

DECREE 236/2025/ND-CP: VIETNAM ENTERS THE GLOBAL MINIMUM TAX ERA

Newsletter on Legal & Commerce – W&A Consulting & Law Firm

1. Context and significance

On 29 August 2025, the Government of Vietnam issued Decree 236/2025/ND-CP to implement Resolution 107/2023/QH15 on the Global Minimum Tax (GMT) regime. This is not merely a technical regulation but a strategic step aligning Vietnam with over 140 jurisdictions in the global effort to counter base erosion and profit shifting. The introduction of a 15% minimum effective tax rate will significantly reshape how multinational enterprise (MNE) groups plan and operate their tax strategies, while also creating pressure for Vietnam to pivot its foreign direct investment (FDI) policy away from tax incentives towards more substantive factors such as infrastructure, workforce quality, and investment climate stability.

2. In-scope taxpayers

Under the Decree, taxpayers are constituent entities of an MNE group (including companies, organizations within the group, and permanent establishments) whose ultimate parent entity (UPE) reports consolidated revenues of at least EUR 750 million in at least two of the four fiscal years preceding the fiscal year in scope. For newly established groups with less than four years of operation, the threshold applies if the EUR 750 million revenue test is met in at least two years.

Certain entities are excluded, such as government entities, international organizations, non-profit organizations, investment funds, real estate investment vehicles, and entities that are at least 95% owned by such excluded entities and solely carry out holding or ancillary activities.

In practice, this means that most subsidiaries, organizations, or permanent establishments of MNE groups in Vietnam—even if relatively small—may have filing and top-up tax obligations, since the scope is determined based on the group's consolidated revenue.

3. Qualified Domestic Minimum Top-up Tax (QDMTT)

The Decree establishes that all in-scope constituent entities with business activities in Vietnam and tax residency in Vietnam are subject to the QDMTT.

This mechanism enables Vietnam to collect the top-up tax domestically rather than leaving it to be collected abroad through the Income Inclusion Rule (IIR). In practice, many FDI enterprises currently benefit from a preferential corporate income tax (CIT) rate of 10% for extended periods. Under the QDMTT, such entities may need to pay an additional top-up tax to ensure an effective rate of 15%, rendering existing tax holidays nearly ineffective.

Furthermore, the Decree requires one designated constituent entity in Vietnam to act as the local filing entity responsible for determining and filing the obligations for all other Vietnamese entities of the group. Businesses must carefully choose this entity and build robust internal control systems to ensure accuracy and mitigate the risk of cascading consequences across all group entities in Vietnam.

QDMTT does not apply to constituent entities or permanent establishments with undetermined tax residence or to certain investment entities, ensuring clarity and preventing misuse of complex structures to avoid taxation.

4. Determining the top-up tax

Calculating the QDMTT top-up tax is complex and involves elements unfamiliar to many businesses, requiring numerous adjustments to accounting figures—far beyond simply applying 15% to profits.

First, **the effective tax rate (ETR)** in Vietnam must be computed as the adjusted covered taxes divided by the adjusted net GloBE income, in line with the OECD Global Anti-Base Erosion (GloBE) rules. Covered taxes include CIT and similar taxes recorded in financial accounts of Vietnamese constituent entities, adjusted for items such as deferred taxes and international accounting standards. If the ETR falls below 15%, the difference must be collected as top-up tax.

The base for top-up tax is not taxable income under Vietnamese CIT law nor local accounting profit, but rather the net income derived from the consolidated financial statements of the UPE (typically prepared under IFRS), before eliminating intra-group transactions and adjusted under GloBE rules. Net income can be reduced by substance-based

carve-outs—namely, a percentage of tangible assets and payroll costs—to encourage genuine investment in people and capital rather than profit shifting. For Vietnamese businesses relying mainly on tax incentives without substantial local substance, almost the entire shortfall will be subject to top-up taxation.

5. Income Inclusion Rule (IIR)

The scope is not limited to Vietnam-sourced income. Profits of low-taxed foreign subsidiaries or permanent establishments may also trigger a top-up tax in Vietnam. In such cases, the UPE, an intermediate parent entity, or a partially owned parent entity located in Vietnam will be responsible for applying the IIR, unless the jurisdiction of the low-taxed entity applies a qualifying IIR that takes priority.

The rule order is designed to prevent double taxation, but determining the proper priority can be challenging for large or complex MNE groups. Careful review is needed to avoid simultaneous applications at multiple levels.

As such, Vietnam may not only collect top-up tax on domestic profits but, in some circumstances, also on global income of Vietnamese-headquartered groups.

6. Transitional rules and relief measures

The Decree introduces transitional rules and relief measures to ensure that enterprises are not immediately faced with a “tax shock,” specifically as follows:

- Multinational enterprise groups in the initial stage of international investment: the top-up tax under the QDMTT in Vietnam is equal to 0 if the group:
 - operates in no more than six jurisdictions; and
 - holds less than EUR 50 million in tangible assets outside the UPE jurisdiction.
- During the transitional period from 2024 to 2026:
 - The top-up tax in a jurisdiction is determined as 0 when certain criteria are met, for example when revenue and profit are below the prescribed thresholds, the simplified effective tax rate meets the requirement, or the group is reporting losses.
 - No administrative penalties for errors or delays in filing the GloBE Information Return (GIR) or the top-up tax return, where discrepancies arise due to differences between international and local accounting standards.

These measures serve as a “buffer period,” allowing FDI businesses time to upgrade governance systems and standardize data before full-scale implementation.

7. Filing and tax administration

The filing obligation under the Global Minimum Tax rules is complex and requires enterprises to prepare simultaneously various documents from both the ultimate parent entity and the constituent entities, including: the top-up corporate income tax return, the Global Minimum Tax information return, the explanatory notes on differences arising from divergent accounting standards, the consolidated financial statements of the ultimate parent entity, and the financial data of each constituent entity.

The filing deadline is 18 months for the first year and 15 months for subsequent years. Filing is conducted through the electronic portal and the tax is paid into the central budget. In case of overpayment, enterprises are allowed to carry forward to the next period or request a refund.

The greatest challenge lies in ensuring transparent and consistent data across constituent entities, while at the same time explaining the differences between international accounting standards (generally applied at the group level) and the domestic accounting standards of each constituent entity.

8. Audits and penalties

Tax authorities are empowered to extend audits not only to the designated filing entity but to all constituent entities of the group in Vietnam. Common violations such as late registration, failure to update information, incorrect filings, or non-cooperation will be subject to administrative penalties. Late payments incur interest and potential enforcement measures (e.g., bank account freezes, suspension of invoices). A single non-compliant entity may expose the entire group in Vietnam to audit risks, creating significant spillover risks.

9. Practical implications and recommendations

The implementation of Decree 236 does not diminish Vietnam’s investment appeal. Instead, it creates a fairer and more transparent playing field for international investors. With tax incentives no longer decisive, MNEs will evaluate Vietnam on substantive strengths such as strategic location, improving infrastructure, skilled workforce, and deep integration into free trade agreements.

For MNE groups, compliance with the GMT framework provides impetus to standardize governance, enhance financial transparency, and strengthen internal capabilities. It is also an opportunity to restructure, optimize supply chains, and reinforce long-term investment strategies in Vietnam.

W&A recommends that businesses should conduct a thorough review of current structures, assess actual effective tax rates, establish dedicated compliance frameworks for GMT, standardize financial and accounting data in line with international standards. By doing so, Vietnam can position itself not only as an attractive investment destination but also as a sustainable manufacturing and services hub, securing long-term competitive advantages for MNEs in the global economy.

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