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Vietnam – PIT Can Be Calculated from Day of Arrival in Vietnam

by Hanh Ho, KPMG, Vietnam (a KPMG International member firm)

Following the Vietnamese government's instructions to improve the business environment and enhance national competitiveness, on 25 August 2014, the Ministry of Finance issued Circular 119/2014/TT-BTC amending a number of regulations in order to reform and simplify tax administration procedures.

Individuals from a country with which Vietnam has a double taxation treaty who are Vietnam tax residents, will be able to have their Personal Income Tax ("PIT") obligations calculated as from the first month of arriving in Vietnam instead of from January of that year, as had been stipulated in the previous rules.

Why This Matters

The calculation of the PIT obligation from 1 January of the year of arrival seemed inequitable and arbitrary, albeit simple. Also, the old rule led to sometimes administratively awkward foreign tax credit claims in order to mitigate an individual's exposure to double taxation. The new rule should be a welcome step that will simplify the cross-border compliance obligations of assignees to Vietnam.

Please note, there is still an outstanding matter concerning "the effective date" of applying the new rule, which awaits clarification.

Circular 119 is effective from 1 September 2014. During the transition period (until 31 August 2014), the General Department of Taxation had been expected to provide a clarification as to whether the above change could be applied retrospectively or at least for the whole of year 2014.

KPMG Note

Should any clients have concerns about the applicability of the rules post- or pre-1 September, including the period of application for the new rules versus the old rules for calculating a taxpayer's PIT obligations, they should contact a tax professional for assistance.

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The information contained in this newsletter was submitted by the KPMG International member firm in Vietnam. The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

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