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Vietnam – New Tax Relief and Expanded Exempt Income Measures Passed

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Vietnam's National Assembly passed on 22 November 2012 the amended Personal Income Tax Law ("PITL"), which takes effect from 1 July 2013. We summarize below the important changes – which serve to reduce the tax burden for many taxpayers – under the amended PITL No.26/2012/QH13:

Increasing the Amounts of Tax Relief

From 1 July 2013, personal relief for a taxpayer will increase from VND 4 million/month to VND 9 million/month (equivalent to VND 108 million/year). Likewise, the deduction for each qualifying dependant will rise from VND 1.6 million/month to VND 3.6 million/month.

The amended PITL also adds that in cases where the Consumer Price Index (CPI) fluctuates over 20 percent compared with the CPI rate at the time the amended PITL comes into effect or the latest adjustment of the tax relief rate comes into effect, then the government shall submit a proposal to the Standing Committee of the National Assembly to adjust the pecuniary amounts of tax relief so as to be commensurate with the fluctuations in prices. Compared to the current laws, such an adjustment of tax relief rates in line with the CPI fluctuations is considered an advantage of the amended PITL.

Adding Some Allowances and Subsidies into the Exempt Income Category

The amended PITL clarifies allowances and add some additional allowances into exempt income as follows:

- Allowances as provided in the Social Insurance Law.
- Allowances in respect of social security payments, and other allowances not in the nature of salary and wages, in accordance with government regulations.
- Pensions that are received monthly from voluntary pension funds.
- Contributions to unemployment insurance and voluntary pension funds. The government shall stipulate the maximum allowable deductions for amounts contributed to a voluntary pension fund.

Other Important Changes

- The amended PITL stipulates that income derived from property transfers in any form shall be subject to Personal Income Tax.
- The amended PITL removes the requirement of registering the taxpayer's taxation method with the tax authorities at the beginning of the year for those taxpayers

electing to apply taxation on an annual basis for income that is derived from securities transfers. This amendment enables taxpayers to select the method that works best for them in a flexible manner.

KPMG Note

The government and the Ministry of Finance are expected to issue implementing decrees and circulars for the amended Law. In the meantime, please consult your professional tax advisers for additional information or assistance with the above developments.

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VND 1 = USD 0.000048
VND 1 = GBP 0.0000295
VND 1 = EUR 0.000036
VND 1 = JPN 0.0040

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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