

# Vietnam's Personal Income Tax Law 2025: Reform and Restructure for Vietnamese Taxpayers in 2026

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## Significant Changes to Personal Income Tax (PIT) from 2026 in Vietnam

On 10 December 2025, Vietnam's new Personal Income Tax Law 2025 was released. This law takes effect from 1 July 2026, except for the provisions related to income from business, wages, and salaries of resident individuals which applies for the 2026 tax year (commencing 1 January 2026).

The Personal Income Tax Law 2025 ("PIT Law 2025") marks an important shift in how Vietnam manages taxes for employees and new types of personal income. As technology and the digital economy is reshaping how people earn and live, the new law aims to better reflect real-life situations, support taxpayers more effectively, and create a clearer, more stable environment for businesses and their employment. With some key changes, from higher deductions to new taxable income categories, the PIT Law 2025 is expected to bring meaningful changes to individuals in Vietnam.

### 1. Tax Exemptions

PIT Law 2025 maintains the exemptions established in the PIT Law 2007 and as amended ("PIT Law 2007"), such as property transfers between family members, interest on savings, and overseas remittances. However, it introduces several new strategic categories:

- **Green economy and science & technology:** The PIT Law 2025 adds exemptions for income from the first transfer of carbon credits and greenhouse gas emission reduction results, interest from green bonds, and income from performing science, technology, and innovation tasks.
- **Support for innovative startups:** Exemptions have been granted for income earned by individual investors and experts from innovative startup projects, startup founders, and individual investors contributing capital to venture capital funds.
- **Business owners:** A significant new provision exempts PIT on the income of individuals who are owners of sole proprietorships or single-member limited liability companies after they have paid Corporate Income Tax (CIT).

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- **Overtime:** income derived from night shift and overtime work is fully recognized as tax-exempt. This exemption also extends to wages or remunerations paid for annual leave days that were not taken by the employee in accordance with labor regulations.
- **Exemption threshold for business individuals:** The PIT Law 2025 raises the annual revenue threshold for tax exemption to 500 million VND. This is a substantial increase from the 100 million VND threshold set in the PIT Law 2007.
- **Other categories:** Added tax exemptions for the income of Vietnamese seafarers working for foreign shipping companies or international transportation, individuals working for representative offices of international organizations under the United Nations System in Vietnam, and individuals participating in United Nations peacekeeping forces.

## 2. Other Cases of Tax Reductions and Incentives

The PIT Law 2025 expands upon the PIT Law 2007 for tax relief during hardships and adds specific industrial incentives:

- **Expanded grounds for reduction:** In addition to natural disasters, fires, accidents, and fatal diseases, the PIT Law 2025 explicitly includes epidemics (dịch bệnh) as a condition for considering tax reductions based on the level of damage.
- **Incentives for High-Quality personnel:** The PIT Law 2025 provides a 5-year PIT exemption on wages and salaries for high-quality digital technology human resources and high-tech personnel involved in research and development for strategic technologies, such as semiconductor chips and Artificial Intelligence (AI).
- **Investment Incentives:**
  - Exemption for the transfer of opened fund certificates held for 2 years or more.
  - A 50% PIT reduction on dividends received by individual investors from securities investment funds or real estate investment funds.

## 3. Increased Deductions for Taxpayers and Their Dependents

This change likely has the most direct impact on the disposable income of taxpayers:

	Previous PIT Law	PIT Law 2025
Personal Deduction for each Taxpayer	VND 11 million/month (VND 132 million/year)	VND 15.5 million/month (VND 186 million/year)
Additional Deduction for Each Dependent	VND 4.4 million/month	VND 6.2 million/month
Other Deductions	Charity and humanitarian activities	• Charity, humanitarian activities • Medical • Education

For clarity, personal and dependent deductions are direct reductions to taxable income (ie, before personal income tax is determined) for each individual.

As a further note for attention, the law introduced a new supplementary point for deductions: "Expenses for healthcare, education, and training for the taxpayer and their dependents", which are also now deductible from taxable income for individuals. These expenses must satisfy the requirements for invoices and documents as prescribed by law, and in addition, these expenses must not be covered by other sources (e.g., medical expenses already covered by the health insurance agency). The Government is to provide detailed guidance in upcoming decrees and circulars regarding the deductible thresholds for these expenses, and how they are to operate in practice.

## 4. Reforms to Progressive Tax Rates

The PIT Law 2025 simplifies the tax structure by reducing the number of tax brackets and widening the income ranges for each bracket to reduce the tax burden on individual taxpayers.

	PIT Law 2007	PIT Law 2025
Rate	7 Brackets	5 Brackets
5%	Up to 5 million VND/month	Up to 10 million VND/month
10%	Over 5 to 10 million VND/month	Over 10 to 30 million VND/month
15%	Over 10 to 18 million VND/month	N/A
20%	Over 18 to 32 million VND/month	Over 30 to 60 million VND/month
25%	Over 32 to 52 million VND/month	N/A
30%	Over 52 to 80 million VND/month	Over 60 to 100 million VND/month
35%	Over 80 million VND/month	Over 100 million VND/month

With the revised tax brackets, a person with two dependents only begins to have their income hit to the highest 35% PIT rate when their gross monthly income reaches approximately VND 128 million (excluding mandatory social insurance contributions), whereas under the previous law, this threshold was reached at around VND 100 million per month.

For an individual earning VND 100 million in gross income per month with two dependents, the new PIT Law 2025 reduces the monthly PIT payable from approximately VND 12.8 million to around VND 10.5 million, representing a cash benefit of around VND 2.3 million per month. This reduction is driven by higher deductions and a higher threshold for the applicable tax brackets, while mandatory social insurance contributions remain capped.

## 5. Other income types

Key changes include:

- Income from transferring ".vn" domain names, carbon credits, digital assets, and gold bars are now explicitly included in the tax scope.
- The PIT Law 2025 maintains most tax rates but raises the value thresholds (20 million VND) for taxable income.

Income Type	PIT Law 2007	PIT Law 2025
Capital Investments	5%	5%
Securities Transfer	0.1% on selling price	0.1% on selling price
Real Estate Transfers	2% on transfer price	2% on transfer price
Winnings	10% (Portion exceeding 10 million)	10% (Portion exceeding 20 million)
Inheritance, Gifts	10% (Portion exceeding 10 million)	10% (Portion exceeding 20 million)
Royalties, Franchising	5% (Portion exceeding 10 million)	5% (Portion exceeding 20 million)
Transfer of ".vn" domain names, carbon credits	N/A	5% (Portion exceeding 20 million)
Transfer of digital assets & gold bars (*)	N/A	0.1% on the transfer price

(\*) The Government is to prescribe the taxable value threshold for gold bars, the timing of tax collection, and adjustments to the personal income tax rate for gold bar transfers in accordance with the gold market management roadmap.

## 5. Impacts on Employees

- **Increases in disposable income:** By raising the deduction to 15.5 million VND/month for each taxpayer and 6.2 million VND/month for each dependent, the Law directly reduces tax burdens, reflects increases in modern living costs and allows workers to keep a larger portion of their earnings for family needs.
- **Support for essential living costs:** For the first time, workers can deduct medical and education expenses for themselves and their dependents from their taxable income. This not only provides financial relief but also incentivizes lifelong learning and proactive healthcare – both core elements of Vietnamese society.
- **Fairer and simpler tax structure:** The reduction in progressive tax rates from 7 brackets to 5 brackets, combined with widening the lowest bracket, moderately eases the tax pressure on middle-income earners.

## 6. Impact on Businesses

To comply with the PIT Law 2025, businesses (as income-paying organizations) should take some time-critical actions:

### (i) Update Payroll and Accounting Systems

The most immediate task is to adjust payroll software to reflect the new deduction thresholds for resident individuals:

- **Personal Deduction:** Increased to 15.5 million VND/month.
- **Dependent Deduction:** Increased to 6.2 million VND/month.
- These new rates are applicable starting from the 2026 tax period for income from business, wages, and remunerations.

### (ii) Implement Documentation Workflows for New Deductions

A significant change in this law is the allowance for actual cost deductions. Businesses should establish clear internal guidelines to help employees provide the necessary paperwork:

- **Medical and Education Expenses:** For the first time, expenditures on healthcare, education, and vocational training for the taxpayer and their dependents are deductible.
- **Verification:** Employers must ensure these expenses are backed by valid invoices and documents as prescribed by law and have not been reimbursed by other sources (such as insurance or company benefits).
- Employers must track upcoming implementing Decrees to pinpoint the exact deduction limits and requirements for these expenditures.

### (iii) Identify and Apply High-Tech Tax Incentives

If your company operates in the digital or high-tech sectors, you will need to identify eligible personnel to apply for the 5-year PIT exemption:

- **Eligible Roles:** High-tech human resource working in AI, semiconductors, chip design, or concentrated digital zones.
- **R&D Personnel:** Staff performing research and development for strategic high technologies on the government's priority list.

In essence, complying with Law No. 109/2025/QH15 is like expanding a factory manufacturing capacity. Businesses need to expand the "existing production lines" (higher fixed deductions) while installing entirely "production lines" (actual medical/education cost deductions) to ensure the final output, the tax remitted to the state, is accurate and fair under the new legal architecture.

For any further questions or assistance, please reach out to us at [vietnam@alitim.com](mailto:vietnam@alitim.com)

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