CORPORATE TAXATION IN VIETNAM

2025 VIETNAM TAX COMPANION

Vietnam's taxation system can be complex and has many unique elements. This publication provides a high-level overview of significant taxes that investors should aware of. This publication is by no means comprehensive, but provides an overview to assist foreign investors to better understand Vietnamese taxation.

Corporate Income Tax (CIT)

Rate: The standard CIT rate in Vietnam is 20%. Preferential rates of 10%, 15%, and 17% can apply to certain sectors and regions, with the rate depending on the type of project and location.

Calculation: CIT is imposed on the net income of enterprises, which is determined as total revenue minus deductible expenses and other adjustments.

Incentives: Tax incentives are available for encouraged sectors, such as high-tech, agriculture, education, and healthcare. These incentives include tax holidays, reduced tax rates, and tax exemptions.

Value Added Tax (VAT)

Rate: The standard VAT rate is 10% (although a temporary reduction to 8% remains in place for most sectors at the time of release of this publication). Reduced rates of 5% apply to essential goods and services, such as clean water, medicine, and education services.

Scope: VAT is levied on the sale of goods and services. All enterprises undertaking production, trading and services in Vietnam are subject to VAT on inputs and outputs.

Refunds: VAT refunds are available for exporters, new projects in certain investment fields, and foreign contractors under specific conditions.

Foreign Contractor Tax (FCT)

Rate: FCT on payments to corporate entities comprises CIT and VAT components. CIT rates range from 0.1% to 10% depending on the nature of the payment. VAT rates can be up to 10%. Payments to individual non-resident contractors are subject to 20% PIT withholding.

Scope: FCT applies to foreign entities/parties earning income from providing services or supplying goods with associated services to parties in Vietnam. The tax is typically withheld by the Vietnamese contracting party. Some contracts may be exempt from FCT under Double Taxation Agreements.

Special Sales Tax (SST)

Rate: SST rates vary depending on the type of goods and services, ranging from 10% to 70%. Specifically taxed items include cigarettes, alcohol, beer, vehicles and air conditioners.

Scope: SST is levied on the production or import of certain "luxury" goods and services. Both domestic production and imports are subject to this tax.

Capital Gains Tax

In Vietnam, Capital Gains Tax is integrated into the Corporate Income Tax framework rather than being a separate tax. Capital gains earned by corporate taxpayers are generally subject to CIT at the standard rate of 20%.

Capital gains are calculated as the difference between the selling price and the acquisition cost of the asset, adjusted for any transaction costs and improvements made to the asset. For shares, the acquisition cost includes the purchase price and any associated costs, while for real estate, it includes the purchase price, construction costs, and any related expenses.

Import & Export Duties

Import and export duties are levied on goods imported into or exported from Vietnam.

Import duties vary depending on the type of goods and their origin, with preferential rates available for goods originating from countries with trade agreements with Vietnam. Export duties are generally imposed on a limited range of goods, primarily natural resources and minerals, with rates ranging from 0% to 40%.

Double Tax Agreements (DTA)

Vietnam has signed Double Tax Agreements with over 80 countries, including major trading partners such as Japan, Korea, China and Singapore.

Each DTA is unique, and the detailed provisions can vary between DTA's.

Personal Income Tax (PIT)

Personal Income Tax is relevant for corporations primarily as it relates to the withholding of tax on salaries and wages paid to employees. PIT rates in Vietnam are progressive, ranging from 5% to 35% based on monthly taxable income brackets (and subject to a initial personal deduction, or tax free portion). Non-tax resident individuals will be subject to a PIT rate of 20%

Employers are responsible for withholding and remitting PIT on behalf of their employees, along with certain compulsory insurances.

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