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Tax Alert

08 July 2026

DECREE 253/2026/NĐ-CP and CIRCULAR 87/2026/TT-BTC providing detailed guidance on the Personal Income Tax Law

On 30 June 2026, the Government and the Ministry of Finance issued Decree 253/2026/NĐ-CP and Circular 87/2026/TT-BTC guiding the new Personal Income Tax ("PIT") Law, effective from 1 July 2026.

Some notable changes relating to income from salaries and wages ("employment income") include:

Addition and clarification of types of employment income

- Adding bonuses in cash, in kind, and in securities; awards from competitions and events organised by the employer for employees.
- Service remuneration paid to individuals who are not registered for business, regardless of whether they hold practising licences or professional certificates.

Expansion of tax-exempt and tax-reduced income

- Increasing the tax-exempt mid-shift meal allowance to VND 1.2 million/person/month.
- Severance and job-loss allowances: the portion exceeding the statutory level is still tax-exempt if clearly stipulated in the Internal Regulations, Labour Contract, or Collective Labour Agreement.
- Additional tax exemptions for the following employment-related amounts:
  - Employment income paid for overtime work, night work, and employment income paid for unused annual leave days as prescribed by the Labour Law.
  - Benefits from housing built by the employer for employees currently working at the entity, including electricity, water and accompanying services (if any).
  - Money and benefits received from Trade Union financial sources do not constitute employment income as defined under the Law on Trade Unions.
- Additional tax exemptions for the following types of income:
  - Income paid by supplementary pension funds and voluntary pension funds, regardless of whether payment is periodic, lump-sum, paid before or after retirement age.
  - Income from employment and copyright arising from implementing tasks in science,technology, and innovation.
  - Tax exemption for certain special individuals: experts of ODA projects/ non-governmental projects, Vietnamese personnel working at United Nations agencies, and individuals participating in UN peacekeeping forces.
  - Five-year tax exemption for high-quality human resources in the fields of digital technology industry, high technology and strategic technologies.

Additional deductions from employment income before calculating PIT

- Additional deductions for healthcare and education - training expenses of the taxpayer and dependents.
- Contributions to supplementary pension insurance as prescribed by the Law on Social Insurance; purchase of voluntary pension insurance and life insurance: maximum deductible amount is VND 3 million/month, including both the portion contributed by the employer for the employee and the portion contributed by the employee themselves (if any).

Deduction for dependents

- The income level used as the basis for determining whether an individual qualifies as a dependent for whom the taxpayer may claim a dependent deduction must not exceed VND 3 million per month.
- Additional documentary requirements for dependents who have no place of support or are incapable of working.

Tax declaration method

- Time of determining taxable income: at the time the organisation, individual pays income or the time the taxpayer receives income, including monetary and non-monetary benefits.
- Additional provision: Where a Vietnamese entity reimburses a foreign entity for salary or wage expenses paid to an individual, the Vietnamese entity is responsible for withholding and remitting PIT before making payment to the individual.
- A 10% withholding tax applies to resident individuals who do not sign a labour contract or sign a labour contract of less than 03 months with payment from VND 5 million/time or more; and to income amounts paid after the employee has terminated the labour contract.
- Tax finalisation is not required where the tax payable is lower than the provisional tax paid and the taxpayer does not request a tax refund or tax offset; or where the taxpayer has additional occasional income that has been subject to 10% withholding tax, with average monthly income not exceeding VND 15 million, and the taxpayer does not wish to perform tax finalisation.

Income from bonus shares (stock awards)

- PIT arises only upon transfer of shares, including PIT on employment income and PIT on securities transfer activities.
- Basis for determining taxable income:
  - Bonus shares: the cost recorded for the employee in the entity's accounting books at the awarded time, or the value of the bonus shares based on their par value or market value.
  - ESOP shares: the cost recorded for the employee in the entity's accounting books at the issued time, or the difference between the par value of the shares and the amount actually paid by the employee to purchase them. If no difference arises, no taxable income is generated and no tax is payable.
- Securities companies or custodian banks are responsible for withholding 10% PIT, and the individual is required to perform the annual tax finalisation at year-end.

Income from life insurance and other non-compulsory insurance with an accumulation feature

- For insurance provided by insurers established and operating under Vietnamese law:
  - Not included in taxable income at the time the employer purchases/pays premiums on behalf of the employee.
  - Upon maturity of the contract, the insurer withholds 10% PIT on the taxable accumulated premium portion before paying out, and the individual is not required to include this income in the annual PIT finalisation.
  - Where the individual participates in both pension insurance programs and life insurance, the maximum total tax-exempt amount is VND 3 million/month.
- For insurance provided by foreign insurers (not established and operating under Vietnamese law): The employer withholds 10% PIT on the portion of premiums exceeding the tax-exempt threshold before paying salary to the employee.

New changes to PIT may have a significant impact on the tax obligations of employers and employees. Therefore, income-paying entities and individuals with taxable income should proactively study and update detailed relevant regulations to ensure compliance with tax declaration and payment requirements, or contact KPMG professionals for advice and support.

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