

# Tax Alert

January 2017



## **New minimum regional salary effective from 1 January 2017 and its impact on Unemployment Insurance (“UI”) contribution**

**According to Decree 153/2016/ND-CP (“Decree 153”) of the Government dated 14 November 2016 effective from 1 January 2017, the minimum regional salary applicable for Vietnamese employees working under labor contracts will increase.**

- ▶ Details of new minimum regional salary regulated by Decree 153 are as follows:
  - VND 3,750,000/month for enterprises operating in Region I
  - VND 3,320,000/month for enterprises operating in Region II
  - VND 2,900,000/month for enterprises operating in Region III
  - VND 2,580,000/month for enterprises operating in Region IV
  
- ▶ Consequently, the cap for UI contribution, which is calculated at 20 times the minimum regional salary, also increases. However, this change will only impact the UI contributions for employees whose salary base for UI contribution already exceeds the former cap and the UI cost of the enterprises for this group.
  
- ▶ Social Insurance (“SI”) contribution and Health Insurance (“HI”) contribution, however, remain unchanged until a new minimum base salary takes effect. As per Resolution No. 27/2016/QH14 dated 11 November 2016, the National Assembly has approved increasing the minimum base salary from 1,210,000VND/month to 1,300,000/month from 1 July 2017. It is expected that the Government will issue a new Decree to provide official guidance for implementation soon.

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APAC No. 16000302  
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