



TAX FLASH

PERSONAL INCOME TAX

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Guidance on 2020 PIT finalization

The General Department of Taxation recently provided some guidance via its website regarding 2020 PIT finalization under the spirit of the Law on Tax Administration No. 38/2019/QH14.

We would like to summarize some of the more salient points of such guidance as follows:

Deadline for submission of PIT finalization dossiers

- ▶ Regarding individuals directly finalizing PIT with the tax authority: 30 April 2021.
- ▶ Regarding employers: 31 March 2021.

Statutory relief

- ▶ Personal relief: 11 million dong/ month.
- ▶ Dependent relief: 4.4 million dong/ person/ month.

The rates above apply from the 2020 tax period.

Cases in which individuals can authorize PIT finalization

Individuals with a payable PIT amount of VND50,000 or more or overpaid tax and wishing to request for a tax refund are liable for preparing the 2020 year-end PIT returns.

Individuals may authorize the income payers to handle the PIT finalization in the following cases:

- ▶ Individuals who have only one source of income under a labor contract or have income from other sources but their average monthly income do not exceed 10 million VND and have been subject to 10% PIT withholding.



- Employees are transferred from one organization to a new one when a company is divided, split, amalgamated, merged, or converted or the two companies are in the same system (individuals may authorize tax finalization to the new employer)

Individuals not eligible for authorization are liable for finalizing their PIT directly with the tax authorities.

PIT finalization dossiers

- In case of PIT authorization:

Form No. 02/UQ-QTT-TNCN; A copy of invoices, proof of charitable donations, humanitarian contributions, study encouragement (if any) submitted to the employers.

- In case of filing PIT directly with the tax authority:

Tax finalization return form No. 02/QTT-TNCN, Appendix form No. 02-1/BK-QTT-TNCN, tax deduction vouchers, copies or photos of documents proving the tax amount paid abroad (if any), contributions to charity funds, other eligible funds (if any), documents proving the amount paid by the company or overseas income payers (if individual has income from abroad).

Where to file your 2020 year-end PIT returns?

- **In case individuals authorizing PIT finalization:**
Submit the dossier to the employers.

- **In case individuals directly finalizing PIT:** To submit PIT finalization dossiers for individuals with salary or wage income in two or more sources of income to the tax authority where the largest part of income is earned.

- **Regarding individuals directly preparing tax finalization electronically:** In addition to using the above tax declaration support application, taxpayers can declare tax directly via the portal of the General Department of Taxation.

Tax finalization via electronic method

To submit tax returns electronically, taxpayers need to register an Electronic Tax Transaction Account with the tax authority.

This helps taxpayers reduce administrative burden procedures and save taxpayers' time of visiting tax offices to fulfill their PIT finalization obligations.

Other notes

Payers and individuals should pay attention to benefits in kind such as membership fees for individuals, expenses for employees' family members, quarantine expenses etc to ensure no under-declaration of taxable income and hence, minimizing the PIT risks upon a PIT audit by the local tax authorities.

In case employers and individuals with PIT finalization obligations require any clarification or support with effective PIT finalization, please do not hesitate to contact us.



PIT finalization

A lump sum contract is signed between a corporate taxpayer and a non-business individual who represents a group of individuals to perform the agreed work as agreed. In case the taxpayer withholds 10% PIT upon making the payments, however, unable to determine the respective income of each individual in the group, when finalizing PIT using the form 05/QTT-TNCN, the taxpayer declares the salary and wage amounts paid to the group leader in the Form 05-2/BK-QTT-TNCN.

At the end of the year, individuals must sum up all income from wages and remunerations paid in the taxable year to finalize PIT with the tax authority if they are subject to PIT finalization.

(Official Letter No. 99064/CTHT-TTHT dated 13 November 2020 by Hanoi Tax Department on PIT finalization)

Expenditures on quarantines for foreign experts

Expenditures on quarantining serving prevention and control of Covid-19 upon entry into Vietnam for foreign employees will be treated as benefits which they are entitled to. Therefore, the quarantine related fees are included in employees' taxable income.

(Official Letter No. 5032/ TCT-CS dated 26 November 2020 issued by General Department of Taxation on quarantining fees for foreign employees)

PIT regarding allowances and support for employees upon contract termination

- ▶ Regarding severance allowances for employee who has ceased working under the provisions of the Social Insurance Law and the Labor Code:

Not being included in taxable income.

- ▶ Regarding bonuses included in salaries and wages paid by the employer when the employee ceases employment, the severance allowances paid higher than the standard prescribed under the Law on Social Insurance and the Ministry Labor Law:

To add to total salary and wages and deduct PIT using progressive tax rates.

- ▶ Regarding financial support paid to employees (not being mentioned in the provisions of the Labor Code and the Law on Social Insurance) after termination of the labor contract:

Withhold 10% PIT on the total amounts paid in excess of VND2 million.

(Official Letter No. 27401 / CT-TTHT dated 01 December 2020 of Binh Duong Tax Department on PIT treatment of the allowances and financial support to employees upon termination of labor contracts)



PIT of the foreign contractor's foreign employees

In case a foreign contractor appoints its foreign employees to support with contract implementation, and the employees are not present in Vietnam and get paid overseas by the foreign contractor, the Vietnamese contracting party is responsible for informing the foreign contractor about foreign employees' PIT obligations in Vietnam as well as providing information about foreign employees (to the local tax authorities) as required under the applicable regulations.

In case, as agreed in the contract, the Vietnamese contracting party is responsible for fulfilling all the PIT obligations of these foreign employees, experts, the Vietnamese contracting party will be required to withhold 20% PIT (as for non-resident individuals).

(Official Letter No. 8537/CTH DU- TTHT dated 17 December 2020 issued by Hai Duong Tax Department on PIT of foreign employees of the foreign contractor)

Sale brokerage payments

In case a foreign person (non-resident individual) provides brokerage services to sell products overseas for a Vietnam entity, such service is treated as arising outside Vietnam and hence, not subject to FCT.

On the other hand, if the brokerage is to sell the products in Vietnam, the fees will be subject to PIT.

(Official Letter No. 164/CTBNI-TTHT dated 03 February 2021 by Bac Ninh Tax Department on PIT of the sales brokerage fees)

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