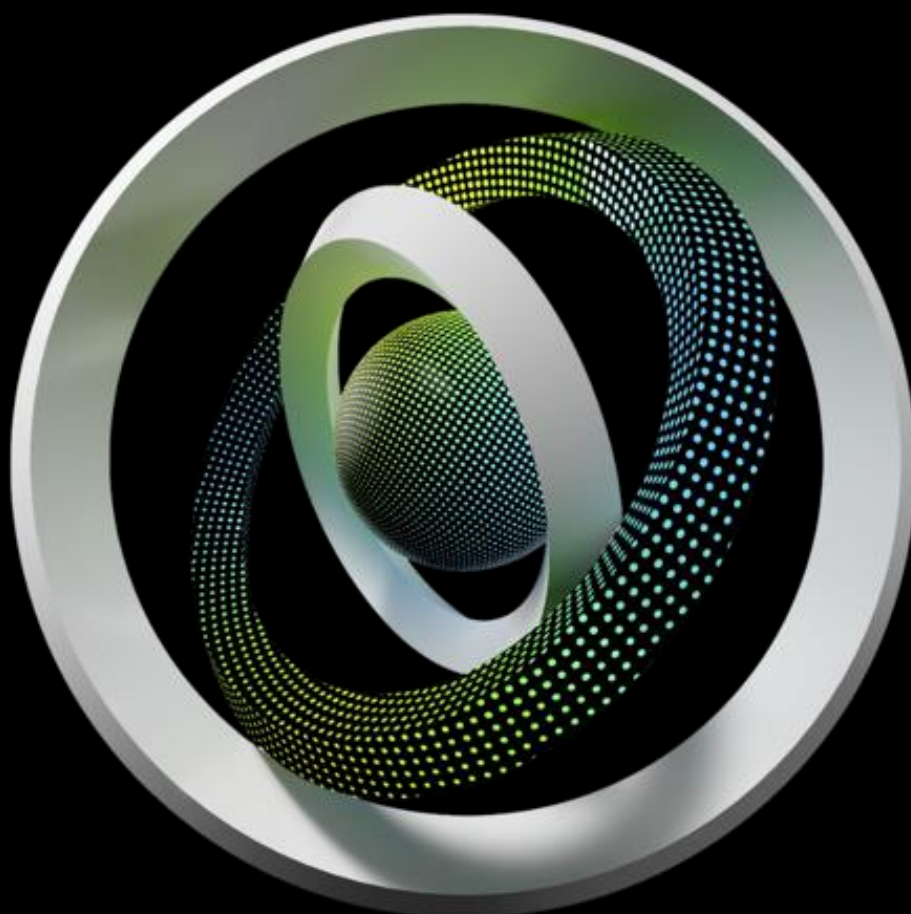


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## TAX ALERT

Guidance on implementation of some articles  
in the Agreement on Social Insurance  
between Vietnam and South Korea

April 2024



## Guidance on implementation of some articles in the Agreement on Social Insurance between Vietnam and South Korea

According to Notice No. 50/2023/TB-LPQT issued by the Ministry of Foreign Affairs on 22<sup>nd</sup> December 2023, the Agreement between the **Government of the Socialist Republic of Vietnam** and the Government of the **Republic of Korea** on Social Insurance (“SI”) (“the Agreement”) has officially taken effect from **1<sup>st</sup> January 2024**.

This is the first bilateral agreement between the two countries regarding the subject of SI, and also the first bilateral agreement on SI between Vietnam and another jurisdiction.

The primary objective of this Agreement is to facilitate the movement of labor between Vietnam and Korea while ensuring equitable treatment for Vietnamese and Korean employees within each other's territories, aligning with the standards applied to host country citizens in terms of legal requirements and SI benefit. Particularly, under this Agreement, employees from both countries who move to work in the other country will be entitled to participate in the SI schemes of either nation (depending on each subject of employee). Furthermore, provisions are outlined to prevent the duplication of social insurance payments, and upon the end of the SI participation period, as per the respective legislations of both nations, the periods of participation in SI in both Vietnam and Korea will be accumulated to determine eligibility for SI benefit entitlements.

To facilitate the effective application and implementation of the Agreement by both employers and employees, the Vietnam Social Insurance Agency (“Vietnam SI Agency”) recently issued the Official Letter No. 862/BHXH-TST (“OL”) on 29<sup>th</sup> March 2024, providing guidance on some articles of the Agreement.

Below are some key points in the OL:



### Applicable subjects in the Agreement

#### 1. Assignees (\*):

- Vietnamese employees working for employers which have registered establishment in Vietnam and participate in SI scheme according to Vietnamese laws, such employees are assigned by the employers to:
  - ✓ Work on behalf of the employer in Korea's territory;
  - ✓ Work at a branch or subsidiary of a Vietnamese company in Korea.
- Korean employees assigned by Korean employers to work in Vietnam similarly to Vietnamese employees being assigned to work in Korea.

(\*): Applicable duration of assignment: **The first 60 months** from the assignment date (the assignment extension can be up to **maximum of 36 months** if the employee continue working for that employer)

#### 2. Local-hired employees:

- Vietnamese citizens temporarily residing in Korea's territory and being hired to work in Korea: are subject to the National Pension Laws of Korea.
- Korean citizens temporarily residing in Vietnam's territory and being hired to work in Vietnam: are still subject to the National Pension Laws of Korea during their employment for no more than 60 months provided that such employees are governed by Korean laws.

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## Guidance on implementation of some articles in the Agreement on Social Insurance between Vietnam and South Korea



### Issuance and reception of “Certificates of Social Insurance subjects”

	Issuance of SI Certificate	Reception of SI Certificate
	<i>For the purpose of SI exemption in Korea</i>	<i>For the purpose of SI exemption in Vietnam</i>
<b>Subjects</b>	Vietnamese assignees who meet the conditions regarding assignment duration	Korean assignees, local-hired employees
<b>Dossier of application</b>	<p><b>For employees:</b></p> <ul style="list-style-type: none"> <li>Assignment decision;</li> <li>Form TK1-TS (applied to first-time participants or those already having SI code but missing information).</li> </ul> <p><b>For dispatching-entity:</b></p> <ul style="list-style-type: none"> <li>Form TK3-TS;</li> <li>Documentation proving the entity’s legal presence in Korea (in the case the Vietnamese employees are assigned to work at a branch or subsidiary of a Vietnamese company in Korea);</li> <li>Labor utilization report and list of compulsory insurance participants.</li> </ul>	<p><b>For employees:</b></p> <ul style="list-style-type: none"> <li>Original SI Certificate issued by the National Pension Service of Korea ("NPS");</li> <li>Form TK1-TS (applied to local-hired employees).</li> </ul> <p><b>For entity:</b></p> <ul style="list-style-type: none"> <li>Form TK3-TS;</li> <li>Labor utilization report and list of compulsory insurance participants.</li> </ul>
<b>Procedures</b>	<ul style="list-style-type: none"> <li>Employees to submit dossier to the entity;</li> <li>The dispatching-entity to verify the information and submit the dossier of application to Vietnam SI Agency;</li> <li>Vietnam SI Agency to receive, verify, proceed and issue the certificate.</li> </ul> <p><b>Processing time: no more than 05 days from the date of receiving sufficient documents as required.</b></p>	<ul style="list-style-type: none"> <li>Employees to submit dossier to the entity;</li> <li>The entity to verify the information and submit the dossier of application to Vietnam SI Agency;</li> <li>Vietnam SI Agency to receive, verify, proceed and key-in data into the system for implementation of SI contribution exemption.</li> </ul> <p><b>Processing time: no more than 05 days from the date of receiving sufficient documents as required.</b></p>

### Regarding insurance benefits:

The Agreement allows the accumulation of employees’ SI participation periods in both countries without the duplication, as the basis for benefit calculations as stipulated by laws. The precise computation of such benefits will be determined in accordance with the regulations of each respective country, unless expressly specified otherwise in the Agreement.

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## Guidance on implementation of some articles in the Agreement on Social Insurance between Vietnam and South Korea



### Terminating SI contribution and confirming SI participation period for Vietnamese employees working in Korea under contract

#### 1. Subjects terminating SI contributions:

- Employees working in Korea under a contract with enterprises operating **in the business of dispatching employees to work abroad**, public non-business organizations allowed to dispatch employees to work abroad;
- Employees working in Korea under a contract with enterprises dispatching employees to work in form of upskilling the internship;
- Employees working in Korea under individual contract.

#### 2. Effective date for termination of contribution:

From 1<sup>st</sup> January 2024.

#### 3. Dossiers for termination:

- **For employees (in case of direct contribution to Vietnam SI Agency before working abroad):**
  - ✓ Form TK1-TS (clearly stating "terminate SI contributions to participate in SI in Korea");
  - ✓ Copy of the definite-term labor contract (LC) in Korea.

- **For entities (in case the employees contribute SI through the entities):**

- ✓ Form TK3-TS (clearly stating "list of employees terminating SI contributions in Vietnam");
- ✓ Copy of the definite-term labor contract in Korea;
- ✓ Labor utilization report and list of compulsory insurance participants under Form D02-LT.

#### 4. In case the employees are entitled to the contribution termination but already contributed from 1st January 2024:

Vietnam SI Agency will refund the amount contributed since 1<sup>st</sup> January 2024 according to the regulations.

#### 5. After receiving the documentation, Vietnam SI Agency will:

- ✓ Stop collecting SI contributions;
- ✓ Confirm the period of SI participation;
- ✓ Return the loose-leaf recording SI contribution;
- ✓ Refund the contributed amount (if any).

### Deloitte recommendations

Organizations and individuals should clearly understand the regulations and procedures on implementing the Agreement, as well as the related rights and obligations of employees and employers, thereby:

- **Review the cases of Korean employees working at organizations or Vietnamese employees being assigned to work in Korea** to identify those who qualify the conditions under the Agreement;
- Collect documents and information from the applicable employees;
- Review the documents provided by the employees, prepare dossier of application as required from the employer's end;
- Submit the dossier of application to the Vietnam SI Agency to apply for the Certificates of Social Insurance subjects for the relevant employees.

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