2019 Guide to Vietnam Personal Income Tax

Domicile
Corporate Services

Introduction

Individuals in Vietnam are subject to Personal Income Tax ("PIT") in Vietnam, based upon their tax residency status. Employment income is generally subject to varying progressive rates, with other income subject to fixed tax rates

Tax Residency

Vietnam Tax Residents are taxable in Vietnam on their worldwide income, whilst Non-Tax Residents are only taxable in Vietnam on their Vietnamese sourced income.

A Tax Resident is an individual that satisfies one of the following:

a) Resides in Vietnam for 183 days or more
   (i) within 12 consecutive months from the first day of arrival, or
   (ii) in a calendar year

b) Holds a temporary or permanent residence card for Vietnam, or

c) Leases a property for a term of 183 days or more in Vietnam in the assessment period

If the above tests are not met, then an individual will be treated as Non-Tax Resident in Vietnam. However, care still needs to be taken as there are circumstances where an individual may still be deemed a tax resident in Vietnam if they cannot prove they are Tax Resident in another country.

Tax Years & Finalisations

Individuals are subject to a calendar year as their standard tax year. Employers are required to withhold PIT from employee salaries and remit monthly or quarterly (depending on the size of the employer).

Other taxes are generally required to be withheld at source (ie, dividends), or self declared on an events basis.

Within 90 days from the end of a tax year, individuals will need to determine whether they will need to undertake an annual tax finalisation.

If an individual only has income from a single employer during the year, then they can authorise their employer to finalise on their behalf.

If an individual wishes to claim a tax refund, a tax credit for future years, or has a tax liability to the tax authorities, then they must complete a tax finalisation within 90 days from the end of the tax year.

Individuals with simple tax matters, and who do not owe any taxes to the authorities, do not need to finalise. However, this may have an impact on future years if their tax affairs become complicated, therefore all taxpayers are encouraged to finalise their taxes each year.

Personal Income Tax Rates

Monthly Taxable Income (VND)	Tax Resident PIT Rates	Non-Tax Resident PIT Rate
0 - 5,000,000	5%	
5,000,001 - 10,000,000	10%	
10,000,001 - 18,000,000	15%	
18,000,001 - 32,000,000	20%	20%
32,000,001 - 52,000,000	25%	
52,000,001 - 80,000,000	30%	
80,000,001 +	35%	

Notes:
1. a Personal deduction of VND9,000,000 is provided each month, which reduces the monthly taxable income accordingly.
2. additional dependent deductions are permitted, of VND3,600,000 per dependent per month, where they meet the requirement and are registered, further reducing monthly taxable income

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Compulsory Insurances

Insurance	Employee Portion	Employer Portion	Maximum Cap(1)
Social Insurance	8.0%	17.5%	VND 27,800,000
Health Insurance	1.5%	3.0%	VND 27,800,000
Unemployment Insurance	1%	1%	VND 83,600,000 (2)

Notes:
1. *The Maximum Cap is the maximum salary at which insurance is calculated. Earnings above this cap at not included in insurance calculations. These caps are based upon minimum salaries, and change as mandated minimum salaries change.*
2. *The Unemployment Insurance cap is varies depending on the Zone of the employment. The displayed calculation is for Zone 1 employees (the highest minimum zone)*
3. *Insurances withheld from employee gross salaries are deductible for PIT (ie, not subject to tax), and the employer contributions are not regarded as a taxable benefit for the employee.*
4. *Foreign employees are exempt from Unemployment Insurance, with Social Insurance only applicable at a rate of 3.5% for the employer portion (there is no employee contribution to Social Insurance at present).*

Personal Tax Rates on Other Income

Type of Income	Tax Resident	Non-Tax Resident
Business Income (rates depend on the type of income)	0.5% - 5%	1% - 5%
Non-bank interest	5%	5%
Dividends	5%	5%
Sale of Shares (public)	0.1% of sales proceeds	0.1% of sales proceeds
Capital Transfers	20% of the net gain	0.1% of sales proceeds
Sales of Real Estate	2% of sales proceeds	2% of sales proceeds
Income from copyright, franchising or royalties	5%	5%
Income from prizes, inheritances or gifts	10%	10%

Individuals commonly enter into "Service Contracts" in Vietnam for short term activities, but as these are not Labour Contracts, PIT is not applied on the progressive scale. Instead, payments exceeding VND2,000,000 in a month will require 10% PIT (for Tax Residents) to be withheld and remitted by the paying entity (the company) as a pre-payment of PIT for the individual.

At the end of the year, this income will be included in the annualised/taxable income subject to PIT at progressive rates, and a credit will be given for the 10% already paid.

Any shortfall in taxes will need to be paid to the Tax Authorities upon finalisation.

Non-Taxable Benefits & Income

Although the definition of taxable income is broad, there are certain defined benefits that are excluded from taxation. These benefits include:

- Once per year round-trip airfares for expatriate employees returning home, or Vietnamese working abroad returning.
- School fees (excluding tertiary) for children of expatriate employees or for Vietnamese working abroad.
- Mid-shift meals (subject to a cap in provided in cash).
- One-off relocation costs for expatriates coming to Vietnam for employment, and for Vietnamese working abroad.
- Uniforms (subject to a cap if provided in cash).
- Benefits provided in kind on a collective basis (eg, memberships) where an individual is not identified as beneficiary.
- Allowances or benefits for weddings or funerals.

Additional Income that is not taxable includes:

- Interest earned on deposits with banks and credit institutions.
- Payments from life and non-life insurance policies.
- Retirement pensions paid from the Social Insurance Fund.
- Transfers of property between direct family members.
- Inheritances and gifts from direct family members.
- Monthly retirement pensions from voluntary insurance schemes
- Income from winnings at Casinos.

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