

Transfer Pricing in Vietnam: A Guide for Foreign Investors

Understanding the Requirements and
Legal Framework for Transfer Pricing
in Vietnam in 2025

Alitium

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Introduction

Transfer pricing refers to the rules and methods for pricing transactions between related parties within a multinational group. As global businesses operate across multiple tax jurisdictions, transfer pricing plays a crucial role in determining how profits are allocated and taxed. To ensure fairness and prevent “**Base Erosion and Profit Shifting**” (BEPS), tax authorities require that intra-group transactions follow the arm’s length principle - a standard under which related-party transactions should be priced as if conducted between independent entities under comparable conditions.

In Vietnam, transfer pricing regulations are primarily governed by **Decree 132/2020/ND-CP** issued in November, 2020, which aligns with international practices and the OECD’s BEPS framework. **Decree 20/2025/ND-CP** was issued in 2025 to amend certain provisions of Decree 132, reflecting updates to enhance the regulatory framework and compliance requirements. These legal developments continue to emphasize the preparation of transfer pricing documentation, annual disclosure obligations, and the application of accepted transfer pricing methods, aiming to protect Vietnam’s tax base and promote transparency in related-party cross-border transactions.

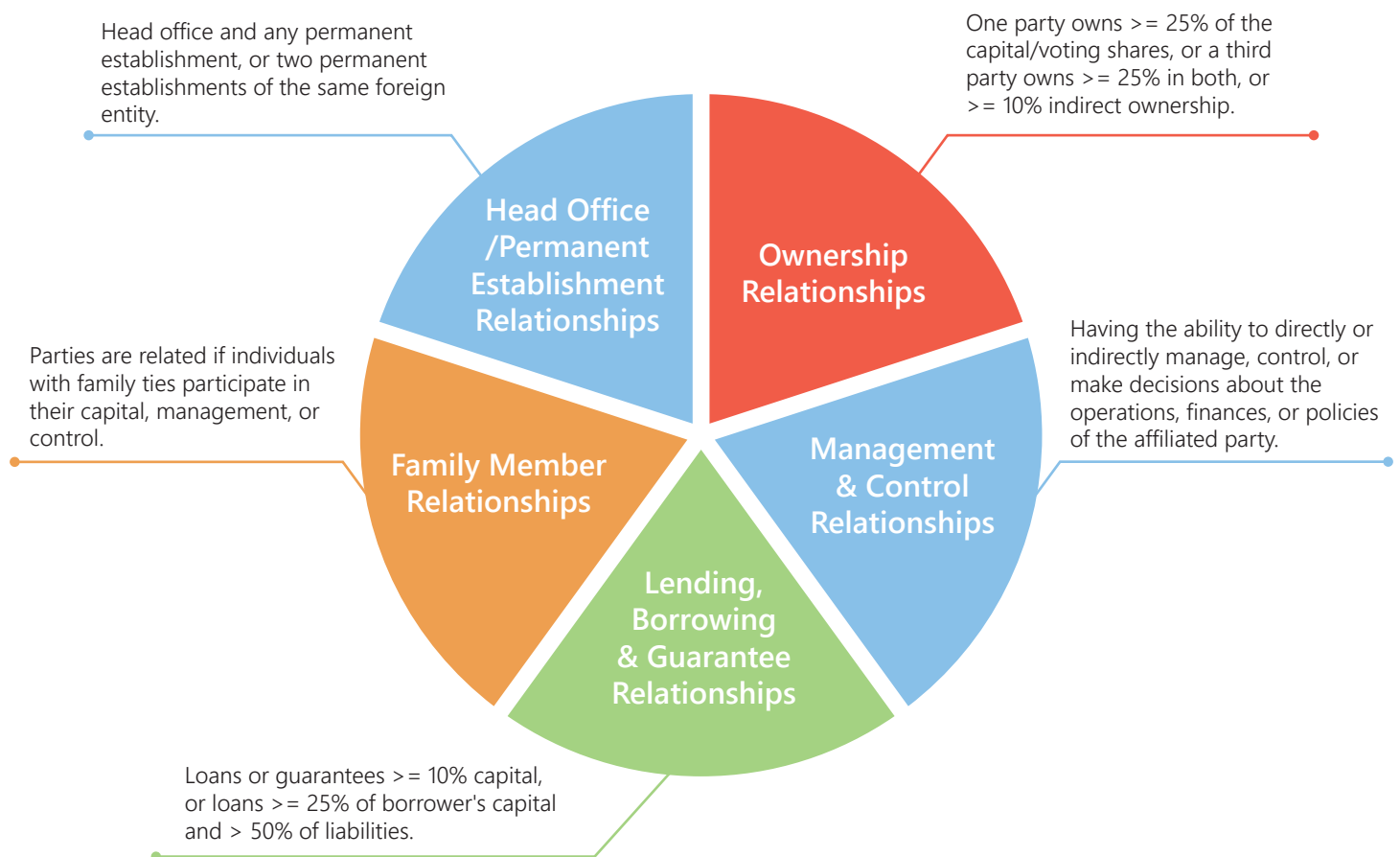
However, applying these regulations in practice can be complex. Businesses must not only determine appropriate transfer pricing policies but also ensure consistency in documentation, manage data collection, and prepare for possible audits. The cost of non-compliance - including penalties, tax adjustments, and reputational risks - makes it essential for companies to take a proactive and well-informed approach.

To support businesses in navigating Vietnam’s complex regulatory environment, **Alitium** provides specialized consultancy and advisory services with a focus on tax, accounting, and transfer pricing. Our experienced team combines deep local knowledge with international standards to assist companies in building transparent, compliant documentation systems and managing transfer pricing risks effectively. We provide support to businesses in optimizing financial operations, managing tax risks, and maintaining compliance with Vietnamese tax laws.

This document is issued as a practical guide to help companies better understand Vietnam’s transfer pricing framework, key compliance obligations, and effective approaches to managing transfer pricing risks.

Who Counts as "Related"? - The 5 Groups

Identifying who is related in related-party transactions goes beyond clear legal ties and includes complex relationships involving family, management, and control. Below are the common categories considered when determining related parties in business practice.



Determining related-party relationships based on their true substance remains a significant challenge for businesses, as these relationships are not always clearly documented. Therefore, companies must carefully and comprehensively assess to accurately identify the nature of related-party connections in order to comply with regulations and manage risks effectively.

Transfer Pricing Compliance Requirements in Vietnam

Entities Required to Prepare Transfer Pricing (TP) Documentation

A company must prepare TP documentation in Vietnam where it has related party transactions (RPTs) and does not fall under any of the exemptions. The Exemptions from Local and Master Files apply if the company meets the following:

Small-scale businesses: Annual revenue < 50 billion VND and total RPTs < 30 billion VND.

Domestic transactions only:

- All related transactions are between entities in Vietnam;
- The parties apply the same corporate income tax (CIT) rate;
- Neither party enjoys tax incentives.

Simple transactions (Safe Harbor cases):

- Conducts routine activities such as distribution, manufacturing, or processing;
- Achieves minimum EBIT margin:
 - Distribution ≥ 5%
 - Manufacturing ≥ 10%
 - Processing ≥ 15%
- Each activity generates no more than 200 billion VND in revenue.

TP Disclosure & Filing Forms – Vietnam CIT Filing

Forms Required for Transfer Pricing Documentation:

Form 01 – Transfer Pricing Disclosure Form: This form is mandatory and must be submitted together with the annual Corporate Income Tax (CIT) finalization return, typically by 31 March of the following year.

Form 02 – Local File (Transfer Pricing Documentation): Must be prepared in advance and is submitted only upon written request from the tax authority.

Form 03 – Master File (Transfer Pricing Documentation): Similar to Form 02, it must be prepared in advance and submitted upon request by the tax authority.

Form 04 – Country-by-Country Report (CbCR): Only applicable to entities that are the Ultimate Parent company with global consolidated revenue of VND 18,000 billion or more (approximately EUR 750 million).

Important Notes:

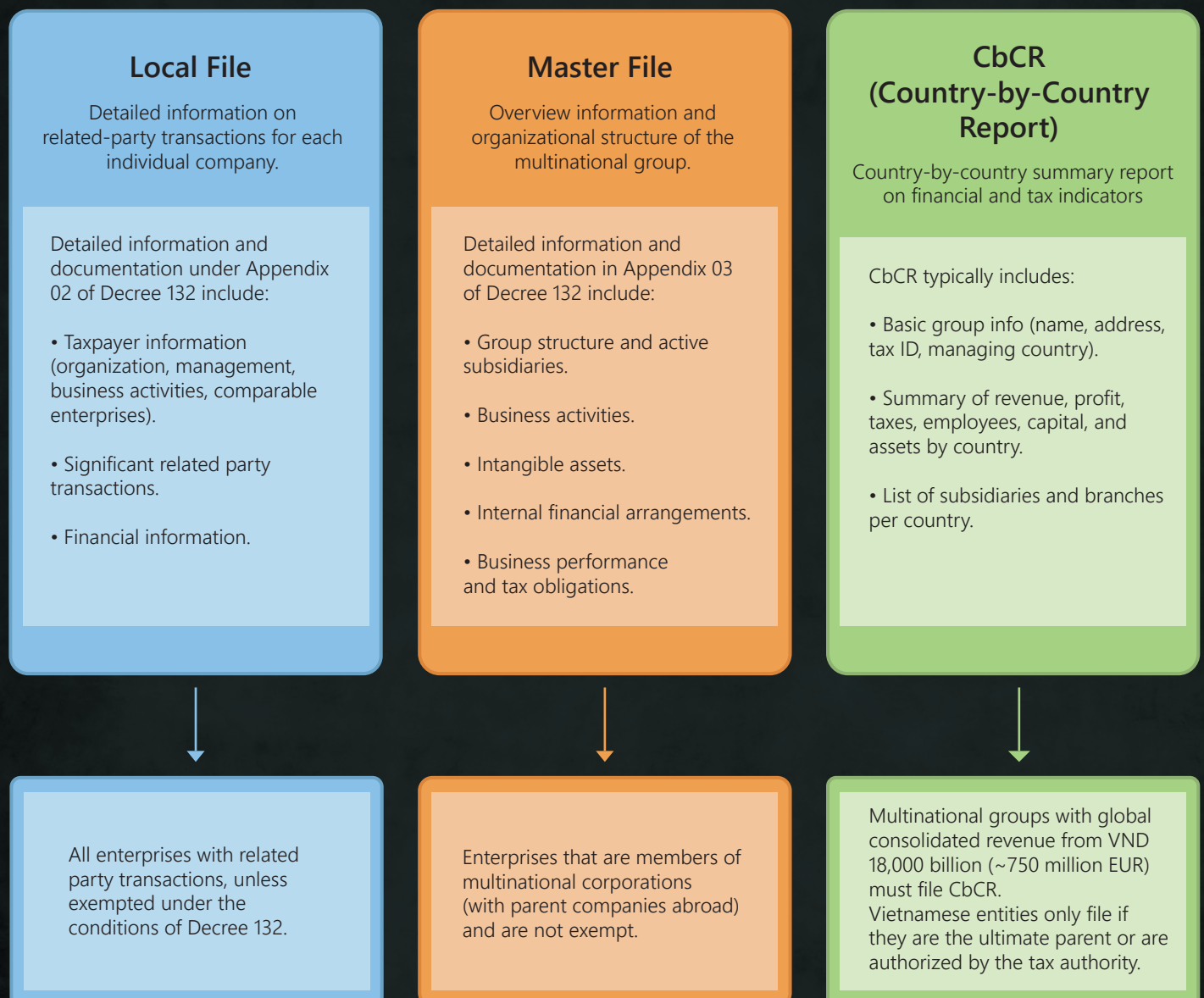
Form 01 is required for all companies with related party transactions, even if they qualify for exemptions from preparing Local and Master Files.

Forms 02, 03, and 04 must be fully prepared by the CIT filing deadline, but are only submitted upon official written request from the tax authority.

If the company is exempt from preparing TP documentation, the reason for the exemption must be clearly stated in Form 01.

TP Documentation Requirements

Transfer Pricing Documentation is a set of records prepared by a company to demonstrate that its transactions with related parties are conducted in accordance with the arm's length principle - that is, under terms similar to those that would apply in transactions between independent parties.



Transfer Pricing Methods Summary

Method	Description	Applicability
Comparable Uncontrolled Price (CUP)	Determines the transfer price by comparing with prices in uncontrolled transactions with similar terms and conditions.	Suitable when comparable independent transactions are available.
Resale Price Method	Sets the price by subtracting a reasonable gross margin from the resale price to third parties.	Used in trade or distribution transactions where the reseller has limited added value.
Cost Plus Method	Sets the price by adding a reasonable profit margin to the cost of production or service provision.	Often used in manufacturing or service provision where cost structure is well-defined and stable.
Profit Split Method	Allocates total profit from the transaction between the related parties based on their contributions to the value creation.	Used when contributions are not easily quantifiable, especially in cases with intangible assets or joint development projects.

The proper application of transfer pricing methods requires not only a theoretical understanding of each approach but also practical steps to support the selected method with reliable market data. In particular, benchmarking analysis plays a critical role in substantiating whether the outcomes of related-party transactions are consistent with the arm's length principle.

Benchmarking and Use of Databases

A key component of any transfer pricing documentation is the benchmarking analysis, which supports the application of the arm's length principle by identifying comparable transactions or companies. Selecting appropriate comparables is critical to demonstrating that the pricing of related-party transactions reflects market conditions. This process typically involves selecting the most relevant transfer pricing method, defining a proper set of comparability criteria (e.g., industry, functions, risks, geographic scope), and applying consistent screening filters.

In Vietnam, taxpayers are required to use commercial databases - data sources collected, standardized, and distributed by data providers - for benchmarking analyses in the Local File as defined under Article 17 of Decree 132/2020/ND-CP. While the Decree does not mandate specific databases, in practice, commonly used platforms include widely recognized solutions such as Orbis or RoyaltyStat.

Submission Deadline for TP Documentation

TP documentation must be completed by the time of annual CIT finalization (typically by 31 March of the following year).

Submission timeline: Full documentation in Vietnamese is to be submitted. Within 30 working days from the date of a written request by the tax authority. If justified, this period may be extended once, up to 15 working days after the initial deadline.

High-Risk TP Indicators (Practical Reference)

While not explicitly listed in legal documents, tax authorities often conduct inspection of companies with the following factors:

- Continuous losses while having significant Related Parties Transactions.
- Profit margins are lower than industry averages.
- No TP documentation or incomplete files.
- Payments to related parties in tax havens or low-tax jurisdictions.
- High-value RPTs involving intangibles without clear valuation.
- Management/royalty/service fees paid to related parties without substance.
- Complicated ownership structures or frequent changes among related parties.

Consequences of Non-Compliance

Penalties

Fines: VND 8M to VND 15M for failure to submit or incomplete TP Forms.

Additional Penalties: The tax authority may impose a deemed tax assessment, apply penalties for underpaid tax, and charge interest on late payments if TP documentation is not submitted as required.

Transfer Pricing Adjustments

Tax authorities may adjust transfer prices and assess additional taxes.

Risk of Tax Audits

Non-compliance increases the risk of being selected for a tax audit/inspection.

Reputation Risks

Non-compliance can damage the company's reputation with tax authorities and the public.

Prepared based on Decree No. 132/2020/NĐ-CP and updated with Decree No. 20/2025/NĐ-CP (effective from 27 March 2025).

Some Tips for Business When Preparing Transfer Pricing Documentation

Transfer Pricing (TP) is a critical compliance area for businesses engaged in related-party transactions. With tax authorities increasingly scrutinizing transfer pricing practices, having a well-prepared and accurate TP documentation file is essential to minimize tax risks and penalties. Here are some practical tips for businesses to keep in mind when preparing their Transfer Pricing documentation:

Understand relevant Laws and Regulations

- Stay updated with the latest transfer pricing rules and guidelines issued by tax authorities.
- Ensure your documentation fully complies with current regulations to avoid penalties or disputes.

Clearly identify Related-Party transactions

- Accurately identify all transactions between your company and related parties such as parent companies, subsidiaries, branches, or joint ventures.
- Maintain transparency and detailed records of these related-party dealings.

Choose the appropriate Transfer Pricing method

- Select the transfer pricing method that best fits the nature of the transaction and your business operations.
- Clearly justify your choice of method within the documentation.

Gather comprehensive supporting documentation

- Include contracts, financial statements, market analysis reports, and benchmarking studies.
- Ensure that supporting evidence is clear, verifiable, and substantiates the arm's length pricing applied.

Preparing documentation on time

- Complete and submit your Transfer Pricing documentation within the deadlines required by law.
- Timely preparation allows room for review and any necessary adjustments.

Seek professional advice when needed

- If unsure about compliance or technical aspects, engage transfer pricing specialists or auditors.
- Professional support can enhance the quality and credibility of your TP documentation.

Transfer Pricing documentation is not just a regulatory requirement but a valuable tool for demonstrating compliance, optimizing tax costs, and managing audit risks. Following these tips will help ensure your TP documentation is accurate, complete, and defensible.

About Alitium

Alitium Professional Services is an experienced consultancy & advisory firm specialising in assisting foreign investors in navigating the complexities of the Vietnamese market. With a comprehensive suite of services, Alitium provides expert guidance on legal and licensing issues, corporate consulting, accounting, human resources, compliance, and taxation support. The firm prides itself on a unique blend of traditional values and innovative methodologies, ensuring precise and reliable solutions tailored to each client's needs. Alitium's team of seasoned professionals is committed to delivering excellence, leveraging deep local knowledge and global perspectives to help clients achieve success.

Alitium's core mission is to facilitate seamless market entry and sustainable business operations for foreign investors in Vietnam. The firm's legal and licensing services cover company incorporation, transactions, corporate agreements, and structuring, ensuring that businesses are set up correctly from the start. In addition, Alitium offers comprehensive corporate consulting and advisory services, including market entry strategy, due diligence, project planning, valuations, and corporate risk reviews. These services are designed to provide investors with a thorough understanding of the Vietnamese market landscape and to help them make informed decisions.

Accounting, HR, and compliance are critical areas where Alitium excels, offering ongoing support to ensure that clients meet all regulatory requirements. This includes data entry, financial reporting, risk management, and payroll services, all aimed at maintaining compliance and minimizing risks. Alitium's taxation support and advisory services are particularly noteworthy, providing technical and administrative assistance to manage tax risks and optimize tax liabilities. This long-term, strategic approach to taxation helps clients navigate the complexities of Vietnamese tax laws and ensures that they remain compliant while maximizing their financial outcomes.

One of Alitium's distinguishing features is its experience and commitment to understanding and addressing the specific needs of foreign investors. The firm recognizes that Vietnam's regulatory environment can be challenging for new market entrants, and it strives to provide clear, actionable advice that balances commercial objectives with legal compliance. This client-centric approach is underpinned by a deep appreciation of the cultural and economic context in which businesses operate in Vietnam.

Alitium places a strong emphasis on governance and compliance, understanding that these are critical components of successful business operations in Vietnam. The firm helps clients from around the globe to establish robust governance frameworks that protect against risks and ensure adherence to local laws and regulations. This commitment to high standards of governance not only supports legal compliance but also builds trust and credibility in the Vietnamese market.

Our Key People



Phuong Vo
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Phuong is a registered lawyer in Vietnam, with more than 10 years professional experience advising foreign investors with their market entry and ongoing commercial and structural requirements in Vietnam. Prior to founding Alitium, Phuong directly lead a team of 20 lawyers focussing on supporting foreign-listed and multi-national investors.

Phuong's main practice areas have focussed on licensing, company establishment and structuring – particularly in difficult market access sectors in Vietnam for foreign investors.




Matthew Lourey
Chairman


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Matthew is an Australian Chartered Accountant, with 20 years professional experience advising corporate investors in Vietnam.

Matthew was the founder of a significant professional services firm in Vietnam, and is known for his extensive knowledge and experience advising foreign investors to navigate and remain compliant with Vietnam's complex regulatory environment.

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