

GMS Flash Alert

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Vietnam – New Personal Income Tax Law Reshapes Taxation for Individuals from July 2026

The National Assembly of Vietnam enacted Personal Income Tax Law No. 109/2025/QH15 on 10 December 2025, replacing the 2007 law. The new law will be effective from 1 July 2026, with provisions on personal income tax applicable to employment income of resident individuals, and to business income beginning with the 2026 tax year.¹

WHY THIS MATTERS

The overhaul of Vietnam's Personal Income Tax Law materially changes the tax landscape for globally mobile employees, employers, and payroll teams. The law introduces fewer, wider tax brackets, higher thresholds, and a broader definition of tax-exempt income, helping to reduce tax liabilities and easing administrative burdens for many. At the same time, the expansion of taxable income categories and clarification of tax rates for residents and non-residents may provide additional regulatory clarity, but also may create new compliance requirements for organizations with cross-border staff. The explicit priority order may offer taxpayers increased flexibility, though this may require careful review to identify beneficial provisions.

Key Highlights

Progressive tax rates simplified

- The number of personal income tax brackets is reduced from seven to five. Monthly thresholds are increased, with the lowest bracket now up to VND 10 million (5 percent), and the top bracket for monthly income above VND 100 million (35 percent).
- This change is expected to help reduce effective tax rates for many employees.

Expanded and clarified tax-exemption/reduction

- Night-shift and overtime pay, salaries for unused annual leave, and remuneration for scientific, technological, and innovation activities are now exempt.
- Certain allowances (e.g., business travel, uniforms, housing) remain partially or fully exempt under specified conditions.

- Income entitled to 50 percent tax reduction: profits of individual investors received from securities investment and real estate investment funds within the period prescribed by the government.
- Income related to foreign assignments and specific allowances for expatriates is clarified, supporting cross-border mobility.

Revised taxation of investment and other income

- Expansion of income subject to tax: Income from e-commerce business activities and digital-platform based business operations, income from the transfer of “.vn” internet domain names, greenhouse-gas emission reduction outcomes, carbon credits, and auctioned vehicle license plates, income from the transfer of digital assets and gold bullion.
- Clear rates and timing for capital investment, securities transfers, real estate transactions, prizes, royalties, inheritances, gifts, transfer of digital assets, and more.
- Increase the taxable income threshold from winning prizes, royalties, franchises, inheritances, gifts from VND 10 million to VND 20 million
- Increase revenue subject to tax from VND 200 million/year to VND 500 million/year for income from business
- Non-resident taxation rules are explicitly stated, supporting compliance for inbound and outbound assignees.

Priority order for incentives

- Where incentives conflict across statutes, taxpayers may select the most beneficial provision (e.g., between the Personal Income Tax Law, Capital Law, or National Assembly resolutions).

Administrative updates

- Employers and income-paying organizations have clarified obligations for withholding, declaration, and payment, with specific deadlines and processes.
- Strengthened measures to prevent tax avoidance and broaden the taxable base, especially regarding new asset classes and digital income.

KPMG INSIGHTS

The updated tax brackets and elevated thresholds may help reduce tax liabilities for many employees, especially in lower and middle-income bands. The broader scope of tax-exempt income benefits those engaged in overtime, innovation, or scientific work.

In accordance with the upcoming changes, the organisations may wish to consider the following:

- Evaluate payroll systems for readiness to implement new brackets, exemptions, and reporting requirements from January 2026.
- Communicate changes to employees, especially those in high-tech or innovation roles who may be eligible for new exemptions.
- Review expatriate and cross-border compensation arrangements to take into account clarified exemptions and rates.

- Monitor for additional guidance from the Vietnamese tax authorities, especially regarding implementation for business income and digital assets.

If assignees and/or their programme managers have any questions or concerns about the scope of the law, its application and potential impacts, and appropriate next steps, they should consult with their qualified tax professional or a member of the GMS tax team with KPMG in Vietnam (see the Contacts section).

ENDNOTE:

1 Government of Vietnam (in Vietnamese), "[Personal Income Tax Law No. 109/2025/QH15](#)," published on 10 December 2025.

RELATED RESOURCE:

Also see [Tax Alert on Personal Income Tax Law](#), released by KPMG in Vietnam, January 2026.

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Contacts

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