

What's New: BDO Indirect Tax News

Vietnam - New VAT Law Affects Foreign Businesses in E-Commerce and Digital Sectors

June 2025
BDO in Vietnam

Vietnam - New VAT Law Affects Foreign Businesses in E-Commerce and Digital Sectors

Vietnam's National Assembly passed a new VAT law (Value Added Tax (VAT) Law No. 48/2024/QH15) on 26 November 2024 that will replace the current VAT law dating back to 2008. The new law, which takes effect on 1 July 2025, includes an expanded definition of "taxpayer," changes rates and the not-subject-to-VAT category, and will introduce various adjustments to the determination of VAT liability, input tax credits, refunds, etc. The measures, in particular, will impact foreign businesses engaged in the e-commerce and digital sectors.

Key changes under the VAT Law 2024 are summarised below.

Definition of Taxpayer

To broaden VAT obligations for foreign suppliers that do not have a permanent establishment (PE) in Vietnam, the definition of “taxpayer” for Vietnamese VAT purposes is expanded to include:

- ▶ Foreign suppliers that engage in e-commerce or business activities on digital platforms with organisations and/or individuals in Vietnam;
- ▶ Foreign organisations operating a digital platform that withhold and pay tax on behalf of foreign suppliers; and
- ▶ Organisations that operate e-commerce trading floors or other digital platforms with payment functions and withhold and pay tax on behalf of business households and individuals operating on such e-commerce trading floors or digital platforms.



Tax Rates

Vietnam currently has three VAT rates of 0%, 5% and 10%:

- ▶ The standard rate of 10% applies to supplies of most goods and services.
- ▶ The reduced rate of 5% typically applies to basic goods and services, medicine and medical equipment, scientific and technical services, various agricultural products and services, and social housing.
- ▶ The 0% rate applies, inter alia, to exported goods and services, such as those sold to overseas or tax-free zones and consumed outside Vietnam or within the tax-free zones; certain goods processed for export; construction and installation in overseas and tax-free areas; and marine and international transportation services.

The new VAT law amends, reclassifies and supplements rules on the goods and services eligible for preferential and standard VAT rates:

- ▶ **0% rate:** The 0% rate will apply to goods sold at duty-free shops; services provided directly to organisations or individuals overseas for consumption outside of Vietnam; and services provided directly to organisations within tax-free zones and used within these zones for directly serving export production activities. The application of 0% VAT for export services in Vietnam remains a controversial issue as the phrases "consumed outside of Vietnam" and "directly serving export production activities" are not defined in the new law.
 - ▶ **5% rate:** Fertilizer products, offshore fishing vessels, and specialised machinery and equipment used for agricultural production and animal feed are reclassified and will be subject to the 5% VAT rather than not subject to VAT.
 - ▶ **10% rate:** Foreign suppliers without a PE in Vietnam and that provide services through e-commerce or digital platforms will be subject to the 10% rate rather than the 5% rate, creating a heavier financial burden for these suppliers.
-

Not-subject-to-VAT

The following changes to not-subject-to-VAT status will be made:

- ▶ Business households and individuals earning annual revenue of less than VND 200 million (increased from VND 100 million) will not be subject to VAT.
- ▶ More detailed and specific not-subject-to VAT rules will apply to the following goods and services:
 - Plant and forest products;
 - Livestock breeds;
 - Plant breeding materials;
 - Animal and aquatic feed; and
 - Life insurance, health insurance, student insurance, other insurance services related to humans; livestock insurance, crop insurance and other agricultural insurance services; insurance of ships, boats, equipment and other necessary tools directly serving fishing; reinsurance; insurance of oil and gas works, equipment, foreign oil tankers hired by oil and gas contractors or foreign subcontractors to operate in Vietnam's sea areas, overlapping sea areas that have been put under a common exploitation agreement between Vietnam and countries whose coastline are adjacent or opposite to each other.
- ▶ Certain goods and services will no longer be subject to VAT, including the following:
 - Charges specified in loan agreements between the Vietnamese government and foreign lenders;
 - Goods imported from abroad by finance leasing companies and transported directly to enterprises operating in non-tariff zones; and
 - Imported goods for donations and support for disaster prevention and recovery, epidemics and war.



Business households



Plant and forest
products, breeds



Animal and aquatic feed



insurance

Time of Determining VAT Liability

The timing for determining VAT liability, which was previously specified in decrees and circulars, is now specifically regulated in the law. The VAT law adds the invoice issuance date for goods and services as a tax point for determining that VAT is due, regardless of whether payment has been received; under current rules, VAT obligations are triggered at the time ownership or the right to use is transferred or the time services are completed.

Creditable Input VAT

Currently, one of the conditions for recording an input VAT amount as creditable for VAT purposes is that an invoice of VND 20 million or more must be made via a non-cash payment method (such as a bank transfer). The new VAT law eliminates the VND 20 million threshold. Starting in July 2025, proof of a non-cash payment must be available to substantiate the VAT credit treatment (irrespective of the invoice value), unless otherwise specified by the government.

Tax Base

The revised taxable price for imported goods will be the dutiable value (value on which import duty is charged), plus import duty (or extra import duty, if any), excise duty (if any) and environmental protection tax (if any). The new law also amends the determination of taxable prices of certain goods and services (e.g., goods and services used for promotion, real estate business activities, casino services, prize-winning video games, etc.).



Amended VAT Declaration for Missing VAT Invoices

The current VAT rules do not provide clear guidance on the process for revising a VAT return where invoices are missing. Under the new VAT law, if a taxpayer discovers that the input VAT declared or deducted is incorrect or incomplete, the taxpayer may submit a supplementary return to declare the missing invoices before the tax authorities announce their decision to conduct a tax audit/tax inspection. The taxpayer must revise the VAT return in the incurring period if there is an increase in the VAT payable or a reduction in the VAT refund amount; otherwise, the taxpayer can declare the missing invoices in the VAT return of the discovery period if there is a decrease in the tax payable amount or an increase/decrease in the tax creditable amount being carried forward to the following month/quarter.

VAT Refunds

VAT refunds will be available for businesses producing goods or providing services subject to the 5% VAT if their creditable input VAT balance is VND 300 million or more after 12 months (or four quarters) of operation.

Prohibited Acts

The new VAT law sets out prohibited acts relating to VAT deductions and refunds, serving as a legal basis for handling and resolving violations in practice (on which the existing VAT law is silent).



BDO Insights

The new VAT law revises Vietnam's VAT system against the backdrop of recent practical socio-economic developments. The rules do address the challenges arising from an evolving digital economy for both local taxpayers and foreign suppliers doing business in Vietnam via online platforms. Specifically, with a new legal framework surrounding the tax liability arising from e-commerce or digital platform-based business carried out by foreign suppliers without a PE in Vietnam, international investors in the e-commerce sector should become aware of the changes and understand their impact to be compliant with new obligations, whilst developing optimal business plans based on tax-efficient approaches. At the same time, the new VAT law will bring clarity to certain long-time concerns mainly in relation to the applicability of preferable tax rates, tax refund/tax credit conditions and the rectification of improper tax declarations.

BDO in Vietnam

Contact us

BDO Ho Chi Minh City

Hillary Vu

Tax, Business Outsourcing & Advisory

hillary.vu@bdo.vn

Jeffrey Ong

Audit

jeffrey.ong@bdo.vn

An Gia Tower, 11th Floor,

60 Nguyen Dinh Chieu Street,

Da Kao Ward, Ho Chi Minh City,

Vietnam

Tel.: +84 (0) 28 39110033

Fax : +84 (0) 28 39117439

www.bdo.vn

BDO Hanoi

Pham Tien Hung

Audit

hung.pham@bdo.vn

Icon 4 Tower, 20th Floor,

243A De La Thanh Street,

Lang Thuong Ward, Dong Da District,
Hanoi, Vietnam

Tel.: +84 (0) 24 37833911

Fax : +84 (0) 24 37833914

www.bdo.vn

BDO Legal

Nguyen Van Du

Legal

du.nguyen@bdo.vn

The Prince Residence, 4th Floor,

19-21 Nguyen Van Troi Street,

Ward 14, Phu Nhuan District,

Ho Chi Minh City, Vietnam

Tel.: +84 (0) 28 36227792

Fax : +84 (0) 28 36227791

www.bdo.vn

This publication has been carefully prepared, but it has been written in general terms and should be seen as containing broad statements only. This publication should not be used or relied upon to cover specific situations, and you should not act, or refrain from acting, upon the information contained in this publication without obtaining specific professional advice. Please contact BDO Consulting Vietnam Co., Ltd. to discuss these matters in the context of your particular circumstances. BDO Consulting Vietnam Co., Ltd., its partners, employees and agents do not accept or assume any responsibility or duty of care in respect of any use of or reliance on this publication and will deny any liability for any loss arising from any action taken or not taken or decision made by anyone in reliance on this publication or any part of it. Any use of this publication or reliance on it for any purpose or in any context is therefore at your own risk, without any right of recourse against BDO Consulting Vietnam Co., Ltd. or any of its partners, employees or agents.

BDO Consulting Vietnam Co., Ltd., is member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

Copyright © June 2025 of BDO in Vietnam. All rights reserved. Published in Vietnam.