

NewsBrief

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New rules issued on the Law on Corporate Income Tax 2025

The Government has just issued a new Decree 320/2025/ND-CP (“Decree 320”) guiding the 2025 Law on Corporate Income Tax. The new decree takes effect from its signing date (i.e. 15 December 2025) and apply for the tax year 2025 onwards.

The Decree provides more detailed rules on CIT-exempt profits, revenue recognition, profits from overseas investment, and deductible/non-deductible expenses.

CIT incentives are significantly changed, including contents for “special” incentives, definition of incentivised locations, thresholds for expansion projects.

The Decree also introduces a number of new concepts and preferential treatments, e.g. for digital permanent establishment, “green” activities and R&D super-deduction, and interfaces with the global minimum tax rules.

Transitional provisions allow taxpayers some flexibility in selecting the applicable regime from 2025, and clarify the treatment of existing incentives and carried forward tax losses.

Below is a summary of some notable new contents of Decree 320:

1. Scope and effective date;
2. Exempted profits;
3. Supplementing the CIT rate for enterprises with annual revenue of less than VND 50 billion;
4. Scope and effective date;
5. Profits from overseas investment;
6. Deductible and non-deductible expenses;
7. CIT incentives;
8. Transitional provisions and loss carry-forward.

1. Scope and effective date

- The Decree guides key provisions of the 2025 CIT Law and applies from the 2025 tax year onwards, specifically:
 - The Decree took effect from the date of signing (15 December 2025); and
 - Allows taxpayers to elect for the application of certain provisions (regarding revenue, expenses, incentives, loss carry-forward) from:
 - the beginning of the 2025 tax period; or
 - the effective date of the 2025 CIT Law (1 October 2025); or
 - the effective date of this Decree.
- Rules on non-cash payment evidence and on capital transfers take effect immediately from the Decree's effective date.
- The Decree also reflects interaction with the global minimum tax (GloBE) regime (e.g. deductibility of certain top-up taxes allocated to Vietnam) from its effective date.

2. Exempted profits

The Decree provides more guidance on exempted profits, which include:

- Profits from agriculture, forestry, fisheries and salt production:
 - Clarifies specific activities and conditions under which profits in these sectors may qualify for CIT exemption, aligning with the policy objective to support primary industries and rural development.
- Profits from technology transfer:
 - Provides more detailed conditions to determine exempt profits from eligible technology transfer activities (e.g. qualifying recipients, type of technology, supporting documentation).
- Profits from “green finance” and environmental instruments can be exempt from CIT where conditions in the Decree are met:
 - Profits from the first-time transfer of emission reduction certificates and carbon credits by the enterprise that is allocated/granted such certificates/credits;
 - Interest income from “green bonds”; and
 - Profits from the first-time transfer of green bonds after issuance
- Profits from the Government investment support fund is exempt from CIT.

3. Supplementing the CIT rate for enterprises with annual revenue of less than VND 50 billion

Supplementing the CIT rates of 15% and 17%, applicable to enterprises with total annual revenue of not more than VND 50 billion.

4. Scope and effective date

The Decree refines revenue recognition rules for CIT purposes, particularly for regulated industries:

- Banking, securities, insurance and certain other sectors
 - Revenue recognition follows the relevant specialised laws (e.g. banking, securities and insurance regulations) rather than general CIT principles.
- Financial derivatives services
 - Revenue recognition follows accounting standards and regulations.

5. Profits from overseas investment

The Decree provides further guidance on the declaration and applicable deduction/crediting of tax relating to profits from overseas investment:

- Timing of taxation
 - Confirms the principle in the 2025 CIT Law that overseas profit is taxable when the profit is earned, not when it is remitted to Vietnam (this is a shift from the previous remittance-based approach).
 - Provides guidance on supplemental declarations in cases where CIT has not been declared and paid in the overseas jurisdiction at the time the profit is recognised in Vietnam.
- Foreign CIT (or equivalent profit taxes) paid in the overseas jurisdiction in respect of the taxable profit can be credited against CIT payable in Vietnam, subject to various conditions and limitations.

6. Deductible and non-deductible expenses

The Decree refines the rules on deductible vs. non-deductible expenses:

- **Noncash payment threshold**
 - The VND 5 million threshold for mandatory noncash payment (in line with the VAT regulations) applies from the effective date of the Decree, and is not retroactively applied to the entire 2025 tax year.
- **The interest expenses paid to non**
 - Interest expenses on all loans obtained by an enterprise from individuals, shareholders, capital-contributing members, and entities that are neither credit institutions nor economic organizations are deductible for tax purposes only up to a maximum interest rate of 20% per annum.
- **Expenses not complying with specialised laws**
 - Expenses for activities that do not meet the applicable requirements under specialised laws are explicitly non-deductible, reflecting the principle in the 2025 CIT Law. Examples given in the Decree include overtime payments exceeding regulatory caps and advertising/promotion expenses for products or services that are prohibited from

being advertised or which are subject to prior registration/approval with the authorities where such registration/approval has not been obtained.

- **The Decree provides more detailed conditions and supporting document requirements for, among others:**
 - Donations, sponsorships and similar payments;
 - Expenditure on scientific research, technology development, innovation and digital transformation;
 - Expenses incurred where there is no corresponding revenue;
 - Expenses relating to “green” activities (e.g. environmental protection, energy saving, etc.)
- **R&D super-deduction**
 - The Decree introduces a super-deduction regime for certain R&D related expenses. Under specified conditions, additional deductions (up to a maximum of 200% of actual qualified R&D expenses) may be available, provided that the taxpayer does not fall into a tax loss position after applying the extra deduction.

7. CIT incentives

The Decree consolidates and refines the CIT incentive framework under the 2025 CIT Law. Key changes that are likely to affect many taxpayers include:

- **Special investment incentives and locations**
 - For projects eligible for “special” investment incentives under the Investment Law, the total registered investment capital must generally be fully disbursed within 10 years from the investment registration certificate’s date or investment approval date to maintain eligibility.
 - New projects in economic zones where more than 50% of the project’s area lies outside incentivised locations may still qualify for a 17% CIT rate for 10 years, subject to conditions.
- **Expansion projects – thresholds and timing**
 - Expansion projects can access incentives where the increase in the historical cost of fixed assets meets minimum thresholds of:
 - VND 40 billion for expansion in incentivised sectors; or
 - VND 20 billion for expansion in incentivised locations.
 - The exemption/reduction period starts when registered capital for the expansion project has been fully disbursed and the project generates taxable profit, but will commence no later than the fourth year from the year of completion of the capital disbursement.
- **Overlapping incentives and scope of profit**
 - Where profit qualifies for multiple incentives (e.g. sector and location based), taxpayers may generally choose the most favourable regime, but any incentive period already enjoyed must be taken into account when switching regimes.

- For manufacturing activities with location-based incentives, the incentives also apply to profits from products sold outside the incentivised location. For projects in trading and service activities, incentives are limited to profit earned within the incentivised area.
- Once a taxpayer chooses a particular incentive option for specific profit, that choice generally applies for the entire remaining incentive period and cannot be changed.

8. Transitional provisions and loss carry-forward

The Decree includes transitional rules to bridge from the current regime to the 2025 CIT Law and Decree:

- **Existing projects approved before the 2025 CIT Law**
 - New or expansion projects entitled to incentives which were granted before the effective date of the 2025 CIT Law may:
 - continue to apply the existing incentive regime until expiry; or
 - elect to apply more favourable incentives available under the new Decree from the 2025 tax period onwards.
- **Profits no longer eligible for incentives under the 2025 CIT Law**
 - Profits that were previously qualified for incentives but no longer meet the requisite conditions under the 2025 CIT Law and this Decree will cease to enjoy incentives from the effective date of the new Law, subject to any specific grandfathering provisions.
- **Tax loss carry-forward**
 - Tax losses incurred before the Decree's effective date (including tax losses from real estate and project transfer activities) can continue to be carried forward within the statutory time limit.
 - However, such carried forward tax losses cannot be offset against profits from incentivised activities where the law restricts the offset of tax losses against nonincentivised profit.

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