

Tax Newsletter

# Key highlights of Circular No. 20/2026/TT-BTC on Corporate Income Tax and Draft Decree on Personal Income Tax

April 2026



# A. Key Updates under Circular No. 20/2026/TT-BTC

On 12 March 2026, the Ministry of Finance issued Circular No. 20/2026/TT-BTC (hereinafter referred to as “Circular 20”), which provides detailed guidance on certain provisions of the Corporate Income Tax (“CIT”) Law and Decree No. 320/2025/ND-CP guiding the implementation of the CIT Law. This issuance of Circular 20 aims to further strengthen the CIT legal framework by enhancing clarity, consistency and certainty in practical implementation.

Circular 20 focuses on standardizing and clarifying documentation requirements, as well as clearly defining the scope and timing for determining taxable revenue, which are expected to have a significant impact on both Vietnamese enterprises and foreign enterprises conducting business or generating income in Vietnam. In addition, the Circular introduces transitional provisions to support enterprises during the initial implementation period.

Circular 20 takes effect from the date of issuance and applies to CIT tax period from 2025 onwards.

This tax update aims to summarize several notable new provisions under Circular 20, thereby assisting clients in promptly updating changes in tax policies, ensuring compliance with the prevailing regulations, and optimizing deductible expenses in practice.

# 1. Detailed regulations on documentation requirements



## Documentation for deductible expenses

In comparison to Circular No. 78/2014/TT-BTC and Circular No. 96/2015/TT-BTC, Circular 20 marks a significant step forward in clarifying documentation requirements for deductible expenses for CIT calculation purposes. In addition to providing more detailed guidance on general expenses, Circular 20, for the first time, stipulates specific documentation requirements for several new categories of expenses that support green transition and sustainable development, including:

- ✓ Training and vocational education expenses for employees
- ✓ Expenses not corresponding to revenue in the same period, such as:
  - Costs incurred from unsuccessful bidding activities
  - Market research and Research & Development expenses for unsuccessful new products or services
  - Depreciation or allocation of leased assets during periods without tenants
  - Costs incurred to maintain infrastructure before the commencement of production or business operations
  - Site restoration costs upon termination of operations or dissolution
- ✓ Expenses related to greenhouse gas emission reduction to achieve carbon neutrality and net-zero
- ✓ Expenses incurred when employees are authorized to purchase goods or services for business purposes with a value of VND 5 million or more

In addition to complying with accounting and invoicing regulations by maintaining legitimate invoices and supporting documents to substantiate actual expenses, the table below summarizes key documentation requirements for certain typical deductible expenses under Circular 20. This summary is intended to assist enterprises in preparing appropriate documentation and minimizing potential risks during tax finalization and tax audits.

# 1. Detailed regulations on documentation requirements

Type of expense		Supporting documents
Training and vocational education expenses		<ul style="list-style-type: none"> <li>▪ Labor contracts or financial/internal regulations clearly stipulating training policies</li> <li>▪ Decision approving employee training</li> <li>▪ Training registration documents, diplomas, certificates, or confirmation of training results</li> </ul>
Donations for education, healthcare, and disaster relief		<ul style="list-style-type: none"> <li>▪ Donation confirmation minutes prepared in accordance with Form No. 01/TNDN issued together with Circular 20</li> </ul>
Expenses not corresponding to revenue in the period	<ul style="list-style-type: none"> <li>▪ Unsuccessful bidding expenses</li> </ul>	<ul style="list-style-type: none"> <li>▪ Bidding invitation documents and bid dossiers</li> <li>▪ Bid selection results (if any)</li> <li>▪ Other relevant documents in accordance with bidding regulations</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Unsuccessful market research or R&amp;D for new product/service</li> </ul>	<ul style="list-style-type: none"> <li>▪ Market research, product/service development research reports in accordance with prescribed regulations</li> </ul>
	<ul style="list-style-type: none"> <li>• Land rental, management, and infrastructure maintenance costs during the pre-operation phase</li> </ul>	<ul style="list-style-type: none"> <li>▪ Investment policy approval decision, Investment Registration Certificate or equivalent legal documents (if any)</li> <li>▪ Land or infrastructure lease agreements/contracts clearly specifying payable expenses</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Depreciation or allocation of leased assets during periods without tenants</li> </ul>	<ul style="list-style-type: none"> <li>▪ Documents evidencing ownership, lease or right of use</li> <li>▪ Asset management and accounting records</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Enterprise establishment, restoration, suspension, dissolution, or termination costs</li> </ul>	<ul style="list-style-type: none"> <li>▪ Enterprise/branch/representative office/business location registration certificates</li> <li>▪ Confirmation on business suspension or resumption in accordance with the regulations</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Pre-sale marketing and promotion expenses</li> </ul>	<ul style="list-style-type: none"> <li>▪ Reports on investment policy related to production and business activities</li> </ul>
	<ul style="list-style-type: none"> <li>• Destruction of damaged or obsolete inventories</li> </ul>	<ul style="list-style-type: none"> <li>▪ Decision by an authorized person on inventory destruction</li> <li>▪ Inventory valuation minutes stating reasons, types, quantities, values, and disposal plans</li> <li>▪ Decision on establishment of the disposal council</li> <li>▪ Disposal decision of the council.</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Destruction of damaged or obsolete fixed assets</li> </ul>	<ul style="list-style-type: none"> <li>▪ Decision by an authorized person on fixed assets destruction <ul style="list-style-type: none"> <li>▪ on asset destruction</li> </ul> </li> <li>▪ Asset valuation minutes specifying damage reasons, types, quantities, values, and disposal plans</li> <li>▪ Decision on establishment of the disposal council</li> <li>▪ Disposal decision of the council</li> </ul>
Greenhouse gas emission reduction expenses		<ul style="list-style-type: none"> <li>▪ Decision by an authorized person approving the implementation of emission reduction</li> <li>▪ Project or plan dossiers on greenhouse gas emission reduction associated with production and business activities</li> </ul>
Expenses paid by employees under authorization (from VND 5 million or more)		<ul style="list-style-type: none"> <li>▪ Legitimate invoices issued in the enterprise's information</li> <li>▪ Internal financial regulations or policies on employee authorization</li> <li>▪ Evidence of non-cash payment made by employees</li> <li>▪ Evidence of non-cash reimbursement payments to employees</li> </ul>



## Management of Expansion Investment Capital and the Science and Technology Development Fund

In comparison to Circular 78/2014/TT-BTC, Circular 20 introduces several new provisions governing the management of expansion investment capital and the enterprise's Science and Technology Development Fund ("S&T Fund")

When implementing an expansion investment project, enterprises are required to notify the tax authority in writing of the project's registered investment capital at the time of submitting the CIT finalization return, no later than the year in which the expansion investment project is carried out. Any subsequent changes to the registered investment capital must also be reported in a timely manner.

Circular 20 further clarifies the tax treatment of fixed assets transferring from the S&T Fund. Specifically, where assets that were previously used for S&T research and have not been fully depreciated are transferred to serve production and business activities, the remaining value must be recognized as other income. At the same time, this remaining value is allowed to continue being depreciated and treated as deductible expenses for CIT purposes.

In addition, enterprises are required to prepare the Report on appropriation and use of the S&T Fund in accordance with Form No. 03-6/TNDN issued together with Circular 80/2021/TT-BTC, to ensure proper management and use of the Fund in compliance with the prevailing regulations.



## 2. Timing of revenue recognition for CIT purposes

Circular 20 provides further clarification on the timing for determining CIT taxable revenue for certain specific activities, applicable to both Vietnamese enterprises and foreign enterprises generating income in Vietnam.

- For enterprises operating under Vietnamese law: Circular 20 clarifies the timing of taxable revenue recognition for exported goods; air transportation services; construction and installation activities (including shipbuilding); and the supply of electricity and water.
- For foreign enterprises: Circular 20 clarifies the timing for taxable revenue arising from capital transfers; transfers of securities and certificates of deposit; and derivative securities (futures contracts).

Notably, with respect to capital transfers, Circular 20 stipulates that taxable revenue is determined at the time the initial capital transfer contract becomes effective. However, the term “initial” is not explicitly defined. In addition, under general CIT principle, CIT obligations typically arise at the point when ownership of the capital is transferred.

In practice, capital transfer agreements in Merger & Acquisition transactions are often amended multiple times, and the timing between the initial contract and the actual transfer of ownership may differ significantly. Given this ambiguity, enterprises are advised to closely monitor further guidance from the tax authorities to ensure timely updates and compliance.



### 3. Expansion and clarification of tax obligations for foreign enterprises

Circular 20 expands and clarifies the CIT obligations of foreign enterprises, particularly for certain business activities that were not previously guided, including:

- E-commerce and digital platform activities: Foreign enterprises conducting e-commerce transactions or providing services via digital platforms in Vietnam are subject to CIT under Circular 20, regardless of whether they have a permanent establishment in Vietnam.
- Intragroup restructuring transactions: Circular 20 introduces a CIT exemption for internal group restructuring transactions, provided that such transactions do not result in a change of the ultimate parent company and do not generate income, subject to specific conditions prescribed by the regulations.
- CIT calculation method: CIT payable by foreign enterprises is determined based on taxable revenue multiply ( $\times$ ) by applicable tax rate. Notably, Circular 20 abolishes Point a, Clause 1, Article 13 of Circular 103/2014/TT-BTC, which previously provided guidance on determining CIT taxable revenue for foreign contractors. The absence of provisions allowing exclusion of Value Added Tax (VAT) from CIT taxable revenue. Unless otherwise instructed by the tax authority, taxable revenue for foreign enterprises is generally deemed to be the total revenue generated in Vietnam.

### 4. Transitional provisions

Although Circular 20 takes effect from 12 March 2026, its provisions apply retrospectively to tax year 2025. For deductible expenses incurred prior to the effective date, enterprises may continue applying the guidance under Circular 96/2015/TT-BTC.

With respect to non-cash payment requirements and provisions relating to capital transfers, Circular 20 applies from the effective date of Decree 320, i.e. 15 December 2025.

Circular 20 officially replaces Circular 78/2014/TT-BTC and Circular 96/2015/TT-BTC, and repeals certain related provisions dispersed across other circulars (including Circulars 119/2014/TT-BTC, 151/2014/TT-BTC, 130/2016/TT-BTC, and 25/2018/TT-BTC). This consolidation establishes a more unified CIT regulatory framework and reduces overlaps and inconsistencies.

Notably, with respect to CIT policies applicable to foreign organizations, Circular 20 also repeals related provisions under Circular 103/2014/TT-BTC. Together with Circular 69/2025/TT-BTC guiding the VAT Law and Decree 181/2025/NĐ-CP, this represents a shift away from maintaining separate tax regulations for foreign entities. Consequently, there will no longer be a standalone legal document specifically governing the tax obligations of foreign enterprises doing business and generating income in Vietnam.

## B. Draft Decree guiding new Personal Income Tax (“PIT”) Law

On 27 March 2026, the Ministry of Finance released the Draft Decree guiding certain provisions of the 2025 PIT Law for public consultation. The Draft Decree seeks to clarify tax incentive policies for individuals working in priority sectors and adjust levels of support, deductions, and allowances in line with the economic conditions.

The key contents of the Draft are summarised as follows:

### 1. PIT exemption for salaries and wages of personnel in priority sectors

The Draft Decree proposes a PIT exemption for salaries and wages earned by the following individuals:

- Individuals performing tasks in the field of science, technology, and innovation.
- High-quality digital technology industry personnel, as well as individuals earning income from activities related to high-tech research, development, and strategic technologies, with preferential treatment for applicable for a period of up to 5 years.

## 2. Increase in the cap on mid shift meal and lunch allowances

The Draft Decree proposes an increase in the cap on tax-exempt mid-shift and lunch meal allowances, as follows:

- Increasing the cap on cash meal allowances from VND730,000/person/month to VND 1.2 million/person/month.
- Where the employer organizes meals for employees (e.g., through in-house cooking, purchasing meal portions, or providing meal vouchers), these expenses will not be included in employee's taxable income.

## 3. PIT exemption for severance and redundancy payments (including amounts exceeding statutory limits)

Under the Draft Decree, where employers have internal policies or employment contracts specifying severance or job-loss allowances exceeding statutory limits, the excess amount will remain exempt from PIT.

## 4. PIT exemption for income from overtime, night shift, and work on non-leave days

The Draft Decree proposes PIT exemption for wages and salaries paid for overtime work, night shift work, and work on non-leave days, in accordance with the labor regulations. Where payments exceed statutory limits, the excess amount will be subject to PIT.

## 5. Additional deductible expenses for medical and education costs

The Draft Decree introduces deductible expenses for medical and education costs incurred by taxpayers and their dependents, subject to the availability of valid invoices and supporting documents. Two options are under consideration:

- **Option 1:**
  - ✓ Medical expenses: up to VND20 million/year
  - ✓ Education and training expenses: up to VND21 million/year
- **Option 2:**
  - ✓ Medical expenses: up to VND23 million/year
  - ✓ Education and training expenses: up to VND24 million/year

## 6. Increase in the cap on supplementary pension insurance and life insurance contributions

The Draft Decree proposes increasing the maximum deductible amount for supplementary pension insurance and life insurance contributions from VND1 million to VND3 million/person/month when determining taxable PIT income.

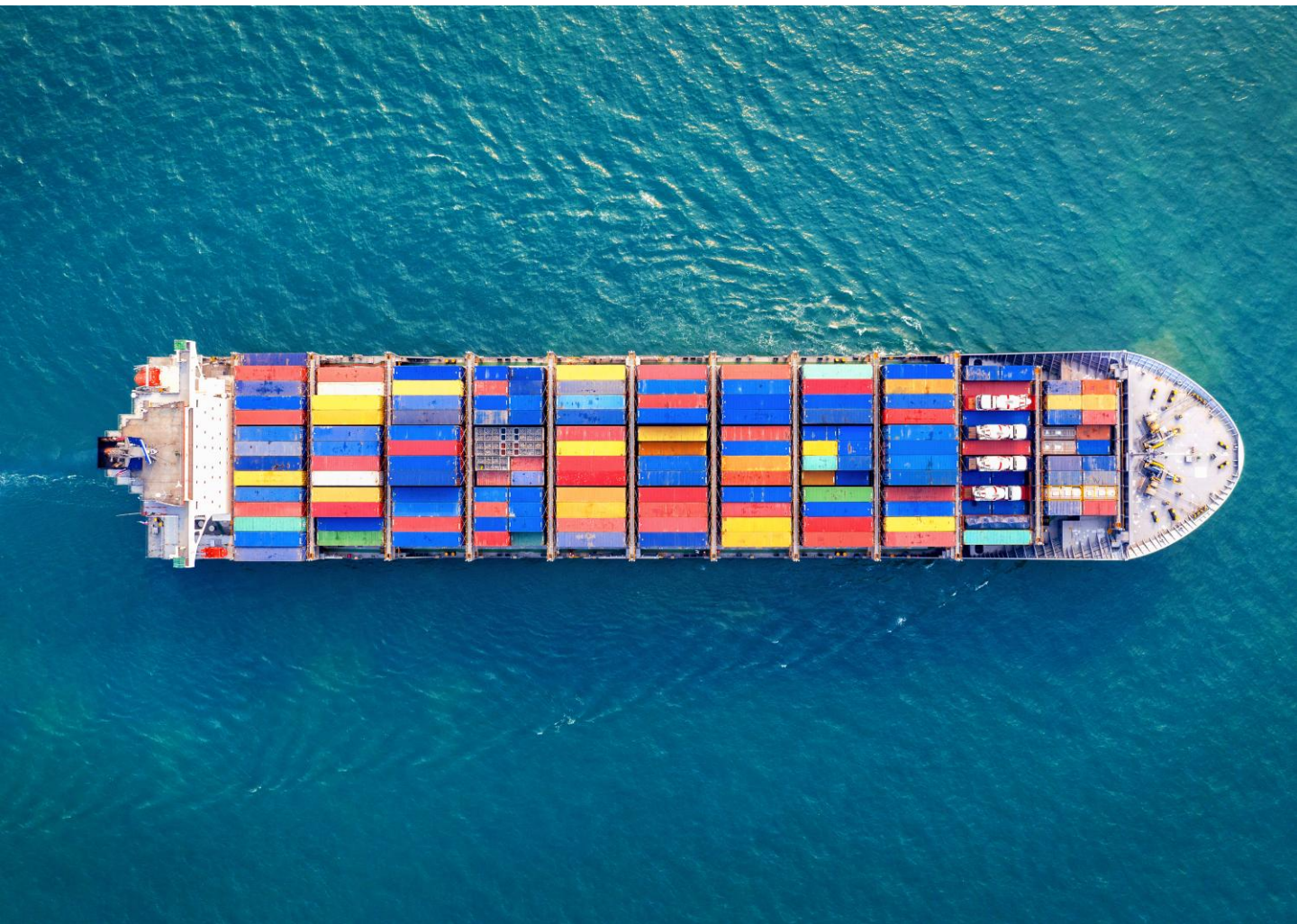


## 7. Increase in the threshold for applying 10% PIT withholding on irregular income

To reduce tax burdens and simplify administrative procedures, the Draft Decree proposes the following changes:

Increasing the threshold for applying 10% PIT withholding from VND2 million/occurrence to VND3 million/occurrence for income from salaries, wages, and remuneration paid to resident individuals without labor contracts or with contracts of less than 3 months. Increasing the annual income threshold for exemption from PIT finalization (where income has already been subject to 10% withholding) from VND10 million/year to VND15 million/year.

Based on our assessment, compared to the current regulations, the proposals set out in the Draft Decree would significantly reduce PIT obligations in many cases and enhance convenience for taxpayers in both declaration and payment procedures. However, as the Draft Decree is still under public consultation, it is expected to take effect from 1 July 2026. We will continue to monitor developments and keep our valued clients informed of any updates in our upcoming newsletters



# Contact

Please study the newly issued regulations and review the internal compliance procedures in order to comply with the regulations on customs tax as well as reduce errors in the process of filing and preparing documents that could lead to additional tax obligations or administrative penalty.

Please contact the experts of Grant Thornton Vietnam for in-depth advice if you have any inquiries during the implementation of tax and customs compliance

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