

VIETNAM: FOREIGN CONTRACTOR TAX (FCT) – KEY CHANGES IN 2026

On **12 March 2026**, the Ministry of Finance issued **Circular No. 20/2026/TT-BTC** providing detailed guidance on the implementation of the Law on Corporate Income Tax No. 67/2025/QH15 and Decree No. 320/2025/ND-CP. The Circular took effect on the date of issuance and applies from the 2025 tax period. It **introduces significant changes to the corporate income tax (CIT) rules applicable to foreign contractors** and replaces the corresponding provisions under Circular No. 103/2014/TT-BTC.

KEY CHANGE: DETERMINATION OF TAXABLE REVENUE

Under Article 7 of Circular No. 20/2026/TT-BTC, CIT taxable revenue for foreign contractors is generally determined based on the total revenue received, before deduction of taxes payable, including expenses paid on behalf of the foreign contractor by the Vietnamese party, where applicable.

Compared with Circular No. 103/2014/TT-BTC, the new provisions no longer expressly exclude VAT from the definition of CIT taxable revenue. This change may affect the determination of the CIT tax base and tax gross-up calculations. Businesses should carefully assess the applicable treatment based on the contractual terms and relevant tax guidance

TRANSITIONAL RULES FOR EXISTING CONTRACTS

Under Clause 4, Article 10 of Circular No. 20/2026/TT-BTC, contracts applying the hybrid method under Circular No. 103/2014/TT-BTC and signed before 12 March 2026 may continue to determine CIT obligations under the regulations effective at the time of signing until the contracts expire.

Businesses should review their existing foreign contractor agreements to determine the applicable rules and assess whether tax calculations and internal procedures need to be updated.

PRACTICAL IMPLICATIONS FOR BUSINESSES IN VIETNAM

Businesses making cross-border payments should consider the following actions:

- Review existing foreign contractor agreements and assess the applicable transitional rules;
- Reassess CIT taxable revenue and tax gross-up calculations, particularly for contracts under which the Vietnamese party bears the contractor's tax liabilities;

- Update tax calculation, declaration and documentation procedures where necessary;
- Seek clarification from the relevant tax authority where the treatment of VAT in CIT taxable revenue remains uncertain.