



NEWSLETTER

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UPDATE ON CORPORATE INCOME TAX (“CIT”)

Circular No. 20/2026/TT-BTC dated 12 March 2026

This Circular provides detailed guidance on Corporate Income Tax (CIT), takes effect from 12 March 2026 and applies from the 2025 tax period.

Circular 20/2026/TT-BTC supplements and clarifies a number of key provisions relating to CIT as follows:

1. Replacement and abolition of previous CIT regulations

This Circular provides a high level of systematization by fully replacing two important previous Circulars, namely Circular No. 78/2014/TT-BTC and Circular No. 96/2015/TT-BTC. During the transitional period, the following should be noted:

- Deductible expenses incurred prior to the effective date of this Circular, for which conditions and supporting documents have been specifically prescribed under Circular 96/2015/TT-BTC, shall continue to comply with Circular 96/2015/TT-BTC for the 2025 tax period.
- For deductible expenses under this Circular that were not previously addressed in Circular 96/2015/TT-BTC, the supporting documentation applicable for the 2025 tax period shall include invoices and relevant documents in accordance with applicable laws. In particular, depreciation or allocation expenses relating to leased assets without tenants must be supported by documentation evidencing the enterprise’s legal ownership or usage rights.
- Provisions on non-cash payment vouchers and capital transfers under this Circular shall apply from the effective date of Decree No. 320/2025/ND-CP (15 December 2025).

2. More detailed and stringent requirements on deductible expense documentation

Article 3 of Circular 20/2026/TT-BTC provides specific guidance on documentation for deductible expenses in the determination of CIT. Compared to previous regulations, the new provisions go beyond general principles and prescribe detailed requirements for each type of expense.

Accordingly, deductible expenses must be supported by valid invoices and documentation, together with appropriate supporting files depending on each specific case.

3. Clarification of the timing for determining taxable revenue in certain cases

Article 5 of Circular 20/2026/TT-BTC provides more specific guidance on the timing for determining taxable revenue for CIT purposes in certain specific business activities. This clarification helps minimize the risk of improper revenue recognition timing, which may lead to incorrect tax obligations.

- For enterprises established under Vietnamese law, the timing for revenue recognition is determined by business activity as follows:
 - **Exported goods:** The point of transfer of ownership in accordance with the export contract. If not specified in the contract, it shall follow customs regulations on exported goods.

- **Air transportation services:** Upon completion of the provision of transportation services to customers.
- **Construction and installation activities (including shipbuilding):** Upon acceptance and handover of the completed works, work items, or completed portions, regardless of whether payment has been received.
- **Electricity and water supply:** The date of meter reading confirmation as recorded on the electricity/water invoice.
- For foreign enterprises, the timing for determining taxable revenue is clarified for transfer activities as follows:
 - **Capital transfer:** The point of transfer of ownership of the capital.
 - **Transfer of securities and certificates of deposit:** The execution date of the transfer transaction.
 - **Transfer of derivative securities (futures contracts):** The order matching time on the Stock Exchange trading system or the contract maturity date.

4. Expansion and clarification of tax obligations of foreign contractors

Article 7 of Circular 20/2026/TT-BTC clarifies the tax obligations of foreign contractors, focusing on modern business activities that were not previously guided under Circular 78/2014/TT-BTC:

- **E-commerce and digital platform-based business:** Clearly stipulates that foreign enterprises conducting e-commerce or digital platform-based business in Vietnam (with or without a permanent establishment) are subject to CIT.
- **Internal group restructuring:** Introduces cases where tax is not applicable to intra-group ownership restructuring transactions, provided that there is no change in the ultimate parent company and no income arises (subject to conditions on book value and continuity of obligations).
- **Tax calculation method:** CIT is determined using the formula: **Taxable revenue × Deemed profit rate (%)**.

Taxable revenue for Corporate Income Tax (CIT) purposes is the total revenue earned by foreign contractors and foreign sub-contractors, **without deducting any taxes payable**.

Taxable revenue for CIT purposes also **includes any expenses paid on behalf of the foreign contractor or foreign sub-contractor by the Vietnamese party (if any)**.

Where the contract does not separately specify the value of each activity, the highest applicable percentage rate shall be applied to the entire contract value.

5. Additional provisions on expansion investment capital and the Science and Technology Development Fund

Compared to previous regulations, Circular 20/2026/TT-BTC introduces new provisions relating to the management of expansion investment capital and the utilization of the Science and Technology Development Fund (S&T Fund), aiming to enhance transparency and control.

Specifically:

- **Registration of expansion investment capital:** Enterprises are required to notify the tax authorities in writing of the investment capital for expansion projects. This notification must be submitted concurrently with the CIT finalization return. This requirement enables tax authorities to monitor, reconcile, and manage tax incentives (if any) applicable to expansion projects.
- **Treatment of assets formed from the S&T Fund:** Where fixed assets formed from the S&T Fund have not been fully depreciated but are subsequently used for production and business activities, the remaining value must be recognized as other income. At the same time, enterprises are allowed to continue depreciating such remaining value and include it as deductible expenses in accordance with regulations.

Decree No. 141/2026/ND-CP dated 29 April 2026

This decree amends and supplements a number of articles of Decree No. 68/2026/ND-CP on tax policies applicable to household businesses and individual businesspersons, and Decree No. 320/2025/ND-CP detailing a number of articles and measures for implementation of the Law on Corporate Income Tax.

Some key new points under Decree No. 141/2026/ND-CP **effective from 01 January 2026** regarding tax policies for household businesses and enterprises are as follows:

1. Increase of tax threshold for household businesses to VND 1 billion/year

Accordingly, Article 1 of Decree No. 141/2026/ND-CP amends and supplements a number of articles of Decree No. 68/2026/ND-CP on tax policies and tax administration applicable to household businesses and individual businesspersons. Specifically:

Amending the phrase “VND 500 million” to “VND 1 billion” in Article 3 (Value-Added Tax), Article 4 (Personal Income Tax), Clause 1 Article 8, Article 9, Article 10, Clause 3 Article 11, Clauses 1 and 2 Article 12, Clause 4 Article 17, Clause 3 Article 18 of Decree No. 68/2026/ND-CP.

2. Tax-exempt income threshold for enterprises is VND 1 billion/year

Article 2 of Decree No. 141/2026/ND-CP supplements Clause 15, Article 4 of Decree No. 320/2025/ND-CP regarding income exempt from corporate income tax.

Accordingly, corporate income tax is exempted for income of enterprises and organizations established in accordance with Vietnamese law having total annual revenue of VND 1 billion or less.

- **In case the enterprise has an operating period of the immediately preceding tax period of less than 12 months:**

$$\text{Total revenue of the immediately preceding tax period} = \frac{\text{Total actual revenue in the tax period}}{\text{Number of months the enterprise actually conducts production and business activities in the tax period}} \times 12$$

- **In case the enterprise is newly established, or undergoes conversion of enterprise type, change of ownership form, consolidation, merger, division, or separation in**

any month of the immediately preceding tax period:
The operating period shall be counted on a full-month basis.

- **In case the enterprise is newly established in the tax period and the estimated total revenue does not exceed VND 1 billion:**
The enterprise is not required to make provisional corporate income tax payments. At the end of the tax period, if the actual total revenue exceeds VND 1 billion, the enterprise shall declare and finalize corporate income tax in accordance with regulations and no late payment interest shall be imposed.

3. Enterprises and household businesses with annual revenue of VND 1 billion or less are entitled to offset/refund overpaid tax

For household businesses:

Where a household business self-determines that its annual revenue from production and trading of goods and services is VND 1 billion or less but has declared and paid personal income tax and value-added tax in accordance with Decree No. 68/2026/ND-CP, the overpaid tax amount shall be handled in accordance with Article 12 of Decree No. 68/2026/ND-CP.

For enterprises, pursuant to Article 3 of Decree No. 141/2026/ND-CP:

- In case the enterprise has made provisional corporate income tax payment for Q1 2026 but estimates that total revenue in the tax period is VND 1 billion or less, it is not required to make provisional tax payments for subsequent quarters; overpaid tax amounts shall be offset, refunded, or refunded and offset against state budget revenues in accordance with the law on tax administration.
- In case the FY2025 tax period ends after 01/01/2026 and the enterprise satisfies the above conditions, corporate income tax shall be exempted for the period from 01/01/2026 to the end of the FY2025 tax period.
- The amount of CIT exempted for FY2025 is determined as: Total CIT payable for FY2025 / 12 months (or actual months of operation of FY2025 in case of newly established enterprises in 2025) × number of months of the FY2025 tax period falling within calendar year 2026
- From the FY2026 tax period onwards, implementation shall be in accordance with Section 2 above.

UPDATE ON VALUE-ADDED TAX (VAT)

Decree No. 359/2025/ND-CP dated 31 December 2025

This decree effective from 01 January 2026, amending and supplementing a number of articles of Decree No. 181/2025/ND-CP dated 01 July 2025 of the Government detailing the implementation of a number of articles of the Law on Value Added Tax.

Key updates include:

1. Decree No. 359/2025/ND-CP clarifies the application of VAT at the trading stage for unprocessed or ordinarily processed agricultural, forestry and fishery products as follows:

- **Not required to declare and pay VAT:** Applicable where enterprises, cooperatives or cooperative unions that pay VAT using the credit-invoice method and sell such products to other enterprises, cooperatives or cooperative unions. Although no output VAT is payable, input VAT is still fully deductible.

- **5% VAT rate:** Applicable where enterprises, cooperatives or cooperative unions that pay VAT using the credit-invoice method and sell such products to household businesses, individual businesses, or other organizations and individuals that are not enterprises/cooperatives/cooperative unions.

- **1% deemed VAT rate on revenue:** Applicable to household businesses, individual businesses, enterprises, cooperatives, cooperative unions and other business organizations applying the direct method when selling such products at the trading stage.

2. Abolition of one condition for VAT refund (Clause 3, Article 1 of the 2025 Amended VAT Law)

Repeal of Clause 3 Article 37 and Clause 3 Article 39 of Decree No. 181/2025/ND-CP: the requirement for the seller to have declared and paid VAT on invoices issued to taxpayers applying for VAT refunds has been abolished.

Decree No. 144/2026/ND-CP dated 5 May 2026

This Decree effective from 20 June 2026, amends and supplements a number of articles of Decree No. 181/2025/ND-CP dated 01 July 2025 of the Government detailing the implementation of a number of articles of the Law on Value Added Tax, as amended and supplemented by Decree No. 359/2025/ND-CP dated 31 December 2025 of the Government.

Key updates include:

1. Supplementation of VAT non-taxable objects

The Decree supplements several cases classified as non-VAT taxable objects:

- Insurance services relating to human life, health, agriculture, fisheries, and reinsurance activities:

- Life insurance, health insurance, student insurance, and other insurance services related to human beings.

- Livestock insurance, crop insurance, and other agricultural insurance services.

- Insurance for ships, boats, equipment, and other necessary tools directly serving fishing activities.

- Reinsurance in accordance with the laws on insurance business.

- Insurance for petroleum works, equipment, and oil storage vessels bearing foreign nationality leased by foreign oil and gas contractors or subcontractors for operations in Vietnamese waters or overlapping maritime areas subject to joint exploitation agreements between Vietnam and neighboring or opposite coastal countries;

- Commission revenue from insurance brokerage services;
- Debt trading activities, including transactions involving both credit institutions/ non- credit institutions;
- Amendments to the list of exported natural resources and minerals not subject to VAT. Details in the Lists Appendix I and Appendix II attached to Decree 144/2026/ND-CP.

2. Amendments to VAT deduction regulations

According to Clause 2, Article 3 of Decree No. 144/2026/ND-CP supplements regulations on VAT-taxable revenue: Revenue subject to VAT **also includes revenue from goods and services not required to declare and pay VAT** under Clause 1, Article 5 of the VAT Law No. 48/2024/QH15 (as amended by Law No. 149/2025/QH15).

3. New regulations on non-cash payment documents in certain special cases

- Regarding the conditions for input VAT deduction, Decree No. 144/2026/ND-CP also amends and supplements **Point g, Clause 2, Article 26** regarding non-cash payment documents in certain special cases as follows:

Case	Guidance on VAT declaration and deduction treatment
Payment due date under the contract has not yet occurred	The enterprise may rely on the written contract and VAT invoice to temporarily declare and deduct input VAT as normal (even if non-cash payment documents are not yet available).

Payment due date has occurred but there is no non-cash payment document	The enterprise must declare and adjust downward the previously deducted input VAT corresponding to the portion lacking supporting payment documents. The adjustment must be made in the tax period when the payment obligation arises under the contract/appendix.
Non-cash payment documents are obtained after the downward adjustment	The enterprise may additionally declare and re-deduct the corresponding input VAT in the tax period when the non-cash payment documents are obtained.

UPDATE ON PERSONAL INCOME TAX (PIT)

Draft Decree guiding the implementation of Personal Income Tax Law No. 109/2025/QH15, expected to take effect from 1 July 2026.

Key changes under Draft Decree Personal Income Tax include the following:

Differences / Key change	Proposed under the Draft Decree	Current regulations
Meal allowance for mid-shift or lunch allowance provided by the employer to employees	The proposed tax-exempt threshold is VND1.2 million /employee/month.	No limit applies.
Severance and job-loss allowances	Fully excluded from taxable income, including amounts paid in excess of statutory limits under agreements with the employer.	Excluded only up to the statutory limits prescribed by law.
Overtime and night-shift pay	Entire amount of wages paid for overtime and night-shift work in accordance with labor laws (Article 98) is PIT-exempt	Only the incremental portion paid above normal daytime/regular hours wages is PIT-exempt
Increase in the maximum deductible limit for contributions to voluntary pension funds.	3 million/employee/month.	1 million/employee/month.
Adjustment to the 10% withholding threshold of individuals without an employment contract or with contracts of less than 3 months	From VND 3 million or above.	From VND 2 million or above.

Differences / Key change	Proposed under the Draft Decree	Current regulations
Exchange rate for converting taxable income For income earned in foreign currency	The buying rate of the commercial bank where the taxpayer holds an account; where such rate cannot be determined, the central exchange rate published by the State Bank of Vietnam shall apply	The buying rate of the commercial bank where the enterprise holds an account

Law No. 09/2026/QH16

Amending and supplementing a number of articles of the Law on Personal Income Tax No. 109/2025/QH15 was passed by the National Assembly on 24 April 2026 and takes effect from 1 January 2026.

Differences / Key change	Pursuant to Law amending and supplementing 09/2026/QH16	Legal basis
Revenue threshold not subject to PIT for household/individual business	Annual revenue not exceeding the threshold prescribed by the Government: not subject to PIT. Currently ≤ VND 1 billion/year.	Article 1 Law 09/2026/QH16 Article 1.1 Decree 141/2026/ND guiding Law 09/2026/QH16

OTHERS

Decree 161/2026/ND-CP related to statutory base salary level

The statutory pay rate is adjusted as follows:

Item	Current regulation	Effective from 1 July 2026
Statutory base salary level	VND 2,340,000/month	VND 2,530,000/month

Resolution No. 66.16/2026/NQ-CP - Related to PIT

Resolution No. 66.16/2026/NQ-CP, issued by the Government on April 7, 2026, provided guidance on reducing and simplifying administrative procedures and regulations related to production and business activities. Following this direction, the Ministry of Finance subsequently issued Decision No. 1109/QĐ-BTC on May 8, 2026, stipulating the list of forms and administrative procedures that need to be adjusted.

Under these changes, **the requirement to file monthly personal income tax declarations on salary and wage income (Form No. 05/KK-TNCN) has been abolished and replaced with quarterly filings.**

We summarize below the current approach being applied by the tax authorities for each declaration scenario:

Scenario 1 – The PIT declaration for April 2026 has not yet been submitted

- No separate PIT declaration for April 2026 is required.
- The PIT liability arising in April 2026 shall be consolidated into the PIT return for the second quarter of 2026, covering the period from April to June 2026.
- The statutory deadline for filing and payment of the PIT liability for the second quarter of 2026 is July 31, 2026.

Scenario 2 – The PIT declaration for April 2026 has already been successfully submitted

- The Company is still required to consolidate the PIT liability arising in April 2026 together with those of May and June 2026 in the PIT return for the second quarter of 2026.
- Based on our discussion with the tax authorities, they are currently considering the handling approach for cases where taxpayers have already submitted the PIT declaration and/or completed the PIT payment obligation for April 2026.
- Additional official guidance is expected to be issued in the near future to address issues relating to duplicate declarations or tax payments arising during the transitional period.

OFFICIAL LETTER

Official Letter No. 1046/DON-QLDN1 issued by the Dong Nai Tax Department on 20 January 2026 regarding tax policies on real estate transfer activities.

According to the Official Letter, where a company declaring Corporate Income Tax (“CIT”) under the revenue-expense method engages in real estate transfer activities, it is not required to submit a CIT declaration for each transfer transaction (Form No. 02/TNDN). Instead, the company is only required to submit the annual CIT finalization return (Form No. 03/TNDN) and make quarterly provisional CIT payments in accordance with Point d, Point e, Clause 4 and Point b Clause 6 Article 8 of Decree No. 126/2020/ND-CP dated 19 October 2020.

Official Letter No. 654/TNI-QLDN1 dated 4 February 2026 issued by the Tay Ninh Tax Department regarding deductible expenses for salary payments

For case an employee does not have a bank account and legally authorizes another individual to receive salary on their behalf, the Company may transfer the salary to the authorized person’s bank account. Such expense may be treated as deductible for CIT purposes provided that the following conditions are met:

- **Labour documents:** Sufficient supporting documents are maintained, including labour contracts, attendance records, and payroll statements evidencing actual expenses incurred for business operations.

- **Validity of authorization:** An authorization agreement/letter must be prepared in accordance with civil law regulations (notarized or certified by a competent authority), clearly stating the authorization scope, identification details of both parties, and the substitute bank account information.
- **Payment documents:** Non-cash payment evidence is available (for payments from VND 5 million or above) showing transfer to the authorized person's bank account, with payment details clearly indicating salary payment on behalf of the employee pursuant to the relevant authorization document.

Official Letter No. 69/CST-GTGT dated 12 January 2026 by Department of Tax, Fee and Charge Policy Management and Supervision, regarding the VAT rate applicable to cassava residue (cassava pulp) products (and agricultural products in general from 2026) provides that:

Cassava residue (cassava pulp) is considered a by-product generated during the processing of cassava starch. Therefore, the applicable VAT treatment depends on the nature of the product, specifically:

- From 01 July 2025 to before 01 January 2026: where cassava residue is determined to be a crop product that has not been processed into other products or has only undergone ordinary preliminary processing by organizations or individuals directly producing and selling it, and at the importation stage, it is classified as non-VAT taxable. At the commercial trading and final consumption stages, a 5% VAT rate applies (regardless of the product's intended use).
- From 01 January 2026: where cassava residue is determined to be animal feed in accordance with the laws on animal husbandry, it is classified as non-VAT taxable pursuant to Clause 3, Article 5 of the Law on Value Added Tax.

Official Letter No. 5338/DON-QLDN1 dated 13 April 2026 issued by the Dong Nai Tax Department regarding invoice policy.

Where the Company gives, donates, or presents goods and services in accordance with legal regulations, it is permitted to issue a single invoice for the total value of such goods and services together with an attached list of gifted/donated items in accordance with Point a, Clause 6, Article 10 of Decree No. 123/2020/ND-CP (as amended and supplemented by Point b, Clause 7, Article 1 of Decree No. 70/2025/ND-CP).

*The above information is for reference only, not specific consulting advice.
For more detailed guidance, please do not hesitate to contact our Office.*

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