



Recent VAT Developments in Vietnam

A. Vietnam introduces a new VAT law that will take effect on 1 July 2025

On 26 November 2024, the National Assembly of Vietnam passed the Law on Value Added Tax No. 48/2024/QH15 (the “**new VAT Law**”). This new VAT Law will come into effect on **1 July 2025** and will replace the existing VAT Law No. 13/2008/QH12 and its amendments.

The new VAT Law introduces several significant changes while simplifying the regulatory framework by consolidating provisions from previous decrees, circulars, and amendments made over the years.

Below are key changes in the new VAT Law compared to the existing VAT regulations:

1. Expanded Taxpayer Definition: The definition of taxpayer has been expanded to include:

(i) Foreign suppliers without a permanent establishment in Vietnam who engage in e-commerce or digital platform business activities with organizations or individuals in Vietnam and foreign organizations that operate digital platforms and withhold and pay tax on behalf of the foreign suppliers; and

(ii) Organizations that operate e-commerce or digital platforms with payment functions that withhold and pay tax on behalf of business

households and individuals doing e-commerce or digital platform business.

2. Input VAT Credit: The threshold for non-cash payment has been removed in the new VAT Law. The existing threshold is VND 20 million.

3. Taxable Prices: Guidelines for taxable prices have been established for promotional goods and services (which have a tax base of zero), imported goods, real estate, casino services, prize-winning electronic games, and betting.

4. VAT Exemptions: Several goods and services have been removed from the VAT exemption category, including:

- Fertilizer products, fishing vessels, specialized machinery, and agriculture equipment.
- Only the following six types of securities trading are exempt, specifically: securities brokerage, proprietary trading, underwriting, investment advisory, investment fund management, and portfolio management.

5. VAT Exemption Threshold: The VAT exemption threshold for business households and individuals has been increased to an annual revenue of VND 200 million (up from the current threshold of VND 100 million). This provision will take effect from 1 January 2026.

6. VAT Rates: The current system retains three VAT rate groups: 0%, 5%, and 10%. However, some items have been reclassified. Here are the key changes:

- An additional requirement for qualifying for the 0% VAT rate now applies to goods and services sold or directly provided to organizations in non-tariff zones. These goods and services must directly support export production.
- Fertilizer products, fishing vessels, specialized machinery, and equipment have been reclassified to a 5% VAT rate.

- The VAT rate for services provided by foreign suppliers through e-commerce or digital platforms has been changed from 5% to 10%.
- The group of goods and services subject to the 5% VAT rate has been reduced, with several items, including film production, film import, distribution, and screening, reclassified to a 10% VAT rate.

7. VAT Refunds: Additional categories have been introduced for VAT refunds, including:

- Investments made for business expansion investment during the pre-operation stage or investment stage
- Enterprises producing goods or providing services that are subject to a 5% VAT rate

Businesses have one year from the completion date of their investment project, investment phase, or investment unit to apply for VAT refunds.

Please note that VAT refunds related to ownership transfers, business conversions, mergers, consolidations, divisions, or demergers have been eliminated.

The information provided is for informational purposes only and is not intended to constitute legal advice. For specific situations, legal advice should be obtained from qualified legal counsel

B. Extension of the reduced 8% VAT rate for the first six months of 2025

On 30 November 2024, the National Assembly of Vietnam passed Resolution No. 174/2024/QH15, which extends the 2% reduction in the Value Added Tax (VAT) for the first half of 2025, from 1 January to 30 June 2025.

The scope of the extended 2% VAT reduction for the first six months of 2025 is the same as the scope outlined in Resolution No.

43/2022/QH15. Specifically, the reduction applies to a majority of goods and services currently subject to 10% VAT rate, except for certain sectors including telecommunications, information technology, financial services, banking, securities, insurance, real estate trading, metal and products made from prefabricated metal, mining products (except for coal mining), coke mining, refined

petroleum, chemical products, goods and services subject to special consumption tax.

In parallel, the Ministry of Finance also drafted the third version of the Decree guiding the implementation of the 2% VAT rate reduction

for the first half of 2025. However, the draft Decree is still under review by the Government.

The information provided is for informational purposes only and is not intended to constitute legal advice. For specific situations, legal advice should be obtained from qualified legal counsel.

Contacts



Jack Sheehan

Partner, Head of Regional Tax
Practice



Lan Hua

Tax Director
Vietnam



Dai Le

Deputy Tax Manager
Vietnam