

**Vietnam Personal
Income Tax Law 2025,
Decree 253 & Circular 87**
*Key Changes and Practical
Implications*

Overview

- ▶ On 10 December 2025, the National Assembly of Vietnam enacted the new **Personal Income Tax Law** (Law No. 109/2025/QH15) ("**PIT Law 2025**"), marking the most significant reform of Vietnam's personal income tax regime in recent years. The new law introduces a number of structural changes aimed at simplifying tax administration, broadening the tax base, and updating the legislation to reflect evolving business models and income sources in an increasingly digital economy.
- ▶ The PIT Law 2025 generally takes effect from 1 July 2026, although certain provisions - particularly those relating to employment income and business income - apply for the 2026 tax year.
- ▶ To facilitate the implementation of the new law, on 30 June 2026, the Government issued **Decree No. 253/2026/ND-CP** ("**Decree 253**"), providing detailed guidance on several key provisions of the PIT Law 2025, including the revised deduction regime, business income taxation and newly introduced taxable income categories.
- ▶ In addition, on the same date, the Ministry of Finance issued **Circular No. 87/2026/TT-BTC** ("**Circular 87**"), providing further guidance on the implementation of the PIT Law 2025 and Decree 253. In particular, Circular 87 clarifies the rules on registration and eligibility of dependants for PIT purposes, as well as the tax treatment applicable to securities transfer income.
- ▶ Together, the PIT Law 2025, Decree 253 and Circular 87 constitute the principal legal framework governing personal income taxation in Vietnam, effective from **1 July 2026** onwards.
- ▶ While many of the changes introduced under the new PIT regulations are expected to reduce compliance burdens and modernise the PIT system, several provisions may have significant implications for employers, business households, investors, expatriates and individuals deriving income from emerging economic activities. Taxpayers should therefore assess the potential impact of the new rules on their tax positions, payroll arrangements and compliance processes.
- ▶ This tax update highlights the key changes introduced under the PIT Law 2025, Decree 253 and Circular 87, together with practical observations and considerations for taxpayers operating in Vietnam.



Employment Income

Increased Personal and Dependant Deductions

- ▶ One of the most anticipated changes under the PIT Law 2025 is the increase in both personal and dependant deductions, which have remained unchanged for several years despite rising living costs and inflationary pressures.

	Until 31 Dec 2025	From 1 Jan 2026
Personal deduction (self)	VND11 mil/month	VND15.5 mil/month
Dependant deduction (per dependant)	VND4.4 mil/month	VND6.2 mil/month

- ▶ The revised deduction thresholds are expected to reduce the taxable income base of individual taxpayers, particularly employees supporting one or more registered dependants. Together with the changes to the progressive tax rates discussed below, many employees may benefit from lower PIT liabilities from the 2026 tax year onwards.
- ▶ Another noteworthy development is the introduction of a mechanism allowing the Government to periodically review and adjust these deduction levels in response to socio-economic developments. While further guidance is expected regarding the adjustment process, this mechanism may provide the authorities with greater flexibility in maintaining the deduction thresholds appropriate over time.
- ▶ From a compliance perspective, taxpayers should note that the increase in deduction amounts does not change the existing requirements relating to dependant registration and supporting documentation. Accordingly, taxpayers should continue to ensure that eligible dependants are properly registered to claim the corresponding deductions.



Employment Income

Simplified Progressive Tax Rates

- ▶ The PIT Law 2025 also revises the progressive tax schedule applicable to employment income by reducing the number of tax brackets from seven (7) to five (5) and adjusting the corresponding income thresholds.

Bracket	Monthly Assessable Income (VND million)	New Tax Rate	Comparable Old 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 highest marginal tax rate remains unchanged at 35%, the widening of the tax bands may reduce the overall tax burden for many taxpayers whose income falls within the lower and middle-income ranges. In particular, a larger portion of taxable income is now subject to the 10% and 20% rates compared to the previous tax regime.
- ▶ The benefit arising from this change will vary depending on the individual's income level. Taxpayers with moderate employment income are generally expected to benefit the most from the revised tax bands and increased deduction thresholds, whereas the impact may be less significant for higher-income individuals, as a larger proportion of their taxable income remains subject to the highest marginal tax rate.
- ▶ Employers should review payroll systems, tax withholding calculations and employee communication materials to ensure that the revised rates are appropriately reflected in payroll processing and tax withholding.



Employment Income (Cont'd)

Major New/Updated Exemptions for Employment Benefits

- ▶ The PIT Law 2025, as further clarified under Decree 253, introduces several changes to the tax treatment of employment-related benefits. In general, these changes provide more favourable tax treatment compared to the existing regime.

Type of Income	Previous Tax Treatment	New Tax Treatment (Subject to further guidance)
Meal allowance	Exempt from PIT up to VND730,000 per employee per month.	Exempt from PIT up to VND1,200,000 per employee per month.
Tuition fees (kindergarten to high school)	Tuition fees paid directly by the employer for children of expatriates working in Vietnam or Vietnamese employees working overseas are exempt from PIT.	The exemption is expanded to cover tuition fees that are either paid directly by, or reimbursed by, the employer.
Night shift and overtime compensation	Only the portion exceeding the employee's regular salary rate is exempt from PIT.	Payments for night work and overtime made in accordance with labour regulations are fully exempt from PIT.
Unused annual leave payments	Taxable employment income.	Exempt from PIT where such payments arise upon termination of employment in accordance with the Labour Code.
Severance allowances and unemployment-related benefits	Amounts exceeding the statutory entitlement are generally taxable.	Fully exempt from PIT, provided that the payments are made in accordance with the Labour Code or, where higher severance allowances are provided by the employer, in accordance with the applicable labour contract, collective labour agreement, internal regulations, financial regulations, or other employment policies.

- ▶ The above changes are expected to reduce employees' overall PIT burden while providing employers with greater flexibility in structuring compensation and benefit packages.
- ▶ However, careful implementation remains important to ensure compliance with the applicable requirements. Certain practical aspects, such as documentary requirements and supporting evidence, may require further clarification from the tax authorities. Employers should therefore review their existing payroll policies and employment documentation to ensure that any exemptions claimed are adequately supported and comply with the new legislation.

Clarification on Dependants

- ▶ The PIT Law 2025 replaces the previous fixed income threshold for dependants with a threshold to be prescribed by the Ministry of Finance. Accordingly, Circular 87 increases the qualifying income threshold from **VND 1 million** to **VND 3 million per month** (average monthly income from all sources), potentially allowing a broader group of individuals to qualify as dependants for PIT deduction purposes.

Employment Income (Cont'd)

Introduction of Additional Deductions

- ▶ The PIT Law 2025 introduces several new deductions aimed at reducing the taxable income of individuals and providing greater recognition of actual living expenses incurred by taxpayers.
- ▶ Under Decree 253, the following deduction limits apply.

Deduction Category	
Healthcare expenses	Up to VND23 million per year for qualifying medical examination and treatment expenses incurred at healthcare facilities in Vietnam
Education and training expenses	Up to VND24 million per year for qualifying education and training expenses incurred at educational institutions in Vietnam
Voluntary pension and life insurance premiums	Increased from VND1 million/month to VND3 million per month

- ▶ These measures represent a notable shift in Vietnam's PIT framework, which has historically relied primarily on fixed personal and dependant deductions rather than deductions based on actual expenses incurred by taxpayers. As a result, eligible individuals may benefit from additional tax relief, particularly where significant healthcare, education or long-term financial protection expenses are incurred.
- ▶ To qualify for these deductions, taxpayers must maintain sufficient supporting documentation and the expenses must not have been reimbursed or funded by employers, insurance providers, government programmes or other third parties.

Increased Threshold for 10% PIT Withholding on Irregular Income

- ▶ Decree 253 also revises the withholding tax threshold applicable to certain employment-related and service income paid to resident individuals who do not enter into an employment contract, or who enter into an employment contract with a term of less than three months.
- ▶ Under the previous regulations, organisations and individuals making such payments were generally required to withhold PIT at 10% where the payment exceeded **VND2 million** per occasion. Under Decree 253, the withholding threshold is increased to **VND5 million** per occasion.
- ▶ As a result, PIT withholding at 10% will only apply where the payment to the individual is VND5 million or more per payment. For payments below this threshold, tax withholding is no longer mandatory, although the income recipient may request voluntary withholding if desired.
- ▶ From a practical perspective, organisations should review their payroll and accounts payable procedures to ensure that the updated withholding threshold is properly reflected from **1 July 2026**.

Employment Income (Cont'd)

Higher Threshold for Irregular Income Exempt from Annual PIT Finalisation

- ▶ Decree 253 also relaxes the conditions under which resident individuals are not required to include irregular income in their annual PIT finalisation.
- ▶ Under the previous regulations, individuals earning employment income from one employer and additional irregular income from other sources was not required to finalise PIT on such the irregular income, provided that it did not exceed an average of VND10 million per month during the year and had been subject to 10% PIT withholding at source.
- ▶ Under Decree 253, this threshold has been increased to **VND15 million per month** on average, while retaining the requirement that the income must have been subject to 10% withholding tax.
- ▶ This change is expected to simplify annual PIT compliance for individuals receiving occasional income in addition to their primary employment income, such as remuneration for training, speaking engagements, consulting services, commissions or other ad hoc assignments. By increasing the threshold, more taxpayers may qualify for the exemption from annual tax finalisation in respect of such income.
- ▶ Individuals meeting the prescribed conditions may continue to treat the 10% PIT withheld at source as a final tax, reducing the administrative burden associated with annual PIT finalisation. However, they should retain adequate supporting documentation in case of a subsequent tax review.



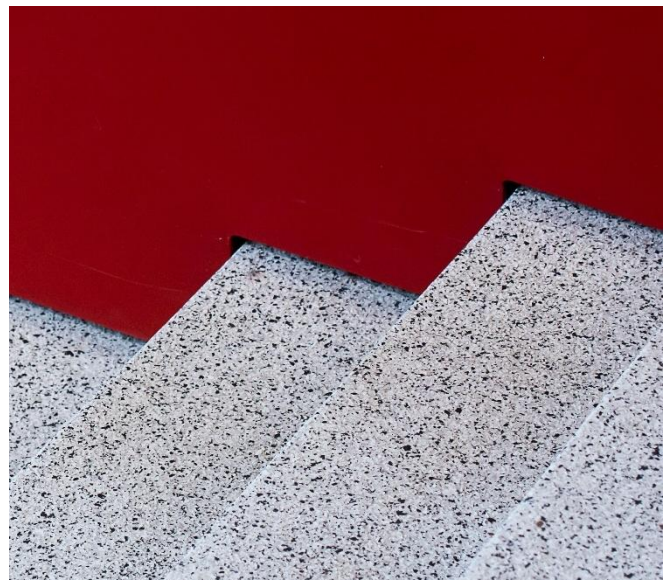
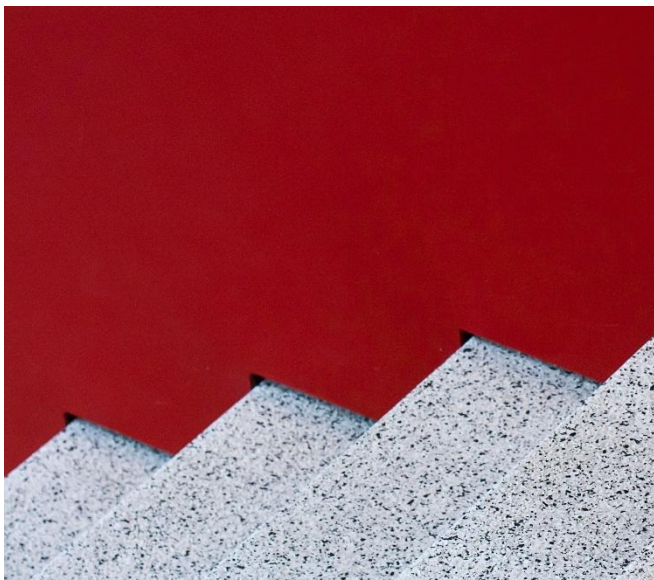
Business Income

Increased Revenue Threshold for Tax Exemption

- ▶ The PIT Law 2025 significantly increases the revenue threshold under which business households and individual business operators are exempt from both Personal Income Tax (“PIT”) and Value Added Tax (“VAT”).
- ▶ Under the law, the exemption threshold is increased from **VND100 million per year** to **VND500 million per year**. Subsequently, Decree No. 141/2026/ND-CP further raises this threshold to **VND1 billion per year**, representing a substantial increase compared to the previous regime.
- ▶ This change is expected to reduce the compliance burden for small-scale business operators and individuals conducting limited business activities. In particular, a larger number of micro-businesses may fall outside the scope of PIT and VAT obligations, thereby reducing registration, filing and payment requirements.
- ▶ From a practical perspective, taxpayers should continue to monitor their annual revenue levels carefully, as exceeding the applicable threshold may trigger both PIT and VAT obligations. In addition, further guidance may still be required regarding the determination of annual revenue in certain situations, such as newly established businesses, seasonal operations or businesses that cease operations during the year.

Introduction of an Optional Flat Tax Regime

- ▶ The PIT Law 2025 introduces an optional regime under which eligible business households and individual business operators may elect to apply a **15% PIT rate** on taxable income instead of the existing taxation methods.
- ▶ This change may provide greater flexibility for taxpayers, particularly those with relatively high operating expenses, as taxation based on taxable income could result in a lower tax burden than the current deemed taxation approach. However, the actual benefit will depend on the taxpayer's business model, profitability and cost structure.
- ▶ At the time of writing, detailed guidance on the eligibility criteria, election procedures and determination of taxable income has not yet been released. Taxpayers should therefore closely monitor further developments, as the overall attractiveness of this regime will depend not only on the tax rate, but also on the associated compliance and documentation requirements.
- ▶ In practice, taxpayers opting for this regime may need to maintain more comprehensive accounting records and supporting documentation to substantiate their taxable income and deductible expenses. Accordingly, while the new regime may create planning opportunities for certain businesses, any potential tax savings should be considered together with the additional compliance obligations that may arise once the detailed implementation rules are issued.



Capital, Securities & Real Estate Transfers

Capital Transfer

- ▶ The PIT Law 2025 introduces a significant change to the taxation of capital transfers by adopting a gain-based approach as the primary method of taxation.

	Previous Treatment	New PIT Law 2025
Tax Residents	20% on net gain	• 20% on net gains; or • 2% on gross proceeds if cost cannot be determined
Tax Non-residents	0.1% on gross proceeds	

- ▶ This change is particularly noteworthy for non-resident individuals, who are previously taxed based on gross transfer proceeds, regardless of whether a gain is realised. Under the new regime, the tax may instead be calculated on the actual gain derived from the transaction, provided that the acquisition cost and related expenses can be substantiated.
- ▶ From a practical perspective, determining and documenting the cost base may present challenges, especially for historical investments, indirect transfers and cross-border transactions. Taxpayers should therefore ensure that sufficient records are maintained, as failure to substantiate the cost base could result in taxation on gross proceeds.

Securities Transfers

- ▶ The taxation of securities transfers remains largely unchanged under the PIT Law 2025.

	Previous Treatment	New PIT Law 2025
Residents & Non-residents	0.1% on gross proceeds	0.1% on gross proceeds (same)
Alternative method for residents	20% on net gain (requires identification of cost basis) - rarely applied in practice	Not available

- ▶ The retention of the gross-proceeds-based method reflects the practical challenges associated with determining the acquisition cost of securities on a transaction-by-transaction basis. As such, the existing 0.1% withholding mechanism is expected to remain the primary approach for taxing securities transactions.
- ▶ In addition, Circular 87 provides further clarification on the determination of transfer proceeds for certain securities transactions. Specifically, the Circular introduces a methodology for determining the transfer value and clarifies the taxing point for PIT purposes for transfers of derivative securities in the form of futures contracts.

Capital, Securities & Real Estate Transfers

Real Estate Transfers

- ▶ The PIT Law 2025 simplifies the taxation of real estate transfers by introducing a single taxation method applicable to all individual taxpayers.
- ▶ Under the previous regime, taxpayers could choose between (i) a tax rate of **25% on taxable gains** (i.e. transfer price less acquisition cost and deductible expenses) or (ii) **2% on the transfer price** where the acquisition cost and supporting expenses could not be determined. In practice, the 2% method was more commonly applied due to the challenges associated with substantiating historical acquisition costs and related expenses.
- ▶ Under the PIT Law 2025, the gain-based method has been removed and a single PIT rate of **2% on the transfer price** will apply to real estate transfers. This change is expected to simplify tax administration and reduce disputes arising from the determination of acquisition costs and deductible expenses.
- ▶ From a practical perspective, the new approach provides greater certainty and ease of compliance for taxpayers. However, depending on the profitability of a transaction, the tax outcome may be less favourable for individuals who were previously able to substantiate a low gain and apply the 25% tax on taxable income method. As such, the impact of the change will vary depending on the specific facts of each transaction.



Newly Taxable Income Categories

- ▶ The PIT Law 2025 expands the scope of taxable income to capture several emerging asset classes and economic activities that were previously not expressly addressed under the PIT framework.

Income Type	Tax Basis	Tax Rate
“.vn” domain names	Income exceeding VND20 million	5%
Carbon credits	Income exceeding VND20 million	5%
Auctioned license plates	Income exceeding VND20 million	5%
Digital assets	Sale price	0.1%
Gold bullion transactions	Sale price	0.1%

- ▶ The inclusion of these income categories reflects the Government’s efforts to broaden the tax base and keep pace with the development of new forms of assets and commercial activities. In particular, the introduction of PIT rules for digital assets marks the first time that such transactions have been specifically addressed under Vietnam’s PIT legislation.
- ▶ While the applicable tax rates have now been prescribed, a number of practical issues remain unclear. These include the definition and scope of digital assets, the mechanism for determining taxable transactions, the timing of tax recognition, and the compliance obligations of taxpayers and intermediaries involved in such transactions. Further guidance will therefore be important to clarify the administration and enforcement of these provisions in practice.
- ▶ For taxpayers participating in these activities, it may be advisable to maintain sufficient supporting records and transaction histories from the outset, as documentation requirements are likely to become increasingly relevant once the detailed implementation guidance is issued.



Expanded Tax-Exempt Income

- ▶ In addition to the expanded exemptions applicable to employment income and business income, the PIT Law 2025 introduces several new tax-exempt income categories aimed at supporting government policy objectives in the areas of green finance, capital market development and high-technology industries.

Category	Description
Green finance initiatives	Exemption for income derived from the first transfer of certified greenhouse gas emission reductions and carbon credits; interest income from green bonds; and income from the first transfer of green bonds following issuance
High-tech and digital workforce	PIT exemption for up to five years on employment income earned by qualified personnel working in the digital technology sector and by high-tech researchers meeting the conditions prescribed under relevant legislation
Open-end fund certificates	Exemption for income derived from the transfer of open-end fund certificates held for at least two years from the acquisition date

- ▶ These new exemptions demonstrate the Government’s intention to use tax policy as a tool to encourage investment in strategic sectors and promote the growth of emerging industries. In particular, the incentives available to qualified digital technology professionals and high-tech researchers may support Vietnam’s broader objective of attracting and retaining highly skilled talent.
- ▶ While the policy direction is clear, certain aspects of the exemptions remain subject to further clarification. For example, additional guidance may be required to determine the eligibility criteria for qualifying personnel in the digital technology and high-tech sectors, as well as the documentary requirements for claiming the exemptions. Similarly, practical guidance may be needed regarding the administration of the newly introduced exemptions for carbon credits and green finance instruments.
- ▶ Taxpayers intending to rely on these exemptions should therefore monitor future guidance closely and ensure that sufficient supporting documentation is maintained to substantiate eligibility for the preferential tax treatment.



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 properly captured.
 - Advocacy letters - we can assist in drafting and submitting comments to the Ministry of Finance on ambiguous provisions 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.

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