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## Vietnam proposes extending 2% VAT cut to 2026 to sustain growth momentum

Vietnam's government has proposed extending its 2% value-added tax (VAT) reduction on most goods and services through the end of 2026, a move aimed at lowering business costs and fueling domestic demand. If approved, the extended policy would take effect from July 1, 2025, through December 31, 2026.

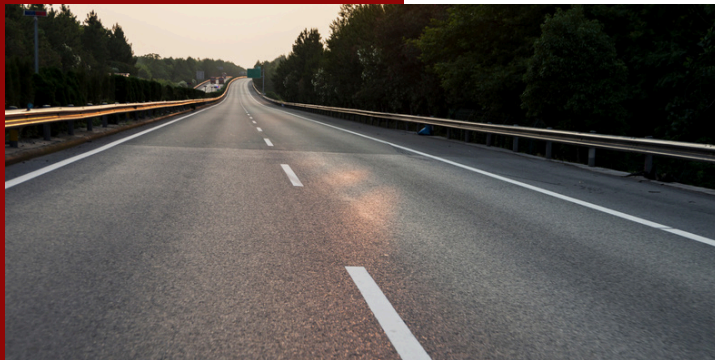
Finance Minister Nguyen Van Thang presented the proposal during the current National Assembly session, emphasizing its role in supporting the country's 2025 economic objectives—including a GDP growth target of 8% or more—and laying the groundwork for double-digit growth in the 2026–2030 period.

Originally introduced in 2022 as part of Vietnam's post-pandemic recovery plan, the VAT cut from 10% to 8% has been extended multiple times. The Ministry of Finance reports that it has effectively reduced production costs, boosted consumer spending, and improved corporate profitability.

Key sectors excluded from the VAT cut include telecommunications, banking, insurance, real estate, mining (except coal), and items subject to special consumption tax (except gasoline). The policy is expected to reduce state revenue by approximately VND 121.74 trillion (~USD 4.8 billion) over the proposed period.

Despite the fiscal impact, Minister Thang argued that the measure will enhance macroeconomic stability, improve business conditions, and generate long-term economic returns through job creation and private sector expansion.

For investors, the extension signals continued pro-growth fiscal policy and a supportive environment for consumption-driven sectors. The National Assembly's Economic and Financial Committee has endorsed the proposal in principle, with recommendations for refinement to ensure fiscal discipline and implementation efficiency.



## Vietnam races toward 3,000 km of expressway by year-end

Prime Minister Pham Minh Chinh has called for urgent acceleration of key transport infrastructure projects, reaffirming Vietnam's goal to complete 3,000 kilometers of expressway by the end of 2025. Chairing the 17th meeting of the State steering committee for national and key transport projects on May 10, the PM emphasized that transport development remains a central pillar of Vietnam's economic strategy.

According to the Government news site, 80 major projects have been either launched or completed recently, and another 80 are planned to coincide with the 80th anniversary of National Day (September 2). The committee is currently overseeing 37 national projects comprising 95 sub-projects, spanning roads, aviation, and railway.

The Prime Minister urged members to resolve investment and procedural bottlenecks, particularly for expressway and coastal road systems. Specific targets include 1,000 kilometers of coastal roads and progressing railway links to Laos and China. A standout focus is the Lao Cai–Hanoi–Hai Phong railway, set to begin construction in 2025, which will enhance connectivity between Vietnam and international corridors extending to China, Central Asia, and Europe.

Since the steering committee's inception, 16 expressway projects have been completed, expanding the national expressway network from 1,163 km (2021) to 2,268 km, alongside the completion of Terminal T3 at Tan Son Nhat International Airport.

These efforts underline the Government's strong commitment to building a synchronous, modern transport infrastructure, critical for boosting logistics efficiency, regional connectivity, and long-term economic competitiveness. The Saigontimes

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## Vietnam's e-commerce sector is emerging as one of Southeast Asia's most promising investment frontiers

Vietnam's e-commerce sector is emerging as one of Southeast Asia's most promising investment frontiers. In 2025, online retail sales are projected to reach VND 387.5 trillion (US\$15.3 billion), representing a 21.5% year-on-year growth, far outpacing the overall retail industry. This growth is underpinned by strong digital infrastructure, high internet penetration, and a young, tech-savvy population.

For foreign investors, Vietnam offers both scale and momentum, supported by increasing adoption of AI, automation, and data analytics across the e-commerce value chain. Retailers are actively deploying:

- AI-powered personalization to boost customer loyalty
- RFID and real-time inventory tracking to reduce stock-outs
- Automated fulfillment centers to accelerate delivery

Social commerce—combining shopping with livestreaming and influencer marketing—is gaining significant traction and represents a key entry point for brands targeting Vietnamese consumers.

Affordable, fast-moving goods under VND 200,000 (US\$8) continue to dominate sales, creating high-frequency transaction volumes that drive platform stickiness. Yet, rising consumer expectations are also pushing retailers to invest in quality, reliability, and customer service—creating demand for advanced technology solutions and operational expertise.

Vietnamese retailers are increasingly turning to foreign partners for capital, digital capabilities, and global supply chain know-how. A 2024 study by Zebra Technologies showed that 79% of Asia-Pacific retailers plan to increase tech investments, and 41% believe Generative AI will redefine inventory and demand planning.

Vietnam's e-commerce is evolving rapidly—from a price-led market to a tech-enabled, customer-first ecosystem. With clear government support, a revised legal framework, and a rapidly expanding digital economy, Vietnam offers a fertile landscape for foreign investment in logistics, technology, consumer brands, and digital services.

For investors seeking high-growth, innovation-driven opportunities in Asia, Vietnam's e-commerce market in 2025 is ready for the next leap.

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## **Vietnam and Russia to accelerate nuclear power cooperation under new strategic partnership**

Vietnam and Russia have agreed to fast-track negotiations for a nuclear energy agreement as part of their newly elevated comprehensive strategic partnership, according to a joint statement released on May 11 following Party General Secretary To Lam's official visit to Russia.

The two countries committed to promptly signing intergovernmental agreements on nuclear power plant development in Vietnam. These agreements will emphasize the use of advanced technologies and strict adherence to nuclear and radiation safety standards.

Vietnam is targeting 8% GDP growth in 2025, with ambitions for double-digit expansion from 2026 onward. To meet an expected 12–14% annual increase in electricity demand, nuclear power is being prioritized as a reliable, clean energy source essential for diversifying the national energy mix and achieving carbon neutrality by 2050.

In preparation, the Vietnamese government is developing a policy framework to enable nuclear energy deployment by the end of this decade. Vietnam is also in discussions with other potential partners, including Japan, South Korea, France, and the United States, to support its nuclear ambitions.

Beyond nuclear energy, Vietnam and Russia will deepen cooperation in the oil and gas sectors, including crude oil supply, liquefied gas processing, and potential new power plant construction. Both sides also agreed to expand opportunities for Vietnamese energy firms in Russia and Russian firms operating on Vietnam's continental shelf.

This agreement signals Vietnam's strong commitment to long-term energy security through a balanced mix of traditional and clean energy sources, supported by international partnerships. VIR



## Vietnam approves gradual excise tax hikes on alcohol, tobacco, sugary drinks, and pick-up trucks

The National Assembly Standing Committee has approved a revised draft of the Law on Special Consumption Tax, introducing a phased increase in excise taxes on alcohol, beer, tobacco, and other selected products beginning in 2027.

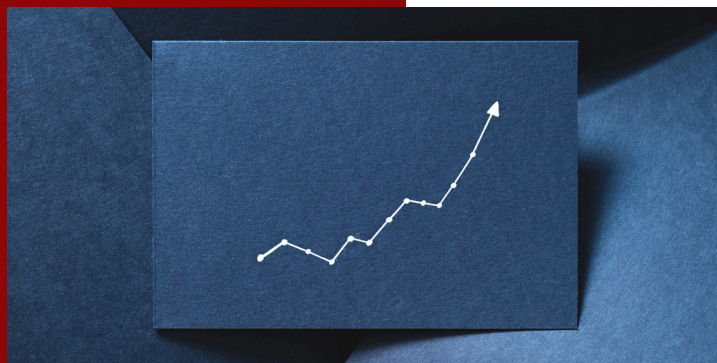
Under the new roadmap, alcohol over 20% ABV and beer will face a tax rate of 70% in 2027, rising by 5 percentage points annually to reach 90% by 2031. The approach reflects a slower increase compared to earlier proposals, allowing time for businesses and consumers to adjust.

Sugary drinks will be subject to a new excise tax—8% in 2027 and 10% in 2028. Finance Minister Nguyen Van Thang emphasized the move aligns with global health trends and mirrors the practices of 107 countries. The World Health Organization recommends a 20% minimum to curb sugar intake.

Excise taxes on air conditioners will now only apply to units between 18,000 and 90,000 BTU, addressing equity concerns for lower-income households. For pick-up trucks, a gradual tax increase of 3 percentage points per year starting in 2027 will replace an earlier plan for a sudden hike.

The law also exempts exported goods re-imported into Vietnam and items in bonded warehouses destined for re-export, avoiding double taxation. The government will retain authority to revise taxable items, subject to legislative oversight.

An excise tax on gasoline is also proposed to support Vietnam's net-zero emissions goal by 2050, potentially accelerating a shift to EVs and public transport. Taxes on plastic bags and other polluting products are under study, with implementation timing to be carefully managed. The Saigontimes



## Vietnam sees surge in large-scale foreign investments amid global shifts

Foreign investors are reaffirming their confidence in Vietnam as a strategic destination, ramping up investments in industrial infrastructure and large-scale projects despite global uncertainties. A recent standout is Sumitomo Corporation, which received in-principle approval in April to develop the \$115.8 million Thang Long Thanh Hoa Industrial Park. Covering 167 hectares, the project marks Sumitomo's fourth industrial park (IP) in Vietnam and is part of the Japanese conglomerate's broader expansion strategy. Discussions are underway to establish a second IP in Vinh Phuc, underlining the group's long-term commitment.

The renewed investment momentum comes as Vietnam reported \$13.82 billion in registered FDI in the first four months of 2025, up 40% year-on-year, with disbursed capital reaching \$6.74 billion, the highest four-month figure in five years.

Tech and energy are also drawing major interest. Qualcomm, the U.S. semiconductor giant, plans to establish its third-largest global AI R&D centre in Vietnam, following its acquisition of Vietnamese AI firm MovianAI from Vingroup. Meanwhile, South Korea's SK Group is proposing a \$2.35 billion LNG power project in Ninh Thuan and pursuing similar ventures in Nghe An and Thanh Hoa.

Vietnam's proactive diplomatic and policy responses—such as high-level dialogues with the U.S. following the introduction of countervailing tax measures—have reassured investors. "Vietnam has positioned itself as a key player in global supply chains," said Minister of Finance Nguyen Van Thang, citing continued expansions by U.S. and EU firms.

The trend signals a new wave of strategic foreign investment, with billions of dollars set to flow into advanced infrastructure, energy, and innovation sectors. VIR

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