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**Legal update – New Legislation on Tax Administration**

On 19 October 2020, the Government of Vietnam issued *Decree No. 126/ND-CP detailing a number of articles of the Law on Tax Administration 2019* (“***Decree 126***”).

*Decree 126,* which will take effect from 5 December 2020, provides further detailed guidance on cases where individuals may be suspended from exiting Vietnam. Pursuant to *Article 21.1* of *Decree 126*, the following individuals may be suspended from exiting Vietnam:

* an individual who is the legal representative of a Vietnamese corporate taxpayer which is under an enforcement order of the government authority to fulfil its tax obligation;
* a Vietnamese individual who leaves to settle abroad and has not fulfilled his or her tax obligation;
* an overseas Vietnamese who has not fulfilled his or her tax obligation before leaving the country; or
* a foreigner who has not fulfilled his or her tax obligation before leaving the country.

The head of the relevant tax administration agency may decide whether to suspend the relevant individual from exiting Vietnam, depending on the actual situation and the local tax administration’s requirements.

The above decision on exit suspension will be withdrawn within 24 business hours from the time the relevant taxpayer fulfils its, his or her tax obligation, evidenced by proof of tax payment.

Pursuant to the *Law on*[*Personal Income Tax*](https://www.vietnam-briefing.com/news/personal-income-tax-exemptions-and-reductions.html/)*(PIT) dated 21 November* *2007 (as amended in 2009, 2012 and 2014)*, one would be considered as a Vietnamese tax resident if he or she:

* stays in Vietnam for an aggregate of 183 days or more within one calendar year or a consecutive 12-month period from the first date of arrival;
* has a permanent residence that has been registered pursuant to the Law on Residence of Vietnam; or
* has a leased residence to stay in Vietnam where the lease contract has a term of 183 days or more within the tax assessment year. Leased residences include hotels, boarding houses, rest houses, lodgings, and working offices.

A Vietnamese tax resident is subject to Vietnamese PIT on his or her worldwide taxable income, wherever it is paid or received. Employment income is taxed on a progressive tax rates basis. Non-employment income is taxed at a variety of different rates (*see the summary below*).

A non-resident is subject to PIT at a flat tax rate on the income received from his or her working in Vietnam or on his or her Vietnam-related income in the tax year, and at various other rates on his or her non-employment income. However, this should also considered along with the relevant applicable double taxation treaty.

**Summary of Relevant Tax Rates**

Tax residents: Employment income

|  |  |  |
| --- | --- | --- |
| **Annual taxable income (million VND)** | **Monthly taxable income (million VND)** | **PIT rate (%)** |
| 0 to 60 | 0 to 5 | 5 |
| 60 to 120 | 5 to 10 | 10 |
| 120 to 216 | 10 to 18 | 15 |
| 216 to 384 | 18 to 32 | 20 |
| 384 to 624 | 32 to 52 | 25 |
| 624 to 960 | 52 to 80 | 30 |
| More than 960 | More than 80 | 35 |

Tax residents: Non-employment income

|  |  |
| --- | --- |
| **Type of taxable income** | **Tax rate (%)** |
| Business income | 0.5 to 5 (subject on the type of business income) |
| Interest (but not bank interest)/dividends | 5 |
| Sale of shares | 0.1 (of sales proceeds) |
| Capital assignment | 20 (on net gain) |
| Sale of real estate | 2 (of sales proceeds) |
| Income from franchising/royalties | 5 |
| Income from inheritances/gifts/winning prizes (excluding income from casino winning prizes) | 10 |

Tax non-residents

|  |  |
| --- | --- |
| **Type of taxable income** | **Tax rate (%)** |
| Employment income | 20 |
| Business income | 1 to 5 (based on the type of business income) |
| Interest (but not bank interest)/dividends | 5 |
| Sale of shares/capital assignment | 0.1 (of sales proceeds) |
| Sale of real estate | 2 (of sales proceeds) |
| Income from royalties/franchising | 5 |
| Income from inheritances/gifts/winning prizes (exclusive of income from casino winning prizes) | 10 |

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