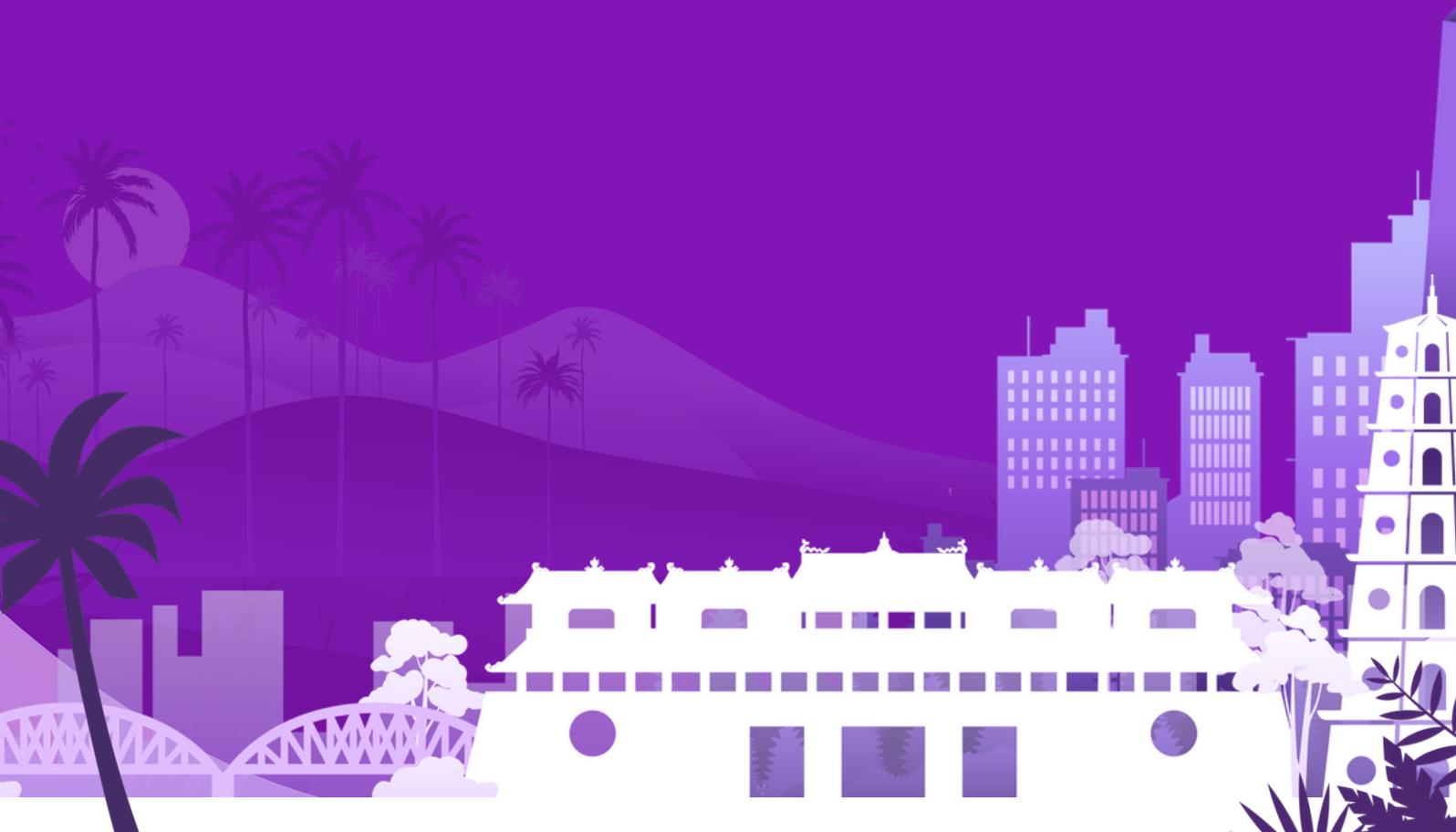




GLOBAL EXPANSION

GLOBAL
EMPLOYER
GUIDE

VIETNAM





Basic Country Facts

Full name

- Socialist Republic of Vietnam

Capital

- Hanoi

Main Languages

- Vietnamese
- English
- French
- Chinese
- Khmer

Population

- 95.54 million

Monetary unit

- Vietnamese dong

Internet domain

- .vn

International dialing code

- +84

Currency

- Vietnamese dong



STATUTORY LABOR REQUIREMENTS

Probation Period

- It's common practice to arrange a "probation period" in Vietnam when engaging new employees.
- A probationary period must not exceed 60 days for work that requires specialized or highly technical skills or 30 days for other types of work.

Annual Leave

- Employees who have worked for twelve months for an employer are entitled to twelve paid annual leave days, with pro rata entitlement for employees with less than twelve month's service.
- Employees receive one additional paid vacation day for each additional five years they work for an employer.
- Employees are entitled to pay in lieu of annual leave for leave not taken by the end of the year.
- In practice normally the Employer agrees to permit the Employee to carry over untaken annual leave to the following year, but no later than March 31st of the following year, instead of payment in lieu of untaken leave.
- Employees working under hazardous conditions may earn more leave, and additional leave is often a negotiated supplementary benefit.

Public Holidays

- New Year's Day (1st January)
- Lunar New Year (23rd to 29th January)
- Vietnamese New Year's Eve (24th January)
- Hùng Kings' Festival (2nd April)
- Reunification Day (30th April)
- Labor Day (1st May)
- Independence Day of Vietnam (2nd September)



Maternity Leave

- Female employees are eligible for 6 months of paid maternity leave at 100% of salary (the base salary of the social insurance contribution), and an additional 30 days for each additional child.
- Salary during this period is paid by the compulsory social insurance.
- The maximum entitlement is: VND29.800.000, the employer normally will pay for the difference in case of the employee's actual gross salary base is higher than the amount above.

Paternity Leave

- Fathers are eligible to receive 5 to 14 days of paid paternity leave, depending on whether the child is born naturally or by C-section and whether it is a single or multiple birth.

Sick Leave

- Employees who suffer from illness and/or disability or take leave in accordance with a doctor's order receive an allowance paid by Vietnam's social insurance fund, provided that they submit the required documentation supporting their leave (normally only doctors at the public hospitals can issue this certificate).
- The sick leave allowance is based on the employee's salary used to calculate the social insurance premium. The maximum entitlement is:
 - 30 days per year (if the employee has contributed to the social insurance fund for less than 15 years) or

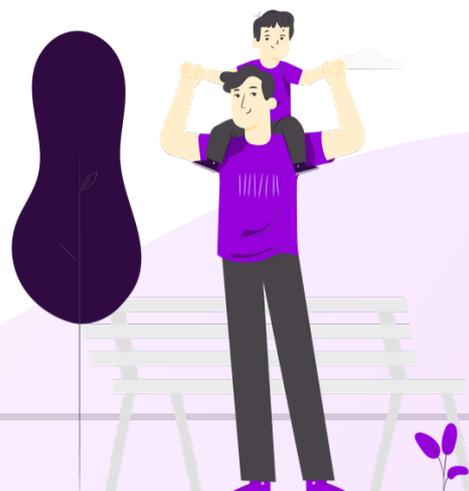
- 40 days per year (if the employee has contributed to the social insurance fund for between 15 and 30 years) or
- 60 days per year (if the employee has contributed to the social insurance fund for more than 30 years).

Work Hours

- The maximum working hours per week are eight hours per day, six days per week, for normal working conditions.
- It's legally required that employers provide employees with 1 full day off per week, which is usually Sunday.
- In practice, normally working hours: 8 hours per day, 40 hours per week (from Monday – Friday).

Overtime

- Overtime hours cannot exceed 30 hours per month and 200 per year.
- In special cases regulated by the government, the yearly maximum can be increased to 300 hours per year
- The overtime pay is at least 150 % of actual hourly wage on a normal working day, at least 200 % on a weekly day off and at least 300 % on a public holiday or paid days off (exclusive of wages of public holidays and paid days off prescribed by the Labor Code).





Notice Period

- Vietnam labor code states that an employer may terminate a labor contract by serving advance notice of 30 working days for termination of a fixed term labor contract or 45 working days for an indefinite labor contract.
- However, employers must have proper legal grounds for termination.

Severance

- Upon termination of employment, a worker who has been employed for more than one year is entitled to severance pay, which shall amount to half a month's wages plus other benefits, if any, for each year of service. Severance pay shall be paid within 7 days from the termination date.

13th Month

- A 13th month bonus is not legally required in Vietnam, but most employers provide a 13th month bonus, annual bonus or commission plan.
- The 13th month bonus is typically offered to employees that have worked for a company for more than 1 year, or is prorated based on length of employment.
- Bonuses are often paid prior to the Lunar New Year Holiday, and may range from 1 month to 3 months' salary.

Income Tax

- Tax residents are subject to Vietnamese personal income tax (PIT) on their worldwide taxable income, wherever it is paid or received.
- Employment income is taxed on a progressive tax rates basis.
- Non-employment income is taxed at a variety of different rates.
- Non-residents are subject to PIT at a flat tax rate on the income received as a result of working in Vietnam/on Vietnam-related income in the tax year, and at various other rates on their non-employment income.
- However, this will need to be considered in light of the provisions of any double taxation agreement (DTA) that might apply.

Tax residents: Employment income

Annual taxable income (million VND)	Monthly taxable income (million VND)	PIT rate (%)
0 to 60	0 to 5	5
60 to 120	5 to 10	10
120 to 216	10 to 18	15
216 to 384	18 to 32	20
384 to 624	32 to 52	25
624 to 960	52 to 80	30
More than 960	More than 80	35



Tax residents: Non-employment income

Type of taxable income	Tax rate (%)
Business income	0.5 to 5 (based on the type of business income)
Interest (but not bank interest)/dividends	5
Sale of shares	0.1 (of sales proceeds)
Capital assignment	20 (on net gain)
Sale of real estate	2 (of sales proceeds)
Income from franchising/royalties	5
Income from inheritances/gifts/winning prizes (excluding income from casino winning prizes)	10

Tax residents: Non-employment income

Type of taxable income	Tax rate (%)
Distribution and supply of goods	0.5
Services, construction without provision of raw materials	2
Lease of assets	5
Production, transport, services attached to goods, construction including provision of raw materials	1.5
Other business operations	1



Tax residents: Non-employment income

Type of taxable income	Tax rate (%)
Employment Income	20
Business income	1 to 5 (based on the type of business income)
Interest (but not bank interest)/dividends	5
Sale of shares/capital assignment	0.1 (of sales proceeds)
Sale of real estate	2 (of sales proceeds)
Income from franchising/royalties	5
Income from inheritances/gifts/winning prizes (excluding income from casino winning prizes)	10



Social Security

- The social and health insurance contribution is calculated based on the salary or wage, allowance and additional payments stated in the labor contract.
- However, it does not exceed 20 times the common minimum salary provided by the government.
- Effective from 1 July 2019, the capped salary for the social and health insurance contribution is VND29,800,000 (VND1,490,000 x 20).
- The common minimum salary may change from year to year according to the government's decision.
- The unemployment insurance contribution is only required for Vietnamese employees and calculated based on the salary or wage, allowance and additional payments stated in the labor contract.
- However, it does not exceed 20 times the regional minimum salary, which currently ranges from VND2,920,000 to VND4,180,000 and varies for each city and province.
- These ranges apply from 1 January 2019. Social insurance and health insurance apply to both Vietnamese and expatriate employees working in Vietnam.
- From 1 December 2018, social insurance applies for foreigners who sign labor contracts with Vietnamese entities with a term of one month or more and having a work permit or practice license or certificate.
- From 1 December 2018 until 1 January 2022, short-term schemes (sickness, maternity, occupational diseases and accident) will take effect first.

- From 1 January 2022 onward, the above short term schemes and long-term schemes (retirement and death) will take effect in full.
- The following are the statutory contribution rates for employers and employees with respect to social security, health insurance and unemployment insurance from 1 June 2017.

Contribution	Employee	Employer
Social Insurance	17.5%	8%
Health Insurance	3%	1.5%
Unemployment Insurance	1	1



Deductible Expenses

- Mandatory employee SI, HI, and UI contributions are deductible for PIT purposes. Contributions to local voluntary pension schemes are deductible (subject to a cap). Contributions to mandatory overseas social and health insurance schemes can also be deducted.
- Contributions to certain approved charities can be deducted.
- Personal allowances are allowed as follows:
 - Personal allowance: VND 9 million per month. All tax resident individuals are automatically entitled to this allowance.
 - Dependent allowance: VND 3.6 million per dependent per month.
 - The dependent allowance is not automatically granted, and the taxpayer needs to register qualifying dependents and provide supporting documents to the tax authority.

Deductible Expenses	
Social, health, and unemployment insurance contributions	Mandatory employee SI, HI, and UI contributions are deductible for PIT purposes. Contributions to local voluntary pension schemes are deductible (subject to a cap). Contributions to mandatory overseas social and health insurance schemes can also be deducted.
Charitable contributions	Contributions to certain approved charities can be deducted.
Personal allowances	Personal allowance: VND 9 million per month. All tax resident individuals are automatically entitled to this allowance. Dependent allowance: VND 3.6 million per dependent per month. The dependent allowance is not automatically granted, and the taxpayer needs to register qualifying dependents and provide supporting documents to the tax authority.



Immigration

- A work permit is required for a foreign national to legally work in Vietnam, except for cases of work permit exemptions.
- This document is granted only to a foreign national who is sponsored by an entity in Vietnam.
- The sponsoring entity in Vietnam must submit the demand for using foreign nationals working in Vietnam to the relevant government's body at least 30 days before recruiting or transferring the foreign nationals to work in Vietnam.
- Within 15 days after receiving the demand, the local DOLISA responds to the sponsoring entity in writing regarding the acceptance or refusal of the demand.
- This letter is considered to be a pre-approval for using foreign employees in Vietnam.
- This pre-approval letter is one of the compulsory documents for application dossiers for work permit issuances, work permit reissuances and work permit exemptions.
- A work permit application must be filed with the local DOLISA at least 15 business days before the expected commencement date for the employee.
- The current processing time at the local authority is seven business days.
- Required documents in work permit application dossiers that are issued in foreign countries must be legalized in the country of issuance to be recognized in Vietnam.
- A work permit can be granted with a maximum validity period of two years.
- A work permit can be renewed through the reissuance process.
- A foreign national who wants to work in Vietnam must meet the required qualifications for a preapproval position.
- The following are the three main categories of positions that foreign nationals may apply for a work permit in Vietnam and the related qualification requirements:
 - Management experience is required for managers, executives or higher positions according to the definition in the Law on Enterprise.
 - At least three years of relevant professional experience and a bachelor, engineering or equivalent or higher degree are required for specialists. Alternatively, the specialist must have a document from the relevant foreign authority, organization or enterprise that recognizes him or her an expert.
 - A minimum one year-training certificate and three years of relevant experience is required for technicians.
- In addition to the above qualifications, foreign nationals will generally fall into one of two major categories: intra-company transfer and local hires.
- An intra-company transfer must have worked for his or her home employer for at least 12 months prior to the work permit application.
- The local hire must sign a local employment contract with the sponsoring entity in Vietnam.
- Both intra-company transfers and local hires must submit documentation proving that they meet the necessary criteria.

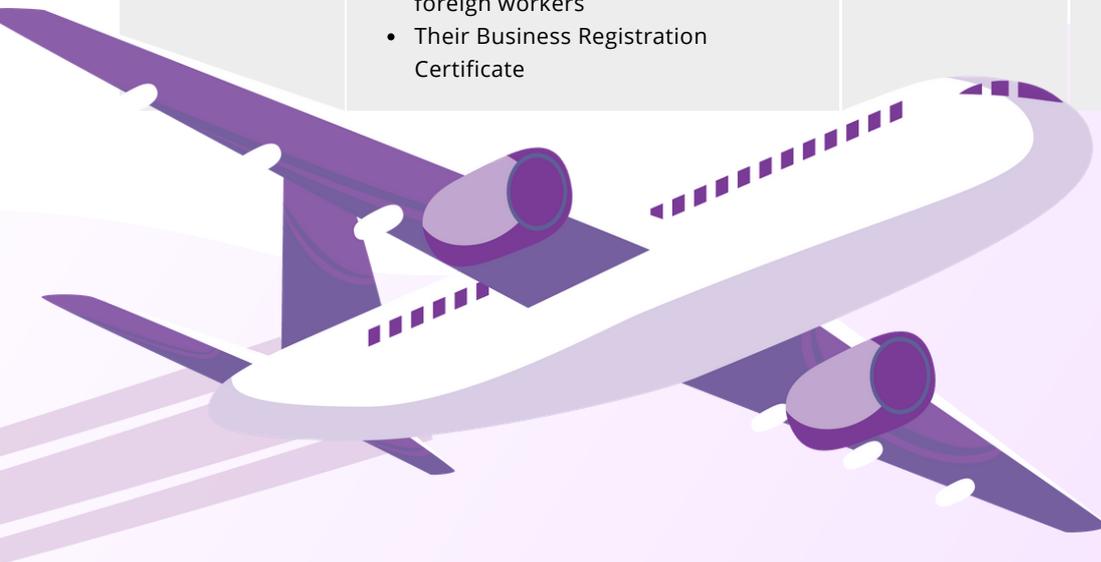


Work Permit Exemptions

- Under the Labor Code and the decree on work permits, 19 cases of work permit exemptions exist.
- The following are typical examples of individuals who are exempt from the requirement to obtain a work permit in Vietnam:
 - A foreigner who is a contributing member or owner of a limited liability company.
 - A foreigner who is a member of the board of directors of a joint stock company.
 - A foreigner who comes to Vietnam for a period of less than three months to offer services.
 - A foreigner who is an intracompany transferee of corporations operating within 11 service industries listed under Vietnam's World Trade Organization commitments. A foreigner who enters Vietnam for less than 30 days to work as a manager, executive director, specialist or technician. However, the cumulative period of working in Vietnam in a year cannot exceed 90 days.



Type of Visa/ Permits	Documentation	Validity	Eligibility
Work permit	<ul style="list-style-type: none"> • Health Certificate • Criminal Background Certificate • Proof of your professional background • Copies of your qualifications and degrees • Passport-size picture(s) <p>The employer must submit the following documents: -</p> <ul style="list-style-type: none"> • The Vietnam Work Permit application form • Work Contract • Approval from the Committee which allows them to employ foreign workers • Their Business Registration Certificate 	Maximum 2 years	<p>To be eligible for a work permit, the applicant must comply with the following conditions:</p> <ul style="list-style-type: none"> • At least 18 years of age; • In good enough health to satisfy job requirements; • A manager, executive director or expert with technical skills and knowledge necessary for the job; and • Not currently subject to criminal prosecution or any criminal sentence in Vietnam or overseas or have a criminal record.



Value Added Tax (VAT)

- The standard VAT rate in Vietnam is 10%.
- There is a 5% reduced VAT rate on certain foodstuffs and a range of exempt goods and services as well as imports.

VAT Rates	
Higher Rate	15%
Standard Rate	10%
Reduced Rate	5%
Zero Rate	0%

Withholding Tax

Dividends

- No tax is imposed on dividends remitted overseas unless paid to an individual, where a 5% withholding tax is imposed

Interest

- Interest paid to a nonresident is subject to a 5% withholding tax, unless the rate is reduced under a tax treaty

Royalties

- Royalties paid to a nonresident are subject to a 10% withholding tax, unless the rate is reduced under a tax treaty

Technical Service Fees

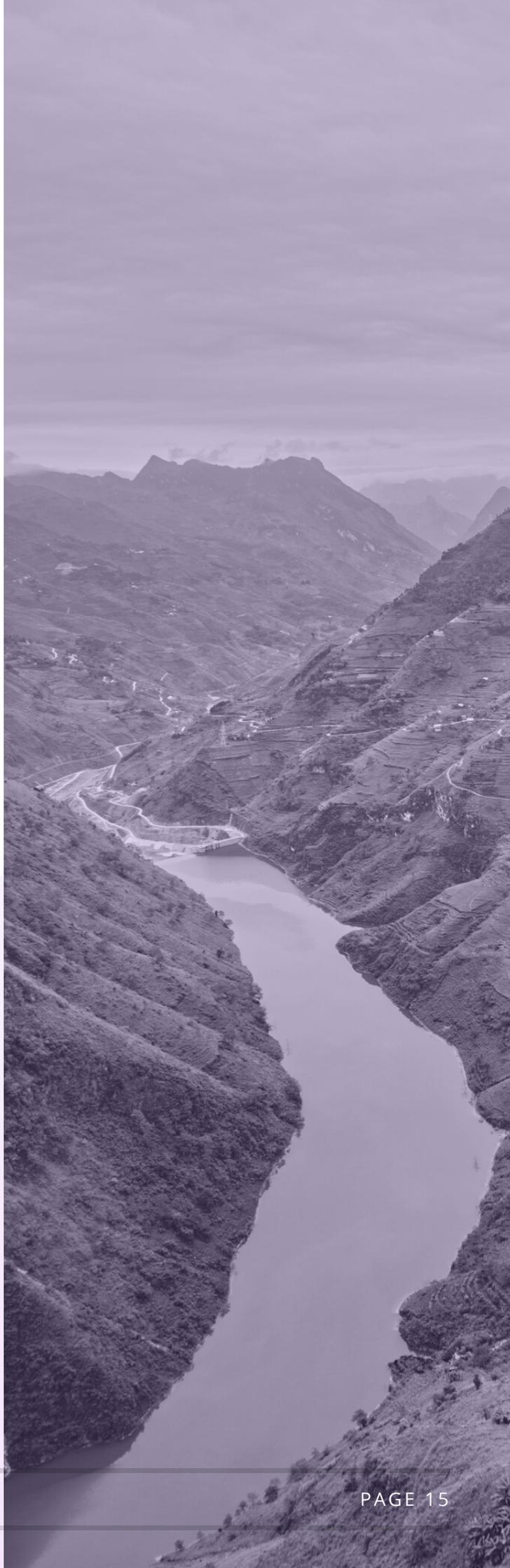
- A withholding tax of 5% and 5% VAT generally applies to technical services fees

WHT	
Dividends	5%
Interest	5%
Royalties	10%
Technical Service Fees	5%



Termination

- The rights employees have when their employment contract is terminated depend upon the reason of dismissal and the employment contract.
- This has effects on the notice period and possible severance payments.
- Vietnam labor code states that an employer may terminate a labor contract by serving advance notice of 30 working days for termination of a fixed term labor contract or 45 working days for an indefinite labor contract.
- Proper legal grounds must exist in order for an employer to terminate a labor contract with an employee, such as performance issues, prolonged illness, a force majeure event, or dissolution of the company.
- Employers are required to perform various procedures prior to terminating an employee.
- If an employer fails to prove that there are legal grounds for the termination or fails to follow the proper statutory procedure, a termination may be declared wrongful.
- In the event of a wrongful termination, employers may be required to reinstate the employee, pay their salary for the period that they were not allowed to work, and pay two months of the employee's salary as a penalty for the wrongful termination.
- In practice, a settlement or resignation can normally be negotiated with some amount of severance pay provided to the employee.



Statutory Benefits

- These are mandatory benefits as postulated by law
- These include probationary period, annual leave, public holidays, sick leave, maternity leave, paternity leave, overtime pay, notice period, and severance pay.
- Statutory benefits also include social security benefits

Statutory Benefits

Probationary Period

Annual Leave

Public Holidays

Maternity Leave

Paternity Leave

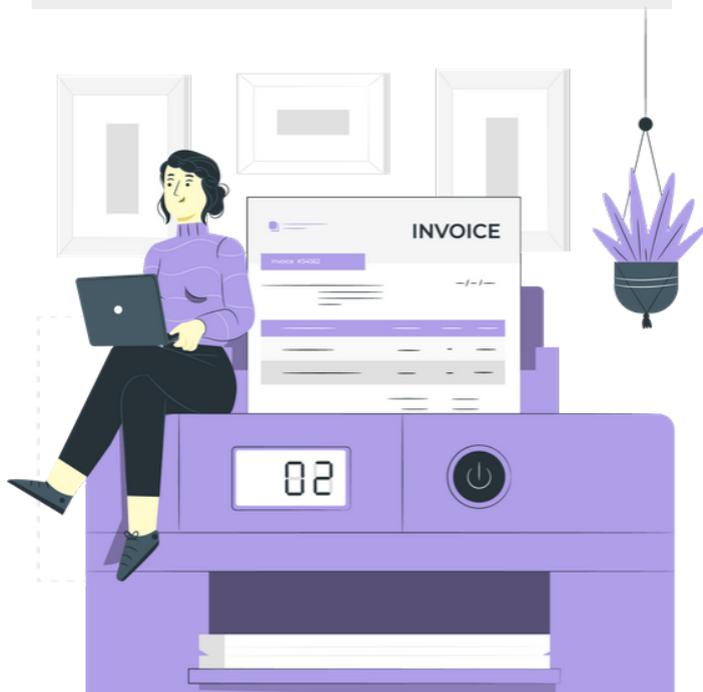
Sick Leave

Overtime Pay

Notice Period

Severance Pay

Social Security Contributions



Payments and Invoicing

- The Vietnamese tax year is the calendar year.
- However, where in the calendar year of first arrival, an individual is present in Vietnam for less than 183 days, one's first tax year is the 12-month period from the date of arrival.
- Subsequently, the tax year is the calendar year.
- Individuals who have taxable income are required to obtain a tax code.
- Those who have taxable employment income must submit the tax registration file to their employer who will subsequently submit this to the local tax office.
- Those who have other items of taxable income are required to submit their tax registration file to the district tax office of the locality where they reside.
- For employment income, tax has to be declared and paid provisionally on a monthly/quarterly basis by the 20th day of the following month/the 30th day of the month following the reporting quarter, respectively.
- The amounts paid are reconciled to the total tax liability at the year-end.
- Expatriate employees are also required to carry out a PIT finalization on termination of their Vietnam assignment.
- Tax refunds are only available to those who have a tax code.
- For non-employment income, the individual is required to declare and pay PIT in relation to each type of taxable non-employment income.
- The PIT regulations require income to be declared and tax to be paid on a receipt basis.

Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Vietnam ranked 70th in the World in 2019 in terms of ease of doing business.



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