When Insurance Contributions Must Be Paid Through Salary in Vietnam

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A practical payroll compliance issue for employees who are not required to participate in one or more compulsory insurance schemes

Vietnam payroll compliance is often approached as a calculation exercise: determine gross salary, calculate and withhold compulsory insurance, withhold Personal Income Tax (PIT) and pay the employee's net salary. The position becomes more complex when an employee is not required to participate in one or more compulsory insurance schemes. In these cases, the employer may need to pay the relevant employer-side amount directly to the employee together with salary.

This obligation is easily overlooked. An employee may be correctly excluded from an insurance declaration, yet the payroll can still be non-compliant if the corresponding cash payment has not been made, documented and taxed appropriately.

Article 168.3 of the Labour Code 2019 provides the starting point. Where an employee is not subject to compulsory social insurance, health insurance or unemployment insurance, the employer must pay, together with salary, an additional amount equivalent to the applicable employer contribution. The provision applies by reference to the employee's actual status and to each insurance component separately.

Who may be entitled to the additional payment?

The first step is to determine whether the individual is an employee under a labour contract and whether that relationship is subject to each compulsory scheme. A common example is an employee already receiving a monthly pension. The individual may continue working but fall outside compulsory participation for certain components, potentially requiring the employer-side equivalent to be paid directly.

Employers should not rely on broad labels such as 'retirement age', 'domestic worker' or 'unpaid manager'. Reaching retirement age does not resolve every case, and coverage expanded under the Social Insurance Law 2024. The payment should be assessed against the actual labour relationship, not applied automatically to an entire category.

Employees working under multiple labour contracts

Multiple employment is an important practical scenario, but the contribution rules are not identical across all insurance schemes. Compulsory social insurance and unemployment insurance are generally paid through the first labour contract falling within the relevant coverage rules. Occupational accident and disease insurance may remain payable by each employer under each qualifying contract.

It is therefore too broad to state that the 'primary employer' pays all insurance and every secondary employer pays the full equivalent in cash. Each employer should identify which scheme attaches to which contract. Where an employer is not required to contribute to a particular scheme, the corresponding employer-side equivalent may need to be paid through payroll. Any occupational accident and disease insurance that remains payable should continue to be remitted to the authority, not converted into cash.

Employees should disclose other employment relationships and report changes, because the correct treatment may alter when another contract begins, ends or becomes the contract with the highest salary.

Personal Income Tax treatment

The additional cash amount is generally employment income for PIT purposes. Official Letter No. 28132/CTHN-TTHT dated 15 May 2024, issued by the Hanoi Tax Department, confirms that an amount paid in place of the employer's compulsory insurance contribution forms part of taxable salary and wages.

Once paid through payroll, the amount generally increases taxable remuneration and should be included in withholding and reporting. It should not be coded as a non-taxable reimbursement or welfare benefit without a specific legal basis.

Employment contracts and payroll presentation

Employers sometimes agree a single gross remuneration package that includes any Article 168.3 amount. This may be workable, but a general statement that salary is 'inclusive of all benefits' may not prove that the statutory amount was calculated and paid.

The employment contract or remuneration appendix should explain the structure and the effect of any change in insurance status. Payroll should separately identify the cash amount, relevant scheme, calculation base and PIT withholding. This supports reconciliation between labour contracts, insurance declarations, payroll reports and PIT filings.

A status change should trigger review. Continuing the same cash payment after an employee becomes subject to compulsory insurance, or vice versa, can lead to double payment, underpayment or inconsistent treatment.

Practical review points for employers

- Map each employee to the compulsory social, health, unemployment and occupational accident insurance rules separately.
- Identify pension recipients and employees with multiple labour contracts, and obtain current supporting information.
- Confirm which employer and which labour contract carries each insurance obligation.
- Calculate and pay the applicable employer-side equivalent together with salary where Article 168.3 applies.
- Treat the cash payment as taxable employment income unless a specific basis supports different treatment.
- Document the arrangement in the employment contract or remuneration appendix and show it clearly in payroll records.
- Reassess the treatment whenever the employee's employment, salary, pension or insurance status changes.

A small payroll item with wider compliance consequences

The amounts may not be material to total payroll cost, but incorrect treatment can lead to salary arrears, PIT adjustments, insurance corrections, employee claims and inspection findings. It may also reveal a wider disconnect between employment contracts, payroll configuration and statutory declarations.

Alitium assists employers in Vietnam with payroll health checks, remuneration reviews, compulsory insurance analysis and PIT compliance. For businesses employing pension recipients, personnel with multiple contracts or others outside standard insurance arrangements, a targeted review can confirm whether payments are calculated, documented and taxed correctly.

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

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