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**Tax Update**

March 2026

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## Key content

This update provides an overview of certain corporate income tax (CIT) regulations applicable to enterprises established under Vietnamese law and foreign enterprises (FEs) conducting business activities in Vietnam, pursuant to Circular No. 20/2026/TT-BTC (Circular 20) dated 12 March 2026 of the Ministry of Finance.

Circular 20 provides detailed guidance on several articles of the Law on Corporate Income Tax No. 67/2025/QH15 (CIT Law 2025) dated 14 June 2025 of the National Assembly and Decree 320/2025/ND-CP (Decree 320) dated 15 December 2025 of the Government, stipulating certain articles and measures for the implementation of CIT Law 2025.

This Circular took effect on the date of its issuance.

### 1. For Vietnamese enterprises

Although Circular 20 took effect on its issue date, its provisions are applicable for the 2025 tax year, with certain notes regarding the timing of application in specific cases, as follows:

- The regulations on supporting documents for non-cash payments shall apply from 15 December 2025, the effective date of Decree 320.
- For the 2025 tax year, taxpayers are permitted to apply the guidance on deductible expense conditions and supporting documentation under Circular 96<sup>1</sup>, except for matters on which Circular 96 does not regulate or does not provide specific guidance.

### 2. For FEs conducting business activities in Vietnam

The provisions under Circular 20 took effect on 12 March 2026.

Circular 20 repeals the CIT regulations applicable to FEs previously provided under Circular 103<sup>2</sup>. Once Circular 20 (together with Circular 69<sup>3</sup> which relates to value-added tax (VAT) becomes effective, all provisions under Circular 103 cease to be effective, and there will no longer be a standalone legal document governing the tax implications for FEs that conduct business activities or derive income in Vietnam.

Accordingly, the hybrid method prescribed under Circular 103 will no longer apply. However, for contracts signed before the effective date of Circular 20, the tax obligations will continue to be determined based on the regulations that were in effect at the time the contract was signed. The hybrid method allows FEs to register for direct declaration and payment of their Vietnamese tax liabilities, apply the VAT credit method and determine CIT using deemed CIT rates on taxable revenue.

# Details

## Amendments to CIT regulations applicable to enterprises established in accordance with Vietnamese law

### 1. Timing for determining taxable revenue for CIT purposes

- Circular 20 specifies the timing for determining revenue for certain activities such as airline transportation, electricity supply, and water supply, using approaches that are generally consistent with previous CIT regulations.
- For export activities, revenue is recognized at the time when ownership is transferred in accordance with the export contract. In cases where the transfer time cannot be determined, export revenue is recognized at the time when the goods are considered exported under customs regulations.
- In addition, Circular 20 also stipulates that the timing for determining revenue for construction and installation activities is the time of acceptance, which is consistent with the timing for determining VAT revenue under Decree 181<sup>4</sup> and the timing for issuing invoices under Decree 123<sup>5</sup>.

### 2. Documentation and payment evidence for assessing the deductibility of certain expenses

- Circular 20 sets out detailed documentation requirements for assessing the deductibility of expenses prescribed under Clause 2, Article 9 of the CIT Law 2025, including various expenses commonly incurred in practice such as sponsorships, expenses not yet corresponding to revenue, and contributions to various funds.
- Circular 20 also introduces additional regulations relating to non-cash payment evidence, including where employees make payments on behalf of the enterprise and are subsequently reimbursed, deferred payments, and documentation for rental payments made to individuals.
- Circular 20 requires that supporting documentation for deductible expenses be retained in its original form, notarised copies, copies certified by the enterprise, or electronic documents.

### 3. Documentation for claiming CIT incentives

- Circular 20 stipulates that the procedures and documentation for applying CIT incentives shall be carried out in accordance with the tax administration regulations. It should be noted that the current tax administration framework, specifically the Law on Tax Administration No. 38/2019/QH14, does not provide detailed guidance on the procedures and documentation required for CIT incentive application. However, relevant regulations are expected to change once the Law on Tax Administration No. 108/2025/QH15 dated 10 December 2025 comes into effect from 1 July 2026.
- Under Decree 320, the period for applying any CIT incentives for additional income generated from an expansion investment project (EIP), begins in the year in which the project fully receives its registered investment capital. Corresponding to this requirement, Circular 20 mandates that enterprises must notify the tax authorities of the EIP's registered investment capital when submitting the CIT finalization return for the year in which the project is implemented. Enterprises must also notify the tax authorities again if there are any changes to the registered investment capital of the EIP.

## **CIT regulations for FEs conducting business activities or generating taxable income in Vietnam**

Circular 20 provides detailed guidance on identifying certain CIT-taxable and non-taxable activities, building on the principles inherited from Circular 103 while introducing clearer and more updated provisions. Specifically:

### **Taxable and non-taxable activities in Vietnam**

**Taxable activities:** Circular 20 retains the previous regulations but provides clearer categorization by activity type, including:

- Provision of services in Vietnam.
- Provision and distribution of goods in Vietnam, where a FE remains the owner of the goods or is responsible for distribution, advertising, marketing, or product quality.
- Provision of goods via delivery locations within the territory of Vietnam together with services performed in Vietnam such as advertising, marketing, commercial promotion, after-sales services, installation, test-running, warranty, maintenance, replacement, and other services accompanying the supply of goods.

**Non-taxable activities:** The scope of non-taxable income is expanded to include:

- Sales of raw materials, supplies, and components (materials) used for the production or processing of exported goods, where delivery is made at bonded warehouses, non-tariff zones, or where export processing enterprises are instructed to deliver such materials to another enterprise for the production or processing of exported goods.

- Income from capital transfer transactions arising from intragroup restructuring activities.

Restructuring activities include: Company division or separation, consolidation, merger, share swap, capital contribution in the form of shares, distribution of profits or dividends in the form of shares within the group, and transactions involving the transfer of direct or indirect ownership of an enterprise in Vietnam.

Given the prevalence of these types of transactions, we will issue a separate tax update providing a more detailed analysis of the conditions for this tax exemption.

### **Taxable income**

- CIT-taxable revenue of FEs is regulated as the total amount of revenue generated in Vietnam and received by the FEs. Unlike previous regulations, Circular 20 does not provide for a deduction of VAT from CIT-taxable revenue, which may result in CIT being calculated on a revenue amount that includes VAT. This represents a notable change that enterprises should take into account when making payments to FEs. Enterprises should carefully consider this change when determining CIT liabilities arising from payments made to FEs.
- Circular 20 retains the existing rules under Circular 103 for determining taxable revenue for activities such as leasing of machinery, equipment, and transportation vehicles, transportation services provided by foreign airlines or foreign shipping companies, logistics and freight-forwarding services, and reinsurance activities.
- Circular 20 also clarifies the determination of taxable revenue in cases where an FE engages subcontractors. Specifically, taxable revenue shall exclude the value of work or items performed by the subcontractor, provided that the subcontracting arrangement and the list of subcontractors are specified in the contract or its appendix signed between the FEs and the Vietnamese party before the subcontractor performs the assigned work.

The deductible subcontracting value is determined based on the subcontracting agreement signed between the FEs and the subcontractor.

Although Circular 20 clarifies the conditions under which subcontracted values may be deducted, it is silent on the types of subcontractors that qualify. Under previous regulations, the deductible scope was limited to Vietnamese subcontractors or foreign subcontractors applying the prescribed CIT declaration methods. Monitoring further guidance from the tax authorities on this matter is recommended.

### Timing for CIT determination

- The Circular provides guidance on the timing for determining the CIT liability for several activities of FEs, including capital transfer, transfer of securities, certificates of deposit, and derivative securities in the form of futures contracts.
- For capital transfer activities of FEs, the timing for determining the CIT liability is the time when the initial capital transfer agreement becomes effective. Although Circular 20 does not define the term “initial”, in the context that a capital transfer agreement may be amended multiple times during a merger and acquisition (M&A) transaction, this term may be reasonably be interpreted as the first capital transfer agreement signed and effective between the parties. However, enterprises should monitor further guidance from the tax authorities for proper implementation.

However, this provision is considered inconsistent with the fundamental principles of CIT, under which tax obligations arise only when the taxpayer derives taxable income, typically corresponding to the time when ownership of the capital is transferred, rather than when the contract becomes effective. In practice, these two points in time may differ significantly, particularly in complex M&A transactions or where the contract’s completion conditions have not yet been satisfied, potentially resulting in the transaction not being completed.

Accordingly, the rule under Circular 20 regarding the timing for determining taxable income from capital transfers is viewed as not fully aligned with tax administration principles, Decree 320, and the general principle for identifying the CIT triggering point. This misalignment may create challenges in practical application. Enterprises should therefore closely monitor further guidance to be issued by the tax authorities to ensure compliance.

- Circular 20 has not yet provided regulations on the timing for determining CIT liability for other taxable activities of FEs. In practice, the timing for tax determination is generally based on the point at which the Vietnamese party makes a payment to the FEs. Given the recent changes in CIT policy, enterprises should continue to monitor upcoming guidance.

<sup>1</sup> Circular No. 96/2015/TT-BTC (Circular 96) dated 22 June 2015 of the Ministry of Finance provides guidance on Corporate Income Tax under Decree No. 12/2015/ND-CP dated 12 February 2015 of the Government, which details the implementation of the Law amending and supplementing several tax laws and amends and supplements a number of provisions of the decrees on taxation, as well as amends and supplements certain provisions of Circular No. 78/2014/TT-BTC dated 18 June 2014, Circular No. 119/2014/TT-BTC dated 25 August 2014, and Circular No. 151/2014/TT-BTC dated 10 October 2014 of the Ministry of Finance.

<sup>2</sup> Circular No. 103/2014/TT-BTC (Circular 103) dated 6 August 2014 of the Ministry of Finance provides guidance on tax obligations applicable to foreign organizations and individuals doing business in Vietnam or earning income in Vietnam

<sup>3</sup> Circular No. 69/2025/TT-BTC (Circular 69) dated 1 July 2025 of the Ministry of Finance provides detailed guidance on certain articles of the Law on Value-Added Tax and guides the implementation of Decree No. 181/2025/ND-CP dated 1 July 2025 of the Government, which details the implementation of several provisions of the Law on Value-Added Tax

<sup>4</sup> Decree 181/2025/ND-CP (Decree 181) dated 1 July 2025 of the Government, which details the implementation of several provisions of the Law on Value-Added Tax

<sup>5</sup> Decree 123/2020/ND-CP (Decree 123) dated 19 October 2020 of the Government, which details the provision of invoices and documentations



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Contacts

## Hanoi Office



**Huong Vu | General Director**  
EY Consulting Vietnam Joint Stock Company  
huong.vu@vn.ey.com



**Trang Pham | Senior Partner**  
Ernst & Young Vietnam Limited  
trang.pham@vn.ey.com

## Ho Chi Minh City Office



**Robert King | EY Vietnam, Laos, Cambodia Tax Leader**  
EY Consulting Vietnam Joint Stock Company  
robert.m.king@vn.ey.com



**Thinh Xuan Than | Senior Partner**  
EY Consulting Vietnam Joint Stock Company  
thinh.xuan.than@vn.ey.com

## Japanese Business Services (JBS)



**Takahisa Onose | EY Vietnam, Laos, Cambodia JBS Leader**  
Ernst & Young Vietnam Limited  
takahisa.onose@vn.ey.com



**Takaaki Nishikawa | Director**  
Ernst & Young Vietnam Limited  
takaaki.nishikawa@vn.ey.com

## Korean Business Services (KBS)



**Binh Thanh Phan | EY Vietnam, Laos, Cambodia KBS Leader**  
EY Consulting Vietnam Joint Stock Company  
binh.thanh.phan@vn.ey.com



**Kyung Hoon Han | Director**  
Ernst & Young Vietnam Limited  
kyung.hoon.han@vn.ey.com

## Chinese Business Services (CBS)



**Truong Duc Le | EY Vietnam, Laos, Cambodia CBS Leader**  
Ernst & Young Vietnam Limited  
truong.duc.le@vn.ey.com



**Owen Tsao | Director**  
Ernst & Young Vietnam Limited  
owen.tsao@vn.ey.com



**Trinh Kiet Luong | Assistant Director**  
Ernst & Young Vietnam Limited  
trinh.kiet.luong@vn.ey.com

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