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# Updates in PIT conditions for applying family relief, rewards to encourage efficient performance and PIT reduction when working in economic zones

May 2017

**In this newsletter, Grant Thornton Vietnam would like to provide updated information on Personal Income Tax (“PIT”) regulations for your reference as follows:**

1. General Department of Taxation provides guidance on conditions for applying family relief when calculating PIT.
2. PIT treatment on rewards to encourage efficient performance.
3. 50% PIT reduction for employees working in an economic zone.



## 1. General Department of Taxation provides guidance on conditions for applying family relief when calculating PIT

General Department of Taxation has just issued the guidance on the case where paternal grandfather and grandmother, maternal grandfather and grandmother, aunts and uncles (biologically) directly nursed by the tax payers fail to satisfy the conditions of being “homeless and helpless” then they could not be regarded as tax dependents of such tax payers for PIT calculation purpose.

Grant Thornton recommend Companies review the registered tax dependents of your employees to ensure the registration of only eligible tax dependents.

## 2. PIT tax treatment on rewards to encourage efficient performance

As per guidance from General Department of Taxation, except for the rewards stated in Item e, Point 2, Article 2 of Circular 111/2013/TT-BTC (for instance: *Rewards associated with titles granted by the State, including rewards associated with honorary titles, awards regime under the regulation on Emulation and Commendation; Rewards associated with national awards, international*

*awards, technical improvement, invention recognized by the State, rewards for detection and report of law violated actions to the competent state authorities*), other rewards are subject to PIT.

From the above, regarding the rewards to encourage efficient performance that a Company allocates to each employee in the Company, it is taxable income from a PIT perspective.

## 3. 50% PIT reduction for employees working in economic zones

When a Company assigns employees to an economic zone to execute service agreements signed with other companies established in the economic zone, such employees could enjoy the 50% PIT reduction treatment for the time they work in the economic zone, as per recent guidance by Hanoi Tax Department.



# Contact

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