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To tighten the deadline of Personal Income Tax finalization of expatriates

Pursuant to Circular 84/2008/TT-BTC on Personal Income Tax ("PIT"), foreigners being tax residents are required to conduct PIT finalization on termination of their assignment in Vietnam and **before exiting Vietnam**. Also in accordance with Circular 60/2007/TT-BTC, foreign taxpayers must clear all their outstanding tax liabilities before exiting Vietnam.

As stipulated in the Law on Management, taxpayers are required to conduct tax finalization returns within **forty-five (45) days upon termination the contract**.

So far as the current practice in Hanoi is concerned expatriates are being advised that they are required to conduct their PIT finalization return either before leaving Vietnam or 45 days after the date of assignment termination, whichever comes first.

Recently, Hanoi Department of Taxation ("HDT") has imposed a very hard-line approach to the PIT finalization deadline. The expatriates, strictly, are required to conduct their PIT finalization **prior to their leaving the country**. Otherwise, the following penalties would be imposed by the tax authority:

- i. Interest of 0.05% per day for each day of late payment; and
- ii. Administrative penalties of up to VND 5 million for late return submission;
- iii. From 1 to 3 times the amount of outstanding tax liabilities if the tax liabilities has not been cleared after 90 days from the deadline.

Moreover, HDT shall immediately issue a minutes of tax violation upon receiving the PIT finalization package late.

With the above treatment, we would strongly recommend taxpayers comply with the statutory deadline in order to avoid any potential penalties.

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