UPDATES TO PERSONAL INCOME TAX REGULATIONS

Key Changes under Decree No. 253/2026/ND-CP and Circular No. 87/2026/TT-BTC

Following the enactment of the Law on Personal Income Tax No. 109/2025/QH15, the Government issued **Decree No. 253/2026/ND-CP**, and the Ministry of Finance subsequently promulgated **Circular No. 87/2026/TT-BTC**, both effective from **1 July 2026**.

Together, these implementing regulations provide **detailed guidance on the application of the new PIT Law** and introduce several important changes affecting employers, employees and individual taxpayers.

THE KEY CHANGES ARE SUMMARISED BELOW:

	PREVIOUS RULES	NEW RULES	OUR COMMENTS
NEW MEDICAL AND EDUCATION DEDUCTIONS			
Clause 2, Article 49, Decree No. 253/2026/ND-CP	Medical and education expenses were generally not deductible for PIT purposes	Resident taxpayers may claim PIT deductions for eligible medical expenses of up **to VND 23 million** and education expenses of up to **VND 24 million** per tax year, subject to prescribed conditions and supporting documentation	Employers should communicate these new deductible items during the annual PIT finalization process. Employees should retain sufficient supporting documentation to substantiate their claims in the event of a tax audit
REVISED DEPENDANT ELIGIBILITY CRITERIA			
Article 47, Decree No. 253/2026/ND-CP Article 3, Circular No. 87/2026/TT-BTC	A dependant generally qualified only where his/her monthly income did not exceed **VND 1 million**. Supporting document requirements were scattered across various regulations.	The monthly income threshold for qualifying dependantss increases to **VND 3 million**. Circular 87 also consolidates and clarifies the eligibility criteria and documentary requirements for dependant registration	Employers should encourage employees to reassess dependant eligibility and update dependant registrations before the annual PIT reconciliation. HR teams should also revise their registration checklists and supporting document requirements

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INCREASED THRESHOLD FOR 10% PIT WITHHOLDING			
Clause 2, Article 50, Decree No. 253/2026/ND-CP	A 10% PIT withholding applied to payments of **VND 2 million or more** made to resident individuals without an employment contract or under contracts of less than three months	The withholding threshold is increased from VND 2 million to **VND 5 million per payment**. Payments below VND 5 million are not subject to mandatory 10% PIT withholding	Employers should update their payroll and payment processes to apply the new withholding threshold from 1 July 2026
INCREASED TAX-EXEMPT LIMIT FOR MID-SHIFT MEAL ALLOWANCE			
Article 9, Circular No. 87/2026/TT-BTC	Mid-shift meal allowances were exempt from PIT up to **VND 730,000 per month** (or the limit prescribed by the Ministry of Labor for State-owned enterprises)	The PIT exemption threshold is increased to **VND 1.2 million per month**. Any amount exceeding this limit remains subject to PIT	Employers should review meal allowance policies and update payroll systems to apply the revised tax-exempt threshold from 1 July 2026
INCREASED DEDUCTION LIMIT FOR VOLUNTARY PENSION AND LIFE INSURANCE CONTRIBUTIONS			
Article 9, Circular No. 87/2026/TT-BTC	Employer contributions to voluntary pension funds and certain life insurance products were deductible up to **VND 1 million per month**	The deductible limit is increased to **VND 3 million per month**	Employers should review employee benefit programmes and update payroll systems to reflect the revised deductible limit
PIT EXEMPTION FOR OVERTIME AND NIGHT-SHIFT PAY			
Article 26, Decree No. 253/2026/ND-CP; Article 9, Circular No. 87/2026/TT-BTC	Only the **incremental portion** of overtime and night-shift pay above normal working-hour wages was exempt from PIT under Circular No. 111/2013/TT-BTC	**The entire amount** of overtime and night-shift pay made in accordance with the Labor Code is exempt from PIT. Any amount exceeding the statutory level remains taxable	Employers should update payroll systems and maintain adequate supporting records (e.g. timesheets, payroll registers and employment contracts) to substantiate the PIT exemption during tax audits

INCREASED INCOME THRESHOLD FOR PIT FINALISATION EXEMPTION			
Clause 1, Article 51, Decree No. 253/2026/ND-CP	Individuals receiving additional income averaging no more than VND 10 million per month that had been subject to 10% PIT withholding could authorize their employer to finalize PIT, provided the prescribed conditions were met	The threshold is increased from VND 10 million to VND 15 million per month. Eligible individuals meeting the prescribed conditions may authorize their employer to finalize PIT or be exempt from PIT finalization, as applicable	The increased threshold is expected to reduce the compliance burden for individuals receiving low-value additional income and simplify the annual PIT finalization process for employers
UNIFIED DEADLINE FOR DEPENDANT REGISTRATION			
Article 48, Decree No. 253/2026/ND-CP	Different registration deadlines applied depending on the category of dependant (e.g. children, parents or other qualifying dependants)	A **single deadline** is introduced for all dependant registrations. Taxpayers must register qualifying dependants no later than 31 December of the relevant tax year to claim family circumstance relief	The unified deadline simplifies PIT administration and reduces the risk of missed registrations. Employers should remind employees to complete or update dependant registrations before the year-end deadline

RECOMMENDED ACTIONS

To ensure timely compliance with the new PIT regulations effective from 1 July 2026, employers should consider taking the following actions:

- Review payroll systems and PIT calculation methodologies to reflect the new withholding thresholds, tax exemptions and deductions.
- Update HR policies, payroll procedures and employee communication materials.
- Encourage employees to review and update dependent registrations before the statutory deadline.
- Review the tax treatment of employee benefits, including meal allowances, voluntary pension contributions and life insurance contributions.
- Update annual PIT finalization procedures and assess employees' eligibility for employer-authorized PIT finalization under the revised rules.
- Maintain adequate supporting documentation for PIT deductions, exemptions and withholding to facilitate compliance during tax audits.