

PIT on payments upon termination of labor contract

On 20 December 2016, General Department of Taxation issued Official Letter No. 5918/TCT-TNCN guiding on PIT from payments after both parties agree to terminate labor contract (for contracts with indefinite term). Accordingly, General Department of Taxation guided as follows:

- Income from salary payable to employee is subject to PIT at progressive tax rate;
- Income from severance allowance for employee who retires under the Social Insurance Law and Labor Code shall not be included in taxable income from salaries and wages;
- Income from financial supports which company pays additionally to employee (other than regulations upon Labor Code and Social Insurance Law) after terminating labor contract shall be withheld PIT at the rate of 10% on gross payment by company if this income from 2 million VND or more.

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