



PwC Vietnam Newsbrief

New Vietnamese capital gains tax and interest withholding tax rules

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At a glance

The Ministry of Finance has just released the 2nd draft of the decree guiding the implementation of the CIT Law, and also a draft circular guiding certain articles in the decree. Compared with the 1st draft released in July, this latest draft sets out various new amended provisions, including on the taxation of foreign corporates having income from (i) capital transfers and (ii) loan interest.

Details

01

Capital transfers

- For “capital transfers” and “asset transfers”: 2% flat rate on proceeds (ie still in line with the last draft decree). Again, no definition is given of asset transfers in either the draft decree or the draft circular.
- For “securities transfers”: 0.1% on proceeds (ie no change from the current regime).



What has been changed?

- Indirect transfers (ie where ownership of an overseas company which owns a Vietnamese company, either directly or indirectly, is transferred) are specified as within scope of Vietnamese tax.
- Internal restructurings, internal financial arrangements and consolidation of a parent company of transferors are not taxed as capital transfers.

02

Loan interest

The withholding tax rate on interest paid to foreign lenders is reduced to 5% (instead of 10% as per the last draft decree) – ie no change from the current regime.

Details

PwC comments

Many of the open issues in the first draft decree remain to be clarified, for instance:

- For indirect transfers, there is no guidance on how to determine the taxable income derived in Vietnam by foreign corporate sellers.
- There is no clarity on what constitutes “asset transfers”.
- Whilst welcome, the various exclusions from tax are not defined clearly, which could lead to uncertainty and dispute.
- There are no transitional rules dealing with timing of taxation and filing obligations.

We will keep you updated on further developments.



Contact us

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