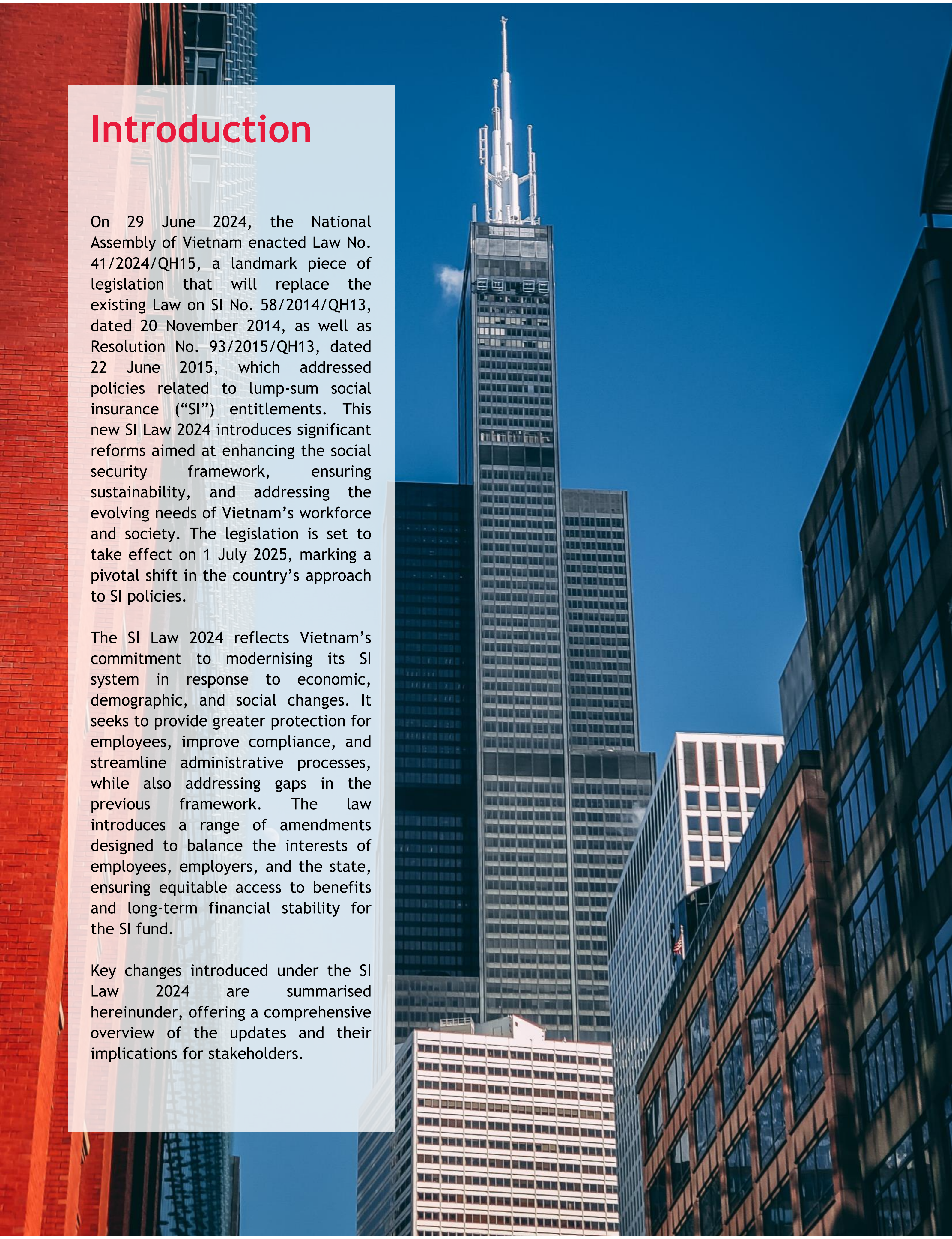
A Brief of New Social Insurance Law 2024

Effective from 01 July 2025

June 2025
BDO in Vietnam



Introduction

On 29 June 2024, the National Assembly of Vietnam enacted Law No. 41/2024/QH15, a landmark piece of legislation that will replace the existing Law on SI No. 58/2014/QH13, dated 20 November 2014, as well as Resolution No. 93/2015/QH13, dated 22 June 2015, which addressed policies related to lump-sum social insurance ("SI") entitlements. This new SI Law 2024 introduces significant reforms aimed at enhancing the social security framework, ensuring sustainability, and addressing the evolving needs of Vietnam's workforce and society. The legislation is set to take effect on 1 July 2025, marking a pivotal shift in the country's approach to SI policies.

The SI Law 2024 reflects Vietnam's commitment to modernising its SI system in response to economic, demographic, and social changes. It seeks to provide greater protection for employees, improve compliance, and streamline administrative processes, while also addressing gaps in the previous framework. The law introduces a range of amendments designed to balance the interests of employees, employers, and the state, ensuring equitable access to benefits and long-term financial stability for the SI fund.

Key changes introduced under the SI Law 2024 are summarised hereinunder, offering a comprehensive overview of the updates and their implications for stakeholders.

ENTERPRISES
(applicable for Employers)

A. ENTERPRISES (applicable for Employers)

Definition of participants

To broaden the scope of compulsory Social Insurance ("SI") contributions, the definition of "Participants" has been revised to include the following:

Vietnamese citizens under employment contracts

- This category now encompasses individuals working under indefinite-term contracts or contracts with a term of at least one month, **including cases where agreements are labeled differently but contain elements of paid employment, salary, and the management, supervision, and operation by one party**. This adjustment aligns with the definition of an "employment contract" under the Labour Code 2019 and its practical implementation.

Vietnamese part-time employees under employment contracts of at least one month

- **Part-time employees** who earn a monthly salary equal to or exceeding the statutory threshold for compulsory SI contributions are now mandatorily covered under the SI scheme. This marks a significant policy shift, as previous legislation did not explicitly require part-time workers - regardless of income level - to participate in the system.

Unpaid managers of enterprises and cooperatives, as well as registered household business owners

- **Managers and key personnel**: This includes Vietnamese individuals in managerial roles, such as members of the board of directors, controllers, or representatives of state or enterprise capital, who are involved in business operations and supervision without a regular salary. These individuals are now obligated to participate in SI.
- **Contribution rate**: For this group, the monthly compulsory contribution premiums (employee's portion) is **25%** of the declared income, split between the Sickness and Maternity Fund (3%) and the Retirement and Survivorship Fund (22%).

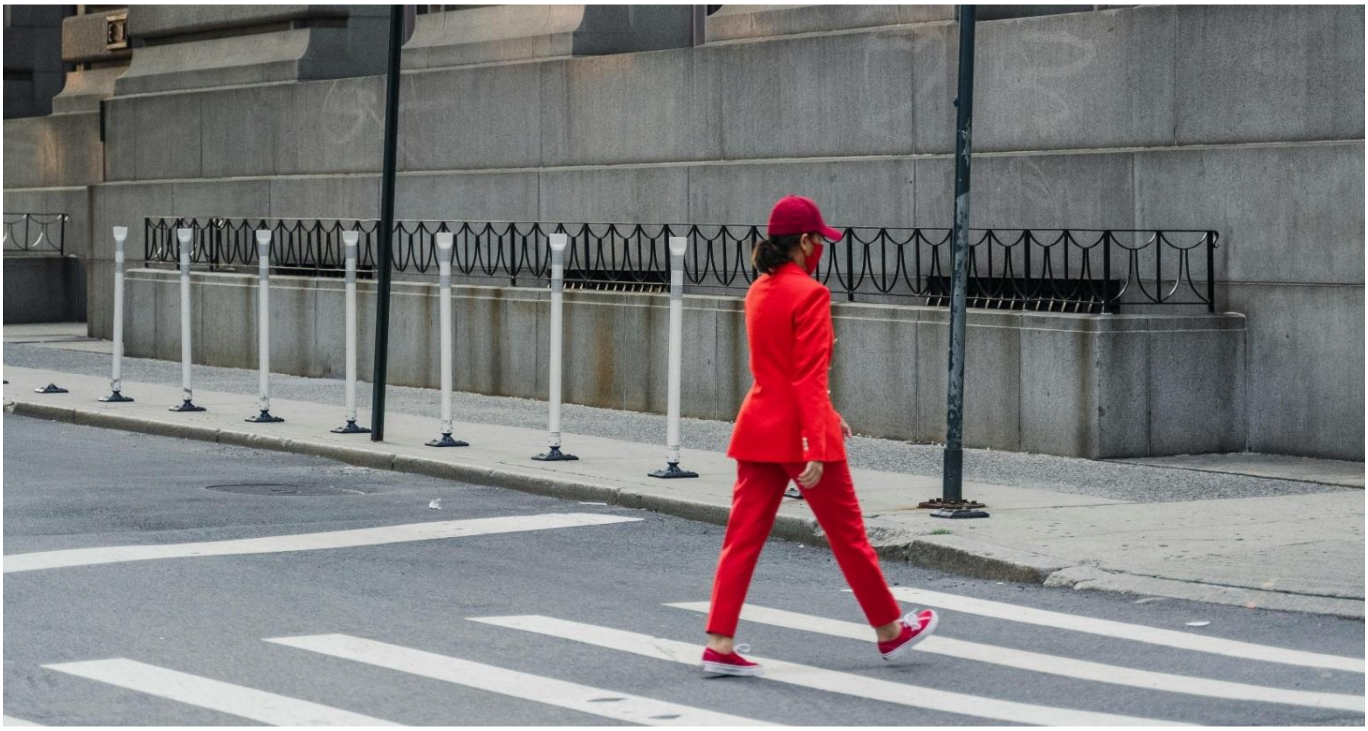
A. ENTERPRISES (applicable for Employers)

Definition of participants

To broaden the scope of compulsory Social Insurance ("SI") contributions, the definition of "Participants" has been revised to include the following:

Foreign citizens employed in Vietnam under definite-term employment contracts

- Under the updated legislation, foreign nationals employed in Vietnam under employment contracts with a term of 12 months or longer are now mandated to participate in the compulsory SI scheme, except in cases explicitly exempted by law. The key exemptions include:
- Intra-company transferees;
- Employees who have reached Vietnam's statutory retirement age at the time of signing the employment contract; and
- Individuals covered under international agreements to which Vietnam is a signatory.
- This requirement has now been formally codified into law, replacing prior guidance that was only outlined in decrees. It provides a clearer legal basis for enforcing SI participation among foreign workers.
- These developments reflect Vietnam's broader labour policy direction - expanding the scope of SI coverage to promote fairness across all worker groups, including foreign nationals, part-time employees, and senior management personnel. They also enhance alignment with international standards for social protection.



A. ENTERPRISES (applicable for Employers)

The Social Insurance Law 2024 introduces a range of administrative simplification measures, outlined below, along with a revised framework for calculating SI contribution premiums.

Enterprises are no longer required to periodically publicly disclose information on SI premiums

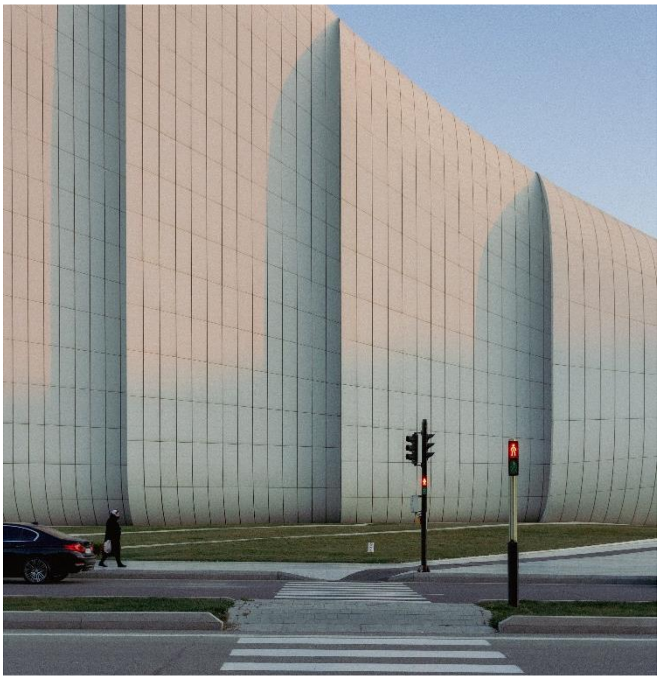
- The obligation for employers to periodically publicize SI information, as stipulated under the SI Law 2014, has been eliminated.
- However, the employees can now proactively look up their mandatory insurance contribution history via electronic devices, e.g. VSSID application on their mobile phones.

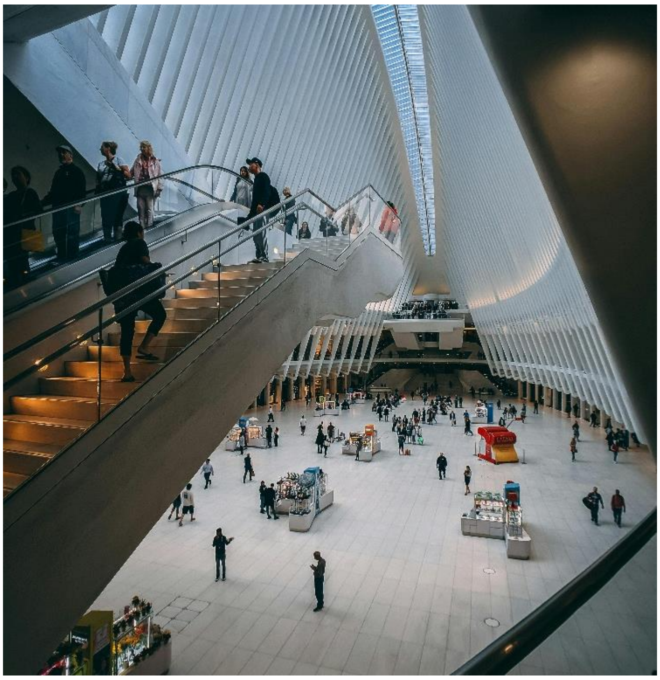
Shortened timeframe for issuing the first SI book

- The SI Law 2024 requires SI agencies to issue the first SI book within 5 working days (down from the current 20 days) upon receiving a complete and valid application. If the issuance is delayed beyond this period, an explanation must be provided, including the reason for the delay.

Adjustments to minimum and maximum salary levels used for compulsory SI premiums

- Under the SI Law 2014, the salary basis for compulsory SI was linked to the State's minimum salary, with an upper limit of 20 times the regulatory common base salary.
- The SI Law 2024 introduces a "reference level" as the minimum salary for SI purposes, with the upper limit set at 20 times this reference level at the time of contribution. This reference level also serves as the basis for calculating contributions and entitlements for certain SI regimes.
- For the time being, the reference level is equivalent to the existing common base salary of VND 2.34 million per month until further adjustments are implemented.



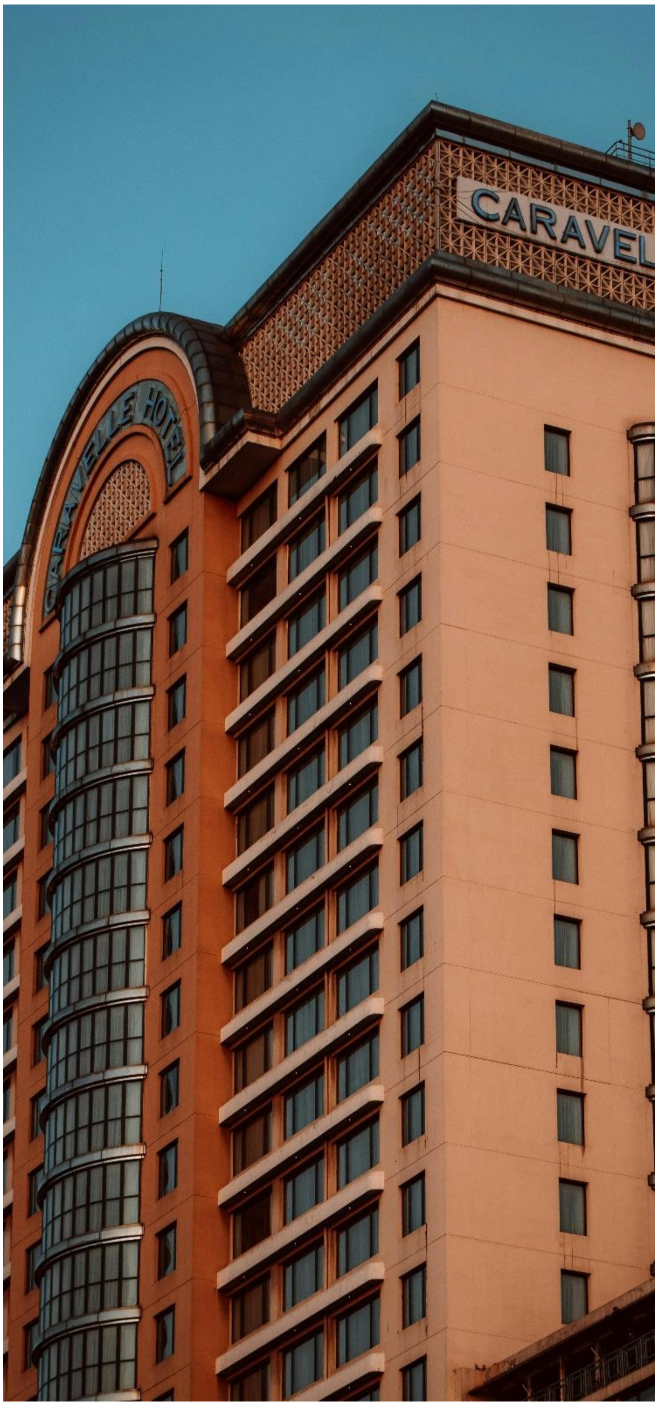


A. ENTERPRISES (applicable for Employers)

The Social Insurance Law 2024 introduces key changes to the calculation base for contribution premiums and the timing of payment obligations, aimed at enhancing clarity, flexibility, and coverage for a broader range of participants.

Adjustments to the calculation basis of SI contribution premiums and payment deadlines

- **Employees subject to employer-issued salary schemes:** The monthly salary, including position-based or title-based pay, salary allowances, and other regular amounts agreed upon for consistent payment, now forms the basis for compulsory SI. This salary basis is capped at 20 times the “reference level” at the time of payment.
- **Household business owners & non-salaried business managers:** Under the new SI Law 2024, these individuals may select their salary for SI contributions, ranging from one to twenty times the “reference level”.
- **SI contributions for employees on sick leave:** If an employee takes sick leave for 14 or more working days in a month, the employer and employee can now agree to contribute to the SI scheme for that month, based on the most recent premium calculation, rather than being exempt as under the SI Law 2014. This applies even if the sick leave occurs during the first month of work or upon returning to work.
- **Extended payment deadline for compulsory SI premiums:** Employers may now pay SI contributions monthly, every 3 months, or every 6 months. For monthly payments, the deadline is extended to the last day of the following month (previously the last day of the current month). For payments made every 3 or 6 months, the deadline is the last day of the month following the payment cycle.



A. ENTERPRISES (applicable for Employers)

To strengthen the enforcement of compliance related to late payments and evasion of compulsory Social Insurance ("SI") and Unemployment Insurance ("UI") contributions, the 2024 Social Insurance Law provides more detailed guidance on behaviors constituting late payment and evasion, as outlined below:

Late Payment of Compulsory SI/UI

- Failure to register or inaccurately register number of employees subject to compulsory SI/UI **within 60 days** after the registration deadline.
- Failure to pay or fully pay the required amount as per the registered SI/UI dossiers after the payment deadline.
- Late registration or payment is not deemed as evasion if justified by legitimate reasons in accordance with Government regulations.

Evasion of Compulsory SI/UI

- Failure to register or inaccurately register number of employees covered by compulsory SI/UI **after 60 days** from the registration deadline.
- Failure to pay, or underpayment of, the registered amount of compulsory SI/UI contributions for **more than 60 days** past the deadline, despite receiving a reminder from the competent authority.
- Declaring salary amounts for SI/UI contributions that are lower than those required under applicable regulations.
- The Government will define additional cases of evasion and specify exceptions where late payments or evasion are not considered as evasion, provided legitimate reasons are given.

- Additionally, the SI Law 2024 imposes a late payment interest rate of 0.03% per day on the overdue amount (calculated from the due date until full payment) for late SI payments or evasion. Offenders involved in evasion may also face administrative penalties or criminal liability, depending on the severity of the violation.

EMPLOYEES

B. EMPLOYEES

The Social Insurance Law 2024 introduces major reforms to retirement benefit eligibility and structure, including but not limited to shortened contribution periods for pensions, a new one-time retirement allowance for long-term contributors, and updated provisions governing lump-sum payouts.

Shortened SI contribution period for pension eligibility

- The SI Law 2024 reduces the required contribution period for pension eligibility from the full 20 years under the SI Law 2014 to a minimum of 15 years.

Adjustment of one-time retirement allowance

- The SI Law 2024 introduces a one-time retirement allowance for employees with extended contribution periods. Male employees with over 35 years of contributions and female employees with more than 30 years will receive this allowance upon retirement, calculated at 0.5 times the average salary used for SI contributions for each year beyond the minimum required until reaching the statutory retirement age.

Updates on lump-sum payment for SI allowances

- The SI Law 2024 includes several enhancements to increase benefits and encourage employees to contribute toward pension or monthly social retirement benefits rather than opting for a lump-sum SI allowance. Key updates include:

- **Easier conditions for pension eligibility**: The minimum required years of SI contributions for pension eligibility have been reduced from 20 years to 15 years.
- **Monthly benefits are provided**: If the SI contribution period does not meet pension eligibility and the individual has not yet reached retirement age for monthly benefits, a lump-sum SI allowance is available.
- **Health Insurance ("HI") benefits**: HI coverage is provided during the period of any monthly allowance entitlement.

It is vital that businesses and individuals are informed of the latest developments in Vietnam legislation, as well as alerted to future Government directives, to ensure their compliance status and avoid unexpected legal consequences.

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B. EMPLOYEES

The Social Insurance Law 2024 also imposes stricter conditions for qualifying for the lump-sum SI allowance:

Vietnamese citizens covered under the compulsory SI scheme

- Individuals who began participating in the SI scheme **before 01 July 2025** may opt for a lump-sum SI allowance after 12 months of not being subject to compulsory SI, provided they do not participate in voluntary SI and have contributed for less than 20 years.
- Those eligible for a lump-sum SI allowance include individuals who:
  - Reach retirement age but have contributed to SI for **less than full 15 years**;
  - Move abroad for permanent residency;
  - Suffer from one of the following diseases: cancer, polio, cirrhosis, severe tuberculosis, or AIDS; or
  - Have a reduction in work capacity by **over 81%.**

Foreign citizens working in Vietnam

- Those covered by compulsory SI and have stopped their SI participation, are eligible for a lump-sum SI allowance if they meet any of the following criteria:
  - Reach retirement age but have contributed to SI for **less than 15 years**;
  - Suffer from one of the following diseases: cancer, polio, cirrhosis, severe tuberculosis, or AIDS;
  - Have a reduction in work capacity by **over 81%**;
  - Qualify for a monthly pension under the law but no longer reside in Vietnam; or
  - Have their Vietnam employment contract terminated (or their Work Permit, Professional Certificate, or Practicing License expired and not renewed).

B. EMPLOYEES

New policy on social retirement benefits

- SI Law 2024 introduces a new type of SI benefit, known as “social retirement benefits,” which is aimed at providing financial support to elderly individuals from the state budget. This benefit covers several key areas:

- Monthly retirement benefits, with the amount set by the Government based on the socio-economic development conditions and the state budget’s capacity at each period.

- Support for funeral expenses, in the event of the death of a person receiving social retirement benefits.

- Health insurance, paid for by the state budget for those receiving monthly social retirement benefits

- Under this scheme, Vietnamese citizens aged 75 and above (or those between 70 and 75 from poor households) who do not qualify for a pension or regular SI benefits, who have submitted a written request to receive social retirement benefits, will be eligible for assistance under the SI system.

Prohibited acts

- The new SI Law 2024 prohibits actions such as delayed or non-payment of compulsory SI and UI, misappropriation of insurance funds, obstruction or harm to participants' legal rights, fraud or forgery in insurance-related documentation, illegal use or access of SI data, and collusion or assistance in committing violations regarding SI.

Contact us

BDO Ho Chi Minh City

Hillary Vu
Tax, Business Outsourcing & Advisory
hillary.vu@bdo.vn

Jeffrey Ong
Audit
jeffrey.ong@bdo.vn

An Gia Tower, 11th Floor,
60 Nguyen Dinh Chieu Street,
Tan Dinh Ward, Ho Chi Minh City,
Vietnam
Tel.: +84 (0) 28 39110033
Fax : +84 (0) 28 39117439
www.bdo.vn

BDO Hanoi

Pham Tien Hung
Audit
hung.pham@bdo.vn

Icon 4 Tower, 20th Floor,
243A De La Thanh Street,
Lang Ward, Hanoi,
Vietnam
Tel.: +84 (0) 24 37833911
Fax : +84 (0) 24 37833914
www.bdo.vn

BDO Legal

Nguyen Van Du
Legal
du.nguyen@bdo.vn

The Prince Residence, 4th Floor,
19-21 Nguyen Van Troi Street,
Phu Nhuan Ward, Ho Chi Minh City,
Vietnam
Tel.: +84 (0) 28 36227792
Fax : +84 (0) 28 36227791
www.bdo.vn