

Special Alert

VIETNAM'S 2025 LAW ON TAX ADMINISTRATION: A SHIFT TOWARD RISK-BASED MANAGEMENT

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On 10 December 2025, the National Assembly of Vietnam passed the 2025 Law on Tax Administration (the “**New Law**”), which will take effect from 1 July 2026 and replace the 2019 Law on Tax Administration (the “**Law 2019**” or the “**Old Law**”). The New Law reflects a fundamental shift in legislative approach by adopting risk-based management, enhancing transparency, and strengthening technology adoption. The overall objective is to simplify tax administration, reduce compliance costs, support business activities, and encourage voluntary compliance by enterprises.

Key highlights

- **Expansion of Taxpayers:** The New Law formally expands the definition of taxpayers, which now includes not only organizations, individuals, and entities (both domestic and foreign) conducting business activities at permanent establishments located in Vietnam (PE), but also organizations and individuals conducting business activities via e-commerce and digital platforms.
- **Risk-Based Taxpayer Classification:** Tax authorities will classify taxpayers based on their compliance history, subjecting high-risk groups to stricter supervision and control measures.
- **Digitization and Public Disclosure of Violations:** The New Law mandates the application of technology in administrative procedures and establishes public disclosure of taxpayer information as an official enforcement tool for serious non-compliance cases.
- **Strictly Prohibited Activities:** Additional prohibited acts are introduced to enhance the transparency and integrity of the tax administration system.
- Other notable amendments.

Expansion of Taxpayers

The New Law expands the definition of taxpayers to include local and foreign organizations and individuals conducting business in Vietnam, earning income arising in Vietnam, or operating businesses through e-commerce and digital platforms. This change aims to ensure a level playing field between domestic and foreign enterprises, between traditional business models (operating through PE) and modern business models (operating through e-commerce and digital platforms), and to align tax administration with the evolving digital economy, thereby reducing the risk of State budget revenue loss.

This is a significant change that organizations, individuals, and enterprises operating businesses via e-commerce or digital platforms must closely monitor. These entities are now formally classified as taxpayers and will be subject to stricter compliance requirements and closer supervision by the competent tax authorities.

Classification Criteria for Taxpayers

This is a new and notable feature of the New Law. Tax authorities are now empowered to classify taxpayers based on specific criteria, including business lines, sectors, operational characteristics and business models; legal form and ownership structure; operational scale, revenue, and contribution to the State budget; and tax compliance history.

Tax risk levels will be assessed primarily based on each enterprise's level of compliance.

This classification system reflects a shift toward risk-based and post-audit tax management, aiming to improve compliance behavior while allowing tax authorities to focus enforcement resources more efficiently and reduce unnecessary administrative burdens.

Enterprises should pay close attention to this mechanism and proactively adjust their compliance strategies to mitigate the risk of being classified as a “high-risk” taxpayer.

Technology Application and Information Security

The New Law formally embeds the application of technology, data, and digital transformation across tax administration by introducing an entirely new chapter compared to the Law 2019, under which tax administration activities are carried out based on the application of science, technology, and big data. Provisions on the tax administration information system have also been further elaborated and detailed.

Alongside these changes, the New Law introduces clearer rules on data security, confidentiality, and public disclosure of taxpayer information. A clear legal boundary is now established between confidential information and information subject to disclosure. Tax authorities are expressly permitted to publicly disclose taxpayer information in cases of serious violations, such as tax evasion, prolonged tax arrears, or failure to comply with official requests. Public disclosure is no longer an exceptional measure but a legally recognized enforcement tool.

Enterprises should carefully review the revised administrative procedures and strengthen internal controls to avoid

violations that could result in public disclosure and reputational damage.

Strictly Prohibited Activities

The New Law expands the scope of prohibited activities in tax administration, focusing on strengthening the integrity and transparency of the tax system, including:

- Abusing position or authority to unlawfully disclose or leak taxpayer information, falsifying the results of tax inspections or the handling of violations of laws on taxation.
- Obstructing, delaying, or failing to provide information or documents required for tax inspection, supervision, or the administration of other State revenues.
- Illegally creating electronic invoices or electronic documents, or using such invoices or documents to facilitate violations in the field of tax administration.
- Providing or disseminating false or misleading information that adversely affects the reputation or operations of tax authorities, taxpayers, or the tax administration information system.

From a compliance perspective, taxpayers should strengthen internal controls over data management and electronic invoicing systems, and ensure timely and accurate cooperation with the tax authorities.

Other Important Regulations

- Shortening the time limit for supplementary tax declarations: The time limit for submitting supplementary tax declarations in cases of errors or omissions is reduced from 10 years to 5 years. The New Law also clearly defines when supplementary declarations are permitted, including after inspections or examinations, and when enterprises must strictly follow conclusions issued by competent authorities.
- Business households and individuals are responsible for self-assessing their annual revenue for tax calculation purposes: The presumptive tax method is abolished to ensure consistency across tax laws. The New Law reinforces the principles of self-declaration, self-assessment, and self-responsibility in fulfilling tax obligations.
- Handling pre-existing tax debts: Tax debts arising before 1 July 2026 will be handled in accordance with the New Law. Taxpayers are advised to promptly review and address outstanding tax issues to avoid exposure to penalties under the updated framework.

Conclusion

The New Law represents a comprehensive reform and a clear move toward a service-oriented and risk-based tax system. By expanding the taxpayer base to include foreign entities and digital platform operators, classifying taxpayers, and

legalizing public disclosure of non-compliant taxpayers, the New Law promotes greater fairness and transparency in Vietnam's tax environment.

For taxpayers, the combination of simplified procedures and stricter enforcement, particularly the shortened supplementary declaration period, requires a higher standard of tax compliance. Taxpayers should proactively review their tax compliance status and prepare for digitalization requirements to manage legal risks ahead of the effective date of 1 July 2026.

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