New Decree on mandatory social security (SS) contributions for foreign nationals working in Vietnam

Executive summary
On 15 October 2018 the Government of Vietnam introduced Decree 143/2018/ND/CP (Decree 143) providing detailed guidance on SS contributions for expatriate employees working in Vietnam. This Decree takes effect on 1 December 2018.

Key issues
The key changes implemented by Decree 143 include:

Scope of application
Mandatory SS contributions are required for the following expatriates:
- Those that work under a work permit or practice certificate or practice license
- Those that maintain a labor contract with an indefinite term or a definite term of one year or more with a company in Vietnam.

Mandatory SS contributions are not required for the following expatriates:
- Those under intra-company transfers as regulated in Decree 11/2016/ND-CP (managers, executive directors, experts or technicians of a foreign enterprise which has established a commercial presence in Vietnam and were employed by the foreign enterprise at least 12 months prior to being transferred); or
- Those that are beyond the retirement age in accordance with the Labor Code.

Contribution regimes
Under Decree 143, the conditions, entitlement period and payment of the SS benefits that apply to expatriate employees are the same as for Vietnamese local employees.

The mandatory SS contributions for expatriates consist of:
- Fund 1: sickness and maternity
- Fund 2: occupational diseases and accident
- Fund 3: retirement and death

Contribution rates
The SS contribution rates are 8% for expatriates and 17.5% for the employer.
- Expatriate contributions relate to Fund 3 (8%) which takes effect from 1 January 2022.
- Company contributions consist of 3% to Fund 1, 0.5% to Fund 2 and 14% to Fund 3, in which:
  - 3.5% to Fund 1 and Fund 2: take effect from 1 December 2018
  - 14% to Fund 3 will take effect from 1 January 2022.

Administration procedures
The procedures to apply for and claim SS are similar to the ones applied for Vietnamese employees.

Upon termination of the Vietnam labor contract or expiration of the work permit and when the expatriate

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no longer lives and works in Vietnam, the expatriate can claim a one-off payment for the contributed amounts. However, the rate of return is limited to two months’ salary for each year of contribution. The salary is based on the salary used for SS purposes (capped).

**Impact on employment cost**

Besides the mandatory SS contribution, the Company and expatriate employees are also required to participate in mandatory Health Insurance (4.5%) and Trade Union (2%) contributions which will significantly increase the employment cost.

Given there are no available SS totalization agreements between Vietnam and other countries, the expatriate employees and their employers may also have to contribute to a similar SS regime in their home country.

**Next steps**

In preparation for the changes, employers should:

- Review expatriate employees working in Vietnam to identify whether SS contributions are required for them
- Consider the impact the changes may have on company remuneration budgets and global mobility policies
- Communicate the changes and potential impacts to expatriate employees

Should you require any further information, please contact your local EY advisor or one of the contacts below.

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