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Amendments to the Law on value-added tax

This Alert outlines changes in Law No. 149/2025/QH15 amending and supplementing the Law on value-added tax (VAT), which will take effect from 1 January 2026.

In the session held on 11 December 2025, the National Assembly approved Law No. 149/2025/QH15 (Law 149) which amends a number of articles of VAT Law 2024¹.

Key changes under Law 149, effective from 1 January 2026, include:

- Agricultural products at the commercial stage, as well as those used for animal feed or medicinal purposes, will be exempt from VAT
- Simplifications of VAT refund conditions by removing the requirement for sellers to have fulfilled their corresponding tax declaration and payment obligations
- Increase in the VAT exemption revenue threshold for household and individual businesses, coupled with the abolishment of the deemed tax calculation method to be applicable to these taxpayers
- Clarification of VAT treatment for by-products, co-products, and scrap recovered during the production process

¹ Law on Value-Added Tax No. 48/2024/QH15 (VAT Law 2024), approved by the National Assembly on 26 November 2024 as amended by Law No. 90/2025/QH15 dated 25 June 2025, effective from 1 July 2025.

1. Amendments to VAT regulations applicable to agricultural products

Law 149 reinstates the VAT treatment applicable to products from cultivation, plantation forestry, livestock farming, aquaculture, and fishing that have not been processed into other products or have only undergone ordinary preliminary processing (raw agricultural products). This change restores the principles applied prior to the effective date of the VAT Law 2024, following more than five months of implementation.

Accordingly, the VAT treatments for raw agricultural products at each stage are as follows:

Raw agricultural products at the following stages throughout the process from production and circulation to consumption	VAT Law 2008 ² and its amending and implementing regulations	VAT Law 2024 and its implementing regulations	Law 149
	Until 30 June 2025	From 1 July 2025 until 31 Dec 2025	From 1 January 2026
Production, importation stage	Exempt	Exempt	Exempt
Commercial stage - sale to enterprises or cooperatives for onward sale	Not subject to VAT declaration and payment	5%	Not subject to VAT declaration and payment, and allowed for VAT creditable
Commercial stage - sale to household and individual businesses, and at the consumption stage	5%	5%	5%
Used for animal feed	Exempt	The general principles applicable to raw agricultural products shall apply, i.e. the supplies are VAT-exempt if purchased from producers or importers, or subject to 5% VAT if purchased from enterprises or cooperatives at the commercial stage.	The provision on applying the general principles applicable to raw agricultural products has been abolished. Accordingly, raw agricultural products used as animal feed may be understood to fall under the category of VAT exempt or not subject to VAT declaration and calculation.
Used as medicinal materials	Not regulated	Following the same principles as those for animal feed	Following the same principles as those for animal feed

² Law on VAT No. 13/2008/QH12 (VAT Law 2008), approved by the National Assembly on 3 June 2008, together with its amendments and guiding documents, ceased to be effective as of 1 July 2025.

Please note that processed agricultural products, as well as timber and bamboo shoots, remain subject to the 10% VAT rate.

Accordingly, this amendment is expected to reduce costs at the commercial stage and for the production of animal feed and medicinal materials, while also enhancing the competitiveness of Vietnamese agricultural products.

2. Regulations on VAT refunds

Under the VAT Law 2024, an additional condition for VAT refunds was introduced, requiring sellers to have fulfilled their VAT declaration and payment obligations for input invoices on which buyers seek a refund. While this measure aimed to mitigate risks in the VAT refund process, practical observations have indicated that it imposes significant administrative burdens on businesses and individuals.

Therefore, to ease these burdens, and in line with the National Assembly's adoption of risk management measures under the Tax Administration Law 2025³ approved on 10 December 2025, Law No. 149 abolishes this requirement.

3. Other updates

- Law 149 raises the annual revenue threshold for VAT exemption for household and individual businesses from VND200 million to VND500 million, aligning it with the personal income tax exemption threshold under the Law on Personal Income Tax passed by the National Assembly on 10 December 2025.

In addition, the provision under the VAT Law 2024 requiring household and individual businesses to calculate VAT using the deemed tax method has been abolished to ensure consistency with the Tax Administration Law 2025.

- Law 149 clarifies the VAT treatment for by-products, co-products, and scrap recovered during the production process. Specifically, the applicable VAT rate will correspond to the main products generating such by-products, co-products, or scrap. This amendment aims to standardize interpretation and prevent inconsistent VAT application on products processed from by-products, co-products, and scrap materials, as observed during the implementation of VAT Law 2024.

³ Law on Tax Administration No. 108/2025/QH15 (Tax Administration Law 2025), approved by the National Assembly on 10 December 2025, will take effect from 1 July 2026.



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