

Vietnam News Brief



An update on Personal Income Tax ("PIT")

13 April 2011

FURTHER GUIDANCE ON PIT COMPLIANCE FOR FOREIGNERS

Further to our Newsbrief on 24 February 2011, the General Department of Taxation ("GDT") recently issued Official Letter 991/TCT-TNCN clarifying the guidance with respect to PIT compliance for expatriate employees for the year of arrival and departure.

- Where an expatriate employee commences their Vietnam assignment during the year and stays more than 183 days in such calendar year, he/she shall be taxed in Vietnam from 1 January (instead of from the first arrival date) to 31 December. If an individual was to spend less than 183 days in Vietnam in the calendar year of arrival, the guidance suggests that they will not be subject to this requirement (i.e. they will be subject to Vietnam PIT from the first day of arrival).

The example provided in OL 991 is as follows:

Mr. X is a foreigner who is sent to Vietnam to work for the period from 15 March 2010 to 15 March 2013. In the calendar year 2010, Mr. X was determined as a resident of Vietnam, then his first tax year would be from 1 January 2010 to 31 December 2010.

This new guidance has significant ramifications for expatriates newly arriving in Vietnam. While there is the ability to claim a foreign tax credit for any tax paid in another jurisdiction, this still provides for an incremental tax cost if the individual is relocating from a low tax jurisdiction. In addition, there are the challenges associated with practically obtaining a foreign tax credit (e.g. obtaining supporting documentation to the satisfaction of the Vietnam tax authorities, dealing with different tax bases and tax years, etc).

- The taxable income for the month of arrival and departure is the full month's income. No apportionment of income based on the number of days working in Vietnam is allowed.

We are continuing to liaise with the tax authorities on this issue. However, employers and employees should be aware of the position outlined by the GDT.
