THE MINISTRY OF FINANCE

**Circular No. 128/2014/TT-BTC dated September 05, 2014 of the Ministry of Finance guiding the reduction of personal income tax for individuals working in economic zones and border-gate economic zones**

*Pursuant to the Law on Personal Income Tax 2007 and the Law on amending and supplementing a number of Articles of personal income tax 2012;*

*Pursuant to the Law on tax administration and the Law on amending and supplementing a number of articles of the law on tax administration 2012;*

*Pursuant to the Decree No. 65/2013/ND-CP dated June 27, 2013 of the Goverment detailing a number of articles of the Law on Personal Income Tax and the Law Amending and Supplementing a Number of Articles of the Law on Personal Income Tax;*

*Pursuant to the Decree No. 83/2013/ND-CP of July 22, 2013 of the Government detailing a number of articles of the Law on Tax Administration and the Law Amending and Supplementing a Number of Articles of the Law on Tax Administration*

*Pursuant to the Decree 29/2008/ND-CP dated March 14, 2008 of the Goverment providing for industrial parks, export processing zones and economic zones;*

*Pursuant to Decree No. 164/2013/ND-CP of November 12, 2013, amending and supplementing a number of articles of the Government’s Decree No. 29/2008/ND-CP of March 14, 2008, on industrial parks, export-processing zones and economic zones*

*Pursuant to the Decision No. 72/2013/QD-TTg of November 26, 2013 of the Prime Minister prescribing mechanisms and financial policies applicable to border-gate economic zones;*

*Pursuant to Decision No. 215/2013/ND-CP dated December 23, 2013 of the Goverment defining the functions, tasks, powers and organizational structure of the Ministry of Finance*

*At the proposal of the General Director of General Department of Taxation;*

*The Ministry of Finance guides the reduction of personal income lax for individuals working in economic zones and border-gate economic zones (below collectively referred to as economic zones) as follows:*

**Article 1. Tax-payers and scope of application**

Eligible for reduction of personal income tax under the guidance in this Circular are individuals who are residents and non-residents according to the laws and directly work in economic zones, including:

1. Individuals persons who sign labor contracts with economic zone management boards and state management agencies in economic zones and actually work in economic zones.

2. Individuals persons who labor contracts with organizations and individuals having business establishments in economic zones and actually work in economic zones.

3. Individuals persons who work for organizations and individuals located outside economic zones who are sent to work in economic zones to perform economic contracts signed between these organizations and individuals and economic zone management boards or organizations or individuals conducting investment, production and business activities in economic zones.

4. Individuals and groups of individuals, who have fixed places of business in economic zones, conduct production and business activities under business registration certificates in economic zones.

5. Individuals who sign contracts with organizations in economic zones and are working in the hazardous waste treatment plants in economic zones but according to the law on environment and the plan of the economic zone as approved, the hazardous waste treatment plants must be located outside economic zone.

**Article 2. Taxable incomes used as a basis for consideration for tax reduction**

Incomes used as a basis for calculation of personal income tax amounts to be reduced under this Circular include:

1. Taxable incomes from salaries or wages paid by state management agencies or organizations and individuals having business establishments in economic zones to those who work in economic zones or paid by organizations or individuals conducting business activities in economic zones;

2. Taxable incomes from salaries or wages paid by organizations or individuals located outside economic zones to those who are sent to work in economic zones to perform economic contracts signed with economic zone management boards or State management agencies in economic zones or organizations, individuals conducting investment, production and business activities in economic zones;

3. Taxable incomes from production and business activities conducted in economic zones of individuals or groups of individuals who are granted business registration certificates in economic zones.

4. Taxable incomes from salaries, wages and incomes from business activities in accordance with the regulations on personal income tax.

The determination of taxable incomes from salaries, wages and incomes from business activities shall be implemented according to the law on personal income tax.

**Article 3. Determination of reduced tax amounts**

1. For residents:

a) For residents having taxable incomes as guided under Article 2 of this Circular (hereinafter referred to as taxable incomes in economic zone):

a.1. Determination of temporarily paid income tax amount reduced:

Temporarily paid income tax amount reduced is equal to the temporarily paid or deducted personal income tax amount (monthly, quarterly or each arising time) multiplied by 50%

a.2. Determination of to be reduced income tax amount:

The to-be-reduced income tax amount is equal to the total payable income tax amount multiplied by 50%.

b. In case residents earn both incomes from salaries or wages and incomes from business activities in economic zones and incomes arising outside economic zones:

b.1. Determination of temporarily paid income tax amount reduced:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Temporarily paid personal income tax amount reduced | = | The temporarily paid or deducted personal income tax amount (monthly, quarterly or each arising time) corresponding with taxable incomes in economic zones | x | 50% |

b.2. Determination of to be reduced income tax amount:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Temporarily paid income tax amount reduced in the year | = | The total paid personal income tax amount in the year | x | the taxable incomes in economic zone | x | 50% |
| the total payable income tax amount in the tax period |

In which, the total payable personal income tax amount in the year is determined on the basis of the total taxable income from salaries, wages and incomes from business activities arising in the tax period as stipulated by the law on personal income tax.

2. For non-residents:

To be reduced personal income tax amount = the total taxable income in economic zones multiplied by (x) the tax rate applicable to non-residents multiplied by (x) 50%.

**Article 4. Tax declaration, payment and finalization**

Individuals stated in Article 1 of this Circular who have taxable incomes as guided under Article 2 of this Circular shall declare, pay and final the personal income tax amount as stipulated by the law on tax management.

**Article 5. Effect**

1. This Circular takes effect on October 20, 2014 and replaces the Circular No. 176/2009/TT-BTC dated September 09, 2009 of the Ministry of Finance.

2. For individuals doing business in economic zones before January 1, 2009, and earning incomes from their business who are entitled to investment incentives under the Law on Enterprise Income Tax by the end of December 31, 2008, if the enterprise income tax exemption period has not yet expired, they will enjoy personal income tax exemption till the expiration of the remaining tax exemption period and after that, enjoy 50% reduction of personal income tax under this Circular.

3. Any problems arising in the course of implementation should be reported to the Ministry of Finance (General Department of Taxation) for consideration and settlement.

*For The Minister*

*Deputy Minister*

*Do Hoang Anh Tuan*