

NEW VAT POLICIES

On 30 June 2025, the Government issued Decree No. 174/2025/NDD-CP on Tax Reduction Policy.

On 1 July 2025, the Government and the Ministry of Finance released Decree No. 181/2025/NĐ-CP ("Decree No. 181/2025") and Circular No. 69/2025/TT-BTC ("Circular No. 69/2025") on VAT.

We wish to provide below a summary of key points of Decree No. 174/2025, Decree No. 181/2025 and Circular No. 69/2025.



Reduction of cash payment threshold

- The cash payment threshold is reduced from VND20 million to VND5 million.
- Non-cash payment methods must follow Decree No. 52/2024.

Decree No. 181/2025 also specifies the documents for non-cash payment in some situations as follows:

- Clearing payments between the value of goods and services purchased and sold and/or leased: Data reconciliation minutes must be in place.
- Debt offset via third parties: Debt offset minutes between parties must be available for tax deduction purpose.
- Authorized non-cash payments via third parties, payments via bonds, shares etc.: The payment methods must be specified in the relevant contracts.
- After implementing payment methods such as offset, authorization, payments via bonds, shares etc. if the remaining value paid in cash exceeding VND5 million, the amount VAT is not deductible.



and assets held by other organizations and individuals, they can be deducted for input VAT corresponding to the amount transferred to the third party account opened at the State Treasury.

- If the value of each time imported goods and services is less than VND5 million, the value of purchased goods and services each time is, according to invoices, less than VND5 million including VAT; or the imported goods are gifts, presents, samples which no payment is required; non-cash payment vouchers are not necessary.
- If purchased goods and services are used for producing and trading goods and services subject to VAT and authorized to individual employees to make non-cash payments according to the financial regulations or internal regulations of that business entity, then the business entity makes non-cash payments (to the employees), the input VAT is deductible.



VAT rates for foreign contractors

Appendix 1, Circular No. 69/2025 provides the new VAT rates for foreign contractors applicable to their business activities.

Objects not subject to VAT

Transfer of capital is not subject to VAT and does not include transfer of investment projects or sales of assets.

Software products and services according to legal regulations are VAT exempt.

Timing to determine output VAT

Exported goods: The sellers can determine on their own but no later than the next working day of the customs clearance date.

Imported goods: Timing of determining import duty.

Insurance: Timing of recognising insurance revenue.

Telecommunication services:

- Services requiring reconciliation: the time of the completion of the reconciliation of service fee data according to the contract but no later than 2 months from the month of occurrence.
- Services provided periodically: the time of the completion of data reconciliation but no later than the end of the month of occurrence.



Electricity supply, electricity & clean water production:

- The time of the completion of data reconciliation but no later than 7 days of the month following the month of occurrence or no later than 7 days from the final date of the conventional period.

Real estate business:

- Already transferred the ownership and the right to use: time of transfer of ownership and right to use.
- Cash collection progresss: collection date or according to payment agreement in the contract

Supplemental declaration principles

For identified errors, Decree No. 181/2025 provides the supplemental declaration principles as follows:

Increasing tax payable or decreasing tax refund of that month or quarter: Declare in the period of occurrence (the original period).

Decreasing tax payable, increasing or decreasing deduction carried forward to the next period: Declare in the period of error detection (the current period).



- Business entities which only produce goods and provide services subject to a VAT rate of 5% will be refunded after 1 year or 4 quarters if they have input VAT that has not been fully deducted from VND300 million or more.
- Goods imported and then exported to other countries: Refund is not allowed.
- Investment expansion projects in accordance with legal regulations on investment are eligible for VAT refund. Business entities must submit VAT refund claim within 1 year since the completion date of the investment project.
- Added refund condition: The sellers must declare and pay VAT for issued invoices which the buyers ask for a tax refund.
- Circular No. 69/2025 provides formula to calculate the VAT refund amount.
- For investment projects commenced before 1 July 2025 and are still going through the investment phase since the date Decree 181/2025 takes effect, tax refund provisions for investment provided in Article 30 of Decree 181/2025 shall apply.
- VAT refund regulations for goods production and services provision subject to VAT rate of 5% as regulated at Article 31 of Decree 181/2025, apply to the amount of input VAT that was not fully deducted for goods production and services provision subject to the VAT rate of 5% arising from the date Decree 181/2025 came in effect.



Purchasing, giving, selling invoices, making invoice purchasing, selling and brokerage

Creating purchasing and selling transactions that do not exist

Preparing invoices during the suspension of business

Using illegal invoices and vouchers

Not transferring information to the tax office.

If you would like further information, please feel free to contact us.



ADDITIONAL VAT REDUCTION FROM 1 JULY 2025

On 17 June 2025, the National Assembly passed Resolution No. 204/2025/QH15 ("Resolution 204/2025") providing further VAT reduction from 1 July 2025 to 31 December 2026.

Decree No. 174/2025/NĐ-CP ("Decree 174/ 2025") was also released by the Government on 30 June 2025 to specifically guide the implementation of the aforementioned Resolution 204/2025.

Accordingly, from 1 July 2025 to 31 December 2026, many types of goods and services subject to the VAT rate of 10% would be entitled to VAT rate reduction to 8%, and the business households/individuals paying VAT according to percentage would enjoy a 20% tax rate reduction.

Here are some key points of the VAT reduction rules:

Scope of Application

- All types of goods and services subject to the VAT rate of 10% according to the VAT Law No. 48/2024/QH15.
- VAT reduction is however not applicable to telecommunication; finance, banking, securities, insurance; real estate businesses; metal and mineral products (except for coal), goods and services subject to special sales tax (except for petrol)...
- Goods and services listed in Appendices I and II attached to Decree No. 174/2025 that are VAT exempt





- Businesses paying VAT under deduction method: Note “8%” on the tax invoices.
- Business households/individuals: Reduce 20% of the rate upon VAT invoice issuance.
- If business entities have already prepared invoices and have declared using the standard rates before reduction as regulated under Decree 181/2025, the sellers and buyers process prepared adjustment invoices in accordance with the relevant legal regulations on invoices and vouchers. Based on the adjustment invoices, the sellers declare output tax adjustment and the buyers declare input tax adjustment (if any).
- The Government's VAT reduction policy continues to support the business entities and individuals to reduce tax expenses, improve cash flows, especially for consuming and manufacturing industries – except for groups being ineligible for VAT reduction. For consumers, many essential goods and services will be reduced in price by 2%, and hence, a stimulus for consumption.
- However, business entities and business households need to check the list of goods, update the software and invoices, follow the issuance of invoices at the reduced rate to avoid penalties and/or difficulties in VAT refund.

**Please do not hesitate to contact us
if you have any queries.**



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