

Vietnam:

Hanoi tax authorities adopt rigid approach to compliance obligations of expatriates

The Hanoi Department of Taxation has recently adopted a hard-line approach to the personal income tax finalization deadline applicable to expatriates in Vietnam. Failure to comply with the authorities' new policy could result in the imposition of severe penalties.

According to Vietnamese personal income tax rules, foreigners that are tax resident in the country are required to finalize their tax liability (including any other outstanding tax liabilities) at the time their assignment in Vietnam ends, but *before leaving* Vietnam. According to the Law on Management, taxpayers are required to submit a final tax return within 45 days after termination of the employment contract.

Before the new policy announcement, expatriates typically were advised that they were required to finalize their personal income tax liability and submit a return either before leaving Vietnam or 45 days after the assignment ends, whichever came first. However, the new approach of the Hanoi Department of Taxation is to require that tax liability be finalized *before leaving the country*, with the following penalties being imposed for failure to comply:

- Interest of 0.05% per day for each day of late payment;
- Administrative penalties of up to VND 5 million for the submission of a late return; and
- From one to three times the amount of the outstanding tax liability if the liability has not been cleared within 90 days of the deadline.

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