

Aligning corporate income tax rates with global standards is also necessary. Vietnam should consider adopting the OECD's recommended minimum tax rate of 15% to remain competitive and compliant with international regulations. This alignment is especially important as countries like South Korea plan to implement the global minimum tax starting January 1, 2024.

Incorporating global minimum tax regulations, such as the Income Inclusion Rule (IIR) and the Undertaxed Payment Rule (UTPR), will help Vietnam manage tax implications for both domestic businesses with overseas investments and foreign companies operating within the country. This step is essential for addressing any tax discrepancies that may arise.[30]

Lastly, Vietnam could develop additional domestic tax policies for enterprises with significant investment capital, similar to measures used in 1998. These policies could help mitigate the impact of the global minimum tax while maintaining a favorable investment climate. By adopting these strategies, Vietnam can navigate the complexities of global tax regulations and continue to attract and retain foreign investment.

One of the concerns for investors is the potential for disparities in the application of the global minimum tax, particularly if some investors in the Vietnamese market are not subject to

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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

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these regulations. As a result, policies focused on green investment and sustainable development may become crucial long-term goals for attracting investment. The economic and political stability of Vietnam will serve as a fundamental factor in attracting investors, helping to navigate the challenges posed by the global minimum tax.

Furthermore, the imposition of the global minimum tax necessitates the development of a robust legal mechanism to address potential disputes. Investors are concerned about the legal frameworks that will govern such issues. Therefore, when formulating policies in anticipation of the global minimum tax, it is essential to establish a comprehensive legal framework. This framework should encompass both substantive and procedural aspects of the law to harmonize national and international interests. By doing so, Vietnam can protect investor interests and minimize the risk of disputes between state management agencies and investors.

C. Conclusion and Recommendations

Darin Tuttle, Chief Investment Officer of Tuttle Ventures, has publicly addressed the challenges of implementing a global minimum tax rule, noting that countries outside the G7 may face immediate pressure to lower their corporate tax rates to attract foreign direct investment. As Vietnam integrates into the international economic landscape, the adoption of a global minimum tax rule appears inevitable. This study examines the projected effects of the global minimum tax policy on Vietnam, emphasizing the need for comprehensive tax reforms. Given the anticipated increase in global minimum tax rates, Vietnam, along with other nations, must develop a strategic plan for tax reform. The study outlines key objectives for Vietnam's tax policy reform: (i) aligning state and investor interests; (ii) ensuring a stable investment environment; (iii) encouraging investors to sustain and expand their activities in Vietnam; and (iv) attracting major investment projects that align with the country's socio-economic development strategy in the evolving global context.

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