

## **Summary of VAT Amendments Effective 1<sup>st</sup> July 2025**

In the Tax Bulletin January 2025, we highlighted key updates to the Law on Value Added Tax ("VAT") No. 48/2024/QH15, which takes effect from 1<sup>st</sup> July 2025. To provide guidelines for the implementation of the VAT Law, the Government and the Ministry of Finance have recently issued Decree No. 181/2025/ND-CP and Circular No. 69/2025/TT-BTC guiding the implementation of the VAT Law. Below are some notable amendments:

### **□ How to approach VAT policy implementation documents**

1. In our view, previous VAT implementation guidelines were clearly and comprehensively detailed in Circulars issued by the Ministry of Finance. As a result, both taxpayers and tax authorities typically relied primarily on these Circulars when applying VAT policies. However, under the new VAT legal framework effective July 1, 2025, it is essential to reference all three regulatory documents—the Law, the Decree, and the Circular—to ensure proper legal grounding when implementing VAT policies. Specifically:
  - VAT Law No. 48/2024/QH15: Refer to general provisions.
  - Decree No. 181/2025/ND-CP: Covers detailed regulations on:
    - *Taxpayers*
    - *Non-taxable goods and services*
    - *Determination of VAT calculation price*
    - *Timing of VAT determination*
    - *Tax rates*
    - *Input VAT credit and VAT refunds*
  - Circular No. 69/2025/TT-BTC: Provides detailed regulations on:
    - *Dossiers and procedures for determination of non-taxable goods and services; Dossiers and procedures for application of the 0% tax rate*
    - *Goods and services subject to VAT calculated by percentage over turnover*
    - *Methods for determining refundable VAT for exports, and production of goods and provision of services subject to the VAT rate of 5%*
    - *VAT (Foreign Contractor Tax) applies to foreign contractors and subcontractors that generate revenue in Vietnam but do not fully adopt the required accounting and invoicing standards, as previously regulated under Circular 103/2014/TT-BTC*
2. VAT regulatory documents effective from 1<sup>st</sup> July 2025 have removed all illustrative examples of situations that were previously applicable when implementing the VAT policy.

3. VAT regulatory documents effective from 1<sup>st</sup> July 2025 have eliminated cases where VAT calculation and declaration were not required.

**❑ Non-taxable goods and services**

1. Non-taxable goods and services are identified based on the alignment with various specialized regulations, such as the Law on Housing, the Law on Credit Institutions and Credit Activities, the Law on External Information, ...
2. The term "non-tariff area" is defined in accordance with the Law on Export and Import Duties.
3. Exported products consisting of exploited natural resources and minerals that have not been processed into other products and are not subject to VAT are listed in detail. If adjustments to the list are required to reflect the socio-economic context of each period, the Ministry of Finance shall coordinate with relevant ministries to submit a report to the Government for consideration and decision.
4. The dossiers and procedures for determining non-taxable goods and services are specified in Article 3, Circular No. 69/2025/TT-BTC.

**❑ Determination of VAT calculation price**

Part 1, Chapter II, Decree No. 181/2025-ND-CP outlines the principles for determining VAT calculation prices and specific rules for various goods/services and production/business activities.

1. Principles for determining VAT calculation prices:
  - The VAT calculation prices includes all surcharges and additional fees collected in addition to the selling price of goods or services that the business establishment is entitled to retain. It does not include amounts unrelated to the supply of goods or services, such as monetary compensation, bonuses, recoveries from third parties in insurance operations, collections on behalf of other parties, remunerations from state agencies for collecting or disbursing funds on their behalf, and financial income;
  - In cases where a commercial discount is applied to customers, the VAT calculation price is the discounted selling price, exclusive of VAT.
  - If the VAT calculation price is adjusted based on the conclusion of a competent state authority in accordance with applicable law, the new price shall be determined according to that conclusion.
2. Determination of VAT calculation prices for a number of specific goods/services and production/business activities:
  - Goods and services sold domestically and imported goods;
  - Goods and services used for exchange, internal consumption, gifting, and promotional purposes;

- Activities involving asset leasing, goods processing, and construction or installation services;
- Real estate business activities;
- Agency and brokerage activities for goods trading, commission-based services, and goods/services for which payment invoices indicate the payment price;
- Casino business services, prize-winning electronic games, and betting business services;
- Other production and business activities (e.g., electricity generation, transportation and loading/unloading services, travel/tourism services, pawn services, printing activities, inspection agency services);
- International telecommunication services;
- Services provided by foreign organizations or individuals located outside of Vietnam.

**❑ Time of determining VAT liabilities**

1. The timing for VAT liability determination is stipulated for exports, imports, and specific services and activities in various industries, such as telecommunications, insurance, electricity supply and production, clean water provision, real estate business, construction, installation, and oil and gas operation.
2. *For exported goods:* The time of VAT liability determination is determined by the seller, no later than the next working day following the customs clearance date in accordance with Customs Law.
3. *For imported goods:* The VAT liability for imported goods is determined at the same time as determination of import tax, in accordance with regulations on export and import duties.

**❑ Tax rate**

1. Stricter regulations have been introduced regarding the conditions for applying the 0% VAT rate on goods and services supplied to organizations located in non-tariff areas.
  - *For goods:* Goods from inland Vietnam that are sold to organizations in non-tariff areas and consumed within these areas for direct use in export production activities.
  - *For services:*
    - Services provided directly to organizations in non-tariff areas and consumed within these areas for direct use in export production activities; and transportation and logistics services rendered to export processing enterprises (EPE) (e.g. container handling at ports, factories, and warehouses; loading/unloading at ports, factories, and airports; and related expenses such as documentation fees, electricity supply charges, lead listing fees, form processing fees, and packaging fees).
    - Except for some services, the VAT rate of 0% is not applicable.

- *Goods and services supplied to organizations in non-tariff areas and consumed within these areas qualify for 0% VAT rate only when used directly for export production activities, meaning they must not serve other purposes beyond export production.*

2. Dossiers and procedures for application of 0% VAT rate are specified in Article 4, Circular No. 69/2025/TT-BTC

#### **❑ Non-cash payment conditions**

1. The cash payment threshold has been reduced to VND 5 million (inclusive of VAT).
2. Non-cash payment documents are those that demonstrate non-cash transactions in accordance with Decree No. 52/2024/ND-CP on non-cash payments dated 15<sup>th</sup> May 2024. Documents evidencing the buyer deposits cash directly into the seller's account do not qualify as non-cash payment documents.
3. Supplementary regulations for specific cases:
  - For goods and services purchased by using payment methods involving stocks or bonds must be accompanied by a written sales contract that clearly specifies this payment method.
  - For goods and services purchased under deferred payment or installment plans, if by the agreed payment date as stipulated in the contract or annex, there is no non-cash payment document, business establishments must declare and reduce the creditable input VAT corresponding to the portion of the value of goods and services without non-cash payment documentation in the tax period when the payment obligation arises. However, Decree No. 181/2025/ND-CP has repealed the previous provision that allowed businesses establishment to amend VAT declaration when bank payment documents were obtained after having already adjusted and reduced the input VAT.
  - Authorization for employees to make non-cash payments on behalf of the business establishments to purchase goods and services used in production and business activities subject to VAT, where the business reimburses the employee via non-cash payment methods: If such authorization is stipulated in the company's financial or internal regulations, the input VAT is creditable.

#### **❑ Tax refund**

1. Additional conditions for tax refund:

The seller must have declared and paid VAT on the invoice issued to enterprises requesting tax refund. Enterprises are not eligible for a VAT refund on invoices corresponding to the refund period if, in the related tax period, the seller has not fully submitted the VAT declaration or still has outstanding VAT payments.

2. Tax refund for exports:

- The case of “goods are imported and then exported to another country” is interpreted to mean goods brought into Vietnam from overseas and subsequently exported directly or under export entrustment. This interpretation excludes imported raw materials used for the production or processing of goods for export.
- A formula is provided for calculating refundable VAT on exported goods and services in cases involving both export and domestic sales.

3. Tax refund for investment projects: If an investment project remains in its investment phase and has not commenced production or business operations but is required to be terminated, and no output VAT has arisen from its principal production or business activities, the business establishment must repay the refunded VAT in accordance with tax administration laws.

4. Tax refund for the production of goods and provision of services eligible for 5% VAT rate

Regulations applicable to business establishments engaged in the production of goods or provision of services subject to multiple VAT rates:

- Input VAT used for the production of goods or provision of services subject to the 5% VAT rate must be separately recorded.
- If separate accounting is not feasible, the portion of input VAT allocated to goods and services subject to the 5% rate shall be determined based on the ratio of revenue from these activities to the total revenue from taxable goods and services during the refund period.
- The formula for calculating refundable VAT for businesses establishments engaged in the production of goods and provision of services subject to various VAT rates is specified in Appendix III of Circular No. 69/2025/TT-BTC.

**❑ VAT applied to foreign contractors**

Regulations on VAT (foreign contractor tax) for foreign contractors and subcontractors with revenue generated in Vietnam—who do not fully comply with the required accounting and invoicing standards—were previously specified in Articles 6, 9, 12, and 15 of Circular No. 103/2013/TT-BTC. These provisions are now consolidated under Article 9 of Circular No. 69/2025/TT-BTC. The applicable VAT percentage (%) for VAT calculation by turnover-based method is outlined in Appendix I of Circular No. 69/2025/TT-BTC.