Vietnam PIT Withholding for Employers:

Filings for “Nil” Withholding Periods

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Vietnam PIT Compliance: Why Employers Should Still File in “Nil” Withholding Periods

A common assumption in Vietnamese payroll practice is that no personal income tax (“PIT”) return is required for a month or quarter in which no withholding tax happens to arise. This is broadly correct in law. First introduced under Decree No. 91/2022/ND-CP and carried forward by Decree No. 252/2026/ND-CP, effective from 1 July 2026, the exemption removes a filing obligation that had previously applied to employers regardless of whether any income was actually withheld.

In practice, however, we generally recommend that employers do not rely on this exemption in any period where salary or other taxable income is actually being paid. The administrative saving from skipping a nil filing is modest, while the downside risk, particularly around annual finalisation, retrospective payroll corrections, and increasingly automated tax administration, can be significant, as the issues below illustrate.

The Legal Background

Decree 91/2022/ND-CP, amending Decree 126/2020/ND-CP, first excused income-paying organisations from lodging a monthly or quarterly PIT return for any period in which no withholding arose. At the time, no exception applied to the final period of the year, or to periods in which a business was divided, merged, dissolved or ceased operations, thereby leaving a gap in the data available to the tax authority at finalisation or deregistration.

Decree 252/2026/ND-CP, which replaces Decree 126/2020/ND-CP (as amended) from 1 July 2026, restates the same general exemption at Article 11.6, but closes this gap: a return must still be filed for the final period of the year, or for any period in which the entity is divided, merged, consolidated, dissolved, declared bankrupt or ceases operations, even where no withholding arose and there was no requirement to submit a PIT finalisation return. This final-period filing appears to serve as a closing compliance record where no annual PIT finalisation return will otherwise be submitted. It allows the tax authority to distinguish a confirmed nil position from a missing filing, particularly at year-end or when an entity restructures or ceases operations.

Why the Exemption Creates Risk in Practice

The exemption is straightforward to apply where an entity is genuinely dormant. It becomes considerably riskier where salary or other taxable income continues to be paid, but simply does not cross the withholding threshold in a given period - which is the more common scenario for small teams, newly hired staff, or employees with significant dependent deductions. Several distinct issues tend to surface in this situation.

1. Retrospective corrections turn silence into a late filing
Payroll figures are frequently revised after the event, through bonus reallocations, retroactive salary adjustments, corrections to insurance bases, or the resolution of errors identified in a later period. If a period was treated as nil and no return was filed, a later recalculation showing that withholding should have arisen turns that filing into a late original return, exposing the employer to late-filing penalties and late-payment interest calculated from the original due date. Where a return was filed on time, even a nil one, the same correction is simply a supplementary declaration made within the statutory window, with materially lower exposure. The practical difference in outcome is significant, even though the underlying payroll error is identical.

2. "Nil withholding" is not always a clean-cut determination
A month may show no PIT withheld not because no salary was paid, but because the employee's taxable income, after personal and dependent deductions, falls below the threshold at which tax applies. This determination can shift mid-year, for example when a new dependent is registered, an employee's contract terms change, or a bonus is paid in a later month than budgeted. An entity that skipped filing on the assumption that a period was permanently "nil" may find, on review, that the position does not hold up as cleanly as first thought, particularly where several employees are involved and the nil determination differs from person to person within the same return.

3. Automated reconciliation and finalisation rejections
Tax authority systems increasingly run automated reconciliation checks across e-filing platforms (HTKK, eTax) and the tax authority's internal management system. A missing monthly or quarterly return can trigger a system-generated notice requesting explanation, which consumes finance and HR time even where the omission was technically permitted. At year-end, the annual finalisation return is cross-checked against the total taxable income declared in the returns actually filed during the year. Where certain periods were never filed, this reconciliation can fail outright, and the finalisation return may be rejected or held for manual review, delaying finalisation past the statutory deadline for reasons entirely outside the employer's control.

4. Increasing data-matching against banking and insurance records
Vietnam's tax administration is moving toward greater use of third-party data, which includes bank transfer records, social insurance contribution data, and e-invoice information, to identify inconsistencies in employer filings. A pattern of salary payments visible through bank records or insurance declarations, with no corresponding PIT filing for the same period, is precisely the type of discrepancy this data-matching is designed to surface. Employers relying heavily on the nil-filing exemption are more exposed to this type of automated cross-check than those that file consistently.

5. A thinner audit trail when the position is challenged
Where no return is filed, there is no formal, time-stamped record confirming the employer's own assessment that a period was nil. If the position is later challenged, whether at finalisation, during an inspection, or in response to an employee dispute, the employer must reconstruct payroll records after the fact to justify a determination that could otherwise have been evidenced simply by the return itself.

Practical Recommendations

Filing practice

- File the applicable PIT return for any period in which salary or other taxable income is actually paid, whether or not withholding arises, rather than relying on the exemption.
- Reserve reliance on the exemption for periods with genuinely no taxable income paid at all, such as a dormant entity or a period before the first employee is engaged.
- Treat filing for the final period of the year, and for any period involving division, merger, consolidation, dissolution, bankruptcy or cessation, as mandatory under Decree 252/2026/ND-CP, not discretionary.

Documentation and internal controls

- Maintain internal payroll reconciliation records for every period, whether or not a return is filed, including the basis for any nil determination at individual employee level.
- Where payroll corrections are identified after the fact, assess promptly whether the affected period was filed on time; if it was not, prioritise remediation to limit exposure to late-filing penalties and late-payment interest.
- Build dependent registrations, contract changes and bonus timing into payroll review cycles, so that a period's nil status is confirmed rather than assumed.

Finalisation and governance

- Reconcile monthly or quarterly filings against payroll and bank disbursement records before annual finalisation, rather than at the finalisation deadline itself.
- Monitor further Ministry of Finance guidance on the implementation of Decree 252/2026/ND-CP, as reconciliation and finalisation procedures may be clarified further as the new regime beds in.
- Where finalisation is rejected or delayed due to a missing period, retain evidence of the system response and raise the matter with the managing tax authority promptly, rather than allowing the deadline to lapse without a formal filing attempt.

Alitium assists employers in Vietnam with payroll compliance reviews, PIT declaration structuring and annual finalisation support, helping businesses avoid the administrative friction that can arise from an overly literal application of filing exemptions.

To discuss your payroll and PIT compliance arrangements in Vietnam, contact Alitium at *Vietnam@Alitium.com*.

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