VAT INPUT DEDUCTION AT RISK IF PAYMENT IS DELAYED

POTENTIAL RISKS FOR UNIONS

VAT Input Deduction at Risk if Payment is Delayed: Tax Update from July 1, 2025

Updates on VAT Law 2024, Decree 181/2025, and Official Letter 434/VLO-QLDN2

Effective from **July 1, 2025,** the **VAT Law 2024** and **Decree 181/2025/ND-CP** will introduce significant changes to the treatment of deferred or installment payments for goods and services. One of the most critical issues for businesses is the **eligibility for VAT input deduction** when payments are delayed.

Key Changes

According to Decree 181/2025, businesses are still allowed to claim VAT input deductions even before the payment deadline. This flexibility helps improve cash flow management. However, there is a crucial condition: **at the time the payment becomes due, businesses must provide valid non-cash payment evidence**. Otherwise, the VAT already deducted must be adjusted downward.

Guidance from Vinh Long Tax Department

Official Letter **434/VLO-QLDN2** (dated August 21, 2025) provides strict clarification:

If payment is made **after the contractual due date**, even via non-cash methods, the business will **lose the right to claim input VAT deduction.** This guidance represents a tighter interpretation compared to previous practices, where only cash payments triggered adjustment.

Practical Example

For example, if a business purchases equipment worth **VND 10 billion** with a payment deadline of **August 30, 2025**, but settles on **September 15, 2025**, the entire corresponding VAT (8–10% = VND 800 million – 1 billion) becomes **non-deductible.**

This directly increases costs, may be disallowed as deductible expenses for CIT purposes, and poses compliance risks during tax audits.

Risks for Businesses

- Loss of VAT input deduction
- Higher costs when CIT deductible expenses are rejected
- Increased compliance risks in tax inspections
- Negative impacts on financial credibility and contract managemen

Recommendations

To mitigate risks, businesses should:

- Review and ensure feasibility of payment terms in contracts
- Monitor due dates and avoid late payments
- Plan cash flow to ensure timely settlement
- Consult tax authorities and professional advisors
- Stay updated on the latest tax policies in 2025

Conclusion

While Decree 181/2025 does not provide detailed rules for late payments, Official Letter 434/VLO-QLDN2 reflects the tax authority's stricter stance: **delayed payments may result in forfeiture of VAT input deduction.** This is a crucial reminder for businesses in managing contracts, cash flow, and tax compliance.

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