

# Key Considerations When Hiring Foreign Employees in Vietnam: What Employers Need to Know

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## Work Permits, Labour Contracts, And Ongoing Compliance Requirements for Foreign Employees in Vietnam

The demand for specialist international talent in Vietnam, supporting the sustained economic growth and inbound foreign investment, applies across a wide range of sectors from manufacturing to financial services. Engaging foreign employees brings clear commercial benefits, but it also triggers a distinct set of legal, payroll, tax, and immigration compliance obligations that differ materially from those applying to the local workforce. Getting these wrong carries real consequences: penalties, disallowed deductions, immigration complications, and unexpected termination costs.

This article highlights five key areas that employers should consider when hiring foreign employees in Vietnam:

- Work Permit requirements and common misconceptions;
- Employment contract considerations and limitations;
- Mandatory insurance contributions and severance implications;
- Compensation and benefit structures tailored to expatriate employees; and
- Compliance obligations and employee entitlements upon termination and departure from Vietnam.

Addressing these areas from the outset can help employers avoid compliance risks, unexpected costs, and administrative challenges throughout the employment lifecycle.

### 1. Work Permits

For most employers, the first compliance matter that comes to mind when hiring a foreign employee is the Work Permit, and rightly so.

A Work Permit is one of the fundamental legal requirements allowing a foreign individual to work in Vietnam. Vietnamese regulations prescribe specific eligibility criteria and application procedures that must be satisfied before employment can legally commence.

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## Work Permits during the Probation Period

One point that employers frequently overlook is that a Work Permit is required from the very commencement of work, including during any probation period. A common misconception is that Work Permit requirements apply only once a formal labour contract becomes effective. This is not the case: foreign employees on probation contracts must hold a valid Work Permit or a Work Permit exemption before commencing work. The relevant framework is set out in Articles 151 and 154 of the Labour Code 2019 (No. 45/2019/QH14).

In practice, a foreign employee performing work during probation without a valid Work Permit, or a confirmed exemption, may expose both themselves and their employer to non-compliance risks, including administrative penalties and potential disallowance of related employment expenses for Corporate Income Tax purposes.

## Work Permits are Employer-Specific

A Work Permit is issued in respect of a specific position held with a named employer, as set out in Decree 219/2025/ND-CP (effective 7 August 2025), the current governing instrument on Work Permits for foreign workers in Vietnam. This decree replaced Decree 152/2020/ND-CP and its subsequent amendment under Decree 70/2023/ND-CP.

In practice, employers sometimes receive representations from prospective candidates that they already hold a valid Work Permit in Vietnam for the same position, based on the same qualifications and experience. This may create the impression that no additional permit is required.

Such an assumption carries significant risk. A valid Work Permit is tied to the employer named on the permit. A foreign employee commencing work with a new employer will generally require a separate Work Permit sponsored by that employer, unless a specific exemption applies.

Employers should also be aware that Decree 219 introduced a short-term work exemption: foreign employees who are managers, executive directors, experts, or technical workers working in Vietnam for a total period of fewer than 90 days in a calendar year are exempt from the Work Permit requirement, subject to notification obligations.

## 2. Employment Contracts: Is an Indefinite-Term Contract Possible?

The duration of an employment contract with a foreign employee is closely linked to the validity period of the corresponding Work Permit.

Under Decree 219/2025/ND-CP, a Work Permit is generally granted for a maximum period of two years. Employment contracts for foreign employees should therefore not exceed the validity period of the Work Permit.

This creates a notable distinction between foreign and local employees. While Vietnamese employees are generally permitted to enter into a maximum of two consecutive fixed-term labour contracts before an indefinite-term contract becomes mandatory, foreign employees may enter into multiple fixed-term contracts throughout their employment.

### The Indefinite-Term Contract Question

A question frequently raised by employers and employees alike is whether a foreign employee may sign an indefinite-term labour contract, particularly where both parties anticipate a long-term employment relationship.

Article 151 of the Labour Code 2019 addresses this directly:

*“The term of an employment contract for a foreign employee working in Vietnam must not exceed the validity period of the Work Permit. When employing a foreign employee in Vietnam, the parties may mutually agree to enter into multiple fixed-term employment contracts.”*

Based on this provision, the prevailing interpretation is that multiple fixed-term contracts are the appropriate arrangement for foreign employees.

While an argument can be made that an indefinite-term contract could remain valid where the employee continuously renews their Work Permit, this approach carries practical risk. Delays in Work Permit renewal or immigration procedures may create gaps in work authorisation. If employment continues during any such gap, the legal basis supporting the employment relationship may be challenged. Fixed-term contracts aligned with Work Permit validity remain the more prudent approach.

### 3. Mandatory Insurance Contributions: Key Differences for Foreign Employees

There are meaningful differences between the insurance obligations applicable to foreign employees and those applying to Vietnamese employees.

#### Unemployment Insurance Exemption

The primary difference concerns Unemployment Insurance contributions. Foreign employees are not required to participate in Vietnam's Unemployment Insurance scheme. This position is confirmed under Employment Law 2025 (No. 74/2025/QH15, effective 1 January 2026), which replaced the Employment Law 2013. The exemption reflects the policy rationale that the Unemployment Insurance Fund is designed as a social welfare mechanism for Vietnamese citizens.

#### Severance Allowance Implications

Although the Unemployment Insurance exemption reduces monthly contribution costs for both parties, it has a significant practical consequence in relation to severance allowance.

Under Article 46 of the Labour Code 2019, foreign employees working in Vietnam may be entitled to severance allowance upon termination, provided the statutory eligibility conditions are met. A key factor in calculating severance entitlement is the employee's working period not covered by Unemployment Insurance contributions.

Because foreign employees do not participate in Unemployment Insurance, their entire eligible working period may be counted for severance allowance purposes. Employers that do not plan ahead may therefore face a larger severance liability than expected when a long-serving foreign employee departs.

In certain circumstances, employers may consider making an additional monthly payment equivalent to the employer's Unemployment Insurance contribution. Under current regulations, working periods during which such payments are made may be excluded from severance calculations. Employers should, however, carefully assess the cost implications of this approach. For example, where a foreign employee works for fewer than 12 months, no severance entitlement arises in any event, and the additional payment would represent an unnecessary cost.

### 4. Salary Structure: Expatriate Benefits and Tax Considerations

When designing compensation packages for foreign employees, employers should consider both statutory requirements and common market practices that support the attraction and retention of international talent.

In addition to standard benefits such as meal, telephone, and transportation allowances, employers frequently include expatriate-specific elements as part of a competitive compensation package. Common examples are set out below.

Benefit	Description
Tuition Fees	Educational expenses at schools in Vietnam for employees' children, often partially or fully covered by the employer.
Home Leave Flights	Many employers sponsor one or two round-trip flights per year for the employee (and in some cases accompanying family members) to return to their home country.
Relocation Allowance	A one-time payment to support initial relocation costs, including shipment of personal belongings and associated immigration expenses.
International Health Insurance	Additional private healthcare coverage providing access to premium hospitals and international medical facilities.

The tax treatment of expatriate benefits requires careful review, and employers should ensure that compensation structures comply with Vietnamese law. Tax implications should be assessed on a benefit-by-benefit basis.

#### Additional Leave Entitlements

In addition to Vietnam's public holidays and the Lunar New Year period, foreign employees are entitled to paid leave on the following days, as set out in Article 112 of the Labour Code 2019:

# Employment of Foreign Individuals in Vietnam

Leave Type	Entitlement
Traditional New Year of the employee's home country	1 paid day
National Day of the employee's home country	1 paid day

## 5. Obligations and Entitlements upon Termination and Departure

When a foreign employee concludes their employment in Vietnam and prepares to leave the country, a number of compliance obligations and employee entitlements require attention.

Obligation	Key Considerations
<b>Tax Finalisation</b>	Foreign employees are generally required to complete their Personal Income Tax finalisation before leaving Vietnam, or within 45 days of their last day in Vietnam. The process may be completed personally or through employer authorisation. Compliance with current procedural requirements under Circular 80/2021/TT-BTC should be confirmed, noting that the new Personal Income Tax Law 2025 (No. 109/2025/QH15) takes effect from 1 July 2026. Failure to comply may create complications for future tax and immigration procedures.
<b>Return of Work Permit and Temporary Residence Card</b>	The legal basis supporting both the Work Permit and Temporary Residence Card ceases once employment terminates. Employers should ensure the relevant cancellation and return procedures are completed promptly, as required under Decree 219/2025/ND-CP.

Entitlement	Key Considerations
<b>Severance Allowance</b>	Generally payable where the employee has completed at least 12 months of service and satisfies the statutory conditions. The amount is typically equivalent to 0.5 months' contractual salary for each year of eligible service, and is generally exempt from Personal Income Tax. See Article 46, Labour Code 2019.
<b>One-Time Social Insurance Claim</b>	Foreign employees who have participated in Vietnam's compulsory Social Insurance scheme may apply for a one-time Social Insurance benefit immediately upon termination of employment and departure from Vietnam, subject to the provision of appropriate supporting documentation. This entitlement is now governed by the Law on Social Insurance 2024 (No. 41/2024/QH15, effective 1 July 2025), which supersedes and preserves the framework originally established under Decree 143/2018/ND-CP.

## Quick Compliance Checklist

Area	Key Question
<b>Work Permit</b>	Is a valid Work Permit or confirmed exemption in place before the employee commences work, including during any probation period?
<b>Employment Contract</b>	Is the contract term aligned with the validity period of the Work Permit?
<b>Insurance</b>	Has the company assessed its severance allowance exposure arising from the absence of Unemployment Insurance contributions for foreign employees?
<b>Compensation Package</b>	Have expatriate-specific benefits and their associated tax implications been reviewed?
<b>Termination and Exit</b>	Have tax finalisation obligations, Work Permit and Temporary Residence Card return procedures, and all final employee payments been properly addressed?

## Actions For Employers

Hiring foreign employees in Vietnam involves considerably more than obtaining a Work Permit. Employers benefit from taking a holistic approach that addresses employment contracts, payroll and insurance obligations, expatriate compensation design, and compliance requirements across the full employment lifecycle.

Several areas, particularly Work Permit management, severance allowance exposure, and termination-related obligations, are frequently overlooked until issues arise. Early planning and active compliance management can help organisations minimise legal risk, avoid unexpected costs, and create a smoother employment experience for both the employer and the foreign employee.

As Vietnam continues to strengthen its position as an international business destination, and as the regulatory landscape continues to evolve, understanding these practical considerations will be of increasing importance for organisations seeking to attract and retain global talent while maintaining compliance with local law.

*For any further questions or support that you may have, please reach out to us at [vietnam@alitium.com](mailto:vietnam@alitium.com)*

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