

GMS Flash Alert

March 2024

DEDUCTIBILITY OF OVERSEAS COMPULSORY SOCIAL INSURANCES FOR PIT CALCULATION

On 29 December 2023, the GDT issued Official Letter No. 6002/TCT-DNNCN where they opined that when 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.

After reviewing the enterprise's explanation for the GDT's opinion in OL 6002, on 27 February 2024, the GDT responded via Official Letter No. 684/TCT-DNNCN ("**OL 684**"). Accordingly, where a Vietnam tax resident expatriate who is working in Vietnam under an intra-corporation transfer scheme and receiving income from salary and wages paid overseas contributes compulsory insurances according to the regulations of the country where the expatriate holds nationality which is similar to compulsory insurances according to the provisions of Vietnamese laws, such insurance contributions are deductible when calculating Vietnam PIT liability. OL 684 is silent on the reimbursement factor between the Vietnam entity and the overseas entity. Thus, it is interpreted that reimbursement of employment cost (including compulsory insurances contributed in overseas) does not affect the deductibility of these contributions from income subject to PIT in Vietnam.

The GDT's opinion stated in OL 684 is appropriate which was timely issued to prepare year-end tax finalization. The businesses and individuals should refer to this OL. If you need further clarification in relation to the above matter, please contact KPMG for further information and support.

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