Vietnam's Provincial Natural Disaster Prevention and Control Fund:

Don't Overlook Compliance

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Vietnam's Provincial Natural Disaster Prevention & Control Fund - A Compliance Obligation Many Employers Overlook

Each year, many businesses in Vietnam receive a notice from their local authority requesting payment to the Provincial Natural Disaster Prevention and Control Fund. While the contribution amount is generally modest, it remains a mandatory statutory obligation.

As this obligation involves both the company and its employees, together with certain reporting requirements, employers should ensure it is incorporated into their annual payroll and HR compliance calendar.

Two Separate Compliance Responsibilities

From an employer's perspective, there are two separate compliance responsibilities:

- The company's annual contribution as an economic organization; and
- Facilitating the collection and remittance of employees' contributions to the Fund.

Although these obligations are related, they are governed differently and should be reviewed separately.

The Company's Annual Contribution

Under Article 12 of Decree No. 78/2021/NĐ-CP, domestic and foreign-invested enterprises are required to contribute annually to the Provincial Natural Disaster Prevention and Control Fund.

The annual contribution is calculated as:

- 0.02% of the company's total asset value shown in the financial statements as at 31 December of the preceding year;
- Subject to a minimum of VND 500,000 and a maximum of VND 100,000,000 per year; and
- Recognised as a normal operating expense of the business.

Although the amount is generally not material for most businesses, it remains a statutory payment that should be budgeted and monitored annually.

Employees' Contribution: What Is the Employer's Responsibility?

Unlike the company's contribution, the contribution made by employees is the employee's own statutory obligation. However, in practice, employers are commonly requested by the local authority to organise the collection of employee contributions and remit the consolidated amount to the Fund.

Payroll deduction is the approach adopted by many businesses because it is administratively convenient. Nevertheless, this is not the only acceptable method. Depending on the company's internal arrangement and the local implementation guidance, employees may instead transfer their contribution directly to the company, after which the employer remits the total amount to the Fund.

Whichever collection method is adopted, employers should maintain sufficient supporting documentation evidencing the collection and remittance of employee contributions.

For most private sector employers, the employee contribution is calculated at one-half of the applicable regional minimum wage divided by the number of working days in the month. Different calculation methods apply to employees whose salaries are funded by the state budget and certain other categories prescribed by law.

Where an employee works for multiple employers, the contribution is generally made only once through the employer under the longest-term labour contract. It is therefore advisable to confirm this during onboarding to avoid duplicate collection.

A Practical Tax Point

One point that is often overlooked is that an employee's contribution to the Provincial Natural Disaster Prevention and Control Fund may be claimed as a deductible amount when conducting annual Personal Income Tax (PIT) finalisation, provided that the relevant supporting documents are maintained.

This treatment is guided under Official Dispatch No. 3275/TCT-DNNCN dated 11 August 2020 issued by the General Department of Taxation. Employers may therefore need to retain evidence of contribution, particularly where the employee will conduct a direct PIT finalisation with the tax authority.

Potential Compliance Risks

Failure to comply with the contribution obligation may result in administrative penalties under Decree No. 03/2022/ND-CP, amended by Article 2 of Decree No. 183/2026/ND-CP, specifically a fine ranging from VND 300,000 to VND 50,000,000, depending on the unpaid amount, and the violator is compelled to pay the outstanding amount into the Fund.

For businesses, one important point is that administrative fines imposed on organisations are generally double those applicable to individuals as above. In addition to any fines, outstanding contributions must still be paid. Employers should also note that a separate penalty may apply for failing to submit, or incompletely submitting, the employee contribution collection plan where required by the competent authority.

Payment Timeline

Pursuant to Clause 5, Article 15 of Decree No. 78/2021/ND-CP, employers are required to make the Disaster Prevention and Control Fund contribution in accordance with the following timeline:

- Employees (individual contributors): The contribution must be collected and paid in a single lump sum no later than 31 July.
- Domestic and foreign enterprises: At least 50% of the total contribution must be made by 31 July, while the remaining balance must be paid no later than 30 November.

In practice, details of deadlines, contribution amounts and beneficiary account shall be announced annually by the competent People's Committee or the local Fund management authority.

As a result, employers should avoid relying on the fixed regulations or previous year's payment notice. This is particularly important for businesses operating in multiple provinces, where each locality may issue different payment notices, deadlines and remittance instructions.

Before making payment each year, it is therefore advisable to verify the latest official notice applicable to the locality in which the business operates.

Final Thoughts

Although the Provincial Natural Disaster Prevention and Control Fund represents a relatively small annual cost, it is nevertheless a recurring compliance obligation that employers should include within their statutory compliance review.
From Alitium's experience, compliance issues are rarely caused by the complexity of the calculation itself but rather these arise by simply overlooking the local notice.

Be aware of this annual compliance obligation, and ensure to note as part of your compliance regime to complete, and therefore employers can minimise risks while ensuring both the company and its employees fulfil their respective obligations.

For any further questions you may have, please reach out to us at vietnam@alitium.com

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