

Vietnam's New Corporate Income Tax Guidance

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On 12 March 2026, the Ministry of Finance issued Circular No. 20/2026/TT-BTC (**Circular 20**), providing detailed guidance on certain provisions of Law No. 67/2025/QH15 on Corporate Income Tax (**the Law on CIT**) and Decree No. 320/2025/ND-CP (**Decree 320**). Circular 20 took effect on 12 March 2026 and applies from the 2025 tax period onwards. It replaces key legacy CIT guidance, including Circular No. 78/2014/TT-BTC (**Circular 78**) and Circular No. 96/2015/TT-BTC (**Circular 96**), and repeals specified CIT-related provisions of certain earlier instruments.

Circular 20 sets out the documentary, procedural and administrative regulations for the application of the new CIT regime. We highlight below some notable provisions of Circular 20.

1. **Deductible expenses**

Article 3 of Circular 20 sets out dossier requirements for deductible expenses under Article 9.1(b) and (c) of the Law on CIT, which are not limited to invoices and proof of payment. Although this is not a new concept, the Circular 20 further prescribes documentary requirements for specific categories of deductible expense, as well as certain new forms, including a confirmation record for grants and a list of purchased goods and services. Enterprises are expressly required to retain and produce relevant dossiers for inspection, audit and other statutory review processes.

This provision implies that deductibility depends not only on the nature of the expense but also on whether the taxpayer can produce a supporting dossier that matches the prescribed category. To that extent, Circular 20 appears to emphasise the form and completeness of supporting documentation.

2. **Tax incentives documentation and determination**

Circular 20 confirms that procedures and dossiers for tax incentives follow tax administration regulations. It reinforces the self-assessment mechanism, particularly on enterprises' eligibility conditions, preferential rates, applicable incentive periods, and the amount of losses deductible from taxable income during tax filings. If, on audit or inspection, the competent authority concludes that the conditions were not met, the taxpayer may face tax recovery, late payment interest and tax penalties. Accordingly, taxpayers are responsible for ensuring that their assessment and supporting documentation are accurate.

3. **Timing of taxable revenue determination**

The concept of the timing of revenue recognition for CIT purposes is not entirely new, as Vietnamese tax regulations have previously addressed the timing of revenue recognition for certain transactions. Circular 20, however, consolidates and clarifies these rules by setting out more specific provisions for certain transactions, including export sales, construction and installation activities, electricity and water supply, capital transfers, securities transfers and futures contracts.

For Vietnamese enterprises, the timing of taxable revenue recognition for CIT purposes is as follows:

- (i) for exported goods, the date on which title passes under the export contract; if this cannot be determined, the provisions of customs law shall apply;
- (ii) for air transportation, when the transportation service is completed;
- (iii) for construction and installation (including shipbuilding), when the works, work items or installed volume are accepted, regardless of whether payment has been received; and
- (iv) for electricity and water supply, the meter reading confirmation date shown on the invoice.

For foreign enterprises, the timing of taxable revenue recognition for CIT purposes is as follows:

- (i) for capital transfers, unlike the treatment applicable to domestic corporate sellers, where CIT is generally triggered upon a change of ownership, taxable revenue arises when the initial contract becomes effective in accordance with regulations. However, it remains unclear which contract constitutes the “initial contract” as acquisition transactions may involve multiple agreements, such as in-principle agreements for the purpose of obtaining acquisition approval.

Notably, this provision is particularly important for indirect transfer transactions involving Vietnamese targets. Circular 20 states that the relevant time is when the initial transfer contract becomes effective, but does not explain in detail how such effectiveness is to be determined. Parties should consider this when drafting and reviewing transaction documentation, as the effective date of the contract may be critical in determining the timing of taxable revenue recognition for CIT purposes.

- (ii) for transfers of securities and certificates of deposit, at the time of transfer; and
- (iii) for futures contracts, when the matching order is executed on the Stock Exchange trading system or when the contract matures.

4. Tax obligations of foreign enterprises doing business in Vietnam

Circular 20 provides further guidance on the application of the Law on CIT to foreign enterprises by specifying their tax obligations, whether or not they have a permanent establishment in Vietnam, including those that, among others:

- (i) engage in e-commerce and digital platform-based business activities;
- (ii) provide services, services attached to goods, or supply and distribute goods in Vietnam;
- (iii) supply goods with delivery points in Vietnam or with accompanying services performed in Vietnam;
- (iv) use Vietnamese organisations or individuals to negotiate or sign contracts in the name of the foreign enterprise; or
- (v) exercise export, import or distribution rights in the Vietnamese market.

At the same time, Circular 20 also clarifies a number of exclusions, such as certain offshore supply-of-goods arrangements without services performed in Vietnam, services performed and consumed outside Vietnam, and certain intra-group restructuring transactions that do not give rise to income.

The CIT payable by foreign enterprises is calculated by reference to taxable revenue multiplied by the prescribed percentage rate on taxable revenue, with taxable revenue defined broadly as the total revenue received, without deduction of taxes payable, and including amounts paid by the Vietnamese party on behalf of the foreign enterprise, if any. Where a contract contains multiple business activities, the applicable percentage is determined by activity; if the values are not separated, the highest applicable percentage may apply to the whole contract value.

5. Intra-group restructuring and non-taxable capital transfers

Circular 20 expressly states that a foreign enterprise’s capital transfer conducted as an intra-group restructuring may be treated as not giving rise to taxable income where there is no change in the ultimate parent company of the parties holding direct or indirect ownership in the Vietnamese enterprise after the restructuring, and where the statutory conditions are met. It also expressly lists covered forms of

restructuring, including division, demerger, consolidation, merger, share swaps, capital contribution by shares, in-group stock dividend/profit distribution, and direct or indirect ownership transfers involving a Vietnamese enterprise.

The Circular further provides that the non-income treatment is conditional on all of the following being satisfied simultaneously:

- (i) there is no change in the ultimate beneficial owner;
- (ii) the transfer value is not higher than the book value or the original contributed capital;
- (iii) the transaction does not create a value differential, and the value recorded in the approved restructuring dossier is not higher than the value recognised at the time of transfer; and
- (iv) the transferee inherits the full capital value, obligations and rights associated with the transferred investment.

Circular 20 took effect on 12 March 2026 and applies from the 2025 tax period. Note that it also contains a number of transitional provisions. In particular, for the 2025 tax period, certain deductible expense conditions and dossier requirements may continue to be governed by Circular 96. The Circular also clarifies that the new rules on non-cash payment documentation and capital transfers apply from the date Decree 320 takes effect.

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