

Vietnam News Brief*

Update on Circular 27 PIT deadline extension

09 February 2009

CIRCULAR 27 PIT DEADLINE EXTENSION

As part of its continuing efforts to stimulate the economy and promote consumer spending, the Ministry of Finance issued Circular 27/2009/TT-BTC on 6 February 2009. In our Newsbrief on 23 January we flagged the prospect of PIT initiatives being announced and this has now become a reality.

Circular 27 allows a temporary deferral of PIT payments for the months of January till May 2009. However, it will be the decision of the National Assembly, who will meet in May, as to whether this initiative will constitute a deferral only or some form of permanent benefit (e.g. a partial or total exemption from PIT for this period).

Circular 27 applies to various types of income, specifically:

Income from	Tax residents	Tax non-residents
Business activities	Yes	No
Salaries and wages	Yes	No
Capital investment (e.g. dividends)	Yes	Yes
Capital assignment (e.g. sale of securities)	Yes	Yes
Royalties and franchising	Yes	Yes
Transfer of properties	No	No
Winning prizes, inheritances and gifts	No	No

It is important to note that withholding organisations (e.g. employers, etc) are still required to calculate PIT during this period and report it to the tax authorities, in the same manner as usual. However, no remittance of PIT need be made.

It is not clear whether the monthly PIT due should be withheld from payments to employees, or if they should instead be paid gross. Circular 27 suggests (but does not clearly state) that employees are entitled to the PIT that would otherwise have been withheld.

In the event that employers do not withhold PIT, questions then arise in relation to how such employers would recover the PIT due should the National Assembly not permanently exempt some or all of the PIT. Numerous HR issues would arise e.g. who would be responsible for unpaid PIT if an employee resigns, how to deal with employees on net packages, etc.

Circular 27 is effective 45 days from the date of signing (i.e. 23 March 2009) but applies to income derived from 1 January 2009.