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## TAX ALERT

Draft Decree regulating the regional minimum wage for employees working under employment contract

May 2024



## Draft Decree regulating the regional minimum wage for employees working under labor contract

### 1. General information about the Draft Decree regulating the regional minimum wage

The Ministry of Labor, Invalids, and Social Affairs has announced and officially proposed the Draft Decree for the Government's approval, which regulates the minimum wage levels applicable to employees under labor contracts. The issuance and effectiveness of this Decree are planned for **July 1, 2024**, replacing the current Decree No. 38/2022/ND-CP, which has been in effect since July 1, 2022.

#### For application:

- For employees paid on a monthly or hourly basis, the minimum monthly or hourly wage serves as the basis for agreements and payments.
- For employees paid weekly, daily, by piece-rate work, or in lump sums, the wage amount of these payment forms, when converted to monthly or hourly rates, must not be lower than the stipulated minimum monthly or hourly wage.

### 2. Details of the Draft Decree

#### a. Adjust the regional minimum wage with an average increase of 6% compared to the current rates

Region	Minimum wages per month (VND/month)		Minimum wages per hour (VND/hour)		Salary cap for unemployment insurance contribution (VND/month)	
	Current amt	New amt	Current amt	New amt	Current amt	New amt
I	4,680,000	4,960,000	22,500	23,800	93,600,000	99,200,000
II	4,160,000	4,410,000	20,000	21,200	83,200,000	88,200,000
III	3,640,000	3,860,000	17,500	18,600	72,800,000	77,200,000
IV	3,250,000	3,450,000	15,600	16,600	65,000,000	69,000,000

#### b. Adjust the regional classifications for certain districts, provinces, and cities, which will result in an increase in the minimum wage for employees working in these areas, with an average increase of about 20% compared to the current rate.

Province	Region II -> Region I	Region III -> Region II	Region IV -> Region III
Quang Ninh	Quang Yen district, Dong Trieu district, Uong Bi city, Mong Cai city		
Thai Binh		Thai Binh city	Thai Thuy district, Tien Hai district
Thanh Hoa		Thanh Hoa city, Sam Son city, Nghi Son district, Bim Son district	Districts: Trieu Son, Tho Xuan, Yen Dinh, Vinh Loc, Thieu Hea, Ha Trung, Hau Loc, Nga Son, Hoang Hoa, Nong Cong
Khanh Hoa		Ninh Hoa district	
Soc Trang		Soc Trang city	
Ninh Thuan			Ninh Phuoc district

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### Deloitte's recommendations

Businesses should consider taking the following preparatory steps to be ready for implementation once the Draft Decree is approved:

- Review the list of employees working at headquarters, branches, and business units whose monthly salaries may be affected by the issuance of the Decree to identify those impacted and plan appropriate implementation measures, including:
  - *Employees whose monthly wages will be increased to the regional minimum wage level;*
  - *Employees whose unemployment insurance contribution amounts may change due to salary cap adjustments, if applicable;*
  - *Employees experiencing salary changes due to adjustments in their applicable regions according to the new Decree.*
- Estimate the incurred costs, including salary and mandatory insurance contributions, resulting from the increase in the regional minimum wage effective July 1, 2024. These estimates should apply to both current and new employees for HR purposes.
- Prepare for drafting adjustments and supplements to documents related to employee contracts, collective labor agreements, and internal labor policies/regulations in anticipation of the new Decree taking effect. Please note that any agreed schemes that are more beneficial to employees may continue, except for other agreements (including the agreement to pay employees undergoing training a wage that is 7% higher than the regional minimum salary).

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