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PwC Vietnam NewsBrief

Important Changes on Personal Income Tax ("PIT")

The Ministry of Finance recently issued Circular 92/2015/TT-BTC providing guidance on PIT under the Law 71/2014/QH13 and Decree 12/2015/ND-CP. Circular 92 restates many provisions of Decree 12 and applies to tax year 2015.

Some of the key points are as below:

1. Employment income

- One–off relocation payment are non taxable income to foreigner coming to work in Vietnam and Vietnamese leaving Vietnam to work in overseas. This has now been extended to Vietnamese residing in overseas on a long term basis and returning to Vietnam to work.
- The taxable value of employer-provided accommodation (including utilities and services expenses) is concessionally taxed at the lower of the actual rental paid or 15% of the employee's gross taxable income (excluding the taxable housing, utilities and service expenses). For the purposes of this calculation, gross taxable income do not include income from prior employment as the provided accommodation is from the current employer.
- Employer's contributions to local and overseas non-mandatory insurance scheme which do not pay based on accumulated contributions,(such as medical insurance, accident insurance, etc) are non taxable.
- Certain allowances/benefits paid/provided by an employer for special occasions such as wedding and funeral in accordance with the company internal policy are now exempted from PIT subject to a cap.

2. Investment income

- Previously, dividends received from capital contribution to limited liability companies (including one-member limited liability companies) are taxed at 5% as income from capital investment. Pursuant to Circular 92, profits received by an individual from a company owned by that individual are not subject to the 5% PIT.
- Income received from overseas Vietnamese or Vietnamese citizens working/study abroad is exempted from tax. This exemption is now extended to income remitted by all foreigners, subject to certain conditions.

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3. Rental income

Rental income is no longer subject to progressive PIT rates. It is subject to PIT at a flat rate of 5% on annual gross rental amount if the annual income exceeds VND100 million.

4. PIT calculations

- The exchange rates used to convert income received from foreign currency will be based on the buying rate of the bank where the individual's income is received. In case the individuals' bank account is maintained outside Vietnam, the buying rate of Vietcombank at the date of the income receipt should be used.

  Previously, the average trading exchange rates on the inter-bank announced by the State Bank of Vietnam are required to be used. We expect there will be practical challenges associated with this change from the employer's perspective as there will be a need to observe numerous exchange rates and apply the correct rates when calculating the employees' PIT.

- If employees' PIT is borne by the employer, the income is required to be grossed up to include the tax element borne by the employer. However, previously, it was unclear whether the net income to be grossed up comprise only the net taxable income and thus, the grossed up requirement did not apply to non taxable income. Circular 92 now confirms that the gross up requirement does not apply to non-taxable income.

  Affected taxpayers have been waiting for clearer guidance of this issue and will welcome this positive development.

5. PIT administration

- Circular 92 introduces new tax declaration forms which are required to be used. These include monthly, quarterly, annual tax returns, and other PIT related documents.

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Please contact us if you would like to discuss further or require our assistance in complying with tax services in Vietnam.