

ALERT ON PERSONAL INCOME TAX

Updates on the adjustment of family circumstance deduction rates

June 2020



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What's the news

On 02 June 2020, the Standing Committee of the National Assembly has issued Resolution No. 954/2020/UBTVQH14 ("Resolution 954") to adjust the family circumstance deduction rates for Personal Income Tax ("PIT"). Details are as follows:

Subject	New rates of deduction (VND/month)	Current rates of deduction (VND/month)
Taxpayer	11,000,000	9,000,000
Each tax dependent	4,400,000	3,600,000

Effective date

- The Resolution 954 will take effect from 01 July 2020 and apply to the tax period of 2020;
- Although the Resolution 954 takes effect from 01 July 2020, the new family circumstance deduction rates will only be re-calculated and retroactively applied to the period from January to June 2020 at the year-end 2020 PIT finalization.

When to apply these new deduction rates

- Based on the wordings of the Resolution 954, there could remain different interpretations on the time when taxpayers can start to apply these new deduction rates, including:
 - i. Option 1: The new rate will be applied to the income payment and PIT withholding from July 2020; or
 - ii. Option 2: The new rate will be applied to the tax periods with the due date from July 2020 onwards, including the tax filing for June 2020 or Quarter II, 2020 (from April to June 2020).
- Per Deloitte's view, as PIT is imposed on a cash basis, thus, it would be in line with current PIT regulations if this new rate on family circumstance deduction is applied to the income payments made from July 2020 moving forwards. It is expected that the tax authorities might issue detailed further guidance with regards to the effective date. We will continue to keep you updated in this regard.



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