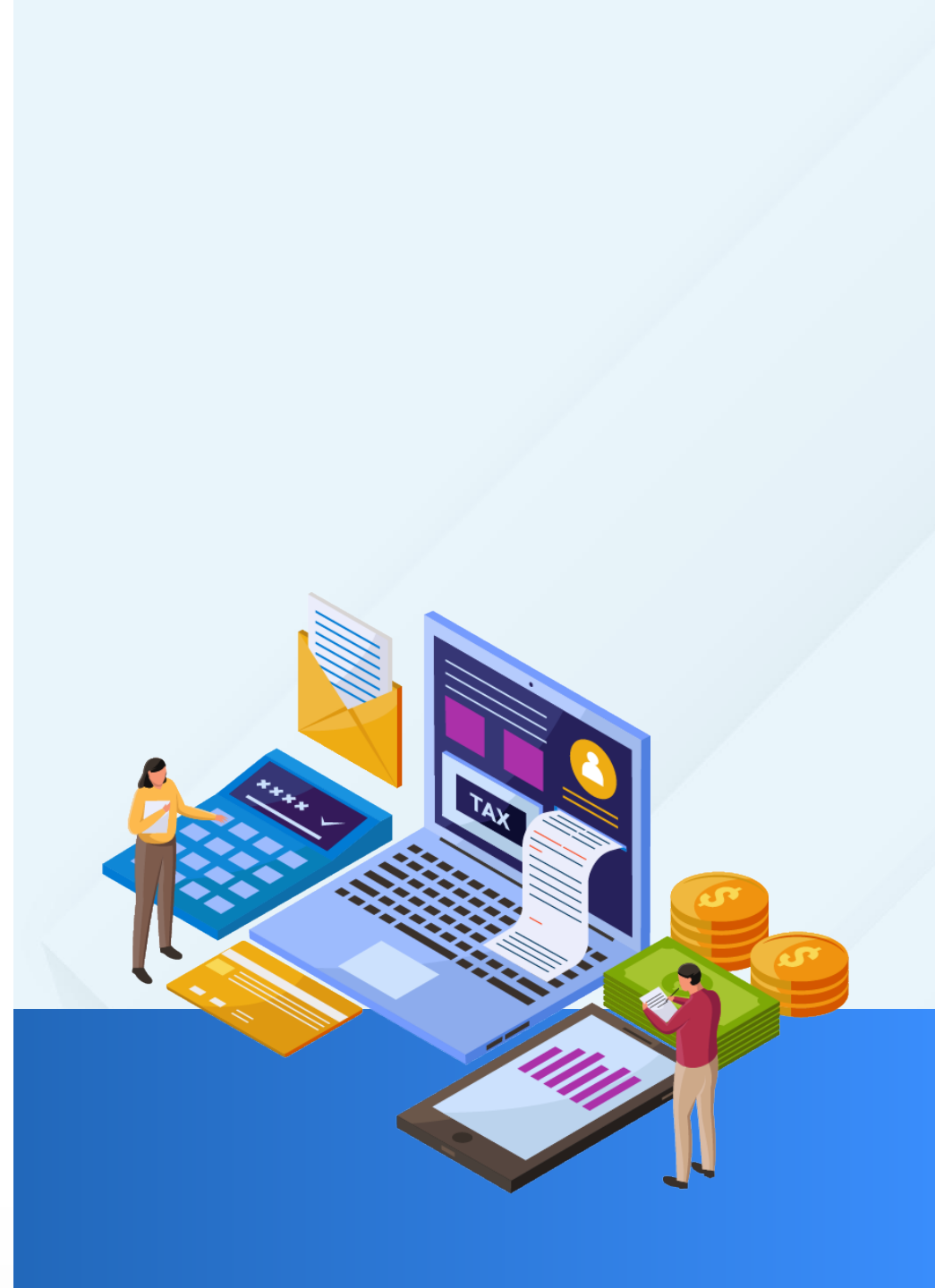




Personal Income Tax finalisation for 2021

December 2021

KPMG in Vietnam



INTRODUCTION AND PURPOSE



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KPMG in Vietnam

Speakers



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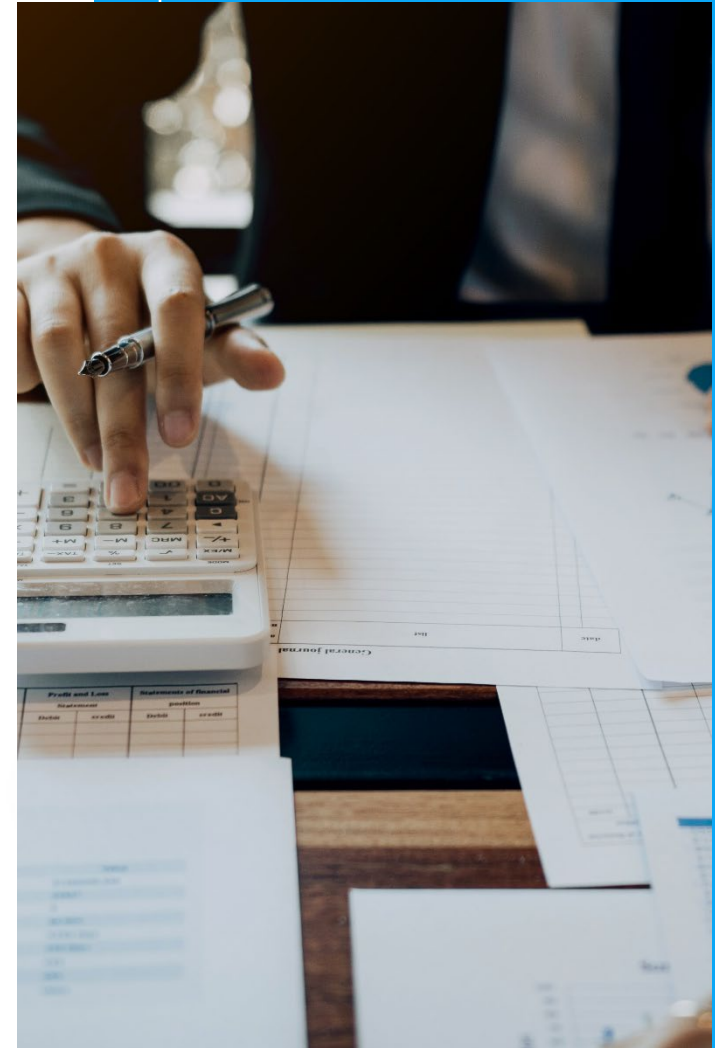
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Content

- 01 Overview on PIT finalisation requirements for taxpayers
- 02 Issues faced by taxpayers during PIT finalisation process
- 03 Areas of tax risks
- 04 Notable points under Circular 80 on tax administration
- 05 Implications of non-compliance
- 06 How can we help
- 07 Q&A

1

Overview on PIT finalisation requirements



Overview of PIT finalisation requirements for taxpayers



Application subject



authorisation



Deadline



Place for submission



Dossiers and supporting documents

Application subject

Organisations

- Organisations who make salary and wage payment to individuals, including employees and non-employees
- Deadline: the last day of the 3rd month from the end of the calendar year (31 March of next year)



Individuals

- Individuals who do not qualify for authorisation of PIT finalisation by their employers
- Individuals having income from overseas
- Deadline:
 - the last day of the 4th month from the end of the calendar year (30 April of next year)
 - 90 days from the end of the first 12-month tax year for foreign individuals



Authorisation of individual PIT finalisation to employers

Conditions

- Labour contract: Having a labour contract with a term of 3 months or more
- Source of income:
 - Only 1 source of employment income; or
 - One source of employment income and irregular employment income from other sources (monthly average less than VND10 mil, PIT 10% has been withheld and not desire to finalise such income portion)
- Working at the organisation at the time of the PIT finalisation process

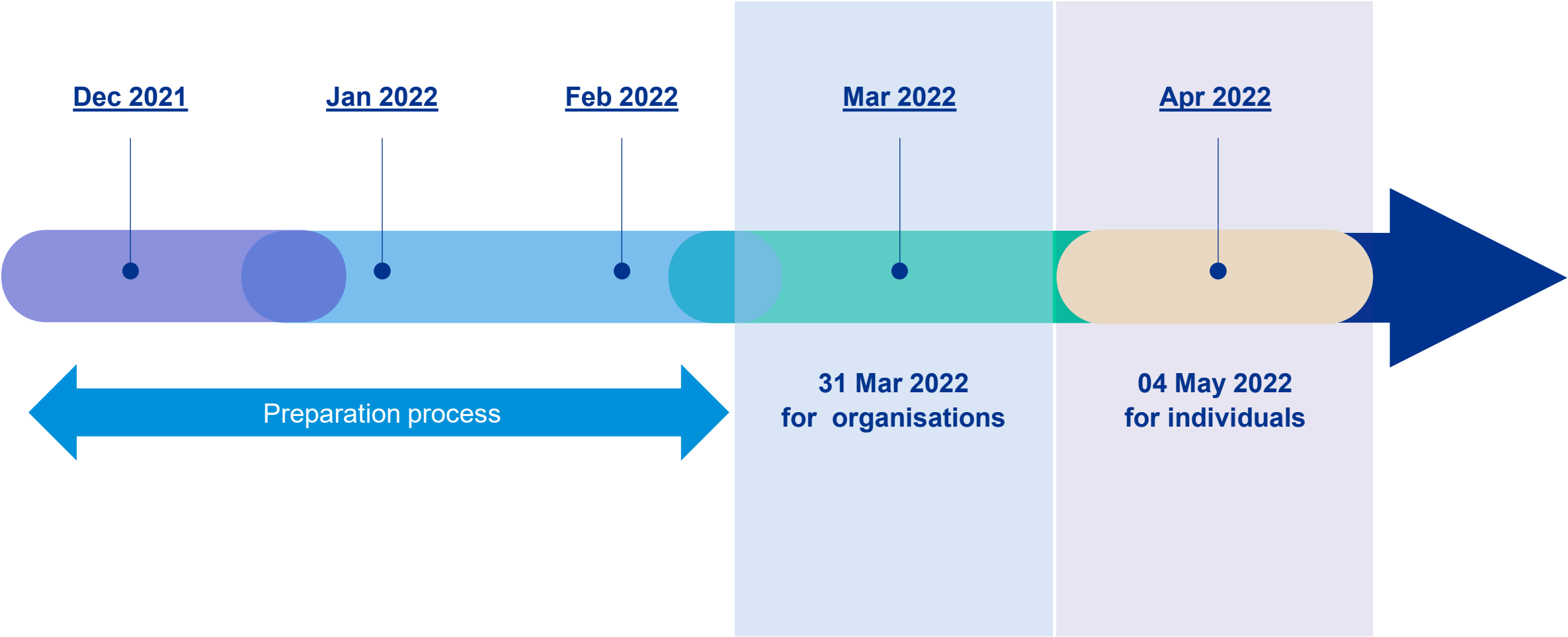
Special case:

- Internal transfer among organisations within same groups such as Corporations, Head office and branches

Procedures

- Form 08/UQ-QTT-TNCN under Circular 80/2021 for individuals
- Employers with huge number of authorised employees: can make a list of authorisation people with content prescribed under Form 08/UQ-QTT-TNCN
- Filing at the office for future tax audit

Deadline for PIT finalisation



Place for submission

Organisations

- Tax authority managing the organisation



Individuals

Depending on each circumstance, the submission place can be:

- Tax authority managing the income paying entity;
- Tax authority with highest income;
- Tax authority at the residing place; or
- Tax authority where the work incurs



Filing dossiers and supporting documents - organisations

Filing dossiers

- Form 05/QTT-TNCN
- Form 05-1/BK-QTT-TNCN
- Form 05-2/BK-QTT-TNCN
- Form 05-3/BK-QTT-TNCN

(Source: Circular 80/2021/TT-BTC dated 29 September 2021)

Supporting documents

- The authorisation letters from employees/List of authorisation
- The income commitment letter confirming the income after relief does not reach the tax threshold (if any)
- Dependent registration and supporting documents
- Submitted PIT declaration and bank remittance evidencing PIT payment during the year
- Payroll and pay slips of all employees
- Other accounting documents related to salary and wage payment and benefits incurred for individuals

Filing dossiers and supporting documents - individuals

Filing dossiers

- Form 02/QTT-TNCN
- Form 02-1/BK-QTT-TNCN
- Form 20/TXN-TNCN – Letter of Annual Income (for overseas income)

(Source: Circular 80/2021/TT-BTC dated 29 September 2021)

Supporting documents

- Submitted PIT declaration & bank remittance evidencing PIT payment during the year
- Certificate of PIT withheld from organisations (CTT56)
- Certificate of tax paid in overseas (if any)
- Dependent registration & supporting documents
- Payroll and pay slips
- Other documents

2 Issues faced by taxpayers during PIT finalisation process



Issues faced by taxpayers during PIT finalisation process



Data processing



Determination of tax treatment



Preparation of supporting documents



Resources



Other issues

Data processing

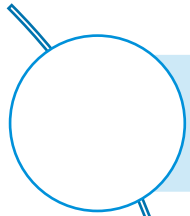
Data source

Data collection and reconciliation

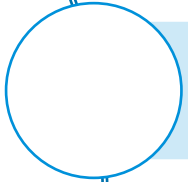
Data completeness and accuracy

Data processing procedures

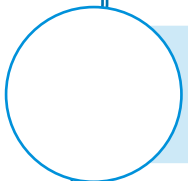
Determination of tax treatment



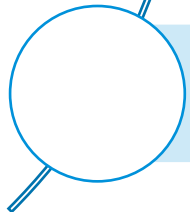
Understanding of PIT related regulations



Awareness of practice and view of tax authorities where regulations are ambiguous



Optimisation of tax cost or avoidance of tax risk



Network to collect common tax issues and raise opinions to tax authorities

Preparation of supporting documents

Type of supporting documents


Content of supporting documents

Linkage among supporting documents

Obtainment of overseas documents

Resources for PIT finalisation

 Sufficiency and allocation of human resources

 Expertise (knowledge, practice)

 Infrastructure

 Time

 Cost for wrong PIT calculation and payment

Other issues



Language



Working with tax authorities



Global network and expertise for international tax issues

3 Areas of tax risks



Areas of tax risks

1

Taxable income, tax exemptions & overseas compulsory insurances

2

PIT for foreign individuals working in Vietnam

3

PIT for individuals working remotely

4

Tax declaration and calculation method

5

Social security and trade union contribution for local employees

6

Expenses without proper supporting documents

7

Payment to non-employee individuals

1. Taxable income, tax exemptions and overseas compulsory insurances

Wrong determination of taxable income

Conditions for exempt income
i.e tuition fees, airfare, relocation allowance, etc.

Proof of compulsory insurance contributions in foreign countries

Highlights in 2021

— COVID expenses (i.e quarantine expenses, PCR test, vaccination)

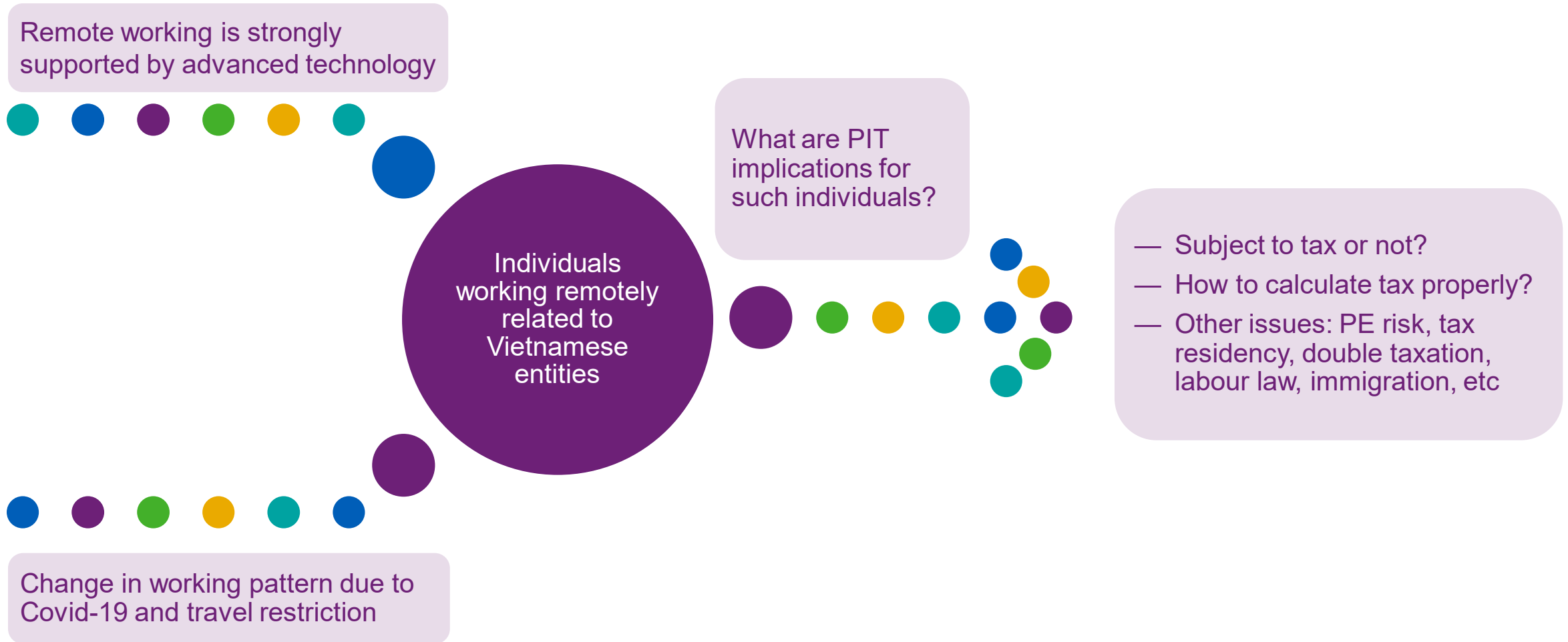
2. PIT for foreign individuals working in Vietnam

Determination of tax residency status and tax year

Income subject to PIT in Vietnam: worldwide income vs. Vietnam-sourced income, income level, various benefits

International tax issues: double taxation, tax exemption opportunities, credit of tax paid in overseas

3. PIT for individuals working remotely



4. Tax calculation and declaration method

Determine of tax declaration period
(i.e monthly or quarterly basis)

- Entities subject to VAT declaration
- Entities having no business activities

Revision of tax declaration

- Revision of monthly/quarterly tax declaration at finalisation stage

Incorrect application of PIT
calculation approach

- Grossing up of net income
- Mixed Net/Gross income
- Taxable housing benefit calculation

5. Vietnamese Social security and trade union contribution for employees

- Social Security and Trade Union contribution for employees in Vietnam can be assessed through tax declaration/finalisation/tax audit
- Further working with Social Security Authority/Trade Union Authority may follow

6. Expenses without proper supporting documents

Payment not supported by relevant financial policies, business policies, decisions of management

Lack of legitimate invoices/receipts

Incorrect accounting description/records

Improper/lack of other supporting documents: labour contracts, assignment letter, accounting voucher

7. Payment to non-employee individuals

Expenses incurred for employees of foreign contractors

Expenses incurred for business travellers

Payment to other non-employee individuals without tax code, commitment of annual income level, employees after terminating labour contract, etc.

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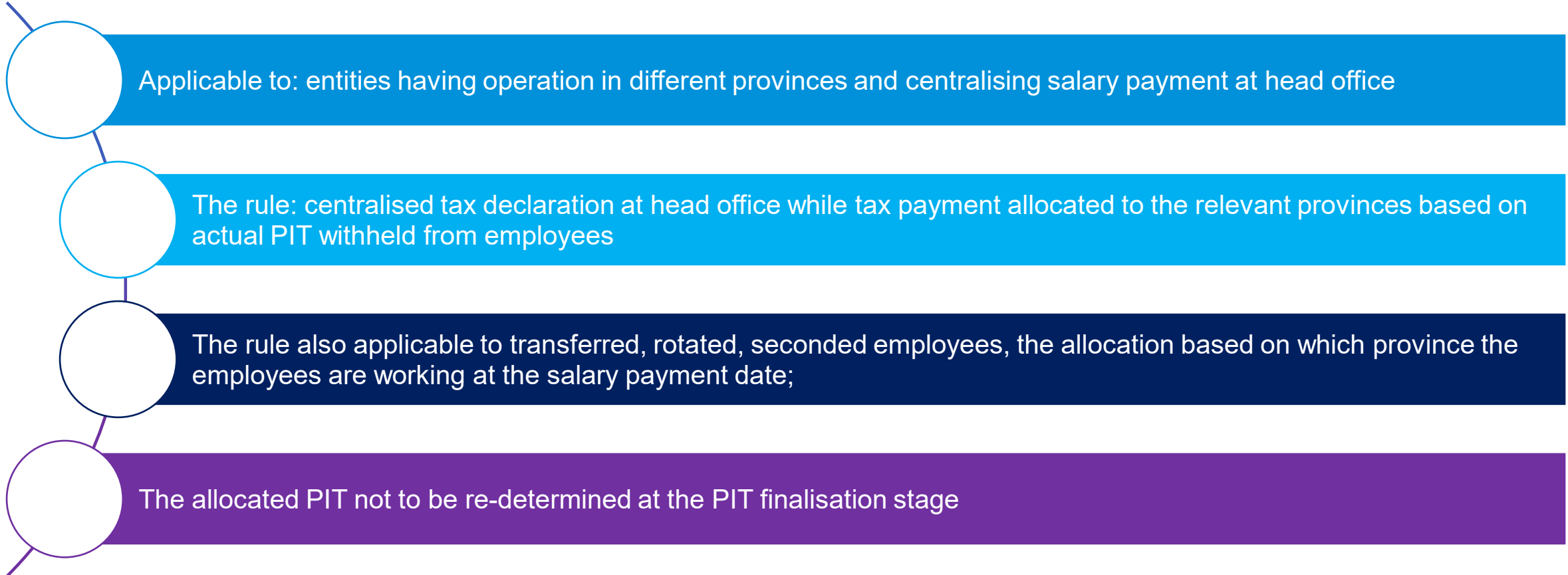
Notable points under Circular 80 on tax administration



1. New set of PIT declaration forms

- Tax declaration and finalisation forms for organisations and individuals
- Dependent registration form
- Authorisation form for PIT finalisation
- Commitment letter on income level

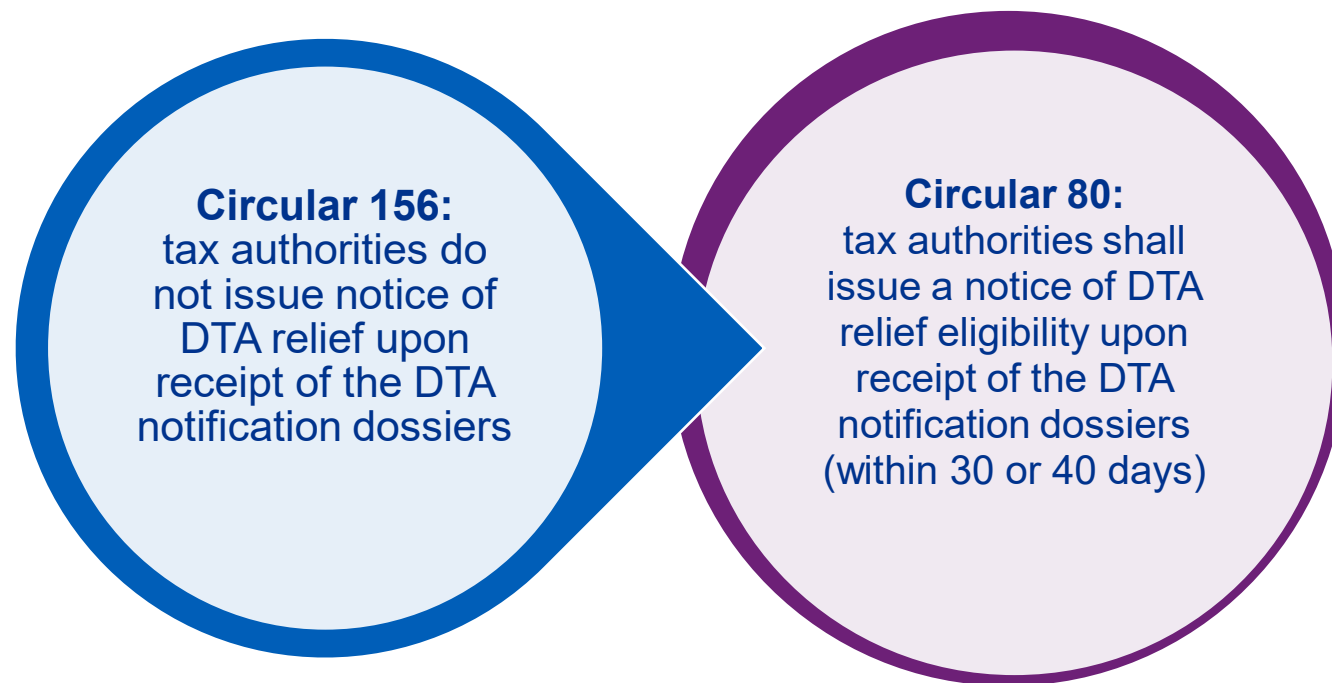
2. Centralised tax declaration and allocated tax payments



3. Credit of tax paid overseas

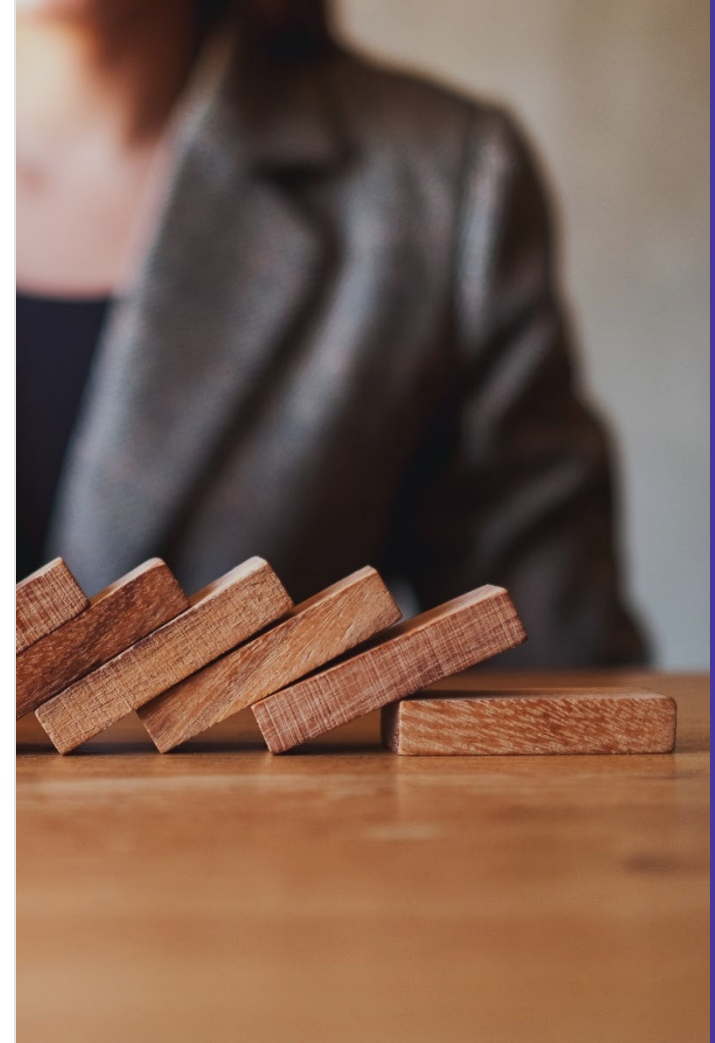
- Circular 80 only stipulates the procedures for credit of tax paid overseas for tax residents coming from the countries having an effective DTA with Vietnam
- No provision is included for the credit of tax paid overseas under domestic rules
- Tax credit on employment income still valid under Circular 111, but the application for tax residents not coming from countries with an effective DTA with Vietnam may be challenged by tax authorities in practice given the lack of procedures under Circular 80

4. Changes in DTA application procedures

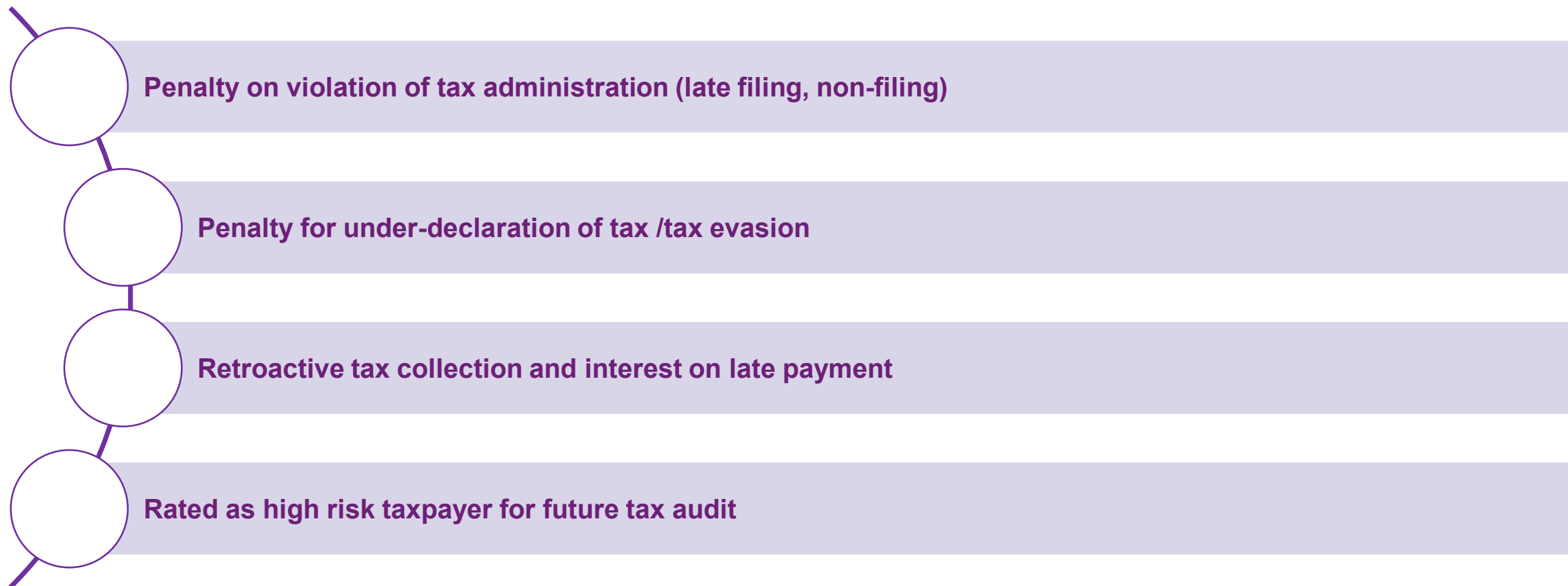


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Implications of non-compliance

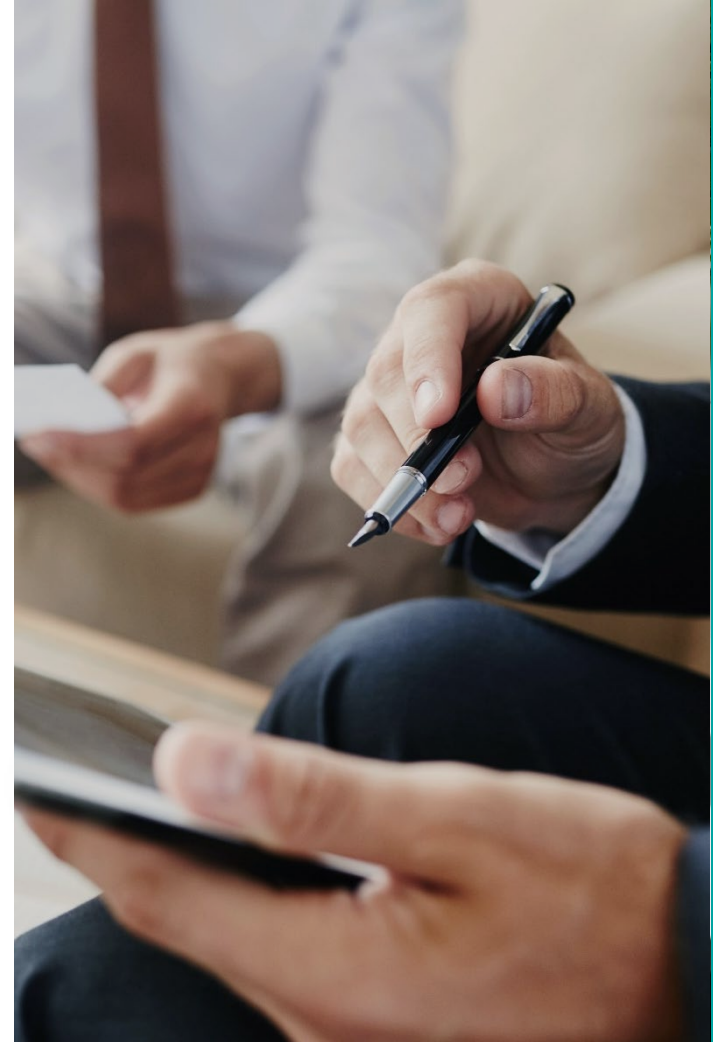


Implications of non-compliance



6

How can we help



KPMG services for organisations and individuals



— PIT finalisation preparation



— PIT finalisation review



— Training on PIT declaration/finalisation for client's staff



— Tax planning advice



— Dealing with international tax issues



— Tax audit support



Q&A





Contact us



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