

MAZARS IN VIETNAM



Mazars in Vietnam was established in 1994 to provide professional accounting and business advisory services to foreign and local organisations and has since grown to become one of the premier mid-tier firms in the country. We currently provide services to a variety of clients from our offices in Hanoi and Ho Chi Minh City.

Audit & Assurance

- Statutory audits
- International GAAP and specific jurisdiction GAAP audits
- Internal audit
- NGO, Donor Funded, and Not-For-Profit auditing and consulting

Accounting and Business Process Outsourcing

- Accounting and preparation of financial statements
- Accounting reviews
- Payroll outsourcing and statutory insurance contribution outsourcing

International and Local Taxation

- Tax advisory
 - Individual and corporate tax advisory and planning
 - Withholding tax advisory and planning
 - Tax authority representation (tax rulings and tax audits)
 - Transfer pricing reviews and advisory
 - Tax due diligence reviews and periodical/pre-tax finalisation audit review
- Tax compliance
 - Registration, declaration of individual, corporate tax, VAT and foreign contractor tax
 - Tax refunds assistance and representation

Business Start-up Assistance

- Advice on investment and administrative procedures
- Processing the investment licence
- Assistance in recruitment and human resource management
- Assistance with various other administrative procedures post licensing

Financial Advisory Services

- Due Diligence
- Business Planning & Valuation
- Corporate Finance

Mazars is present in 5 continents.

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Personal Income Tax In Vietnam

Presentation of Vietnam's Personal Income Tax legislation



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More informations on
www.mazars.vn

How does Personal Income Tax (PIT) work in Vietnam?

PIT is applied to taxable income received by individuals. Therefore, as a general rule, PIT is a liability of individuals, however the PIT regulations encompass the concept of tax withholding at source, in which the employer is required to temporarily withhold tax prior to paying incomes to its employees and remit the withheld tax to the tax authority.

Where individuals are remunerated on a gross basis, the income-payer is liable to withhold PIT payable before making payments to the individuals and remitting the tax withheld to the tax office. If the remuneration is on a net basis, the income-payer shall be liable to gross up the net income, calculate the PIT amount and pay such PIT to the tax office.

Residency Status

The taxation of a foreigner under the current Vietnamese regulations turns entirely on physical presence in Vietnam for the relevant tax year. In general, there are two categories of foreign taxpayer under the Vietnamese regulations:

- Residents: A foreigner is considered tax resident if he/she stays in Vietnam for 183 days or more during a tax year, or if he/she has a regular residential location in Vietnam (this rule is not applicable if the taxpayer refers to an effective double tax treaty with Vietnam);
- Non-residents: A foreigner is considered non-tax resident in Vietnam if he/she does not fall into the above conditions of resident taxpayers. A non-resident foreigner in this circumstance is only taxed at 20% on his/her Vietnamese-sourced income.

A resident taxpayer is subject to PIT at marginal rates up to 35% on his/her worldwide income.

The non-resident taxpayer is taxed on Vietnam-sourced income only at the flat rate of 20%.

Taxable Income

Taxable income includes employment income, business income, income from capital investment, income from capital transfer, income from transfer of immovable properties, and other taxable income.

Employment income, in particular, includes income in the form of salaries, wages, remuneration, allowances (excluding the allowance for toxicity and danger, incentive allowance, regional allowance, severance allowance, termination allowance, other allowances paid by the Social Insurance Fund, etc.), income from membership of business associations, boards of management, boards of control, management councils and other organisations, and other benefits in cash or in-kind.

Allowable Deductions

An allowable deduction is available for resident taxpayers having taxable employment income, including compulsory insurance contributions, charity and humanitarian contributions, and family deduction. Particularly, family deduction includes deduction for the taxpayer themselves (VND9million per month) and deduction for their dependents (VND3.6million per dependent per month).

Tax Rates

Tax residents' employment income is taxed using progressive tax rates:

Band	Taxable income per year		Taxable income per month		Tax rate (%)
	In millions VND	Approx. in USD*	(in millions VND)	Approx. in USD	
1	Up to 60	2,640	Up to 5	220	5
2	Over 60 and up to 120	2,640 - 5,281	Over 5 and up to 10	220 - 440	10
3	Over 120 and up to 216	5,281 - 9,507	Over 10 and up to 18	440 - 792	15
4	Over 216 and up to 384	9,507 - 16,901	Over 18 and up to 32	792 - 1,408	20
5	Over 384 and up to 624	16,901 - 27,464	Over 32 and up to 52	1,408 - 2,288	25
6	Over 624 and up to 960	27,464 - 42,253	Over 52 and up to 80	2,288 - 3,521	30
7	Over 960	42,253+	Over 80	3,521+	35

*Exchange Rate: US\$ 1.00 = VND 22,720 as of December 26th, 2016.

Other incomes are taxed at flat rates:

No.	Income Category	Residents	Non-residents
1	Business income	0.5% - 5% of revenue (depending on type of business income)	
2	Gain on capital transfer	20% on gain	0.1% on sales proceeds
3	Gain on securities transfer	0.1% of sales proceeds	
4	Gain on real estate transfer	2% of sales proceeds	
5	Income from prize-winning/inheritance/gifts	10% on portion exceeding VND10 mil	
6	Income from royalty/franchising	5% on portion exceeding VND10 mil	
7	Interest/Dividend	5%	

Avoidance of Double Tax

By virtue of both Vietnam's local legislation and the Double Tax Agreement (DTA) signed between Vietnam and other countries (currently over 70 countries having DTA with Vietnam), a resident taxpayer in Vietnam shall be allowed to credit the tax paid in other countries on his or her income derived from the other countries. However, the definition of such overseas income as well as the requirement on supporting documents may somehow jeopardize the tax credit. Tax planning, hence, should be well prepared beforehand.

Compulsory Insurance and Trade Union

Generally, the employer and the local employee when entering into a labour contract are required to make contributions as per below:

No.	Contribution Category	By employer	By employee
1	Social insurance	18%	8%
2	Health insurance	3%	1.5%
3	Unemployment insurance	1%	1%

All corporate employers are subject to the Trade Union fund contributions (2%). Setting up Trade Union is optional, though.

Work Permit

Foreigners working in Vietnam must obtain work permit with term of 2 years maximum (renewable subject to certain conditions). Work permit exemptions are applied in a number of cases as stipulated by the laws.

Mazars' PIT for expat survival guide

1. Worldwide income includes all your revenue received in and **outside** Vietnam, even if not related to your activity here.
2. Income under consideration shall include **non-salary compensation**, such as housing, insurance, company car, home leave flight ticket, school fee for kids etc... among which some are non-taxable (subject to certain conditions).
3. In order to benefit from Housing allowance tax holidays, you need to have the house rent arranged under the company (in terms of contract, invoice & payment)
4. Where a **Double Tax Agreement (DTA)** is in place DTA application on revenue taxed outside Vietnam shall be considered and documented ahead as this is not an automatic process.
5. In the computation of your residency status, the **tax assessment period** is 12-month consecutive, not necessarily a calendar year, so be mindful of your previous trip to Vietnam.
6. The expats for working in Vietnam are governed under the Vietnam's Labour Code, and hence may be entitled to **severance pay** at the end of the assignment (which is tax free if paid in accordance with the Labour Code).
7. Technically, expats entering into labour contracts in Vietnam shall have to participate in Vietnam's **compulsory health insurance**. Social Insurance is mentioned in the law as optional for expats, though lack of detailed guidance in practice.
8. **ODA experts** are entitled to special tax treatments in Vietnam (along with others, such as work permit, visa) but it is first necessary to go through the lengthy procedures in obtaining certificate of ODA expert status and certificate of tax exemption.

Problems you are facing

- You lack the time to keep up to date with constant legislation change?
- You want to be sure of applying the proper employment scheme for expatriates?
- You don't want to invest in a complex HR information system while still expect a high quality report?
- You want to make sure that deadlines are kept, in terms of PIT declaration, Social Contribution and Pay?
- You prefer to focus on your core business?
- Confidentiality is very important for you?

Our offer: Payroll Outsourcing

At Mazars we help you manage your human resources with the dedication of experienced teams. We know how key your people are to the success of your organization and how complicate it can be to follow-up and ensure the right decisions are made in a highly changing environment.

Our scopes of services in Vietnam include:

Payroll Processing Services	Immigration
Personal Income Tax Service	Tax Planning
Compulsory Insurance and Trade Union	HR Management

Why us? Our key advantages

We take on all or parts of your wages processing – helping you designing the most effective pay and administration system. We save you time and help you reduce your HR running costs. Above all we ensure the confidentiality of your data and the respect of the complex and dynamic local legislation.