

# GMS Flash Alert

January 2024

## 1. Intensified focus on PIT compliance issues during tax audits

On 22 December 2023, the GDT issued Official Letter No. 5862/TCT-TTKT requesting local tax authorities to intensify their focus on PIT issues to ensure taxpayers follow the appropriate policies and regulations of the Government. The main content is as below:

- Increase desktop tax audits using data from the tax risk management system, increase electronic transactions in tax audits;
- Enhanced review of PIT data based on the tax filing system, identify issues and assess risk; and
- Strengthen coordination between tax authorities and competent agencies to go against tax evasion, tax fraud, and tax crimes.

As such, the tax authorities are likely to pay much more attention to PIT issues. Therefore, taxpayers need to enhance their compliance status to avoid challenges from the tax authorities.

## 2. Deductibility of overseas compulsory social insurance for PIT calculation

On 29 December 2023, the GDT issued Official Letter No. 6002/TCT-DNNCN (“OL 6002”) to an enterprise regarding the tax treatment of overseas compulsory insurance contributed by inbound expatriates.

According to OL 6002, where an expatriate is working in Vietnam under an intra-corporation transfer scheme, receiving income paid by both Vietnam and overseas entities and where the overseas income (including compulsory insurances paid overseas) will be subsequently reimbursed by the Vietnam entity in full, any compulsory insurances contributed paid overseas are not allowed to be deducted when calculating the PIT liability in Vietnam.

The reimbursement between Vietnam and overseas entities was not an area specifically addressed through PIT regulations and there are no regulatory documents that stipulate the non-deductibility of overseas compulsory social insurances in case of reimbursement.

Related to the deduction of compulsory insurance paid overseas when calculating PIT in Vietnam, on 12 July 2023, the GDT issued Official Letter No. 2872/TCT-DNNCN with a different approach. According to Official Letter 2872, where an expatriate is working in Vietnam under an intra-corporation transfer scheme and contributing to overseas compulsory insurance in accordance with the home country’s laws, such contribution is deducted when calculating Vietnam PIT.

Due to the inconsistency in the guidance between OL 6002 and OL 2872 on the same issue with respect to the deduction of compulsory insurance paid overseas, the application of these guidance should be carefully considered based on each specific employment agreement and reimbursement mechanism for remuneration costs. Please contact us to discuss more about your specific situation before proceeding.

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