

Forvis Mazars in Vietnam Alert

Thought catalysts

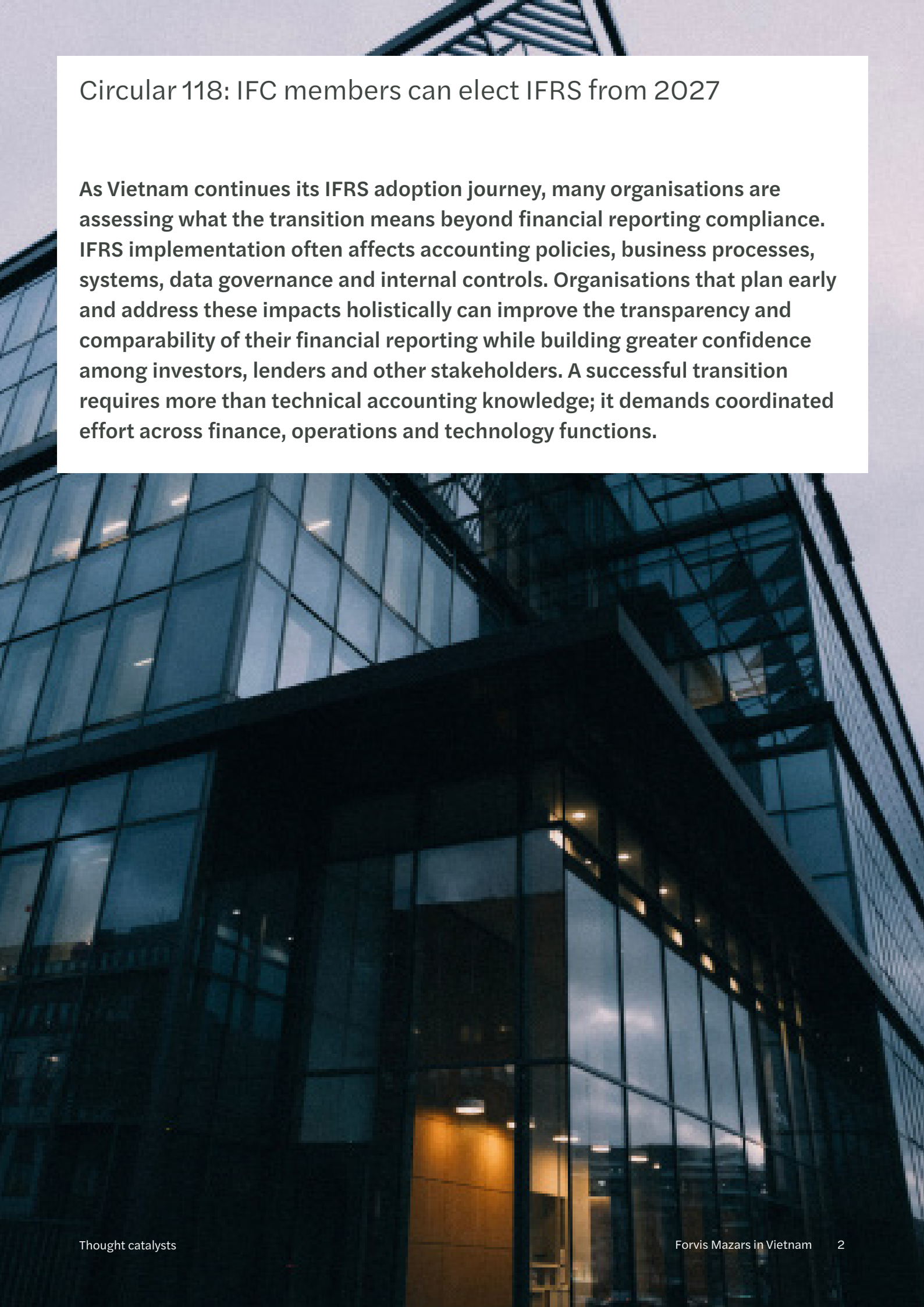
Circular 118: IFC members can elect IFRS from 2027

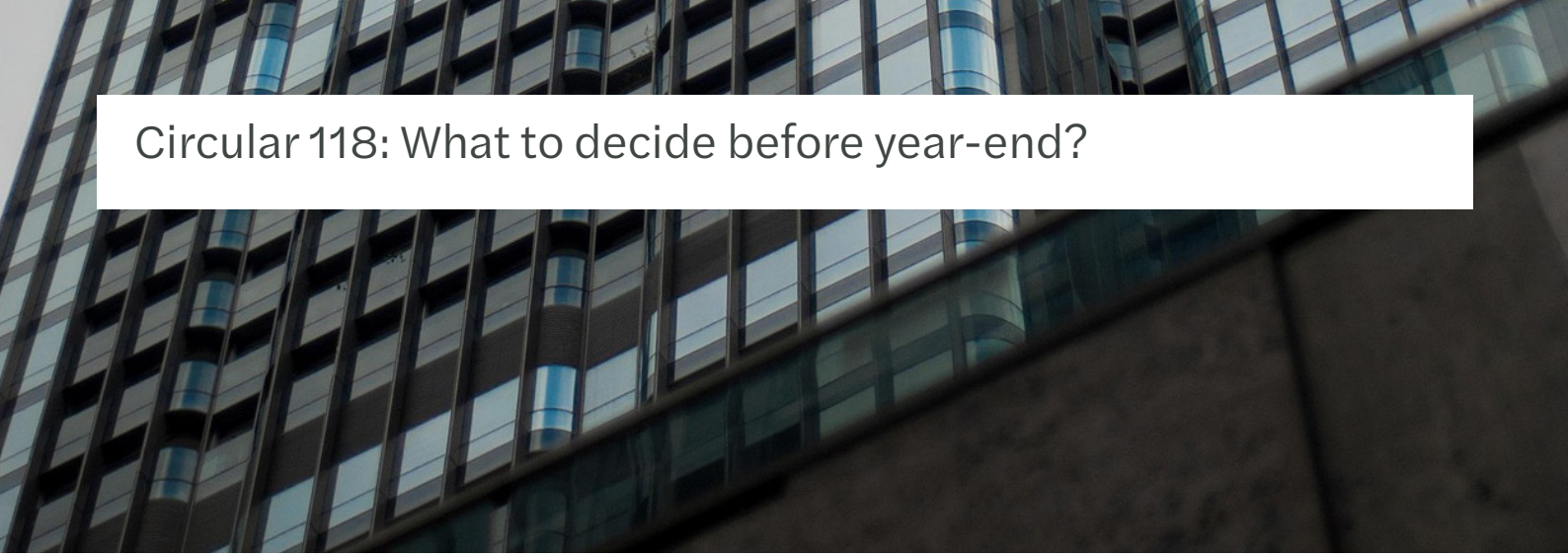
What to decide before year-end?

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Circular 118: IFC members can elect IFRS from 2027

As Vietnam continues its IFRS adoption journey, many organisations are assessing what the transition means beyond financial reporting compliance. IFRS implementation often affects accounting policies, business processes, systems, data governance and internal controls. Organisations that plan early and address these impacts holistically can improve the transparency and comparability of their financial reporting while building greater confidence among investors, lenders and other stakeholders. A successful transition requires more than technical accounting knowledge; it demands coordinated effort across finance, operations and technology functions.





Circular 118: What to decide before year-end?

Viet Nam: A specific application framework under Circular 118

On 18 August 2026, the Ministry of Finance issued Circular No. 118/2026/TT-BTC on the eligible entities, scope, and manner of applying International Accounting Standards (*) in Viet Nam under Clause 5, Article 3 of Decree 324/2025/ND-CP. It applies to enterprises and economic organizations that are members of the International Financial Center in Viet Nam (the IFC) within the scope of Resolution 222/2025/QH15 and related guidance. Those wishing to apply the standards, with sufficient capability and resources, may elect to use them to prepare and present financial statements and consolidated financial statements. [1]

The Circular takes effect on 1 January 2027 and applies to financial years beginning on or after that date. It establishes an election for eligible IFC members, not a general IFRS mandate for all Vietnamese enterprises. Entities already applying the standards under Resolution 222/2025/QH15 continue under the Circular, and the Ministry of Finance publishes and updates a list of applying entities on its portal. [1]

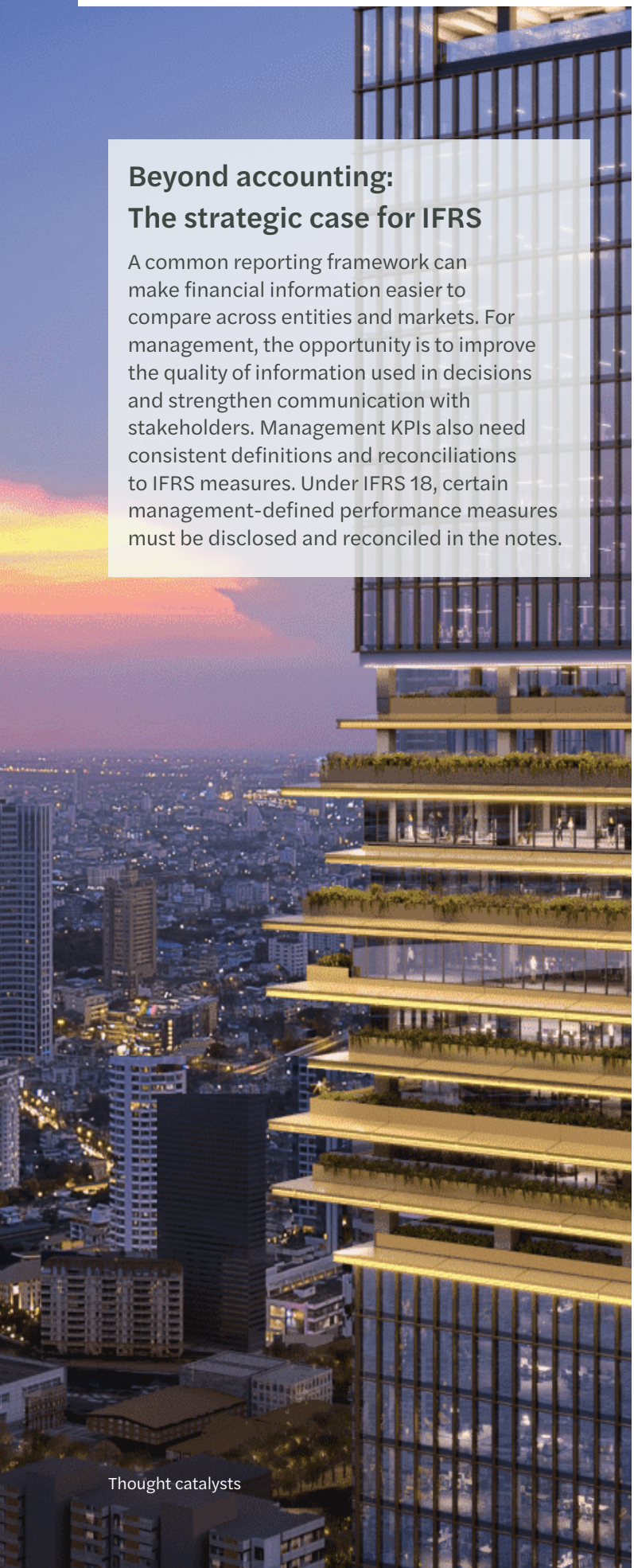
What eligible members need to consider?

- **Apply the standards in full, without modification.** Effective International Accounting Standards must be applied in their original form and consistently throughout the financial year. Commencement or discontinuation is permitted only at the beginning of the subsequent annual accounting period. [1]
- **Plan notification and reporting obligations.** Written notice must be sent to the Ministry of Finance at least 30 days before commencing or discontinuing application. For a 1 January 2027 start, this means early December 2026 at the latest. Financial statements and consolidated financial statements must be submitted to the IFC's Executive Body and Supervisory Body and competent Vietnamese authorities. Reporting periods, filing deadlines and public disclosure remain subject to applicable Vietnamese requirements. [1]
- **Maintain accountability and transparency.** Applying entities are responsible for their election, must provide complete information and clear explanations to tax, regulatory and supervisory authorities, and must include a statement of compliance in the notes to their financial statements and consolidated financial statements. [1]
- **Keep accounting and tax requirements distinct.** Circular 118 does not replace tax legislation: tax obligations continue to be determined under Vietnamese tax law. The implementation team should separately assess current and deferred tax consequences and maintain clear reconciliations between financial reporting and tax information. [1]

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[1] Circular 118/2026/TT-BTC, Articles 1–7, issued on 18 August 2026; Decree 324/2025/ND-CP, Clause 5, Article 3; Resolution 222/2025/QH15.

(*) Circular 118 uses "International Accounting Standards" as its regulatory term. This newsletter uses "IFRS Accounting Standards" or "IFRS" when discussing the financial reporting framework and first-time adoption under IFRS 1. In our view, the Circular's term should be read as the full body of standards issued by the IASB (IFRS, IAS and Interpretations), not only the standards titled "IAS".



Beyond accounting: The strategic case for IFRS

A common reporting framework can make financial information easier to compare across entities and markets. For management, the opportunity is to improve the quality of information used in decisions and strengthen communication with stakeholders. Management KPIs also need consistent definitions and reconciliations to IFRS measures. Under IFRS 18, certain management-defined performance measures must be disclosed and reconciled in the notes.

Five foundations of a successful IFRS transition

Technical accounting, project governance and data readiness need to be addressed together. We recommend five foundations:

Develop compliant, entity-specific accounting policies. Policies must follow IFRS requirements and reflect the entity's transactions and operating model. Business objectives inform implementation priorities, not departures from accounting requirements. Document permitted choices and significant judgements.

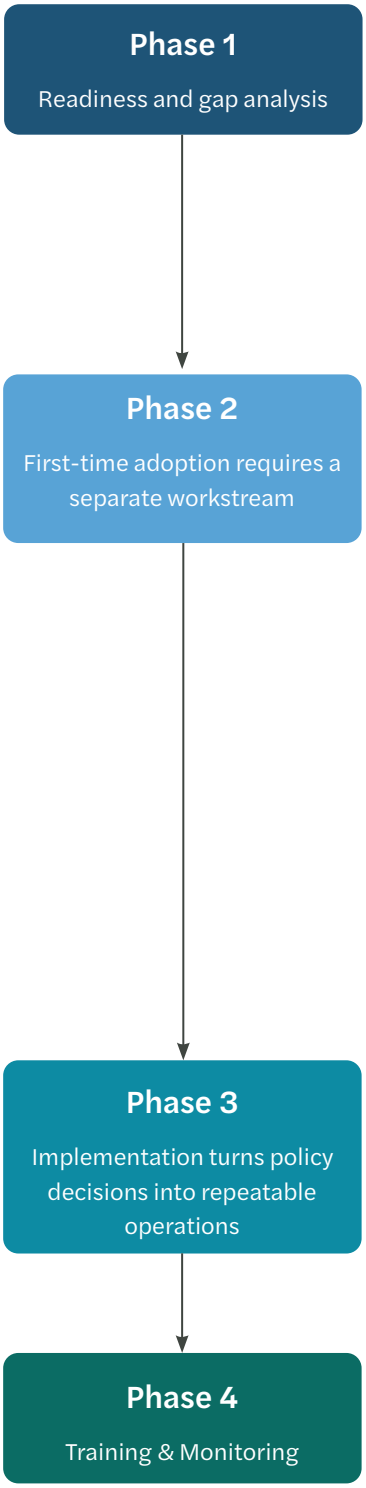
Assign cross-functional ownership. Appoint an executive sponsor and finance project lead. Involve operations, IT, treasury, HR and tax specialists as relevant, with named owners for data, technical decisions and controls.

Set measurable milestones. Include policy approval, the opening IFRS statement of financial position, comparative information, system readiness, draft disclosures and pilot reporting. Build regulatory notification and filing requirements into the project calendar.

Address complex areas early. Depending on the business, prioritize revenue, leases, financial instruments, impairment, income taxes, employee benefits, consolidation and presentation under IFRS 18, which applies from 2027. Escalate material judgements and data gaps before they affect the reporting timetable.

Communicate decisions and impacts clearly. Keep the board or members' council, lenders and relevant other stakeholders informed about progress, unresolved issues and material changes in reported results. Distinguish accounting changes from changes in underlying business performance.

The IFRS journey: From readiness assessment to business as usual



This phase starts with accounting differences and follows the supporting processes, data and controls end to end. Typical Viet Nam differences include statutory severance allowances, often accounted for as defined benefit obligations under IAS 19; operating leases brought onto the balance sheet under IFRS 16; expected credit losses replacing VAS provisioning under IFRS 9; goodwill tested for impairment rather than amortised under IAS 36; and functional currency determination under IAS 21. The output should be a prioritized action plan, with owners, data requirements and decision deadlines.

Circular 118 requires entities changing accounting frameworks to present comparative information and full disclosures under IFRS 1. IFRS 1 requires an opening IFRS statement of financial position at the transition date, consistent policies based on standards effective at the end of the first IFRS reporting period, assessment of mandatory exceptions and optional exemptions, and reconciliations explaining the transition's effects. The first IFRS financial statements include at least three statements of financial position, including the opening one. [1, 2]

Illustration, not a prescribed deadline: for an existing calendar-year entity whose first IFRS financial statements are for the year ending 31 December 2028, with one full comparative year, the transition date is 1 January 2027 and the comparative year is 2027.

If its first IFRS financial statements instead cover 2027, the transition date would ordinarily be 1 January 2026. The Circular's effective date is not automatically the IFRS transition date; management must determine the timeline from the first reporting period and comparative information presented.

Establish reliable lease registers, analyse customer contract terms (performance obligations, variable consideration), identify financial instrument data and integrate impairment assessments into the close. System enhancements and process redesign may be needed depending on volume and complexity. Controlled spreadsheets can support transition, but should have defined ownership, version control, reconciliations and review.

Training & Monitoring embeds IFRS into monthly and quarterly routines. Pilot closes, targeted workshops and structured reviews help teams apply policies consistently. Management should monitor unresolved judgements, data quality, reporting timeliness and control exceptions, with clear escalation and corrective actions.

[2] IFRS Foundation, IFRS 1, paragraphs 6–8, 12–18 and 21–33, and Appendix A; IFRS 18 Presentation and Disclosure in Financial Statements.

Circular 118: What to decide before year-end?



What businesses can gain from a well-managed transition

- Stronger systems and controls, through better data capture, documented decisions and repeatable reporting processes.
- Clearer international communication, through more comparable financial information for investors, lenders and group reporting.
- Greater reporting resilience, through defined responsibilities, trained teams and sustainable closing routines.

A practical first step

For eligible IFC members considering the election under Circular 118, we recommend completing an IFRS readiness assessment before committing to a reporting timetable. Confirm eligibility with the appropriate specialists, define the first reporting period and transition date, and assess accounting gaps, data, systems, controls and resources. Use the results to approve a phased roadmap, assign accountable owners and plan notification and filing obligations.

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