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People Advisory Services Tax Alert

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Draft Law on Personal Income Tax (replacement)

On 17 July 2025, the Ministry of Finance announced the Draft Law on Personal Income Tax (Draft law) to replace the current personal income tax (PIT) law. After reviewing and incorporating feedback from various departments, associations, organizations, and individuals, The Ministry of Finance submitted the revised Draft law to the Ministry of Justice for appraisal on 29 August 2025. The Draft law is expected to be presented at the 10th session of the 15th National Assembly in October 2025 for the Government consideration.

The scope of the Draft law includes regulations on taxpayers, taxable income, tax-exempt income, tax reductions, and the basis for calculating personal income tax. The applicable subjects of the PIT law (replacement) include:

- Taxpayers are individuals who are residents and non-residents having taxable income.
- Organizations and individuals paying taxable income.
- Tax management agencies, state agencies, and other organizations and individuals related to the implementation of PIT policies.

This tax alert will provide the key changes related to income from salaries and wages mentioned in the Draft law. It is recommended to refer to additional regulations concerning income from salaries, wages, and other types of income to timely grasp the direction of changes and plan to comply with these changes for tax compliance purposes.

1. Supplement taxable income includes remuneration, benefits in cash or in kind in any form, and other types of income.

In points b and c of Clause 2, Article 3 of the Draft law, the proposed additional income to be included in taxable income for salaries and wages includes: remuneration, benefits in cash or in kind in any form, and other types of income.

2. Expanding tax-exempt and tax-reduced income for individuals and experts performing scientific, technological, and innovative tasks; in high-tech, information technology, digital transformation, and priority development areas; working on non-refundable Official Development Assistance (ODA) projects or non-governmental projects in Vietnam, and agencies within the United Nations system and more.

The Draft law has added tax-exempt and tax-reduced income for many special groups. The aforementioned groups are detailed in Articles 4 and 5 of the Draft, including:

- Individuals and experts perform scientific, technological, and innovative tasks or work on innovative startup projects.
- Foreign experts work on non-refundable ODA-funded projects, foreign non-governmental programs and projects in Vietnam; Vietnamese individuals work at the representative offices of international organizations within the United Nations system in Vietnam; individuals participate in United Nations peacekeeping forces.
- Individuals who are high-quality digital technology workforce working in enterprises and projects related to digital technology industry activities in concentrated digital technology zones; research and development projects, production of key digital technology products, semiconductors, artificial intelligence systems; training activities for digital technology workforce.
- Individuals who are high-tech workforce working in enterprises and projects in high-tech fields, high-tech applications, information technology, science and technology, innovation, and digital transformation, as well as some priority development areas as regulated by the government.
- Individuals who are owners of private enterprises or one-member limited liability companies that have fulfilled their corporate income tax obligations.

3. Reducing the progressive tax rate table from seven brackets to five brackets, with the highest tax rate remaining at 35%.

The Draft law has proposed two options for adjusting the progressive tax rate table from seven brackets to five brackets, as follows:

Proposed option 1		Proposed option 2	
Assessable income (million VND/month)	Tax rate (%)	Assessable income (million VND/month)	Tax rate (%)
up to 10	5	up to 10	5
>10-30	15	>10-30	15
>30-50	25	>30-60	25
>50-80	30	>60-100	30
>80	35	>100	35

Both proposed options maintain the highest tax bracket (35%) and the lowest tax bracket (5%) while reducing PIT payable. Among them, option 2 will have a greater reduction in the PIT payable compared to option 1.

4. Increasing the personal deduction to VND15.5 million/month for taxpayers; VND6.2 million/month for each dependent, and proposing deductions for expenses related to healthcare, education, and training.

According to the guidance in Article 9 of the Draft law, the Government will regulate the personal deduction level in accordance with the socio-economic situation during each period. Under the draft resolution on adjusting the personal deduction level submitted by the Ministry of Finance to the Ministry of Justice for appraisal, the proposed personal deduction level is as follows:

Personal relief	VND15.5 million/month
Dependent relief for each qualified dependent	VND6.2 million/month

In addition, Article 10 of the Draft law also proposes to add to the list of allowable PIT deductions for expenses related to healthcare, education, and training of taxpayers and their dependents, according to the levels set by the government. It is important to note that these expenses must meet the conditions regarding invoices and documents as stipulated by law and must not be paid by other sources.

5. The new PIT law (replacement) is expected to take effect from 2026

The new PIT law (replacement) is expected to take effect from 1 July 2026. However, the provisions regarding personal income tax for business individuals and the progressive tax rate table will come into effect from 1 January 2026.



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Contacts

Hanoi Office



Huong Vu | General Director

EY Consulting Vietnam Joint Stock Company

huong.vu@vn.ey.com



Trang Pham | Senior Partner

Ernst & Young Vietnam Limited

trang.pham@vn.ey.com



Huyen Nguyen | Partner

EY Consulting Vietnam Joint Stock Company

huyen.thi.nguyen@vn.ey.com

Ho Chi Minh City Office



Robert King | EY Vietnam, Laos, Cambodia Tax Leader

EY Consulting Vietnam Joint Stock Company

robert.m.king@vn.ey.com



Anh Thi Kim Ngo | Partner

EY Consulting Vietnam Joint Stock Company

anh.kim.ngo@vn.ey.com

Japanese Business Services (JBS)



Takahisa Onose | EY Vietnam, Laos, Cambodia JBS Leader
Ernst & Young Vietnam Limited
takahisa.onose@vn.ey.com



Takaaki Nishikawa | Director
Ernst & Young Vietnam Limited
takaaki.nishikawa@vn.ey.com

Korean Business Services (KBS)



Binh Thanh Phan | EY Vietnam, Laos, Cambodia KBS Leader
EY Consulting Vietnam Joint Stock Company
binh.thanh.phan@vn.ey.com



Kyung Hoon Han | Director
Ernst & Young Vietnam Limited
kyung.hoon.han@vn.ey.com



Dong Ho Park | Assistant Director
Ernst & Young Vietnam Limited
dongho.park@vn.ey.com

Chinese Business Services (CBS)



Truong Duc Le | EY Vietnam, Laos, Cambodia CBS Leader
Ernst & Young Vietnam Limited
truong.duc.le@vn.ey.com



Owen Tsao | Director
Ernst & Young Vietnam Limited
owen.tsao@vn.ey.com



Trinh Kiet Luong | Assistant Director
Ernst & Young Vietnam Limited
trinh.kiet.luong@vn.ey.com

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