Vietnam News Brief

An update on Personal Income Tax ("PIT")

22 June 2011

FOREIGN TAX CREDIT CLAIMS

The ability to claim a foreign tax credit ("FTC") is permitted under current Vietnam regulations, subject to supporting documents being available. In practice, the Vietnam tax authorities have imposed stringent and difficult documentation requirements meaning that claiming a FTC has proven difficult.

To help our clients manage the FTC claim, PwC wrote to the General Department of Taxation ("GDT") to find a solution and received a response by way of Official Letter 2013/TCT-TNCN dated 14 June 2011.

The GDT confirmed that if a taxpayer is not able obtain a letter from the foreign tax authority confirming the tax amount paid (as required by the regulations), a letter issued by the income paying organisation confirming the foreign tax paid is an acceptable alternative. There was no mention as to whether the employer confirmation letter needs to be notarised legalised. But based on Circular 28 issued on 28 February 2011, taxpayers are not required to do so.

This confirmation by the Vietnam tax authority that an alternative document can be used is a positive development and PwC is pleased with the outcome.

We also suggested to the GDT that submission of the FTC claim documents be at the time of tax audit, rather than when annual PIT returns are lodged. The GDT did not provide a response to this issue. Accordingly, there continues to be some challenges in claiming FTCs.

PwC would be pleased to assist your Company with FTC claim in Vietnam.

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