KPMG

Tax Alert

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Vietnam issues new Transfer Pricing Decree effective from 01 July 2026

July 2026 - The Government of Vietnam has issued Decree No. 255/2026/ND-CP on tax administration for related party transactions of enterprises with related party relationships ("**Decree 255**"). The new Decree will take effect **from 01 July 2026** and apply from the **2026 corporate income tax year**. It replaces Decree 132/2020/ND-CP ("Decree 132") and Decree 20/2025/ND-CP ("Decree 20") from its effective date.

While the new Decree 255 largely retains Vietnam's existing transfer pricing framework, it introduces several notable changes compared with the current rules under Decree 132 and Decree 20.

Key changes

- **Related-party definition consolidated**: The new Decree carries forward the related party rules related to financing transactions (i.e. lending or guarantee in any form) introduced by Decree 20, including exclusions for certain lending or guarantee arrangements involving credit institutions. It also adds an exclusion for certain wholly state-owned debt trading and debt resolution entities.
- **Documentation exemption threshold expanded**: The revenue threshold for the transfer pricing documentation exemption has increased from **VND 200 billion to VND 500 billion** for taxpayers that do not generate revenue or incur expenses from the exploitation or use of intangible assets. The simple-function requirement has been removed while the minimum profitability thresholds remain unchanged (i.e. an operating margin of 5% or higher (for distribution entities), 10% or higher (for manufacturing entities) or 15% or higher (for processing entities)).
- **Country-by-country reporting ("CbC Report") updated**: The new Decree replaces the previous VND 18 trillion threshold for Vietnamese ultimate parent entities with a EUR 750 million global consolidated revenue threshold. It also provides more detailed rules on notification, surrogate filing, XML submission format, and filing deadlines.
- **CbC Report notification requirement:** Taxpayers having CbC Report filing by an Ultimate Parent Entity or Surrogate Parent Entity outside Vietnam are required to notify the Department of Taxation of the filing entity by the end of the Ultimate Parent Entity's fiscal year via a new form named 01/TB-BCLN. The notification is generally required only once upon the initial reporting obligation and must be updated within 90 days of any subsequent changes. The notification is also applied where a Vietnamese entity is designated as the Surrogate Parent Entity.
- **Data source hierarchy introduced**: The new Decree introduces an explicit order of priority for transfer pricing data sources, giving priority to public and official sources, followed by commercial databases and tax management databases. It also retains the existing hierarchy of comparables, prioritising internal comparables, domestic comparables, and then regional comparables.

- **Industry profit indicators introduced:** For the first time, the new Decree allows tax authorities to publish industry profit indicators by sector, geographical area or taxpayer group to support taxpayers in their transfer pricing compliance and the determination of arm's length pricing.
- **Tax administration strengthened:** Compared with Decree 132, the new Decree places greater emphasis on risk-based administration, pre-audit consultation, inter-agency data sharing, voluntary compliance support and more structured use of tax authority data.

Why these changes matter

1. **Lower compliance burden for some taxpayers**. The increased documentation exemption threshold may reduce compliance requirements for qualifying taxpayers, although the profitability conditions remain important.
2. **Financing remains under close scrutiny**. The Decree retains the carve-outs for certain bank-related financing relationships, but related-party debt, guarantees and interest deductibility will likely remain under tax authority scrutiny.
3. **Country-by-country reporting rules are more internationally aligned**. The move to a EUR 750 million threshold and more detailed notification and filing rules will require multinational groups to reassess their Vietnam CbCR obligations.
4. **Industry profit indicators may influence audits**. Published industry profit indicators may become a practical reference point for the tax authorities, even though their relevance should still be tested against each taxpayer's facts and circumstances.
5. **Enforcement will be more data-driven**. The Decree signals greater reliance on official data, inter-agency information sharing and risk-based audit selection, rather than documentation alone.

Recommended actions for businesses

Businesses should consider:

- Reviewing whether the revised exemption thresholds may reduce tax year 2026 compliance requirements.
- Reassessing financing and guarantee arrangements in light of the related-party rules and continued interest limitation rules.
- Confirming country-by-country reporting obligations, notification requirements, and filing readiness.
- Reviewing benchmarking support and data sources, especially where regional comparables are used.
- Refreshing transfer pricing documentation for higher-risk transactions such as services, royalties, and financing, and intangible-related arrangements.

How KPMG can help

KPMG can help businesses assess the impact of the new Decree, identify changes from Decree 132 and Decree 20 that are relevant to their fact pattern, and prepare practical next steps for tax year 2026 compliance and audit readiness.

This alert is intended to provide general information only and should not be regarded as professional advice. Businesses should seek specific advice based on their facts and circumstances.

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