

HR & Payroll in Vietnam

FAQs

Vietnam offers foreign companies a young and well-educated workforce, which is often more cost effective than other similar investment destinations. Employers, however, need to develop a good understanding of managing human resources to ensure compliance with local regulations.

If local employees are unable to meet the requirements for a position, an organization can hire foreign workers. This requires work permits and permission from the Municipal People's committee. There are several ways to ensure that the process of recruiting, managing and protecting your staff is an efficient one. Many companies primarily rely on outsourced providers when it comes to HR, particularly for advice related to recruitment, training and payroll. In fact, many multinationals report that they would like to outsource more of their operational HR practices to a regional shared services function.

? How can a company be compliant when establishing operations?

When establishing operations, there are a number of procedures that should be completed to be compliant:

- Drafting of templates for offer letters, employment contracts (if any);
- Drafting of an employee handbook (separate proposal);
- Register the corporate social/health/unemployment insurance account for the new company with the local labor department and social insurance agency.

? What Personal Income Tax rates apply?

Vietnam residents are taxed on their taxable income, while non-residents in Vietnam are taxed a flat 20 percent on all Vietnam sourced income. Following is a table for the different tax rates depending on the income for Vietnam residents.

Vietnam's Personal Income Tax Rates

Tax bracket	Monthly taxable income (million VND)	Monthly taxable income (US\$)	Tax rate
1	Up to 5	Up to 213	5%
2	Over 5 to 10	Over 213 to 426	10%
3	Over 10 to 18	Over 426 to 767	15%
4	Over 18 to 32	Over 767 to 1,363	20%
5	Over 32 to 52	Over 1,363 to 2,220	25%
6	Over 52 to 80	Over 2,220 to 3,416	30%
7	Over 80	Over 3,416	35%

? What are Vietnam's social insurance rates?

Vietnam's social insurances include social insurance, health insurance and unemployment insurance for all full time employees. Employers are required to contribute to each of these social insurances as per the labor code. The Vietnam labor code governs contracts, work hours and rules.

Social Security Minimum Contribution Employer and Vietnamese Employee

	Social insurance	Health insurance	Unemployment insurance	Total compulsory contribution
Employer	17.5%	3%	1%	21.5%
Employee	8%	1.5%	1%	10.5%
Total				32%



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Social Security Minimum Contribution Employer and Foreign Employee

	Social insurance	Health insurance	Unemployment insurance	Total compulsory contribution
Employer	3.5%	3%	-	6.5%
Employee	-	1.5%	-	1.5%
Total				8%

? What is the minimum wage in Vietnam?

The minimum wage in Vietnam varies depending on the region. The country is split into four different regions as seen in the table below. As the Decree 90/2019/ND-CP issued by Government, the wages paid to employees who have had vocational training must be at least 7 percent higher than the minimum wages level.

Vietnam minimum wages 2020

Region	Monthly minimum wage	People who have been trained from the vocational level upward
I	VND 4,420,000 (US\$190)	$4,420,000 + (4,420,000 \times 7\%) = \text{VND } 4,729,400$ (US\$202)
II	VND 3,920,000 (US\$169)	$3,920,000 + (3,920,000 \times 7\%) = \text{VND } 4,194,400$ (US\$179)
III	VND 3,430,000 (US\$148)	$3,430,000 + (3,430,000 \times 7\%) = \text{VND } 3,670,100$ (US\$157)
IV	VND 3,070,000 (US\$132)	$3,070,000 + (3,070,000 \times 7\%) = \text{VND } 3,284,900$ (US\$140)

- Region I covers urban Hanoi and Ho Chi Minh City and a number of subregions.
- Region II covers rural Hanoi and Ho Chi Minh City along with Can Tho, Da Nang, and Hai Phong.

- Region III includes provincial cities and districts of Bac Ninh, Bac Giang, Hai Duong, Phu Tho, Vinh Phuc and other provinces not listed in Region I and II.
- Region IV covers the remaining localities.

? What is the typical length of labor contracts in Vietnam?

There are three different types of contracts:

- Indefinite term - A contract in which two parties do not determine the term and the time for its termination;
- Definite term - A contract in which two parties determine the term as a period of 12 months to 36 months and the time for its termination; and
- Specific work or seasonal term - A contract for a job position with a term of less than 12 months.

When a definite term labor contract expires, both parties must sign a new labor contract within 30 days from its expiry date. If a new labor contract is not signed, the old contract will become an indefinite term contract. A definite term contract can only be renewed once. If both parties wish to continue after that, an indefinite term contract must be signed.

For specific work or seasonal term contracts - these will become a labor contract with a fixed term of 24 months if a new contract is not signed within 30 days.

Businesses cannot issue specific work or seasonal term contracts, which are less than 12 months, and ask employees to do regular work (12 months or more), except for temporary replacing employees engaging in military service, maternity leave, sickness or occupational accidents, or taking other temporary leave.

? Does Vietnam pay a 13th month salary?

A 13th month salary is often considered as a kind of “annual bonus” in Vietnam. However, this bonus is not guaranteed and will depend on a company’s reward policy, annual bonus policy and its yearly business performance.



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? Can foreigners work in Vietnam?

All foreigners must apply for a work permit if they are working in Vietnam except other cases in which the foreign workers are exempt from work permits prescribed at Article 7 clause 2 of Decree 11/2016/ND-CP. The work permit application must be applied at least 15 working days prior to beginning work and usually takes up to one month to be processed.

Work permits are currently valid for a maximum of two years and can be renewed for another term for a maximum of two years if the company wishes to continue employment. For renewing a work permit application, which reduces the number of required documents than when applying the first time, the application must be submitted to the licensing authority at least five working days but not exceed more than 45 days prior to the expired date. This typically takes up to one month to be processed. In our experience, this renewal procedure should start 45 days before the work permit expires to ensure a continuous working term for the expat employee.

? What are the key dates to submit or pay PIT?

PIT can be submitted either on a monthly or quarterly basis. If a company is required to pay an amount of over 50 million VND (US\$2,130) PIT for its first month of operation (since its establishment), the company must pay PIT on a monthly basis. The deadline for PIT payment on a monthly basis is the 20th of the following month.

Companies that pay less than 50 million VND (US\$2,130) for its first month of operation are required to pay PIT quarterly. The deadline to pay PIT on a quarterly basis is the 30th of the first month of the next quarter.

The deadline for PIT annual finalization is on the 31st of March.

The deadline for PIT payment on a monthly basis is the **20th**

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
4th quarter submission 31st Jan			PIT finalization 31st Mar			1st quarter submission 30th Apr			2nd quarter submission 31st Jul			3rd quarter submission 31st Oct	



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? How can Dezan Shira & Associates help?

HR and payroll processing in emerging economies can be challenging due to ever-changing regulations and dynamic local practices. Our certified HR and payroll specialists at Dezan Shira and Associates are able to find constructive solutions for our clients in a time and cost-efficient manner.

The Payroll and HR services offered by Dezan Shira and Associates include:

- Payroll Service
- Individual Income Tax Advisory
- Compensation and Benefits Consulting
- HR Administration
- Salary Benchmark Study
- Employment Background Check
- Expatriate Management
- Alternative Employment
- HR and Payroll Audit
- International Payroll
- Recruitment Assistance
- Issues relevant SHUI, PIT, Payroll, Payment, LC, Recruitment

Dezan Shira and Associates helps foreign invested companies transform their HR teams into a true strategic function for their organization. Our aim is to help clients obtain better benefits for employees, employ stress-free payroll, and administrative relief.



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