

Viet Nam

Viet Nam: Pension system in 2016

Viet Nam Social Security (VSS) manages and administers social security contributions and benefits (including pensions) for both private sector workers and government workers. The current pension scheme is a pay-as-you-go defined benefit (PAYG DB) scheme.

Key indicators: Viet Nam

		Viet Nam	OECD
Average earnings	VND (million)	46.1	833.8
	USD	2 025	36 622
Public pension spending	% of GDP	2.7	8.2
Life expectancy	at birth	76.5	80.9
	at age 65	18.7	19.7
Population over age 65	% of working-age population	9.6	23.4

StatLink  <http://dx.doi.org/10.1787/888933873915>

Qualifying conditions

Normal pension age is 60 for men and 55 for women with a minimum of 20 years of contributions. A lump sum payment is made for people with shorter contribution periods.

Benefit calculation

Earnings-related

For the first 15 years of contribution, the pension accrual rate is 3% for both males and females, and then is 2% for males and 3% for females for each additional year. Between 2018 and 2022 the number of years will increase to 20 for men and from 2018 the additional accrual for women will be lowered to 2%. The maximum replacement rate is 75% of the insured's average earnings.

Old-age grant

If total contributions are less than 20 years, retirees receive a lump sum is paid of 1.5 times the insured's covered average monthly earnings in the last five years for years of contributions before 2014, plus 2 times the insured's covered average monthly earnings in the last five years for contributions since 2014.

Old-age social assistance

According to the Decree 136/2013/NĐ-CP dated 21 October 2013, a minimum social pension is VND 270 000. A multiplier is applied with this minimum level: (i) 1.5 (or benefit is VND 405 000) for those aged 60 to 79 who are living in poor households without family members, or with support from family members who are also receiving social assistance benefits; (ii) 2 (or benefit is VND 540 000) for those aged 80 and over who are living in poor households without family members, or with support from family members who are also receiving social assistance benefits; and 1 (or benefit is VND 270 000) for those aged 80 and over who do not have any social insurance and assistance benefits; and (iii) 3 (or benefit is VND 810 000) for any older people who are living in poor households without family members but receiving support from community.

*Variant careers**Early retirement*

It is possible to retire and to start claiming the pension at age 55 for men and 50 for women under specific requirements. The pension is reduced by 2% of the insured's covered average monthly earnings for each year the pension is taken before the insured's normal pensionable age due to reduced working capacity.

Late retirement

It is not possible to start claiming a pension after the normal pension age. It is possible, however, to combine working and receiving pension.

*Personal income tax and social security contributions**Taxation of workers*

There is a personal allowance of VND 9 million per month.

Taxation of worker's income

Tax rates applicable to regular annual income are as follows:

Taxed income per year	Tax rate
Up to VND 60 000 000	5%
From VND 60 000 000 up to VND 120 000 000	10%
From VND 120 000 000 up to VND 216 000 000	15%
From VND 216 000 000 up to VND 384 000 000	20%
From VND 384 000 000 up to VND 624 000 000	25%
From VND 624 000 000 up to VND 960 000 000	30%
From VND 960 000 000	35%

Social security contributions payable by workers

Employees pay 8% of monthly salary/wage for retirement benefits. The minimum and maximum monthly earnings for contribution and benefit calculation purposes are the minimum wage and 20 times of the minimum wage, respectively. As such, for 1 July 2017 – 1 July 2018, they are VND 1 300 000 and VND 26 000 000, respectively; and for 1 July 2018 onwards they will be VND 1 390 000 and VND 27 800 000, respectively.

Taxation of pensioners

There is no additional tax relief for pensioners.

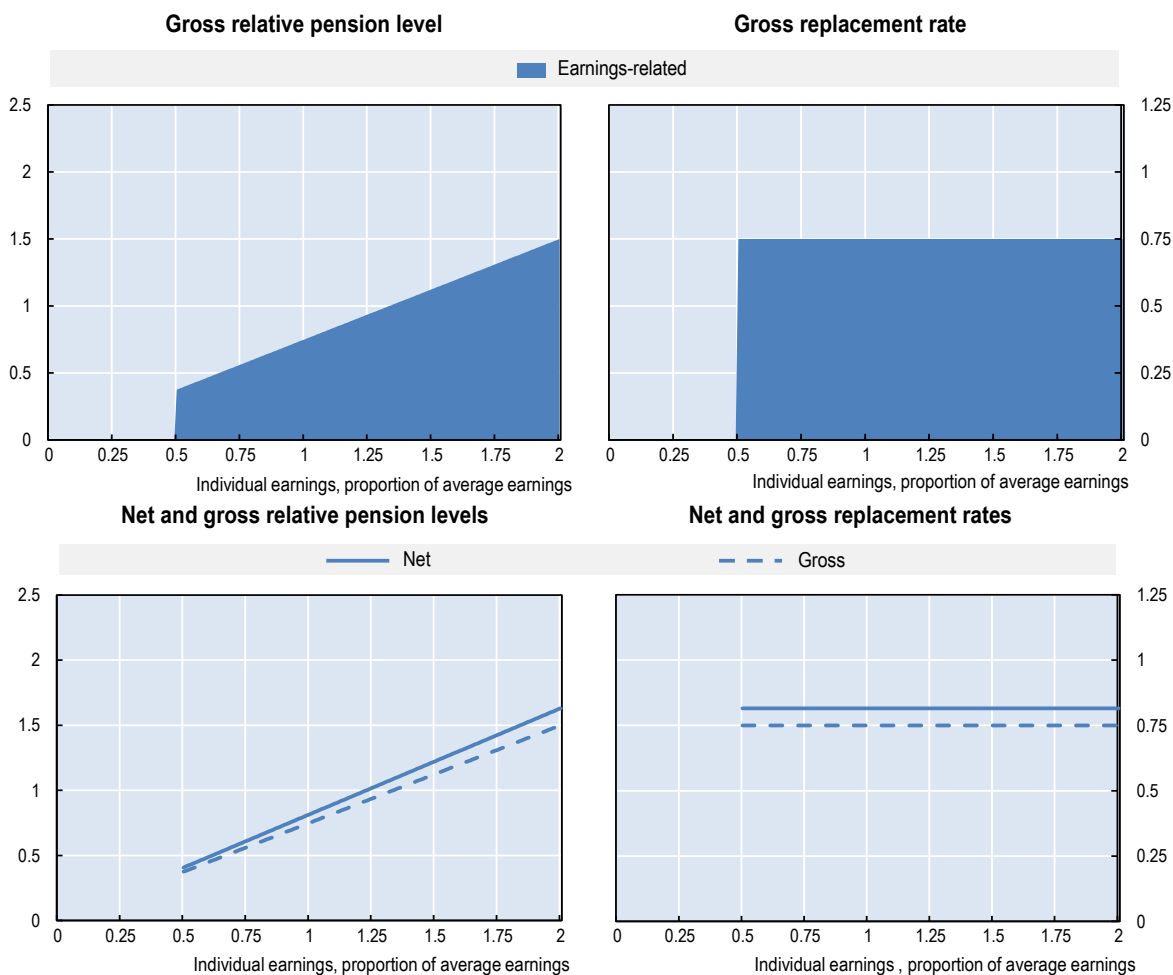
Taxation of pension income

The same taxation rule is applied to pension benefits.

Social security contributions payable by pensioners

Pensioners do not pay any social security contributions.

Pension modelling results: Viet Nam in 2056 retirement at age 60 (men)



Men	Individual earnings, multiple of average					
	0.5	0.75	1.0	1.5	2.0	3.0
Gross relative pension level (% average gross earnings)	37.5	56.3	75.0	112.5	150.0	225.0
Net relative pension level (% net average earnings)	40.8	61.1	81.5	122.3	163.0	244.6
Gross replacement rate (% individual gross earnings)	75.0	75.0	75.0	75.0	75.0	75.0
Net replacement rate (% individual net earnings)	81.5	81.5	81.5	81.5	81.5	81.5
Gross pension wealth (multiple of individual gross earnings)	17.1	17.1	17.1	17.1	17.1	17.1
Net pension wealth (multiple of individual net earnings)	18.6	18.6	18.6	18.6	18.6	18.6

Assumptions: Real rate of return 3%, real earnings growth 1.25%, inflation 2%, and real discount rate 2%. All systems are modelled and indexed according to what is legislated. Transitional rules apply where relevant. DC conversion rate equal 90%. Labour market entry occurs at age 20 in 2016. Tax system latest available: 2016.

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