

TAX UPDATE

May 2026



Vietnam Personal Income Tax Law 2025 - What Really Matters in Practice

On 10 December 2025, the National Assembly of Vietnam passed the new Personal Income Tax Law (Law No. 109/2025/QH15) (“PIT Law 2025”) replacing the PIT Law 2007. The law introduces a number of important changes to Vietnam’s personal taxation framework, reflecting a broader policy direction towards simplification, expansion of the tax base and alignment with emerging economic activities.

The PIT Law 2025 generally takes effect from **1 July 2026**, with certain provisions—particularly those relating to employment and business income—applicable from the **2026 tax year**.

This tax update summarises the key changes and highlights practical considerations for taxpayers.



1. Employment Income

1.1. Increased Personal and Dependant Deductions

Item	Current (Circular 111/2013)	New PIT Law 2025
Personal deduction (self)	VND 11 mil/month	VND 15.5 mil/month
Dependant deduction (per dependant)	VND 4.4 mil/month	VND 4.2 mil/month

The increase in deduction thresholds is expected to reduce the taxable income base for most employees, particularly those with dependants. The law also allows the Government to adjust these thresholds periodically, although further guidance is pending.

1.2. Simplified Progressive Tax Rates

The progressive tax schedule will be simplified from seven brackets to five brackets, with the revised income thresholds as follows:

Bracket	Monthly Assessable Income (VND million)	New Tax Rate	Comparable Current Bracket (VND million)
1	Up to 10	5%	Up to 5 (5%)
2	Over 10 to 30	10%	Over 5 to 10 (10%) Over 10 to 18 (15%)
3	Over 30 to 60	20%	Over 18 to 32 (20%) Over 32 to 52 (25%)
4	Over 60 to 100	30%	Over 52 to 80 (30%)
5	Over 100	35%	Over 80 (35%)

While the top marginal rate remains unchanged, the higher thresholds and reduced rates for middle brackets are expected to lower the effective tax burden for middle-income earners.

1.3. Major New Exemptions for Employment Benefits

The PIT Law 2025 introduces changes to the tax treatment of certain employment-related benefits. These are expected to be more favourable compared to the current regulations, subject to further guidance:

Type of Income	Current Treatment (Circular 111/2013)	PIT Law 2025 (Subject to Guidance)
Night shift and overtime pay	Only the excess portion above regular pay is exempt	Potential broader exemption
Unused annual leave payouts	Taxable as regular salary income	Potential exemption
Severance allowances and unemployment benefits	Amounts exceeding statutory limits are taxable	Likely broader exemption
Health insurance premiums (non-mandatory)	No specific deduction	Deductible up to Government-prescribed limits
Education expenses (self and dependants)	No specific deduction	Deductible up to Government-prescribed limits

While the direction of change is clear, the detailed scope, applicable conditions and caps remain to be prescribed in implementing regulations.

1.4. Introduction of Additional Deductions

The law introduces deductions for healthcare and education expenses incurred by taxpayers and their dependants. However, key aspects - including eligible expenses, applicable limits and supporting documentation - remain subject to further guidance. Employers should wait for the guiding Decree/Circular before making any changes to compensation packages to reflect these deductions.



2. Business Income

2.1. Increase in Revenue Threshold for Tax Exemption

The annual revenue threshold for PIT (and VAT) applicable to business households and business individuals has been significantly increased:

Item	Current	New PIT Law 2025
Tax-exempt revenue threshold (per year)	VND 100 million	VND 500 million (*)

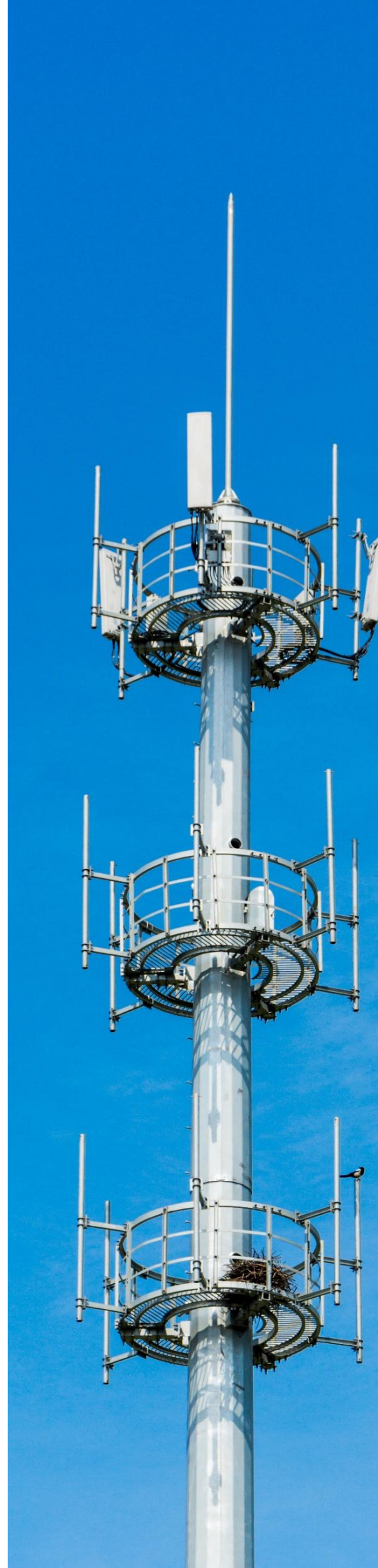
(*) Subsequently increased to VND 1 billion/year under Decree No. 141/2026/ND-CP.

This change is expected to significantly reduce the compliance burden for small-scale business households.

2.2. Optional Flat Tax Regime

Item	Current	New PIT Law 2025
Tax regime	Progressive / deemed rates	Optional 15% flat rate on taxable income

The law introduces an option for certain business individuals with annual revenue exceeding the threshold but not exceeding VND 3 billion to apply a 15% tax rate on taxable income. However, implementation details, including election procedures and determination of taxable income, are not yet available.



3. Capital Transfer, Securities, and Real Estate



3.1. Capital Transfer

The most disruptive changes lie in how transfers of capital and assets are treated, moving toward international standards.

Item	Current Treatment	New PIT Law 2025
Residents	20% on net gain	20% on net gain (or 2% on gross proceeds if cost cannot be determined)
Non-residents	0.1% on gross proceeds	20% on net gain (or 2% on gross proceeds if cost cannot be determined)

The PIT Law 2025 moves towards a net gain-based approach for capital transfers. However, practical challenges remain, particularly in determining cost base for indirect or cross-border transactions.

3.2. Securities Transfer

For securities transfers, the 0.1% tax rate on total proceeds remains largely unchanged:

Item	Current Treatment	New PIT Law 2025
Residents	0.1% on gross proceeds	0.1% on gross proceeds (same)
Non-residents	0.1% on gross proceeds	0.1% on gross proceeds (same)
Alternate method (residents)	20% on net gain (requires identification of cost basis) - rarely practical	No specific guidance

3.3. Real Estate Transfer

The 2% sale price tax remains for now (for both residents & non-residents).

4. Newly Taxable Income Categories

The PIT Law 2025 expands the scope of taxable income to include the following:

Income Type	Tax Basis	Tax Rate
“.vn” domain names	Income exceeding VND 20 million	5%
Carbon credits	Income exceeding VND 20 million	5%
Auctioned licence plates	Income exceeding VND 20 million	5%
Digital assets	Sale price	0.1%
Gold bullion transactions	Sale price	0.1%

While these additions reflect new economic activities, detailed definitions and implementation mechanisms remain subject to further guidance.

5. Expanded Tax-Exempt Income

The new law adds several new tax-exempt income categories, beyond those already listed above for employees and business owners:

Category	Description
Green finance initiatives	Income from first-time transfer of certified greenhouse gas emission reductions and carbon credits (exempt); interest earned on green bonds (exempt); first-time transfer of green bonds after issuance (exempt)
High-tech / digital workforce	5-year PIT exemption for salaries/wages of high-quality digital technology industry personnel and high-tech researchers
Open-end fund certificates	Exemption for income from transfer of open-end fund certificates held for at least 2 years from purchase date

Eligibility criteria and conditions for these exemptions are expected to be clarified in subsequent regulations.



6. Practical Considerations

While the PIT Law 2025 establishes a revised framework for personal taxation, a number of provisions will only become fully operational once detailed guidance is issued. In the interim, taxpayers and employers are encouraged to:

- Prepare for payroll updates to reflect new tax rates and deduction levels from tax year 2026;
- Monitor forthcoming regulations for clarification on key areas;
- Maintain sufficient documentation, particularly for capital investments;
- Exercise caution before implementing structural changes based on provisions that are not yet fully defined.



How BDO Can Help

We are not providing you another generic “summary”. We focus on grey areas and practical risks because that is where issues most commonly arise.

BDO Vietnam is closely monitoring the development of guiding regulations under the PIT Law 2025. Our tax advisory team can assist with:

- **Payroll re-engineering** - to optimise tax efficiency in the context of the new tax brackets and income exemption items.
- **Business household conversion** - advising on whether to remain a household or to convert to an enterprise.
- **Capital transfer structuring** - for non-residents, we can assess the 20% net gain exposure and assist to apply for private rulings.
- **Health check on expatriate packages** - to ensure that the new healthcare/education deductions (when clarified) are appropriately reflected.
- **Advocacy letters** - we can assist in drafting and submitting comments to the Ministry of Finance on ambiguous provisions (e.g., digital assets definition), where there is sufficient client interest.

For further information, or to discuss how these changes may affect your specific situation, please do not hesitate to contact us.

Contact us

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