

## Tax Alert

# Keeping you informed

June 2011

## Update on Personal Income Tax



# Personal Income Tax Update

On 08 June 2011, Ministry of Finance issued **Circular 78/2011/TT-BTC** ("Circular 78") on Personal Income Tax ("PIT") treatment. Accordingly, **allowances** provided by the company to employees for **medical treatment to cure serious diseases** of those employees or their family members shall **not be subject to PIT**, providing that such allowance is from the company's profit after-tax or welfare fund.

The allowance level might be equal to or a part of the actual medical treatment expense but shall not exceed the actual hospital expense minus (-) compensations from health insurance fund.

The company is responsible to maintain the following supporting documents:

- A copy of payment voucher for hospitals expenses;
- A copy of health insurance's compensations, certified by the company; and
- Payment vouchers evidencing that the employees receive such allowances from the company

Circular 78 shall be effective from 23 July 2011.

We trust the above is clear. Should you have any concern in the implementation of the provisions mentioned above, please feel free to contact us for further clarifications.

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