PwC Vietnam Newsbrief

New Vietnamese capital gains tax rules effective this October

June 2025

At a glance

The National Assembly has just passed a new Corporate Income Tax law which will come into effect on 1 October this year. In line with earlier proposals, the final Law imposes a flat rate of tax on proceeds on foreign corporate sellers, but does not specify what this rate will be – this rate will be specified in the implementing decree for the new law.

In detail

Currently, subject to any available tax treaty protection, foreign corporate investors are subject to tax at 20% on gains made from the sale of shares in non public joint stock companies (JSCs) and the sale of interests in limited liability companies. There are rules setting out how the taxable gain is calculated for the direct sale of Vietnamese companies by foreign investors. For indirect sales, where an overseas company is sold which directly or indirectly owns a Vietnamese company, there is an absence of guidance and in practice the tax authorities have tended to apply the rules for direct sales.

Under the new Law, the 20% rate on gains is replaced by a tax on the disposal proceeds. As covered in earlier NewsBriefs, in earlier drafts of the Law, this rate was proposed to be 2%. However, no rate is specified in the final Law as passed and this will be set out instead in an implementing decree. Currently it is not clear when this will be issued, but given that the Law comes into effect from 1 October, this will be clarified soon hopefully.

PwC comment

- This replacement of the current taxation of gains with a tax on proceeds has been under consideration for many years, and represents a major change in the taxation of foreign corporate investors. Notably, it appears that there is no change made to the taxation of sales of public JSCs, but this remains to be clarified in the implementing decree. There is no change made to the taxation of sales made by Vietnamese corporates.
- There is also no change to the taxation of sales made by individuals, but a new Personal Income Tax law is expected to be issued mid '26, so watch this space.
- For sales of shares in non public JSCs and interests in limited liability companies by foreign investors, acquisition costs and determination of deductible base cost will no longer therefore be relevant. This removes an issue which has often been contentious and is a welcome simplification.
- As the new tax rate applies to proceeds, loss making sales will now be subject to tax.
- For indirect sales, it remains to be seen how this new tax will apply and whether the implementing decree will set out clear rules and address the various areas of uncertainty which currently exist. For example, where an overseas company is sold which holds investments in multiple territories, guidance will be required as to how the taxable proceeds will be allocated to Vietnam.
- This replacement of a tax on gains with a tax on proceeds may potentially have implications for investors which are resident in tax treaty partner jurisdictions and their eligibility for protection.

Let us know if you wish to discuss these changes.

Contact us

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