

GMS Flash Alert

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Vietnam – Increase in Social Insurance Contributions for Foreign Employees

Under Vietnam’s Law on Social Insurance, contribution rates to compulsory Social Insurance (“SI”) will increase starting January 2022.

WHY THIS MATTERS

It is necessary to start implementing the compulsory SI policy for foreign employees to help ensure their rights and obligations while working in Vietnam and to level the playing field with respect to local hires. The scheme allows the participants to enjoy benefits from the SI fund, when eligible.

However, participating in the SI scheme could increase employment costs for employers and result in a potential decrease (dependent on the terms of their contract) in net income for their employees, especially from January 2022.

Background

The Social Security scheme for expatriate workers, introduced by Decree No. 143/2018/ND-CP, entered into force on 1 December 2018. (For prior coverage, see [GMS Flash Alert 2017-188](#), 21 December 2017.)

Once the new rules came into effect in December 2018, foreign employees who qualify under certain conditions became subject to the compulsory SI contribution scheme in Vietnam. The scheme applies to employees who are foreign citizens working in Vietnam under indefinite-term labour contracts or definite-term labour contracts for one year or more with a work permit/practicing license/practicing certificate issued by the Vietnamese competent authorities.

The provisions of Decree No. 143/2018/ND-CP covered many expatriate workers. However, exemptions included intra-corporate transferees and employees who reached Vietnam’s statutory retirement age.

More Details

The contribution rates and entitlements of foreign employees – and the rates applicable to their employers – are scheduled in two phases, as detailed below:

Phase	Contribution rate - Employer	Contribution rate - Employee	Entitlement - Employee
1 December 2018 to 31 December 2021	3.5%	-	Maternity and sickness regime
From 1 January 2022	17.5% (or 17.3% in industries with high risk of occupational accidents and diseases)	8%	Maternity, sickness, pension and survivorship regime

Source: KPMG in Vietnam

For the period from July 2021 to June 2022, the contribution rate for employers decreased by 0.5 percent as a support measure for employers due to the coronavirus pandemic under Resolution 68/NQ-CP of the government.

The compulsory SI contribution scheme is not applicable to foreign employees who work in Vietnam under internal transfer arrangements, i.e., assigned directly by headquarters to the subsidiary in Vietnam, nor to those who reach retirement age.

The pension regime can be claimed on a lump-sum basis, subject to certain conditions.

KPMG NOTE

It is important for organisations with expatriates who are subject to SI contributions to consider an effective strategy. Considerations may include:

- clear communications and updates to employees to foster their understanding of the obligations and benefits when participating in the SI scheme in Vietnam;
 - a review of current remuneration models, SI responsibilities, and cost projections for the application of the full SI contributions which takes effect from January 2022.
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Contact us

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