

January 2010

## Circular 02 supplementing Circular 84 on Personal Income Tax

On 11 January 2010, the Ministry of Finance issued Circular 02/2010/TT-BTC (Circular 02) supplementing Circular 84/2008/TT-BTC on Personal Income Tax (PIT).

Below are important additions under Circular 02:

### 1. Compulsory insurance payments outside Vietnam deductible for PIT purpose, but administrative requirements on supporting documents remain unclear

Circular 02 provides that where an expatriate being Vietnamese tax resident has paid for compulsory insurance of similar nature with those under the laws of Vietnam in his or her home country, such payments shall be deductible for Vietnam PIT purpose.

Documentary evidence of such payments outside Vietnam is required before an expatriate can claim the deduction.

However, Circular 02 does not provide detailed guidance on administrative requirements with regard to such documentary evidence, e.g. whether the relevant documents are required to be authenticated and/or translated into Vietnamese for submission purpose.

### 2. Further guidance on PIT finalisation via income-paying employer

Circular 02 provides that if a tax resident individual has only one source of employment income from one employer, his or her PIT finalisation can be carried out via that income-paying employer.

Of note, income-paying entities are explicitly required to retain their employees' individual documentation relating to family relief, documentary evidence of compulsory insurance contributions, charitable contributions, humanitarian donations, etc (if any) at their premises and must be able to present to tax authorities upon request.

Although effective after 45 days from its signing date, Circular 02 shall apply to the 2009 PIT finalisation.

Please contact KPMG for more detailed discussions regarding various PIT requirements, especially during the 2009 PIT finalisation process.

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