

Vietnam NewsBrief*

An update on the application of unemployment insurance

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Guidance on the application of unemployment insurance from 1 January 2009

On 8 September 2008 the Ministry of Labour, War Invalid and Social Affairs (“MOLISA”) issued Official Letter No. 3168/LDTBXH-LDTL to the Ho Chi Minh City Department of Labour, War Invalid and Social Affairs addressing the ambiguities faced in applying unemployment insurance which will become effective from 1 January 2009.

With the pending introduction of unemployment insurance, there have been questions raised in relation to whether employees who are retrenched or terminate labour contracts after 1 January 2009 will be entitled to severance allowance accrued up to 31 December 2008. The MOLISA has confirmed that severance allowance shall be paid for the employment period up to 1 January 2009. For the period of employment from 1 January 2009, employees are entitled to unemployment insurance provided that requirements are met.

The mechanism for calculating the severance allowance after 1 January 2009 was not mentioned in the official letter and it is therefore unclear whether it is the employment period (with further uplift to reflect subsequent remuneration adjustments) or the absolute monetary entitlement as at 31 December 2008 will be preserved.

The Personal Income Tax (“PIT”) treatment of the compulsory severance allowance remains unchanged according to the new PIT regulations (also to be effective 1 January 2009) i.e. the payments continue to be exempt from PIT.

This publication is intended for general guidance only and should not form the basis of specific decisions. Please contact us for further information and details of our services. In Ho Chi Minh City: contact David Fitzgerald, Richard Irwin, Jean Loi, Sira Intarakumthornchai (Tax), Phan Thi Thuy Duong (Legal), Kenji Murayama (Japanese Business), Seong Ryong Cho (Korean Business) Ian Lydall (Assurance), Steve Gaskill (Advisory) at phone (84-8) 8230796, fax (84-8) 8251947. In Ha Noi: contact Dinh Thi Quynh Van (Tax), Le Anh Tuan (Legal), Yamagishi Akemi (Japanese Business), Nguyen Phi Lan (Audit), Marc de Pauw (Advisory) at phone (84-4) 9462246, fax (84-4) 9460705.