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LEGAL ALERT

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Enterprises and Business Individuals Eligible for a 30% Reduction in Income Tax for 2026 and 2027



On 29 October 2026, the Government promulgated Decree No. 398/2026/ND-CP ("**Decree 398/2026**"), providing detailed guidance on Resolution No. 43/2026/QH16 ("**Resolution 43/2026**") regarding reductions in personal income tax ("**PIT**") and corporate income tax ("**CIT**") applicable to individuals and enterprises. Decree 398/2026 took effect on the date of its promulgation, i.e. 29 October 2026, and applies to the 2026 and 2027 tax years.

The following are the key provisions that business individuals, household businesses and enterprises should take note of.

1. Eligible taxpayers and conditions for tax reduction

- **PIT:** Resident individuals engaged in production and business activities (including household businesses) whose annual revenue in the 2026 or 2027 tax year does not exceed VND 10 billion.[1]

- **CIT:** Enterprises, cooperatives and public service units whose annual revenue in the 2026 or 2027 tax year does not exceed VND 10 billion.[2]

Note: The CIT reduction does not apply to enterprises established as a result of a division or separation after the effective date of Resolution 43/2026 (i.e. after 24 August 2026), where the aggregate revenue of the enterprises established following such division or separation exceeds VND 10 billion.

2. Tax reduction rate and calculation method

- **Business individuals:** A 30% reduction of the total PIT payable on income derived from all production and business activities, regardless of the applicable PIT calculation method.[3]

- **Enterprises:** A 30% reduction of the total CIT payable for the relevant tax year, regardless of the applicable CIT calculation method (including income from inheritances and gifts). Where an enterprise is entitled to other tax incentives, the 30% reduction shall apply to the remaining tax payable after deducting such incentives.[4]

3. If actual total revenue exceeds VND 10 billion/year

- **PIT:** Business individuals will not be entitled to the tax reduction for the relevant year and must pay back the entire amount of tax previously reduced. They must also file an amended tax return for the tax period in which cumulative revenue exceeds the VND 10 billion threshold. However, no late payment interest shall be imposed on the additional tax payable in this case.[5]

- **CIT:** Enterprises must declare and pay the full amount of CIT underpaid. Late payment interest shall be dealt with in accordance with applicable regulations.[6]

[1] Article 2.1 of Decree No. 398/2026
[2] Article 3.1 of Decree No. 398/2026
[3] Article 2.2 of Decree No. 398/2026
[4] Article 3.2 of Decree No. 398/2026
[5] Article 2.4(c) of Decree No. 398/2026
[6] Article 3.4(b) of Decree No. 398/2026

4. Cases where the tax payable must be adjusted, or tax increases/decreases following an inspection or audit

Where enterprises or business individuals submit supplementary tax declarations, or where competent authorities issue decisions or conclusions following tax inspections or audits in respect of the 2026 or 2027 tax year[7]:

- **Where the tax payable increases:** The additional tax amount remains eligible for the 30% reduction, provided that the taxpayer satisfies all applicable eligibility conditions.

- **Where the tax payable decreases:** The taxpayer must correspondingly reduce the amount of tax and deal with any tax overpayment (if any) in accordance with the laws on tax administration.

5. Tax declaration procedures for claiming the reduction

- **PIT[8]:**

  - ✓ Individuals shall self-declare the tax reduction using **Form No. 01** issued together with Decree 398/2026 and submit it concurrently with their relevant quarterly, first-half-year, second-half-year or annual tax declarations. Organisations or individuals responsible for tax withholding, tax declaration or tax payment on behalf of taxpayers shall declare the reduction using **Form No. 02** issued together with Decree 398/2026, together with their periodic tax declarations.

  - ✓ Where the tax reduction has not been declared, the taxpayer may submit a supplementary declaration or offset the reduction when finalising the annual tax liability.

- **CIT**: Enterprises shall independently determine the amount of CIT reduction when making quarterly provisional tax payments.[9]

The 30% tax reduction is expected to ease the tax burden on enterprises and business individuals, while improving cash flow and working capital for their production and business activities. To ensure proper application of the incentives under Decree 398/2026, enterprises and business individuals should proactively review all tax declarations submitted for 2026 to identify and claim any applicable tax reductions through supplementary declarations or adjustments, where necessary. They should also closely monitor cumulative revenue for each tax period to ensure timely compliance with their tax obligations if their revenue is likely to exceed the VND 10 billion threshold.

[7] Articles 2.4(dd,e), and 3.4(c,d) of Decree No. 398/2026

[8] Article 2.4(a,b,d) of Decree No. 398/2026

[9] Article 3.4(a) of Decree No. 398/2026

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