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DNH Law Alert

September 30, 2009

Ministry of Finance, Circular N°. 176/2009/TT-BTC Guiding application of 50% reduction on Personal Income Tax for people working in Economic Zones

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The Circular provides guidance on the eligibility, tax withholding and payment, and finalization procedures for those who actually work or operate businesses in an economic zone.

Circular No. 176/2009/TT-BTC issued by the Ministry of Finance on 9 September 2009 guides the implementation of personal income tax reduction given to the people working in the economic zones.

Eligibility

To be eligible for the 50% reduction on the personal income tax, a person must actually work in the economic zones under State's assignment, employment contract, service contract or certificate of business registration. Both resident and nonresident foreign and local individuals are eligible for the reduction if they actually work in economic zones.

An employee of an enterprise or public servant of State agency in the economic zone who does not have the actual place of work in the zone is not eligible for the reduction.

Payment of the reduced tax

Employers are to calculate and withhold the personal income tax each month from the salaries of employees who actually work in the economic zones. From the amount withheld, the employers shall pay over to the State budget 50% of the amount withheld. Employees are to receive the other 50%.

Similarly only 50% of the taxes due on income from businesses in the zone are to be paid to the State budget.

Effective Date

This Circular takes effect on the 45th day from 9 September 2009, the date it was signed.

Applicability Period

The reduction applies to incomes/salaries generated or received since Jan. 1 2009. In certain instances the reduction will also apply to income in 2008.



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