Key Changes in Tax Policies from 2025: Comprehensive Overview

The year 2025 marks significant changes in Vietnam's tax policies, particularly concerning Value-Added Tax (VAT). Below is a detailed summary of those updates:

1. Keeping 2% VAT reduction for the first 6 months of 2025

The National Assembly, under Resolution 174/2024/QH15, has continuously approved a 2% reduction in VAT for the first six months of 2025, effective from 1 January 2025 to 30 June 2025. This initiative is part of an economic stimulus program aimed at boosting consumption and supporting businesses during the post-pandemic recovery phase.

The standard VAT rate will be reduced from 10% to 8% during this period. However, certain goods and services are excluded, including telecommunications, information technology, financial services, banking, securities, insurance, and real estate activities, among others. This policy is expected to alleviate financial burdens for both consumers and enterprises, fostering economic growth.

The government passed Decree 180/2024/NĐ-CP detailing the resolution on 31 December 2024.

2. New provisions in the Law on VAT 2024

Effective 1 July 2025, the 2024 Law on VAT introduces updates that will impact businesses and individuals, with the goal of enhancing tax compliance, promoting transparency, and stimulating economic activity.

Prohibited actions in tax deduction and refund processes

Article 13 of the 2024 Law on VAT explicitly outlines eight groups of prohibited actions related to VAT deduction and refund processes:

1. Buying, selling, advertising, or brokering the trade of invoices.
2. Creating fictitious transactions or engaging in sales and service activities that are not legally compliant.
3. Issuing invoices for goods and services during periods of business suspension, except for fulfilling contracts signed before the suspension notice.
4. Using illegal invoices or documents or misusing legitimate invoices and documents, as stipulated by the government.
5. Failing to transmit e-invoice data to tax authorities as required.
6. Tampering with, misusing, or unlawfully accessing invoice and document information systems, or destroying such systems.
7. Bribing or engaging in other corrupt activities related to invoices and documents to claim tax deductions, refunds, evade taxes, or misappropriate VAT funds.

8. Collusion or conspiracy involving tax officials, tax authorities, businesses, importers, or among businesses to misuse or use illegal invoices and documents for improper tax benefits.

Violations of these regulations may lead to severe penalties, including substantial fines and potential criminal charges. These measures aim to safeguard the integrity of the tax system and deter fraudulent practices.

Mandatory non-cash payments even for goods and services under VND 20 million

Starting 1 July 2025, new regulations under the Law on VAT 2024 will require proof of non-cash payments for certain goods and services valued under VND 20 million to qualify for VAT deductions. Before this change, the non-cash payment requirement was only enforcing for transactions with a value from and above VND 20 million.

To claim VAT deductions, taxpayers must maintain proper invoices and receipts from recognized payment systems as evidence of non-cash transactions. The change aims to enhance transparency and accountability in financial transactions. It also promotes the use of digital payment methods, reducing cash dependency.

Under Decree No. 52/2024/ND-CP providing cashless payment, cashless payment transaction means the use of payment services by organizations and individuals to make payment or money transfer. Specifically, non-cash payment refers to a method of settling transactions conducted through electronic means such as e-wallets, online payment gateways, and mobile banking or via financial institutions, including banks, branches of foreign banks, credit unions, microfinance organizations, or postal service providers.

Tax obligations for business individuals and households with annual revenue exceeding VND 200 million

Business households, and business individuals with annual revenue exceeding VND 200 million from business activities, including goods sales and services provision, are required to pay taxes starting 01 January 2026 according to Article 5 and Clause 2, Article 18 of Law on VAT 2024.

This regulation seeks to broaden the tax base and ensure equitable tax contributions. Taxpayers must maintain accurate records of their income and expenses to comply with this obligation.

Conclusion

In summary, the upcoming tax policy reforms in Vietnam reflect the government's commitment to enhancing fiscal management, promoting transparency, and stimulating economic growth. Stakeholders are encouraged to proactively adapt to these changes to ensure compliance and to take advantage of the benefits offered.

Disclaimer

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