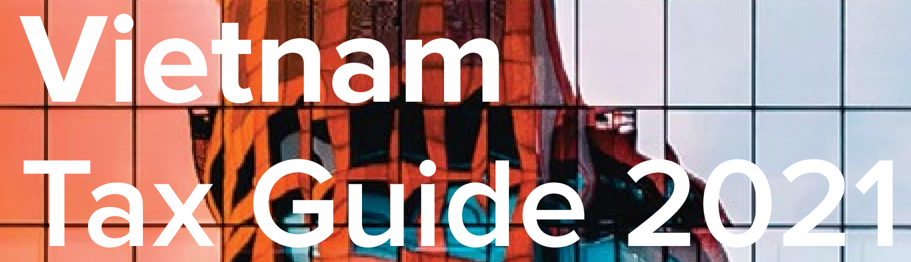

ACCLIME

About Acclime

Acclime Vietnam is a leading provider of professional accounting, tax, payroll, compliance, company establishment and advisory services in Vietnam, with a focus on providing exceptional services to international clients.
With offices in Ho Chi Minh City, Hanoi and Danang, we assist foreign invested and locally owned companies maintain the highest level of professional standards in Vietnam through proactive advice, compliance and reporting assistance.

SERVICE LINES

Our Service Lines cover five key areas:

- Accounting, Financial Reporting, Outsourcing and Chief Accountant Appointment;
- Tax Consulting and Compliance;
- Payroll Outsourcing and HR Advisory;
- Licensing, Market Entry and Company Structuring; and
- Advisory Services and Transaction Support

These Service Lines allow Acclime to provide a comprehensive suite of services to foreign investors, based around a multi-disciplinary approach to providing solutions and support to foreign investors in Vietnam.

FROM ASIA, FOR ASIA

As a regional expert provider of corporate services, Acclime helps corporates and private clients seamlessly advance their businesses and interests in difficult-to-navigate markets in Asia and beyond. Our years of in-market experience and deep knowledge helps our clients to avoid pitfalls and make progress faster.

A REGIONAL SPECIALIST WITH GLOBAL STANDARDS

In a market characterised by increasing sophistication and complexity, our regional network of grass-roots experts is pushing the corporate services sector with bold, innovative solutions that are seamlessly delivered to the highest global standards.

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1 Corporate Income Tax

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TAX RATES & CALCULATIONS

The standard Corporate Income Tax ("CIT") rate applicable to enterprises in Vietnam is 20% on assessable income.

Tax rates for the oil and gas, and other extractive industries, can vary from 32% - 50%.

CIT Payable = [Assessable Income - Deduction for establishing a Science and Technology Fund] x CIT Rate

Assessable Income = Total Revenue - Deductible Expenses + Other Income - Carried Forward Losses - Tax-Exempted Income.

To be deductible, expenses must:

i. Relate to the generation of revenue;
ii. Be incurred in relation to business activities as permitted with the company's business license;
iii. Be supported by appropriate invoices or relevant documents; and
iv. Where expenses are VND20 million and above, be settled by non-cash payment (i.e. bank transfer).

Non-Deductible Expenses can take many forms. Specific prescribed examples are included in the table on the following page.

TAX YEAR

The standard tax (financial) year in Vietnam is from 1 January to 31 December.

Enterprises can, however, elect to adopt an alternative tax (financial) year in certain circumstances, where the alternate year ends on either 31 March, 30 June or 30 September.

TAX LOSSES

Tax losses can be carried forward continuously for a maximum of 5 years after the loss making year. Carry back of losses is not permitted, and there is no concept of group loss sharing or consolidated tax relief.

DIVIDENDS (PROFIT REMITTANCE)

Foreign investors can remit profits abroad annually after the completion of their annual tax (financial) finalisation. All accumulated losses must be fully recouped before any dividends can be declared. The Tax Authorities must be notified at least 7 working days prior to any decision to remit dividends abroad. There is no withholding tax on dividends paid to corporate shareholders, and a 5% withholding tax on dividends to individual shareholders.

TAX INCENTIVES

Tax incentives in Vietnam can take a number of forms, based around encouraged sectors, locations and project scales, and are granted to new investment projects.

i. Sectors: Encouraged sectors include high-tech enterprises, software development, education, health, environmental protection, scientific research, agricultural and aquatic product processing, renewable energy and infrastructure development.

ii. Locations: Encouraged locations include areas with difficult socio-economic conditions, certain Economic Zones, certain High-tech parks, and approved Industrial Parks.

iii. Project Scale: Large manufacturing projects, meeting either of the below criteria:
- Projects with a total capital of VND6,000 billion or greater, disbursed within 3 years of being licensed, and:
  a. Minimum annual revenue of VND10,000 billion by the 4th year of revenue generation, or
  b. Regularly employing more than 3,000 employees by the 4th year of operations.
- Projects with a total capital of VND12,000 billion or greater, disbursed within 5 years of being licensed and using technologies approved in accordance with applicable laws.

Incentives provided take two forms, both of which can apply concurrently:

i. Tax Holidays and Exemptions. These usually apply from the first profit-making year, or the fourth revenue generating year, and result in a specified period where no tax will apply (often 2-4 years) and/or a 50% reduction of tax for a specified length of time.

ii. Preferential Tax Rates. These preferential rates can reduce applicable CIT rates to between 10 and 17%, and apply from 10 years to indefinitely for certain projects.

In addition, the Government passes incentives from time-to-time for SME businesses which can reduce the primary tax rate applicable during specified tax years.

TAX FINALISATIONS

Provisional CIT is required to calculated and remitted on a quarterly basis, no later than the last day of the following month from quarter end.

Annual final CIT returns, calculations and remittance of the balance of CIT payable (if any) are to be completed by the last day of the third month from the end of financial year (i.e. 31 March for those taxpayers with a standard 31 December financial year end).

Where the submitted provisional CIT accumulated for the first three quarters is less than 75% of the full-year final CIT, then the shortfall is subject to late payment interest from the date of the Quarter 3 provisional payment date.

CAPITAL ASSIGNMENT PROFITS TAX

Although not specifically a separate tax, Capital Assignments Profit Tax ("CAPT") applies a 20% tax to gains from sales of interests/holdings in non-public companies in Vietnam. The gain is defined as the excess of the sales proceeds less the initial cost and any transfer expenses.

Transfers of securities (including bonds and shares of joint stock companies) are also taxable at 20% on the gain for resident taxpayers, however non-resident (foreign) taxpayers are subject to a deemed CAPT of 0.1% of the total sales proceeds on securities.

Prescribed Non-Deductible Expenses Include:

- Depreciation expenses for fixed assets not following regulations, i.e.
  i. not for business purposes;
  i. not supported by appropriate documentation; and
  i. exceeding the regulated depreciation rates;
- Labor expenses recorded but not actually paid or amounts not stipulated under labor contracts, collective labor agreements or the company's financial policies;
- Staff welfare expenses exceeding one-month's average salary;
- Costs of raw materials, supplies, fuel, power and goods exceeding reasonable consumption levels detailed by the Government;
- Interest on loans from non-banks exceeding 1.5 times of the interest rate announced by the State Bank of Vietnam;
- Interest expenses exceeding 20% EBITDA for enterprises with related party transactions;
- Interest on loans corresponding to the portion of charter capital not yet contributed;
- Periodical accrued expenses not fully paid at the end of the period;
- Provisions for financial investment losses, inventory devaluation, bad debts, product warranties or construction work, not in accordance with the prevailing regulations;
- Unrealised foreign exchange losses due to the year-end revaluation of foreign currency items other than accounts payable;
- Overhead costs allocated to a Permanent Establishment by foreign companies exceeding the amount determined based on the revenue-based allocation ratio;
- Contributions to voluntary pension funds and purchase of voluntary pension insurance or life insurance for employees exceeding VND3 million per person/month;
- Administrative Penalties, fines and late payment interest;
- Donations other than certain donation contributions for education, health care, natural disaster or building charitable homes;
- Certain expenses related to the issuance, purchase and sale of shares.

2 Value Added Tax

Goods and services (including goods and services purchased from foreign sources) used for the purposes of production, trading and consumption in Vietnam are subject to Value Added Tax ("VAT").

VAT METHODS

There are two methods for declaring VAT: the Credit Method and the Direct Method.

Credit Method: VAT liabilities are calculated by offsetting Input VAT with Output VAT

Direct Method: VAT liabilities for each specific goods and services are calculated by using the deemed VAT rates.

Tables detailing the specific rates and calculation methods for both the Credit Method and Direct Method are shown on the following page.

VAT APPLICATION

There are three types of treatment under VAT legislation:

(i) Exempt (non-taxable) Items.
Items include: Certain agricultural products, transfer of land use rights, financial services, securities activities, capital assignment, foreign currency services, and selected insurance activities.

(ii) Goods or Services where declarations and payments are not required.
Items include: Compensation and financial income, project transfers, transfers of assets within company units, capital contribution by assets, sales of assets by individuals not registered for VAT, and certain commissions.

(iii) Taxable Items, where VAT is applied at the applicable VAT rate.

VAT REPORTING & LODGEMENT

Monthly VAT is to be declared are remitted by the 20th of the following month. Quarterly VAT declarations and payments by the last day of the month following the end of the quarter are permitted for taxpayers whose turnover did not exceed VND50 billion in the previous year.

EXPORTED GOODS & SERVICES

Services provided to foreign entities, along with goods sold and exported to foreign entities, including companies in designated non-tariff areas in Vietnam, are subject to 0% VAT where they are consumed outside Vietnam or in the non-tariff areas.

Supporting documents are required in order to apply 0% VAT to exported goods and services. For services, the "consumption" element needs to be supported with evidence that the foreign recipient fully consumed the services outside of Vietnam.

VAT: Credit Method

Conditions	Items	VAT Rate (%)
Maintain VAS compliant accounting records, invoices and supporting documents in line with prevailing regulations,	Exported goods & services; international transportation.	0%
	Essential goods & services; Specific types of goods and services as regulated.	5%
	Standard rate for goods & services	10%
	Certain goods & services as prescribed	Exempt
VAT Payable (Refundable) = Output VAT - Input VAT		

Output VAT: Taxable revenue value (net of tax) multiplied by applicable VAT rates
Input VAT: Total value of VAT invoices received that satisfy prescribed criteria

VAT: Direct Method

Conditions	Items	Tax Rate (%)
(i) Business Household or Individual, (ii) Specific cases regulated by law, or (iii) Those who do not register for the Credit Method will need to register for the Direct Method	Distribution or supply of goods.	1%
	Services/construction excluding supply of raw materials.	5%
	Production, transportation or services, construction including supply of raw materials.	3%
	Other business activities.	2%
VAT payable = Turnover x Tax Rate		

VAT REFUNDS

Refunds of VAT are available for taxpayers which meet the following:

(a) Exporters with VAT credits exceeding VND300 million for export activities. Refunds are provided on a monthly or quarterly basis, in line with the taxpayer's VAT declaration period. The maximum refund to a taxpayer must not exceed 10% of its export revenue; or

(b) New projects for companies adopting the Credit Method which are in the pre-operation investment phase and have accumulated VAT credits over VND300 million.

Where the input VAT exceeds the output VAT, after any refund, in a period, the balance is to be carried forward to the next period.

VAT INVOICES & E-INVOICES

VAT (Tax) invoices are required to be issued by enterprises in Vietnam for their sales transactions.

E-invoices replace paper invoices for enterprise which are registered after 1 November 2018 and required by the tax authorities for the use of E-invoice, enterprises that voluntary convert to E-invoices, and all remaining enterprises before 1 July 2022.

Without receipt of a VAT invoice (paper or E-invoice), then VAT credits will not be available and no CIT deduction will be available for taxpayers.

3 Foreign Contractor Withholding Taxes

Foreign business organisations, with or without a Permanent Establishment ("PE") in Vietnam, that:

(i) have income derived from Vietnam from contracts entered into with Vietnamese parties, or

(ii) undertake business in Vietnam

are subject to CIT and VAT applied on payments. Combined, these tax obligations on payments are referred to as Foreign Contractor Withholding Tax ("FCWT"). Note that payments to foreign individuals may be subject to Personal Income Tax under the FCWT provisions.

Although technically not a separate tax, FCWT is a term used to describe the combined taxation applied to payments to foreign contractors and the process to withhold and remit the taxes arising.

FCWT DECLARATION METHODS

There are three different methods that can be applied by foreign contractors in respect to calculating FCWT.

(i) Direct Method

The Direct method is the most common method, and does not require any specific conditions to be satisfied by the foreign recipient. The applicable rates for the Direct method are detailed in the table on the following page.

(ii) Declaration Method

The Declaration method requires foreign organisations to register for VAT in Vietnam, and to file VAT and CIT returns in the same manner as local Vietnamese entities.

(iii) Hybrid Method

The Hybrid method allows foreign organisations to register for VAT in Vietnam and file in the same manner as local Vietnamese entities, however CIT is paid on the Direct method rates based upon gross turnover.

Both the Declaration and Hybrid methods require the foreign organisations satisfy the following conditions:

a. having a contract duration in Vietnam of 183 days or more,
b. having a PE in Vietnam (for example, a Project Office), and
c. application of the Vietnamese Accounting System.

FCWT Rates: Direct Method

Business Lines	Deemed CIT rate (%)	Deemed VAT rate (%)
Distribution and supply of goods, raw materials, supplies, machinery and equipment associated with services in Vietnam (including supply of goods in the form of on-the-spot import and export)	1%	Exempt
Services	5%	5%
Leasing of aircraft, aircraft engines, aircraft spare parts and sea going vessels	2%	Exempt
Leasing of machinery and equipment	5%	5%
Restaurant, Hotel and Casino Management Services	10%	5%
Construction and installation included in the supply of raw materials or machinery and equipment	2%	3%
Construction and installation without the supply of raw materials or machinery and equipment	2%	5%
Other production or business activities and transportation (including air and sea transport)	2%	3%
Assignment [transfer] of securities, certificates of deposits, offshore reinsurance and commission for reinsurance	0.1%	Exempt
Loan interest	5%	Exempt
Royalties	10%	Exempt (3)

Notes:

(1) Vietnam has signed more than 70 Double Tax Agreements ("DTA") with countries and territories, accompanied with other additional protocols and rulings. The CIT/PIT portion in FCWT may be affected by a relevant DTA

(2) VAT rates may be reduced in specific scenarios, such as for international transportation which is exempt from VAT

(3) Software licenses, transfers of technology and intellectual property rights are exempt from VAT. Other royalties are likely subject to VAT.

The Direct Method is the most common method for FCWT compliance in Vietnam.

Care should be taken when preparing documents with foreign contractors so that agreed fees clearly anticipate the application of FCWT on payments, preventing disputes from arising when taxes are withheld on foreign payments.

Documentation should also be maintained in a manner that is sufficient for lodgement and declaration with tax and banking authorities, as lack of documentation is often grounds for denying foreign payments.

FCWT Payments under the Direct Method are to be made by the Vietnamese withholding party within 10 days from each contract payment date, or on a monthly basis where ongoing requirements are met.

4 Special Sales Tax

Special Sales Tax ("SST") is an excise tax that applies to the producers and importers of goods, and the providers of services, which are listed as being subject to SST.

TAX RATES

Applicable SST rates for specified products and services are listed in the table opposite. These rates apply to the selling price (exclusive of SST).

Where products subject to SST are sold to a related party, then the SST taxable price cannot be less than 93% of the average selling price charged by the related party to independent customers.

TAX CREDITS

Where goods subject to SST are produced with raw materials that were already subject to SST, the manufacturer can claim a credit for the SST on the raw materials.

Likewise, where SST arises upon importation, and again at the selling stage, SST paid at importation is creditable against the SST levied on the selling stage.

Products / Services	SST Rate (%)
Cigars & Cigarettes	75%
Spirits/Wines with ABV ≥20%	65%
Spirits/Wines with ABV <20%	35%
Beer	65%
Automobiles with less than 24 seats	10-150%
Motorcycles with capacities above 125cm3	20%
Airplanes	30%
Boats	30%
Petrol	7-10%
Air-conditioners (90,000 BTU or less)	10%
Playing Cards	40%
Votive Papers	70%
Discos & Dancing Venues	40%
Massage & Karaoke	30%
Casinos and Electronic Games	35%
Entertainment with Gambling	30%
Golf	20%
Lotteries	15%

5 Double Tax Agreements

Vietnam has entered into comprehensive Double Tax Agreements ("DTA") with over 70 countries, with a number of other DTAs agreed but not yet in force. Refer to the table on the following page for a summary of current DTAs.

Vietnam's DTAs generally follow the OECD model treaty, and provide relief from double taxation on income. The application of CIT rules, for example, may be impacted by a DTA whereby the 5% CIT portion on services provided by a foreign contractor may be eliminated where the foreign contractor does not have profits attributable to a Permanent Establishment in Vietnam.

APPLICATION OF DTA'S

Tax relief in Vietnam under a DTA is not automatic. Foreign taxpayers are required to submit a notification application to the Vietnamese tax authorities 15 days prior to the tax payment deadline in order to seek to apply double taxation relief.
Applications can still be submitted in arrears up to 3 years from the tax payment due date, however implications may arise with late filed applications.

SUBSTANCE-OVER-FORM & TREATY SHOPPING

The Vietnamese tax authorities have guidelines for the application of DTAs, which focus on anti-avoidance provisions. Applications to access DTA entitlements will be denied where the main purpose of an arrangement is to obtain beneficial treatment under a DTA (treaty shopping), or where the recipient is not the beneficial owner.

Guidance relies upon a substance-over-form approach and analysis for the ownership and outcomes, before the tax authorities will confirm double taxation relief.

Vietnam's Double Taxation Agreements

Summary of Withholding Tax Rates Contained Within each Agreement

Treaty Partner	Dividends (%)	Interest (%)	Royalties (%)
Algeria (1)	15	15	15
Australia	10	10	10
Austria	5/10/15	10	7.5/10
Azerbaijan	10	10	10
Bangladesh	15	15	15
Belarus	15	10	15
Belgium	5/10/15	10	5/10/15
Brunei Darussalam	10	10	10
Bulgaria	15	10	15
Canada	5/10/15	10	7.5/10
China	10	10	10
Cuba	5/10/15	10	10
Czech Republic	10	10	10
Denmark	5/10/15	10	5/15
Eastern Uruguay	5/10	10	10
Estonia	5/10/15	10	7.5/10
Egypt (1)	15	15	15
Finland	5/10/15	10	10
France	7/10/15	0	10
Germany	5/10/15	10	7.5/10
Hong Kong	10	10	7/10
Hungary	10	10	10
Iceland	10/15	10	10
India	10	10	10
Indonesia	15	15	15

Treaty Partner	Dividends (%)	Interest (%)	Royalties (%)
Iran	10	10	8/10
Ireland	5/10	10	
Israel	10	10	5/7.5/15
Italy	5/10/15	10	7.5/10
Japan	10	10	10
Kazakhstan	5/15	10	10/15
Korea (North)	10	10	10
Korea (South)	10	10	5/15
Kuwait (1)	10/15	15	20
Laos	10	10	10
Luxembourg	5/10/15	10	10
Macedonia (1)	10	10	10
Malaysia	10	10	10
Malta	5/15	10	
Mongolia	10	10	10
Myanmar	10	10	10
Morocco	10	10	10
Mozambique	10	10	10
Netherlands	5/10/15	10	5/10/15
New Zealand	5/15	10	10
Norway	5/10/15	10	10
Oman	5/10/15	10	10
Panama	5/7/12.5	10	10
Pakistan	15	15	15
Palestine	10	10	10

Treaty Partner	Dividends (%)	Interest (%)	Royalties (%)
Philippines	10/15	15	15
Poland	10/15	10	10/15
Portugal	5/10/15	10	7.5/10
Qatar	5/12.5	10	5/7.5/10
Romania	15	10	15
Russia	10/15	10	15
San Marino	10/15	10/15	10/15
Saudi Arabia	5/12.5	10	7.5/10
Serbia	10/15	10	10
Seychelles	10	10	10
Singapore	5/7/12.5	10	5/10
Slovakia	5/10	10	
Spain	7/10/15	10	10
Sri Lanka	10	10	15
Sweden	5/10/15	10	5/15
Switzerland	7/10/15	10	10
Taiwan	15	10	15
Thailand	15	10/15	15
Tunisia	10	10	10
Turkey	5	10	10
United Arab Emirates	5/15	10	10
Ukraine	10	10	10
United Kingdom	7/10/15	10	10
United States (1)	5/15	10	5/10
Uzbekistan	15	10	15
Venezuela	5/10	10	10

Notes:
1. Not yet in Force
2. In many cases, the limits set within the DTAs are higher than domestic withholdings taxes, therefore domestic rates apply.

6 Transfer Pricing

Vietnam's recent changes to Transfer Pricing legislation has brought it closer to the OECD guidelines, allowing more consistent global application by foreign entities operating in Vietnam.

PRICING METHODOLOGIES

Entities that are deemed to be a related party (25% common ownership) are required to maintain documentation to support their chosen methodology for arm's length pricing.

Methodologies that can be used include comparable uncontrolled price, cost plus, profit split and comparable profits methods, which are consistent with OECD guidelines.

TRANSFER PRICING DOCUMENTATION

Documentation compliance requirements for Transfer Pricing include a three-tiered approach:

(i) Master File,
(ii) Local File, and
(iii) Country-by-Country report

These documents are to be prepared before submitting the year-end CIT finalisation (i.e. by the last day of the third month of the following year from year end), and must be maintained in Vietnamese language versions for authorities to inspect.

RELIEF FROM TRANSFER PRICING DOCUMENTATION REQUIREMENTS

Entities can be exempt from the documentation requirements under Transfer Pricing legislation (although the other provisions will still apply), where:

i. An Advance Pricing Agreement ("APA") has been agreed with the local tax authority and an annual APA report is submitted,
ii. The entity has revenue in Vietnam below VND50 billion and the total value of related party transactions are below VND30 billion in a tax year, or
iii. The entity has total revenue below VND200 billion, performs "simple" functions, and achieves one of the following ration of earnings before interest and tax:
    - Distribution: 5%
    - Manufacturing: 10%
    - Processing: 15%

INTEREST CAP FOR TAX DEDUCTIBILITY

For companies subject to Transfer Pricing obligations, total loan interest expense for a tax period (after excluding interest from deposits and from lending) that qualifies as tax deductible for determining CIT cannot exceed 30% of:

- Total gross profit from business activities, plus
- Net interest expenses (after offsetting interest income), plus
- Depreciation expenses

7 Personal Income Tax

Individuals in Vietnam are subject to Personal Income Tax ("PIT") in Vietnam, based upon their tax residency status. Employment income is generally subject to varying progressive rates, with other income subject to fixed tax rates

TAX RESIDENCY

Vietnam Tax Residents are taxable in Vietnam on their worldwide income, whilst Non-Tax Residents are only taxable in Vietnam on their Vietnamese sourced income.

A Tax Resident is an individual that satisfies one of the following:

a) Resides in Vietnam for 183 days or more

(i) within 12 consecutive months from the first day of arrival, or

(ii) in a calendar year

b) Holds a temporary or permanent residence card for Vietnam, or

c) Leases a property for a term of 183 days or more in Vietnam in the assessment period

If the above tests are not met, then an individual will be treated as Non-Tax Resident in Vietnam. However, care still needs to be taken as there are circumstances where an individual may still be deemed a tax resident in Vietnam if they cannot prove they are Tax Resident in another country.

TAX YEARS & FINALISATIONS

Individuals are subject to a calendar year as their standard tax year. Employers are required to withhold PIT from employee salaries and remit monthly or quarterly (depending on the size of the employer).

Other taxes are generally required to be withheld at source (ie, dividends), or self declared on an events basis.

By the last day of the fourth month from the end of a tax year, individuals will need to determine whether they will need to undertake an annual tax finalisation.

If an individual only has income from a single employer during the year, or other income in limited circumstances, then they can authorise their employer to finalise on their behalf.

If an individual wishes to claim a tax refund, a tax credit for future years, or has a tax liability to the tax authorities, then they must complete a tax finalisation by the last day of the fourth month from the end of the tax year.

Individuals with simple tax matters, and who do not owe any taxes to the authorities, do not need to finalise. However, this may have an impact on future years if their tax affairs become complicated, therefore all taxpayers are encouraged to finalise their taxes each year.

Individuals commonly enter into "Service Contracts" in Vietnam for short term activities, but as these are not Labour Contracts, PIT is not applied on the progressive scale. Instead, payments exceeding VND2,000,000 in a month will require 10% PIT (for Tax Residents) to be withheld and remitted by the paying entity (the company) as a pre-payment of PIT for the individual.

At the end of the year, this income will be included in the annualised/taxable income subject to PIT at progressive rates, and a credit will be given for the 10% already paid.

Any shortfall in taxes will need to be paid to the Tax Authorities upon finalisation.

Personal Income Tax Rates

Monthly Taxable Income (VND)	Tax Resident PIT Rates	Non-Tax Resident PIT Rate
0 - 5,000,000	5%	20%
5,000,001 - 10,000,000	10%	
10,000,001 - 18,000,000	15%	
18,000,001 - 32,000,000	20%	
32,000,001 - 52,000,000	25%	
52,000,001 - 80,000,000	30%	
80,000,001 +	35%	

Notes:
1. a Personal deduction of VND11,000,000 is provided each month, which reduces the monthly taxable income accordingly.
2. additional dependent deductions are permitted, of VND4,400,000 per dependent per month, where they meet the requirement and are registered, further reducing monthly taxable income

Personal Tax Rates on Other Income

Type of Income	Tax Resident	Non-Tax Resident
Business Income (rates depend on the type of income)	0.5% - 5%	1% - 5%
Non-bank interest	5%	5%
Dividends	5%	5%
Sale of Shares (public)	0.1% of sales proceeds	0.1% of sales proceeds
Capital Transfers	20% of the net gain	0.1% of sales proceeds
Sales of Real Estate	2% of sales proceeds	2% of sales proceeds
Income from copyright, franchising or royalties	5%	5%
Income from prizes, inheritances or gifts	10%	10%

Compulsory Insurances

Insurance	Employee Portion	Employer Portion	Maximum Cap (1)
Social Insurance	8.0%	17.5%	VND 29,800,000
Health Insurance	1.5%	3.0%	VND 29,800,000
Unemployment Insurance	1%	1%	VND 88,400,000 (2)

Notes:
1. The Maximum Cap is the maximum salary at which insurance is calculated. Earnings above this cap at not included in insurance calculations. These caps are based upon minimum salaries, and change as mandated minimum salaries change.
2. The Unemployment Insurance cap is varies depending on the Zone of the employment. The displayed calculation is for Zone 1 employees (the highest minimum zone)
3. Insurances withheld from employee gross salaries are deductible for PIT (ie, not subject to tax), and the employer contributions are not regarded as a taxable benefit for the employee.
4. Foreign employees are exempt from Unemployment Insurance, with Social Insurance only applicable at a rate of 3.5% for the employer portion (there is no employee contribution to Social Insurance at present).
5. From 15 July 2020, employers in certain industries may be able to apply a decrease in their Social Insurance contributions (more particularly, a decrease to the Occupational Diseases and Accident Fun portion) by 0.2% where they have a demonstrated decrease in accidents and on time reporting. Decreases are available for up to 3 years

Minimum Monthly Wages

Zone	Minimum Monthly Wage
Zone 1	VND 4,420,000
Zone 2	VND 3,920,000
Zone 3	VND 3,430,000
Zone 4	VND 3,070,000

Notes:
1. Zones are designated by the Government. For example, Zone 1 covers areas including urban areas of Hanoi, Ho Chi Minh City and Hai Phong, along with certain industrial areas of Binh Duong and Dong Nai.

NON-TAXABLE BENEFITS & INCOME

Although the definition of taxable income is broad, there are certain defined benefits that are excluded from taxation. These benefits include:

- Once per year round-trip airfares for expatriate employees returning home, or Vietnamese working abroad returning.
- School fees (excluding tertiary) for children of expatriate employees or for Vietnamese working abroad.
- Mid-shift meals (subject to a cap in provided in cash).
- One-off relocation costs for expatriates coming to Vietnam for employment, and for Vietnamese working abroad.
- Uniforms (subject to a cap if provided in cash).
- Benefits provided in kind on a collective basis (eg, memberships) where an individual is not identified as beneficiary.
- Allowances or benefits for weddings or funerals.

Additional Income that is not taxable includes:

- Interest earned on deposits with banks and credit institutions.
- Payments from life and non-life insurance policies.
- Retirement pensions paid from the Social Insurance Fund.
- Transfers of property between direct family members.
- Inheritances and gifts from direct family members.
- Monthly retirement pensions from voluntary insurance schemes
- Income from winnings at Casinos.

CONTACT US

If you have any questions regarding this publication, please contact us for clarity, and we look forward to working with you.

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