

A Glance on the Compulsory Insurance Regimes in Vietnam

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I. Social Insurance

1. The current Legal Framework

Social Insurance (“SI”) is amongst the most noticeable matters that affect the laborers working in Vietnam which has been governed by the Law on SI 2014¹ for over eight years. The SI has, in particular, provided numerous benefits to workers' daily lives and contributed to Vietnam's overall social security. This Brochure mainly focuses on the rights and obligations regarding compulsory SI of the employer and employee in the employment relationship.

SI regimes:

Under applicable laws, the compulsory SI covers five following regimes: Sickness; Maternity; Labor accident and occupational disease; Pension; Survivorship. SI benefits levels are calculated based on the contribution level and SI contribution period.

Subjects of compulsory SI:

Under the current Law on SI 2014, Vietnamese individuals of the following groups are subject to compulsory SI (hereinafter only the non-state subjects are mentioned):

- (i) Individuals working under indefinite-term labor contracts, definite-term labor contracts, seasonal labor contracts or contracts for given jobs with a term of between at least 3 months and under 12 months, including also labor contracts signed between employers and legal representatives of persons aged under 15 years in accordance with the labor laws;
- (ii) Individuals working under labor contracts with a term of between at least 1 month and under 3 months;
- (iii) Individuals working abroad under contracts as prescribed in the Law on Vietnamese workers working abroad under contracts;
- (iv) Managers of enterprises, managers of cooperatives who receive salary.

Besides, foreigners working in Vietnam who hold at least a work permit, or practice certificate, or practice license issued by a competent authority of Vietnam **and** have an indefinite-term labor contract or a fixed-term labor contract of at least 01 year with an employer in Vietnam are obligated to participate in compulsory SI according

¹ Law On Social Insurance No. 58/2014/QH13 effective from 01 January 2016

to Government regulations, specifically, the Decree 143/2018/ND-CP. Except for the below cases where the foreigners are not subject to compulsory SI:

- Foreigners who are intra-corporate transferred as regulated by the Government's regulations detailing the Labor Code regarding foreign workers in Vietnam.
Followingly, the applicable Decree 152/2020/ND-CP regulates the working form of "intra-corporate transfer" fulfills all of these conditions: (i) the foreigner is a manager, an executive director, an expert, or a technical worker (ii) of a foreign enterprise that has established its commercial presence in Vietnam's territory, who is temporarily transferred within the enterprise to its commercial presence in Vietnam's territory and (iii) the foreigner had been working for such enterprise in at least 12 consecutive months.
- Foreigners who reach the retirement age prescribed in the Labor Code 2019. Subsequently, in the current year 2024, the retirement age of employees in normal working conditions is 61 years for male employees, and 56 years and 4 months for female employees; then, each year it increases by 3 months for male employees and 4 months for female employees. The retirement age, however, of employees who have high qualifications, high technical skills and employees in certain special cases may be older by up to 05 years than the above-mentioned retirement ages, unless otherwise prescribed by law.

In the case where the individual who enters into labor contracts with more than one employer in Vietnam shall only participate in SI for the first 1st labor contract entered into.

Compulsory SI contribution amount:

Under current law, the basis for Compulsory SI contributions is the monthly income, including salary, salary allowance and other allowances according to labor laws. The highest rate of monthly income for SI contributions is capped at the level of equal to 20 times of the basic salary. The basic salary has been adjusted from time to time by the Government of Vietnam. Below is the basic salary from 01 July 2013 to the time of this Brochure:

Table of basic salary

Period	Basic salary (VND)	Escalated amount (VND)
From 01 July 2013 – end of 30 April 2016 ²	1,150,000	100,000
From 01 May 2016 – end of 30 June 2017 ³	1,210,000	60,000
From 01 July 2017 – end of 30 June 2018 ⁴	1,300,000	90,000
From 01 July 2018 – end of 30 June 2019 ⁵	1,390,000	90,000
From 01 July 2019 – end of 30 June 2023 ⁶	1,490,000	100,000
From 01 July 2023 – end of 30 June 2024 ⁷	1,800,000	310,000
From 01 July 2024 – present ⁸	2,340,000	540,000

As of 01 July 2024, the basic salary is VND 2.340 million Vietnam Dong, which means the maximum monthly income for SI contributions is 2.34 million x 20 = 46.80 million Vietnam Dong.

The lowest rate of monthly income for SI contributions must not fall below the region-based minimum wage of the person holding the simplest position under normal working conditions.

Table of regional minimum salary (from 01 January 2016 to the time of this Brochure)

Period	Salary Rate (VND/month)			
	Region I	Region II	Region III	Region IV
From 01 January 2016 ⁹	3,500,000	3,100,000	2,700,000	2,400,000
From 01 January 2017 ¹⁰	3,750,000	3,320,000	2,900,000	2,580,000

² Decree No. 66/2013/ND-CP dated June 27, 2013, of the Government promulgating the basic wage level for cadres, civil servants, public employees and armed forces

³ Decree No. 47/2016/ND-CP dated May 26, 2016, of the Government prescribing the on pay rate for public officials, public employees and armed forces' personnel

⁴ Decree No. 47/2017/ND-CP dated April 24, 2017, of the Government prescribing the statutory pay rate for public officials, public employees and armed forces' personnel

⁵ Decree No. 72/2018/ND-CP dated May 15, 2018, of the Government prescribing the base salary for cadres, civil servants, public employees and armed forces

⁶ Decree No. 38/2019/ND-CP dated May 9, 2019, of the Government prescribing the base salary for cadres, civil servants, public employees and armed forces

⁷ Decree No. 24/2023/ND-CP dated May 14, 2023, of the Government prescribing the base salary for cadres, civil servants, public employees and armed forces

⁸ Decree No. 73/2024/ND-CP dated June 30, 2024, of the Government Providing for the base salary and bonus regime for cadres, civil servants, public employees and personnel of the armed forces

⁹ Decree No. 122/2015/ND-CP dated 14 November 2015 on Providing region-based minimum wage levels for employees of enterprises, cooperative unions, cooperatives, cooperative groups, farms, households, individuals, and agencies and organizations employing labor under labor contracts

¹⁰ Decree No. 153/2016/ND-CP dated 14 November 2016 on Prescribing region-based minimum wage levels applicable to employees working under labor contracts

From 01 January 2018 ¹¹	3,980,000	3,530,000	3,090,000	2,760,000
From 01 January 2019 ¹²	4,180,000	3,710,000	3,250,000	2,920,000
From 01 January 2020 ¹³	4,420,000	3,920,000	3,430,000	3,070,000
From 01 July 2022 ¹⁴	4,680,000	4,160,000	3,640,000	3,250,000
From 01 July 2024 ¹⁵	4,960,000	4,410,000	3,860,000	3,450,000

Rights and obligations related to SI:

The SI is a must for both employers and employees in Vietnam to concurrently participate as described in Clause 2 Article 3 of Law on SI 2014. Additionally, this law regulates in detail many rights and obligations for both employers and employees related to SI, if these obligations are not carried out or not sufficiently carried out, which is deemed a violation of laws, the violators will face a risk of being sanctioned as regulated at Article 122 of the Law on SI.

2. The substantial changes in the new Law on SI 2024

The new Law on SI 2024¹⁶, issued on 29 June 2024, is set to take effect from 01 July 2025. It is built upon the Law on SI 2014 and also offers many new substantial amendments and supplements that align with the current socio-economic development conditions of Vietnam. The new Law on SI 2024 offers greater benefits for employees and more stringent stricter enforcement for employers regarding SI obligations. Some prominent changes include the following:

Reduced Minimum Contribution Period for Pension:

The minimum required period of SI contributions for individuals to be eligible for pension benefits is reduced from 20 years to 15 years, making it easier for more employees to receive pensions.

Subjects of compulsory SI are expanded its coverage:

The new Law on SI mandates an expansion of compulsory SI coverage to include the following non-state subjects:

¹¹ Decree No. 141/2017/ND-CP dated 07 December 2017 on providing for region-based minimum wages applied to employees working under labor contracts

¹² Decree No. 157/2018/ND-CP dated 16 November 2018 on Prescribing region-based minimum wage levels applicable to employees working under labor contracts

¹³ Decree No. 90/2019/ND-CP dated 15 November 2019 on Prescribing region-based minimum wage levels applicable to employees working under labor contracts

¹⁴ Decree No. 38/2022/ND-CP dated 12 June 2022 on Prescribing minimum wage levels applicable to employees working under labor contracts

¹⁵ Decree No. 74/2024/ND-CP dated 30 June 2024 on Prescribing minimum wage levels applicable to employees working under labor contracts

¹⁶ Law on Social Insurance No. 41/2024/QH15

- (i) Employees engaged pursuant to either an indefinite-term employment contract or a definite-term employment contract of one month or longer, including instances where the parties have designated the agreement by a different term (i.e. not the term “labor contract” or “employee agreement”) but the substance of the contract evidences a paid employment relationship characterized by the employer's exercise of control, direction, and supervision over the employee's work.
- (ii) Not full-time employees working for 1 month or above whose monthly salary is equal to or higher than the salary level used as a basis for the minimum compulsory SI payment;
- (iii) Managers of enterprise, controllers, representatives of state capital, representatives of enterprise capital as prescribed by law; members of the Board of Directors, General Directors, Directors, members of the Board of Controllers or controllers, and other elected management positions of cooperatives and cooperative unions as prescribed by the Law on Cooperatives (hereinafter referred to as “managers of enterprises, cooperatives”) who receive salary;
- (iv) Managers of enterprise, controllers, representatives of state capital, representatives of enterprise capital as prescribed by law; members of the Board of Directors, General Directors, Directors, members of the Board of Controllers or controllers, and other elected management positions of cooperatives and cooperative unions as prescribed by the Law on Cooperatives who does not receive salary;
- (v) The owner of the registered business household.

SI Obligation regarding Multiple Labor Contracts:

The new Law on SI 2024 gives more details on the SI obligations of individuals who sign more than one labor contract with employers in Vietnam, specifically, in case the labor contract being used as the basis for participation in compulsory SI is temporarily suspended and the two parties do not have an agreement on compulsory SI payment during the suspension period, compulsory SI participation shall be in order of the effective time of the signed contract.

SI obligations for Managers of Enterprises, Cooperatives:

The subject group of managers of enterprises, cooperatives who receive salary, and fall into the group as mentioned in paragraphs (i) and/or (ii) above, then shall participate in compulsory SI under the subject of managers of enterprises, cooperatives.

Additionally, managers of enterprises, cooperatives (nevertheless receive or not receive salary) who work at more than one enterprise, cooperative or cooperative union, must participate in compulsory SI at the first enterprise, cooperative or cooperative union where they participate in management and operation.

Furthermore, managers of enterprises, cooperatives who do not receive salary and the owner of the registered business household, if simultaneously falls into many other subject groups of compulsory SI, shall participate in compulsory SI according to Government regulations.

SI obligation for Foreigners working in Vietnam

The new law does not mention the requirement for foreign workers to possess work permits or practice certificates or practice licenses granted by competent Vietnamese agencies but only focuses on contract duration, in particular, if the foreign employees work for employees in Vietnam under employment contracts with terms of at least 12 months, they shall be covered by SI.

The two cases in which foreigners are not subject to compulsory SI are put into the new Law on SI 2024, instead of merely being guidelines in the Government's Decree, including: (i) intra-corporate transfer in accordance with the law on foreign employees working in Vietnam; and (ii) at the time of signing the labor contract, the employee has reached the retirement age as prescribed in Clause 2 Article 169 of the Labor Code.

In addition to the two mentioned cases as regulated in the current Law on SI 2014, one additional case is supplemented, indicating that foreigners who are under a definite-term labor contract with a term of least 12 months are not subject to compulsory SI if the international treaties to which the Socialist Republic of Vietnam is a member have different provisions.

Basis to calculate the SI contribution amount:

One substantial change described in the new Law on SI 2024 is that the "basic salary" used as a basis for counting the monthly income for SI contribution now is replaced by the "reference level". Followingly, the monthly income for SI contributions also is limited with the lowest being equal to the reference level; and the highest is equal to 20 times of the reference level at the time of contributing. The reference level from the time this new Law takes effect is equal to the basis salary until the basis salary regime is abolished by the authorities. At the time the basic salary is abolished, the reference level shall not be lower than that basic salary. The detailed regulations on the reference level will be issued by the Government after considering the increase in the consumer price index, economic growth, and suitability with the capacity of the state budget and SI fund.

Rights and obligations related to SI:

The new Law on SI 2024 offers a more obvious justification for the activities of late payment, and evasion of SI contributions which are considered as the violation of laws related to SI obligations. Simultaneously, the interest rate imposed when sanctioning for such violations is also changed, and one additional measure of not considering awarding emulation titles or forms of rewards is supplemented.

II. Health Insurance

1. The current Legal Framework

Besides Social Insurance, Health Insurance (“HI”) is also an important regime affecting the health improvement and protection of human beings. The implementation of HI has been governed by the Law on HI 2008¹⁷, which was amended in 2014. HI is also a compulsory insurance applied to the subjects as prescribed by this Law for in the field of health care, organized and supervised the implementation by the State.

HI regimes:

The HI covers the cost of the medical examination, treatment, rehabilitation, periodic pregnancy check-ups, childbirth; transporting patients from district level to higher level for subjects as specified in laws in emergency cases or when inpatient treatment requires transfer to a specialized technical level. The costs covered by HI are jointly paid by the HI fund and HI participants. The HI fund is a financial fund formed from HI contributions and other legal sources of revenue managed by the State. HI benefit levels depend on the level of illness, and the group of subjects within the scope of benefits and the time of participation in HI.

Within the scope of this brochure, we only focus on the compulsory HI regarding non-state employees and employers.

Subjects of compulsory HI:

Under the current Law on HI 2008, amended in 2014 which governs both Vietnamese and foreign employees working in Vietnam, subjects of compulsory HI are categorized into groups depending on who pays the UI contribution (hereinafter only list the non-state subjects):

- (i) Groups jointly paid by employees and employers, including:

¹⁷ Law on Health Insurance No. 25/2008/QH12 effective from 01 July 2009

- Employees working under indefinite-term labor contracts, definite labor contracts with a term of 3 months or more; employees who are enterprise managers receiving salaries (hereinafter referred to as employees).

In case the employee in the above-mentioned subject group has one or more indefinite-term labor contracts or labor contracts with a term of 3 months or more, he/she shall pay HI according to the labor contract with the highest salary level.
- (ii) Groups paid by social insurance organizations, including:
- People receiving monthly pensions and allowances for loss of working capacity.
 - People receiving monthly SI benefits due to work-related accidents, occupational diseases, or diseases requiring long-term treatment; people aged 80 or older receiving monthly survivorship benefits.
 - People receiving unemployment benefits.
- (iii) Groups paid by the state budget, including:
- Children under 6 years old.
 - People who are eligible for monthly social security allowances.
 - People from poor households; ethnic minorities living in areas with difficult socio-economic conditions; people living in areas with particularly difficult socio-economic conditions; people living in island communes and island districts.
 - Relatives of people with revolutionary contributions who are biological fathers, biological mothers, wives or husbands, and children of martyrs; people who have raised martyrs.
 - Relatives of people with revolutionary contributions, except for the subjects specified above.
 - Relatives of the subjects works for the state in public security or military as described by laws.
 - People who have donated human organs in accordance with the provisions of laws.
 - Foreigners studying in Vietnam who are granted scholarships from the Vietnamese State budget.
- (iv) Groups that are supported by the state budget for the contribution level include:
- People from near-poor households.
 - Pupils and university students.

In case a person is simultaneously subject to many different subjects listed above, he/she shall pay HI according to the first subject that he/she is determined in the order of subjects as listed above.

Basis for HI contributions:

- For employees receiving salaries and wages according to the regulations of the employer, the basis for paying HI is the monthly salary and wages stated in the labor contract.

The maximum monthly income for calculating HI contributions is 20 times of the basic salary (Refer to the **Table of basic salary** above for more details). At the time of this brochure, the basic salary applicable is 2.34 million Vietnam Dong, which means the maximum monthly income for HI contributions is 2.34 million x 20 = 46.8 million Vietnam Dong.

- For pensioners, beneficiaries of monthly labor disability allowances and unemployment benefits, the basis for paying HI is the monthly pension, labor disability allowance, and unemployment benefits.
- For other subjects, the basis for paying HI is the basic salary.

Rights and obligations related to HI:

Depending on each subject, the HI contribution is periodically deducted from individuals' salaries to pay into the HI fund by the organizations by the required period as regulated by laws. For the case of an employee working for an enterprise, the HI payment period is monthly.

Each HI participant is granted a HI card by the HI management agency to serve as a basis for enjoying HI benefits according to the provisions of laws.

The current Law on HI 2008, amended in 2014 includes the clause for handling the violations related to HI contribution obligations. Especially, this Law states clearly the responsibilities imposed on the agencies, organizations, and employers who are subject to paying HI but do not pay or do not pay in full as prescribed by law.

2. The changes in the draft new Law

The Law on amendments, supplements of some articles of the current Law on HI 2008 (“the new Law on HI”) is now under the process of drafting and expected to be presented to the National Assembly for approval within this year 2024 and is planned to take effect from 01 January 2025.

The new Law on HI is expected to include many essential changes, with some notable highlights being (i) adjust, and supplement some articles to be compatible with relevant legal regulations, especially, the new Law on SI 2024, (ii) supplement

the subject group of foreigners working in Vietnam in compatibility with the Law on SI 2024, (iii) expand the scope of HI benefits in accordance with the contribution level, balance the HI fund and health care requirements in each period, (iv) change HI contribution rate for some subjects, (v) give more detailed definitions of some violation activities such as HI fraud, profiteering from the HI fund, abuse of HI, wasteful use of the HI fund.

III. Unemployment Insurance

1. The current Legal Frameworks

Unemployment Insurance (“UI”) is governed by the Law on Employment 2013¹⁸ which has been in effect since 2015. According to this Law, the UI is a scheme aiming to compensate part of employees’ income when they become unemployed, support them to receive vocational training, maintain employment, or seek employment, on the basis of making contributions to the UI fund.

UI regimes:

UI’s regimes include the following: unemployment allowance; job counseling and recommendation support; vocational training support; support for training and retraining to improve qualifications of occupational skills for job maintenance for employees. UI benefit levels are calculated based on the employee's salary.

Subjects of compulsory UI:

Employees are obliged to participate in UI when working under labor contracts or working contracts as follows:

- (i) Labor contracts or working contracts of indefinite time;
- (ii) Labor contracts or working contracts of definite time;
- (iii) Seasonal or job-based working contracts with a term of between full 3 months and under 12 months.

In case an employee has signed and is performing more than one labor contract mentioned as above, the employee and the employer shall participate in UI for the first the labor contract that was signed.

Employees as prescribed in subjects (i), (ii), or (iii) who are currently on a pension or doing housework are not required to participate in UI.

Importantly, the Law on Employment 2013 defines “employees” as a subject under this law are limited to only Vietnamese citizens. Consequently, this law does not cover foreign employees working in Vietnam. Currently, there is no other legislation

¹⁸ Law on Employment No. 38/2013/QH13 effective from 01 January 2015

governing UI contribution of foreign employees. Therefore, it can be concluded that foreign employees are not subject to compulsory UI in Vietnam.

Basis for UI contributions:

The basis for UI contributions is the monthly salary of the employee. For employees who pay UI according to the salary regime decided by the employer, the monthly salary of UI payment is the salary as basis for compulsory SI payment in accordance with the provisions of the Law on Social Insurance and also is limited to 20 times of the regional minimum salary as prescribed by the Labor Code at the time of UI payment. The regional minimum salary differs depending on each city/province belongs to which region (Refer to the **Table of regional minimum salary** above for more details). Taking an example, at the issuance time of this brochure, the regional minimum salary for Ho Chi Minh City, which belongs to region I, is 4.96 million Vietnam Dong; hence the maximum monthly salary for UI contributions is 4.96 million x 20 = 99.2 million Vietnam Dong.

Rights and obligations related to UI:

The employer must participate in UI for employees at the social insurance organization within 30 days from the effective date of the labor contract or work contract. The employer has to monthly deduct the UI contributions from the salary of each employee and pay UI to the UI Fund.

The current Law on Employment 2013 does not include any clause for handling the violations related to UI contribution obligations. The Decree 12/2022/ND-CP on sanctions for administrative violations against regulations on labor, social insurance, and Vietnamese working abroad, however, includes many clauses clearly stating the sanctions for agencies, organizations, and individuals who breach the laws about UI contribution obligations.

2. The changes in the draft new Law

The Law on Employment is now in the process of drafting and expected to be presented to the National Assembly for approval within this year, 2024.

The new Law on Employment is anticipated to adjust, and supplement the subjects required to participate in compulsory UI in compatibility with relevant legal regulations, especially, the new Law on Social Insurance 2024.

It can be seen that compulsory insurance regimes for employees in Vietnam bring many values to individuals and society. Being aware of and comprehending the legal regulations in the fields of social insurance, health insurance, and unemployment

insurance can help avoid infractions of the laws as well as ensure the benefits enjoyed from these insurance regimes.

Disclaimer

This Newsletter contains only brief notes and includes legislation in force as of October 2024. The information herein is general and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one is entitled to rely on this information, and no one should act on such information without appropriate professional advice obtained after a thorough examination of the particular situation.

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