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UPDATE ON THE LATEST REGULATIONS FOR PERSONAL INCOME TAX IN 2026

The Personal Income Tax (PIT) Law of 2026 has notable adjustments related to the tax brackets, family deduction levels, and tax calculation methods. This article summarizes the latest details on PIT according to the regulations expected to apply from 2026, along with key points that taxpayers need to note to fulfill their tax obligations accurately and optimize their personal budgets.

1. What is the Personal Income Tax Law of 2026? Effective Date?

The Amended Personal Income Tax Law of 2025 is Law No. 109/2025/QH15, passed by the National Assembly, which will officially take effect from July 1, 2026, replacing the Personal Income Tax Law of 2007. The specific effective date and detailed contents will be implemented according to official guidance documents from the competent authorities. From this point onward, the new PIT regulations and other adjusted contents will be uniformly applied within the tax legal system.

However, for income from salaries and wages, important contents such as the progressive tax brackets (5 levels), family deductions will be applied according to the 2026 tax period (effective from January 1, 2026), meaning they will be calculated for all income arising in 2026 during tax finalization. This application method ensures consistency in annual tax finalization while avoiding the need to split tax brackets between two periods in the same fiscal year.

2. New Changes in Personal Income Tax for 2026

2.1 Reducing Tax Brackets from 7 to 5 Levels

According to Article 9 of the Personal Income Tax Law of 2025, the new progressive tax brackets are reduced to 5 levels from 2026, instead of 7 levels as before. Reducing the number of tax levels makes calculations easier and limits situations where a slight income increase results in a higher tax rate.

The new tax brackets are designed to widen the income ranges in the middle levels, which are the groups most affected by salary income. This has significant practical implications for office workers, technical specialists, and mid-level managers.

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Latest Progressive Tax Brackets (applicable from the 2026 tax period - i.e., from January 1, 2026):

Tax Level	Taxable Income per Month (million VND)	Tax Rate (%)
1	Up to 10	5
2	>10 – 30	10
3	>30 – 60	20
4	>60 – 100	30
5	>100	35

The highest tax rate is 35%, applied to the portion of taxable income exceeding 100 million VND per month. Maintaining the highest tax rate at 35% but only applying it to very high-income portions also reflect the principle of reasonable income regulation, without putting pressure on the majority of wage earners.

2.2 Significant Increase in Family Deduction Levels

Another important change in the 2026 PIT Law is the increase in family deductions for taxpayers and dependents. According to Clause 2, Article 29 of the Personal Income Tax Law of 2025, the 2026 family deduction levels will be applied from the 2026 tax period - i.e., from January 1, 2026. Specifically:

- The deduction for the taxpayer themselves is raised to 15.5 million VND per month, instead of 11 million VND per month as before. (186 million VND per year)

- For each dependent, the deduction is adjusted to 6.2 million VND per month.

This is considered the most direct and positive impact on the actual income of workers, especially families with young children or those supporting relatives.

According to analyses from economic news sources, with the new deduction levels, many people with average income will no longer have to pay PIT, or the tax amount payable will decrease significantly compared to before 2026.

2.3 Updating the Scope of Taxable Income in the New Context

The amended law also clarifies the scope of taxable income and exempt income, especially in the context of the digital economy, freelance work, and increasingly common multiple income sources. Some new income arising from digital platforms and online businesses still fall under taxable categories according to general principles.

However, the law continues to maintain exemptions for social welfare items, such as allowances and subsidies as prescribed, to ensure support objectives for workers. Specifically, some common income levels subject to personal income tax under the new family deduction table have already accounted for deductible expenses, other exemptions including:

- Contributions to insurance, voluntary pension funds, charitable contributions, educational encouragement, humanitarian aid.
- Income exempt from personal income tax.
- Items not subject to personal income tax such as certain allowances, subsidies, lunch allowances, etc.

3. Notes When Applying the New Personal Income Tax Law

In practice, workers need to note the income payment timing to accurately determine the applicable tax period for the new deductions. According to guidance, income arising from 2026 will fully apply the new regulations, including cases of delayed salary payments.

Additionally, registering dependents correctly and with complete documentation is a mandatory condition to enjoy deductions. If not registered in time, taxpayers may be charged higher taxes during the year and only refunded upon finalization.