

# Vietnam

## *An Overview of Expatriate Personal Income Tax*

### ***Application***

The following individuals are covered by the law on PIT:

- Foreigners working in Vietnam and receiving income including employees of commercial, social or cultural organisations and individuals working independently;
- Other individuals indefinitely residing in Vietnam;
- Persons who are receiving income sourced from Vietnam, such as dividends or royalties, but who are not present in the country.

### ***Liability to PIT - resident foreigners***

Foreign individuals residing in Vietnam for 183 days or more within a consecutive period of 12 months from the date of that individual's arrival, or in subsequent calendar years, will be treated as a tax resident in Vietnam. As such, they will be subject to Vietnamese PIT on a graduated tax rates basis on all taxable income, regardless of where it is paid or earned. Generally, individuals are also regarded as resident in the year following any particular year in which they have been treated as resident for tax purposes. Resident foreigners are required to declare their full worldwide employment income to the Vietnamese authorities, regardless of where that income was paid.

### ***Liability to PIT - non resident foreigners***

Foreign individuals that spend between 0 and 182 days (arrival and departure days together count as one day as per international practice) in a consecutive 12 month period following the first date of arrival, or in subsequent calendar years, are considered non-resident for Vietnamese PIT purposes. Such individuals are subject to PIT at a flat rate of 25% on their Vietnam sourced income in the tax year, although relief may be available under any applicable Double Tax Treaty.

### ***Taxable Income***

The regulations divide this up into regular and irregular income and apply different rates of tax to each. Under the latest changes to the law it appears that income defined as irregular is now confined to lottery winnings (taxed at a flat rate of 10% for wins in excess of VND15 million) and technology assignments (taxed at a 5% for assignments with a value in excess of VND15 million). All other taxable income, including salaries, wages, bonuses, allowances etc... is taxed under the regular income rates which are as follows:

**Table 1.1 — Individual income tax rates for resident foreigners (2004, effective 1 July)**

Taxable income range (VND)	Income tax rate
Up to VND8,000,000	0%
VND8,000,001 - VND20,000,000	10%
VND20,000,001 - VND50,000,000	20%
VND50,000,001 - VND80,000,000	30%
Over VND80,000,001	40%

Note: There are no deductions, merely zero band rates

***Non Taxable Income***

This includes:

- Night shift allowances (not night shift wages)
- Hardship allowances
- Seniority allowances
- Mobility allowances
- Fixed meal allowances
- Termination allowances for government staff
- One off allowances for relocation expenses
- Insurance compensation
- Certain types of cash prizes from the State
- Severance/retrenchment allowances paid in accordance with the Labour Code

In addition, a temporary exemption has been granted from PIT for interest on bank deposits and savings accounts, profits from debentures, profits from bonds and profits from shares.

***Fringe Benefits***

There are a small number of fringe benefits which are either taxed at lower rates or are still considered free of tax, but the general rule is that fringe benefits are taxable. Examples of benefits which are still not taxable are air tickets for home leave for expatriate employee; tuition fee for expatriate employee’s children (up to high school level only) paid by the employer directly to the school. For pension, social security fund (under compulsory scheme) of expatriate employee’s home country which is contributed by the employer, documentations proving the legitimacy of the

contributions must be provided to substantiate the non-taxability. House rental paid by the company to the landlord is taxed at the lesser of the rental amount or 15% of the employee's total income.

### ***Foreign Tax Credits***

Persons residing indefinitely in Vietnam who are not Vietnamese citizens are entitled to a deduction against Vietnamese taxes due for any overseas tax paid on presentation of the required proof of payment. Unilateral credit is also available in respect of royalties. These provisions do not apply to foreigners working in Vietnam. Foreigners working as employees in Vietnam who fall subject to tax in two jurisdictions will only be able to obtain relief in Vietnam where a relevant Double Taxation Treaty is in force.

### ***Double tax agreements***

Vietnam has at present concluded double taxation agreements (DTAs) with 34 countries whilst numerous others are at various stages of implementation and negotiation.

The purpose of such agreements is to avoid the imposition of double taxation where an individual is a dual resident of two countries.

### ***Administration***

PIT has to be declared and paid provisionally based on actual monthly income received and is then finalised annually. Employers must withhold the PIT and pay over the taxes to the authorities based on the monthly provisional return by the 25<sup>th</sup> day of the month following the month to which the return related. The amounts paid over provisionally are reconciled to the year end final liability and any differenced settled at the time of submitting the annual return. Any excess taxes paid are generally deducted against future liabilities. Irregular income is taxed separately based on each transaction.

The tax year follows the calendar year. Employees' tax returns have to be filed no later than the 28<sup>th</sup> February of the following year or within 30 days of terminating a contract. Tax finalisation for a foreigner who leaves Vietnam is carried out up to the month of departure.