



EMPLOYMENT IN VIETNAM



Vietnam, officially known as the Socialist Republic of Vietnam, is a country at the eastern edge of Southeast Asia. Hanoi is the capital and Ho Chi Minh City is the largest city. Though it is a developing country with a lower-middle-income economy, Vietnam boasts one of the fastest growing economies of the 21st century, with GDP predicted to rival developed nations by 2050. Its economy has historically been based largely on agriculture, primarily wet rice cultivation.

The core law regulating employment conditions is the Labour Code, first passed by the National Assembly (the national legislative body) in 1994 and replaced by a new Code in 2013.



WORKING TIME AND OVERTIME

The maximum working hours in Vietnam are eight hours per day, six days per week. It is legally required that employers provide employees with one full day off per week, which is usually Sunday. In practice, normal working hours are 40 per week (eight hours per day, Monday-Friday). Overtime hours cannot exceed 30 per month or 200 per year, except from in special cases regulated by the government, where the annual maximum can be increased to 300 hours.

Overtime pay is at least 150% of normal hourly salary on a normal working day, at least 200% on a weekly day off, and at least 300% on a public holiday or normal paid day off.

ANNUAL LEAVE

Employees who have completed at least one year's service for an employer are entitled to 12 paid annual leave days, with a pro rata entitlement granted to employees with less than one year's service. Employees receive one additional day for each additional five years they work for an employer. Employees are entitled to pay in lieu of annual leave days not taken by the end of the year. In practice, employers usually permit employees to carry over untaken annual leave to be taken no later than 31st March the following year. Employees working under hazardous conditions may earn more leave, and additional leave is often a negotiated supplementary benefit.

TRIAL PERIOD

Probation periods are common in Vietnam. They must not exceed 60 days for work that requires specialist or highly technical skills, or 30 days for other types of work.

RESIGNATION AND DISMISSAL

Employers must give 30 working days' notice for termination of fixed term labour contracts, and 45 working days' notice for termination of indefinite labour contracts. They must have proper legal grounds for termination. Upon termination of employment, a worker who has completed one year's service is entitled to severance pay of half a month's salary, plus other benefits (if any), for each year of service. Severance pay shall be paid within 7 days from the termination date.

RESTRICTIVE COVENANTS

Generally, non-compete and non-solicitation provisions are permissible, but the labour authorities have taken the view that labour documents may only deal with labour matters during the term of employment, and covenants that are drafted to survive termination of the employment relationship are not enforceable. It is uncertain, therefore, how the courts would interpret this.

Given this, it is recommended that any non-competes or non-solicits that are intended to survive termination of the employment relationship are also included in a separate standalone contract, as such agreement would be treated as a civil agreement and covenants therein may survive termination of the employment relationship.

CONTRACT OF EMPLOYMENT

Employment agreements may be in written or electronic form, or – if the term of employment is less than one month - in verbal form.

MATERNITY AND PATERNITY

Pregnant employees are eligible for six months of paid maternity leave at 100% of salary (the base salary for the social insurance contribution) for their first child, and an additional 30 days for each additional child. Salary during this period is paid by the compulsory social insurance. The maximum entitlement is VND 29.800.000 and the employer normally cover the difference where the employee's actual gross salary base is higher than this amount. Fathers are eligible to receive 5-14 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.

SICKNESS AND DISABILITY 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 (certificate issued by a public hospital doctor). The sick leave allowance is based on the employee's salary used to calculate the social insurance premium. The maximum annual entitlement is:

- Less than 15 years' contribution to social insurance fund: 30 days
- 15-30 years' contribution to social insurance fund: 40 days
- 30+ years' contribution to social insurance fund: 60 days

SOCIAL SECURITY

The social and health insurance contribution, which applies to both Vietnamese employees and expatriate employees working in Vietnam, is calculated based on the salary, allowance, and additional payments stated in the labour contract. It does not exceed 20x the common minimum salary provided by the government. The unemployment insurance contribution, which is calculated and capped in the same way, is only required for Vietnamese employees.

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

HEALTHCARE AND INSURANCE

The social and health insurance contribution, which applies to both Vietnamese employees and expatriate employees working in Vietnam, is calculated based on the salary, allowance, and additional payments stated in the labour contract. It does not exceed 20x the common minimum salary provided by the government. The unemployment insurance contribution, which is calculated and capped in the same way, is only required for Vietnamese employees.



EMPLOYMENT OF FOREIGN NATIONALS



A work permit is required for a foreign national to legally work in Vietnam, except for cases of work permit exemptions. This document will only be granted to a foreign national who is sponsored by an entity in Vietnam. The sponsoring entity must submit the demand for employment of foreign nationals to the relevant government body at least 30 days before recruiting or transferring the foreign nationals to work in Vietnam. The local DOLISA responds to the sponsoring entity in writing within 15 days, confirming the acceptance or refusal of the demand, which is deemed a pre-approval for using foreign employees in Vietnam. A work permit application must then be filed with the local DOLISA at least 15 business days before the expected commencement date for the employee. Work permits can be granted with a maximum validity period of two years and can be renewed through the reissuance process.

Typically, depending on the role, a foreign national wishing to work in Vietnam will require management experience, or at least three years' relevant professional experience and a Bachelor, engineering or higher degree.



SALARY TAXES

MINIMUM WAGE

Vietnam's official monthly minimum wage varies by region:

- Region I: VND 3,500,000 per month
- Region II: VND 3,100,000 per month
- Region III: VND 2,700,000 per month
- Region III: VND 2,400,000 per month

SALARY PAYMENTS

The payroll cycle in Vietnam for full time employees is monthly, paid on the last working day or as otherwise agreed within the employment contract. Part-time employees, independent contractors, and freelancers are paid their salaries as agreed withing the employment contract.

Though there is no statutory requirements to do so, it is common for employers to pay a 13th month salary as a Christmas bonus. Employees may also receive smaller bonuses for public holidays.

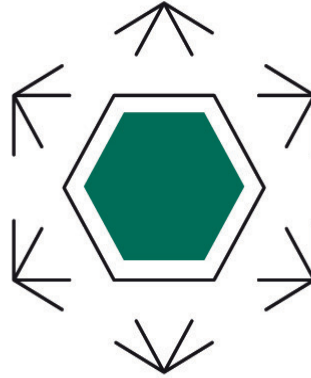


INCOME TAX

Taxable Income	Tax Rate %
0 - 60,000	5%
60,000 - 120,000	10%
120,000 - 216,000	15%
216,000 - 384,000	20%
384,000 - 624,000	25%
624,000 - 960,000	30%
960,000+	35%

SOCIAL SECURITY CONTRIBUTION

All employees contribute a mandatory 17.5% of their salary into social insurance and 1.5% into a health insurance fund, in addition to 8% and 3% respective contributions by their employer. Vietnamese employees contribute an additional 1% of their salary to unemployment insurance, which is matched by their employer.



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