



GMS Flash Alert



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Vietnam - Social Insurance Agreement Signed with South Korea

On 14 December 2021, the Social Insurance Agreement (“the SIA”) between the Socialist Republic of Vietnam and the Republic of Korea was signed by the Vietnamese Minister of Labour, War Invalids and Social Affairs and the South Korean Minister of Health and Welfare, on behalf of the governments of the two countries.¹

WHY THIS MATTERS

Like most of the bilateral and multilateral agreements on social insurance in the world, the Vietnam-South Korea SIA serves two main purposes, one is to avoid the double payment of social insurance, the other is to mutually recognise the social insurance contribution time of individuals of both countries.

The bilateral SIA between Vietnam and South Korea will allow mobile employees to potentially avoid double coverage of social security contributions for temporary assignments in the other country.

In addition, the execution of the SIA should provide social security protection for Vietnam-South Korea cross-border workers, so that they do not lose their social security benefits entitlement in their home country when they go to work in the other country. The Agreement could positively affect an employee’s decision whether to take an assignment to Vietnam or South Korea, assured in the knowledge that the social security contributions he makes in the one country where he is working on assignment will be added to the period of contributions in his home country for purposes of determining entitlement to benefits.

The SIA should help facilitate the cross-border movement of workers between Vietnam and South Korea.

More Details

The SIA contains five Parts and 24 Articles and we highlight key contents below:

- **Scope of application:** The SIA applies to the pension and survivorship regime under the Law on Social Insurance in Vietnam and the pension regime under the National Pension Act of South Korea.
- **Subject:** The SIA applies to Vietnamese and Korean employees having a period of time working in the other country and who are subject to the social insurance legislation of either country, and their dependents/beneficiaries of their survivorship benefits.
- **Equal treatment principle:** The SIA provides for the principle of equal treatment. In particular, a citizen of one country, when working in the territory of the other country, shall be treated equally as a citizen of the host country in determining conditions for contributions to, entitlement to, and payment of social insurance benefits.
- **Timing aspects:** One of the important provisions of the SIA is to stipulate the contribution time as a basis for determining the employees' pension regime, which is the total accumulated time that the employees have contributed to social insurance in both countries, while the social insurance entitlement scheme will be calculated based on the laws of each country.

The SIA shall take effect on the first day of the second month from the month in which each signing party receives the other party's official written notification.

Once the new rules came into effect in December 2018, foreign employees who qualified 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.

KPMG NOTE

This is the first time that a bilateral SIA has been concluded by Vietnam with another country. This may be a premise for Vietnam to expand negotiations with other countries for similar agreements.

The prevailing Law on Social Insurance in Vietnam is expected to be amended and supplemented soon in order to better align with the Social Insurance Agreement, in particular the provision on recognition of the period of time in which social insurance contributions were made in foreign countries and the determination of an individual's retirement pension where that individual has a contribution period in a foreign country.

FOOTNOTE:

1 For the announcement (in English) from Vietnam's government, see: <http://english.molisa.gov.vn/Pages/News/Detail.aspx?tintucID=230018> .

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