

# Vietnam Corporate Income Tax Updates for 2026: Decree 320's Key Changes and Compliance Impacts

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## Key Updates and Guidance for Vietnam's New Corporate Income Tax Law under Decree 320/2025/ND-CP

Decree 320/2025/ND-CP provides detailed guidance on the implementation of Vietnam's new Corporate Income Tax ("CIT") Law which became applicable from the 2025 tax year and is effective for the 2026 year. The Decree replaces the former regulatory framework and introduces several material changes affecting the determination of taxable income, loss offsetting, and the treatment of specific income streams.

Below we have summarized the key provisions of Decree 320 and highlight changes that will have a practical impact on enterprises operating in Vietnam.

### Scope of Application and Effective Date

Decree 320 provides guidance on the implementation of the Corporate Income Tax Law in relation to:

- Determination of taxable income and tax base,
- Aggregation and offsetting of income and losses,
- Deductible and non-deductible expenses,
- Tax rates, incentives, and exemptions, and
- Implementation and compliance matters.

The Decree took effect from 15 December 2025 and applies to the 2025 CIT year onwards. Upon its issuance, Decree 320 replaced the previous regulatory framework guiding the former Corporate Income Tax Law, including Decree 218/2013/ND-CP and its subsequent amendments.

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### Taxpayers and Vietnam-Sourced Income

Decree 320 reaffirms and clarifies the scope of CIT taxpayers, including:

- Enterprises established under Vietnamese law, and
- Foreign enterprises deriving income sourced in Vietnam, whether through a permanent establishment or otherwise.

The Decree reinforces the principle that income attributable to Vietnam is subject to CIT, subject to the specific tax mechanism applicable to each type of income under Decree 320.

### Taxable Income and Income Classification

Taxable income under Decree 320 includes income from production and business activities as well as other income, such as:

- Income from capital transfers,
- Income from real estate transfers,
- Income derived from business cooperation contracts (BCCs), and
- Other incidental or non-core income.

For BCC arrangements, the Decree clarifies that income allocated to a party under a BCC constitutes taxable income of that party, regardless of whether the BCC establishes a separate legal entity. Each party is responsible for declaring and paying CIT on its respective share of income in accordance with the agreed allocation mechanism.

This clarification is particularly relevant for enterprises participating in joint business arrangements without establishing a legal entity in Vietnam.

### Determination of Revenue and Taxable Income

Decree 320 provides guidance on the determination of revenue and taxable income based on the substance of transactions, rather than solely on the timing of invoice issuance.

Revenue is recognized in accordance with the nature of the transaction and the point at which the enterprise substantially transfers risks and benefits, ensuring closer alignment between accounting substance and tax treatment.

### Deductible and Non-Deductible Expenses

To be deductible for CIT purposes, expenses must:

- Be actually incurred and related to production or business activities,
- Be supported by lawful invoices and documentation, and
- Satisfy payment conditions prescribed by tax regulations.

Notably, expenses of VND 5 million or more (VAT inclusive) must be settled via non-cash payment methods in order to be deductible. Non-compliance may result in such expenses being disallowed for CIT purposes.

The Decree continues to apply the existing limits on certain categories of expenses, including employee welfare and specific insurance contributions, without introducing material changes compared to the previous regime.

### Taxable Income and Offsetting of Real Estate Transfer Income (A Key Policy Change)

Under Decree 320, taxable income from production and business activities is determined on an aggregated basis where an enterprise conducts multiple activities within the same tax period.

#### **Previous position**

Under the former CIT regime, income from real estate transfers was subject to a ring-fencing rule. Such income was taxed separately and could not be offset against losses from other production or business activities, even where the enterprise was loss-making overall.

### ***New position under Decree 320***

From the 2025 tax year, Decree 320 removes the general ring-fencing restriction for real estate transfer income. Income from real estate transfers is now included in the enterprise's overall taxable income and may be offset against losses from other production or business activities or other income sources within the same tax period.

As a result, corporate income tax is calculated on the net taxable income after offsetting, rather than on real estate transfer income on a standalone basis.

### ***Specific restrictions***

Notwithstanding the above, Decree 320 continues to impose certain limitations:

- Losses arising from real estate transfers, transfers of investment projects, or transfers of rights to participate in investment projects may not be offset against taxable income from activities that are enjoying CIT incentives, and
- Taxable income from transfers relating to mineral exploration, extraction, or processing projects must be determined separately and may not be offset against profits or losses from other production or business activities.

This change represents a significant policy shift while preserving safeguards for incentivized and mineral-related activities.

## Capital Transfers and the 2% Gross-Based CIT Regime

Decree 320 introduces a distinct and clearly operable tax mechanism for capital transfers conducted by foreign entities, including indirect transfers involving Vietnamese entities.

Under Decree 320, corporate income tax is imposed at a fixed rate of 2% on the gross transfer proceeds arising from such capital transfers. This gross-based approach is designed to address long-standing practical challenges in determining the Vietnam-attributable taxable income, particularly where the transfer involves offshore entities and the relevant cost base or value allocation cannot be reliably established.

By prescribing a fixed tax rate on the transfer value, Decree 320 enhances enforceability and administrative certainty for both taxpayers and tax authorities and establishes a standalone taxation mechanism for foreign capital transfers.

Accordingly, while income from real estate transfers subject to the standard corporate income tax regime may now be offset against losses, capital transfers taxed at 2% on a gross basis operate independently under Decree 320 and are not governed by the general net-income principles applicable to other taxable income streams.

## Tax Incentives and Exemptions

The Decree provides detailed guidance on the application of CIT incentives and exemptions, including:

- Eligibility conditions,
- Applicable tax rates and incentive periods, and
- Principles for determining incentivized income.

Certain incentive regimes are refined with more substance-based requirements, while specific categories of tax-exempt income are clarified or expanded.

## Decree 320: Changes to CIT in Vietnam

**Table of CIT Incentivized Sectors, Rates, and Conditions**

Incentivized Sector/Activity	Preferential Tax Rate	Application Period	Tax Exemption & Reduction Period	Key Conditions/Notes
High technology, software, renewable energy, key infrastructure, high-tech agriculture	10%	15 years	4-year exemption, 50% reduction for the next 9 years	Must belong to priority lists or apply modern technology and equipment.
Education, vocational training, healthcare, culture, sports, environment (Socialization)	10%	Entire operational period	4-year exemption, 50% reduction for the next 9 years	Must meet criteria regarding type, scale, and standards set by the Prime Minister.
Social housing development (for sale, lease, or lease-purchase)	10%	Entire operational period	(Subject to new project regulations)	Eligible subjects and conditions must comply with the Law on Housing.
High-quality steel; machinery for agriculture/forestry/fisheries; auto parts	17%	10 years	2-year exemption, 50% reduction for the next 4 years	New investment projects in specified manufacturing sectors.
Publishing (per Law on Publishing), Press (including advertising)	10%	Entire operational period	(Varies by specific conditions)	Activities must follow the Law on Publishing and the Law on Press.
Cooperatives in agriculture, forestry, fisheries, and salt production	10% or 15%	Entire operational period	(Varies by location)	Rates depend on whether the location is in a difficult or especially difficult socio-economic area.

### **Important Information on Conditions and Application:**

- **Large-scale Projects:** New investment projects with a minimum capital of 12,000 billion VND, disbursed within 5 years, and meeting specific revenue or labor (over 6,000 employees) criteria may have their preferential tax rate period extended by the Prime Minister, but not exceeding 15 additional years.
- **Small and Micro Enterprises:**
  - Enterprises with total annual revenue not exceeding 3 billion VND: Tax rate of 15%.
  - Enterprises with total annual revenue between 3 billion VND and 50 billion VND: Tax rate of 17%.
- **Location-based Incentives:** Incentives are also based on geography. Projects in areas with especially difficult socio-economic conditions, economic zones, or high-tech zones typically receive the highest incentives (e.g., 10% for 15 years).
- **Tax-Exempt Income (Article 4):** Certain incomes are entirely exempt from tax, such as income from agriculture/fisheries in especially difficult areas, or income from scientific research contracts (exempt for a maximum of 3 years).
- **Labor-based Incentives:** Enterprises where at least 30% of the average annual workforce consists of people with disabilities, people post-drug rehabilitation, or people living with HIV may be eligible for tax exemptions (excluding those in finance or real estate).

Note: Income from real estate transfers (except for social housing) is generally excluded from these preferential rates and is subject to the standard CIT rate of 20%.

### Implementation and Compliance

Decree 320 also addresses implementation matters, including documentation requirements, tax declaration and finalization procedures, and responsibilities for tax withholding and payment on behalf of foreign entities in specified circumstances.

### Final Remarks

Decree 320/2025/ND-CP establishes a single yet comprehensive framework document for the implementation of Vietnam's Corporate Income Tax Law from 2025 onwards. The Decree introduces material changes in income aggregation and loss offsetting, particularly in relation to real estate transfers, while also clarifying the tax treatment of business cooperation contracts and reinforcing compliance standards.

The impact of these changes will depend on the nature of each enterprise's activities, income composition, and transaction structures, making careful income classification and application of the relevant provisions essential under the new regime.

For any further questions you may have, please reach out to us at [vietnam@alitim.com](mailto:vietnam@alitim.com)

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