

Transfer Pricing Update

February 2025

Latest developments in Vietnam's Transfer Pricing landscape:

- Vietnam signs MCCA for the exchange of CbCR
- Amendments to TP regulations

In this Tax Alert, we highlight two major developments in Vietnam's transfer pricing (“TP”) landscape. These are set to reflect Vietnam's commitment to aligning with international standards and enhancing local compliance.

1. Vietnam signs the Multilateral Competent Authority Agreement (“MCAA”) for Country-by-Country Reporting (“CbCR”)

On 3 January 2025, Vietnam signed the MCAA for the exchange of CbCRs. This multilateral agreement, designed by the OECD, facilitates the exchange of CbCRs among tax authorities globally, with the aim to enhance global transparency on tax and TP matters.

In principle, once signing the MCAA for CbCR, a jurisdiction needs to activate bilateral exchange relationships with other signatories to the MCAA, and fulfilling other relevant requirements (*e.g.*, *safeguards to ensure confidentiality, consistency and proper use of CbCR information and necessary infrastructure for automatic exchange*) before it can actually receive the CbCRs from other jurisdictions via automatic exchange mechanism. As of 13 February 2025, according to OECD, Vietnam has activated exchange relationships for CbCR with 29 jurisdictions (*see Appendix*). It is expected that Vietnam will continue activating more bilateral exchange relationships with other jurisdictions and fulfilling other requirements so that the automatic exchange mechanism can formally commence.

Notwithstanding the above, all prevailing regulations related to CbCR compliance requirements, as set out under Decree 132/2020/NĐ-CP (“**Decree 132**”), remain unchanged.

2. Vietnam issues amendments to TP rules

On 10 February 2025, the Government issued Decree 20/2025/NĐ-CP (“**Decree 20**”) to amend and supplement certain provisions of Decree 132. Decree 20 becomes effective on 27 March 2025, and applies from tax year 2024 onwards. Key changes include:

- *Amended definition of related party relationship:*
 - ✓ Lenders, guarantors operating under the Law on Credit Institutions will no longer be considered having related party relationship with the borrowing entity or guaranteed entity, unless they (i) engage in “management, control, capital contribution, or investment” in the borrowing entity or guaranteed entity, or (ii) are subject to the same “*management, control, capital contribution, or investment*” by another party as the borrowing entity or guaranteed entity.
 - ✓ The definition of related party relationship now also includes: (i) subsidiaries, controlled entities or affiliates of credit institutions, as regulated in the Law on Credit Institutions, and (ii) independent branch(es).

- *Expanded responsibilities of the State Bank of Vietnam:* the decree expands the responsibilities of the State Bank of Vietnam to provide relevant information related to credit institutions upon request from tax authorities.
- *Updated TP Declaration Forms:* Decree 20 releases a new version of Appendix I to replace the version of Appendix I under Decree 132. Taxpayers will need to use this new version for their upcoming TP declarations for tax year 2024.
- *Transitional guidance related to interest deductibility cap:* In light of the abovementioned amended related party relationship definition related to credit institutions, Decree 20 also provides transitional guidance with respect to non-deductible interest expenses incurred before 2024.

Takeaways

These changes reflect Vietnam's ongoing efforts to align with international standards and enhance TP compliance. Taxpayers are recommended to study the new changes and quickly assess the potential impact on their business and tax controls for tax year 2024 onwards, and consider implementation plans in advance, where possible.

Should you require any further information or support, please contact our experts or your usual KPMG advisors.

Contact us

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Appendix – Vietnam’s activated exchange relationships for CbCR as of 13 February 2025

#	From jurisdiction	To jurisdiction	Legal instrument
1	Vietnam	Australia	CbC MCAA activated
2	Vietnam	Austria	CbC MCAA activated
3	Vietnam	Belgium	CbC MCAA activated
4	Vietnam	Bulgaria	CbC MCAA activated
5	Vietnam	China	CbC MCAA activated - Effective for taxable periods starting on or after 01 January 2024
6	Vietnam	Croatia	CbC MCAA activated - Effective for taxable periods starting on or after 01 January 2024
7	Vietnam	Czechia	CbC MCAA activated
8	Vietnam	Estonia	CbC MCAA activated
9	Vietnam	France	CbC MCAA activated
10	Vietnam	Germany	CbC MCAA activated
11	Vietnam	Greece	CbC MCAA activated
12	Vietnam	Iceland	CbC MCAA activated
13	Vietnam	India	CbC MCAA activated
14	Vietnam	Ireland	CbC MCAA activated
15	Vietnam	Italy	CbC MCAA activated
16	Vietnam	Japan	CbC MCAA activated
17	Vietnam	Korea	CbC MCAA activated
18	Vietnam	Latvia	CbC MCAA activated - Effective for taxable periods starting on or after 01 January 2024
19	Vietnam	Luxembourg	CbC MCAA activated
20	Vietnam	Netherlands	CbC MCAA activated
21	Vietnam	Norway	CbC MCAA activated
22	Vietnam	Peru	CbC MCAA activated
23	Vietnam	Poland	CbC MCAA activated
24	Vietnam	Portugal	CbC MCAA activated
25	Vietnam	Slovak Republic	CbC MCAA activated
26	Vietnam	Slovenia	CbC MCAA activated
27	Vietnam	Switzerland	CbC MCAA activated
28	Vietnam	Thailand	CbC MCAA activated
29	Vietnam	United Kingdom	CbC MCAA activated

(Source: OECD’s website - <https://web.archive.org/temp/2024-04-30/437036-country-by-country-exchange-relationships.htm>)