

## New Circular on Personal Income Tax Exemption

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### Introduction

On 12 August 2009, the Ministry of Finance issued **Circular 160/2009/TT-BTC** ("**Circular 160**") providing guidelines on the Personal Income Tax ("PIT") exemption pursuant to Resolution 32/2009/QH12 dated 19/6/2009 of the Vietnamese National Assembly.

We summarize the key issues below, to provide additional information for timely implementation at your organization.

### Which incomes are subject to PIT exemption?

Resident individuals are exempted from PIT on employment income, business income, income from inheritances, income from receipt of a gift for the period from 1 January 2009 to 30 June 2009; and on income from capital investment, income from capital transfer, income being royalties and income from franchises for the period from 1 January 2009 to 31 December 2009.

Non-resident individuals are only exempted from PIT on income from capital investment, income from capital transfer, income being royalties and income from franchises for the period from 1 January 2009 to 31 December 2009.

### Exempted employment incomes

Employment incomes subject to PIT exemption include all employment incomes payable by the employers to the employees from 1 January 2009 to 30 June 2009, specifically as follows:

- Salary and wages payable from January to June 2009, including any monthly salary and wages payable but paid to the employees after June 2009;
- Half of annual bonuses - bonuses generated for the whole 2009 year performance (year-end bonus, 13<sup>th</sup> month salary etc.) **if paid by 31 March 2010**;
- Quarterly bonuses for Quarters I and II 2009 **if paid by 31 December 2009**;
- Other employment incomes such as holiday allowance, uniform allowance and other benefits **if paid from 1 January 2009 to 30 June 2009**;
- Employment income derived from year 2008 but paid during **1 January 2009 to 30 June 2009**.

### How to conduct PIT filings on employment incomes?

#### Monthly filings

From 1 July 2009, employers only need to report taxable incomes and deduct the PIT amount (exempted incomes do not need to be reported) in the employers' monthly PIT returns.



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## Annual filings

- Employers

Employers are responsible for summarizing only taxable employment incomes paid to the employees and the withheld PIT amount in the 2009 finalization return.

- Employees

Employees being tax residents will be responsible to carry out individual 2009 PIT finalization returns **if** the finalized PIT payable in the last six months of 2009 is different from the actual PIT withheld/paid amount or if they wish to request a PIT refund or to offset the PIT overpaid with PIT liabilities of the following year.

In relation to deductions, taxpayers can only deduct from PIT taxable income compulsory insurance contributions, self-deduction and dependent deduction corresponding to the last six months only.

The tax period for 2009 finalization is from 01 July 2009 to 31 December 2009.

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