

VAT Changes from July 2025 in Vietnam: What Businesses Need to Know

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[9 July 2025]

New Vietnam VAT Regulations From July 2025

Vietnam's new Value Added Tax (VAT) Law of 2024 (Law No. 48/2024/QH15) introduces significant changes to the conditions for input VAT deduction, including concerning payment documents and additional cases for VAT refunds. These changes, effective from 1 July 2025, directly impact business operations.

In addition, authorities also issued two guiding documents on the VAT Law, Decree 181/2025/ND-CP and Circular 69/2025/TT-BTC, providing some implementing clarity on the changes. We have summarised these changes, along with analysing their impacts, for businesses in Vietnam.

Note: Before considering the changes, it should be noted that the National Assembly recently passed a resolution that continues the general reduction in the standard VAT rate in Vietnam from 10% to 8% until December 2026. This is a continuation of previous reductions (initially introduced as pandemic incentive measures), and results in most (but not all) items subject to 10% VAT continuing to be taxed at 8%.

1. Changes to Input VAT Deduction Conditions

To deduct input VAT, businesses under the deduction method must meet specific conditions:

General Conditions:

- Possession of compliant invoices and documents.
- Non-cash payment documents: For purchased goods and services, non-cash payment documents are required for payments of 5 million VND or more.

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Note the change: The 2008 VAT Law mandated non-cash payment documents only for transactions of 20 million VND or more. Now, under Decree 181, this threshold has been reduced to 5 million VND (including tax) from 1 July 2025. The new Law on Corporate Income Tax passed in 2025, and effective from 1 October 2025, has the ability to implement a lower threshold for CIT purposes. There will be further implementing decrees released shortly, documenting whether the same (5 million VND) or a lower threshold is adopted for CIT purposes.

- Usage for taxable activities: Goods and services with input VAT must be used for producing or trading goods and services subject to VAT. If used for both taxable and non-taxable activities, only the input VAT proportionate to the taxable activity is deductible. Businesses must separate these amounts or calculate them based on the ratio of taxable revenue to total revenue. Input VAT for lost goods/services (if uncompensated) or natural wastage during transport is fully deductible.

Declaration and Deduction Timing:

- Input VAT arising in a month or quarter must be declared and deducted in that same month or quarter. Any un-deducted input VAT can be carried forward to the next period for deduction.
- Errors in declaring or deducting input VAT can be corrected via supplementary declarations for the incorrect period (if increasing tax payable) or in the period of discovery (if decreasing tax payable), provided it is completed before the tax authority announces an inspection.

Additional Conditions for Exported Goods and Services:

Effective 1 July 2025, in addition to existing requirements (contracts with foreign parties, sales invoices, non-cash payment documents, and customs declarations), exported goods and services also require supplementary documents such as packing lists, bills of lading, and goods insurance certificates (where applicable).

Recommendations:

Businesses must collect and retain all necessary documents, especially the newly required supplementary documents, as part of their standard operating procedures to ensure eligibility for crediting input VAT and to ensure the 0% tax rate applies for export activities.

2. Increase in VAT threshold for business households

One aspect which comes into effect on January 1, 2026, a further 6 months after other provisions, states that goods and services provided by business households and individuals with an annual revenue of 200 million VND or less are exempt from VAT. This change increase the threshold from 100 million VND that was in place under previous regulations.

This threshold increase is partially offset by the considerable number of private businesses in Vietnam that have been required to newly register and be taxed on their actual turnover (not just an assumed turnover) and therefore resulting in a larger pool of VAT remitting businesses in Vietnam from 2025

3. Amendment to VAT taxable prices for imported goods.

The new regulations add "supplementary import duties" to the calculation of the VAT taxable price for imported goods.

Supplementary import duties are taxes applied in special situations as regulated by the laws on export and import duties and foreign trade management laws.

- Previously (in the 2008 Law), the VAT taxable price for imported goods was: *Import price at the border gate + indirect taxes (import duty, special consumption tax, environmental protection tax).*
- Under the New Law (2024) the VAT taxable price for imported goods is: *Import price at the border gate + indirect taxes (Import duty + Supplementary import duties (if any) + special consumption tax + environmental protection tax).*

Recommendations:

Importing businesses need to determine if any supplementary import duties are incurred.

There are three types of taxes identified as supplementary import duties: anti-dumping duty, countervailing duty, and safeguard duty.

- Anti-dumping duties are applied when dumped goods imported into Vietnam and cause or threaten to cause significant damage to domestic production.
- Countervailing duties are applied when subsidized goods are imported into Vietnam and cause or threaten to cause significant damage to domestic production or prevent the formation of domestic production.
- Safeguard duties are applied when excessive imports of goods into Vietnam cause serious damage or threaten to cause serious damage to domestic production or prevent the formation of domestic production.

Businesses need to update their supplementary import duty amounts in their method for determining the VAT taxable price of imported goods, following which they should redetermine the amount of import VAT payable before making payment. In addition, updating the new VAT amount into their deductible input VAT, with the tax payment documents for future VAT credits.

4. Additional regulations on taxable prices for promotional goods.

The VAT taxable price for goods and services used for promotions was not clearly specified in the preceding 2008 VAT Law and its guiding documents. The new 2024 Law now stipulates that goods and services used for lawful promotions under the Commercial Law will have their VAT taxable rate at zero.

Promotion is a commercial activity by traders to promote the sale of goods or provision of services by offering certain benefits to customers. For a promotion to be considered lawful the business must notify or register the promotional program with the Department of Industry and Trade. This does not apply to cases that are exempt from notification under Decree 81/2018, such as when the total value of the program is under VND100 million.

Decree 181 also clarifies specific cases where the taxable price is determined to be zero (0) for promotional activities, including:

- Giving samples or providing sample services.
- Giving goods or providing services without charge.
- Selling goods or providing services with accompanying purchase vouchers or service usage vouchers.
- Selling goods or providing services with accompanying competition entries or organizing competitions and awarding prizes.
- Selling goods or providing services with participation in a risky program with prizes.
- Organizing frequent customer programs, rewarding based on the quantity or value of goods or services purchased.

However, the Decree also distinguishes cases of promotions in the form of price reductions. If the promotion is a price reduction, the taxable price will be the reduced selling price, not zero.

Recommendations:

When applying zero taxable price for promotional goods, businesses need to:

- Have a written document detailing the promotional program.
- Ensure notification/registration of the program with the competent authority (except for exempted cases).
- Clearly state on the invoice: "Promotional goods with no charge".

5. Adjustments to VAT Tax Rates

The new law introduces changes in VAT rates for various items:

- From non-taxable to 5%: Fertilizers and fishing vessels operating in sea areas.
- From 5% to 10%: Unprocessed forest products; sugar and sugar by-products; teaching and research equipment; and cultural, sports, film production, and screening activities.

Recommendations:

Businesses should update their tax rate tables to avoid incorrect declarations that could impact selling prices and gross profits.

6. New Goods and Services Subject to 0% VAT

The scope of 0% VAT application has been expanded to specifically include:

- International transportation.
- Installation works abroad or in non-tariff zones.
- Duty-free goods at isolation areas and duty-free shops.
- Aviation and maritime services directly supporting international transportation.

Recommendations:

Exporters of services and international transport providers should collect and retain supporting documents to ensure correct application of the 0% tax rate.

7. Adjustment to Goods & Services not subject to VAT

The new law refers to goods and services that are not subject to VAT, specifically:

a) Removal of some goods and services that were not subject to tax under the 2008 Law, including:

- Fertilizers; machinery and specialized equipment for agriculture;
- Offshore fishing vessels;
- Some securities services such as custody, market organization, securities trading, etc.
- Exported products from natural resources and minerals that have been processed into other products are only exempt from tax if they belong to the List regulated by the Government.

b) The addition of goods and services that are not subject to tax where they are imported for the purpose of supporting or sponsoring disaster prevention, epidemic control, or war, as stipulated by the Government.

Recommendations:

Businesses need to review their list of goods and services currently in business to identify changes in VAT obligations.

8. New Cases for VAT Refunds

Businesses that exclusively produce or provide services subject to a 5% VAT rate are eligible for a VAT refund if their un-deducted input VAT reaches 300 million VND or more after 12 consecutive months or 4 consecutive quarters. For businesses dealing with multiple VAT rates, refunds will be proportionally allocated as regulated by the Government.

This regulation applies to VAT-registered businesses that pay VAT using the deduction method, whereby they calculate payable VAT by subtracting deductible input VAT from output VAT. A key condition is that these businesses solely produce goods or provide services subject to the 5% VAT rate.

Examples of Goods/Services Subject to 5% VAT:

- Agriculture, Forestry, Fisheries: Fertilizers, ore for fertilizer production, pesticides, animal growth stimulants, services for digging/dredging canals/ditches/ponds for agricultural production, cultivation, care, pest control for crops, preliminary processing, and preservation of agricultural products.
- Production and Fishing Equipment: Fishing vessels operating in sea areas; specialized machinery and equipment for agricultural production.
- Human Health and Wellbeing: Clean water for production and domestic use (excluding bottled/canned drinking water and other beverages); medical equipment, preventive/curative medicines; pharmaceutical chemicals and raw materials for drug production;

teaching and learning equipment; various types of books (except those specified in Clause 15, Article 5); sale, lease, or lease-purchase of social housing.

- Agricultural and Aquatic Products: Crop and forest products (excluding wood, bamboo shoots), livestock, cultivated and caught aquatic products that are unprocessed or only undergo simple preliminary processing.
- Science and Technology Services.

Conditions for Input VAT Amounts That Have Not Been Fully Deducted

The input VAT refers to the total VAT amount recorded on VAT invoices for purchased goods/services, or VAT payment documents for imports, or payment documents for VAT paid on behalf of foreign parties. Deductibility requires valid VAT invoices or corresponding payment documents, and non-cash payment documents (except for special cases). A refund is applicable if the input VAT from a month/quarter, after offsetting with output VAT, reaches 300 million VND or more.

Accumulation Period:

Unlike export goods or investment projects, the review for un-deducted input VAT refunds in this case is not immediate. The accumulated un-deducted input VAT must reach 300 million VND or more over 12 consecutive months or 4 consecutive quarters.

Businesses with Multiple Tax Rates:

If a business produces/provides services subject to various VAT rates (e.g., both 5% and 10%), the refund will be calculated proportionally as per Government regulations. Appendix III of Circular 69/2025/TT-BTC provides the specific formula for determining the refundable amount, including the allocation of common input VAT for activities with different tax rates.

General Refund Conditions:

In addition to the specific conditions, businesses seeking VAT refunds must also meet general requirements :

- Must be a business paying VAT under the deduction method.
- Must maintain accounting books and documents in accordance with accounting laws.
- Must have a bank account linked to the business's tax code.
- Must comply with input VAT deduction regulations in Clause 2, Article 14 of VAT Law 48/2024 (e.g., valid invoices, non-cash payment documents) and not fall under non-deductible cases in Clause 3, Article 14 (e.g., invoices from prohibited acts).
- The seller must have declared and paid VAT as required for the invoice issued to the refund-requesting business.

In summary, this regulation aims to support specialized businesses in low-tax industries by preventing prolonged retention of input VAT, thus ensuring cash flow for their production and business activities. The 300 million VND threshold and the 12-month/4-quarter accumulation period focus refunds on cases with significant outstanding tax amounts, avoiding fragmented refunds.

Recommendations:

To leverage this policy effectively, businesses should:

- Clearly understand applicable entities and conditions: Confirm if they are a VAT-deduction business exclusively providing 5% VAT-rate goods/services. Familiarity with specific 5% VAT-rate items (e.g., clean water, fertilizers, agricultural services, medical equipment, books, scientific/technological services, social housing) is crucial for accurate declaration and refund requests.
- Strictly manage input VAT data: Maintain accurate accounting systems to appropriately record and aggregate all input VAT, as the refund depends on un-deducted input VAT exceeding 300 million VND. Ensure all input VAT invoices/payment documents are valid and meet deduction conditions (e.g., non-cash payment documents, except for special cases).
- Monitor and accumulate input tax over time: Proactively track and accumulate un-deducted input VAT over the 12-month/4-quarter period to determine eligibility for refund, which aids in effective cash flow planning.

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The comprehensive changes introduced by the 2024 VAT Law, along with its guiding decrees and circulars, underscore Vietnam's commitment to modernizing its tax system. These reforms aim to enhance clarity, support specific business sectors, and streamline administrative processes. Businesses that proactively adapt to these new regulations will be better positioned to ensure compliance, optimize their financial operations, and mitigate potential tax-related risks. Understanding the nuances of these changes is not just a matter of legal adherence but a strategic imperative for sustained business success in Vietnam's evolving economic landscape.

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


This article is intended to provide an overview of recent updates to tax regulations. While it aims to present useful insights, it is important to note that the content shared here should not be considered as formal legal or financial advice. For specific guidance on tax obligations or legal matters related to your business, we strongly recommend consulting with a qualified professional, such as a tax advisor or legal expert or directly reach out to us.


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