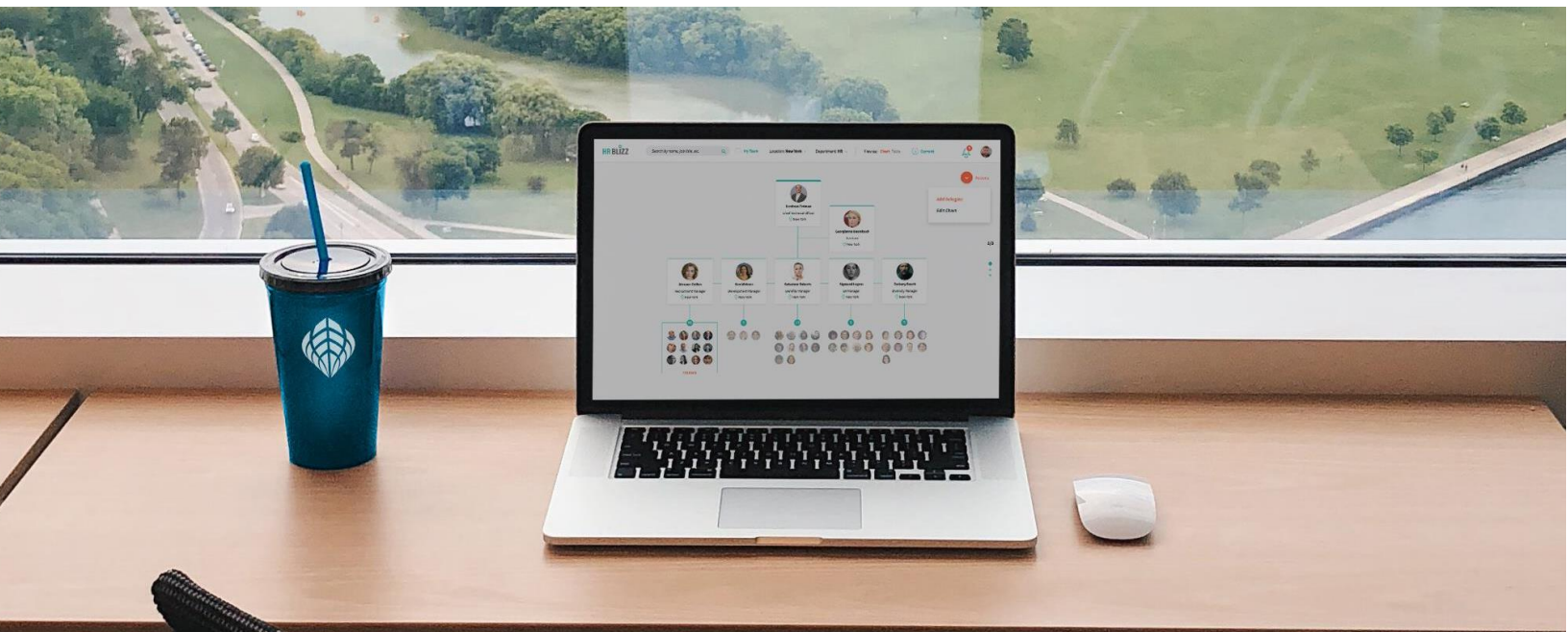




Simplifying Employment
Tasks Worldwide

Payroll & Tax Highlights

2020 Global Payroll Country Guide for Vietnam



VIETNAM



12 December 2020

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Thank you for trusting Mercans to outsource your HR and Payroll functions. We propose HR consulting services, actionable solutions, and cost-effective global payroll processing tools to energize your human capital management in real-time and augment your performance. We are dedicated to becoming your business growth facilitator.



Global Payroll Solutions – Boost your HR brand and employee satisfaction

Rationalize your HR budgets, monitor your data, and optimize your global payroll tasks in real-time. Systematize processes and streamline HRM lifecycles with HR Blizz™, our unified SaaS platform, to ensure your employees are paid accurately and on time.



PEO/GEO Services – Easily hire, deploy and manage your workforce abroad

A reliable Professional Employer Organization (PEO), Mercans is your trusted employer of record to globally select, engage, and manage highly-qualified personnel on your behalf, through integrated Global Employment Outsourcing (GEO).



Global Talent Acquisition – Quickly fill vacancies with only the best candidates

Mercans supports you in designing/deploying long-term HR strategies and processing full-cycle recruitment. Our ATS Suite Mesaar™ and our hiring experts help to screen, select, attract the right candidates for your organization, and populate your pipeline of prequalified talents.



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Mercans seasoned HR advisory team are compliance experts specialized in local cultures, business protocols, and tax and legal specificities. They are committed to ensure quick go-to-market abroad and achieve a compliant global expansion, risk-free from A to Z.



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Mercans at a Glance

140+

Countries

20

Years of Success

500+

Specialists

5k+

Customers Worldwide

97%

Client Retention Rate

1.5X

Annual Revenue Growth

25k+

Largest Single Payroll

2.5M+

Pay Slips per Annum

0

Security Breaches

Number one for outsourced payroll services, we are endorsed by international authorities.



Mercans has the highest industry quality and IT security certifications.

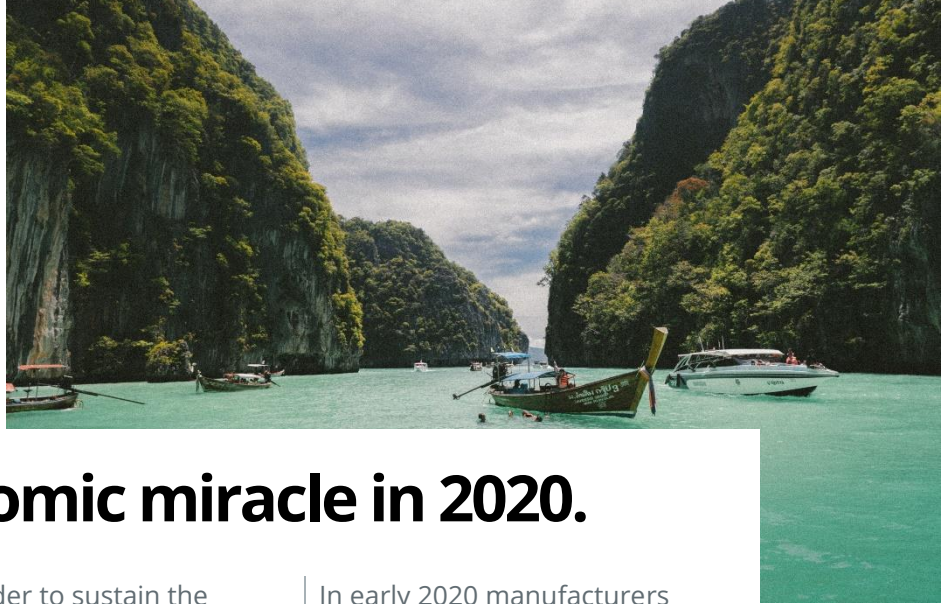




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Table of Contents

VIETNAM – ECONOMIC MIRACLE IN 2020	5
DOING BUSINESS IN VIETNAM	6
ENTITY REGISTRATION & INCORPORATION REQUIREMENTS	6
<i>Limited Liability Company</i>	<i>6</i>
<i>Joint-Stock Company (JSC)</i>	<i>6</i>
<i>Branch</i>	<i>6</i>
<i>Representative Office</i>	<i>6</i>
<i>Accounting and Reporting</i>	<i>7</i>
BANKING	7
WORKING WEEK	8
BASIC FACTS	8
TAX & SOCIAL SECURITY	10
CORPORATE INCOME TAX	10
PERSONAL INCOME TAX	11
SOCIAL SECURITY	12
REPORTING	12
NEW HIRES	12
LEAVERS	13
EMPLOYMENT LAW	15
ANNUAL LEAVE	15
MATERNITY LEAVE	15
PATERNITY LEAVE	15
SICK LEAVE	16
IMMIGRATION	17



Vietnam – economic miracle in 2020.

Despite the success so far in containing the spread of coronavirus due to comprehensive contact tracing, isolation and quarantining, the economic performance is severely impacted by the pandemic. After annual GDP growth rates of about 7% over the past five years, economic growth is expected to slow down to 2.3% in 2020. However, despite this decrease, Vietnam is one of the few economies in the world that is not facing a contraction this year.

Investments and private consumption growth are expected to slow down this year, to 0.4% and about 4% respectively. Due to the global economic slowdown exports are forecast to contract 5.5% in 2020 after robust annual growth rates 2019 and 2018.

In order to sustain the economic performance, the Central Bank has lowered the benchmark interest rate to 4.5%, supporting banks and facilitating loans. Additionally, an increase of more than 7% in government consumption helps the economy. The government has launched tax breaks for businesses, as well as cash transfers to the poorest households.

As a result, the fiscal deficit is expected to increase substantially in 2020, by more than 5%, with public debt rising to 49.5% of GDP in 2019, remaining at a manageable level. In 2021 the fiscal deficit will decrease to below 4.5% of GDP, while public debt will rise slightly before falling in the years to come.

In early 2020 manufacturers with supply chains dependent on China suffered from disruptions. Vietnam's supply chains are closely tied to its Northern neighbor, with more than 40% of core intermediate goods used as inputs to produce Vietnamese goods coming from China (textile manufacturers even source 60% of garment imports from China).

Due to the global economic slowdown and the sharp economic deterioration in the US, China and Japan (Vietnam's main trading partners), exports are forecast to contract 5% in 2020 robust annual growth rates in 2019 and 2018. Investments are also forecast to contract, while private consumption growth is expected to slow down to about 4% (up 7.3% in 2019).

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Doing Business in Vietnam

Entity Registration & Incorporation Requirements

All companies operating in Vietnam, must be registered with the Vietnamese authorities, in accordance with the Vietnam's Companies Law. Depending on the activities of the company, additional registrations may be required; e.g. the incorporation process of each legal entity type is different and takes from 1 to 3 months.

The four most common legal entity form in Vietnam are:

Limited Liability Company

Single investors can take advantage of its simple corporate structure, which requires one founder only. LLC is not permissible to issue public shares and be publicly listed on the Vietnamese stock exchange.

An LLC in Vietnam is independent of any other affiliated entity registered within Vietnam or outside Vietnam and has its own identity for tax and legal purposes.

Joint-Stock Company (JSC)

JSC is recommended for medium and large-sized businesses as its corporate structure is complicated and requires a minimum of three founders.

This kind of a shareholding company allows its owners to issue shares and be listed on the public stock exchange.

Branch

A branch serves as an extension of its parent company. Owners of branches in Vietnam can conduct commercial activities and make a profit without incorporating a separate legal entity.

Representative Office

A representative office is a perfect solution for foreign entrepreneurs who want to observe the local market in Vietnam and gain market presence before expanding to the country. RO is not allowed to conduct any business activities that generate income and behave like an ordinary company.



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The following documents are typically required for the incorporation of entity in Vietnam:

- Preparation & Submitting application to fill in the information about your company and shareholders.
- International investors are obliged to obtain an Investment Registration Certificate (IRC) from the Department of Planning and Investment (DPI).
- A Business Registration Certificate (BRC), often referred to as an Enterprise Registration Certificate (ERC), is the second mandatory document to be obtained during the registration procedure.
- After receiving both certificates, investors are obliged to proceed with their tax registration, pay business license tax and make their initial capital contribution.
- Company seal, a company seal is used for signing documents on behalf of your company.
- Opening corporate bank account, the bank accounts that are usually opened together with a company registration: a capital account, current account in USD, current account in VND.
- Tax registration and Social Insurance registration.

Accounting and Reporting

Vietnam employs a unified set of accounting and bookkeeping standards known as Vietnamese Accounting Standards (VAS). Understanding regulations related to accounting and bookkeeping are important cost considerations for investors. Investors should prepare for the future as Vietnam looks to implement IFRS – the most common accounting language globally – by 2025.

Local and foreign-invested companies doing business in the country are required by law to comply with Vietnam Accounting Standard (VAS) when recording their financial transactions. Foreign companies may choose to manage two accounting records; one based on the VAS and another compiled specifically for the overseas head office.

- All documents must be in Vietnamese language;
- The Vietnamese Dong must be used for accounting books;
- Several accounting reports must be printed on a monthly basis (as specified by relevant VAS regulations).

The above documents must be signed by the General Director of the company and affixed with the company seal prior to submission.

Banking

It is not mandatory to make employee salary payments from an in-country bank account. However,



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all companies in Vietnam are required to open a bank account with a bank authorized in Vietnam in order to make their payments due to the government authorities.

The payment of the employee personal income tax (PIT) liability and social insurance contribution have to be made electronically in Vietnamese Dong to the benefit of the relevant government authority.

Most Banks opens from Monday to Friday from 08:00 to 11:30, and then again at 13:00 to 16:00. On Saturdays, banks will open only in the morning, from 08:00 to 11:30.

Working Week

Saturday and Sunday are the weekly holiday when government offices, banks and most offices are closed.

Government departments are open from Monday to Friday with working hours from 7:30 AM until 4:30 PM.

The maximum working hours are forty-eight during a six-day week. Additional hours will be considered as overtime and qualify for compensation of 50% over the regular wage, excluding overtime hours worked during weekends and public holiday, which are subject to an overtime compensation of 200% and 300% of the standard wage, respectively.

Basic Facts

Official State Name	Socialist Republic of Vietnam
Population	97.338 million
Capital	Hanoi
Major Languages	Vietnamese
Currency	Vietnamese Dong (VND)
Main Industries	food processing, garments, textiles, shoes, machine-building; mining, coal, steel; cement, chemical fertilizer, glass, tires, oil, mobile phones
GDP Growth	7.1%



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Internet Domain	.vn
International Dialing Code	+84
Dates & Numbers	Dates are usually written in the month, day and year sequence. For example, March 28, 2020 or 3/28/20.



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Tax & Social Security

Corporate Income Tax

In accordance with Vietnam's Income Tax Law, Vietnamese entities are required, on an annual basis, to prepare and file the financial statements within three months following the fiscal year end.

The current corporate income tax rates in Vietnam are as follows:

Sector	Tax Rate
The standard corporate income tax is	20%
Companies in oil and gas industry (depending on the location and specific project conditions)	32% - 50%
Companies engaging in prospecting, exploration, and exploitation of mineral resources (depending on the project's location)	40% - 50%

Generally, all income earned in, or derived from Vietnam should be reported as taxable in Vietnam, unless specifically exempt.

Companies must file standalone financial statements and tax returns for Vietnamese tax purposes to the tax authorities. In Vietnam there are several tax authorities based on the location of the company.



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Personal Income Tax

Vietnamese nationals and foreign nationals employed in Vietnam are subject to personal income tax in Vietnam on their employment income earned in or derived from Vietnam, regardless of their residency status.

Tax filing and payment are due not later than the 20th of the following month (for monthly filing) or not later than the 30th day following the reporting quarter (for quarterly filing).

The following monthly personal income tax exemptions applies from 1-July-2020:

Exemption Type	Monthly Amount in VND
Personal exemption	11,000,000
Dependent exemption for each Dependent registered under the employee name	4,400,000*

*The dependent allowance is not automatically granted, and the taxpayer needs to register qualifying dependents and provide supporting documents to the tax authority to register the dependent under the employee name.

Mandatory employee SI, HI, and UI contributions are deductible for PIT purposes. (subject to CAP).

The current personal income tax rates in Vietnam, based on the annual taxable income tax brackets, are as follows:

Annual Income Exceeding (VND)	Annual Income Exceeding (VND)	Tax Rate
0	60 Million	5%
60 Million	120 Million	10%
120 Million	216 Million	15%
216 Million	384 Million	20%
384 Million	624 Million	25%
624 Million	960 Million	30%



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960 Million

+

35%

For payments made by Resident Taxpayers to Non-Residents for taxable activities in Vietnam, taxpayers must withhold 20% of gross payments and remit this withholding tax to the tax authorities within 30 days after the due date or payment date, whichever is earlier. This tax is final.

Social Security

Social security base to calculate is minimum basic salary listed in the law effected from 1-Jan-2020:

- A) Social insurance (SI), Health insurance (HI) & Trade Union (TU) has currently minimum wage of 1,490,000 capped to 20 times.
- B) Unemployment insurance (UI) has currently minimum wage of 4,420,000 capped to 20 times.
- C) Percentages of each SS element

SSC Categories	Minimum Salary Based on the Labour Law	Monthly Salary CAP for SSC	Employee Rate	Employer Rate
Social Insurance (SI)	1,490,000	29,800,000	8.0%	17.5%
Health Insurance (HI)	1,490,000	29,800,000	1.5%	3.0%
Unemployment Insurance (UI)	4,420,000	88,400,000	1.0%	1.0%
Trade Union	1,490,000	29,800,000	0.0%	2.0%

Reporting

The tax year is the calendar year i.e., 1 January to 31 December. Annual Tax returns must be filed in Vietnamese within three months after the end of each fiscal year. The total amount of tax due must be paid at that time (if any).

New Hires

When a new employee is hired, the employer should submit to the Social Insurance (SI) portal within the same month maximum by 29-30th of the month.

The documents required to register the new hires are as follows:



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- Passport (Expatriates)
- Residency card (Vietnamese)
- Contract agreement fully signed.

Leavers

All leavers must be reported to the Social Insurance (SI) portal within the same month maximum by 29-30th of the month.



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Payroll

Every employer who pays salaries, wages, allowances or bonuses to employees must deduct from such payments the tax due and forward it to the Tax Authorities on a monthly basis.

There are no procedures regarding the provision of online payslips. A sample standard payslip is provided below:



PAYSLIP-VIETNAM

Employer		[REDACTED]		Net Pay: VND 32,865,200.00	
Employer address	459 Su Van Hanh Str., Ward 12, Dist. 10, HCMC, Vietnam				
Country	Vietnam				
Pay Period	May 2020				
Employee name	[REDACTED]	Email	[REDACTED]		
Employee ID	MER001	Hire date	2019-12-17		
Employee Position	Digital Design Lead	Payment Method	Bank		
Summary					
Pay currency	Entitlements	Deductions	Net pay		
VND	40,000,000.00	7,134,800.00	32,865,200.00		
Details					
Entitlements	Amount	Currency			
62100 - Basic salary	40,000,000.00	VND			
Deductions	Amount	Currency			
21140 - SI Contribution (employee)	2,384,000.00	VND			
21141 - HI Contribution (employee)	447,000.00	VND			
21142 - UI Contribution (employee)	400,000.00	VND			
21143 - Income Tax	3,903,800.00	VND			
Banking details					
Bank name	SWIFT	Beneficiary name	Acc. number	Account currency	Type
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	VND	Primary
The Bank	[REDACTED]	[REDACTED]	[REDACTED]	VND	Secondary



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Employment Law

Vietnam's labor regulations are governed by Labor Law No. 8 of 1996. The provisions of this law apply to all workers (Vietnamese and non-Vietnamese).

The contract of employment largely determines the terms and conditions of employment. When drafting an employment contract, an employer must comply with the requirements set out in the Labor Law, guaranteeing certain employee rights and benefits. The Labor Law includes a number of requirements to which an employer must adhere when dealing with its employees, which means that any contract or any term in any contract between both parties that contradicts the labour law is considered invalid.

Annual Leave

Employees working in normal working conditions are entitled to a minimum of 12 days of paid annual leave, exclusive of public holidays. Employees working in heavy, hazardous or toxic working conditions are entitled to a minimum of 14 annual leave days. Employees working in extremely heavy, hazardous or toxic working conditions are entitled to a minimum of 16 annual leave days. An employee must be given one additional annual leave day for every five years of consecutive service for an employer.

Maternity Leave

A female employee is entitled to six months of maternity leave. If she gives birth to more than one child at one time, she is entitled to take an additional one month of leave for every additional child. Employees who are Vietnamese nationals are entitled to 100% of their average monthly salary on which social insurance premiums were based for the six months preceding their leave. However, the maximum salary during maternity leave has been capped at 20 times the minimum base salary selected by law. The payment for maternity leave of Vietnamese employees is covered by the social insurance fund. The payment for maternity leave of expatriate employees is subject to the agreement between the employer and the employee.

Paternity Leave

A male employee whose wife gives birth are entitled to paternity leave as follows:

Birth Situation	Paternity Leave
Wife gives birth naturally (1x child)	5 days
Wife gives birth by caesarean section (1x child)	7 days
Wife gives birth naturally (2x children)	10 days



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Wife gives birth by caesarean section (2x children)	14 days
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If the wife gives birth to more than two children at one time, he is entitled to take an additional three days of leave for every additional child calculated from the third child onwards. The employee must be paid a pro-rated amount of the monthly allowance by the social insurance fund (applicable to Vietnamese employees only). The payment for paternity leave of expatriate employees is subject to the agreement between the employer and the employee.

Sick Leave

Vietnamese employees are entitled to paid sick leave. The maximum number of paid sick leave days within a year, calculated according to working days and excluding public holidays and weekends, is as follows:

- A)** For employees working under normal working conditions:
 - 1. 30 days if they have paid social insurance premiums for less than 15 years;
 - 2. 40 days if they have paid social insurance premiums for 15 years to less than 30 years;
 - 3. 60 days if they have paid social insurance premiums for 30 years or more.
- B)** For employees working in heavy, hazardous or toxic occupations or jobs on the list promulgated by the Ministry of Labour and the Ministry of Health, or working regularly in specified regions:
 - 1. 40 days, if they have paid social insurance premiums for less than 15 years;
 - 2. 50 days if they have paid social insurance premiums for 15 years to less than 30 years;
 - 3. 70 days if they have paid social insurance premiums for 30 years or more.

Sick pay is covered by the social insurance fund, not by the employer (applicable to Vietnamese employees only). Vietnamese employees entitled to sick pay are entitled to 75% of their salary or remuneration on which social insurance premiums were based in the month preceding their leave.



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Immigration

All the non-Vietnam nationalities must apply for a working permit if they want to work in Vietnam; a visa/resident card is also required for foreign nationals entering Vietnam to work.

An invitation letter is needed by a Vietnamese sponsor (Vietnam-based entity) inviting the foreign employee for working purposes in Vietnam.

In general, the following information/paperwork must be filed with the Immigration Office:

1. Visa application (in standard form).
2. Copy of passport, which must have at least six months of validity remaining, and photos of the foreign national.
3. Copies of documents certifying the legal status of the Vietnamese sponsor.

Visas cannot be renewed once expired, only new visas can be applied for if needed and requires the employee to physically leave the country in order to obtain a new visa.

The cost for a visa to work in Vietnam depends on the type and term of the visa. Mainly it ranges from USD25 to USD155.

The timeframe of obtaining a working visa to Vietnam varies depending on the type of work visa, it ranges from 6 to 12 working days.

Permits usually costs between VND400,000 to VND600,000, depending on the province/city. And the maximum term of work permits for foreign employees is two years.

The employer applies for the work permit through the submission of an application file to the local labour authority. The application file must include the following:

1. A written request for a work permit in the prescribed form.
2. A health certificates.
3. A clean criminal record.
4. Documents certifying that the foreign employee qualifies as a manager, executive expert or technician under Vietnamese law (for example, a transcript of academic records).
5. Two colour photos of the employee.
6. A copy of the employee's passport.
7. Other documents related to the employee on a case-by-case basis.
8. Approval for employment of foreign workers issued by the chairman of the provincial People's Committee.

The application file for a work permit must be submitted by the employer to the local labour authority at least 15 business days prior to the working date of the foreign employee in Vietnam. The labour authority must issue the work permit within 7 to 14 business days on receipt of a complete application file.



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Employers must submit an explanation on the use of foreign employees to the provincial labour authority for approval at least 30 days before the proposed date of using the foreign employees, Employers must send a copy of the signed contract to the labour authority which issues the work permit Within five working days from the date of signing of the labour contract.
The employer must make quarterly reports declaring the use of expatriate employees to the labour authority.

From 1 January 2021, contractors recruiting and employing expatriate employees for projects in Vietnam will be required to declare in detail the job positions, professional requirements and working time of the expatriate employees and obtain written approval from the relevant state agency concerning such recruitment and employment.



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