

Eliminating Flat-Rate Tax to Support Business Growth for Household Businesses

Vietnam is set to eliminate the flat-rate tax system for household businesses as part of an effort to modernize its tax system, support business formalization, and ensure a more transparent fiscal environment.

POLICY DIRECTION AND OBJECTIVES

Resolution 68 of the Politburo mandates the complete **elimination of the flat-rate tax for household businesses in Vietnam by 2026 at the latest**. Simultaneously, authorities are expanding the tax base by promoting the use of electronic invoices generated from cash registers.

Mr. Mai Son, Deputy Director of the Tax Department (Ministry of Finance), stated that this is a vital preparatory step for household businesses to grow into enterprises, enabling them to access support policies and resources to expand their operations.

“When the business environment is transparent and fair, household businesses are supported to grow stronger, gaining more opportunities to become enterprises and contribute significantly to the economy,” he said.

According to the Ministry of Finance representative, transitioning from flat-rate tax to self-declaration and tax payment based on actual revenue ensures a more accurate reflection of business performance, adhering to the principle of “*taxpayers self-declare, self-pay, and take responsibility.*”

IMPLEMENTATION AND TIMELINE

Eliminating the flat-rate tax also modernizes the tax system and improves management efficiency. When household businesses self-declare on digital platforms, tax authorities can provide maximum support through user-friendly electronic applications. This also helps prevent fraud and tax evasion, fostering fair competition as all household businesses comply with the same transparent system.

Vietnam currently has over 5.2 million household businesses, generating 8-9 million jobs, comparable to the private corporate sector. Many household businesses, accustomed to flat-rate taxation, have not prioritized bookkeeping or transparent revenue reporting. With the removal of flat-rate tax, they will need to adopt accounting practices, invoices, and documentation similar to those of small or micro-enterprises.

While the flat-rate tax will be fully phased out next year, **Decree 70** stipulates that, starting **June 1, 2025**, household businesses with annual revenues

exceeding 1 billion VND in certain sectors (e.g., food and beverage, hospitality, retail, passenger transport, beauty services, entertainment) must transition earlier. According to Mr. Sơn, this is a preparatory step to help larger household businesses adapt to the new management system.

To support household businesses in this transition by 2026, Mr. Mai Sơn noted that the Ministry of Finance is finalizing tax management policies to completely eliminate the flat-rate tax mechanism. The Ministry is also reviewing amendments to the Personal Income Tax and Value-Added Tax Laws to adjust the annual revenue threshold for tax exemptions.

“These adjustments aim to ensure that household businesses with revenues below a certain threshold remain tax-exempt, aligning with the increase in family circumstance deductions for personal income tax, thus easing the tax burden for small and micro businesses,” he explained.

DIGITAL TRANSITION

The Ministry of Finance is committed to simplifying accounting, invoicing, and documentation requirements to make compliance easier for household businesses. Authorities will collaborate with software providers to offer free accounting and invoicing tools. Additionally, increased support, guidance on accounting, tax, and legal matters will be provided to help household businesses adapt to transparent bookkeeping and invoicing without excessive administrative or cost burdens.

Furthermore, the tax authority is streamlining procedures and leveraging technology in tax management to help household businesses and small enterprises comply with tax and accounting regulations, minimizing errors and time spent on tax obligations.

Local governments are also encouraged to provide financial support for struggling household businesses (e.g., poor households or those in remote areas lacking equipment) to facilitate their adoption of these solutions. In parallel, tax authorities will enhance data integration and sharing with relevant ministries and agencies to closely monitor household business activities after the flat-rate tax is abolished. This will enable timely detection and identification of tax risks or legal violations. By leveraging centralized data systems, tax authorities can cross-check declared revenues with payment flows, electronic invoice data, or information from banks and market regulators. This allows them to identify household businesses showing signs of tax evasion or invoice fraud for inspection and action.