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TAX BULLETIN June 2025

1. Extend the 2% VAT rate reduction through the end of 2026

The Government issued Decree No. 174/2025/ND-CP dated 30th June 2025, stipulating the VAT reduction policy pursuant to Resolution No. 204/2025/QH15 of the National Assembly dated 17th June 2025. The Decree takes effect from 1st July 2025 to 31st December 2026.

Compared to the previous 2% VAT reductions, this VAT reduction expands its scope of application to cover more sectors such as IT services, prefabricated metal products, coal at the importation and trading stages, coke, refined petroleum, chemical products, and gasoline.

2. Amended Regulations on On-the-Spot Import and Export

On 25th June 2025, the National Assembly passed the Law amending and supplementing a number of articles of eight Laws, including the Customs Law and the Law on Value-Added Tax (VAT). Below are the amended and supplemented provisions regarding on-the-spot import and export in the Customs Law and the VAT Law, which provide a clear legal basis for the application of the 0% VAT rate to such goods:

- The amended Customs Law adds Article 47a, which clearly regulates on-the-spot import and export goods. Specifically, "*on-the-spot import and export goods are goods delivered and received in Vietnam as designated by foreign traders under sales, processing, leasing, and borrowing contracts between Vietnamese enterprises and foreign traders*." Notably, this regulation removes the previous condition requiring that foreign traders have no commercial presence in Vietnam.
- The VAT Law is amended at Point a, Clause 1, Article 9, to expand the list of exported goods eligible for the 0% VAT rate, now including "*on-the-spot export goods*".

3. Law on Corporate Income Tax 2025

On 14th June 2025, the National Assembly passed Corporate Income Tax ("CIT") Law No. 67/2025/QH15. The new CIT Law will take effect on 1st October 2025 and will apply to the 2025 tax period onward. Notable highlights of the new CIT Law include the following:

➢ **Taxpayer:**

- Foreign enterprises that provide goods and services in Vietnam via e-commerce and digital technology platforms are now officially within the scope of the new Corporate Income Tax Law.
- E-commerce and digital platforms are now recognized as part of the definition of a permanent establishment.

- **Exemptions:**
  - Income from the initial transfer of emission reduction certificates or carbon credits by enterprises after issuance; income from interest on green bonds.
  - Income from the initial transfer of green bonds following issuance.

- **Deductible and non-deductible expenses**
  - Supplementing deductible expenses: Certain expenses that do not directly correspond to taxable revenue may still be treated as deductible, including the following:
    - Expenses for scientific research, technological development and innovation, and digital transformation.
    - Expenses incurred for production and business activities that are not directly linked to revenue generated within the period, as prescribed by the Government.
    - Expenses associated with reducing greenhouse gas emissions—such as carbon neutrality and net-zero initiatives—and mitigating environmental pollution, provided they are related to the enterprise's production and business operations.
  - Non-deductible expenses:
    - Expenses that do not satisfy the conditions or permitted expenditure categories under specialized laws are not deductible.
    - Interest on loans from entities other than credit institutions that exceeds the rate prescribed in the Civil Code (currently 20%) is not deductible.
    - There is no specific threshold defined for non-cash payments to qualify as deductible expenses. Non-cash payments must comply with relevant legal provisions in order to be deductible.

- **Tax rates:**

  The standard CIT rate is 20%. Small and medium-sized enterprises (SMEs) are eligible for reduced rates as follows:
  - 15% for enterprises with annual revenue of less than VND 3 billion
  - 17% for enterprises with annual revenue between VND 3 billion and VND 50 billion

  These preferential rates do not apply to enterprises affiliated with larger companies that do not qualify as SMEs.

- **Tax incentives:**
  - Several new sectors are now eligible for CIT incentives including:
    - Key digital technology products/services; researching and developing, designing, manufacturing, packaging and testing semi-conductor chips; AI data centers.
    - Automobile manufacturing and assembly.
    - Investing in facilities that SMEs, including technical assistance, business incubation, and co-working space services.
  - Elimination of certain tax-incentive industries:
    - Biotechnology; animal feed and aquaculture processing.

  - Projects with total capital of VND 6,000 billion or more, and projects located in high-tech zones that are not classified within the high-tech sector.
- Industrial zones are no longer eligible for location-based incentives.
- Tax incentives for expansion investment projects:
  - The new CIT Law provides clear guidance on the application of tax incentives to expansion investment projects. Accordingly, expansion projects in preferential sectors or locations may continue to benefit from tax incentives under the policy currently applied to existing projects, for the remainder of the incentive period.
  - If the existing project's incentive period has expired, the expansion portion—provided it meets all the stipulated conditions—will be eligible for tax incentives equivalent to those for new investment projects in the same locality or sector, excluding the preferential tax rate. Enterprises must separately account for income arising from the expansion portion in order to apply this policy.
- In cases where other laws provide corporate income tax incentives that differ from this Law, the provisions of this Law shall prevail—except for the Law on the Capital and any resolutions of the National Assembly establishing special or specific mechanisms and policies.
- Transitional provisions:
  - Enterprises with investment projects currently enjoying incentives may choose to continue to apply these incentives or apply the incentives under the new CIT Law if they meet the conditions.
  - Investment projects that are not eligible for incentives under previous regulations but are eligible for incentives under the provisions of the new CIT Law shall apply incentives under the provisions of the new CIT Law for the remaining period from the 2025 tax period.