

Special Alert

KEY HIGHLIGHTS OF THE NEW PERSONAL INCOME TAX LAW

January 2026

On 10 December 2025, the National Assembly of Vietnam enacted the new Law on Personal Income Tax (the “**New PIT Law**”), replacing the Law on Personal Income Tax 2007. The New PIT Law will take effect on 1 July 2026. Notably, the provisions on PIT for income arising from business activities, wages, and salaries of tax residents will be applied from the tax period of 2026 (i.e., from 1 January 2026).

The reform aims to modernize Vietnam’s tax administration system, streamline administrative procedures, and adapt to the digital economy. As a result, the New PIT Law will have a broad impact on the tax compliance of individuals and business households.

Key Highlights

- **New taxable assets:** Vietnamese national domain names, carbon credits, license plates, digital assets, and gold bars. Expands the tax base in line with digital and green growth trends.
- **Tax incentives for high-tech talent:** Five-year PIT exemption for qualified experts in certain sectors, strengthening Vietnam’s competitiveness in talent attraction.
- **Simplified PIT brackets:** Reduction from seven (7) to five (5) brackets (5% – 35%) with wider income bands, easing compliance and reducing tax pressure on low- and middle-income earners.
- **Higher family relief deductions:** Personal relief increased to VND15.5 million per month and dependent relief increased to VND6.2 million per month.
- **Business household reform:** Tax exemption for revenue up to VND500 million per year; differentiated tax calculation methods introduced based on revenue scale, including profit-based taxation for large households.

New Taxable Assets

The New PIT Law introduces explicit taxation rules and expands the scope of taxable income, such as: incomes arising from transfer transactions of: (i) Vietnamese national domain names “.vn”; (ii) greenhouse gas emission reduction results and carbon credits; (iii) license plates won through auction; (iv) digital assets; and (v) gold bars.

Specifically, incomes derived from the transfer of gold bars and digital assets will be subject to PIT at a rate of 0.1% of the transfer price. For incomes derived from the transfer of domain names “.vn”, carbon credits, license plates, a tax rate of 5% will be applied to the income portion exceeding VND20 million per transaction. To promote environmental protection, the first transfer of issued carbon credits will be exempt from PIT.

These measures aim to enhance transparency, curb speculation in the gold market, capture income from emerging digital business models, and institutionalize policies on green growth and sustainable development. The new rules will directly affect professional investors and individuals trading in these assets. However, with respect to gold bars, the Government will issue detailed guidance on taxable value thresholds to ensure that small-scale transactions for accumulation and savings purposes are not adversely affected.

Exclusive Tax Incentives for High-Tech and Digital Talent

Under the New PIT Law, high-quality human resources in the digital technology industry, particularly those working in key sectors such as semiconductor chips, artificial intelligence (AI), and high-tech or strategic technologies research and development (R&D), will be exempt from PIT for a period of five (5) years.

This policy represents a major breakthrough, institutionalizing the Law on Digital Technology Industry. It directly addresses the intense global competition for high-skilled talent, where tax incentives serve as a critical tool for attraction and retention. In practice, the PIT exemption functions as a long-term financial incentive, enabling Vietnam to attract and retain leading experts, enhance labor productivity, and accelerate the transition from outsourcing-based growth to the mastery of core technologies.

Simplified Progressive Tax Brackets and Increased Relief Deductions

The New PIT Law reduces the number of progressive tax brackets for tax residents from seven (7) to five (5), with tax rates ranging from 5% to 35%:

Bracket	Taxable income (VND/month)	Tax rate
1	Up to 10 million	5%
2	Over 10 to 30 million	10%
3	Over 30 to 60 million	20%
4	Over 60 to 100 million	30%
5	Over 100 million	35%

With wider income bands, the new five-bracket structure is expected to reduce tax liabilities for low- and middle-income earners, enhance equity, encourage labor participation, and support the national tax reform strategy through 2030.

In addition, family relief deductions have been substantially increased. Personal relief has risen from VND11 million to VND15.5 million per month, while dependent relief has increased from VND4.4 million to VND6.2 million per month. These adjustments reflect inflationary pressures and rising living costs, reinforcing the ability-to-pay principle by ensuring that PIT is levied only on income exceeding basic living needs. As a result, a significant proportion of low- and middle-income earners may be removed from the PIT base.

From a practical perspective, HR and payroll teams should comprehensively review existing net/gross salary structures to ensure alignment with the new tax brackets and increased deductions. Early adjustments will help mitigate bracket-jumping risks and optimize overall employment costs for both employers and employees.

Updates for Business Households

The New PIT Law significantly raises the annual tax-exempt revenue threshold for business households from VND100 million to VND500 million, while categorizing business households into four (4) groups with distinct tax calculation methods based on revenue scale.

- Business households and individuals with annual revenue up to VND500 million will be fully exempt from PIT.
- Business households and individuals with annual revenue exceeding VND500 million and up to VND3 billion may choose either to pay PIT on revenue exceeding the exemption threshold, at rates ranging from 0.5% to 5%, depending on the business line, or to pay PIT at a rate of 15% on profits (revenue minus expenses).
- Business households and individuals with annual revenue of over VND3 billion and up to VND50 billion will be required to pay PIT on profits at a rate of 17%.
- Business households and individuals with annual revenue exceeding VND50 billion will be subject to PIT at a rate of 20% on profits.

These changes reflect the policy objective of abolishing the presumptive tax mechanism, which lacks transparency for large-scale business households, while promoting fairness with Corporate Income Tax and encouraging conversion to the enterprise model. At the same time, the reform provides tangible support to small business households amid price volatility. In effect, the New PIT Law substantially reduces the tax burden for small households while tightening compliance requirements for larger ones, which will be required to maintain proper accounting records, invoices, and supporting documents to determine actual profits.

Conclusion

The New PIT Law marks a significant shift toward a more modern, equitable, and digital-oriented tax framework in

Vietnam. By combining substantial relief for employment income with the formal taxation of digital and emerging assets, the Law creates both strategic opportunities for talent attraction and new compliance obligations for investors and businesses.

For enterprises, particularly those in high-tech and innovation-driven sectors, this represents a critical window to reassess compensation structures and fully leverage the newly introduced tax incentives. At the same time, HR and finance functions should prioritize upgrading internal systems and compliance frameworks to ensure full readiness for the 2026 effective date. A proactive and well-structured response will be essential to mitigate risks and maximize benefits under the new legal regime.

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