

Vietnam: Proposal to Extend VAT Reduction into 2025

The Ministry of Finance of Vietnam has proposed an extension of the value-added tax (VAT) reduction for the first half of 2025. The VAT standard rate, which is currently set at 10%, would remain reduced to 8% for goods and services subject to VAT. This proposal comes as part of the government's broader strategy to support businesses and stimulate demand within the national economy.

Overview of the VAT Reduction

The 2% VAT reduction, introduced in 2022, applies to goods and services that are typically subject to the 10% VAT rate. Certain sectors are excluded, such as telecommunications, banking, insurance, real estate, refined petroleum products, and others.

This reduction has already been in place for businesses since 2022 and is seen as a critical policy in helping businesses lower their production costs and boosting consumer demand. The government is now considering extending this reduction into 2025, aiming to continue the support for business recovery and economic growth.

Economic Impact

The VAT reduction has significantly contributed to the economy's performance, with positive signs in multiple economic indicators. As of October 2024, the total retail sales of goods and services increased by 8.5% year-on-year, reaching VND 5,246.2 trillion, and export-import turnover surged by 15.8% year-on-year.

The Ministry of Finance believes that the VAT reduction has played a crucial role in:

- Lowering production costs, which has helped businesses increase profitability.
- Boosting consumer demand, contributing to increased sales and stimulating growth across sectors.
- Job creation, as companies that have benefited from the tax relief have been able to expand operations.

Proposal for 2025

In 2024, the Ministry of Finance submitted a proposal to extend the VAT reduction for the first six months of 2025. The 2% VAT reduction would continue to apply to goods and services that are subject to the standard 10% VAT rate, providing businesses with continued relief.



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The Ministry's proposal is part of an ongoing effort to address the challenges faced by businesses, such as high production costs and slowing domestic demand. The extension of the VAT reduction is seen as a vital tool to stimulate economic recovery and support business growth.

If approved, the VAT reduction will continue to provide substantial benefits to businesses and consumers in 2025, ensuring that businesses can manage costs effectively while encouraging increased consumption.



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