



Important Update

Decree 20/2025/ND-CP Amending Decree 132/2020/ND-CP regarding Tax Administration for Enterprises engaging in Related Party Transactions

13 February 2025

Attention: Valued clients of Grant Thornton Vietnam

Grant Thornton Vietnam's Newsbrief: Decree 20/2025/ND-CP amending Decree 132/2020/ND-CP regarding Tax administration of enterprises engaging in related party transaction

On 10 February 2025, the Vietnamese Government has issued Decree No. 20/2025/ND-CP (Decree 20/2025) to amend certain Articles provide under Decree 132/2020/ND-CP (Decree 132/2020) regarding Tax administration of enterprises engaging in related party transaction. Decree 20/2025 will come into effect on 27 March 2025 and apply from tax year 2024.

Summary of Noteworthy Points

1 Definition of related party via financial borrowings

Decree 132/2020: Condition of loan principle from 25% of equity of borrower and from 50% of total value of medium and long-term liability

Decree 20/2025: Condition of outstanding principle from 25% of equity of borrower and from 50% of total outstanding balance of medium and long-term liability

2 Supplements of exemptions (disqualifications of related parties) toward financial institutions:

1. Lender as a financial institution and borrower, without any direct or indirect controllership (via management, capital contribution or investment)
2. Lender as a financial institution and borrower, both of whom are under common controllership of another party



Additional Amendments

Definition of factual controllership

Decree 132/2020: Independent branch was not defined

Decree 20/2025: Supplement "Branches with independent accounting performing declaration and corporate income tax submission"

Addition of related party of financial institution

Decree 132/2020: N/A

Decree 20/2025: Related party involving a financial institution shall follow respective definition under Law of Financial institution

State Bank of Vietnam Responsibilities

Supplement on responsibility of the State Bank of Vietnam

Supplement of responsibility of information submission, covering related personnel of Board of Management of Financial Institution or shareholder with 1% or above equity of financial institution

New Template

Decree 20/2025 has also provided a new template of Appendix I - Disclosure of Related party and Related party transaction. This new template will replace the current template as provided under Decree 132/2020.



Transitional Rules

1

Applicable Tax Years

Transitional rules will apply for tax years 2020, 2021, 2022 and 2023.

2

Eligible Taxpayers

Taxpayers only incur related party borrowing transaction with financial institution as regulated under Decree 132/2020 subject to disqualifications conditions provided under Decree 20/2025 are allowed to allocate non-deductible and non-transferred expenses toward upcoming period per guidance.





Recommendations

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Review Related Parties

Review the related party/parties who are financial institutions and conduct proper disclosure from tax year 2024

Review Non-deductible Expenses

Review the non-deductible and non-transferred interest expenses in 2020-2023 and plan properly for transferrability purposes in case of qualification

Review Branch Compliance

Review the compliant status of branch(es) with independent accounting and prepare necessary compliant document from tax year 2024, especially in the event of difference in corporate income tax rate

Consult Tax Advisors

Consult with tax advisors on further impacts of Decree 20/2025 for more detailed and professional guidance



Contact us

Grant Thornton (Vietnam) Limited will continue updating Decree 20/2025 and associated impacts with more details in our subsequent publications. Should you need further clarification on the above matters, please do not hesitate to contact us for discussion.

Hoang Khoi

National Head of Tax, Senior Partner

E Khoi.Hoang@vn.gt.com

T +84-28-3910 9277

Do Vu Bao Khanh

Transfer Pricing Director

E Khanh.Do@vn.gt.com

T +84 24 3850 1618