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People Advisory Services Tax Alert

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Official Letter 3656/CT-CS regarding Department of Taxation's response to business recommendations on exit restrictions due to tax debt

On 9 September 2025, the Department of Taxation issued Official Letter No. 3656/CT-CS (OL3656) in response to several recommendations from businesses regarding exit restrictions due to outstanding tax debt.

The content of the official letter addresses business proposals concerning the principles of application, tax debt thresholds, procedures for issuing decisions, matters related to taxpayer rights, and the future direction for amending the Law on Tax Administration in response to certain recommendations, as follows:

Item	Business recommendation	Department of Taxation opinion
Non-retroactive principle	Do not apply exit restrictions to businesses established before 5 December 2020	The Law on Tax Administration No. 38/2019/QH14 (amended by Law No. 56/2024/QH15 ¹) has been effective since 1 July 2020 and applies to all entities. There is no provision exempting companies established before 5 December 2020
Distinction between tax debt and other debts	Recommend that only tax debt be used as the basis for issuing exit restriction decisions, excluding penalties and fees	Tax debt includes both taxes and other receivables under the state budget. It is not feasible to consider only tax amounts for exit restriction decisions.

¹Law No. 56/2024/QH15 issued by the National Assembly of Vietnam on 29 November 2024 amends and supplements Law on Securities, Law on Accounting, Law on Independent Audit, Law on State Budget, Law on Management and Use of Public Property, Law on Tax Administration, Law on Personal Income Tax, Law on National Reserves, Law on Handling Administrative Violations

Item	Business Recommendation	Department of Taxation Opinion
Minimum threshold for tax debt	<ul style="list-style-type: none"> Suggest setting a minimum threshold to avoid issuing exit restrictions for trivial debts (e.g., VND1,000) Recommend raising the current threshold of VND500 million for businesses 	<ul style="list-style-type: none"> The VND500 million threshold is based on tax management data, international practices, and broad consultation In special cases, no threshold is applied to ensure full tax recovery
Priority handling of large enterprises	Recommend prioritizing enforcement against large enterprises with high tax debts	Policies apply equally to all businesses, regardless of size
Procedural transparency	Recommend mandatory meetings, minutes, and opportunities for individuals to explain before decisions are issued	Tax authorities notify taxpayers via electronic methods. Taxpayers have the right to respond and explain if there are discrepancies
Exemption in force majeure cases	Propose not applying exit restrictions for tax debts arising from force majeure events or legitimate reasons	The Department of Taxation is studying this for inclusion in the amended Tax Administration Law (expected in October 2025)
Corporate vs individual responsibility	Recommend assigning tax debt responsibility to legal entities, not individuals who are legal representatives	The Department of Taxation is considering adding beneficial owners to the scope of the amended Tax Administration Law (expected in October 2025)
Authority to issue decisions	Suggest limiting the authority to issue exit restriction decisions to around 20 managers of provincial tax office	Current regulations assign authority to heads of direct tax management agencies; the proposal is not feasible
Impact on business environment	Recommend careful consideration of exit restrictions to avoid discouraging entrepreneurship	Current tax policies offer many incentives for small and newly established businesses. Exit restrictions are enforcement tools for tax recovery, not intended to hinder business spirit

OL3656 reaffirms the tax authorities' position that current regulations are applied consistently across all businesses and in accordance with the Law on Tax Administration. However, it also acknowledges certain concerns raised by enterprises such as exemptions in force majeure cases, clarification of responsibilities between legal entities and individuals, etc. are under review for possible inclusion in the upcoming Draft Law in Personal Income Tax (replacement), expected in October 2025.

In the interim, it is recommended that businesses closely monitor regulatory developments, maintain proactive engagement with tax authorities, and ensure robust internal compliance processes to mitigate enforcement risks.

We will continue to provide updates as further guidance becomes available.



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