

NEW PROVISIONS UNDER THE CORPORATE INCOME TAX LAW EFFECTIVE FROM OCTOBER 1, 2025

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On October 1st, 2025, a significant milestone for the business community in Vietnam was marked as the amended Law on Corporate Income Tax (CIT) officially took effect. This development is not merely a technical adjustment in tax policy but also a strategic step by the State towards improving the legal framework and fostering a more transparent and competitive investment environment. The amendments this time directly concern deductible expenses, tax incentives, and declaration-reporting obligations, thereby exerting a considerable impact on the financial planning, investment structures, and risk management strategies of corporations and major enterprises.

In this context, a thorough understanding of the new provisions of the law not only enables enterprises to proactively respond but also creates opportunities to leverage policies for cost optimization and compliance assurance. This article provides a consolidated overview of the key amendments introduced under the 2025 Law on Corporate Income Tax, effective as of October 1, 2025.

1. THE TAXPAYERS

The 2025 Law on Corporate Income Tax introduces provisions requiring foreign enterprises without a permanent establishment in Vietnam, including those conducting e-commerce or operating on digital platforms, to pay tax on taxable income derived from Vietnam.

2. TAXABLE INCOME

In the context of the digital economy, where e-commerce activities are prevailing and gradually replacing traditional business models, a corresponding legal framework is required to provide timely regulation. Due to this background, the 2025 Law on CIT introduces supplementary provisions stipulating that taxable income arising in Vietnam, earned by (i) foreign enterprises having a permanent establishment in Vietnam (with respect to taxable income derived from Vietnam that is not connected with the operation of such permanent establishment) and (ii) foreign enterprises without a permanent establishment in Vietnam (including those engaged in e-commerce and digital platform-based business activities, with respect to taxable income arising in Vietnam), shall be

deemed income sourced from Vietnam, irrespective of the place where the business activities are conducted. This provision is set forth in Clause 3, Article 3 of the Law on Corporate Income Tax.

3. TAX-EXEMPT INCOME

Amendments and supplements have been introduced to stipulate that the maximum tax exemption period shall not exceed three (03) years with respect to: (i) income derived from the performance of contracts for scientific research, technological development, and innovation or digital transformation; (ii) income from the sale of products generated from newly introduced technologies applied for the first time in Vietnam; and (iii) income from the sale of trial production products during the trial production period, including trial production under controlled conditions as prescribed by law. This provision is set forth in Clause 4, Article 4 of the Law on Corporate Income Tax.

Expansion of Tax-Exempt Income

The amended Law on Corporate Income Tax has introduced additional categories of tax-exempt income, reflecting the policy orientation towards encouraging green investment, enhancing transparency in State support, and facilitating the equitization process. Specifically:

- **Income derived from green instruments:** including income arising from the first transfer of carbon credits after issuance, as well as from interest and the first transfer of green bonds after issuance (pursuant to Clause 10, Article 4).
- **State support funds:** including direct subsidies from the State budget or compensation amounts paid by the State in accordance with the law (pursuant to Clause 8, Article 4).
- **Revaluation differences in assets:** arising in the course of equitization or reorganization of enterprises wholly owned by the State (pursuant to Clause 9, Article 4).
- **Income of public non-business units:** with respect to the provision of public service activities in specific cases, including: (i) essential and fundamental public services financed by the State budget; (ii) public services for which service prices do not fully cover costs and require financial support from the State; and (iii) public services provided in areas with exceptionally difficult socio-economic conditions (pursuant to Clause 14, Article 4).

4. NEW PROVISIONS ON THE TAX PERIOD

A notable amendment concerns the tax period, particularly with respect to foreign enterprises conducting business activities in Vietnam through e-commerce and digital platforms. Under the new provisions, such enterprises—despite the absence of a physical place of business in Vietnam—remain obligated to comply with tax obligations in accordance with the Law on Tax Administration.

Specifically, the tax period may be determined **on a per-occurrence basis** for each instance of income generation or **on a monthly basis**, depending on the nature of the business activities and the prevailing tax administration regulations (pursuant to Clause 2, Article 5 of the Law on CIT). This provision is regarded as a significant step towards strengthening tax administration in the digital economy, ensuring fairness between domestic and foreign enterprises, and narrowing legal gaps in the field of e-commerce.

5. NEW PROVISIONS ON THE DETERMINATION OF TAXABLE INCOME

The amended Law on Corporate Income Tax introduces an important adjustment concerning the method of determining taxable income, particularly in the context of enterprises engaged in multi-sector and multi-field business activities.

Accordingly, where an enterprise incurs losses from one or several business or production activities, it shall be entitled to offset such losses against the taxable income derived from profitable activities, at the enterprise's discretion. However, this principle is subject to certain exceptions:

- Losses arising from real estate transfers, investment project transfers, or transfers of the right to participate in investment projects shall not be offset against income from business or production activities that are entitled to tax incentives.
- In particular, with respect to income derived from the transfer of investment projects on the exploration, exploitation, and processing of minerals; the transfer of rights to participate in investment projects on the exploration, exploitation, and processing of minerals; or the transfer of mineral exploration, exploitation, and processing rights, enterprises

- are required to separately determine such income for declaration and tax payment purposes. These amounts shall not be permitted to be offset against profits or losses from other business or production activities within the same tax period (pursuant to Clauses 3 and 4, Article 7 of the Law on CIT).

This provision is aimed at strengthening tax administration in specific high-risk sectors, while at the same time ensuring transparency in the determination of tax obligations across different business activities.

6. NEW PROVISIONS ON THE DETERMINATION OF TAXABLE INCOME

The amended Law on Corporate Income Tax introduces several significant additions directly affecting the methods of tax calculation, the determination of allowable expenses, and the applicable tax rates for different groups of enterprises.

Methods of Tax Calculation

A notable new provision allows for the application of the tax calculation method based on a percentage (%) of revenue for enterprises with total annual revenue not exceeding VND 3 billion. This method applies in cases where an enterprise is able to determine its revenue but is unable to determine its expenses and income from business and production activities (pursuant to Point b, Clause 2, Article 11). This is regarded as a measure to simplify tax obligations, suitable for small enterprises with limited accounting capacity.

Deductible and Non-Deductible Expenses

Deductible expenses, under which the scope of allowable expenses has been expanded to include:

Actual expenses for secondees assigned to management, administration, or supervision at credit institutions under special control, or at commercial banks subject to compulsory transfer.

Certain expenses incurred in connection with business and production activities for which corresponding revenue has not yet arisen during the tax period, as prescribed by the Government.

Expenses for supporting the construction of public facilities that concurrently serve the business operations of the enterprise.

Expenses related to activities for greenhouse gas emission reduction, carbon neutrality, achievement of net-zero targets, and pollution reduction associated with business operations.

Certain contributions to funds established under decisions of the Prime Minister

At the same time, the Government stipulates specific cases in which non-cash payment vouchers are not required (pursuant to Point c, Clause 1, Article 9).

Non-deductible expenses – several notable amendments include: (i) Interest on loans exceeding the limits prescribed under the Civil Code (in cases of borrowing from organizations or individuals other than credit institutions) shall not be deductible; (ii) Value-Added Tax (VAT) payable under the credit-invoice method shall not be deductible, except where input VAT directly related to business and production activities has not been fully credited and is not eligible for refund. In cases where input VAT has already been accounted for as an expense, it shall not be further credited against output VAT (pursuant to Point i, Clause 2, Article 9).

On Tax Rates: The Law introduces preferential tax rates for small and micro enterprises, specifically: a 15% tax rate for enterprises with total annual revenue not exceeding VND 3 billion, and a 17% tax rate for enterprises with total annual revenue of more than VND 3 billion but not exceeding VND 50 billion.

The revenue used as the basis for determining these tax rates is the total revenue of the immediately preceding corporate income tax period (pursuant to Clauses 2 and 3, Article 10).

However, it should be noted that the preferential tax rates of 15% and 17% do not apply to subsidiaries or enterprises with related-party relationships, where the related enterprise does not meet the conditions for applying the preferential rates (pursuant to Clause 4, Article 18).

On Corporate Income Tax Incentives: The Law on Corporate Income Tax No. 67/2025/QH15 provides specific principles for applying tax incentives based on industries, sectors, and preferential locations. Notably, in cases of conflict between the Law on Corporate Income Tax and other laws, the provisions of the Corporate Income Tax Law shall take precedence, except

for the Capital City Law and National Assembly resolutions regarding special mechanisms and policies (pursuant to Clause 1, Article 12). Accordingly, the scope of incentivized industries, sectors, and locations has been expanded as follows:

New industries and sectors: including projects eligible for special investment incentives and support under the Investment Law; technical facilities supporting small and medium-sized enterprises; incubators; and co-working spaces supporting innovative startups (Points h and o, Clause 2, Article 12).

Preferential locations: expanded to areas with difficult or exceptionally difficult socio-economic conditions, economic zones, high-tech zones, concentrated digital technology zones, and high-tech agricultural zones (Clause 3, Article 12).

Inheritance of incentives: in cases of merger, consolidation, division, separation, or transformation, the rights and obligations regarding tax incentives shall be continuously inherited (Clause 4, Article 12).

Preferential Tax Rates and Duration of Application:

10% tax rate for 15 years: applicable to new investment projects in high-tech zones, high-tech agricultural zones, concentrated digital technology zones, or in economic zones located in difficult or exceptionally difficult areas (Point d, Clause 1, Article 13).

17% tax rate for 10 years: applicable to projects for technical facilities supporting small and medium-sized enterprises (SMEs), incubators, co-working spaces supporting innovative startups; or to new projects in economic zones that are not located in difficult areas (Clause 4, Article 13).

Tax Exemption and Reduction: Investment projects in technical facilities supporting SMEs, incubators, co-working spaces supporting innovative startups, or new projects in economic zones not located in difficult areas shall be entitled to a maximum tax exemption of 2 years and a 50% tax reduction for up to the following 4 years (Clause 2, Article 14). Incentives have also been extended to expansion investment projects (Clause 5, Article 14).

Other Special Cases: A 50% reduction in corporate income tax shall apply to the income of public non-business units providing public services in difficult areas (Clause 3, Article 15). Corporate income tax shall be fully exempted for two consecutive years for enterprises converted from

household business households (Clause 4, Article 15).

Provisions on Loss Carryforward: Carryforward period: continuous, up to a maximum of five years from the year following the year in which the loss arose (Clause 1, Article 16). Enterprises incurring losses from the transfer of investment projects or from the transfer of rights to explore, exploit, or process minerals may only carry forward such losses to the following year within the same activity (Clause 2, Article 16).

Conditions for Application and Exclusions of Incentives: In cases where preferential income cannot be separately accounted for, the enterprise shall apply allocation based on expenses (Clause 2, Article 18). Tax incentives shall not apply to income from mineral exploration and exploitation activities, or from the production and business of goods and services subject to special consumption tax, except in certain sectors such as automobile, aircraft, ship, and yacht manufacturing and assembly, as well as petroleum refining (Points b and c, Clause 3, Article 18).

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