



## LEGAL UPDATE

### NEW DECREE ON VAT REDUCTION POLICY

On 31 December 2024, the Government of Vietnam passed the Decree 180/2024/ND-CP on value-added tax (“VAT”) reduction policy (the “**Decree 180**”) in accordance with Resolution No. 174/2024/QH15 issued by National Assembly of Vietnam issued on 30 November 2024 (the “**Resolution 174**”), which took effect from 01 January 2025.

Additionally, Decree 180 was promulgated to extend the VAT reduction measures previously established under Decree 72/2024/ND-CP, which was previously issued by the Government of Vietnam on 30 June 2024. This legal update will provide the summary of key provisions set forth under Decree 180.

#### 1. VAT Reduction Provisions

The businesses include organisations and individuals engaged in producing or trading goods or services are subject to VAT.<sup>1</sup> Under Decree 180, the VAT reduction shall apply as follows:

- For businesses that remit VAT using the credit-invoice method shall be subject to an 8% VAT rate on goods and services that are previously taxed at 10% (“**Credit-Invoice Method Business**”).<sup>2</sup>
- For the businesses, including household and individual businesses, remitting VAT using the direct method (calculated as a percentage of revenue) shall receive a 20% reduction in the VAT calculation rate when issuing invoices for goods and services currently subject to a 10% VAT rate (“**Direct-Invoice Method Business**”).<sup>3</sup>

This reduction policy shall be consistently applied at all stages, including import, production, processing and trading, which aim to ease financial burdens on businesses and stimulate consumer demand.<sup>4</sup>

#### 2. Exclusions from VAT Reduction

However, the VAT reduction policy will not apply to certain industries, services, and specific goods. In particulars, the following shall be excluded from VAT reduction policy:

- Telecommunication, finance, banking, securities, insurance, real estate business;
- Metal and precast metal products, mining products (excluding extracted coal), coke mining, refined petroleum, chemical products. Detailed listings are provided in Appendix I attached to Decree 180;<sup>5</sup>
- Products subject to special consumption tax and information technology products, as detailed in Appendix II and III attached to Decree 180.<sup>6</sup>

#### 3. Requirements for invoice issuance

The Credit-Invoice Method Business must clearly declare the 8% VAT rate on invoices. Sellers of goods or service providers declare output VAT, while the buyers or service users declare and deduct input VAT based on the amount specified on the invoice.<sup>7</sup>

The Direct-Invoice Method Business, must show the amount before reduction in “Amount” column, the payable amount after the 20% reduction in the “Total Amount” row, and the note: “An amount equivalent to 20% of the tax rate used as the basis for calculating VAT is reduced according to Resolution 174.”<sup>8</sup>

#### 4. Implementation Period

The VAT reduction policy is effective from 01 January 2025 to 30 June 2025.<sup>9</sup> This six-month period provides temporary economic relief, aiming to reduce the cost of goods and services, alleviate financial pressures on businesses and stimulate consumer spending, thereby enhancing overall economic activity.

<sup>1</sup> Article 4 of Law on VAT No. 13/2008/QH12 issued by National Assembly on 3 June 2008

<sup>2</sup> Article 1.2a of Decree 180

<sup>3</sup> Article 1.2b of Decree 180

<sup>4</sup> Article 1.1d of Decree 180

<sup>5</sup> Article 1.1a of Decree 180

<sup>6</sup> Article 1.1b and 1.1c of Decree 180

<sup>7</sup> Article 1.3a of Decree 180

<sup>8</sup> Article 1.3b of Decree 180

<sup>9</sup> Article 2.1 of Decree 180



## 5. Conclusion

The enactment of Decree 180 underscores the Government's commitment to economic recovery and active support to businesses. Businesses are encouraged to carefully review eligible goods and services, adjust their accounting systems, and ensure strict compliance with the new VAT regulations to fully benefit from this policy. Such proactive measures will not only maximize the advantages for businesses but also contribute significantly to a resilient and dynamic economy environment.

## Contact Information

Should you have any questions, please feel free to contact our lawyers at the below email addresses.

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