

## **DEDUCTIBLE ALLOWANCES & BENEFITS TO TAXABLE INCOMES IN VIETNAM**

### **Who must pay Personal Income Tax (“PIT”) in Vietnam:**

According to the state regulations individuals residing in Vietnam and non-resident individuals in Vietnam with income generated in the country are subject to PIT.

- A resident is an individual which stays in the Vietnamese territory for more than 183 days/year. A resident in Vietnam will be taxed on the “Worldwide Income”. In such case, the taxable income here is an amount arising inside and outside the territory of Vietnam irrespective of where the income is paid.
- Non-resident individuals will be subject to PIT only on the income arising in Vietnam.

### **Non-taxable personal incomes**

According to Article 2, Clause 2 of Circular 111/2013/TT-BTC (updated by Circular 92/2015/TT-BTC), in Vietnam are considered non-taxable income:

#### **1. Benefits for Foreigners:**

- Non-taxable personal income includes round-trip airfare paid by the employer (or reimbursed) for foreign employees working in Vietnam.
- Payments for tuition fees for the children of foreign employees working or studying in Vietnam.
- Income received from sponsoring organizations or associations is not subject to personal income tax if the individual is a member of that organization or association.
- Payments made by the employer to facilitate the relocation or transfer of foreign employees working in Vietnam.

#### **2. Allowances and subsidies like:**

- Monthly or one-time allowances or subsidies granted under preferential regulations for individuals with meritorious services.
- Monthly or one-time subsidies for participants in resistance wars, international missions, national defense and security, or youth volunteers who have completed their duties.
- Allowances for armed forces and defense and security personnel.
- Hazardous allowances for jobs involving dangerous or harmful elements.

- Attractive allowances or regional allowances.
  - Hardship allowances, occupational accident and disease allowances, maternity allowances, one-time retirement benefits, monthly survivor benefits, severance allowances, unemployment allowances, etc.
  - Allowances for individuals under social protection according to state regulations.
  - Allowances for high-level leaders.
  - One-time allowances for transfers to economically difficult areas.
  - Allowances for healthcare workers in villages or remote areas.
  - Allowances specific to certain professions.
3. **Expenses for office supplies, office fees, telephone, and uniforms are also non-taxable personal income.**

Besides allowances and subsidies, expenses for office supplies, office fees, telephone, and uniforms are also non-taxable personal income. These expenses are regulated under section d.4, Clause 2 of Circular 111/2013/TT-BTC.

4. **Non-taxable personal income includes lunch and mid-shift meal allowances.**

According to section g.5, Clause 2 of Circular 111/2013/TT-BTC, the lunch and mid-shift meal allowances organized by the employer are not subject to personal income tax. The amount spent on mid-shift meals for employees should not exceed 730,000 VND per person per month.

5. **Membership fees and other service expenses are not subject to personal income tax.**

This is specified in section d.3, Clause 2 of Circular 111/2013/TT-BTC. These fees include services such as entertainment, sports, recreation, healthcare, and beauty care.

Note: Personal income tax will not be calculated when the money is spent collectively for a group of employees. However, if a membership card is specifically assigned to an individual or a certain group of individuals, it will be considered as taxable income.

6. **Transportation fees**

Transportation fees for pick-up and drop-off services are also non-taxable personal income. This is regulated under section d.5, Clause 2 of Circular 111/2013/TT-BTC. Expenses for transportation services to and from the workplace for employees will not be subject to personal income tax.

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## **7. Expenses for training and improving the skills of employees**

Expenses for training and improving the skills of employees are not considered as personal income. This is clearly stated in section d.6, Clause 2 of Circular 111/2013/TT-BTC.

## **8. Bonuses**

Bonus payments According to section e, Clause 2 of Circular 111/2013/TT-BTC, certain bonus payments are not subject to personal income tax. These include:

- Bonuses accompanied by state titles such as B-level competitive soldiers at the ministry, central agencies, and provinces; national-level competitive soldiers; advanced workers, etc.
- Bonuses accompanied by national or internationally recognized awards by the Vietnamese government.
- Bonuses for inventions, technical innovations recognized by the state.
- Bonuses for discovering and reporting violations of the law to competent state authorities.

## **9. Other benefits**

In addition to the non-taxable personal income mentioned above, section g, Clause 2 of Circular 111/2013/TT-BTC also includes the following non-taxable benefits:

- Support provided by the employer for the medical treatment of the employee and their family members in cases of extreme poverty.
- Payments received according to state regulations for the use of transportation in state agencies, public career units, Party organizations, and mass organizations.
- Other payments received outside of salary, such as participation in opinions, appraisal, examination of legal documents, meeting with constituents, meeting with citizens, etc.