

INPATRIATES Vietnam

Tax facts for International Assignees



INCOME TAX: WHO IS LIABLE/RESIDENCY

Individual taxpayers are subject to Vietnam Personal Income Tax (PIT) based on their residency status. An individual is considered a Vietnam's tax resident if one of the following conditions are met (determined annually):

- Be present in Vietnam for 183 days or more in a consecutive 12-month period, from the first date of arrival or in a calendar year;
- Have permanent residence in Vietnam (including a registered residence which is recorded on the residence card/temporary residence card in case of foreigners); or
- Have accommodation in Vietnam with the leased term of 183 days or more, collectively, in twelve (12) consecutive months from the first date of arrival or in a calendar year.

A tax non-resident is any individual who does not satisfy the above conditions.

For an inpatriate staying in Vietnam for less than 183 days in a calendar year, but his/her period of presence in Vietnam is 183 days or more during a twelve (12) month period from the first day of his/her presence in Vietnam, the first tax year is twelve (12) months from the first month of presence in Vietnam. From the second year onwards, the tax year will be calendar year.

For inpatriates who enter Vietnam during the year and become tax residents of Vietnam but are also citizens of foreign countries signing Double Tax Avoidance Agreements with Vietnam, their PIT finalization period would be from the month of arrival in Vietnam.

Taxable Income: What is Subject to PIT

Tax residents are subject to PIT on their worldwide income, irrespective of where it is earned, paid or charged.

A tax credit is available on employment income derived from overseas (i.e. not related to the work performed in Vietnam). However, the creditable foreign tax must not exceed the Vietnam PIT allocated to such overseas-sourced income.

Tax non-residents are subject to PIT on their Vietnam-sourced income, regardless it is paid in Vietnam or overseas.

PIT Deductions

Tax deductions (applicable for tax residents) include the following:

Circumstance deductions:

- Personal deduction: VND11 mil per month (automatically applied); and
- Dependent deduction: VND4.4 mil per qualified dependent per month (registration required).

Deductions for insurance premiums:

Employee's contributions to the compulsory insurance scheme of Vietnam are allowed to be deducted from the inpatriate's income while the employer's corresponding contributions for its employees are tax-exempted. This approach is also applicable for overseas mandatory contributions if certain conditions are met.

Deductible charitable donations:

A tax resident may claim PIT deductions against his employment income, in respect of his contributions to charity, humanitarian or education funds established and operated in accordance with Vietnamese regulations.

Tax reporting period

- Tax residents: provisional tax filing on a quarterly basis and finalization at the end of tax year or end of Vietnam assignment; and
- Tax non-residents: provisional tax filing on a quarterly basis.

PIT Filing & Payment Deadline

- Quarterly: the end of the month following the quarter;
- Annual (calendar year) finalization: the end of April of following calendar year;
- 12-consecutive month finalization: 90 days from the end of the tax year; and
- End-of-assignment finalization: 45 days from the Vietnam assignment termination date.

INCOME TAX RATES (FOR EMPLOYMENT INCOME)

Tax Resident

| Monthly assessable income (VND million) | PIT rate (%) |
|--------------------------------------------|-----------------|
| Up to 5 | 5 |
| Over 5 to 10 | 10 |
| Over 10 to 18 | 15 |
| Over 18 to 32 | 20 |
| Over 32 to 52 | 25 |
| Over 52 to 80 | 30 |
| Over 80 | 35 |

Tax Non-resident

Tax non-residents are subject to a flat tax rate of 20%.

SOCIAL SECURITY CONTRIBUTIONS

| Compulsory insurance | Employee's contribution | Employer's contribution |
|-----------------------|-------------------------|-------------------------|
| Social Insurance (SI) | 8% | 17.5% |
| Health Insurance (HI) | 1.5% | 3% |

A foreign employee signs labour contract with a local entity for a definite term of three (3) months or more shall be subject to mandatory Vietnamese HI contributions in the same manner as Vietnamese national employees. From December 1st, 2018, any foreign individuals working in Vietnam under indefinite term labour contract or definite term labour contract of one full year or more with valid Work Permit/ Practicing Licence/ Practicing Certificate are subject to compulsory SI contribution. Contribution rates are as above.

The base to calculate HI and SI is contracted salary plus salary-based allowance and other supplements as prescribed in the Labor Code. Currently, the cap for SI and HI computation purpose is 20 times of the Government base salary.

REGISTRATION/FORMALITIES

Assignees are required to register for tax within 10 working days from the date incurring PIT liabilities.

For dependent being direct family members (i.e. children, spouse, parents, parents-in-law), registration deadline is 10 working days before the finalization deadline.

For other dependents (e.g. brother, sister, grand parents, uncle, aunt, nephew, niece, etc.) registration due date is by 31 December of the tax year.

In case dependent registration cannot be submitted on time during the year, dependent deduction can still be applied retroactively for the given tax year as long as the registration is completed prior to the required deadline.

For further information and to register for future updates contact expat@bdo.global

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