VIETNAM

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Overview

DFDL Vietnam Law Company Limited, Taxand (Vietnam)

DFDL Vietnam, established in 1995, offers comprehensive legal, tax and transfer pricing services from our offices in Hanoi and Ho Chi Minh City. Our renowned tax practice collaborates closely with our corporate and M&A team to handle complex M&A, joint ventures, and foreign investments.

Our services span the full tax lifecycle—from strategic tax planning to day-to-day operational support—including tax advisory, tax compliance, transfer pricing, and customs advisory. We are also committed to contributing to the development of the tax landscape in the jurisdictions where we operate.

Our Vietnam Tax team is recognized by clients, business chambers, industry associations, and leading legal and tax directories for its technical excellence, commercial insight, and practical approach.

Our Transfer Pricing ("TP") team provides end-to-end transfer pricing services, including:

- TP policy design and implementation for intragroup transactions;
- Preparation of TP documentation (Local File, Master File, and Country-by-Country Reporting);
- Benchmarking and comparability analyses;
- TP advisory, risk assessment and health-checks;
- Assistance in TP audits and dispute resolution;
- Advance Pricing Agreement ("APA") and Mutual Agreement Procedure ("MAP") support; and
- Financial transaction and intercompany financing advisory.

General: Transfer Pricing Framework

Vietnam's current TP framework is governed by Decree No. 255/2026/ND-CP ("Decree 255"), which took effect on 1 July 2026 and applies from the 2026 Corporate Income Tax ("CIT") year onwards. Decree 255 replaces both Decree No. 132/2020/ND-CP and Decree No. 20/2025/ND-CP, which are formally repealed as of the effective date.

The Vietnamese TP regime continues to align closely with the BEPS Action Plan issued by the Organization for Economic Co-operation and Development ("OECD").

Accepted Transfer Pricing Methodologies

Decree 255 codifies five transfer pricing methods in Articles 13 to 15:

i) Comparable Uncontrolled Price Method.

i) Resale Price Method.

i) Cost-Plus Method.

i) Net Profit Margin Comparison Method ("TNMM").

i) Profit Allocation Method ("Profit Split").

Each method carries specific statutory pre-conditions relating to the taxpayer's functions, ownership of intangibles, risk profile, and the availability of reliable data. The applicable method is selected by reference to those conditions and the nature of the transaction (Decree 255, Article 12).

In practice, internal CUPs are generally accepted by the GDT, provided they are based on robust, identical, or highly similar transactions with independent parties that require no material adjustments, consistent with the comparability principles set out in Articles 6 and 7 of Decree 255.

Transfer Pricing Documentation Requirements

A statutory three-tiered TP compliance obligation exists for taxpayers engaging in related-party transactions, requiring the preparation of TP Documentation comprising a Local File, a Master File, and a Country-by-Country Report ("CbCR"). Taxpayers are required to maintain contemporaneous documentation unless they qualify for specific exemptions.

Under the safe harbour thresholds, businesses are exempt from preparing the Local File and Master File if:

- Their annual revenue is less than VND 50 billion and the total related party transactions are less than VND 30 billion, or
- Their transactions are covered under an Advance Pricing Agreement ("APA"), and the taxpayer has submitted an annual report in accordance with the legal provisions on APAs.
- Their annual revenue is less than VND 500 billion; and they do not generate revenue or expenses from the exploitation or use of intangible assets; and earn net profit margin (excluding interest expenses and corporate income tax, and excluding the difference between revenue and expenses from financial activities) to net revenue ratios of 5% or higher for distribution, 10% or higher for manufacturing, or 15% or higher for processing.

A fourth exemption applies where the taxpayer's related party transactions are conducted solely with related parties that are Vietnamese CIT payers subject to the same CIT rate, with neither party benefiting from CIT incentives during the tax period. In this case, the taxpayer is exempt from both filing the TP declaration (i.e., disclosure form) and maintaining the TP documentation reports.

The TP Disclosure forms are to be submitted with the annual CIT return no later than the last day of the 3rd month from the end of the fiscal year. The TP Documentation must be prepared by the CIT finalisation deadline, submitted only on request within 30 working days, with a one-time 15 working-day extension for valid reasons.

The TP Documentation report together with supporting documents used to substantiate the taxpayer's TP position, should be prepared or made available in Vietnamese, consistent with general tax administration and language-of-filing requirements. Where source data is in a foreign language, it is advisable to retain a Vietnamese translation for submission to the GDT.

For global reporting, a local CbCR submission obligation applies to Vietnamese ultimate parent entities ("UPEs") whose global consolidated group revenues reach or exceed €750 million in the preceding fiscal year. The deadline for filing the CbCR is no later than 12 months from the end of the fiscal year of the UPE.

Local Jurisdiction Benchmarks

Taxpayers who do not qualify for statutory exemptions are required to undertake benchmarking studies to substantiate the arm's length nature of their related party transactions. As per the regulation, the use of an interquartile range of the 35th percentile to the 75th percentile is acceptable. Internal comparables are preferred, followed by external local comparables and lastly, regional comparables with comparable industry and economic growth.

To enhance consistency in TP audits, Decree 255 establishes a formal hierarchy for the use of comparable data in TP analyses under Article 17(3). This database-source hierarchy operates alongside, and is distinct from, the separate hierarchy for selecting comparable entities under Article 17(4), which prioritises internal comparables, followed by comparables resident in Vietnam, and lastly regional comparables with similar industry and economic development conditions. The prescribed order of priority for data sources is:

i) Publicly available and official information, including data published on securities markets, domestic and international commodity and service exchanges, other publicly available official sources, and the newly introduced National Database;

ii) Commercial databases; and

iii) The tax authorities' internal tax administration database.

The introduction of the National Database expands the range of comparable information available for benchmarking purposes and reinforces the use of transparent and independently verifiable data sources.

When a taxpayer is found not to fully comply with the relevant Decree 255 requirements (e.g., incomplete or missing documentation), the GDT may exercise its power under Article 21(3) of Decree 255 to determine the transfer price, profit margin or profit allocation ratio using its internal tax administration database – commonly referred to in practice as 'secret comparables' – rather than the taxpayer's own comparables set.

Focus on Financial Transactions

The GDT places immense scrutiny on related-party financial transactions, heavily emphasizing the commercial rationality, economic substance, and accurate delineation of the arrangement. Intercompany lending, borrowing, or guarantee arrangements must correspond directly to what independent parties would have agreed upon under comparable market circumstances. To defend these transactions during an audit, taxpayers are required to conduct a rigorous analysis that goes beyond a basic interest rate benchmark. This includes evaluating the creditworthiness of the borrower, verifying that the quantum of debt aligns with the borrower's standalone borrowing capacity, and ensuring the transaction satisfies a genuine commercial need rather than acting as a mechanism for profit shifting.

Decree 255 defines two distinct financing-related triggers for related-party status:

i) A general enterprise-to-enterprise loan or guarantee relationship, where the borrowing enterprise's outstanding debt to the lender or guarantor represents at least 25% of the borrower's equity and more than 50% of its total medium- and long-term debt (subject to carve-outs for licensed credit institutions); and

ii) Loans between an enterprise and an individual who manages or controls it (or certain related individuals), which trigger related-party status at a lower 10% of owner's equity threshold.

The arm's length requirements operate alongside strict local deductibility caps under Article 16 of Decree 255. The total deductible interest expense for an enterprise with related-party transactions is capped at 30% of its EBITDA for the tax period. Any non-deductible interest exceeding this limit may be carried forward for up to five consecutive years, imposing an absolute statutory ceiling on tax deductions irrespective of whether the interest rate itself satisfies the arm's length principle. This cap does not apply to loans taken out by taxpayers that are licensed credit institutions or insurance businesses, Official Development Assistance loans or preferential government loans for on-lending to enterprises, or to loans funding specified national target and state welfare programmes (Decree 255, Article 16(3)(c)).

Advance Pricing Agreement "APA"/Bilateral Advance Pricing Agreement "BAPA" Overview

Circular No. 95/2026/TT-BTC ("Circular 95") takes effect from 1 July 2026 and replaces Circular No. 205/2013/TT-BTC ("Circular 205") providing guidance on the implementation of DTAs, and Circular No. 45/2021/TT-BTC on APAs ("Circular 45").

Taxpayers can choose to pursue unilateral, bilateral, or multilateral APAs depending on their cross-border footprint. Under the current framework, the maximum validity period for an APA is capped at three tax years.

A notable change under Circular 95 is that an APA application may cover up to five years, while the effective period of an APA remains capped at three years commencing from either the tax year in which the APA is concluded or the immediately following tax year. In addition, APAs may also be renewed for up to three years.

The extended proposed covered period for an APA application may provide greater flexibility for taxpayers by reducing the detriment of a time-consuming APA review process and the need for repeated APA applications.

The procedural roadmap for an APA includes an optional pre-filing consultation with the GDT, followed by four official stages: (i) Formal application, (ii) Evaluation, (iii) Negotiation and (iv) Conclusion.

Circular 95 does not prescribe specific timelines for the evaluation or negotiation of an APA.

Transfer Pricing Audits

Taxpayers face significant risk if they report negative operating results, if their results fall below the arm's length range, or if they generate losses regularly. When a company's related-party segment shows lower profits than its third-party segment, it may raise further questions. Ideally, all involved related parties should be profitable. Otherwise, Special Factor Analyses might need to be prepared to demonstrate that the loss results are driven by commercial or business factors rather than the Group's TP policies.

Intragroup transactions such as royalties and management fees are frequently scrutinized. The GDT is particularly focusing on companies involved in intercompany royalty and service charges. These charges are often examined through "economic benefit" and "substance-over-form" tests to assess the legitimacy of the benefits claimed by the paying entities. If a company fails to justify or provide supporting documentation for the benefits received, the tax authorities will promptly reject such intercompany charges, imposing administrative fines and interest penalties.

Vietnamese tax authorities frequently question the validity of a taxpayer's selected comparables, and failure to include local Vietnamese comparables from the comparables set can result in its rejection.

The Burden of Proof in Transfer Pricing: Theory versus Practice

The burden of proof rests firmly on the taxpayer. Companies are legally obligated to demonstrate that their related-party transactions comply with the arm's length principle.

Taxpayers must retain their TP Documentation alongside detailed transactional records, commercial agreements, and benchmarking analyses to defend their pricing structures.

Transfer Pricing Penalties

The following penalties are applicable to tax return disclosures:

- Administrative penalties ranging from VND 2 million up to VND 25 million for late submission of the CIT finalization return (including TP Disclosure Forms).
- A penalty ranging from VND 8 million to VND 15 million for not submitting the TP Forms together with the annual CIT returns.
- A penalty equal to 20% of the underpaid tax amount shall be imposed for making incorrect declarations with respect to related-party transactions leading to any underpayment of taxes. This penalty applies even if the taxpayer has prepared the TP documentation or submitted the TP Disclosure Forms to the authorities.
- Late payment interest is levied at a rate of 0.03% per day on outstanding tax obligations.
- Potential penalties for tax evasion may also be imposed from one-to-three times the under-declared tax.

Local Hot Topics and Recent Updates

On 29 November 2023, the Resolution on Global Minimum Tax policy in Vietnam ("the Resolution") was approved by the National Assembly and came into effect on 1 Jan 2024. The Resolution provides that Vietnam will adopt (i) the Qualified Domestic Minimum Top-Up Tax ("QDMTT") rule and (ii) the Income Inclusion Rule ("IIR"), the Undertaxed Payments Rule ("UTPR") has not been adopted. Both adopted rules are intended to protect Vietnam's tax revenue in the context of Pillar 2 global implementation. The QDMTT rule essentially targets foreign inbound investment while the IIR targets Vietnam outbound investment. The rules are detailed in Decree No. 236/2025/NĐ-CP, effective 15 October 2025, and apply to multinational enterprise groups with consolidated annual revenue of at least €750 million in at least two of the four fiscal years immediately preceding the relevant fiscal year. No penalties apply for late filing, non-compliance, or incorrect reporting during the transitional period, being fiscal years beginning before 31 December 2026 and ending before 30 June 2028; penalties will apply under prevailing law thereafter.

On 30 June 2026, the Government issued Decree 255, which took effect on 1 July 2026 and applies from the 2026 CIT year onwards. Notably, it establishes a strict priority hierarchy for benchmarking data sources, favouring public/official listings and the National Database over commercial or internal tax authority databases. It significantly eases compliance for eligible taxpayers by raising the revenue threshold for TP documentation exemptions from VND 200 billion to VND 500 billion while removing qualitative criteria like "simple functions". Lastly, it refines CbCR obligations, explicitly shifting to a global standard threshold equivalent to EUR 750 million.

Documentation threshold

Master file Local file	A taxpayer is exempt from preparing Master file and Local file if one of the following conditions is met: • Their annual revenue is less than VND 50 billion and total related-party transactions are less than VND 30 billion. • Their transactions are covered under an APA, and the taxpayer has submitted an annual report in accordance with the legal provisions on APAs. For those related-party transactions that are not covered by the APA, taxpayers shall be responsible for making TP declarations as required under Vietnamese TP regulations. • Their annual revenue is less than VND 500 billion; and they do not generate revenue or expenses from the exploitation or use of intangible assets; and earn net profit margin (excluding interest expenses and corporate income tax, and excluding the difference between revenue and expenses from financial activities) to net revenue ratios of 5% or higher for distribution, 10% or higher for manufacturing, or 15% or higher for processing. A fourth exemption applies where the taxpayer's related party transactions are conducted solely with related parties that are Vietnamese CIT payers subject to the same CIT rate, with neither party benefiting from CIT incentives during the tax period. In this case, the taxpayer is exempt from both filing the TP declaration (i.e., disclosure form) and maintaining the TP documentation reports
CbCR	A local CbCR submission obligation applies to Vietnamese UPEs whose global consolidated group revenues reach or exceed €750 million in the preceding fiscal year. If the UPE is located outside Vietnam, local filing is not required, provided the report can be obtained via the Automatic Exchange of Information ("AEOI") framework. However, Vietnamese taxpayers must submit a one-time local CbCR Notification (Form No. 01/TB-BCLN).

Submission deadline

Master file	Must be prepared before the annual CIT deadline, i.e., last day of the 3rd month from the end of the fiscal year.
Local file	Submitted only upon request by the GDT within 30 working days. A one-time extension of 15 working days may be granted on a case-by-case basis.
CbCR	No later than 12 months from the end of the UPE's fiscal year.

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Penalty Provisions

Documentation – late filing provision	No separate penalties.
Tax return disclosure – late/ incomplete/no filing	• Administrative penalties ranging from VND 2 million up to VND 25 million are imposed for late submission of CIT finalization return (including TP Disclosure Forms). • A penalty ranging from VND 8 million to VND 15 million for not submitting the TP Forms together with the annual CIT returns. • A penalty equal to 20% of the underpaid tax amount shall be imposed for making incorrect declarations with respect to related-party transactions leading to any underpayment of taxes. This penalty applies even if the taxpayer has prepared TP Documentation or submitted the TP Disclosure Forms to the authorities. • Late payment interest is levied at a rate of 0.03% per day on outstanding tax obligations. • Potential penalties for tax evasion may also be imposed from one-to-three times the under-declared tax.
CbCR - late/incomplete/no filing	

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