



POCKET TAX BOOK 2018 PERSONAL INCOME TAX

Audit / Tax / Advisory

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Personal Income tax

Personal income tax (PIT) is a direct tax imposed on the income of individuals living, working or doing business in the territory of Vietnam.

Legal Documents

- Law on personal income tax 2007 No. 04/2007/QH12.
- Law No. 26/2012/QH13 amending and supplementing some articles of the Law on personal income tax.
- Law No. 71/2014/QH13 on amendments to tax Laws.
- Decree No. 65/2013/ND-CP elaborating some articles of Law on personal income tax and Law amending and supplementing some articles of the Law on personal income tax.
- Decree 91/2014/ND-CP on amendments to Decrees on taxations.
- Decree 12/2015/ND-CP on elaboration of the Law on amendments to tax Laws and amendments to some articles of Decree on taxations.
- Circular 111/2013/TT-BTC guidance on Law on personal income tax, the Law on amendments to the law on personal income tax, and the Decree No. 65/2013/ND-CP elaborating some articles of Law on personal income tax and Law amending and supplementing some articles of the Law on personal income tax.
- Circular No. 151/2014/TT-BTC on implementation of Decree No. 91/2014/ND-CP on amendments to Decrees on taxations.
- Circular No. 92/2015/TT-BTC on guidelines for Value added tax and personal income tax incurred by residents doing business; implementing some amendments to some articles on personal income tax of Law No. No. 71/2014/QH13 on amendments to tax Laws, and Decree No. 12/2015/NĐ-CP on elaboration of the Law on amendments to tax Laws and amendments to some articles of Decree on taxations.
- Circular No. 95/2016/TT-BTC on guidelines for tax registration.
- Other relevant amending, supplementing and guiding documents.

1. Subject to PIT

Subjects to personal income tax include individuals as follows:

- Resident and having taxable income in and / or outside the territory of Vietnam, irrespective of where the income is paid.
- Non-resident but having taxable income arising within the territory of Vietnam, regardless of where income is paid.

Non-residents are individuals who do not meet the conditions of being residents.

The Definition of “resident” and “non-resident”

Resident means a person who satisfied one of the following conditions:

- Being present in Vietnam for 183 days or more in a calendar year or 12 consecutive months counting from the first date of their presence in Vietnam;
- Having a place of permanent residence in Vietnam, which is a registered place of permanent residence or rented house for dwelling in Vietnam under term in rent contract of 183 days or more in a tax year. Or in case of having a place of permanent residence in Vietnam but being actual present in Vietnam less than 183 days he/she fails to prove that he/she is resident person of other country.



Definition of PIT taxable income: Taxable incomes consist of income from wages, salaries and other incomes other than wages or salaries.

Taxable incomes from wages or salaries are the total personal income earnings of employees received from employers who are paid as stipulated in Clause 2, Article 3 of Law on personal income tax 2007 and other amended documents, other guidelines; except for the followings:

- Allowances for sudden difficulties, allowances for laborers suffering from labor accidents or occupational diseases; lump-sum maternity or child adoption allowances, allowances for working capacity decrease, lump-sum retirement allowances, monthly death gratuity, severance and job loss allowances, unemployment subsidies and other allowances, subsidies as prescribed in the Labor Code and the Law on Social insurance;
- Lump-sum allowances upon transferring region for foreigners coming Vietnam for residence, and Vietnamese people that go to work abroad, and Vietnamese people that have long-term residence overseas then go back to work in Vietnam;
- Allowances for attraction of laborers to work in certain branches or in certain regions.
- Allowances according to specific characteristic of occupations.
- The mid-shift meal does not exceed the limitation imposed by the Ministry of Labor, War Invalids and Social Affairs at 730,000 VND/person/month (Clause 4, Article 22, Circular 26/2016/TT-BLĐTBXH)
- Insurance premium are not compulsory and without accrual of insurance premium (including cases where insurance is purchased from insurers who are not established and operate under the laws of Vietnam which are allowed to sell insurance in Vietnam).
- Lump sum allowances for stationery, per diem, phone calls, attires, etc. that are not in excess of the limits prescribed by the State.
- Payments for means of transporting employees from home to work and vice versa according to regulations of the employers.
- Payments for training to improve the qualifications and skills of employees which suit the professional work of employees or in accordance with plans of employers.
- Supports provided by employers for medical examination and treatment of fatal diseases suffered by employees and their families (children, spouse, parents).
- The amount received from the income payers for employees' and their families' funeral and wedding shall comply with rules and regulations of the income payer and the guidance on determination of income subject to corporate income tax of instructional documents of the Law on Corporate income tax.
- Payments for round-trip air tickets made by the employers for foreign employees in Vietnam and Vietnamese employees overseas to go home once a year.
- The tuition fees for children of foreign employees in Vietnam to study in Vietnam, for children of Vietnamese employees overseas to study overseas from preschool to high school, which is paid by the employers on their behalf.
- Payments paid by employers for dispatching, reassigning foreign employees in Vietnam in accordance with labor contract, standard work schedules in accordance with international practice of some industries such as petroleum, mineral extraction.
- Incomes from the additional payments for working at night or working overtime in excess of wages according to the Labor Code.
- Pensions shall be paid from the Social Fund or Voluntary retirement Fund as prescribed.
- Incomes from wages and remunerations of Vietnamese crew members from working for foreign shipping companies or Vietnamese shipping companies that provide international transport services.
- Incomes of individuals being ship owners or individuals having the right to use the ships from provision of goods/services directly serving offshore fishing.

PIT taxable incomes other than from wages or salaries include the incomes from the following activities:

- Production and business activities having revenue from selling goods and services; independent professional activities of individuals possessing practice licenses or certificates under laws, whose revenue is VND 100 million or more each year.
- Capital investments including loan interest, share dividends and other form investments in accordance with regulations.
- Capital transfer including transfer of capital in economic organizations, transfer of securities and other forms as prescribed.
- Real estate transfer including transfer of land use rights and assets attached to land; ownership or use of house right; land lease and water surface rent right; other forms of transfer of real estate.

Some PIT tax-exempt incomes other than salaries or wages:

- Incomes from transferring of real estate between: spouses; parents and their children; adoptive parents and their adopted children; fathers-in-law or mothers-in-law and daughters-in-law or sons-in-law; grandparents and their grandchildren; or among blood siblings.
- Incomes from transferring of residential houses, rights to use residential land and assets attached to residential land of individuals who have only one residential house or land use right in Vietnam.
- Incomes from the value of land use rights of individuals who are assigned land by the State and not required to pay money or granted reduced land levy as prescribed by the laws.
- Incomes from receipt of inheritances, gifts that are real estates between: spouses; parents and their children; adoptive parents and their adopted children; fathers-in-law or mothers-in-law and daughters-in-law or sons-in-law; grandparents and their grandchildren; or among blood siblings.

- Winnings including lottery winnings; betting; promotion; prize-winning games and other forms of prizes.
- Copyright including the transfer, deliver of ownership and use rights of intellectual property in accordance with the Law on Intellectual Property; income from technology transfer in accordance with the Law on Technology Transfer.
- Franchising.
- Inherit.
- Gifts.

- Incomes from interests on deposits at credit Institutions, foreign bank brands or interests from life insurance contracts; incomes from Government bond.
- Incomes from foreign exchange remittances.
- Incomes from scholarships.
- Incomes from indemnities paid under life insurance policies, non-life insurance policies, compensations for labor accidents, compensations paid by the State, and other compensations as provided for by law.
- Incomes received from charity funds licensed or recognized by State authority and operating for charity, humanitarian, study encouragement or non-profit purposes.
- Incomes received from governmental or non-governmental foreign aid for charity or humanitarian purposes approved by State authority.

2. Bases for PIT calculation

2.1. The formula for determining PIT

$$\text{PIT payable} = \text{Taxable income} \times \text{PIT tax rate}$$

- Income from wages or salaries of resident individuals is imposed in accordance with the partially progressive tariff.
- Income other than wages or salaries is imposed the full rate schedule.

Table 1- Taxable income and tax rate of each taxable income:

| No. | Taxable income | Resident | |
|-----|---------------------------------|---|--|
| | | Taxable income determination | Tax rate |
| 1 | Income from wages or salaries | Taxable income from wages or salaries – tax reduction (see section 2.1 below) | The progressive tariffs are presented in table 2. |
| 2 | Income from business activities | Taxable revenue (see section 2.2 below) | <ul style="list-style-type: none"> Goods distribution and supply: 0.5%. Services, construction without contract materials: 2%. Property leases, insurance agents, lottery agents, multi-level sales agents: 5%. Manufacture, transportation, services associated with goods, construction with contracted materials: 1.5%. Other business activities: 1%. |
| 3 | Income from capital investment | Taxable income | 5% |

| | | | |
|---|--|---|------|
| 4 | Income from contributed capital transfer | Transfer price – purchase price of the capital transfer – related reasonable expenses | 20% |
| | Income from securities transfer | Transfer price each time | 0.1% |
| 5 | Income from real estate transfer | Transfer price each time | 2% |
| 6 | Income from inheritances or gifts | The income exceeds VND 10 million each time | 10% |
| 7 | Income from copyright, franchising | The income exceeds VND 10 million each time of transfer contract | 5% |

| STT | Taxable income | Non-resident | |
|-----|--|---------------------------------------|---|
| | | Taxable income determination | Tax rate |
| 1 | Income from wages or salaries | Taxable income from wages or salaries | 20% |
| 2 | Income from business activities | Taxable revenue (similar to resident) | <ul style="list-style-type: none"> • Goods: 1%. • Service: 5%. • Manufacture, construction, transportation, and other business activities: 2%. |
| 3 | Income from capital investment | Taxable income | 5% |
| 4 | Income from transferring contributed capital | Transfer price each time | 0.1% |

| | | | |
|---|------------------------------------|--|------|
| | Income from securities transfer | Transfer price each time | 0.1% |
| 5 | Income from real estate transfer | Transfer price each time | 2% |
| 6 | Income from inheritances or gifts | The income exceeds VND 10 million each time in Vietnam | 10% |
| 7 | Income from copyright, franchising | The income exceeds VND 10 million each transfer contract in Vietnam. | 5% |

Table 2- The partially progressive tariffs

| Level | Taxable income/ year (million VND) | Taxable income/ month (million VND) | Tax rate (%) |
|-------|------------------------------------|-------------------------------------|--------------|
| 1 | Up to 60 | Up to 5 | 5 |
| 2 | Over 60 to 120 | Over 5 to 10 | 10 |
| 3 | Over 120 to 216 | Over 10 to 18 | 15 |

| | | | |
|---|-----------------|---------------|----|
| 4 | Over 216 to 384 | Over 18 to 32 | 20 |
| 5 | Over 384 to 624 | Over 32 to 52 | 25 |
| 6 | Over 624 to 960 | Over 52 to 80 | 30 |
| 7 | Over 960 | Over 80 | 35 |

2.2. Tax reduction

- Premiums of social insurance, health insurance, unemployment insurance, professional liability insurance for certain occupations that are subject to compulsory insurance.
- Contributions to the voluntary retirement fund, voluntary retirement insurance with the maximum reduction of no more than VND 1 million / month / person as prescribed.
- Contributions to Charity Funds, Humanitarian Funds, Study Encouragement Funds.
- Family circumstance deductions:
 - For taxpayer: VND 9 million/month.
 - Deduction for dependent is VND 3,6 million/month/person. Each dependent should be deducted only once per taxpayer in the tax year. Taxpayers must determine dependents who meet all conditions for family circumstance-based reductions according to regulations and provide dossiers evidencing their family circumstances.

2.3. Revenue for calculating PIT

- Taxable revenue from business activities is total proceeds from sales, processing fee, commission, goods and services provision arising in the tax period.
- Taxable revenue for business individuals is the flat revenue that has been stable for a year. In cases where through the investigation, verification, examination and inspection data, the tax calculation revenue is changed from 50% or more to the flat revenue, the tax authority would redetermine the flat revenue in according with law on tax administration applied to the remaining period of the tax year.



3. Declaration, finalization, and paying PIT

3.1. Declaration and paying PIT

| Individual having taxable incomes | Income-paying organization |
|--|--|
| Tax period | |
| <ul style="list-style-type: none"> Income from wages or salaries shall be declared monthly or quarterly. Income from business activities shall be declared quarterly, annually or when it is incurred. Other incomes shall be declared when they are incurred | <ul style="list-style-type: none"> Declaring monthly or quarterly is determined one time from the first month of tax deduction and applied for the full year. Withholding tax on a monthly or quarterly basis. If no PIT deduction occurs, no tax declaration If there is a deductible tax amount of at least one type of PIT declaration of 50 million VND or more, tax declaration shall be made on a monthly basis, except for cases where the organization or individual pays incomes liable to VAT declaration on a quarterly basis. |
| Tax declaration dossier | |
| <ul style="list-style-type: none"> Individuals having income from wages or salaries shall directly declare at tax authorities: Form No. 02/KK-TNCN. Other cases are prescribed at Article 16 Circular 156/2013/TT-BTC and other amended documents. | <ul style="list-style-type: none"> Form No. 05/KK-TNCN (applied for income from wages or salaries). Form No. 06/TNCN (applied for incomes from capital investment transfer, securities transfer, copyrights, franchising, winning prizes of residents and non-residents; incomes from business activities and capital transfer of non-residents) |

| Place for submission of tax declaration dossiers | |
|--|---|
| <ul style="list-style-type: none"> The Tax Department directly manages the workplace or place of business in Vietnam Other cases stipulated in Circular 156/2013/TT-BTC and other amendments and supplements | <ul style="list-style-type: none"> Income-paying organizations and individuals that are production and business establishments shall submit their tax declaration dossiers to tax authorities directly managing such organizations and individuals. Income-paying organizations are foreign diplomatic missions, international organizations and representative offices of foreign organizations shall submit their tax declaration dossiers to the Tax Departments of the localities where they are headquartered. |
| Time limit for declaration and temporary payment of PIT Paying tax and how to pay tax (See Pocket Tax Book 2018 - Tax administration) | |

Tax declaration for other incomes:

| Incomes | Tax declaration |
|---|----------------------|
| Business individuals paying taxes under the flat tax method and business individual paying taxes when it is incurred | Form No. 01/CNKD |
| Individuals having income from real estate transfer; income from inheritances and gifts which are real estate. | Form No. 03/BĐS-TNCN |
| Residents having income from capital transfer; individual having income from securities transfer directly declaring at tax authorities. | Form No. 04/CNV-TNCN |

| | |
|--|-----------------------|
| Individuals having income from inheritances and gifts which are not real estate | Form No. 04/TKQT-TNCN |
| Individuals receiving dividends as shares, profits recorded as increased capital when transferring | Form No. 04/ĐTV-TNCN |
| Individuals having income from business activities, capital investment, copyrights, franchising, and winning prizes from abroad. | Form No. 04/NNG-TNCN |

PIT deduction

- Income-paying organizations withhold tax amounts and deduct payable tax amounts into taxpayers' incomes before paying incomes.
- Employees who have worked for from 3 months or more in the tax year and registered for family circumstances deduction at organizations shall be deducted under the partially progressive tariff.
- Employees who do not sign labor contract or have being worked for less than 3 months in the tax period with an income of VND 2 million/ month or more, he/she must be deducted by 10% of this income.

3.2. PIT finalization

The tax finalization is implemented at the end of fiscal year only applies to income from salaries or wages.

For incomes other than salaries or wages, the PIT shall be declared and paid at each time of arising of tax payment without tax finalization.

Foreigners are required to finalize tax upon the termination of their Vietnamese work term and before leaving Vietnam.

| Individuals having income from wages or salaries | Income-paying organization |
|--|--|
| In cases where PIT finalization is required | |
| <ul style="list-style-type: none"> • Have additional tax. • Have overpaid tax and have a need to request a refund or offset in the next tax period. • Being subject to tax reduction due to natural calamities, fires, accidents, dangerous diseases. • Residents who are foreigners who terminate their contracts in Vietnam must declare tax finalization with the tax authorities before their departure. | <ul style="list-style-type: none"> • Income-paying organizations and individuals shall be required to declare PIT finalization and finalize PIT for individuals who delegate, regardless of whether tax deduction arising or not. • In case no income is paid, PIT finalization is not required. However, Ho Chi Minh taxation Department requires the official letter to inform that there is no income in the year (no specific form). |
| <p>Delegation for tax finalization</p> <p>Individuals who only earn income from wages or salaries, who sign labor contract for at least 3 months at an income-paying organization and are actually working at such organization at the time of delegation for tax finalization, even if he/she has worked less than 12 months in a year and have irregular income at others on a monthly average not exceeding VND10 millions already deducted PIT at 10% without PIT finalization request for such income; can delegate to finalize tax to the income-paying organization with the income paid by such organization.</p> | |

| Dossiers of PIT finalization | |
|--|--|
| <ul style="list-style-type: none"> • Form No. 02/QTT-TNCN, Form No. 02-1/BK-QTT-TNCN attached to Circular No. 92/2015/TT-BTC. • Other documents as required. | <p>Form No. 05/QTT-TNCN, Form No. 05-1/BK-QTT-TNCN, Form No. 05-2/BK-QTT-TNCN (for 2 such appendixes are required for taxpayers having tax code, Form No. 05-3/BK-QTT-TNCN attached to Circular 92/2015/TT-BTC.</p> |
| Place for submission of tax declaration dossiers | |
| <ul style="list-style-type: none"> • The tax department where the individual submitted the tax declaration in the year. • Other cases prescribe at Point c, Clause 3, Article 21 Circular No. 92/2015/TT-BTC dated June 15, 2015 | <ul style="list-style-type: none"> • Income-paying organizations and individuals that are production and business establishments shall submit their tax declaration dossiers to tax authorities directly managing such organizations and individuals. • Income-paying organizations are foreign diplomatic missions, international organizations and representative offices of foreign organizations shall submit their tax declaration dossiers to the Tax Departments of the localities where they are headquartered. • Other cases prescribed at Clause 1, Article 16 Circular 156/2013/TT-TC dated November 6, 2013 |
| <p>Deadline for submission of tax finalization dossiers (See Pocket Tax Book 2018 - Tax administration)</p> <p>The deadline for submission of tax finalization declaration dossiers is the 90th day after the end of the calendar year.</p> | |

Finalization PIT applicable to foreigners residing in Vietnam and earning incomes both in Vietnam and in foreign countries:

- For incomes in foreign countries, organizations paying in foreign countries with PIT deduction, taxpayers shall be entitled to deduct PIT amounts already paid overseas in the amount of PIT payable in Vietnam, which must not exceed the payable PIT amount Vietnamese tax is distributed to the income generated abroad.
- In cases in according to foreign laws, where foreign tax authorities do not issue written certifications of tax paid, taxpayers may submit copies of certificates of tax deduction (with information of the tax declaration form) issued by income payers or copies of bank documents for tax paid overseas with certification of taxpayers.





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