Tax Alert

December 2025

DECREE 320 GUIDING THE LAW ON CORPORATE INCOME TAX

On 15 December 2025, the Government issued Decree 320/2025/ND-CP ("Decree 320") detailing a number of articles of Law on Corporate Income Tax ("CIT") No. 67/2025/QH15.

Below is a summary of some notable new contents of Decree 320.

1. **Changes in regulations on Capital Assignment Tax ("CAT") and Foreign Contractor Tax ("FCT")**
   - Incomes from direct or indirect capital transfer of foreign enterprises with or without permanent establishments in Vietnam are subject to CIT at the flat rate of 2% on the sale proceeds. Intra-group restructuring transactions with no change in the ultimate parent company and no gain derived will not be subject to CAT.
   - Additional cases not subject to FCT include:
     - Sale of goods being raw materials, supplies and components via bonded warehouses or non-tariff zones, which are imported into Vietnam for production and processing of export goods;
     - Delivery of goods being raw materials, supplies and components in Vietnam from one export processing enterprise ("EPE") to another EPE at the instruction of a foreign organisation for producing and processing of export goods.
2. **Supplementing regulations on subject taxpayers**
   - Supplement taxpayer being the fund management companies who are responsible for declaring and paying CIT on behalf of institutional investors when the Investment Fund distributes profits, declaring and paying CIT on incomes from real estate transfer and lease of real estate of the Real Estate Investment Fund.
   - The fund management company shall withhold and declare CIT at the rate of 20% on income paid to institutional investors, local and foreign organisations.
3. **Expanding the scope of CIT exempt income and amending regulations on taxable income**
   - Supplementing a number of CIT exempt incomes, including:
     - Income from technology development, innovation, digital transformation (up to 03 years).
     - Sponsorship payments received for scientific research, technology, and digital transformation (except for payments from related companies)

- Income from the transfer of carbon credits, green bonds, and interest from green bonds that meet the prescribed conditions.

• Change in the taxing time for incomes from overseas investment projects, which shall be based on income generation period.

4. Amendments to tax loss rules

• Allowing tax loss offsetting and tax loss carry-forward amongst normal business activities and other business activities including real estate transfer, investment project transfer, transfer of right to participate in projects and other production and business activities (except for CIT incentivised activities).

• Businesses are allowed to apply the new rule under Decree 320 for tax losses incurred before the effective date of the Decree and are still within the prescribed time limit for loss carry-forward.

5. Deductible and non-deductible expenses for CIT calculation

Deductible expenses

• Reduced threshold for non-cash payment requirement: VND 5 million or more for each payment transaction.

• Allowing the super CIT deductibility of up to 200% of actual costs incurred for research and development activities, provided that the deduction does not result in a tax loss position.

• Increasing the deductible number of contributions to supplementary pension fund or funds of social security nature, purchase of voluntary pension insurance, life insurance for employees to VND 5 million /employee/year.

• Supplementing a number of deductible expenses, including:

  - Sponsorship payments to culture, difficult localities, scientific and technological research, digital transformation;
  - Expenditure on technology development and innovation and digital transformation;
  - Production and business expenses not corresponding to revenue;
  - Employment costs for expatriates working under the labor assignment scheme or Group's transfer arrangement, between the parent company and the Vietnam company;
  - Output VAT expenses on gift, sponsor and donation, input VAT that have not been fully credited but are not eligible to VAT refund cases.

Non-deductible expenses

• Changes in regulations on non-deductible expenses, including:

  - The interest expenses paid to non-credit institutions exceed the level prescribed by the Civil Code.
  - Expenditures that do not meet the expenditure conditions and expenditure contents as prescribed by specialized laws.

6. Supplementing the CIT rate for enterprises with annual revenue of less than VND 50 billion

• Supplementing the CIT rates of 15% and 17%, applicable to enterprises with total annual revenue of not more than VND 50 billion.

7. Restructuring regulations on CIT incentives

• Supplementing investment sectors that are eligible to CIT incentive, including key IT products, digital technology services, semiconductor chips, AI data centers, etc.

- Reduction and abolition of CIT incentives for “location conditions”, whereby:
  - Removing the industrial park from the list of preferential areas for CIT incentive entitlement;
  - Supplementing preferential areas including concentrated digital technology parks;
  - Reducing the incentive package for new investment projects in economic zones in localities with favorable socio-economic conditions.
- Amendments to CIT incentives for expansion investment projects (“EIP”):
  - Eligible EIP could enjoy CIT incentive scheme of the original project for the remaining period, or to enjoy CIT exemption and CIT reduction incentives if the original project has run out of incentives.
  - Increasing the criteria of historical cost of fixed assets for determination of eligible EIP: VND40 billion (applied to preferential investment sectors), or VND20 billion (applied to preferential location).

8. Effectiveness and transitional provisions

- Decree 320 takes effect from 15 December 2015 and applies to the fiscal year 2025 with some exceptions as below:
  - For regulations on revenue, expenses, CIT incentives, and tax loss (not applicable to enterprises having the fiscal year 2025 starting after 01 October 2025): taxpayers can elect to apply the new rules under this Decree from the beginning of the tax period of 2025, or from 01 October 2025, or from 15 December 2025;
  - For regulations on non-cash payment and capital assignment tax applicable to foreign enterprises: applied from 15 December 2025.
- The Decree also contains transitional provisions to ensure that taxpayers are entitled to apply CIT incentives (including incentives for new investment projects and EIP) according to the tax regulations prevailing at the time the relevant investment registration certificate was granted, or according to new regulations under Decree 320 for the remaining period, whichever is more beneficial to taxpayers.

Please contact KPMG for consultation on any matters your business may concern about the Decree.

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