Vietnam's 30% CIT reduction for 2026 and 2027:

Eligibility and practical considerations under Decree 398

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Understanding Vietnam's 30% Corporate Income Tax Reduction for Eligible Businesses for 2026 and 2027.

Vietnam has implemented a 30% reduction in Corporate Income Tax (CIT) for enterprises within specified thresholds, providing cash relief for growing businesses, whether to fund working capital, support investment or provide a buffer against uneven trading conditions. For eligible businesses in Vietnam, that opportunity is available for the 2026 and 2027 tax periods, however this depends on a careful eligibility review: financial revenue and other income can take a business above the VND 10 billion annual threshold even when its core trading revenue remains below it.

Decree No. 398/2026/ND-CP, issued and effective on 29 October 2026, provides detailed rules implementing Resolution No. 43/2026/QH16. The Resolution itself took effect on 24 August 2026, and the relief applies to the 2026 and 2027 tax periods. Businesses should assess the benefit alongside their existing tax incentives, revenue forecasts and quarterly provisional payments.

Who Qualifies For The Reduction

The reduction applies to CIT for taxpayers established under Vietnamese law whose annual revenue does not exceed VND 10 billion in the relevant tax period. The eligible categories include enterprises, cooperatives and cooperative unions, non-business units, and other qualifying organisations established under Vietnamese law that carry on business activities and generate income. Eligibility is assessed separately for each year, so qualifying in 2026 does not establish entitlement for 2027.

A specific exclusion applies to enterprises formed through division or separation after the Resolution takes effect. Where the combined annual revenue of the resulting enterprises exceeds VND 10 billion, the reduction is unavailable. The test aggregates revenue across all enterprises formed from the original division or separation, rather than considering each resulting business in isolation. A restructuring review should therefore identify the relevant entities and retain the documents needed to trace their formation and revenue.

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The Revenue Calculation Matters

The eligibility calculation extends beyond sales of goods and provision of services. It includes financial revenue and other income, with revenue deductions excluded from the sales and services component. Enterprises with dependent units or business locations must also include their revenue as reflected in the enterprise's annual combined financial statements. A review based only on the head office's sales ledger may therefore give an incomplete picture.

For example, assume a business has VND 9.7 billion in sales and service revenue, after the relevant revenue deductions, and VND 400 million in financial revenue and other income. Its total for the threshold test is VND 10.1 billion, so it would not qualify. The loss of relief affects the relevant year's entire reduction, rather than only the revenue above the threshold.

This creates a particular forecasting issue for businesses close to the threshold. Finance teams should review non-routine receipts and year-end adjustments, reconcile the relevant income categories to the financial statements, and consider whether planned transactions could change the result. Commercial decisions should reflect the underlying business case and the correct accounting and tax treatment; changing invoice or payment dates alone should not be assumed to change when revenue is recognised.

Calculate Savings After Existing Incentives

The 30% reduction is applied to CIT payable, after deducting any applicable tax incentives under the CIT Law or other relevant laws and National Assembly resolutions. It reduces the remaining tax liability; it does not reduce taxable income or lower the statutory CIT rate by 30 percentage points.

For example, if CIT payable after existing incentives is VND 100 million, the reduction is VND 30 million with VND 70 million remaining payable. If incentives leave no CIT payable, there is no remaining liability against which to apply the reduction. Businesses should therefore model the incremental saving after their existing incentives, rather than applying 30% to an unreduced tax estimate. This gives management a more realistic basis for cash-flow planning.

Take Care With Combined Tax Periods

Article 3.3(a) addresses a specific situation in which a first tax period for a newly established enterprise, or a final tax period arising from conversions, reorganisations or closures, is shorter than three months and is combined with the 2026 or 2027 tax period. In that case, revenue and the tax reduction are determined by reference to the 12 months of the relevant 2026 or 2027 tax period.

Businesses with a combined period should identify the precise period covered by their accounts and tax filings, then reconcile the revenue and tax attributable to the relevant 12 months. Where the reporting period or transaction history makes that allocation unclear, the treatment should be resolved before the reduction is claimed.

Managing Provisional Payments and Later Adjustments

Businesses forecasting revenue of no more than VND 10 billion may self-determine the reduction when making quarterly provisional CIT payments. This can bring forward cash-flow benefits, but the forecast must be revisited as actual results develop. If annual revenue ultimately exceeds the threshold, the business must pay the resulting tax shortfall and any applicable interest.

For a business approaching the threshold, management should compare cash forecasts with and without the relief and retain capacity to fund a potential top-up. A forecast that was reasonable when a provisional payment was made does not preserve eligibility if the annual revenue test is subsequently failed. Reviewing the position before each provisional payment and again at annual finalisation can help prevent an expected tax saving from becoming an unplanned cash requirement.

The calculation must also be revisited if supplementary filings or findings of tax authorities change CIT payable. Additional CIT can receive the 30% reduction where the business continues to satisfy the conditions. A decrease in CIT payable requires a corresponding reduction in the relief, with any overpayment dealt with under tax administration rules. The review should therefore check both the revised tax liability and continuing eligibility, rather than simply applying 30% to an adjustment.

Preparing a Supportable Claim

Businesses should bring the eligibility review into their 2026 tax finalisation and 2027 budgeting processes. A practical starting point is a documented reconciliation of sales and service revenue, financial revenue, other income and dependent-unit figures to the annual financial statements. This should be supported by an assessment of any division or separation, a schedule of existing incentives and a calculation linking the remaining CIT payable to the 30% reduction.

The supporting file should also retain the forecasts used for provisional payments and explain material changes during the year. These records can help the business demonstrate how it reached its position and respond efficiently to later queries. For management, the key is to distinguish a forecast saving from a final entitlement and update spending and cash plans as the evidence changes. A well-supported claim allows an eligible business to use the relief with greater confidence while managing the risk of a later adjustment.

For any further questions or assistance, please reach out to us at vietnam@alitium.com

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