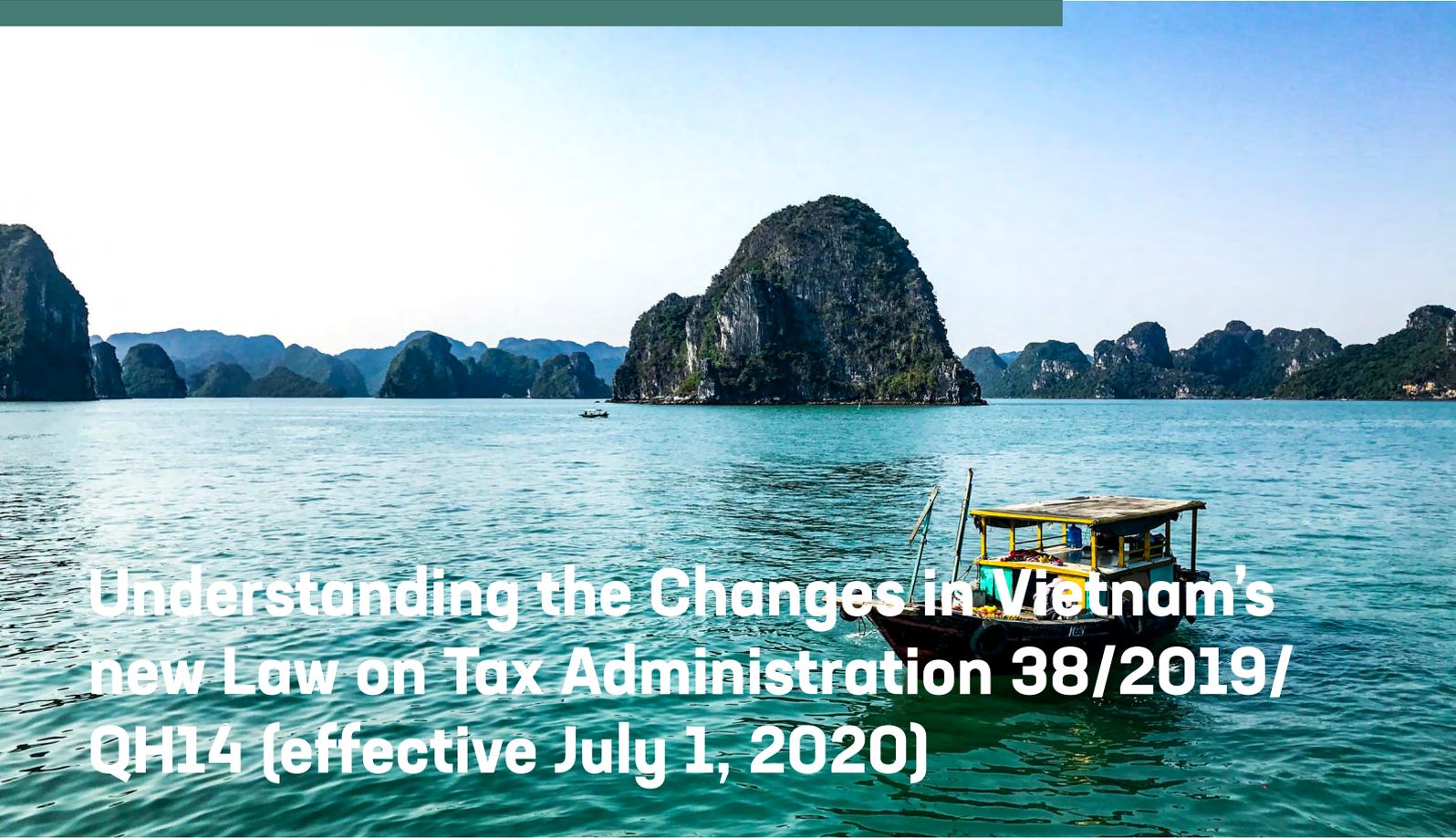


BIPO TIMES



Understanding the Changes in Vietnam's new Law on Tax Administration 38/2019/QH14 (effective July 1, 2020)

Introduction

According to Vietnam's Law on Personal Income Tax (PIT) Law, PIT is levied on the worldwide income of Vietnamese residents and on Vietnam-sourced income of non-residents, regardless of where the income is paid, at progressive rates from 5% to a maximum of 35%. Non-resident taxpayers are subject to PIT at a flat rate of 20% on their Vietnam-sourced income.

The tax calculation and finalization procedure for Vietnamese locals and expatriates is the same but differ for residents and non-residents.

Typically, the monthly salary package in Vietnam includes :

- Gross salary
- Mandatory social security

PIT is levied on the balance after deducting the mandatory social insurance contributions. Companies are required to conduct PIT finalisation on behalf of their employees at the beginning of the year, for taxable income arising from the previous year.

Revisions in Tax Administration 38/2019/QH14 (effective July 1, 2020)

In 2019, an estimated 6.68 million people in Vietnam paid personal income tax, amounting to a combined US\$3.41 billion or VND79.2 trillion.

With the country's Consumer Price Index (CPI) increasing more than 20% from July 2013 to end 2019, the Government of Vietnam implemented a revised law effective July 1, 2020 that will make it easier for both individuals and businesses to file taxes.

Here are some of the key changes :

1. Personal Income Tax

- 1.1 Return deadlines are now extended to 120 days from the current 90 days of the calendar year end. This extension is applied to individuals who finalize their annual tax returns directly with the tax authorities.
- 1.2 Individuals are now able to **use their citizenship code** to file once it has been implemented. Currently, individuals are required to have a tax code and an identity card number for filing taxes.
- 1.3 The revision also takes into account the new **allowable deductions** for the first 6 months of 2020 will be made in the year-end tax finalization. Details of the new allowable personal income tax deductions include:
 - a. **Personal deduction for a resident taxpayer** will be increased to US\$475 or VND11 million per month (from the current US\$387 or VND9 million per month). The new policy will be retroactive and will apply from January 1, 2020. The yearly amount can be fully deducted, regardless of whether the taxpayer had an income every month.
 - b. **Dependent deduction** will be raised to US\$192 (VND 4,400,000) from the previous US\$157 (VND 3.6 million) per month. Qualified dependents are defined as children aged below 18 years old, or children over 18 years old but earning a low income that does not exceed US\$43 (VND 1 million) per month. In addition, spouse or parents of taxpayers who are unable to work or have low income are also qualified dependents. It is important to note that only one person can claim the reduction for each dependent. The dependent allowance is not automatically granted, and the taxpayer needs to register the qualifying dependent and provide the supporting documents to the tax authority.

2. Impact on Taxpayers

Taxpayers who have paid tax based on the previous standard deduction can re-calculate their personal income tax payable, any applicable refunds by the end of this year. The measures are also the latest incentives that the Vietnamese Government has issued to spur economic growth and consumption amidst COVID -19

3. Increased enforcement and enhanced controls

The tax authorities will have additional powers to collect tax, particularly in instances where individuals or companies attempt to evade tax. In addition, tax registration certificates will be issued within three (3) days instead of the current ten (10) days.

4. Increased transparency and taxpayer benefits

Taxpayers will not be penalized if they declare and pay taxes following the official guidance of tax authorities, specifically :

Description	Timeline
Tax refund dossiers that are eligible for a refund before examination	Six (6) working days upon receipt of the tax refund application
Tax refund that are subject to examination before refund	40 days upon receipt of the tax refund application

- Additionally, taxpayers who wish to appeal a decision are required to pay the full tax amount as well as any penalties and late payment interest.
- However, if the taxpayer wins the appeal, they can also request that the tax authorities pay an interest of 0.03 percent per day on the refunded amount.

5. Personal Income Tax for Foreigners

While the revision in the increased threshold does not impact foreigners, here's a quick recap of personal income tax for foreigners.

5.1 A tax resident is generally defined as someone residing in Vietnam for 183 days or more in either the calendar year or a period of 12 consecutive months from the date of arrival.

5.2 Foreign nationals in Vietnam can be exempted from taxation for certain employment benefits, such as :

- One-off relocation allowance for foreigners to relocate to Vietnam;
- Round-trip airfares paid once a year by employers for foreign employees who are on annual leave; and
- General education school fees or tuition paid by the employer for the expatriates' children studying in Vietnam.

5.3 Other benefits treated as non-taxable income if certain conditions are met include:

- Employee housing costs exceeding 15% of the total taxable income (excluding housing benefit from employers)
- Expenses for means of transportation for a group of employees to and from work
- Training fee for employees relevant to employees' profession and/or in accordance with the employers' plan
- Mid-shift meal allowances if employers directly cater such meals for their employees; and
- Presumptive expenditures for telephone, stationery, per diem, working outfit, etc. are not subject to tax if the amounts are within the levels set out under relevant regulations.

In conclusion

The revisions in Tax Administration 38/2019/QH14 is expected to have an impact on more than 1 million people, resulting in :

- Individuals with incomes of less than US\$863.44 (VND20 million) and one dependent paying less taxes amounting to US\$9.93 (VND230,000) or 48% less than the current amount
- Those with higher incomes would be subject to a 7% reduction in the tax amount
- Higher disposable incomes resulting from these adjustments that would encourage household consumption and spurred economic growth.

Source:

[Hanoi Times – May 19, 2020](#)

[PwC – Vietnam Pocket Tax Book 2020](#)

[Vietnam Briefing](#)

Around the World with BIPO

BIPO kickstarted July with the launch of its quarterly publication, “Accelerating Digital Adoption in the Workplace” , aimed to guide Enterprises and SMEs scale-up their digital transformation efforts amidst the global pandemic.

With a foreword and introduction by hrtech.sg (one of the region's leading, independent HR tech advisories), an informative A – Z guide was also included to illustrate key pointers. Supported by joint efforts with leading online HR portals, the guide seeks to drive home the message of digitisation in the workplace. It also represents BIPO's continued efforts to support the business and HR communities in their digital transformation journey.



22 July | Singapore

One of the hottest trending topics relates to the slew of grants provided by the Singapore Government to support businesses during the current COVID-19 pandemic. Jointly organised with the China Enterprises Association, BIPO's webinar was attended by close to 80 participants and provided in-depth analysis of the four (4) budgets rolled out in Singapore, along with the various grants businesses can tap on to accelerate their digital adoption plans. Hosting the session was BIPO's Ivy Zhang (Director, Enterprise Go Global) and Alex Lau (Senior Finance Manager) who also engaged in a lively Q&A session with participants.

24 July | Hong Kong

In our continuing webinar series to support businesses in Hong Kong, our Payroll experts provided a detailed explanation on the country's Average Daily Wage (713). Commonly asked questions during included the calculation of statutory holidays, annual leave, sick leave, maternity to payment in-lieu-of-notice, overtime and statutory entitlements – topics that continue to challenge HR Managers. With over 80 participants, an extra bonus session was included, showcasing how BIPO's HRMS platform could help companies with the 713 calculation, thus expediting the process.

27 July | Indonesia + Singapore

A joint collaborative effort among our offices in Indonesia, China and Singapore, this popular and highly informative webinar on Indonesia's Labour Law & Employment Regulations was hosted by Mario Widjaja, Country Head of BIPO Indonesia. With more than 80 attendees across different industries, this was one of BIPO's most active and engaging webinars to-date with more than 20 questions raised by participants, followed by a lively discussion.



27 July | Mainland China

On July 27th, Michael Chen, CEO of BIPO, and Ivy Zhang, Director of Corporate Landing Service, were invited to the third live broadcast themed *Managing Your Difficulties Abroad | Overseas Employment* to share their perspectives on how companies should manage employees from different countries when they operate in Southeast Asia.

As more Chinese companies are going abroad, they are still faced with many challenges throughout the world. To be successful in the foreign market, the concept of globalization needs to be combined with local experience effectively. The unique landing service developed by BIPO can help them strike a balance between Chinese culture and the local ones, and provide solutions for labour and compliance needs. BIPO will help Chinese companies be prepared for changes in a foreign environment and escort them on their way to prosperity.



Our thanks to BIPO teams who work quietly behind the scenes to put together the content for our webinars!

About Us

BIPO is a leading one-stop human resources provider in Asia Pacific, focused on providing organisations with innovative ways to manage complex end-to-end HR processes. Through our cloud and mobile-based Human Resources Management system as well as industry-leading solutions such as Payroll Outsourcing, Attendance Automation, Business Intelligence, HR Consulting, Recruitment & Business Process Outsourcing and Flexible Employee Management, we help companies transform their HR operations to and beyond their expectations, while achieving business goals related to cost and profitability.

Founded in 2004, our APAC headquarters is in Singapore and R&D centre in Indonesia. We have offices in Australia, China, Hong Kong, India, Japan, New Zealand, Philippines, Vietnam, Taiwan and Thailand with business links in over 10 countries and regions.

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