Vietnam draft decree won’t cut gaming taxes

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Vietnam’s draft gaming decree, which is now in its final stages and awaiting approval from the prime minister, won’t cut the country’s high gaming tax rate.

The long-awaited gaming bill is likely to be published by the end of this year, or early next, said Professor Augustine Ha Ton Vinh, president and CEO of Stellar Management, who has been closely involved in the development of the legislation.

“The government was looking at something similar to Macau and at this time it’s almost impossible to lower the tax,” he said during a panel session at the MGS Entertainment Summit.

Vietnam’s government is hoping to attract more foreign investment into the tourism sector with the new regulation, but another key driver was to increase tax revenues.

Hanoi was keen to recoup some of the estimated $800 million in tax revenue lost each year from Vietnamese residents crossing into Cambodia to gamble. The legislation will open the door for locals to enter casinos for the first time in two designated resorts on a three-year trial basis.

The bill will also reduce the minimum investment to $2 billion, from the $4 billion stipulated in earlier drafts. A 20-year license will be available after the disbursement of the first 50 percent of the investment, with the possibility to extend for a further 10 years.

Applicants for the licenses will need to have a minimum of five years of experience.

The effective tax rate will be about 39 to 40 percent, Vinh said. However, in practice deductions are allowed that will make the rate much more competitive especially in the VIP sector. After allowances for promotional and marketing expenses, the VIP effective tax rate is about 13.8 percent.

Ben Lee, managing director of iGamingX Consulting, who was also on the panel said there are also deductions available in the mass market, but it's not as attractive as in the VIP sector.

Commenting on the draft decree, Lee said allowing locals to gamble in Vietnam changes the mathematical equation for foreign investors, making Vietnam a highly attractive market.

"Vietnam is a fantastic opportunity as it has the one thing that Macau has that very few countries have, not Japan, not Korea, not the Philippines, it has a common border with China," he said. "The mass market can literally walk across the border and they do."

He estimates gross gaming revenue in the country at present is about $300 million to $400 million, not including the pari mutuels. The addition of two proposed resorts — one in Van Don in the North and one in Hoi An near the central city of Danang — could add a further $1 billion in annual GGR. Lee is working with both projects and the estimates follow a recently completed feasibility study.

PEOPLE Augustine Ha Ton Vinh | Ben Lee

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