

## ALERT ON LABOR MANAGEMENT

### Update on Vietnam Government's responses to Labor issues relating to Covid-19 situation

06 April 2020



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#### IMMIGRATION

In order to prevent the spread of Covid-19, the Government of Vietnam has put in place a number of measures to restrict travel. In particular to:

- Suspend the issuance of new work permits to foreign employees from countries and territories affected by the Covid-19 epidemic.
- Suspend visa issuance for all travelers for a period of 30 days starting from 00h on 18 March 2020.
- Suspend the arrival of foreigners starting from 00h on 22 March 2020.

The extension of visas (1 to 3 months) and work permits is possible but restricted. These suspensions are valid until further notification from the labor management authorities.

#### PERSONAL INCOME TAX ("PIT")

- On 03 April 2020, the Ministry of Finance has proposed to the Government a draft Decree to extend tax payment deadline including PIT for business individuals/household taxpayers doing business in certain economic sectors impacted by Covid-19. Accordingly, the payment deadline for such PIT incurred during 2020 is extended to 31 December 2020 and late payment interest is waived. Eligible taxpayers are required to send a written request for deferral to Tax authorities no later than 30 July 2020.
- On 03 April 2020, the National Assembly Standing Committee has drafted Resolution to increase family circumstance deductions for PIT purpose, including:
  - ✓ Increase personal allowance from VND9mil to VND11mil/month; and
  - ✓ Increase dependent allowance from VND3.6mil to VND4.4mil/monthThis draft Resolution is expected to be approved within April 2020 and applicable since 2020.

We will keep you updated with further details upon the official issuance of the Decree and the Resolution

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#### SOCIAL INSURANCE

On 17 March 2020, Vietnam Social Insurance Agency issued Official Letter No. 860/BHXH-BT to suspend the collection of retirement and survivorship insurance fund contributions (22%) for a certain number of enterprises impacted by Covid-19 who have SHI-contributing employees have to temporarily leave their jobs accounting for 50% or more of the total labour force before temporary cease of business activities due to pandemic, or having losses accounting to more than 50% of total assets value (excluding value of land or land-use-rights). Such enterprises will retrospectively contribute to the pension and retirement fund after the suspension.

The applicable period is up to June 2020 and may be extended until December 2020 if the epidemic does not recede.

The qualified enterprises are required to submit dossiers to request this suspension of contributions.

#### OTHER ISSUES

##### Employees' wage paid for the suspension period

- In case the employees have to suspend work because of Covid-19, the employees' wage paid for the suspension period shall be the rate agreed by the two parties but it must not be less than the prevailing region-based minimum wage rates.
- Depending on the level of difficulties, the employer may temporarily assign an employee to perform a different job, or make agreement with the employee on suspension of the labor contract, or unilaterally terminate labor contracts (with proper rationale for business downsizing).

### WHAT ENTERPRISE SHOULD DO

- For employers having foreign employees, there may be limited opportunities for them to enter Vietnam. It is advised to keep assignment start dates flexible until further advice from the authorities and to ensure the required PIT obligations are complied with.
- Enterprises should assess their eligibility for the tax deadline extension and/or suspension of insurance contributions to reduce financial difficulties during the treatment period.
- Most businesses are impacted by Covid-19 with certain sectors, e.g. transportation, tourism, hotel, textiles being particularly impacted. Enterprises should prepare their plans regarding human resources under various scenarios.
- Employers will face difficulties with human resources arising from restricted travel/social isolation, etc., which will impact their business. It is recommended that employers should be well-prepared not only with respect to the business plan but also the relationship between employer/employees in case of a disease outbreak.

### WHAT DELOITTE CAN SUPPORT

Deloitte Vietnam's specialists can provide practical and hands-on support, in the following areas, including but not limited to:

- Keeping you updated on the further guidance from the relevant authorities;
- Review and provide advice on PIT obligations for both employer and the foreign employees who might be impacted by Covid-19;
- Continue to support with the extension of visa/work permit for those expatriates still working in Vietnam;
- Assist to assess the eligibility of the enterprises to enjoy the tax deadline extension and the suspension of insurance contribution as well as preparation of dossiers;
- Review and provided advice on labor issues due to Covid-19, e.g. severance/job-loss allowance and tax related matters, relationship between employers and employees, the agreement between employers and employees on work suspension, etc.



#### Contact us

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