

Tax & Legal Alert

New regulation on decentralization and delegation in application of advance pricing agreement (APA) under Decree No. 122/2025/ND-CP

June 2025

New regulation on decentralization and delegation in application of advance pricing agreement (APA)



Background

On 11 June 2025, the Government has officially issued Decree No. 122/2025/ND-CP ("Decree 122") on decentralization and delegation in tax administration. Accordingly, the advance pricing agreement (APA) mechanism has been adjusted in line with the general reform orientation in tax administration and management, creating more favorable conditions for enterprises with related party transactions, enhancing the effectiveness of preventing base erosion and profit shifting.

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Notable updates under Decree 122 regarding decentralization in APA application process compared with Decree No. 126/2020/ND-CP

Decree 122 provides more detailed, clearer and more concise regulations on the procedures for decentralization in the application of APA compared to Decree No. 126/2020/ND-CP ("Decree 126"), as detailed below:

No.	Decree 122 – New regulation	Decree 126
(i)	For bilateral and multilateral APA, there is no longer a step of <i>"submitting to the Government and the Prime Minister for comments on the signing of APA in accordance with the regulations of law on conclusion of international agreements"</i> .	The Government and the Prime Minister give opinions on the signing of bilateral and multilateral APAs in accordance with the regulations of law on conclusion of international agreements.
(ii)	For bilateral and multilateral APA, the Minister of Finance shall directly exercise authority to approve negotiation plans, give opinions, sign APAs, and determine APA effective dates.	The Ministry of Finance must consult with ministries, departments and submit the draft APA to the Government and the Prime Minister for comments, approval and conclusion.
(iii)	<p>The Tax Department shall carry out the process of exchanging and negotiating APA content, develop negotiation plan, seek opinions from relevant ministries and departments if necessary, and submit it to the Minister of Finance for approval before proceeding with negotiations.</p> <p>The Tax Department shall exchange, negotiate with taxpayers and foreign Tax authorities on the APA content according to the approved plan. Based on the negotiation content, Tax Department shall draft APA and submit it for approval and signing by the Minister of Finance.</p>	General Department of Taxation (now referred to as the Tax Department) shall exchange and negotiate with taxpayers and foreign Tax authorities on APA content, develop draft APA to submit to the leaders of the Ministry of Finance.



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2 Implementation provision of Decree 122

Transitional provisions: For bilateral and multilateral APA dossiers submitted to tax authorities before the effective date of this Decree and not yet reported to the Government and the Prime Minister, the authority to approve and sign bilateral and multilateral APAs shall comply with the provisions of this Decree.

This Decree shall take effect from 01 July 2025 and expire from 01 March 2027 (except for the cases specified in Clause 2, Article 10, Chapter IV of this Decree).

3 Positive impacts of Decree 122 on the APA process

Decree 122 is a step forward in tax administrative reform and transfer pricing management, with the following key innovations:

- **Increasing proactiveness, flexibility and efficiency in tax policy management:** Decree 122 empowers the Minister of Finance instead of looking forward to the decision of the Government or the Prime Minister as before. This helps Tax authorities to be more proactive and respond more promptly to domestic and international policy fluctuations, especially in the context of deep integration and the need for continuous reform.
- **Strongly promoting administrative procedure reform, reducing burdens for businesses:** The decentralization of management according to this Decree will contribute to shortening the time for processing records, cutting compliance costs and business conditions, in line with the administrative reform orientation for the period 2021-2030. This helps the business environment become more favorable, transparent and effective for businesses.
- **Speed up the processing of APA negotiation dossiers, improve anti-transfer pricing capacity:** Delegation of authority to the Minister of Finance in signing and approving APAs will help shorten the negotiation process with foreign Tax authorities, increase Vietnam's competitiveness in attracting foreign investment, and contribute to improving management efficiency in transfer pricing.
- **Ensure consistency in implementing international commitments:** Decree 122 is designed to not disrupt current international treaties and agreements, helping Vietnam maintain its reputation and commitments to international partners, while also being consistent with the global trend of increasing the authority of Tax authorities within the framework of international agreements.



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4 What shall taxpayers take into consideration?

Based on the important changes in Decree 122 on decentralization and delegation of authority in tax management, especially related to the APA mechanism, we would like to share some points that enterprises should consider at this stage:

- **Favorable time to apply APA in Vietnam in practice:** Decree 122 empowers the Minister of Finance to approve APA, which will help shorten the processing procedure, speed up the negotiation process and be consistent with international practices.
- **Reducing tax risks and stabilizing long-term financial plans:** APA helps enterprises and Tax authorities agree in advance on determining transfer pricing method, thereby minimizing the risk of tax arrears and disputes in upcoming tax audits. This is especially important for large-scale FDI enterprises operating across borders.
- **Increase management efficiency and save compliance resources:** Enterprises having concluded APA are exempted or reduced from the obligation to prepare documents for annual transfer pricing compliance, thereby saving time, costs and internal resources. APA also helps enterprises have a clear tax plan and be more proactive in their operations.
- **Enhance corporate reputation in the international business environment:** APA mechanism helps demonstrate the taxpayers' commitment to transparency and compliance with the law, contributing to attract investors, partners and regulatory agencies in many countries.





**Vietnam Tax Firm
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