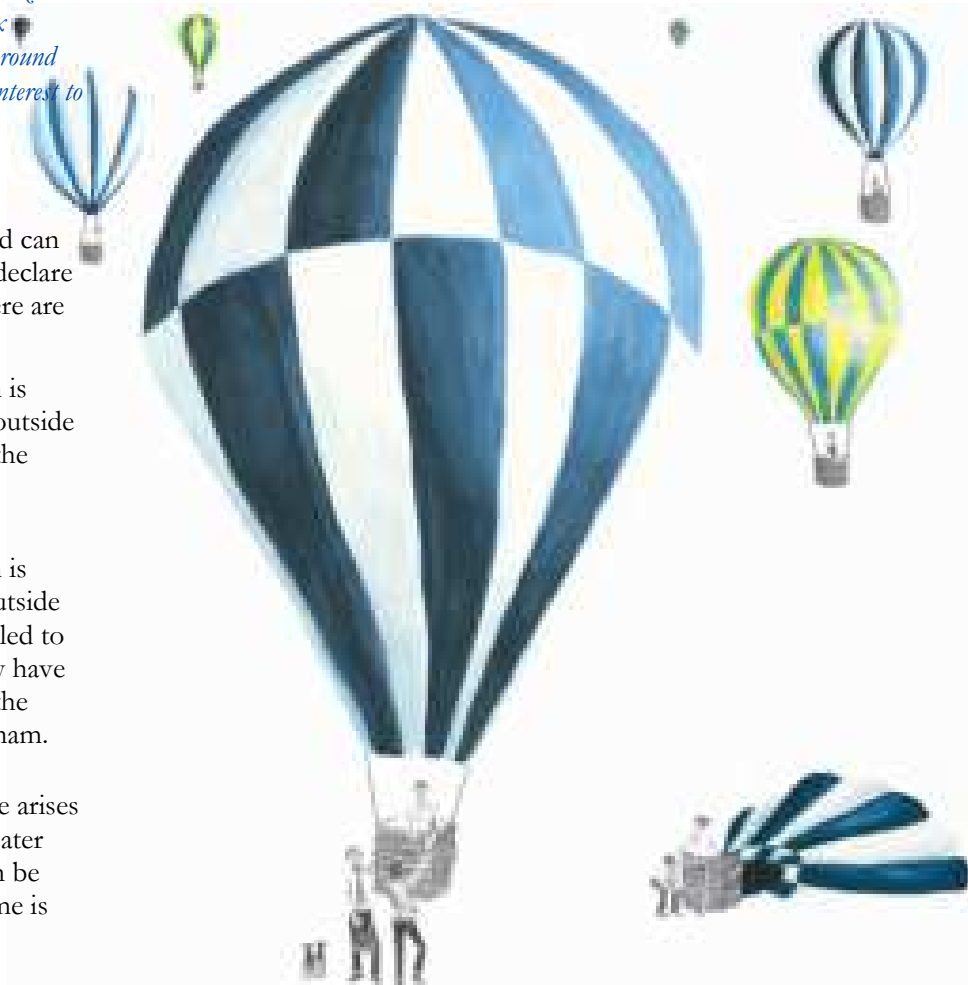




# Vietnam Tax Update Special PIT Edition July 2010

*In this newsletter, Grant Thornton summarizes some common questions relating to the Tax Dialogue organized recently by Eurocham round table with a focus on PIT that may be of interest to investors in Vietnam.*

- A Vietnamese resident working abroad can earn income outside of Vietnam and declare their PIT finalization in Vietnam. There are two ways to determine their PIT:
  - If their PIT payable in Vietnam is greater than their PIT payable outside of Vietnam, they will only pay the difference to the Vietnam tax authorities.
  - If their PIT payable in Vietnam is lower than their PIT payable outside Vietnam, they will only be entitled to deductions against the PIT they have paid outside Vietnam equal to the amount of PIT payable in Vietnam.
- For a foreign individual whose income arises in Vietnam and the PIT payable is greater than the PIT deductible, then PIT can be finalized by the agent where the income is



received. If such a foreign individual has authorized their employer to finalize their PIT then the employer should not issue a deductible certificate for their PIT. In this case, the foreign individual can ask for the confirmation from the Vietnam tax authorities that tax has been paid in Vietnam.

- Residents earning salaries and wages in Vietnam do not submit the PIT confirmation (Form 20/TXN-TNCN) when having their PIT finalized. Form 20/TXN-TNCN should be used if the income arises outside of Vietnam.
- Family dependants registered from the beginning of 2009 may continue to be registered until the deadline to declare the 2009 PIT finalization even if there is a change in the number of dependants. The dependants should be declared together with the PIT finalization form.
- Progressive tax rates are applied based upon the length of employee labor contracts. It is applied to full-time workers with a contract of three months or more.
- Where a bank is an income-paying body and a security company pays dividends to the banks shareholders on behalf of the bank, the bank is responsible for withholding PIT.
- If an employee leaves before completing 3 months work and the company has not yet registered the tax code for them, they must finalize their PIT with the tax authority, and the company only declares the total tax amount to withhold. In cases where an employee has earned income from the company, which after deductions is below the base tax level, the company is not required to temporarily withhold 10% PIT.

- Where an employee signs a labor contract with a term of less than 3 months with an income of less than VND 500,000 per week, but more than VND 500,000 per month, the company must withhold 10% PIT. The finalization of PIT for such employee is conducted under form 05B/KK-TNCN.

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