

Tax Alert

April 2024

Official Letter 862/BHXH-TST provides guidance on implementing certain provisions of the Social Insurance Agreement between Vietnam and South Korea.

Issued on 19 March 2024 by the Vietnam Social Security, Official letter No. 862/BHXH-TST instructs SI Departments in provinces and centrally-run cities on several matters regarding the issuance and receipt of Social Insurance Certificates for individuals; the suspension of compulsory social insurance contributions in Vietnam for Vietnamese workers working in South Korea to avoid duplicate social insurance contributions as per the Social Insurance Agreement between the Government of the Socialist Republic of Vietnam and the Government of the Republic of Korea. The subjects of application outlined in Official letter No. 862 include: (i) Dispatched Workers, (ii) Locally hired Workers; and (iii) Vietnamese Workers working in South Korea under contracts.

The main instructions for each category are as follows:

- **Dispatched Workers:**

The Vietnamese Social Insurance Department issues Social Insurance Certificates for Vietnamese workers participating in Social Insurance according to Vietnamese law, stating the period of validity of this Certificate and serving as a basis for Vietnamese workers to be exempt from participating in Social Insurance under the law of South Korea. The National Pension Service of South Korea issues Social Insurance Certificates for Korean workers participating in Social Insurance according to South Korean law, stating the period of validity of this Certificate and serving as a basis for Korean workers to be exempt from participating in Social Insurance under the law of Vietnam.

The duration of dispatch applies for the first 60 months from the date of dispatch and may be extended (up to a maximum of 36 months) if the worker continues to work for the dispatch employer. In case a dispatched worker returns to the home country due to assignment termination and is dispatched again, this dispatch will be considered as a new dispatch, and the exemption period will be recalculated. For workers who have been dispatched before the effective date of the Agreement, the exemption period will be counted from the effective date of the Agreement.

- **Locally hired Workers:**

For Vietnamese citizens working in South Korea, the National Pension Law of South Korea shall apply; and
For Korean workers working in Vietnam, the National Pension Law of South Korea shall still apply during the employment period, but not exceeding 60 months, provided that this person is subject to the governance of South Korean law.

- **Vietnamese Workers working in South Korea under contracts:**

From 01 January 2024, Vietnamese workers working in South Korea under contracts participating in mandatory Social Insurance as regulated will cease the compulsory Social Insurance contributions in Vietnam, and they will continue to contribute to Social Insurance as per the laws of South Korea, including:

- Workers working in South Korea under contracts with companies engaged in sending employees to work abroad, career organizations authorized to send employees to work abroad;
- Workers working in South Korea under contracts with companies engaged in sending employees abroad for skill-enhancement internships; and
- Workers working in South Korea under personal contracts.

Two years after the signing of the Social Security Agreement between Vietnam and South Korea, the issuance of specific guidance on the exemption of compulsory social insurance in Officer Letter No. 862 represents a significant step in protecting the rights and facilitating favourable conditions for migrant workers between the two countries.

For individuals or entities with workers falling under the aforementioned categories, requiring additional information or assistance with related procedures, please contact KPMG for our support.

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