

Tax Alert

July 2025

DECREE 174/2025/ND-CP – CONTINUED 2% VAT REDUCTION UNTIL THE END OF 2026

On 01 July 2025, the Government issued Decree 174/2025/ND-CP ("Decree 174"), extending the 2% Value Added Tax ("VAT") reduction, effective from 01 July 2025 until the end of 31 December 2026.

To stimulate consumer demand in the current economic context, Decree 174 expands the scope of goods and services eligible for the 2% VAT reduction compared to Decree 180/2024/ND-CP, to include: Pre-fabricated non-metallic products, coke, refined petroleum, chemical products, and information technology goods and services. Notable provisions under Decree 174 are as follows:

- The VAT reduction applies to groups of goods and services currently subject to the 10% VAT, with the following exceptions:
 - Telecommunications, financial activities, banking, securities, insurance, real estate business, metal products, mining products (excluding coal) (Detailed in Appendix I issued with Decree 174);
 - Goods and services subject to Special Consumption Tax ("SCT") (excluding gasoline) (Detailed in Appendix II issued with Decree 174), divided into 02 phases:
 - ✓ From 01 July 2025 to 31 December 2025: applied according to the currently applicable list of goods and services subject to SCT;
 - ✓ From 01 January 2026 to 31 December 2026: applied according to the list of goods and services subject to SCT as stipulated in the Law on Special Consumption Tax No. 66/2025/QH15.
 - The VAT reduction is uniformly applied across import, production, processing, and commercial business stages.
 - The VAT reduction applies to business establishments that calculate VAT under the credit method and business establishments (including business households and individuals) that calculate VAT using the percentage (%) on revenue method.

Please contact KPMG for advice on matters your business is interested in.

Contact us

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