

NEWSLETTER



Dear: **Esteemed Clients**

This week, we are to send you the Newsletter No. 14.

In this issue, we would like to keep you updated with latest HR news and information with subjects pertaining to 3 areas:

- ▲ *Labor – Wages*
- ▲ *Insurance*
- ▲ *PIT*

We hope that the newsletter will be a helpful source of latest updates in laws and regulations to best serve your business.

Should you have any contributions, please feel free to send to us by contact@nhanviet.com.



I. Labor – Wage

September 1st 2009, the Government Office announced the conclusion statements of the Standing Deputy Prime Minister Nguyen Sinh Hung at the meeting of The State *Steering Committee* for *research into wage policy reform*. Deputy Prime Minister asked the Ministry of Labor, War Invalids and Social Affairs to coordinate with the Ministry of Finance to submit a proposal of salary & benefit adjustments in 2010 under the roadmap and fitted the State budget to the Prime Minister.

Accordingly, the minimum wage increases at least 12.3%, which is from 650,000 VND to 730,000 VND. These adjustments are expected to enact from May 1st 2010 for those employees receiving the the state salary and from Jan 1st 2010 for those working for domestic enterprises.

For FDI (Foreign Direct Investment) enterprises, the minimum wage adjustments are estimatedly enacted from January 1st 2010. The increase rate has not been revealed but forecast to be lower than that applied for domestic enterprise (<12.3%). Currently, minimum wage applied for FDI enterprises is 920,000 VND.

According to the adjustments, the maximum of social insurance salary for Social – Health – Unemployment Insurance will respectively increase to 14.6 million VND; the company's salary fund will increase over the current amount actually while the employee's income decreases (in case of employee's salary exceeding the maximum salary of SI-HI-UI by current law)

II. Insurance:

August 11th 2009 The Ministry of Public Health and the Ministry of Finance issued Circular No. 09/TTLT-BYT-TC guiding the implementation of Health Insurance Law and Decree 62/2009/ND-CP dated July 27th 2009.

Accordingly, employee (with no exception of Foreigner working in Vietnam) and their relatives are subject to compulsory participation in health insurance.

1. Foreigner who works under labor/employment contract with 03 full months or over for agencies, units, organizations and businesses:
 - a. Enterprise established and operated under the Enterprise Law & Investment Law;
 - b. Co-operatives, unions of cooperatives established and operated under the Law of Cooperatives;
 - c. State agencies, business units, armed forces, political organizations, socio-political organizations, socio-professional organizations and social-professional & social organizations or other Assembly;
 - d. Agencies, foreign or international organizations in Vietnam, with exception of regulation of international Treaties the Socialist Republic of Vietnam has signed;
 - e. Any organizations employing labor established and operated under the provisions of the law.

The above are subjects of compulsory participation in health insurance. The insurance premium & payment method are as:

- a. HI Premium:
 - From Oct 1st 2009 health insurance premium accounts for 3% of monthly salary stated in the labor contract. The amount is divided by 2% paid by Employer & 1% by Employee. Maximum salary employed to calculate the premium of health insurance is 20 times of common minimum wage (currently at 650,000 VND x 20 = 13 million VND)
 - From January 1st 2010 health insurance premium accounts for 4.5% of monthly salary stated in the labor contract. The amount is divided by 3% paid by Employer & 1.5% by Employee. Maximum salary employed to calculate the premium of health insurance is 20 times of common minimum wage.
- b. Payment method: The employer is responsible for paying and deducting health insurance premium of their employees from pay slips and company fund to submit to the government fund monthly.
- c. Similarly, in the spirit of the Health Insurance Law and the mentioned above documents, their relatives are participation in Health Insurance Law as part (2)

However, up to now the local agencies do not have any guidelines or enquiry statements to call for health insurance participation of agencies, units, organizations businesses and foreign individuals. Moreover, they have not identified the case of whether relatives of foreign employee is subject of health insurance law and what conditions are for their participation.

2. Relative of employee as stipulated in Clause 23, Article 12 of the Health Insurance Law:

- a. Relatives of the employee stipulated in Clause 23, Article 12 of HI Law was clearly defined in the Circular 09/2009/TTLT-BYT-TC are: parents, parents-in-law, foster parents, children or those employee responsible for nurturing or live under the same roof.
- b. Enacting date for participation of employee's relatives in health insurance is January 1st 2014
- c. Health insurance premium is 3% on common minimum wage and paid by employee
- d. Payment method: The employee is responsible for declaring a list of his/her relatives and submitting to employer for registration and acquiring of health insurance cards. Base on employee's declaration, employer deduct HI premium from employee's salary to submit for HI fund of government monthly.
- e. Deduction of health insurance premium applied for relatives are regulated specifically in Clause 6, Article 3 of Decree 62/2009/ND-CP and Point b, Clause 3, Article 2 of Circular 09/2009/TTLT-BYT-TC is as:
 - The 1st person is fully charge with HI premium (100% x 3% x common minimum wage)
 - The 2nd one is charged with 90% of the 1st (90% x 3% x common minimum wage)
 - The 3rd one is charged with 80% of the 1st (80% x 3% x common minimum wage)
 - The 4th one is charged with 70% of the 1st (70% x 3% x common minimum wage)
 - The 5th person & onwards is charged with 60% of the 1st (60% x 3% x common minimum wage)

3. Premium and payment method for special cases are as:
 - a. If an employee concurrently belongs to many groups of participation subjects defined in Article 12 of the HI Law, he/she will belong to the first group sorted by priority specified in Article 12 of the HI Law.
 - b. If an employee acquires one or more labor contracts which are undefined or defined with over 03 months, he/she will be charged by the contract with highest value.

The State policy intends to expand health insurance toward public healthcare and cater to the healthcare needs of Employee's relatives. It helps ensure risk-sharing among health insurance participants including Employee.



NhanViet Management Group (NhanViet) is one of leading HR consulting firms in Vietnam since 2003. NhanViet focus on the core services:

- ▲ Talent Acquisition & Management
- ▲ HR Consulting
- ▲ Employee Survey
- ▲ Payroll Administration & Outsourcing services

Headquarters

Unit 2-4, Level 5, Annex Building, Park Royal Saigon 309B-311
Nguyen Van Troi St., Tan Binh Dist., HCMC
Tel: +848 3847 9364 | Fax: +848 3847 9365
Email: contact@nhanviet.com | Web: www.nhanviet.com

