

Vietnam's New 2025 Corporate Income Tax Law Major Reform For Investment Support

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Vietnam's 2025 Corporate Income Tax Changes

On 14 June 2025, the National Assembly of Vietnam passed the new Law on Corporate Income Tax (the "Law" or "Corporate Income Tax Law 2025"), marking a strategic shift in Vietnam's tax policy. As a result, from 1 October 2025, Vietnam's overhaul of its Corporate Income Tax (CIT) regime takes effect, bringing with it one of the most comprehensive and strategically aligned tax reforms in over a decade. Replacing Law No. 14/2008/QH12 and its subsequent amendments, the new Corporate Income Tax Law 2025 affirms Vietnam's commitment to a fairer, more transparent, and globally consistent tax environment. This law transforms the landscape in which businesses operate, addressing the realities of the digital economy, global minimum taxation, and green and inclusive growth.

This Law is a milestone, both for what it includes and for the broader direction it signals. Key highlights of the new law include:

- Preferential CIT rates of 15% and 17% for small and medium-sized enterprises (SMEs), based on annual revenue thresholds
- Targeted tax incentives for high-tech, clean energy, and digital sectors
- Expanded tax obligations for foreign digital platforms and cross-border business activities
- Stronger anti-abuse provisions to prevent misuse of tax incentives
- Ongoing support for SMEs, including tax exemptions and reductions under separate legislation

These changes reflect Vietnam's commitment to modernizing its tax framework while promoting innovation and ensuring tax equity.

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1. Updated CIT Rate Structure

The new law introduces a revised CIT rate structure:

- **20% general rate** (unchanged)
- **17% rate** for enterprises with annual revenue exceeding VND 3 billion but not exceeding VND 50 billion (~USD 2 million)
- **15% rate** for micro enterprises with annual revenue not exceeding VND 3 billion (~USD 120,000)
- **25%–50% rate** for special extractive industries such as oil & gas, and rare resource mining (e.g. gold, silver, tungsten, rare earths).

These thresholds are based on total revenue from the preceding tax year and specific guidance will be issued for newly established enterprises.

The 15% and 17% rates are not available to subsidiaries or related-party groups unless the entire group meets the revenue conditions.

2. Updated Tax Incentives for Investment Projects

10% CIT rate for 15 years:

- Continuation of support for traditional sectors such as high-tech and software, while expanding to include new priority areas such as digital transformation (including cybersecurity and advanced IT infrastructure), smart agriculture, and high-tech supporting industries.
- Eligible projects under this group can receive CIT exemptions for up to 4 years and 50% CIT reduction for the following 9 subsequent years.

17% CIT rate for 10 years:

Broader in scope under the new 2025 Law, this now applies to:

- New investment projects in more common priority sectors (compared to the 10% group), such as premium steel, energy-efficient products, agri-fishery machinery, auto assembly, digital technology, and SME-support infrastructure (e.g., incubators, co-working spaces).
- Eligible projects under this group can receive CIT exemption for up to 2 years and 50% CIT reduction for the following 4 subsequent years.

3. Updated Tax Exemption and Reduction

Expanded incentives for socialized sectors:

Enterprises operating in socialized sectors, such as education, healthcare, culture, sports, and environmental services, are now entitled to up to 4 years of CIT exemption and followed by a 50% tax reduction for 5 subsequent years, even when located outside specially designated areas.

This marks a significant expansion compared to the current law, which typically restricted such incentives to projects in difficult or extremely difficult socio-economic regions.

Standardized durations are now clearly codified in the law:

- Up to 4 years of CIT exemption followed by 9 years of 50% reduction for projects in high-priority sectors (e.g. high-tech, clean energy, digital transformation, socialized sectors, etc.)
- Up to 2 years of CIT exemption followed by 4 years of 50% reduction for other projects that meet conditions (e.g. location, scale, technology, etc.).

While these durations remain unchanged compared to the current regime, the new law improves transparency and predictability by codifying them directly into primary legislation.

4. R&D Promotion and Loss Utilization

R&D Promotion

- The new law reaffirms the encouragement of R&D activities but does not explicitly retain the current 150% super deduction for R&D expenses.
- Further details are expected to be specified in implementing regulations.

Loss Utilization

- Losses continue to be carried forward for up to 5 years.
- Tax losses from real estate or transfers of investment projects can now be offset against profits from other activities.
- A newly added provision allows tax losses to be carried forward in cases of mergers, demergers, and consolidations, subject to conditions.

5. New for Digital and E-Commerce Business Taxation

The law expands the scope of corporate income tax to cover foreign enterprises conducting business in Vietnam through digital platforms or e-commerce models.

These will be subject to CIT based on income sourced from Vietnam, under conditions and methods to be specified in subsequent regulations, but will essentially be taxed through a deemed a permanent establishment in Vietnam in these cases.

6. Key Conditions for Corporate Income Tax Incentives

To benefit from incentives, businesses must:

- Use the Vietnamese accounting regime, issue valid invoices, and file CIT via declaration method.
- Maintain separate accounting between incentivized and non-incentivized income. If separation is not feasible, incentives apply proportionally based on revenue or cost ratios.

Incentives (including 15% & 17%) do not apply to income from:

- Capital or real estate transfers (except for social housing)
- M&A or project transfers, or operations outside Vietnam
- Oil, gas, or rare resource extraction
- Goods/services subject to special consumption tax, except for specific projects (e.g., cars, aircraft, yachts, refining)
- Subsidiaries or related parties where any entity fails to meet conditions
- Other special cases as determined by the Government

7. Transitional Provisions for Tax Incentives

Enterprises with ongoing investment projects that have already granted corporate income tax (CIT) incentives under the previous law may choose to:

- Continue applying the incentives originally approved; or
- Switch to the new incentives provided under the 2025 Law, if they meet the updated eligibility conditions.

In either case, the selected incentive will apply only for the remaining duration of the project.

Projects that were not previously entitled to CIT incentives but now qualify under the 2025 Law may apply the new incentives starting from the 2026 tax year. These incentives will apply for the remaining eligible period and are not applied retroactively.

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8. Implications for Businesses

Vietnam's new CIT Law marks a shift toward a more modern and transparent tax system. It introduces clearer rules, targeted incentives, and stricter compliance standards.

Businesses should take note of the following opportunities or requirements:

- Expanded opportunities in high-tech, clean energy, and digital sectors
- Enhanced support for SMEs and innovation-focused projects
- Tighter conditions on tax incentives, especially for related-party groups
- Stronger compliance requirements, including separate income tracking

With the law taking effect on 1 October 2025, businesses should assess their structures, review eligibility for incentives, and prepare for the new compliance regime.

For any further questions you may have, please reach out to us at vietnam@alitim.com


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