

Global Employee Mobility Services Guidance on 2016 Personal Income Tax (PIT) Finalization

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Recently, many Tax Departments Including Hanoi, Hai Phong, Da Nang, An Giang, etc. provided guidance on 2016 Personal Income Tax Finalization, Grant Thornton Vietnam would like to summarize certain points, to assist clients in 2016 PIT finalization for Vietnamese employees and expatriates, with noteworthy contents as follows:

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1. Subjects of PIT Finalization

Tax residents that earn income from wages and remuneration are responsible for PIT Finalization if there is an additional tax liability for settlement, tax refund or offset of overpaid PIT against PIT for the next period.

Income paying entities (Companies, Representative Offices, Branches...) are responsible for PIT finalization regardless whether the tax withholding liabilities have been withheld or not and carry out finalization authorized by their employees. If the entity or individual did not have employment income, then there is no need to conduct PIT Finalization.

2. Deadline for submission/payment of 2016 PIT Finalization

If there is an additional tax liability: the deadline for tax filing and payment is 31st March 2017, at the latest.

For case of claiming tax refund: Individuals can submit the dossier to the tax authority at any time in the year (even after 31st March 2017) without any penalty.

3. Individuals who directly conduct their own finalization or authorize the Income paying entity to conduct 2016 PIT finalization on their behalf

Technically, the employer is able to finalize PIT for individuals, who have income only from wages and remuneration under a labor contract with a term of at least 3 months and currently employed at the time of authorization for PIT finalization, including those whose working time is less than 12 months in the year; However, if their monthly average irregular income from all other sources in the year is less than VND10,000,000 on which 10% PIT has been withheld these employees are not required to do PIT finalization.

The income-paying entity will carry out the procedures to finalize PIT of its employees, when the employees provide a letter of authorization (Form 02/UQ-QTT-TNCN attached together with Circular No. 92/2015/TT-BTC dated 15 June 2015 by the Ministry of Finance).

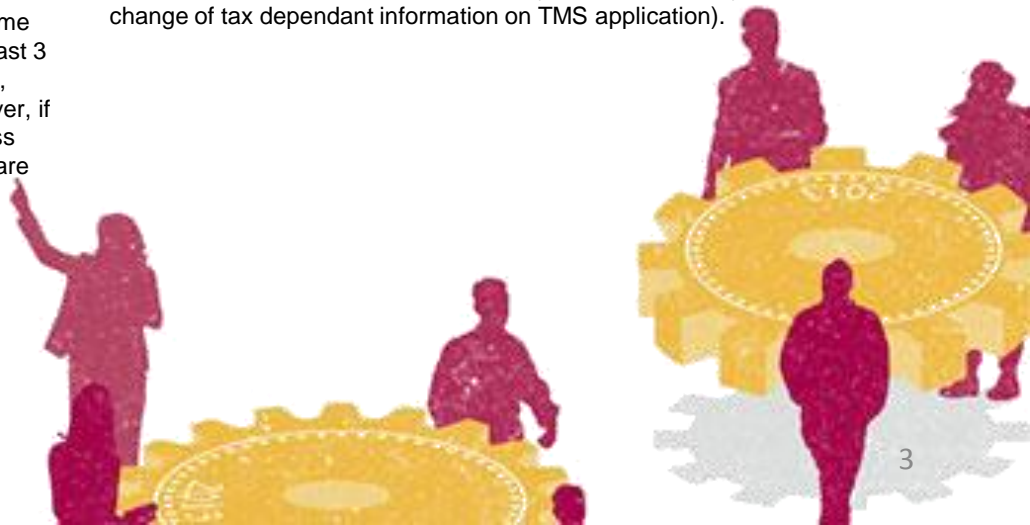
In the case that the income paying entity conducts a large number of PIT finalizations authorized by their employees, a list of authorized individuals and all information required in the Form 02/UQ-QTT-TNCN should be prepared and be guaranteed for accuracy, honesty as well as legal responsibility for figures and contents in the list.

Expatriate employees, who are Vietnamese tax residents and have income from outside and inside Vietnam, will file their PIT finalization directly with tax authority based on their worldwide income.

Expatriate employees who end their Vietnam assignment are required to file a final PIT return before leaving Vietnam.

4. Procedure of changing information related to Tax Code issuance (including ID card and information on birth certificate)

For changing information related to Tax Code issuance (including ID card and information on birth certificate), employers should fill in the form No.20/DK-TCT (Circular No. 95/2016/TT-BTC date 28 June 2016 by the Ministry of Finance) and submit it to the tax authority (The tax authority will update the change of tax dependant information on TMS application).



5. Notable points for PIT finalization

- ✓ Important note when conducting PIT calculation
 - Determine tax residency status: tax resident or non-tax resident;
 - Determine number of employment income sources, in the year.
- ✓ Deductions in PIT calculation on employment income of tax resident
 - Personal relief: 108 million VND/year/taxpayer and 43.2 million VND/year/registered dependent;
 - Social insurance, health insurance, unemployment insurance, professional insurance for some professions required compulsory insurance contribution and voluntary pension fund (maximum 12 million VND/year);
 - Charity, donations and scholarship through qualified organizations.
- ✓ Exchange rate when receiving income in foreign currencies
 - Income in foreign currencies must be converted to Vietnam Dong (“VND”), using the buying exchange rate of the commercial bank where the individual’s personal account is maintained at payment time;
 - If the tax payers have no bank account in Viet Nam, foreign currencies must be converted into VND at the buying exchange rate of Vietcombank at the time of.
- ✓ Non-taxable income
 - One-off relocation allowance for Vietnamese going to work overseas; for Vietnamese residing overseas on a long term basis and returning to Vietnam to work, as well as for expatriates going to work in Vietnam;
 - Non-compulsory and non-accumulative insurance bought by the employer for their employees;
 - The expenditure for individual transportation from home to the work place and vice versa as per employer’s general policy;
 - Wedding and funeral allowances for employees and their family members paid under the employer’s policy and in accordance with corporate income tax regulations.
- ✓ Converting net income into gross income:
 - Income received on a net basis is required to be converted into gross income following the formula: net income (excluding tax-exempt income) add (+) other benefit in kinds paid by employer (if any) minus (-) deductions;
 - In case the income-paying entity applies the policies of “hypothetical tax” and “hypothetical house rent”, the income converted into assessable income does not include “hypothetical tax” and “hypothetical house rent”.
- ✓ PIT paid in a foreign country is allowed to be credited against tax paid in Vietnam?
 - Any PIT paid in a foreign country is creditable against tax paid in Vietnam, if there is a tax liability on the overseas income;
 - Individuals are required to submit documentation to support foreign tax paid. If the foreign tax authorities do not issue a certificate confirming the foreign tax paid, alternative documentation such as a withholding tax certificate (which specifies the amount of tax paid) issued by the income paying organization; or a copy of the foreign tax payment receipts (duly signed by the taxpayer) can be used to support the foreign tax paid.



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