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NO 11/ 2025

DECREE NO. 320/2025/ND-CP GUIDING THE IMPLEMENTATION OF THE 2025 LAW ON CIT

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FOREWORD

On 15 December 2025, the Government of Vietnam issued Decree No. 320/2025/ND-CP ("Decree 320/2025") providing guidance on the implementation of the 2025 CIT Law. Decree 320/2025 applies to tax periods from 2025 onwards.

Decree 320/2025 continues Vietnam's policy direction towards enhanced tax compliance, closer alignment with international practices.

Should you require further information or wish to discuss the specific ramifications of Decree 320/2025 on your business operations in Vietnam, please do not hesitate to contact us.

1. SCOPE OF APPLICATION AND TRANSITIONAL PROVISIONS

Under Decree 320/2025, taxpayers are given the flexibility to elect the timing of application of certain new provisions (relating to revenue, deductible expenses, tax incentives, and loss carry-forward) from one of the following points in time:

- The beginning of the 2025 tax year;
- The effective date of the 2025 CIT Law (1 October 2025); or
- The effective date of Decree 320/2025.

However, certain provisions must be applied immediately, notably those relating to:

- Non-cash payment requirements; and
- Income from capital transfers.

Decree 320/2025 also clarifies the deductibility of certain top-up taxes under the Global Minimum Tax (GloBE) rules when determining corporate income tax payable in Vietnam.

2. TAX-EXEMPT INCOME - SELECTIVE EXPANSION

Decree 320/2025 provides further clarification on tax-exempt income, including:

- income from agriculture, forestry, fisheries, and salt production
- qualifying income from technology transfer
- “green” income, such as income from the first transfer of carbon credits, interest income from green bonds, and income from the first transfer of green bonds after issuance
- income received from the Government Investment Support Fund.

3. REVENUE RECOGNITION PRINCIPLES: INDUSTRY-SPECIFIC APPROACH

- For entities operating in banking, securities, and insurance, taxable revenue is determined in accordance with sector-specific regulations.
- For financial derivative transactions, revenue is recognised in accordance with applicable accounting standards and regulations.

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INCOME FROM OVERSEAS INVESTMENTS TAXATION AT THE TIME OF ACCRUAL

4.

Decree 320/2025 confirms that:

- Income derived from overseas investments is subject to Vietnamese corporate income tax at the time it arises, regardless of whether profits are remitted to Vietnam;
- Foreign taxes paid may be credited against Vietnamese CIT, subject to statutory limits; and
- Taxpayers may file supplementary declarations or adjustments where foreign tax payment occurs after income recognition.

5.

CAPITAL TRANSFERS – ENHANCED SCRUTINY, PARTICULARLY FOR INDIRECT (OFFSHORE) TRANSFERS

Under Decree 320, income derived from the transfer of capital in a Vietnamese enterprise is subject to corporate income tax in Vietnam, irrespective of (i) the place where the transfer agreement is executed, (ii) the location of payment; or (iii) whether all transfer parties are offshore legal entities.

In particular, where a foreign parent company transfers shares or capital in a Vietnamese subsidiary or shares in an offshore holding company, where the value of such holding company is primarily derived from its investment in Vietnam, the transfer income may be regarded as Vietnam-sourced and subject to Vietnamese CIT.

Decree 320/2025 strengthens the legal basis for the tax authorities to assess transactions based on their economic substance rather than legal form, and examine group structures, the proportion of value attributable to Vietnamese assets, and changes in effective control. This significantly increases tax exposure for offshore restructurings, M&A transactions, and divestments involving multinational groups with operations in Vietnam.

Vietnamese tax authorities are clearly expanding the tax base, particularly in relation to capital transfers and offshore transactions. Multinational groups with Vietnamese subsidiaries should proactively review their investment structures, M&A plans, and tax positions to mitigate potential tax risks from 2025 onwards.

6. DEDUCTIBLE EXPENSES – TIGHTENED COMPLIANCE REQUIREMENTS

Key points include:

- Expenses that do not comply with relevant sector-specific regulations are non-deductible;
- The non-cash payment requirement applies to expenses of VND 5 million or more, effective from the effective date of Decree 320/2025
- Additional guidance is provided on documentation for donations and sponsorships, R&D expenditure, innovation and digital transformation costs, and environmentally sustainable ("green") activities.

7. CIT INCENTIVES AND LOSS CARRY-FORWARD

- Special investment projects must fully disburse registered capital within 10 years to maintain tax incentives
- Expansion investment projects are eligible for incentives only when the increase in fixed assets meets statutory thresholds
- Taxpayers may select the most beneficial incentive, but such choice cannot be changed during the incentive period
- Tax losses may be carried forward within the remaining allowable period but cannot be offset against income enjoying tax incentives.

8. ADDITIONAL DEDUCTION FOR R&D EXPENSES

Taxpayers may be entitled to an additional deduction of up to 200% of qualifying R&D expenses, provided that the application of such incentive does not result in a tax loss.

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