



VAT Input Tax Deduction

**11-Checkpoint Compliance Checklist for FDI Enterprises
in Vietnam**

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VINA BOOKKEEPING



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VAT Deduction: 11 Critical Checkpoints

A comprehensive compliance guide for FDI enterprises operating in Vietnam — ensuring every input VAT claim is fully defensible under Vietnamese tax law.



Risk Identification

Each checkpoint highlights a common VAT deduction pitfall that frequently triggers tax authority adjustments and penalties.



Practical Solutions

Actionable remedies and internal controls designed to protect your input VAT claims and ensure CIT deductibility.



Full Compliance Coverage

From cash payment thresholds to export documentation — covering all major risk areas across the VAT lifecycle.

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CHECKPOINT 1 OF 11

Non-Cash Payment Threshold

The VND 5 Million Rule

Risk

Cash payments for invoices with a total value of **VND 5 million or more** (VAT inclusive) result in the **full input VAT being disallowed** — and simultaneously excluded from deductible expenses for CIT purposes.



Solution

Establish a **hard cash spending limit** in the company's Financial Regulations (cash only for transactions strictly below VND 5 million). Mandate bank transfers via the **enterprise's registered bank account** for all transactions of VND 5 million or above.

Multiple Purchases from the Same Supplier — Same Day

Risk

Splitting invoices to keep each one below VND 5 million for cash payment — but the **aggregate from the same supplier on the same day reaches $\geq$ VND 5 million**. The tax authority will consolidate all transactions and recover previously claimed input VAT.



Solution

Configure an **automated filter in the accounting system** to scan each supplier's Tax ID (MST) by date. If the cumulative daily value from a single supplier reaches $\geq$ VND 5 million, the system must **force consolidation and require bank transfer** for payment.



Employee Personal Payment Authorization

Risk

Employees use **personal accounts or personal cards** to pay for business travel or company purchases — but without a proper authorization policy or reimbursement documentation, the input VAT **fails the deductibility conditions**.



Solution

Explicitly define personal payment authorization in the **Financial Regulations**. The mandatory documentation set includes:

1. Authorization letter / business trip decision.
2. Invoice bearing the **company's name and Tax ID (MST)**.
3. Bank transfer proof showing reimbursement **from the company's account to the individual**.

Deferred / Installment Purchases with Due Payment Dates

Risk

Claiming input VAT immediately upon receipt of an installment purchase invoice — but when the contractual payment due date arrives, **no non-cash payment evidence exists**, or the payment remains overdue and unsettled.



Solution

Monitor debt aging strictly against the contract schedule. If the due date passes without a bank transfer, the accountant must **file an adjustment declaration to reduce the previously claimed input VAT**. Input VAT may only be re-claimed once actual bank payment is confirmed.

VAT Deduction for Passenger Vehicles (≤ 9 Seats)

Risk

Claiming the **full input VAT** on passenger vehicles with 9 seats or fewer where the purchase price exceeds **VND 1.6 billion** — unless the vehicle is used for transport, tourism, or hotel business operations.



Solution

Only claim input VAT corresponding to a vehicle cost of **VND 1.6 billion or below** (maximum VND 160 million VAT at 10% rate). The input VAT attributable to the portion exceeding VND 1.6 billion must be **capitalized into the fixed asset cost** instead.



Input VAT within Foreign Contractor Tax (FCT) — Tax Paid on Behalf

Risk

The Vietnamese enterprise pays FCT VAT on behalf of the foreign supplier but either **forgets to claim the input VAT deduction**, or claims it before the FCT has actually been remitted to the State Budget.



Solution

The qualifying document for FCT VAT deduction is the **State Budget Payment Receipt (Giấy nộp tiền vào NSNN)**. The deduction must be declared in the **tax period when that payment receipt is issued** — not based on the foreign supplier's invoice date or the payment date to the contractor.

Supplier "Absconded / Abandoned Business Address" Risk

Risk

An input invoice was valid at the time of purchase — but the supplier is **subsequently notified by the tax authority as having absconded or ceased operations**, causing the invoice to be flagged as high-risk and the input VAT potentially disallowed.



Solution

Check the supplier's active status on the General Department of Taxation portal before making payment. Maintain a complete **"Proof of Genuine Transaction" dossier** including: Contract, Handover Minutes, Warehouse Issue/Receipt Voucher, Bank Transfer Receipt, and Transport Documents — for use in any tax authority inquiry.

Debt Set-Off or Third-Party Payment Arrangements

Risk

Conducting bilateral or trilateral debt netting, or authorizing payment through a third party — but **without the arrangement being stipulated in the contract** or without a properly executed debt reconciliation minute.



Solution

The set-off / third-party payment clause must be **explicitly stated in the Economic Contract** or a Contract Addendum. A **Debt Reconciliation and Set-Off Minute** must be prepared, bearing the full signatures and official seals of all participating parties.



Supplementary VAT Declaration for Errors or Omissions

Risk

Discovering an omitted or incorrectly declared invoice but filing the supplementary return in the **wrong tax period**, or filing **after the tax authority has already issued an official inspection or audit decision** at the company's premises.



Solution

Omitted input invoices may be supplemented in **any tax period when the error is discovered** — but this must occur **before the tax authority officially announces its inspection or audit decision**. File a Supplementary Tax Return (KHBS) with a clear written explanation of the discrepancy.

Export VAT Deduction Dossier (0% Rate)

Risk

Exported goods/services have their input VAT deduction **disallowed by the tax authority** — or even re-assessed at 10% — due to missing customs declarations, international payment proof, or transport documentation.

Solution

Ensure the complete **5-component export dossier** is on file:

1. Export Contract.
2. Commercial Invoice / Service Invoice.
3. Customs Declaration (cleared status).
4. Non-cash international payment evidence (bank transfer from overseas buyer).
5. Bill of Lading, Packing List, and Insurance Certificate (where applicable).



VAT on Promotional, Gift, and Internal Consumption Goods

Risk

Input VAT on goods purchased for **promotions, gifts, advertising, or internal consumption** is disallowed because: the promotional program was not registered/notified with the Department of Industry and Trade, or the output invoice was issued with an incorrect tax base.



Solution

Notify or register the promotional program with the Department of Industry and Trade as required by regulations (where applicable), or ensure the goods/services used for promotions, gifts, advertising, or internal use **directly serve the enterprise's production and business activities**. Issue full VAT invoices for gifts and internal consumption items in accordance with regulations.

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