1. OT

- Taxation

Accordingly to VN legislation, the premium part of overtime will be taxable, therefore when calculate the amount paid to employee, processing class 64 will be used for below overtime calculation. It will automatically treat the premium part as taxable, and the rest of overtime as non- taxable.

- Overtime Wagetypes

|  |  |  |  |
| --- | --- | --- | --- |
|  | **OT Wage Types** | **Taxable** | **Non Taxable** |
| 2T15 | Overtime 150% | Hourly Rate /001\*100%\* OT Hours | Hourly Rate /001\*50%\*OT Hours |
| 2T19 | Overtime 195% | Hourly Rate /001\*100%\* OT Hours | Hourly Rate /001\*95%\*OT Hours |
| 2T20 | Overtime 200% | Hourly Rate /001\*100%\* OT Hours | Hourly Rate /001\*100%\*OT Hours |
| 2T26 | Overtime 260% | Hourly Rate /001\*100%\* OT Hours | Hourly Rate /001\*160%\*OT Hours |
| 2T30 | Overtime 300% | Hourly Rate /001\*100%\* OT Hours | Hourly Rate /001\*200%\*OT Hours |
| 2T39 | Overtime 390% | Hourly Rate /001\*100%\* OT Hours | Hourly Rate /001\*290%\*OT Hours |

1. Insurance:

|  |  |  |  |
| --- | --- | --- | --- |
| **Insurance Type** | **Insurance Scheme Text** | **ER % Contribution** | **EE % Contribution** |
| 01 | Compulsory Social Insurance | 16 | 6 |
| 03 | Unemployment Insurance | 1 | 1 |
| 04 | Health Insurance | 3 | 1.5 |

2.1 If emplyee hires from 1st to 15th of the month, employee SS contribution will be paid in hiring month based on full month SS base.

2.2 If employee hires from 16th to 31st of the month, employee SS contribution will only start from following month. There is no retro calculation for previous hiring month.

2.3 If emplyee’s last working day is from 1st to 15th of the month, employee will not have SS contribution for termination month.

2.4 If emplyee’s last working day is from 16th to 31st of the month, employee will be subjected to SS contribution in termination month.

Tax Rate:

Different value combination in each field of info type 9520 will result in different tax rate.

For example if IBM provide the master data in IT9520 as combination of B, it will result in 10% tax rate. If as combination of C or D, it will result in 20% flat rate. If data provided as combination A, it will calculate as progressive tax rate. IBM needs to send the data carefully, otherwise the tax calculation will be wrong.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **ADP Fields** | **Combination A** | **Combination B** | **Combination C** | **Combination D** |
| Nature Of Person | Resident | Resident | Resident Without Tax Code | Non-Resident |
| Nationality | Vietnamese | Vietnamese | Vietnamese | Foreigner |
| Employment Category | Labour Contract | Without Labour Contract | Without Labour Contract | Labour Contract |
| **Result** | **Progressive Tax Rate** | **10% Flat Rate** | **20% Flat Rate** | **20% Flat Rate** |

**6. Year End Tax Calculation:**

SAP system can only do year end finalization once a year. IBM wants to do it in Jan of each year.

SAP will recalculate tax for all employees including new hire but excluding terminated employees, new hire and terminated employees will be included into 05/KK-TNCN report. If IBM doesn’t want ADP to do year end calculation for any EE, IBM has to ticket “direct filing” field in IT9520.

Step 1: Calculate Annual YTD Taxable Earnings (Jan to Dec)

Step 2 : Minus Annual YTD Taxpayer Deduction(Jan to Dec)

Step 3:: Minus Annual YTD Dependent Deduction (Jan to Dec)

Step 4: Get Annual Taxable Income After Deduction

step 5: Calculate tax amount based on step 4 result to get Annual Actual Tax Step 6: : Compare Step 5 result with YTD Paid Tax to get Tax Refund Or Collection

Please noted that ADP will not deduct social insurance after step 3 because the taxable income in step 1 already reduce the social insurance amount.

After year end tax calculation, in Jan next year, if client put any back dated amount in last year, the retro taxable income will not cause year end tax recalculation. It will be brought over to Jan and added on top of Jan taxable income.