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## **LEGAL UPDATES - FIGHTING COVID-19 SUPPORTIVE MEASURES FOR EMPLOYEES AND ENTERPRISES IN VIETNAM**

The current novel coronavirus (Covid-19) outbreak, which began in December 2019, presents a significant challenge for the entire world. Vietnam has declared COVID-19 nationwide epidemic. Measures to curb the spread of the coronavirus such as travel restrictions, events cancellation, and prohibition on gatherings have cut manufacturing and domestic demand sharply in Vietnam. The Vietnam Government has, however, been acting decisively and unveiled measures for employees and enterprises, addressing concerns essentially about economic implications as well as ensuring business continuity.

In the Legal Updates, we continue to address frequently asked questions from employers across industries in light of the continuing Covid-19 crisis. As the situation continues to evolve, we will further update our guidance as appropriate.

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## EMPLOYMENT

### Labour restructuring

Covid-19 pandemic is having an enormous impact on the employment relationships. Employers have to address the ability to maintain employment relationships or make layoff decisions. As temporary measures, the following can be take into account:

- (1) reducing working hours and/or salary; or applying unpaid leaves, as for the existing work positions;
- (2) assigning employees to different jobs;
- (3) temporarily ceasing work; or
- (4) temporarily suspending the performance of employment contracts.

It is required to comply with provisions under the Labour Code on new wage, new employment term, advance notification and other requirements. Please refer to the table 1 below for more details on financial liabilities.

### Contributions to compulsory funds

#### 1. Contributions to retirement and survivorship funds (22%)

Enterprises may apply for delay in contribution to retirement and survivorship funds until 30 June 2020 (extended to 31 December 2020 depending on development of Covid-19 pandemic), without late payment interest, in case where<sup>1</sup>

- 1.1. enterprises engage in passenger transport, tourism, accommodation, restaurants and other special industries;
- 1.2. due to the Covid-19 pandemic, the business is suspended;
- 1.3. due to the Covid-19 pandemic,
  - (a) the numbers of employees participating in social insurance that must temporarily cease to work constitutes at least 50% of the total numbers of employees at the time before business suspension; or
  - (b) enterprises suffer from loss value of which is more than 50% of the total value of assets (excluding the value of land use right).

**2. Contributions to other compulsory funds (10%).** During the aforesaid delay time under Item (1), enterprises are required to maintain their contributions to other funds including sickness and maternity fund, labour accident and occupational disease fund, health insurance fund and unemployment insurance fund<sup>2</sup>.

**3. Contributions to trade union fund.** Enterprises may delay in making contributions to the trade union fund until 30 June 2020 (extended to 31 December 2020 depending on development of COVID-19 pandemic) in case where at least 50% of employees participating in the compulsory social insurance temporarily cease to work due to COVID-19 pandemic.<sup>3</sup>

<sup>1</sup> Official Letter No. 797/LDTBXH-BHXH dated 09 March 2020 of the Ministry of Labour, Invalids and Social Affairs; Official Letter No. 860/BHXH-BT dated 17 March 2020 of Vietnam Social Security

<sup>2</sup> Official Letter No. 797/LDTBXH-BHXH dated 09 March 2020 of the Ministry of Labour, Invalids and Social Affairs; Official Letter No. 860/BHXH-BT dated 17 March 2020 of Vietnam Social Security

<sup>3</sup> Official Letter No. 245/TLD dated 18 March 2020 of Vietnam General Confederation of Labour

**Table 1 - Financial liabilities in certain cases**

	Quarantined employees (with or without reducing working hours/salary or assigning to different jobs or unpaid leaves)		Affected employees	Ordinary employees (with or without reducing working hours/salary or assigning to different jobs)		Any employees	Any employees	Any employees
	Able to work	Not able to work	Under treatment Not able to work	Working at office	Working from home	Temporarily ceasing work <sup>4</sup>	Temporarily suspending the performance of labour contracts <sup>5</sup>	Unilaterally terminating labour contracts with causes <sup>6</sup>
Mutual agreements with employees on amendments/termination of labour contracts	<ul style="list-style-type: none"> <li>Reducing working hours/salary: Yes</li> <li>Assigning to different jobs: Yes if the assignment exceeds accumulative 60 days a year<sup>7</sup></li> </ul>	<ul style="list-style-type: none"> <li>Reducing working hours/salary OR unpaid leaves: Yes</li> <li>Assigning to different jobs: Yes if the assignment exceeds accumulative 60 days a year<sup>8</sup></li> </ul>	No Must comply with order of the Government	<ul style="list-style-type: none"> <li>Reducing working hours/salary: Yes</li> <li>Assigning to different jobs: Yes if the assignment exceeds accumulative 60 days a year<sup>9</sup></li> </ul>	<ul style="list-style-type: none"> <li>Reducing working hours/salary: Yes</li> <li>Assigning to different jobs: Yes if the assignment exceeds accumulative 60 days a year<sup>10</sup></li> </ul>	Yes	Yes	No

<sup>4</sup> Article 98(3) of Labour Code No. 10/2012/QH13

<sup>5</sup> Article 32(5) of Labour Code No. 10/2012/QH13

<sup>6</sup> In case where

(a) the employee is ill or injured and remains unable to work after having received treatment for a period of 12 consecutive months in the case of an indefinite term labour contract, or 6 consecutive months in the case of a definite term contract, or more than 1/2 the duration of the contract in the case of a seasonal or specific job labour contract with a duration of less than 12 months, pursuant to Article 38(1)(b) of Labour Code No. 10/2012/QH13;

(b) as a result of a natural disaster, fire or for any other reason of force majeure as prescribed by law, the employer, despite having taken all necessary measures to remedy the problem, still needs to narrow production and reduce the number of jobs, pursuant to Article 38(1)(c) of Labour Code No. 10/2012/QH13; and

(c) as a result of economic reasons pursuant to Article 44(2) of Labour Code No. 10/2012/QH13.

<sup>7</sup> Article 31 of Labour Code No. 10/2012/QH13

<sup>8</sup> Article 31 of Labour Code No. 10/2012/QH13

<sup>9</sup> Article 31 of Labour Code No. 10/2012/QH13

<sup>10</sup> Article 31 of Labour Code No. 10/2012/QH13

	Quarantined employees (with or without reducing working hours/salary or assigning to different jobs or unpaid leaves)		Affected employees	Ordinary employees (with or without reducing working hours/salary or assigning to different jobs)		Any employees	Any employees	Any employees
	Able to work	Not able to work	Under treatment Not able to work	Working at office	Working from home	Temporarily ceasing work <sup>4</sup>	Temporarily suspending the performance of labour contracts <sup>5</sup>	Unilaterally terminating labour contracts with causes <sup>6</sup>
Salary of employees	Paid by company	Paid by company <sup>11</sup>	Covered under the compulsory social insurance funds <sup>12</sup>	Paid by company	Paid by company	Paid by company	No	No
Contributions to the compulsory social, health, unemployment insurances	Yes	Yes (save for when employees do not work and enjoy salary for at least 14 days in a month <sup>13</sup> )	No <sup>14</sup>	Yes	Yes	Yes	No	No

<sup>11</sup> Article 98(3) of Labour Code No. 10/2012/QH13

<sup>12</sup> Article 25(1) of Law on Social Insurance No. 58/2014/QH13

<sup>13</sup> Article 85(3) of Law on Social Insurance No. 58/2014/QH13

<sup>14</sup> Article 42(5) of Decision No. 595/QĐ-BHXH dated 14 April 2017 of Vietnam Social Security on procedures for collection of contributions to social insurance, health insurance, unemployment insurance, occupational accident and occupational disease insurance; management of social insurance books and health insurance cards

**Table 2 - Regional minimum salary rates<sup>15</sup>**

<b>Regions</b> (applicable to enterprises in the relevant regions)	<b>Regional minimum salary rates</b>
<b>I</b> (e.g. Gia Lam District, Dong Anh District in Hanoi City; Cu Chi District, Hoc Mon District in Ho Chi Minh City; Vung Tau City in Ba Ria – Vung Tau Province)	VND4,420,000 per month
<b>II</b> (e.g. Hai Duong City in Hai Duong Province; Hue City in Thua Thien Hue Province; Nha Trang City in Khanh Hoa Province; Can Gio District in Ho Chi Minh City)	VND3,920,000 per month
<b>III</b> (e.g. Duc Trong District in Lam Dong Province; Sapa District in Lao Cai Province)	VND3,430,000 per month
<b>IV</b> (regions other than Region I, II and III)	VND3,070,000 per month

<sup>15</sup> Decree No. 90/2019/ND-CP dated 15 November 2019 of the Government stipulating the regional minimum wages applied to employees working under labour contracts

## BANKING LIABILITIES

Credit institutions and branches of foreign banks may apply the following 3 measures to their clients affected by Covid-19: rescheduling of loan repayment, exemption or reduction of interest and/or fees and maintenance of loan category.<sup>16</sup>

1. **Rescheduling of loan repayment** is applicable to principal balances and/or interest (including balances of loans governed by Decree No. 55/2015/ND-CP on credit policies to support agricultural and rural development) (i) arising from lending and financial leasing activities, (ii) of which the repayment of principal and/or interest is due within the period from 23 January 2020 until the date immediately following the end of 3 months from the declaration on elimination of Covid-19 by the Prime Minister and (iii) of which the clients are unable to repay the principal and/or interest on time as agreed due to decrease in revenues and incomes caused by Covid-19.

The above loan balances must fall into either of the following circumstances:

- 1.1 not becoming overdue yet or becoming overdue within 10 days from the due date as agreed in lending or financial leasing agreements; or
  - 1.2 becoming overdue (except for cases at Item 2.a above) within the period from 23 January 2020 until the date immediately following the end of 15 days from the effective date of this Circular. Total rescheduling time upon extension must not exceed 12 months from the expiry date of loan or financial lease tenure.
2. **Exemption or reduction of interest and/or fees** is applicable to loan balances (i) arising from credit extension activities (excluding purchase of and investment in corporate bonds), (ii) of which the repayment of principal and/or interest is due within the period from 23 January 2020 until the date immediately following the end of 3 months from the declaration on elimination of Covid-19 by the Prime Minister and (iii) of which the clients are unable to repay the principal and/or interest on time as agreed due to decrease in revenue and income caused by Covid-19.
  3. **Category of a loan** classified at the latest time prior to 23 January 2020 may be maintained in relation to loan balances subject to the rescheduling of loan repayment at Item 2 and the exemption or reduction of interest and/or fees at Item 3. Such loan balances also include any loan balance (a) rescheduled or (b) of which the interest has been exempted or reduced or (c) of which the loan category has been re-classified during the period from 23 January 2020 until the date immediately following the end of 15 days from the effective date of this Circular.

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<sup>16</sup> Circular No. 01/2020/TT-NHNN dated 13 March 2020 of the State Bank of Vietnam governing rescheduling of loan repayment, exemption or reduction of interest and/or fees and maintenance of loan categories by credit institutions and branches of foreign banks in order to support clients affected by Covid-19

## SERVICE FEES

1. **Securities Service Fees.** Governmental fees in relation to certain securities services at the Stock Exchanges and Vietnam Security Depository Center have been exempted (applied to initial public offering, stock lending, etc.) or reduced (applied to management of listed securities, trading of corporate bonds, auction, etc.)<sup>17</sup>.
2. **Banking Service Fees.** Fees for payment transactions made via the Inter-banking Electronic Payment System are discounted 50%<sup>18</sup>. Also, certain commercial banks have cut transaction fees for payments and other certain banking services.

## ESSENTIAL FACILITY PRICES

The Ministry of Industry and Trade proposed to delay the increase of petrol price and power price for the first two quarters of 2020<sup>19</sup>.

## TAX LIABILITIES

Enterprises which are unable to pay taxes on time due to impacts of Covid-19 pandemic may have tax payment deadlines extended and be exempted from late payment fees after obtaining permissions from the local tax authorities<sup>20</sup>.

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<sup>17</sup> Circular No. 14/2020/TT-BTC dated 18 March 2020 of the Ministry of Finance revising Circular No. 127/2018/TT-BTC dated 27 December 2018 of the Minister of Finance regarding fees of securities services at the Stock Exchanges and Vietnam Security Depository Center to support organizations and individuals facing difficulties in Covid-19 pandemic

<sup>18</sup> Circular No. 04/2020/TT-NHNN dated 31 March 2020 of the State Bank of Vietnam amending and supplementing a number of articles of Circular No. 26/2013/TT-NHNN dated 05 December 2013 of the State Bank of Vietnam stipulating charges for payment services offered via the State Bank of Vietnam

<sup>19</sup> Direction No. 06/CT-BCT dated 11 March 2020 of the Ministry of Industry and Trade regarding measures to fight Covid-19 and support enterprises

<sup>20</sup> Official Letter No. 897/TCT-QLN dated 03 March 2020 of the General Department of Taxation regarding tax payment deadline and tax exemption; Articles 31(1), 31(3), 31(5)(a), 35(1) and 35(3) and 35(4) of Circular No. 156/2013/TT-BTC dated 06 November 2013 of the Ministry of Finance guiding implementation of the Law on Tax Management (as amended from time to time)

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