Vietnam has three elements to its social security system - social insurance ("SI"), unemployment insurance ("UI") and health insurance ("HI").

Currently, SI and UI contributions are applicable to Vietnamese individuals only. HI contributions are required for Vietnamese and for foreign individuals that are employed under Vietnam labour contracts (but not those continuing to be employed under their overseas employment contracts and seconded to Vietnam).

Therefore, if an expatriate employee is employed by an overseas company and there is no local contract concluded between him/her and the Vietnam entity, he/she is not subject to compulsory HI contribution in Vietnam.

The Vietnam Ministry of Labour, Invalids and Social Affairs issued Circular 59/2015/TT-BLDTBXH on 29 December 2015 providing guidance on the implementation of the compulsory SI scheme in the SI Law and Decree 115/2015/ND-CP.

One of the key changes is that effective 1 January 2018, foreigners working in Vietnam under a work permit, practicing licence, or practicing certificate issued by a competent body of Vietnam will be allowed to participate in the SI scheme.

The use of the word “allowed” is unusual. This would imply that effective 1 January 2018, expatriate employees can elect to contribute to Vietnam SI.

The current SI/HI/UI contribution rates are as follows:

<table>
<thead>
<tr>
<th></th>
<th>SI</th>
<th>HI</th>
<th>UI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee</td>
<td>8%</td>
<td>1.5%</td>
<td>1%</td>
<td>10.5%</td>
</tr>
<tr>
<td>Employer</td>
<td>18%</td>
<td>3%</td>
<td>1%</td>
<td>22%</td>
</tr>
</tbody>
</table>
The salary subject to SI/HI/UI contributions is the salary and allowances stated in the labour contract, but this is capped at 20 times the minimum salary for SI/HI contributions and 20 times the minimum regional salary for UI contributions.

At present, the minimum salary cap is VND23,000,000 per month (approximately USD1,050 per month) and the minimum regional salary cap varies from VND48,000,000 to VND70,000,000 per month, depending on each region (approximately USD2,200 – USD3,200 per month). These minimum salaries are subject to change during a year.

Currently, statutory employer contributions do not constitute a taxable benefit to the employee. The employee contributions are deductible for personal income tax purposes.