
TAX BULLETIN February 2025

1. The Government issued the Decree 49/2025/NĐ-CP on 28th February 2025 to regulate the tax debt thresholds for application of exit suspension measures

Decree 49/2025/NĐ-CP took effect on February 28. The Decree specifies four cases where a tax debt will result in temporary exit suspension and procedures for notifying individuals and lifting the exit by the tax office. In this Tax bulletin, we note the following two cases of temporary suspension of exit:

1. Individuals who are legal representatives of businesses, cooperatives, or cooperative unions that are subject to enforcement of administrative decisions regarding tax management, with a tax debt of VND 500 million or more, and the tax debt has exceeded the payment deadline by more than 120 days.
2. Vietnamese citizens leaving the country to settle abroad, Vietnamese citizens residing abroad, and foreign nationals who, before departing Vietnam, have a tax debt that exceeds the payment deadline and have not completed their tax obligations.

Procedures for notifying individuals and lifting the exit suspension will be applied in these two cases as follows:

- The tax office will send an electronic notification on potential application of exit suspension measure to the taxpayer through their electronic tax transaction account. If electronic notification cannot be sent successfully, the tax office will post the notice on its electronic portal.
- After 30 days since the issuance of notice on potential application of exit suspension measure, if the taxpayer has not fulfilled their tax obligations, the tax authority will issue a written notice of the temporary exit ban and send it to the immigration authority to enforce the ban.
- If the taxpayer has completed their tax obligations, the tax office will immediately issue a notice to cancel the temporary exit ban and send it to the immigration authority. The immigration authority will process the cancellation of the exit ban within 24 hours from receiving the notification from the tax office.
- Notices of the exit suspension, or the cancellation of the temporary exit ban, will be sent to the immigration authority from the tax office's IT system. If electronic transmission is not possible, the notices will be sent in paper form to the immigration authority.

2. Tax Administration restructuring as from 1st March 2025

On 26th February 2025, the Ministry of Finance issued Decision No. 381/QĐ-BTC regulating the functions, tasks, powers and new organizational structure of the Tax Department, 20 regional tax offices and up to 350 district-level tax teams according to the new organizational structure of the Tax Administration. Accordingly, Tax Department replaces the General Department of Taxation. The Tax Department is a department under the Ministry of Finance,

with the function of advising and assisting the Minister of Finance in state management of taxes, organizing the implementation of state budget collection management including taxes, fees, charges and state budget revenues according to the provisions of the law on taxes and relevant legal provisions.

Three-tier system of Vietnam's tax administration has been restructured as follows:

- (1) Central level: Tax Department consisting of 12 divisions
- (2) Regional level: 20 Regional Tax Offices managing multiple provinces or municipalities are established to replace 63 Provincial Tax Offices.
- (3) District level: The current 413 District Tax Offices are streamlined and reduced to 350 District Tax teams across districts, towns, and cities under the direct supervision of Regional Tax Offices.

In addition, the tax administration model will be transformed from function combined with taxpayer segment based organisational model to a new model of taxpayer segment combined with function (i.e. function within taxpayer segment). Previously, the feature and approach of function combined with taxpayer segment based organisational model is based on core four functions of tax administration (including tax filing, taxpayer service, enforced collection of arrears and tax audit) and each function will be divided into stages and taxpayer classification. With the new model, the tax administration will no longer be organized by independent functions but will focus on key groups of taxpayers. Accordingly, each tax officer will support taxpayers with full functions from tax registration, tax declaration, tax debt management, taxpayer service, etc.

We will keep you updated on revised tax administration processes and procedures, if any when they are introduced.

3. Amendment of Guidelines on Transfer Pricing (Decree 20/2025/NĐ-CP dated 10th February 2025 of the Government)

To release difficulties in applying rules on transfer pricing, the Government issued Decree No. 20/2025/ND-CP amending and supplementing the following main points:

- Expand the definition of related parties to align with changes in the Law on Credit Institutions. Related parties now include affiliates of credit institutions under the new law.
- Reconsider third party lenders or guarantors as related parties. Lenders, guarantors, and credit institutions will not be considered related parties unless they engage in "management, control, capital contribution, or investment" in the borrowing entity. Accordingly, companies are no longer considered to have related-party transactions merely due to borrowing from commercial banks or third party lenders, which leads to restrictions on deductible interest expenses based on EBITDA.
- Clarify the regulation regarding non-deductible loan interest expenses carried forward from taxable periods prior to 2024 when an enterprise has related party relationship

with a credit institution, as specified in point d, Clause 2, Article 5 of Decree 132/2020/ND-CP, that ensures non-deductible interest expenses and not yet carried forward to following taxable period until end of 2023 taxable period being allocated evenly and carried forward to remaining tax period in accordance with regulation under Decree 132/2020/ND-CP.

- Amend Appendix I of the transfer pricing declaration form, reflecting revised and updated points of the Decree No. 20/2025/ND-CP.

Decree No. 20/2025/ND-CP applies from the financial year 2024 onwards.