



SEOU ACCOUNTING AND CONSULTING COMPANY LIMITED

NEWSLETTER

Quarter 4, 2025

Hanoi, Vietnam

Based on the existing content, some readers appear to be confusing the amendments to the **Personal Income Tax Law** relating to **income from capital transfer** with **Corporate Income Tax**. Accordingly, we are providing additional explanation on the **Corporate Income Tax Law** through this **Supplementary Note** for your reference.

UPDATE ON PERSONAL INCOME TAX (PIT)

Personal Income Tax Law No. 109/2025/QH15, promulgated by the National Assembly on 10 December 2025, takes effect from 1 July 2026, except for provisions related to income from business and salary/wages of resident individuals, which apply from the 2026 tax period.

Key changes under the Personal Income Tax Law include the following:

6. Additional tax calculation method for income from capital transfer

In cases where the acquisition price and related transfer expenses cannot be determined, personal income tax (PIT) shall be assessed at a flat rate of 2% of the transfer price. This represents a significant change from the previous approach, under which PIT could only be calculated at a rate of 20% on net gains, requiring the determination of acquisition costs and allowable expenses.

(Note)

Under the previous PIT, the taxation method applicable to income from the capital transfer varied depending on the type of the company being transferred(target), as outlined below;

<i>Target</i> <i>Seller</i>	<i>Limited Liability Company</i>	<i>Non-listed JSC</i>	<i>Listed JSC</i>	<i>Withholding agent</i>
<i>Individual</i>	<i>Capital gains x 20% (Current CIT rate)</i>	<i>Selling price x 0.1%</i>	<i>Selling price x 0.1%</i>	<i>Target Company</i>

Under the recent amendment, where the company being transferred is a limited liability company (LLC) and the acquisition price and related transfer expenses cannot be determined, an additional taxation method has been introduced under which personal income tax is calculated at 2% of the transfer price.

It should be noted that this amendment preserves the existing principle of taxing 20% of the net capital gains, while introducing the 2% of transfer price method as an exceptional alternative. The two taxation methods are not intended to operate in parallel as elective options for taxpayers. If a taxpayer claims that the acquisition price and related transfer expenses cannot be determined solely for the purpose of reducing the tax burden, despite the fact that such costs can be reasonably estimated or substantiated based on available evidence, the tax authorities are likely to regard such a claim as tax-avoidance-driven and may reject it.

Conversely, the application of the 2% tax on the transfer price may be realistically considered in circumstances such as the following:

- where the company was established a long time ago and relevant documents have been lost or destroyed;
- where the equity was acquired through informal capital contributions between individuals, in-kind contributions, or similar arrangements that make it difficult to objectively substantiate the acquisition price; or
- where, under the laws and practices applicable at the time, there was no obligation to clearly record the acquisition price.

Ultimately, the key consideration is whether there is a reasonable explanation and factual basis demonstrating that the acquisition price and related transfer expenses cannot be determined, rather than the existence of any right for the taxpayer to choose between two taxations.

(Supplementary Note)

Where the seller is a **company**, the following shall apply.

(Before).

<i>Target Seller</i>	<i>Limited Liability Company</i>	<i>Non-listed JSC</i>	<i>Listed JSC</i>	<i>Withholding agent</i>
Foreign Companies	<i>Capital gains x 20% (Current CIT rate)</i>	<i>Capital gains x 20% (Current CIT rate)</i>	<i>Selling price x 0.1%</i>	<i>Buyer (or Target Company if Buyer is also Foreign Company)</i>
Domestic Companies	<i>Capital gains x 20% (Current CIT rate)</i>			<i>N/A</i>

(After)

<i>Target Seller</i>	<i>Limited Liability Company</i>	<i>Non-listed JSC</i>	<i>Listed JSC</i>	<i>Withholding agent</i>
Foreign Companies	<i>Selling Price x 2%</i>	<i>Selling Price x 2%</i>	<i>Selling price x 0.1%</i>	<i>Buyer (or Target Company if Buyer is also Foreign Company)</i>
Domestic Companies	<i>Capital gains x 20% (Current CIT rate)</i>			<i>N/A</i>

Unlike the amendments to the Personal Income Tax Law, under which taxation based on the transfer price has been introduced as a supplementary taxation method under certain conditions, the Corporate Income Tax applicable to **foreign corporate sellers** disposing of Vietnamese limited liability companies or similar entities have been amended to adopt a **transfer-price-based taxation method regardless of the actual capital gain or loss realized**.

This change applies to **transfer transactions conducted on or after December 15, 2025**, the effective date of **Decree No. 320/2025/ND-CP** (meaning that **corporate income tax is payable upon disposal of equity even where a capital loss, i.e., an investment loss, is incurred**).

An exception has also been introduced for **intra-group transfers**, where equity interests are transferred within the same corporate group and, following the transaction, the **ultimate parent entity remains unchanged** and **no capital gain is generated**, in which case **no tax will be imposed**.