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International Assignment Services

Taxation of International Assignees Country – Vietnam

*Human
Resources Services*

*International
Assignment
Taxation Folio*



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Additional Country Folios can be located at the following website: www.pwc.com/ias/folios

Introduction – International assignees working in Vietnam

Many expatriates relocating to Vietnam come to us for advice on tax compliance and planning, for assistance in agreeing local tax assessments, for help in reducing tax liabilities and an understanding of immigration obligations. As a member of PricewaterhouseCoopers, we are in regular contact with our tax partners overseas and we can offer assistance on international matters through our staff in Vietnam and in other member firms. Further advice can also be sought from our Vietnam contacts listed in Appendix D.

This section has been prepared for the benefit of expatriates working in Vietnam. It is intended to give only a basic understanding of the taxation and immigration laws and is not intended to be comprehensive. Furthermore, the laws and practices are frequently changing. Accordingly, it should not be used as the basis for specific action. We strongly recommend that readers seek professional advice before they act on any of the matters contained in these pages.

In Vietnam we have a team of professional staff to handle all aspects of Vietnamese tax and immigration matters. If we can be of assistance or if you require a brochure on our Vietnamese services, please contact any one of the individuals listed at the end of this folio.

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Step 1 – Understanding basic principles

The scope of taxation in Vietnam

1. The following individuals are included in the scope of personal income tax:
 - Individuals who have Vietnamese nationality including those who are sent abroad on an assignment or who works or study overseas and have taxable income.
 - Foreigners working in Vietnam and foreigners who are not present in Vietnam but earn their taxable income in Vietnam.

Vietnamese personal income tax is imposed on both employment income and non-employment income.

The tax year

2. The Vietnamese tax year is the calendar year, i.e., 1 January to 31 December. However, where in a calendar year, an individual is present in Vietnam for less than 183 days; his/her first tax year in Vietnam is the first 12 consecutive months from the first date of arrival. Subsequently, the tax year shall be calculated based on the calendar year.
3. The assessment of personal income tax on income from business and income from salaries or wages is on a calendar year basis, but is provisionally collected on a monthly basis.

In accordance with the PIT Law, it is necessary that monthly personal income tax declarations and payments be made for all employees. These filings can be done in the name of the employer, with all employees' income declared in one consolidated monthly return. We refer to this as the "withholding method". Alternatively, the filings can be done in the name of the employee, in which case a separate monthly return is done for each employee. We refer to this as the "direct method". An advantage of the direct method is the ability to segregate the filings of Vietnamese and expatriate employees and therefore ensure confidentiality of information.

Tax payment is made once a month upon receipt of income, but not later than the 20th day of the following month. At the end of each year, the employer is required to submit a reconciliation of all taxable income and tax withheld during the year in the final tax return and submit to the tax authorities within 90 days from the calendar year end.

Where an employee has more than one source of employment income or where the employee departs Vietnam, the employee is required to prepare an individual annual final return and submit to the tax authorities within 90 days from the calendar year end or, in the case of termination, prior to departure from Vietnam.

4. For non-employment income, e.g. income from capital investment, capital assignment, transfer of property, the individual is required to declare and pay personal income tax in relation to each type of taxable non-employment income on a regular basis, often each time income is received.

Methods of calculating tax

5. The taxable income from employment and business activities of a resident individual is taxed at progressive rates.
6. Personal income tax is assessed in Vietnamese Dong (VND). For income in foreign currencies, the conversion into VND for calculating personal income tax is computed by reference to the average exchange rate on the inter-bank foreign currency market at the time of the transaction.

Residence status

7. The Vietnamese personal income tax legislation distinguishes between tax residents and non-residents.

Residents are those individuals residing in Vietnam for 183 days or more in a calendar year, or in 12 consecutive months from the first date of arrival; or those having a permanent residence in Vietnam (including a registered residence, or a leased house (includes hotel, office) in Vietnam with a lease duration of 90 days or more in a tax year).

Tax residents are subject to tax on their worldwide taxable income, wherever it is paid, received, charged or earned. Employment income is taxed on a graduated tax rate basis. Non-employment income is taxed at a variety of different rates.

Individuals not meeting the conditions for being tax residents are considered as tax non-residents in Vietnam. In addition, individuals who have a lease with a term of more than 90 days but stay less than 183 days in a tax year in Vietnam will be treated as a Vietnam tax non-resident if he/she can prove they are tax resident in another country. Non-residents are subject to personal income tax at a flat rate of 20% on the income received as a result of working in Vietnam in the tax year and at various other rates on their non-employment income.

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Step 2 – Understanding the Vietnamese tax system

Taxation of employment income

8. Income from employment is fully subject to tax, irrespective of where the income is paid or where the contract of employment is signed.
9. Employment income includes salary, wages and other remuneration e.g. allowances, bonuses and non cash benefits.
10. The time at which employment income is taxed shall be when the employer pays the income or the time when the taxpayer receives the income. The taxable income received in non-cash is valued for taxation purposes by reference to the market price at the time the income is received.
11. The personal income tax regulations provide certain non-taxable benefits e.g. one-off relocation allowance for relocation to Vietnam, airfares for expatriate employees limited to one home leave round trip per annum and school fees of expatriate employees' children paid by employer directly to schools in Vietnam. In addition, the taxable value of employer-provided accommodation is concessionally taxed at the lower of the actual rental paid and 15% of the employee's gross taxable income (excluding the taxable housing).

Various benefits provided on a collective basis (i.e. the benefit is provided for a group of employees with the recipient not identified) are not subject to tax. These include payments for vehicles transporting employees to and from work, memberships, healthcare services, recreation and entertainment, sports activities.

12. Where an employee has a labour contract according to which the Vietnam tax liability is borne by his/her employer, the net income must be grossed up to arrive at the income subject to tax.
13. Share awards and stock options are subject to tax upon sale. At the time of sale, two taxable events occurs (i) graduated tax rates apply to the stock sold that originated from an option/award and to the value recorded in the accounting book of the employer and (ii) 0.1% of the sales proceeds or 20% of the gain apply as tax on activities of transfer of shares.

Non-taxable income

14. There is a detailed list of non-taxable income items which include:
 - Allowances for toxic and dangerous working environment, attraction allowances for new economic zones and regional allowances for people working in remote areas;
 - Allowances as stipulated in the Law on Social Insurance and Labour Code e.g. subsidies for sudden difficult situations, labour accidents, occupational diseases, one-off subsidy on the birth or adoption of a child, allowances for reduction in ability to work, retrenchment/unemployment subsidies;
 - Mandatory social, health and unemployment insurance contributions;
 - Overtime premium payments;

Taxable non-employment income consists of the following:

- Business income including rental income;

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- Income from capital investment e.g. interest (except on bank deposits and life insurance policies), dividends, investment fund distribution;
 - Gains on sale of securities;
 - Gains on sale of real estate;
 - Inheritances (in excess of VND 10 million).
15. Personal income tax is not applied to certain types of non-employment income including:
- Family related transactions for property transfers, inheritances and gifts;
 - Interest on money deposited at a bank or credit institution, and interest from life insurance policies;
 - Life and non-life insurance payouts.

Double taxation relief

16. An individual who is a tax resident of another country may qualify for relief or exemption from Vietnamese personal income tax under a double taxation agreement concluded between that country and Vietnam.

Where a foreign national pays tax in Vietnam, a certificate of payment should be obtained for the purpose of obtaining a tax credit in his/her home country.

Foreign Tax Credit

17. A tax resident of Vietnam who receives income from offshore employment can claim a credit for the tax paid on such income in the foreign country against his Vietnamese tax liability. The total foreign tax credit shall not exceed the Vietnam tax liability payable on such income.

Personal Deductions and Family Deduction

18. Individuals being tax residents who earn income from their business or from salaries and wages shall be entitled to claim the following deductions from their taxable income:
- Personal relief of VND 4 million per month;
 - Dependant relief of VND1.6 million per eligible dependent per month.
19. Eligible dependants shall include:
- Children under 18 years old, or over 18 years old but are disabled and do not have the ability to work; or children who are studying at colleges, junior colleges, secondary vocational schools or vocational schools, and have no income or have income not exceeding the minimum level of VND 500,000/month;
 - Spouse, parent whose age is beyond the working age, or whose age is within the working age in accordance with the law but is disabled, has no ability to work, has no income, or who has income which does not exceed the minimum level of VND 500,000/month;
 - Other relative and individual who is beyond the working age, or within the working age and is disabled, has no ability to work, has no income, or who has income which does not exceed the minimum level of VND 500,000/month and being taken care of directly by the taxpayer.

The dependent allowance is not automatically granted and the taxpayer needs to register eligible dependants and provide supporting documents to the tax authority.

Note: Working age refers to persons below 55 and 60 years of age for women and men respectively.

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Step 3 – What to do before you arrive in Vietnam

Immigration

20. A foreign national may apply for a 'multiple entry visa'. Applications for multiple entry visas should be made at the Vietnamese diplomatic mission in their home country. A work visa is a multiple entry visa. The duration of the visa is usually 3 months. Longer periods may be obtained under special circumstances.
21. Before an expatriate employee is allowed to work in Vietnam, he/she needs a valid work permit. The application for a work permit must be submitted to the local labour authorities. Failure to obtain a work permit may hinder the ability to obtain a visa of more than 3 months or to renew a visa.
22. Foreign nationals exempted from work permits include those working for less than 3 months, a member of a limited liability company with two or more members, the owner of a one member limited liability company, members of boards of management, and foreign lawyers who hold a participating certificate issued by the Ministry of Justice. Notification to the labour authorities is required if the foreigner is exempt from work permit requirements.
23. Temporary residence permits may be issued and are generally valid for a period of one to three years. Extensions may be obtained. A temporary residence permit substitutes for a visa.

Structuring the remuneration package

24. Relevant tax issues should be considered prior to the determination of the remuneration package because certain benefits could qualify as non-taxable, under the Vietnamese personal income tax regulations. Tax advantages may be provided to the employee without increasing the overall cost to the employer.
25. It is advisable for a taxpayer to consult PwC so that we can ascertain a tax optimised remuneration package.

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Step 4 – What to do when you arrive in Vietnam

Tax code registration

26. Individuals who have taxable income are required to obtain a tax code. Those who have taxable employment income should submit the tax registration file to their employer who will subsequently submit this to the local tax office. Those who have other items of taxable income are required to submit their tax registration file to the district office of the locality where they reside, using forms which are distributed by the Vietnamese tax authorities.

Registration of dependants

27. A Vietnam tax resident taxpayer who has qualifying dependants and wishes to obtain dependent relief must prepare a registration of dependants before 30 January (or on the last day of the same month on which the labour contract or assignment letter was signed). The taxpayer must prepare an amended registration within 30 days of any change in dependants. Supporting documents (to prove the taxpayer's relation with the dependants) are required to be filed with the tax authorities.

Tax declarations and payment

28. For employment income, tax has to be declared and paid provisionally on a monthly basis by the 20th day of the following month. The monthly tax paid is reconciled to the total tax liability at year-end.

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Step 5 – What to do at the end of the year

Tax return

29. The employer is required to consolidate all taxable income and tax withheld during the year in the final tax return and submit to the tax authorities within 90 days from the calendar year end.

Where an employee receives one source of employment income only and has been subject to under/over withholding of tax during the year, the employee is allowed to authorize the employer undertake his/her PIT finalization. Overpayment/underpayment can be refunded/offset to future tax liability.

Payment of tax due

30. Any additional tax due at year end must be paid within 90 days from the calendar year end.

Tax penalty

31. Penalties will be assessed for various tax offences including:
- Administrative penalty of VND500,000 to VND5,000,000;
 - Penalty for late payment of tax of 0.05% per day;
 - Penalty for underpayment of tax of 10%;
 - Tax evasion is subject to a penalty of 100% to 300%.

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Step 6 – What to do when you leave Vietnam

Transfer of wages abroad

32. Foreign nationals may remit abroad their remuneration in foreign currency after paying income tax.

Transfer of assets abroad

33. Foreign nationals who leave Vietnam at the end of their assignment may transfer their personal belongings out of Vietnam free of export duty.

Notification of departure

34. On leaving Vietnam, a foreign national is not required to notify any institution of their impending departure. If the foreign national is in possession of a temporary residence card, this must be surrendered prior to departure.

Tax finalization

35. The employee being tax resident is required to prepare an individual final return, submit it to the tax authorities and pay the personal income tax due prior to his/her departure from Vietnam.

Immigration

36. As the employee's work permit becomes invalid as soon as his employment contract is terminated, he/she is required to return the work permit to the employer prior to his/her departure from Vietnam, to enable the employer to update the authorities on the employee's cessation of employment in Vietnam.

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Step 7 – Other matters requiring consideration

Owning property

37. Freehold title of land property is not available in Vietnam; private individuals or organisations are generally granted land use rights. Private ownership of dwelling houses, however, is permitted, but expatriates in Vietnam are not entitled to own a house in Vietnam. The right to buy and own a house has been given to overseas Vietnamese if certain conditions are satisfied. Expatriates can, subject to the satisfaction of conditions, buy leasehold apartments.

Importing personal belongings

38. Belongings of those who come for work purposes will be subject to import duty. Vietnamese import duty rates are relatively high and the value of used goods are usually estimated at the high-end.

Before arriving in Vietnam, expatriates should be advised that the possession of certain items may be prohibited or restricted in the country. This applies to typically restricted items such as firearms, explosives and drugs.

The Customs authorities generally require a copy of the employee's work permit to facilitate the release of the shipment of personal belongings.

Social insurance and unemployment insurance

39. These statutory contributions are applicable to Vietnamese individuals only. Neither of these contributions is required for expatriates.

The statutory social insurance (SI) contribution rate for the employee is 6% and the employer is 16%.

Unemployment insurance (UI) contribution rates for both the employee and employer are 1% each.

The salary subject to SI and HI contribution is capped at 20 times the common minimum salary (VND730,000 per month effective from 1 May 2010).

Health insurance

40. Health insurance contributions are compulsory for Vietnamese individuals; and foreign individuals employed locally.

The HI contribution rate for employer is 3% and employee is 1.5%.

The HI contribution is calculated based on the monthly gross basic salary, but limited to twenty times the minimum monthly salary of VND730,000/month/person.

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41. Statutory social insurance, health insurance and unemployment insurance employer contributions do not constitute a taxable benefit to the employee. The employee contributions are deductible for personal income tax purposes.

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Appendix A – Rates of tax

Residents - Tax rates for employment income and business income

Monthly Taxable Income (VND)	Monthly Taxable Income (VND)	Tax 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%
32,000,001	52,000,000	25%
52,000,001	80,000,000	30%
80,000,001	and above	35%

Residents - Tax rates other income

Types of taxable income	Tax rate
Income from capital investment (e.g. interest, dividends)	5%
Income from transfers of equity (e.g. sale of securities)	
Net Gain; or	20%
Sales proceeds	0.1%
Transfer of properties (e.g. sale of real estate)	
Net Gain; or	25%
Sales proceeds from transfer of property	2%
Income from royalties, franchising, copyright	5%
Inheritances/gifts/winning prizes	10%

Non-residents - Tax rates

Types of taxable income	Tax rate
Employment income	20%
Business income (e.g. rental income)	1% - 5% *
Investment of capital (e.g. interest, dividends) - except interest on bank deposits and life insurance policies	5%
Capital assignment (e.g. sale of securities)	0.1% **
Transfer of properties (e.g. sale of real estate)	2% **
Income from royalties, franchising, copyright	5%
Inheritances/gifts/winning prizes	10%

* Based on type of business income.

** On sales proceeds.

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Appendix B – Double-taxation agreements

Countries with which Vietnam currently has double-taxation agreements

Algeria (*)	Hungary	Pakistan
Australia	Iceland	Philippines
Bangladesh	India	Poland
Belarus	Indonesia	Romania
Belgium	Ireland	Russia
Brunei Darussalam	Italy	Seychelles
Bulgaria	Japan	Singapore
Canada	Korea (North) (*)	Spain
China	Korea (South)	Sri Lanka
Cuba	Laos	Sweden
Czech Republic	Luxembourg	Switzerland
Denmark	Malaysia	Taiwan
Egypt (*)	Mongolia	Thailand
France	Myanmar	Ukraine
Finland	Netherlands	United Kingdom
Germany	Norway	Uzbekistan
Hong Kong		

(*) not in force yet

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Appendix C - PricewaterhouseCoopers in Vietnam

PricewaterhouseCoopers in Vietnam

In addition to tax services, PricewaterhouseCoopers in Vietnam has experienced teams offering legal, assurance and advisory services.

Our extensive experience can assist with many aspects relating to the most appropriate form of doing business in Vietnam.

Services include:

- Inward investor services;
- Legal services (through our affiliated law firm, PwC Legal);
- Payroll outsourcing services;
- International assignment services;
- Statutory audit;
- Regulatory compliance;
- Internal control reviews;
- Corporate governance best practices;
- IT effectiveness;
- Financial function effectiveness;
- Valuation and strategy;
- Transfer pricing;
- Transaction services, including due diligence;
- Special reviews and investigations; and
- Customs.

PricewaterhouseCoopers provides industry specific services to firms which include multinational corporations, local companies, state owned enterprises and government agencies.

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Appendix D – Vietnam contacts and offices

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