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GMS Flash Alert

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Vietnam - Expatriates May Participate in Social Insurance System

Starting 1 January 2018, expatriate employees working in Vietnam under work permits, practicing licences, or certificates issued by Vietnamese competent authorities, are allowed to participate in Vietnam's social insurance ("SI") scheme.

WHY THIS MATTERS

Vietnam is not a signatory to any international social security agreement. If participation in the SI scheme becomes compulsory, an employee who continues to participate in his or her home country's social insurance scheme will be subject to social insurance contributions in two countries.

In some cases, depending on domestic law and whether the employee is coming from a "high cost" social insurance scheme, the social insurance costs borne by the employee in Vietnam may be lower. As a result, this could ease employers' social insurance-related international assignment costs.

If the employee discontinues participating in his or her home country scheme, if permitted, and begins participating in Vietnam's, adjustments to payroll / withholding will be required.

Background

Under current regulations, Vietnamese employees are subject to compulsory social insurance (SI), health insurance (HI), and unemployment insurance (UI). Expatriate employees, on the other hand, are generally subject only to HI.

On 20 November 2014, the National Assembly issued Law 58/2014/QH13, broadening the applicable "objects" of compulsory SI. The Vietnamese SI scheme provides coverage for illness, maternity, occupational diseases and accidents, retirement, and death. The aforementioned "objects" include expatriate employees working in Vietnam under work permits, practicing licences, or certificates issued by Vietnamese competent authorities. The law mentioned that these expatriates are **allowed** to participate in the compulsory SI scheme effective 1 January 2018.

Allowed or Required?

Given the wording "allowed", it is unclear whether expatriates will in fact be required to participate in the SI scheme or will be subject only to voluntary participation. Further, the said law did not differentiate expatriates who have a local labour contract from those who are under assignment/secondment letters to Vietnam.

There have been some recent notable developments:

- The national and some local social insurance authorities issued Decision No. 595/QĐ-BHXH on 14 April 2017 and Official letter No. 1734/BHXH-QLT on 16 August 2017, which provide the authorities' views on SI participation for expatriates.

- A draft decree providing guidance on the compulsory nature of the insurance scheme for expatriates has recently come to light. The draft decree appears to narrow the subject of application. Specifically, expatriates who have a local labour contract and are working under a work permit or practicing license or certificate issued by competent authorities in Vietnam are subject to the compulsory SI contribution scheme. The draft decree is still under discussion and yet to be approved.

- The SI contribution scheme for expatriates will be officially applied from January 2018. It is important to note, as a common practice in Vietnam, where the guiding decree is released later, the rules may still apply retroactively.

Rates and Base

Currently, the SI contribution rates are 17.5 percent for employers and 8 percent for employees. The SI contribution base includes base salary, allowances, and other "regular" payments. Similar to the SI scheme applied for Vietnamese employees, the monthly employment income subject to SI for expatriate employees will be capped at 20 times the base salary set by the Vietnamese government. At present, this cap is VND 26 million per month (which will increase to VND 27.8 million from July 2018), thereby making a maximum combined employer and employee contribution of VND 6.63 million or approximately USD 290 per month. [VND 1 = GBP 0.0000328 | VND 1 = USD 0.000044 | VND 1 = EUR 0.000037 | VND 1 = AUD 0.000057]

Next Steps

Employers with expatriate employees in Vietnam and those planning to come to live and work in Vietnam should be vigilant regarding this development, given the brief timeframe expected for its application.

The Global Mobility Services team with the KPMG International member firm in Vietnam will endeavor to keep you updated on this matter. We will aim to issue another GMS *Flash Alert* when the official Decree is issued by the Vietnamese government.

Contact us

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