

Vietnam Personal Income Tax Update: Key Employment Income Changes Effective from 1 July 2026

Alitium

Ho Chi Minh City

Level 5, L'Mak Signature Building
147 Hai Ba Trung
Xuan Hoa Ward (District 3)
Ho Chi Minh City, Vietnam

Hanoi

51 Phan Boi Chau
Cua Nam Ward (Hoan Kiem)
Hanoi, Vietnam

P: +84 (28) 3535 6460
E: vietnam@alitium.com

Contact

Phuong Vo

Managing Partner
phuong.vo@alitium.com

Phung Nguyen

Accounting & Tax Partner
phung.nguyen@alitium.com

Matthew Lourey

Chairman
mlourey@alitium.com

Vietnam | Singapore | Malaysia

[06 July 2026]

Decree 253/2026/ND-CP and Changes to Personal Income Tax in Vietnam from 1 July 2026

Vietnam's new Personal Income Tax framework represents one of the most significant updates to employment taxation in recent years. Effective from 1 July 2026, Decree No. 253/2026/ND-CP and Circular No. 87/2026/TT-BTC introduce meaningful reforms that affect employee remuneration, payroll administration and employer compliance obligations.

Beyond increasing a number of tax-free benefits and introducing new deductions, the reforms require employers to review payroll systems, employment policies and internal processes to ensure they are correctly applying the revised rules. This article highlights the principal changes affecting employment income and outlines the practical considerations businesses should address in preparing for implementation.

At a glance - Key changes

Area	Previous Regulations	New Regulations
Mid-shift meal allowance	Non-taxable up to VND 730,000/month (cash)	Increased to VND 1.2 million/month; employer-provided meals remain fully non-taxable
Severance/job-loss allowance	Amount exceeding statutory entitlement taxable	Excess amount becomes non-taxable if provided under documented company policies or agreements
Overtime, night work & unused leave	Limited guidance	Tax exemption on statutory amounts clarified together with documentary requirements
Supplementary pension/life insurance	Non-taxable cap: VND 1 million/month	Increased to VND 3 million/month
High-quality digital technology workforce	No specific incentive	5-year PIT exemption for qualifying employment income

Alitium

www.alitium.com

Medical & education deductions	Not available	New deductible expenses introduced: annual caps of VND 23 million and VND 24 million for medical and educational expenses respectively
Dependent income threshold	VND 1 million/month	Increased to VND 3 million/month
10% withholding threshold	Payments from VND 2 million	Increased to VND 5 million
Annual PIT finalisation	Secondary income threshold: VND 10 million/month	Increased to VND 15 million/month

Expanded Scope of Non-taxable Employment Benefits (Decree No. 253/2026/ND-CP)

1. Higher Non-taxable Threshold for Mid-shift Meal Allowance (Point g, Clause 2, Article 8; Point b, Clause 1, Article 69)

The non-taxable limit for employer-paid mid-shift meal allowances has increased to VND 1.2 million per employee per month from 1 July 2026, while employer-provided meals remain fully PIT exempt. Employers should update meal allowance policies and payroll settings accordingly.

2. Expanded PIT Exemption for Severance and Job-loss Allowances (Point h, Clause 3, Article 8)

Severance and job-loss allowances paid above the statutory entitlement are now PIT exempt where supported by the employer's internal policies, labour contracts or collective labour agreements. Employers should ensure appropriate documentation is maintained.

3. Clarified PIT Exemption for Overtime, Night Work and Unused Annual Leave (Article 26)

The Decree clarifies the conditions and supporting documentation required for PIT-exempt overtime, night work and unused annual leave payments. Employers should maintain adequate payroll records, as payments exceeding statutory limits remain taxable.

4. Five-year PIT Exemption for Qualifying Digital Technology Professionals (Article 41)

A five-year PIT exemption applies to qualifying digital technology personnel engaged in eligible activities under the Law on Digital Technology Industry and Decree No. 353/2025/ND-CP. Eligible employers should assess whether the incentive applies to their workforce.

5. Increased Non-taxable Cap for Supplementary Pension and Life Insurance Contributions (Point a, Clause 2, Article 46)

The non-taxable threshold for employer contributions to supplementary pension, voluntary pension and life insurance schemes has increased from VND 1 million to VND 3 million per employee per month, providing greater flexibility in structuring employee benefits.

B. Updates to PIT Deductions and Compliance (Decree No. 253/2026/ND-CP and Circular No. 87/2026/TT-BTC)

1. New Medical and Education Deductions (Clause 2, Article 49, Decree No. 253)

Resident taxpayers may deduct eligible medical expenses of up to VND 23 million and education expenses of up to VND 24 million per year, subject to the prescribed conditions. Employers should communicate these changes during the annual PIT process.

2. Updated Dependant Criteria (Article 47, Decree No. 253; Article 3, Circular No. 87)

The monthly income threshold for qualifying dependants has increased from VND 1 million to VND 3 million, alongside clearer eligibility criteria. Employers should encourage employees to review and update dependant registrations.

3. Higher Threshold for 10% PIT Withholding (Clause 2, Article 50, Decree 253)

The threshold for mandatory 10% PIT withholding has increased from VND 2 million to VND 5 million per payment. Payroll procedures should be updated accordingly.

4. Simplified Annual PIT Finalisation (Clause 1, Article 51, Decree 253)

Individuals are exempt from annual PIT finalisation on qualifying secondary income subject to 10% withholding where the average monthly income does not exceed VND 15 million (previously VND 10 million). Employers should update their annual PIT guidance accordingly.

Key Takeaways for Employers

The revised framework provides opportunities for employers to enhance employee benefits while reducing tax costs in certain areas. However, it also introduces new compliance obligations that require careful implementation. Businesses should review employment contracts, payroll configurations, benefit policies, supporting documentation and annual PIT procedures to ensure they align with the new requirements from 1 July 2026.

As employment tax remains an area of increasing regulatory scrutiny in Vietnam, early preparation can help minimise compliance risks and avoid costly payroll adjustments. Alitium assists employers with assessing the impact of legislative changes, reviewing payroll and HR frameworks, updating policies and procedures, and supporting practical implementation to ensure ongoing compliance with Vietnam's evolving personal income tax regime.

For any further questions or assistance, please reach out to us at vietnam@alitium.com


This article is intended to provide an overview of recent updates and announcements. While it aims to present useful insights, it is important to note that the content shared here should not be considered as formal legal, tax or financial advice. For specific guidance on tax obligations or legal matters related to your business, we strongly recommend consulting with a qualified professional, such as a tax advisor or legal expert or directly reach out to us.


This publication is intended a general overview, and not intended to be comprehensive or to be relied upon as professional advice. Although every effort has been made to ensure accuracy of the information disclosed, Alitium disclaims all responsible for any party that relies upon the contents.


(c) Alitium Professional Services Company Limited, 2026

Visit our website:



 [linkedin.com/company/alitium](https://www.linkedin.com/company/alitium)

 contact@alitium.com

 [youtube.com/@AlitiumGroup](https://www.youtube.com/@AlitiumGroup)

 [facebook.com/AlitiumGroup](https://www.facebook.com/AlitiumGroup)

Alitium

Vietnam | Singapore | Malaysia

www.alitium.com