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Some proposed changes to the CIT law

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At a glance...

In March, the Ministry of Finance released a proposal to revise the Corporate Income Tax ("CIT") law and has sought public comments in this respect.

The CIT law amendment is proposed to be discussed and approved in the National Assembly meeting in May 2025.

In detail…

Some key proposed changes are as follows:

- Supplementing “foreign companies which provide goods, services to Vietnamese individuals, organization in the form of e-commerce, digital business” in the scope in order to ascertain taxing right and expand the tax base for cross border e-commerce and digital business.
- Supplementing certain exempt incomes such as income supported from State Budget, compensation of Government, income from interest and government bond, treasury bills, specific criteria for undistributed profit of organisation doing socialised activities; or other income to stimulate public activities, environmental protection such as income from green bonds, transfer of green bonds, etc.
- Allowing to offset taxable profit of transfer real estate with loss of other activities. This is a positive development if it is approved.
- For tax deductibility condition, the non-cash payment level (e.g. currently is VND20 million) can be reduced to mitigate tax risk and encourage non-cash payment.
- Amending tax deductible expenses to include, among other expenses, input VAT which has not been claimed fully but does not satisfy for VAT refund. In addition, it is proposed that expenses which is not in compliance with other regulations will be non-deductible. These inclusions are not beneficial and could create difficulty for businesses.

In detail…

Some proposed key changes are as follows:

- Supplementing tax rate of small and super small enterprise which is lower than standard tax rate and propose tax calculation based on % of revenue for companies applying accounting method for super small companies. This is a welcome and positive development to simplify tax administration for small enterprises.
- Amending tax rate of the oil and gas sector.
- Amending and supplementing encouraged sectors and locations, focusing on high value added industry, supporting industry, high technology, bio technology, high quality service, encourage innovation, socialised activities, environmental protection, relating to agriculture, farms and investment in socio-economic difficult and especially difficult region.
- Consideration the impact of Pillar 2 (Global minimum tax rates) during the amendment of the CIT Law to maintain Vietnam as an attractive location for Foreign Direct Investment (FDI) while ensuring taxing right of Vietnam.

In detail...

Some proposed key changes are as follows:

- Reviewing and amending regulations relating to tax incentives, including (i) business expansion, (ii) timing of applying preferential tax rate, tax incentive for high tech enterprise, agriculture enterprises applying high tech, science and technology, etc, (iii) conditions to apply tax incentives (e.g. no CIT incentives for manufacturing and trading SST products to align with Investment law).

Contact us

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