

Payroll in Vietnam

Five Questions Foreign Investors Often Ask Before Their First Hire

Alitium

Ho Chi Minh City

Level 5, L'Mak Signature Building
147 Hai Ba Trung
Xuan Hoa Ward (District 3)
Ho Chi Minh City, Vietnam

Hanoi

51 Phan Boi Chau
Cua Nam Ward (Hoan Kiem)
Hanoi, Vietnam

P: +84 (28) 3535 6460

E: vietnam@alitium.com

Contact

Phuong Vo

Managing Partner
phuong.vo@alitium.com

Phung Nguyen

Accounting & Tax Partner
phung.nguyen@alitium.com

Matthew Lourey

Chairman
mlourey@alitium.com

Vietnam | Singapore | Malaysia

[20 October 2026]

Questions Commonly Asked By Foreign Investors When Hiring For The First Time

Hiring the first employee is the moment a Vietnam entity stops being a structure on paper and starts operating as an employer. It is also when many foreign investors discover that payroll here is more than a monthly transfer: it brings together insurance, tax, trade union and labour law obligations that all sit with the employer.

Below are the five questions we hear most often from investors before their first recruitment, with practical answers to help you plan with confidence.

1. What are the mandatory contributions?

Think of mandatory contributions in three layers, each with a different owner of the obligation but, in almost every case, the employer as the party that registers, withholds, declares and pays.

Layer	What it is	Who handles it
Shared contributions	Mandatory insurances under the insurance laws; amounts vary with employment status, local or foreign, and other conditions	Employer and employee both contribute; employer registers and pays
Employee obligation	Personal Income Tax (PIT)	Employer registers, withholds, declares and pays to the authority on the employee's behalf
Employer contribution	Trade Union contribution at the required 2%; union member fee where a grassroots trade union exists	Employer

Alitium

www.alitium.com

Five Questions Foreign Investors Often Ask Before Their First Hire

- **Shared contributions.** Mandatory insurances follow the insurance laws. The exact position can differ case by case depending on conditions, employment status, and whether the employee is a local or a foreigner, so confirm the treatment of each hire before the first payroll.
- **Personal Income Tax.** PIT is the employee's obligation, but the employer is responsible for registering, withholding, declaring and paying it to the tax authority on the employee's behalf.
- **Employer contribution.** Employers must contribute 2% of Insurance salary fund for the Trade Union. Where the entity has a grassroots trade union, a union member fee will also arise.

2. Are allowances and bonuses compulsory?

No. Vietnamese law does not require any specific allowance or bonus; they depend on company policy and what is written into the labour contract and internal rules. That flexibility is useful, but it also means the market sets the expectations. Items commonly offered, and worth considering when you design a package, include:

- **Meal and phone allowances:** often modest in amount, but widely expected by employees.
- **Transportation and housing allowances:** particularly common for managers and expatriates.
- **13th month bonus:** which many employees treat as a normal part of annual pay.
- **Tet bonus:** tied to the Lunar New Year, an important cultural moment for the workforce.

Whatever you offer, document the terms (eligibility, amount, timing and whether it is guaranteed or discretionary) so that it is clear, consistent and defensible. It should also be reviewed for its tax and insurance treatment before it enters payroll.

3. Can the company lay off employees with just the notice in the labour contract and optional compensation?

Not safely. Termination is among the most labour-sensitive areas in Vietnam. The Labour Code is built on a basis of ensuring a fair treatment for workers, so a termination by the employer, in particular, must be carefully considered and properly implemented. Contract notice plus a goodwill payment does not, by itself, make a termination lawful.

The key is the foundation the company builds before any issue arises:

- **Sufficient procedures and processes** built by the company, such as labour contract terms, internal labour rules and disciplinary procedures.
- **Acknowledged by employees,** so that employees know the rules and the consequences of breaching them.
- **Compliant with the law and registered** with the competent authorities where required.

With these in place, the employer has a strong basis to act on the grounds that the law allows, whether that is termination or suspension of employment. Without them, even a well-intentioned decision is exposed to challenge. We recommend investors involve advisers early, before the first dismissal discussion rather than after it.

4. Are payrolls submitted to the authorities?

Payroll records themselves are not filed on a regular basis. They must be signed off and kept internally for management, accounting and tax purposes. However, they can be requested during a review, inspection or audit, so they should always be complete, consistent and ready to present.

Separately, there are statutory labour reports that must be submitted by month, half-year or year. Typical examples include labour changes, labour usage, labour accidents, labour health, occupational safety and hygiene, and unemployment insurance contributions. These obligations are not found in a single law or regulation; they are spread across several. Employers therefore need to check carefully, or take advice, to make sure every reporting obligation is identified and performed on time. Missed filings are an easy way to attract penalties.

5. What is the usual payroll cycle, and can employees be paid more than once a month?

The standard cycle in Vietnam is monthly. Salary is calculated, taxed and reported on a monthly basis, and this is what employees, auditors and authorities expect to see.

Paying more than once a month is also possible, but it does introduce additional complexity. Companies can operate a sub-run, for example a fixed advance or mid-month payment followed by a final run, so employees receive salary more than one time per month. The condition is: the total monthly income, tax deductions and mandatory contributions must be calculated correctly. In practice, the final run should reconcile everything paid during the month so that insurance, PIT and net pay all tie back to one monthly figure.

How Alitium supports investors

Alitium supports foreign-invested companies with payroll and employment compliance in Vietnam, from setting up the first payroll to ongoing labour law compliance. Our team can help you with:

- Payroll setup and processing including multi-run payrolls and reconciliation to monthly totals.
- Employment structuring covering labour contracts, allowances and bonus design.
- Statutory reporting across labour, insurance and tax obligations.
- Labour compliance advice including internal procedures to support termination and suspension decisions.

Vietnam's payroll framework is straightforward when it is set up correctly and costly when it is not. A clear monthly process, a proper understanding of mandatory contributions, a considered allowance policy, sound labour procedures and complete reporting are the foundations of a compliant first hire.

To discuss your payroll and employment compliance arrangements in Vietnam, contact Alitium at Vietnam@Alitium.com.

Five Questions Foreign Investors Often Ask Before Their First Hire

Disclaimer: This article is provided for general informational purposes only and reflects selected regulatory updates and guidance available. It does not constitute legal, tax, accounting, financial or other professional advice, and should not be relied upon as a substitute for advice tailored to your specific circumstances. Regulatory requirements and their interpretation may change over time. Businesses should seek appropriate professional advice before taking action based on the information contained in this article.

This publication is intended a general overview, and not intended to be comprehensive or to be relied upon as professional advice. Although every effort has been made to ensure accuracy of the information disclosed, Alitium disclaims all responsible for any party that relies upon the contents.

(c) Alitium Professional Services Company Limited, 2026

Visit our website:



 linkedin.com/company/alitium

 contact@alitium.com

 youtube.com/@AlitiumGroup

 facebook.com/AlitiumGroup