

Vietnam News Brief*

An update on Personal Income Tax ("PIT") in Vietnam

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PIT REDUCTION FOR ECONOMIC ZONES

Decree 29/2008/NĐ-CP issued on 14 March 2008 provides that a 50% PIT reduction is applicable to individuals working at economic zones. The Ministry of Finance has recently issued Circular 176/2009/TT-BTC dated 9 September 2009 providing further guidance on this issue.

According to Circular 176, the employment income subject to 50% PIT reduction include salary/wages of employees who sign labour contracts with employers located both inside and outside economic zones but physically work at the economic zones.

Circular 176 shall be effective 45 days from the date of signing but the 50% PIT reduction shall be applicable from 1 January 2009.

The preamble of Circular 176 refers to Decree 29 which applies to industrial zones (IZs), export processing zone (EPZs) and economic zones (EZs). This provides some suggestion that individual working in IZs and EPZs may be entitled to the 50% PIT reduction. However, the body of Circular 176 only refers to EZs when outlining the entitlement to 50% PIT reduction. It seems unlikely that individuals working in IZs and EPZs will be entitled.

Should you wish to get further clarity, please do not hesitate to contact your regular PwC contact or one of the representatives below.

This publication is intended for general guidance only and should not form the basis of specific decisions. Please contact us for further information and details of our services. In Ho Chi Minh City: contact David Fitzgerald, Richard Irwin, Jean Loi, Sira Intarakumthornchai (Tax), Phan Thi Thuy Duong (Legal), Kenji Murayama (Japanese Business), Ian Lydall (Audit), Steve Gaskill (Advisory) at phone (84-8) 38230796, fax (84-8) 38251947. In Ha Noi: contact Dinh Thi Quynh Van (Tax), Le Anh Tuan (Legal), Eisuke Kofugata (Japanese Business), Nguyen Phi Lan (Audit), at phone (84-4) 39462246, fax (84-4) 39460705.