Staff Transfers in Vietnam:

What employers need to address when moving employees between legal entities

Altium
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
phuong.nguyen@alitium.com

Matthew Lourey
Chairman
mlourey@alitium.com

Vietnam | Singapore | Malaysia

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Understanding The Transfer of Employees Between Entities/Employers in Vietnam

Moving employees within corporate entities is often described as a staff transfer, however, that description can be misleading in Vietnam. A change to the employing entity is not merely an internal payroll or administrative adjustment: it changes the legal counterparty to the employment relationship and can affect contractual rights, statutory insurance, personal income tax, work authorisation, employee data and potential termination liabilities.

For foreign-invested groups, the issue commonly arises when a new subsidiary is established, a business operation is moved to another group company, an acquisition is integrated, or entities are merged or reorganised. The correct approach depends on the transaction that sits behind the proposed movement. It should therefore be designed before implementation, rather than documented retrospectively after employees have already begun working for another entity.

There is no general group-level employment transfer

Under the Labour Code 2019, an employment contract is between an employee and an identified employer. Companies under common ownership remain separate legal persons and, in most cases, separate employers. A group announcement, payroll instruction or internal assignment letter does not by itself replace one employing entity with another.

It is also important to distinguish a permanent move to another company from a change in role or workplace under the same employer. An amendment may be sufficient where the legal employer remains unchanged and the parties agree to revise contractual terms. The Labour Code provisions permitting a temporary assignment to different work are not a general mechanism for permanently moving an employee to another group entity.

The principal transition routes

The legal route should be matched to the underlying facts. The following framework is a useful starting point, but transaction-specific advice remains necessary.

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Scenario	Likely legal route	Priority issues
Change within the same legal employer	Agreement to amend the existing employment contract or a replacement contract with the same employer.	Confirm the employee's consent where contractual position, duties, salary or workplace changes. Align payroll, internal policies and insurance records.
Move to a sister or newly established group company	Usually a consensual termination with Employer A and a new employment contract with Employer B. A tripartite agreement may coordinate the steps and agreed continuity protections.	Settle Employer A's obligations; document any recognition of prior service, leave, bonus and benefits; register Employer B for payroll and statutory insurance purposes.
Merger, consolidation, division, separation, asset or business transfer	Apply the transaction-specific provisions of the Labour Code, including Articles 43 and 44 where the transaction affects employees, and prepare a labour utilisation plan where required.	Identify employees to be retained, retrained, moved or made redundant; consult the employee representative organisation where applicable; allocate liabilities between the parties.
Temporary support across group entities	A genuine secondment or services arrangement may be possible, but the original employer should remain the substantive employer and the arrangement must reflect actual supervision and payroll practice.	Define direction and control, cost recharge, workplace safety, confidentiality, tax and data responsibilities. Avoid creating an undocumented de facto employment relationship.

A tripartite agreement can be commercially useful when an employee, the outgoing employer and the incoming employer need to record a coordinated transition. However, the document should specify what each party is agreeing to; it should not assume that group ownership automatically novates the original employment contract or transfers all historic liabilities.

Continuity of service must be deliberately addressed

Where employment with one entity ends and a new contract begins with another, statutory and contractual entitlements do not all move in the same way. The parties should separately consider recognition of prior service, annual leave, contractual bonuses, long-service benefits, private health insurance, equity or incentive plans, probation, notice periods and internal seniority.

If the incoming employer agrees to recognise previous service, the documentation should explain the purpose and limits of that recognition. For example, recognition for annual leave or internal benefits does not necessarily mean that every historic liability of the outgoing employer has been assumed. Ambiguous promises of 'continuous employment' can create disputes later, particularly on termination, retirement or a subsequent sale of the business.

Termination, final settlement and severance exposure

For an ordinary move between sister companies, the outgoing employment relationship is commonly ended by mutual agreement. The outgoing employer should calculate salary, unused leave and other amounts due, issue the required employment and insurance records, and complete payment within the statutory timeframe under Article 48 of the Labour Code, subject to the limited cases where a longer period is permitted.

Severance should not be treated as a simple function of total service. Under Article 46, the calculation broadly considers qualifying service with the employer after deducting periods covered by unemployment insurance and periods for which severance or redundancy allowance has already been paid. Historic service records therefore need to be checked rather than assumed. The transaction documents should also allocate responsibility for any liabilities that are retained, paid out or expressly assumed by the incoming employer.

Payroll, statutory insurance and personal income tax

The outgoing entity should report the employee's reduction from its compulsory social, health and unemployment insurance participation, while the incoming entity should register the corresponding increase from the appropriate date. This is a transfer of reporting responsibility between employers, not the closure of the employee's personal insurance history. Timing should be coordinated to avoid duplicate contributions, gaps in health-insurance coverage or inconsistencies in the employee's electronic record.

Personal income tax also requires a controlled handover. Each employer remains responsible for withholding and reporting the income it pays. The employee's personal tax identification number remains with the individual; it is not closed because the employer changes. Where an employee receives income from more than one payer during the tax year, the parties should review annual finalisation and authorisation eligibility rather than assume that the incoming employer can automatically finalise all income on the employee's behalf.

The transition is also an opportunity to test whether the payroll package is compliant in substance. Salary components, allowances, benefits in kind, overseas payments, shadow payroll, dependent registrations and the basis for statutory contributions should be reconciled before data is migrated to the new payroll.

Foreign employees require a separate review / action for work permits

For expatriate employees, a change of employing entity can affect the legal basis on which the individual works in Vietnam. Work permits, work-permit exemptions, sponsorship arrangements and temporary residence documentation are generally linked to identified employment and assignment circumstances. Decree 219/2025/ND-CP should be reviewed before the new arrangement starts; a group relationship between the two companies does not remove the need to confirm the correct procedure.

Groups should also assess whether an individual is genuinely becoming an employee of the incoming entity, remaining employed offshore under an intra-group assignment, or working under a combination of local and overseas arrangements. The contracts, payroll, tax filings and immigration position need to tell the same story.

Employee data cannot simply be copied across the group

A transition typically involves transferring identity documents, bank details, salary history, health information, performance records and sometimes disciplinary material. From 1 January 2026, Vietnam's Law on Personal Data Protection (Law No. 91/2025/QH15), together with Decree 356/2025/ND-CP, provides the principal framework for this processing. Reliance solely on Decree 13/2023/ND-CP is therefore no longer an adequate statement of the current framework.

Before transferring personnel files, the parties should identify their roles in the processing activity, the lawful basis and notices or consents relied upon, the data that is genuinely necessary, retention periods, security measures, access rights and any cross-border transfer implications. Sensitive personal data should receive particular attention. A broad assumption that all group companies may freely share employee records creates avoidable regulatory and employment risk.

Documentation should follow the transaction, not conceal it

A defensible file should allow a third party to understand what occurred, when it occurred and which entity accepted each obligation. Depending on the structure, the record may include board or management approvals, employee communications, consultation records, a labour utilisation plan, mutual termination agreements, a tripartite transition agreement, final-settlement calculations, new employment contracts, insurance filings, tax handover schedules, work-authorisation documents and data-processing records.

Consistency is critical. The effective dates in the legal documents should match payroll cut-off dates, insurance declarations, work-permit records, internal system access and the date on which management and supervision actually change. Misaligned records often become visible only during a labour inspection, employee dispute or buyer due diligence, when remediation is more expensive and leverage has shifted away from the employer.

A practical implementation sequence

1. **Define the underlying transaction.** Confirm whether this is an internal role change, a consensual move to a separate employer, a statutory restructuring, or a genuine secondment.
2. **Map the employee population**. Identify contract types, service history, leave and bonus balances, insurance participation, foreign-worker status, protected categories and key-person dependencies.
3. **Allocate liabilities and continuity commitments.** Decide what will be paid by the outgoing employer, assumed by the incoming employer or preserved as a specific employee benefit.
4. **Prepare the legal and operational documents together.** Align contracts, employee communications, payroll, insurance, tax,

immigration, data and system-access workstreams around one effective-date plan.
5. **Reconcile after implementation.** Confirm that final payments, new payroll, insurance records, PIT reporting and personnel files agree with the approved structure.

Why this matters beyond immediate compliance

Poorly structured transfers can leave both entities exposed: the outgoing entity may retain unpaid or undocumented liabilities, while the incoming entity may direct and benefit from an employee without a sound contractual foundation. Employees may challenge lost service, leave or incentive rights, and foreign employees may face work-authorisation complications.

The same weaknesses regularly surface in transactions. Unclear termination dates, unsupported continuity promises, incomplete insurance histories and inconsistent payroll records can result in remediation requirements, specific indemnities, purchase-price adjustments or delay to integration. A well-designed transition therefore protects not only legal compliance, but also employee confidence, operational continuity and future transaction readiness.

How Alitium can assist

Alitium supports foreign-invested businesses in Vietnam with the legal, tax, payroll and HR coordination required for employee transitions. This includes assessing the appropriate transition structure; preparing labour utilisation plans, tripartite arrangements, termination documents and new employment contracts; reviewing severance and benefit continuity; coordinating statutory insurance and PIT handover; assessing foreign-worker implications; and aligning employee-data processing with Vietnam's current personal-data protection framework.

The most effective approach is to bring these workstreams together before the proposed effective date. That allows the legal documentation, employee message and administrative implementation to support the same commercial outcome.

For any further questions or assistance, please reach out to us at vietnam@alitium.com

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