



Global Tax Update

Vietnam

Deloitte Tohmatsu Tax Co.

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New Circular providing Amendment and Supplement on Personal Income Tax

On 15 June 2015, the Ministry of Finance issued Circular No. 92/2015/TT-BTC (“Circular 92”) to guide the implementation of Decree No. 12/2015/ND-CP dated 12 February 2015 (“Decree 12”) amending and supplementing a number of Personal Income Tax (“PIT”) regulations.

Circular 92 shall come into effect from 30 July 2015 and will be applied from the tax year 2015. Below are some notable changes in Circular 92:

(1) Amendment on tax calculation method and tax rate for individual business income

Circular 92 provides regulations on PIT calculation method for individual business income in line with Decree 12. Specifically:

- Taxable business income excludes income earned by individuals from their business activities of less than VND 100 million per calendar year;
- A resident who has business income will pay VAT and PIT at the fixed rate on taxable income instead of progressive tax rates as regulated previously. VAT rate from 1-5% and PIT rate from 0.5-5% will be applied depending on categories of business activities;

- Circular 92 also provides detailed guidance on procedure for PIT declaration applicable to each type of business, including: per deemed method; per each arising time; and for individual leasing property, working as agent for lotteries, insurance and multi-level marketing industry.

(2) Amendment on exchange rates for converting taxable income into VND

- In case taxable revenue and income are received in foreign currencies, Circular 92 stipulates that the applicable exchange rates are the **buying price of the commercial bank where personal account is maintained to receive income**, instead of using the average exchange rates of the interbank foreign exchange market.
- If the taxpayer does not open bank accounts in Vietnam, foreign currencies must be converted into VND at the **buying exchange rates of Vietcombank** at the time the income arises.

(3) Supplement a number of non-taxable income items

- One-off relocation allowances for Vietnamese people residing overseas

long-term returning to work in Vietnam.

- Payment for utility and ancillary services (if any) together with actual housing rental fee paid on behalf by the employer exceeds 15% of the total taxable income earned at the workplace regardless of where the income is paid (**excluding house rent, utility and ancillary services (if any)**)
- Non-compulsory insurance premiums and non-accumulative insurance premiums (including cases the insurers are non-resident enterprises but permitted to sell insurance in Vietnam);
- The expenditure for employees to commute from their houses to the work place and vice versa, according to the employer's policy;
- Wedding and funeral allowances for the employees and their family as per the employers' general policy and in accordance with corporate income tax regulations.

(4) Supplementing a number of tax exempt items

- Income generated from compensation for damages outside the employment contract as stipulated under the Civil Code.
- Income from wages and salaries of Vietnamese crewmembers employed by foreign or Vietnamese international shipping companies.
- Income of individuals being ship owners, or individuals entitled to use ships, and crewmembers from the provision of goods and services directly serving offshore fishing.
- Profits from capital investments earned by private enterprises or one member limited liability companies owned by the individuals.
- Abolition of PIT for individuals having

income by winning prizes from casinos permitted by laws.

(5) Other changes on tax withholding, declaration and finalization

- The deadline for submitting PIT finalization dossiers of resident expatriates ending assignment/contracts in Vietnam is before departing Vietnam. For cases of authorization for employers or other organizations, individuals to perform PIT finalization on the expatriates' behalf, the deadline can be extended to **within 45 days** from the day of their departure.
- Clearly stipulate who is responsible for withholding 10% tax on accumulative insurance premium paid by the employer who has bought or contributed on worker's behalf, specifically **the insurance company or the employer**, which depends on whether or not the insurance company is established and operates in Vietnam. Accumulative insurance premium which are withheld 10% PIT will not be included in the taxable income at the time of finalization;
- Supplement some cases which are not required to declare PIT finalization; and
- Replace, amend a certain number of forms for tax declaration and finalization.

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