

**Deloitte.**

**TAX ALERT**

Notable issues on Personal Income Tax  
Finalization in 2023

January 2024



## Notable issues on Personal Income Tax Finalization in 2023

As the tax year 2023 has come to an end, it is now the right time for companies to look back on the compliance status of PIT filing throughout the year for preparation of the upcoming **PIT finalization**, which is due by **01 April 2024** (for companies) and **02 May 2024** (for individuals).

In this Alert, Deloitte Vietnam would like to summarize **notable issues that require high attention/consideration** during the finalization process in the context of recent tax audit trends, for companies to **stay alert and take appropriate actions** to reinforce their compliance status, including:

- ✓ *Incorrect or no provisional PIT filing;*
- ✓ *PIT filing for short-term business travelers (if any);*
- ✓ *Dependent eligibility review;*
- ✓ *Administration for tax return submission and payment.*



### Incorrect or no provisional PIT filing

- According to Decree 126/2020/ND-CP effective from 05 December 2020, in case of changes in the provisional PIT liabilities, **amended provisional PIT returns** must be submitted in the period following the incorrect months/quarters.
- We are aware that a number of taxpayers do not submit provisional PIT returns (*especially for foreigners having overseas income*) or amend the incorrect provisional PIT returns but include all adjustments in the annual PIT finalization period. In the past, this approach might have not been consistently challenged and penalties imposed by the tax authorities. However, from our observation of recent tax audits, this non-compliance matter has been addressed by the tax authorities under a more aggressive and stricter approach than before, even (in cases of provisional PIT returns not being filed) deeming tax evasion, with below **applicable penalty schemes**:
  - i. **Under-declaration penalty:** 20% on the under-declared amount (in case of being figured out in tax audit);*
  - ii. **Late payment interest:** 0.03%/day on the outstanding tax liabilities;*
  - iii. **Administrative penalty for late submission of tax returns:** ranging from VND5 – 25 million (for organizations) and VND2.5 – 12.5 million (for individuals), depending on the number of late days;*
  - iv. **Tax evasion:** 01 – 03 times of the outstanding tax liabilities for non-declaration and late declaration for more than 90 days;*
  - v. **Potential violation of Criminal Law:** apart from the above penalty and interests imposed by Tax Administrative Law, based on guidance in the **Official Letter (OL) no. 560/TCT-PC** dated 27/02/2023 and **no. 5852/TCT-PC** dated 21/12/2023 by the General Department of Taxation (GDT), the tax evasion might even be escalated to violation of criminal acts under **Criminal Law** if the tax exposure is from VND100 million. Accordingly, the tax authority might consider transferring the case to competent authorities to conduct criminal proceedings according to regulations.*



### PIT filing for short-term business travelers (STBT) (if any)

This is not a new issue but the tax authorities have now been focusing on the PIT declaration of STBT coming to work in Vietnam:

- ✓ **For business expenses paid by local companies:** treated as taxable income;
- ✓ **For overseas salary paid by overseas companies:** subject to tax under individual tax filing on the Vietnam-sourced portion. In case the overseas salary data is not provided, Vietnam-sourced income might be deemed by the tax authorities.

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### Dependent eligibility review

Conditions	Timing for registration	Supporting documents
<p>Review <b>conditions to make adjustments</b> on dependent claims where appropriate.</p>	<ul style="list-style-type: none"> <li>Ensure the registration timing:                             <ul style="list-style-type: none"> <li>✓ <b>For provisional filing:</b> deduction from successful registration (i.e. when dependent tax code is released);</li> <li>✓ <b>For finalization:</b> deduction from registered month.</li> </ul> </li> <li>Deadline for dependent registration: before finalization deadline for dependents being parents and children; and before 31 December for other types of dependents.</li> </ul>	<p>Documents must be <b>fully recorded &amp; maintained</b> by the company (birth certificates, family books, income confirmations, etc.) depending on type of dependents.</p>



### Administration for tax return submission and payment

Tax return submission	Tax payment
<ul style="list-style-type: none"> <li><b>Online submission</b> of individual tax returns has been encouraged. An online tax account must be registered using the individual's mobile number</li> <li>Depending on each local practice, tax authorities would either accept both online and hard-copy submission or only allow online submission. Companies/ individuals are suggested to consult with the local tax authorities.</li> </ul>	<ul style="list-style-type: none"> <li>On 24 April 2023, the GDT issued OL no. 1483/TCT-KK providing guidance for <b>tax payment using ID</b> for the payable amount;</li> <li>The ID is provided upon submission of the online tax return when the tax system issues the Notice of tax return acceptance. Accordingly, taxpayers are encouraged to indicate such ID in the description when making tax payment;</li> <li>If companies want to apply this payment method, the timing for tax return submission should be well managed for the ID to be issued by the system for timely tax payment.</li> </ul>

### Deloitte's recommendations

- Holistically **review the provisional tax filing** during the year to ensure:
  - ✓ *Appropriate tax treatment and declaration of the income package for individuals, especially benefit-in-kind items that are paid off-payroll;*
  - ✓ *Revisit the tax compliance status of all foreign employees during the year and make sure their PIT in relation to the company's withholding obligations are fulfilled;*
  - ✓ *Correct registration and application of dependent for employees, as well as sufficient supporting documents record;*
- In case incorrect filing is identified, take **appropriate corrective measures** (revise the corresponding months/quarters) before summarizing and reflecting on the final tax return;
- Carry out **necessary tax administration** (e.g. registration of online tax account) to ensure tax return submission and tax payment by due dates.



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