



Personal Income Tax

Vietnam Special Edition

The National Assembly of Vietnam passed the law on Personal Income Tax ("PIT"), which shall take effect from 1 January 2009, is applicable to both Vietnamese and foreigners.

We highlight below the important issues of the Law on Personal Income Tax.

FOR TAX RESIDENT

A tax resident means a person (i) being present in Vietnam for 183 days or more within the calendar year or within 12 consecutive months from the first date of arrival in Vietnam; or (ii) having a permanent residence in Vietnam, including the registered permanent residence or rented house in Vietnam under the a definite rent contract.

Taxable Income

- *Taxable business income:* including incomes from production, trade of goods and services and independent professionals. Taxable business income is determined as the turnover minus (-) reasonable expenses directly related to the generation of taxable business income in the tax period.
- *Employment income:* including incomes in the form of salaries, wages, remuneration, allowances (excluding the allowance for toxicity and danger, incentive allowance, regional allowance, severance allowance, termination allowance, other allowances paid by the Social Insurance, etc.) incomes from the membership of business associations, boards of management, boards of control, management councils and other organizations; other benefits in cash or in-kind received by the taxpayer.

- *Income from capital investment:* including interest from loans, dividends; income from other form of capital investment.
- *Income from capital transfer:* including income from transfer of capital contribution at economic organizations; income from transfer of securities; income from other form of capital transfer. The taxable income

from capital transfer is determined by the transfer price minus (-) the purchase price and reasonable expenses directly related to the generation of income from capital transfer. If the purchase price and expenses directly related to the transfer are unable to be determined, the taxable income is determined to be the transfer price of securities.

- *Income from transfer of immovable properties:* including income from transfers of land use right and properties accompanied with land; income from transfer of ownership or the right to use of resident houses; income from transfer of rights to lease the land or water surface; other incomes from transfer of immovable properties. The taxable income from transfer of immovable properties is determined by the transfer price of immovable properties each time minus (-) the purchase price of such immovable properties and related expenses (supported by receipts and invoices in accordance with laws). In case the purchase price and expenses related to the transfer of immovable properties are unable to be determined, the taxable income shall be the transfer price of immovable properties.
- *Income from prizes (for the portion exceeding VND10 million):* including lottery wins and prizes of all promotional forms; prizes in all betting and casinos; prizes in games, competitions and other prizes.
- *Income from copyrights (for the portion exceeding VND10 million):* including income from transfer of the right for use of subjects of intellectual properties and income from technology transfers.

- *Other taxable incomes (for the portion exceeding VND10 million):* including franchising income; inheritances or gifts being securities, capital in business organizations, immovable properties and other properties of which their ownership or use must be registered in accordance with laws.

Exempt income

- Income from transfer of immovable properties between spouses; parents and children; adopted parents and children; parents in-law and daughters or sons; paternal grandparents and grandchildren; maternal grandparents and grandchildren; and between siblings.
- Income from transfer of residential houses, residential land use right and properties accompanied with the residential land of individuals where they have a unique house or residential land use right.
- Interest income from deposits/savings in credit institutions and interest from life insurance policies.
- Income from overseas remittances.
- Salary for night-shifts, income for overtime which is paid higher than the daily salary or salary of office hours in accordance with laws.
- Pension paid by the Social Insurance.
- Income from the scholarships granted by the State budget or by national and international organizations.
- Income from insurance indemnities of life insurance policies, non-life insurance policies, compensations for accidents at work and compensations granted by the State and other compensations granted in accordance with other regulations.
- Income earned from charity (non-profit) funds which are approved and recognised by the State agencies for their establishment and operation for charity and humanitarian purposes.

- Income from foreign aids for charity and humanitarian in the government and non-government forms approved by the State competent agencies.

Conversion of taxable income

- Taxable income in a foreign currency must be converted into VND according to an averaged inter-bank exchange rate when the income is derived.
- Income in-kind shall be converted into VND in accordance with market price of the same or equivalent goods and services when the income is derived.

Tax period

- *For tax residents:*
 - Tax period for the business income and employment income is the calendar year.
 - Tax period for other taxable incomes is defined upon each time when the income is derived. For the income from securities transfer, the tax period is each time when the income derived or be the calendar year, applicable to income from the transfer of securities. If the individual adopts the calendar tax year, he/she must register it with the tax offices from the beginning of the year.
- *For non-tax resident:*
 - The tax period for all taxable incomes is defined upon each time when the income is derived.

Tax filing and refund

- Tax registration, declaration, withholding, payment, finalization, refund, and dealing with tax breaches and tax administration measures are implemented in accordance with the provisions of the law on tax administration.
- An individual is entitled to tax refund if: (i) The amount of tax paid is higher than the

amount of tax payable; (ii) he/she paid the tax, but his/her assessable income is under taxable threshold; and (iii) other cases according to decisions of the State competent agencies.

Family deduction

The family deduction, which is only applicable to tax residents, means the allowable sum to be deducted from the taxable business incomes and employment incomes prior to the assessment of tax. Family deduction includes two portions:

- Personal deduction of VND4 million/month for the taxpayer; and
- The deduction of VND1.6 million/month for each dependant of the taxpayer. (This deduction is only allowed the principle that each dependant is assessed once for each taxpayer).

A dependant means a person that the taxpayer has obligations to feed up or support, including: (i) infant or offspring being handicapped or incapable to work; (ii) individuals have no income or have incomes but does not exceed the regulated level, including: offspring studying in universities, colleges, high schools or technical and vocational schools; spouse who is incapable to work; parents over the working ages or incapable to work; other helpless persons that the taxpayer directly feeds up.

Allowable deduction for charity and humanitarian contributions

Charity and humanitarian contributions made to organizations and foundations (non-profit making) established or recognized in Vietnam are deducted from the tax resident's taxable business income and employment income prior to the assessment of tax.

Allowable deduction for insurance contributions

Compulsory contributions for Social Insurance, Health Insurance, indemnity insurances for some professions are deducted from the

resident's business income and employment income prior to the assessment of tax.

Marginal tax rates for tax residents business income and employment income

Bracket	Assessable income/year (VND million)	Assessable income/month (VND million)	Tax rate (%)
1	Up to 60	Up to 5	5
2	Over 60 and up to 120	Over 5 and up to 10	10
3	Over 120 and up to 216	Over 10 and up to 18	15
4	Over 216 and up to 384	Over 18 and up to 32	20
5	Over 384 and up to 624	Over 32 and up to 52	25
6	Over 624 and up to 960	Over 52 and up to 80	30
7	Over 960	Over 80	35

Flat tax rates for other taxable incomes

Taxable income	Tax rate (%)
Income from capital investment; income from copyrights; franchising income	5
Income from prizes, inheritances and gifts	10
Income from capital transfer	20
Income from securities transfer	0.1
Income from the transfer of immovable properties	
- If purchase expenses are determined	25
- If purchase expenses are not determined	2

FOR NON-TAX RESIDENTS

A non-tax resident means a person who does not satisfy the conditions of tax residents.

Flat tax rates for non-tax residents

Assessable income	Tax rate (%)
Business income	
- For trading activities	1
- For services	5
- For production, construction, transportation and other business activities	2
Employment income in Vietnam (irrespective of the location of income generation)	20
Capital investment (total amount received)	5
Capital transfer in Vietnamese organizations and individuals (total amount received)	0,1
Transfer of immovable properties (per transfer prices)	2
Income from technology transfer, franchising income (for the portion exceeding VND10 million each time)	5
Prizes, inheritances and gifts (for the portion exceeding VND10 million each time)	10

Responsibilities for PIT and disclosure of income information

- Income payers are responsible to declare, withhold, make payment and finalize the tax obligation for all types of taxable income paid to taxpayers.
- Individuals who derived the taxable income have the responsibility to declare, make payment and finalize the tax obligation in accordance with the regulations.
- Income payers have responsibilities to provide information on income and dependants of the taxpayers who are under their management in accordance with laws.