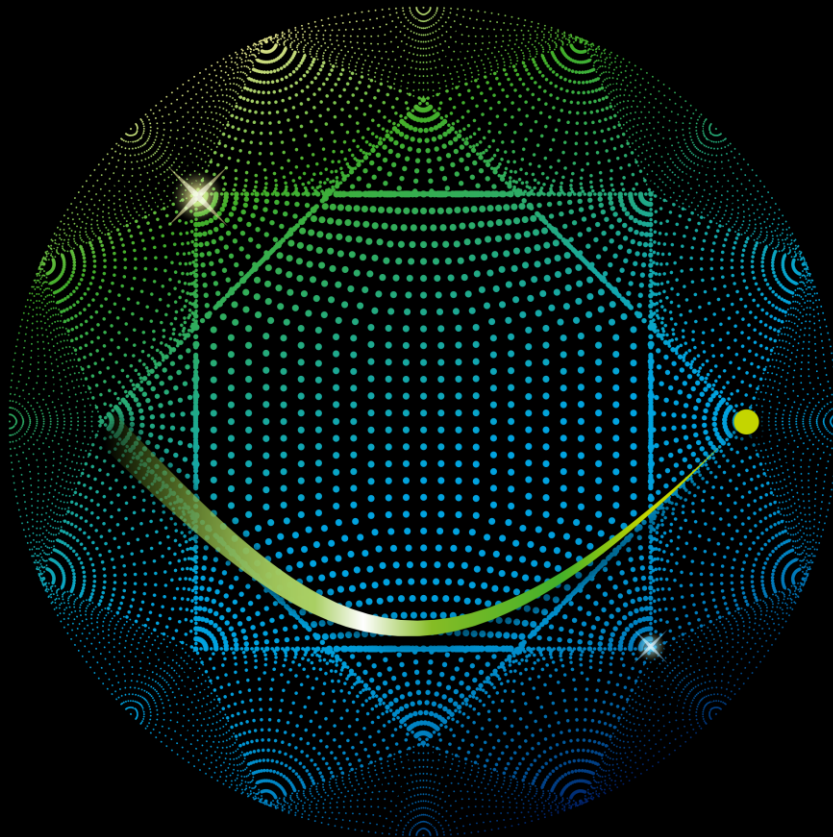


TAX & LEGAL ALERT

Decree No. 20/2025/ND-CP which provides amendments and supplement on Decree No. 132/2020/ND-CP issued by the Government of Vietnam guiding tax compliance for enterprises having related party transactions

February 2025



Decree No. 20/2025/ND-CP which provides amendments and supplement on Decree No. 132/2020/ND-CP issued by the Government of Vietnam guiding tax compliance for enterprises having related party transactions

On 10 February 2025, the Government issued Decree No. 20/2025/ND-CP (herein referred to as “Decree 20”) amending Decree No. 132/2020/ND-CP dated 05 November 2020 (“Decree 132”) guiding tax compliance for enterprises having related party transactions. Accordingly, Decree 20 revises and amends the following notable points:

No.	Notable point	Deloitte’s comments
1.	Clause 1, Article 1, Decree 20 revises, supplements point d, Clause 2, Article 5, Decree 132 regarding relationship type d related to credit institution	This amendment clarifies relationship type d and removes the classification of related parties in situations where enterprises receive substantial guarantees or loans from credit institutions without any capital contribution or management or control relationship. This amendment is considered as making positive impact on taxpayers, reflect the substance over form principle, lessen burden on compliance for enterprises only having loan borrowings, lending, guarantee transactions under normal business relationship with credit institutions.
2.	Clause 1, Article 1, Decree 20 revises, supplements point k, Clause 2, Article 5, Decree 132 regarding other relationship – type k	This amendment clarifies relationship type k – cases belonging to other relationship. Accordingly, independent branches are also subject to be declared as related party and under scope of transfer pricing compliance requirement.
3.	Clause 1, Article 1, Decree 20 supplements relationship type m – point m, Clause 2, Article 5, Decree 132 regarding credit institutions	This supplements regulation on related party type m of credit institution with subsidiaries, or with controlling companies, or with associated companies upon Law on credit institution. Accordingly, the stipulation on related party relationship of credit institution has been more reinforced, with reference to Law on credit institution.
4.	Article 3, Decree 20 stipulates non-deductible interest expenses and not yet carried forward in the taxable period from 2020 to 2023	<p>This amendment clarifies 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. This amendment is considered as making positive impact on taxpayers, ensure taxpayers’ right on non-deductible loan interest expenses in taxable period 2020 to 2023 continued to be allocated and carried forward to following taxable periods.</p> <p>In particular, in case an enterprise does not engage in related party transactions during the 2024 taxable period, non-deductible interest expenses and not yet carried forward to following taxable period until end of 2023 taxable period is allocated evenly and carried forward to remaining tax period in accordance with regulation under Decree 132.</p> <p>In case an enterprise engage in related party transaction in 2024 taxable period, the non deductible loan interest expenses and not yet carried forward to following tax periods follow regulation under point b, Clause 3, Article 16, Decree 132 (able to carry forward if total deductible loan interest expenses of the following taxable period is less than 30% of net profit generated from business activities within the taxable period plus loan interest costs arising after deducting deposit interests and lending interests arising within the taxable period plus depreciation/amortization expenses arising within that period of a taxpayer).</p>

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No.	Notable point	Deloitte's comments
5.	Clause 2, Article 1, Decree 20 revises, supplements Clause 2, Article 21, Decree 132 stipulating the responsibilities of ministries, ministerial-level agencies and People's Committees of centrally-governed cities and provinces	This supplement clarifies the State Bank's responsibility in coordinating to provide relevant information of related person of credit institutions for tax management purposes for enterprises having related party transactions with credit institution upon Tax Authority's request.
6.	Article 2, Decree 20 replaces Appendix I - Information on related party relationships and related party transactions issued with Decree 132 with Appendix I - Information on related party relationships and related party transactions issued with this Decree	The revised Appendix I issued with Decree 20 reflects revised and updated points in accordance with this Amendment Decree for declaring purpose.
7.	Effectiveness: Decree 20 will take effect from 27 March 2025 and apply from 2024 corporate income tax period onward.	Decree 20 which takes effect from 2024 taxable period is considered as timely for taxpayers to assess, revise the declaration of related party relationship and calculate interest rates exceeding capped amount from the 2024 taxable period.

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