



## **Tax alert: Interest expense deduction limit raises to 30 percent from 20 percent to support businesses**



The Vietnamese Government has recently issued Decree No. 68/2020/ND-CP (“Decree 68”) in order to amend and supplement Point 3, Article 8 of Decree No.20/2017/ND-CP with regards to the deductibility of interest expenses for the calculation of Corporate Income Tax. Some noteworthy points in the new Decree are as follows:

First, the calculation of interest expense for deductibility purposes has changed to net interest expenses, which is defined by excluding financial income from savings and loans from interest expense.

Second, the maximum deductibility of interest expenses has been raised from 20% of earnings before interest, tax, depreciation, and amortization (EBITDA) to 30% of net EBITDA.

Third, non-deductible interest expenses which exceed the above 30% cap in the current tax year could be carried over to max out the 30% cap of upcoming tax years. The maximum carry-over period shall be five (5) consecutive years.

Fourth, the calculation of deductible interest expense per Decree 68 could be retrospectively applied to tax years 2017 and 2018. Impacted enterprises are required to review and revise the Corporate Income tax return and submit the amendment prior to 1 January 2021.

Decree 68/2020/ND-CP will take effect from the tax year 2019 onward.