

## LEGAL UPDATES ON COMPULSORY SOCIAL INSURANCE AND HEALTH INSURANCE

### 1. Adjusting the capped salary subject to compulsory social insurance ("SI") and health insurance ("HI") contributions effective as of May 1, 2016

Under Resolution No. 99/2015/QH13, with effect from May 1, 2016, the basic wage has increased from VND1, 150,000/month to VND1, 210,000/month (an increment of 5%).

With an increase in the basic wage to VND1, 210,000/month, the salary subject to compulsory social insurance and health insurance contributions has increased accordingly. Specifically, the capped salary base subject to compulsory social insurance and health insurance contributions as of May 1, 2016 shall be VND24, 200,000/month (equal to 20 times the basic wage).

While it is expected that detailed guidance will be issued soon by the Government, Social Insurance authority, we would suggest Companies update the adjusted salary subject to SI and HI contributions for the payroll period of May 2016.

### 2. Providing implementation guidance regarding a number of articles on the voluntary SI scheme in the SI Law:

Circular No. 01/2016/TT-BLĐTBXH issued on February 18, 2016 provided guidance on the implementation of the voluntary SI scheme in the SI Law as below:

## 2.1 Persons subject to voluntary SI:

- Before January 1, 2018, employees working under labor contracts (LC) with a term of less than 03 months;
- From January 1, 2018 onwards, employees working under LC with a term of less than 01 month;
- Domestic workers;
- Employees reaching retirement age but not meeting the condition of having made sufficient SI contributions to enjoy SI pension benefits in accordance with the regulations of the SI law;
- Farmers and self-employed individuals who create jobs to earn a living for themselves and their family;
- Persons working part-time in hamlets, villages, residential groups, areas and quarters;
- Members of cooperatives working in cooperatives and unions of cooperatives but not entitled to salary or remuneration;
- Persons participating in production activities, doing business and performing services without salary;
- Other individuals.

## 2.2 Level of one-off SI benefit:

- 1.5 months of the average monthly salary subject to SI contributed before 2014 and 2 months of the said salary contributed from 2014 onwards.
- Where the SI contribution interval for enjoying one-off SI benefit is of pro-rated months, the period from 01 month to 06 months shall be counted as a half year; the period from 07 months to 11 months shall be counted as one year.
- Where SI contributions have been made for periods both before and after January 1, 2014, where the period before January 1, 2014 consisted of pro-rated months, these months are transferred to and added on to the later period for calculating the one-off SI benefit.

Circular No. 01/2016/TT-BLĐTBXH took effect on April 4, 2016. However, the schemes regulated in this Circular have been applied since January 1, 2016.