GUIDANCE ON DETERMINING ALLOWANCES NOT SUBJECT TO SOCIAL INSURANCE CONTRIBUTIONS

INTRODUCTION

To better understand the allowances that are not subject to social insurance payment as well as to distinguish them from the allowances that are included in the basis for compulsory social insurance contributions, it is necessary to first understand the salary as the basis for paying social insurance under the current regulations:

Phan Thi Chuc Y
Senior Accountant

Vo Thi Anh Nhi
Paralegal

1. Salaries used as the basis for compulsory social insurance contributions include:

- Salary based on the employee's job or position: the salary shall be determined according to the time of the job or title according to the salary scale and payroll formulated by the employer; For employees who receive product-based salaries or fixed wages, the salary shall be determined over time to determine the unit price of products or fixed wages;
- Salary allowances to compensate for factors such as working conditions, job complexity, living conditions, and labor attraction that have not yet been included in, or have not been adequately reflected in, the salary agreed in the labor contract. Includes the following amounts: Position and title allowances; responsibility allowances, seniority allowances; regional allowances; heavy, hazardous and dangerous allowances; mobile allowances; attraction allowance;
- Additional fixed amounts along with the salary agreed in the labor contract and pay regularly in each salary payment period;

Accordingly, allowances that are not subject to compulsory social insurance contributions include:

- Salary allowances associated with the working process and job performance results of employees;
- Additional amounts for which a specific monetary amount cannot be determined together with the salary specified in the labor contract in the labor contract, paid regularly or irregularly in each salary payment period associated with the working process and work performance results of the employee.

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2. Below is a summary of allowances that are not included in the basis for compulsory social insurance contributions.

<table>
<tr><th colspan="4">Types of Allowances Not Subject to Compulsory Social Insurance Contributions Under Current Regulations</th></tr>
<tr><th>No.</th><th>Types of allowances and supplements</th><th>Details</th><th>Note</th></tr>
<tr><td colspan="3">Bonuses
Article 104 of the Labor Code 2019</td><td rowspan="4">Pursuant to Official Letter No. 1198/CTLĐBHXH-BHXH dated 05/09/2025 and the provisions of Item c2, Point c, Clause 5, Article 3 of Circular No. 10/2020/TT-BLDTBXH on salary as a basis for compulsory social insurance payment, the listed benefits and benefits must be recorded as separate items in the labor contract before they do not have to be added to pay compulsory social insurance.</td></tr>
<tr><td>1</td><td>Attendance bonuses or allowances (according to production and business results, the level of job completion of employees).</td><td>Bonuses according to production and business results:
- Quarterly-annual bonus;
- Productivity bonus;
- 13th month bonus;
These amounts are not subject to social insurance payment if: they are not fixed payments, are not recorded in the labor contract as regular payments, or are recorded as separate items.</td></tr>
<tr><td>2</td><td>Initiative Bonus</td><td>Bonuses for employee contributions that help improve processes and increase productivity.</td></tr>
<tr><td colspan="3">Grants
Welfare, living support, not directly assigned to the job/title.</td></tr>
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No.	**Types of allowances and supplements**	**Details**	**Note**
3	Mid-shift meal allowance	This allowance is exempt from social insurance contributions when provided by the enterprise in the form of: 1. Providing meals directly to employees. 2. Purchasing meal (vouchers). 3. Paying cash directly into wages Note: Currently, the mid-shift meal allowance subject to personal income tax is no longer limited to VND 730,000/person/month. The Company will determine the appropriate level of expenditure by itself and must be specified in the labor contract, collective labor agreement or the Company's internal rules and regulations. According to the provisions of Point g, Clause 2, Article 8 of Decree 253/2026/ND-CP, the maximum PIT exemption for the lunch allowance spent in cash is 1,200,000 VND/person/month. For the excess of this amount (if any), the enterprise must include it in the employee's PIT taxable income. In case the enterprise organizes its own meals (collective cooking, buying meals or issuing meal vouchers), all these expenses are completely exempt from PIT and are not subject to the ceiling.	ursuant to Official Letter No. 1198/CTLĐBHXH-BHXH dated 05/09/2025 and the provisions of Item c2, Point c, Clause 5, Article 3 of Circular No. 10/2020/TT-BLDTBXH on salary as a basis for compulsory social insurance payment, the listed benefits and benefits must be recorded as separate items in the labor contract before they do not have to be added to pay compulsory social insurance.

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<tr><td>4</td><td>Gasoline allowance</td><td>Money supports from home to work and vice versa.</td><td rowspan="8">Pursuant to Official Letter No. 1198/CTLĐBHXH-BHXH dated 05/09/2025 and the provisions of Item c2, Point c, Clause 5, Article 3 of Circular No. 10/2020/TT-BLDTBXH on salary as a basis for compulsory social insurance payment, the listed benefits and benefits must be recorded as separate items in the labor contract before they do not have to be added to pay compulsory social insurance.</td></tr>
<tr><td>5</td><td>Telephone allowance</td><td>For business communication purposes.</td></tr>
<tr><td>6</td><td>Commuting allowance</td><td>Transportation allowance for work purposes.</td></tr>
<tr><td>7</td><td>Housing allowance</td><td>Housing, electricity, and water allowance.</td></tr>
<tr><td>8</td><td>Childcare allowance</td><td rowspan="2">Usually applied to female employees or employees with children under 6 years old. This amount is in the nature of social welfare, so it is not included in the salary fund for insurance contributions.</td></tr>
<tr><td>9</td><td>Child-rearing allowance</td></tr>
<tr><td colspan="3">Allowance of a motivational and mental support nature</td></tr>
<tr><td>10</td><td>Allowance upon the death of an employee’s relative</td><td>Expenses of a funeral or wedding nature which are non-recurring benefits include:</td></tr>
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<tr><td colspan="3">Allowance of a motivational and mental support nature</td><td rowspan="5">Pursuant to Official Letter No. 1198/CTLĐBHXH-BHXH dated 05/09/2025 and the provisions of Item c2, Point c, Clause 5, Article 3 of Circular No. 10/2020/TT-BLDTBXH on salary as a basis for compulsory social insurance payment, the listed benefits and benefits must be recorded as separate items in the labor contract before they do not have to be added to pay compulsory social insurance.</td></tr>
<tr><td>11</td><td>Allowance upon the marriage of an employee’s relative</td><td rowspan="2">Wedding monetary gifts for the employee.
Condolence money when a relative (parents, spouse, children) passes away.
Birthday gifts for the employee.</td></tr>
<tr><td>12</td><td>Allowance for an employee’s birthday</td></tr>
<tr><td>13</td><td>Allowance for an employee facing difficult circumstances due to an occupational accident</td><td rowspan="2">In addition to cases where the employee is eligible to receive benefits from social insurance, this is an expenditure of a mental and health support nature for the company's employees. It is agreed upon by the employer and the employee and is recorded as a separate item in the contract or clearly regulated in the regulations.</td></tr>
<tr><td>14</td><td>Allowance for an employee facing difficult circumstances due to an occupational disease</td></tr>
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3. Allowances based on productivity / KPI / Sales

Point b, Clause 1, Article 31 of the 2024 Law on Social Insurance, combined with the guidelines in Decree No. 158/2025/ND-CP, guides this content as follows: Insurance contributions are only collected on additional amounts that have specific monetary values and are paid regularly and stably in each payroll period. Regarding sales salaries and KPI bonuses, the part of income that fluctuates continuously and does not have a predetermined specific amount based on non-fixed labor results is classified as not serving as a basis for calculating compulsory social insurance contributions.

4. Maximum cap for social insurance contributions increases

Legal basis: According to Clause 13, Article 141 and Article 7 of the 2024 Law on Social Insurance, it is very clearly regulated: When the State has not yet abolished the statutory base salary, the reference level shall equal the statutory base salary.

Maximum contribution cap: Point d, Clause 1, Article 31 of the 2024 Law on Social Insurance regulates that the highest salary used as the basis for compulsory social insurance contributions is equal to 20 times the reference level at the time of contribution.

From July 1, 2026, the Government issued Decree No. 161/2026/ND-CP, officially increasing the statutory base salary to VND 2,530,000/month (an increase of about 8% compared to the old level of VND 2,340,000/month)

Leading to an increase in the maximum cap for compulsory social insurance and health insurance contributions:

- The maximum cap for social insurance contributions increases from VND 46,800,000 to VND 50,600,000/month.
- The maximum social insurance contribution amount for employees increases to VND 4,048,000/month.

And increase the level of trade union contributions: Due to the increase in the ceiling of insurance premiums, enterprises with high-income workers will have to deduct and pay a larger level of trade union funding.

ABOUT THE AUTHOR & ECOSYSTEM

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