



DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia

Tapping into ASEAN's Vibrant Talent Pool: Hiring in Singapore, Vietnam, and Indonesia

Webinar | Tuesday June 7, 2022 | 4:00 PM Vietnam / 5:00 PM Singapore / 11:00 AM CET
Dezan Shira & Associates



About Us

1992

Dezan Shira's establishment

500+

Our **team** of legal, tax, accounting, business intelligence and audit professionals

3,000+

Multinational **clients** that have already chosen us

80+

Countries served by our professional services

28

Offices in China, Hong Kong, India, Vietnam, Singapore, Indonesia and Mongolia; Liaison offices in Italy, the United States and Germany, and Asian Alliance offices in Malaysia, the Philippines, Thailand, Bangladesh, Japan, South Korea and Taiwan.



Speakers

David Stepat
Senior Manager
International Business Advisory
Singapore



Jennifer Halim
Assistant Manager
International Business Advisory
Jakarta, Indonesia

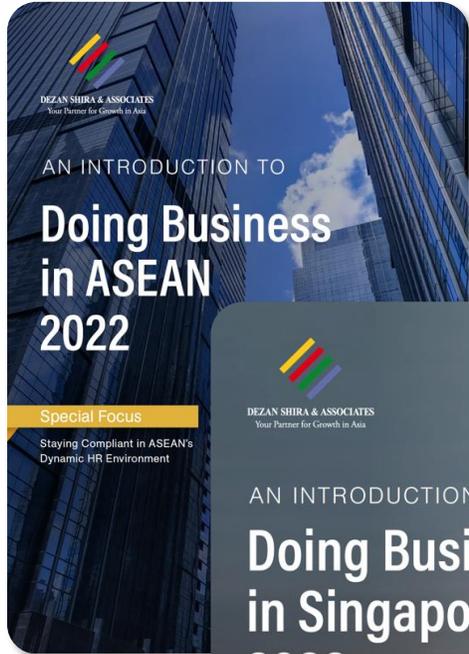


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May 10, 2022 Posted by ASEAN Briefing Written by Ayman Falak Medina Reading Time: 6 minutes

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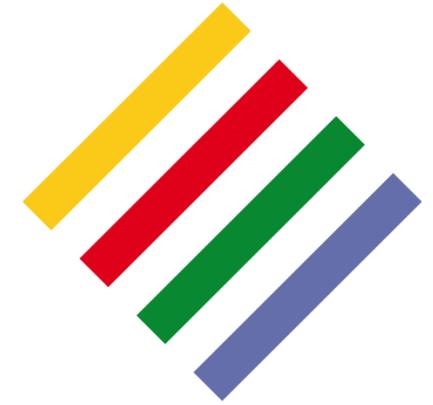
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A composite image of Singapore's skyline. On the left, the Marina Bay Sands hotel is shown at night with its iconic skybridge and illuminated towers. In the foreground, the Esplanade - Theatres on the Bay is lit up. On the right, the Merlion statue is shown in the foreground, with the city's skyscrapers in the background under a blue sky with clouds. A semi-transparent blue map of Singapore is overlaid on the right side of the image.

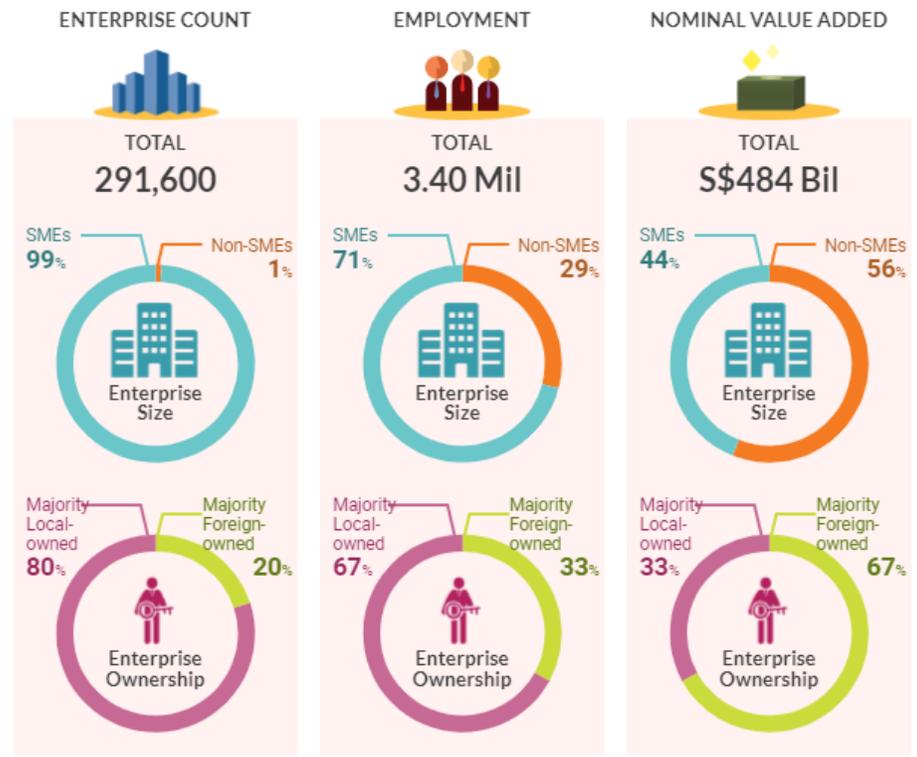
HIRING IN SINGAPORE

Discussed today



- ❖ Overview of the Singapore Market
- ❖ Hiring and Personal Income Tax
- ❖ Taking advantage of a Professional Employment Organization for a lean and cost-effective market entry in Singapore

Singapore Market Overview



Hiring in Singapore

General Considerations

- Singapore Employment Act
- Labor Contracts
- Wages
- Central Provident Fund
- Health Insurance
- Termination



Hiring Foreigners in Singapore

Employment Pass

For foreign professionals, managers and executives. Candidates need to earn at least \$4,500 a month and have acceptable qualifications.

EntrePass

For eligible foreign entrepreneurs who are keen to start and operate a business in Singapore that is venture-backed or possesses innovative technologies.

S Pass

For mid-level skilled staff. Candidates need to earn at least \$2,500 a month and meet the assessment criteria.

- Singapore will switch to the COMPASS System from September 1, 2023
- Work Pass Exempt Activities for up to 90 Days
- Work Pass Applications take between 3-8 weeks
- Job Openings need to be advertised for 30 days before foreigners can be considered

Singapore Individual Income Tax

- Singapore utilizes a progressive income tax system
- Income tax rates depend on an individual's tax residency status.
- Gains and profits arising from Employee Share Options (ESOP) plans and other forms of Employee Share Ownership (ESOW) plans are subject to tax if the plans are granted to an employee when he/she is employed in Singapore.
- Employment income of non-residents is taxed at the flat rate of 15% or the progressive resident tax rates whichever is the higher tax amount.

Chargeable Income	Income Tax Rate (%)	Gross Tax Payable (\$)
First \$20,000	0	0
Next \$10,000	2	200
First \$30,000	-	200
Next \$10,000	3.50	350
First \$40,000	-	550
Next \$40,000	7	2,800
First \$80,000	-	3,350
Next \$40,000	11.5	4,600
First \$120,000	-	7,950
Next \$40,000	15	6,000
First \$160,000	-	13,950
Next \$40,000	18	7,200
First \$200,000	-	21,150
Next \$40,000	19	7,600
First \$240,000	-	28,750
Next \$40,000	19.5	7,800
First \$280,000	-	36,550
Next \$40,000	20	8,000
First \$320,000	-	44,550
In excess of \$320,000	22	

Global Staffing Solutions



Advantages of Global Staffing Solutions



Get to Market Faster

Hire local employees and enter new markets within days.



Lower Cost Expansion

Avoid the larger and premature costs associated with investing in the establishing and managing of an overseas corporation - until the timing makes sense to do so.



Be in Compliance

Easily comply with country-specific labor laws and practices and minimize the compliance risks associated with an overseas employment relationship.



Lower Risk Entry

Test one or many markets and then scale as required - hedge against fast growing but challenging business environments.



Expand to More Countries

Onboard staff across one or more Asian countries, to grow your global presence sustainably and in compliance, without the operations and HR admin hassles.



Single Point of Contact

We expertly handle the time-consuming and complex requirements of employment administration and provide you with a transparent view of the employee arrangement, supported by expertise and a single point of contact.



HIRING IN INDONESIA

Discussed today



- ❖ Overview of hiring in Indonesia
- ❖ Personal Income Tax and Social Security in Indonesia
- ❖ Taking advantage of a Professional Employment Organization for a lean and cost-effective market entry in Indonesia



Republic of Indonesia

Capital	Jakarta (present), Nusantara (2024)
Population	278.7 million (April 2022)
Area (sq. km)	1.904.569
Political structure	Unitary presidential republic
Major language	Bahasa Indonesia
Major religions	Islam (86.93%); Christian Protestant (7.47%), Catholic (3.08%), Hindu (1.71%), Buddha (0.03%), Confucius (0.05%)
Life expectancy	72 years
Currency	Indonesian Rupiah
GDP Growth	5.01% (2021)
Exports	US\$26.5 billion on March 2022 (coal, metals, CPO)
Imports	US\$21.97 billion on March 2022 (raw materials and capital goods)
Unemployment rate	6.49% (2021)
Labor force	69% (2021)
Retirement Age	58 (2022)

Indonesia's Focus in Human Resources Development



4th most populous country in the world

Population of 278.7 million, with more than 50% of the population resides in Java

Demographic Bonus Era in 2020-2035, with 70.72% of Indonesians are at a productive age



- During the inauguration of President Joko Widodo's second five-year term (2019 – 2024), President Joko Widodo outlined the five priorities for his second term, with **top priority in human resources development**.
- **"Making Indonesia 4.0"**:
 - ✓ Maintaining robust economic growth to support job creation.
 - ✓ Scaling and reimagining job retraining and workforce skills development.
 - ✓ Strengthening the labor market information system.

STANDARD RECRUITMENT PROCESS



SHORTLISTING &
SELECTION



BACKGROUND
CHECK



FORMAL OFFER
LETTER



SIGNING OF
EMPLOYMENT
CONTRACT



INTRODUCING
THE COMPANY
REGULATION



What business actors should anticipate when hiring employees in Indonesia?



EMPLOYMENT CONTRACT

FORM

- Written Employment Contract

TYPE OF EMPLOYMENT CONTRACT

- Fixed-term Contract (max. duration of 5 years, no probationary period is allowed, compensation over termination/resignation/renewal of contract)
- Indefinite-term Contract (probationary period of up to 3 months, employees are entitled to severance pay and compensation to service period over the termination of contract)

LANGUAGE

- Bahasa Indonesia; or
- Bilingual Format

ESSENTIAL TERMS

- Provision about leave, insurance and social security (BPJS), overtime, working hours, religious allowance, termination, probationary period (only for indefinite-term contract), employment benefits package
- Provision about employee's obligations

CURRENCY

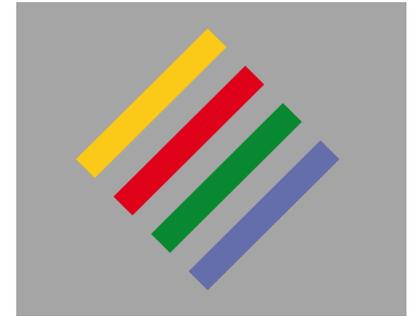
- Indonesian Rupiah (IDR)



Indonesia Minimum Wage

Indonesia Minimum Wage 2022			
Province	Monthly minimum wage rate (rupiah)	Province	Monthly minimum wage rate (rupiah)
Aceh	3,166,460 (US\$220)	West Nusa Tenggara	2,207,212 (US\$153)
North Sumatra	2,552,609 (US\$177)	East Nusa Tenggara	1,975,000 (US\$137)
West Sumatra	2,512,539 (US\$175)	West Kalimantan	2,434,328 (US\$169)
Riau	2,938,564 (US\$204)	South Kalimantan	2,906,473 (US\$202)
Riau Islands	3,144,466 (US\$219)	Central Kalimantan	2,922,516 (US\$203)
Jambi	2,649,034 (US\$184)	East Kalimantan	3,014,497 (US\$209)
South Sumatra	3,144,146 (US\$218)	North Kalimantan	3,310,723 (US\$230)
Bangka Belitung	3,264,884 (US\$227)	Maluku	2,618,312 (US\$182)
Bengkulu	2,238,094 (US\$155)	North Maluku	2,862,231 (US\$199)
Lampung	2,440,486 (US\$169)	Gorontalo	2,800,580 (US\$195)
Banten	2,501,203 (US\$174)	North Sulawesi	3,310,723 (US\$234)
DKI Jakarta	4,452,724 (US\$310)	Southeast Sulawesi	2,710,595 (US\$188)
West Java	1,841,487 (US\$128)	Central Sulawesi	2,390,739 (US\$166)
Central Java	1,813,011 (US\$126)	South Sulawesi	3,165,876 (US\$224)
Special Region of Yogyakarta	1,840,951 (US\$128)	West Sulawesi	2,571,328 (US\$182)
East Java	1,891,567 (US\$131)	Papua	3,561,932 (US\$248)
Bali	2,516,971 (US\$175)	West Papua	3,200,000 (US\$222)

PERSONAL INCOME TAX



Taxable Income	Rate
Up to IDR 60,000,000	5%
Above IDR 60,000,000 up to IDR 250,000,000	15%
Above IDR 250,000,000 up to IDR 500,000,000	25%
Above IDR 500,000,000 up to IDR 5,000,000,000	30%
Above IDR 5,000,000,000	35%

- ❖ Indonesian tax residents are taxed on a worldwide income basis.
- ❖ Tax residents: resides in Indonesia or present in Indonesia for more than 183 days in any 12-month period.
- ❖ Non-resident individuals are subject to withholding tax at a rate of 20% on Indonesia-sourced income

Social Security (BPJS) Contribution Rates (Mandatory)



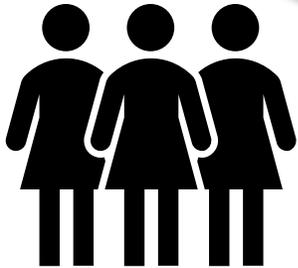
BPJS Contribution Rates		
	EMPLOYER	EMPLOYEE
BPJS Employment – Death	0.3%	/
BPJS Employment – Accident	0.24 – 1.74% (depending on the industries and risk level)	/
BPJS Employment – Retirement	3.7%	2%
BPJS Employment – Pension (Maximum threshold is IDR 9,077,600 (USD 634), since March 2022)	2%	1%
BPJS Health (Maximum threshold is IDR 12,000,000 (USD 840))	4%	1%



**Taking advantage of a Professional Employment
Organization for a lean and cost-effective market entry in
Indonesia**

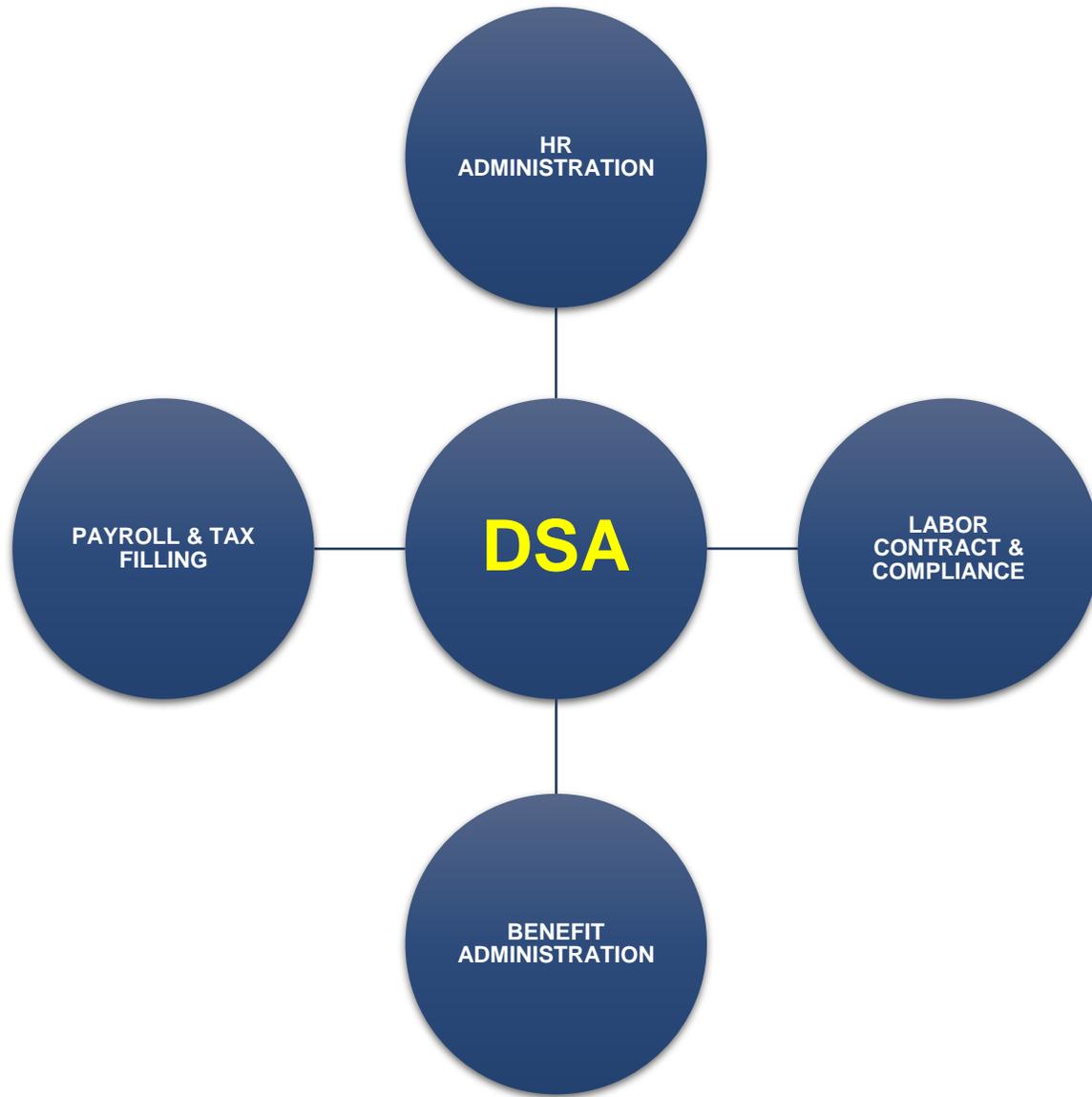
Professional Employment Organization (PEO)

WHAT IS PEO?



Suitable for foreign businesses - to hire full-time remote workers without the need to setup an entity

No hassle



How PEO works? 

An aerial photograph of a city at dusk, showing a mix of modern skyscrapers and older residential buildings. A semi-transparent map of Vietnam is overlaid on the right side of the image, with a white silhouette of the country. The text 'HIRING IN VIETNAM' is centered in the lower-left quadrant.

HIRING IN VIETNAM

Discussed today



- ❖ Vietnam's Labor Market and Recruitment Process
- ❖ Professional Employment Organization (PEO) Service
- ❖ Personal Income Tax (PIT)



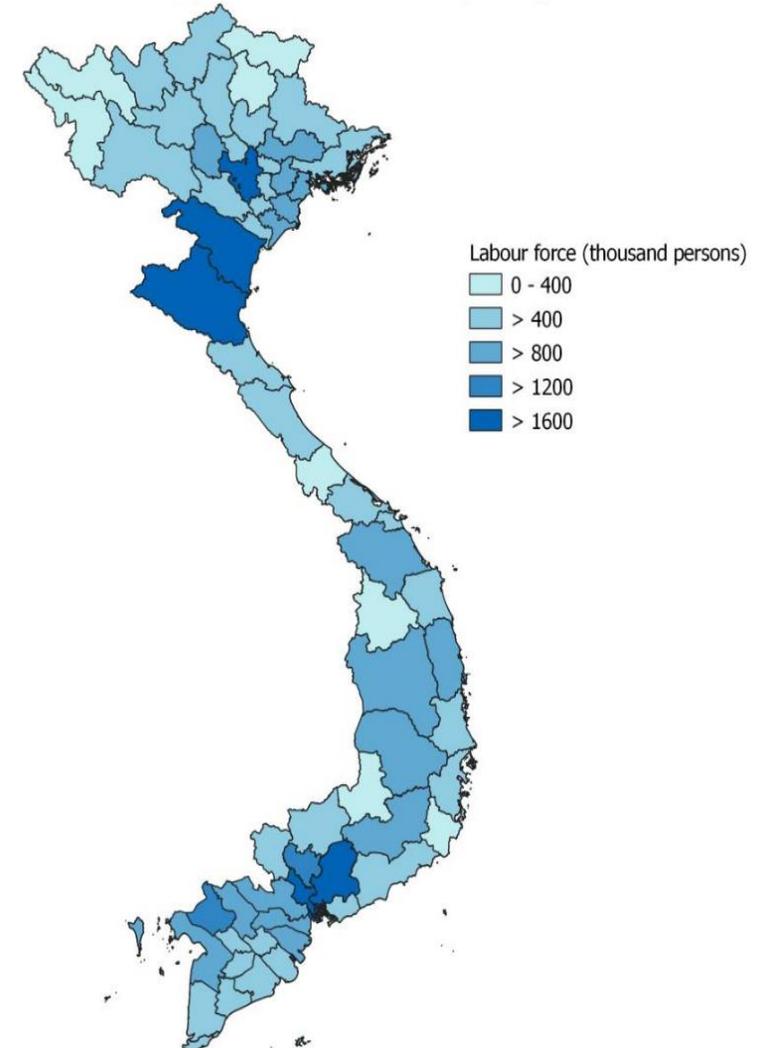
Part 1
Vietnam's Labor Market and
Recruitment Process



Vietnam

Capital	Hanoi
Population	98.5 million (2021)
Area (sq. km)	331,236
Political structure	Single party socialist republic (general secretary as de facto party and country leader; president as head of state)
Major language	Vietnamese
Major religions	No religion / atheism (74%); Mahayana Buddhism (13%), Christianity (8%)
Life expectancy	70 years (men); 79 years (women)
Currency	Vietnamese Dong
GDP Growth	2.58% (2021)
Exports	US\$332 billion (Computers, Smartphones, Machinery and equipment) (2021)
Imports	US\$332 billion (Computers, Machinery and equipment, Smartphones) (2021)
Unemployment rate	3.1% (2021)
Underemployment rate	3.2% (2021)
Labor force	61% (2021)
Main industries	Industry and Construction (38% of GDP); Agriculture (12% of GDP); Services (41% of GDP)

Labor force by province in Vietnam



Targeted Locations



Hanoi Metro Area

Hanoi, Vinh Phuc, Phu Tho, Bac Ninh, Bac Giang, Ha Nam, Hung Yen

18,495 sq.km

16.3 million people

US\$68 bn GDP

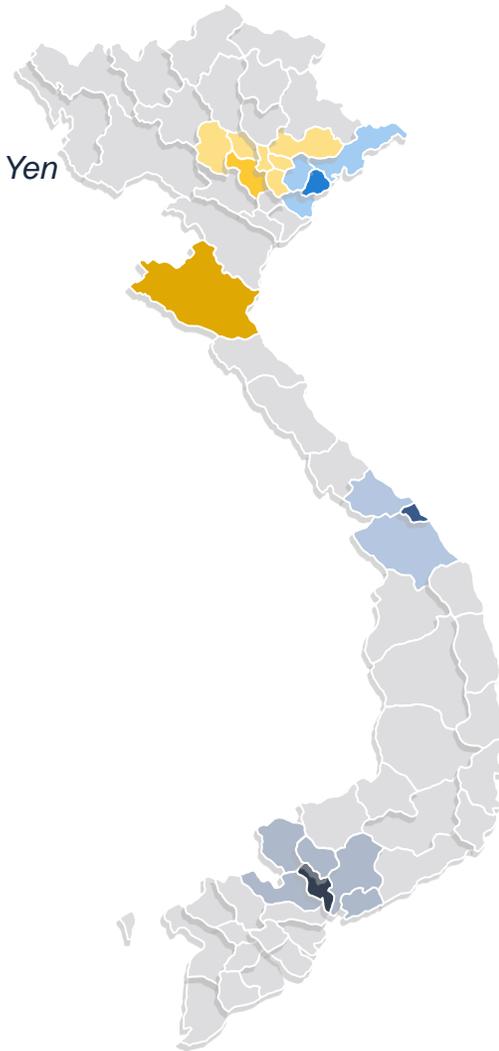


Nghe An Province

16,490 sq.km

3.4 million people

US\$5.4 bn GDP



Hai Phong Metro Area

Hai Phong, Hai Duong, Quang Ninh, Thai Binh

10,995 sq.km

7.2 million people

US\$27 bn GDP



Da Nang Metro Area

Da Nang, Thua Thien – Hue, Quang Nam

16,762 sq.km

3.8 million people

US\$12.5 bn GDP



Ho Chi Minh City Metro Area

HCMC, Binh Duong, Dong Nai, Ba Ria – Vung Tau, Long An, Tay Ninh

21,137 sq.km

19+ million people

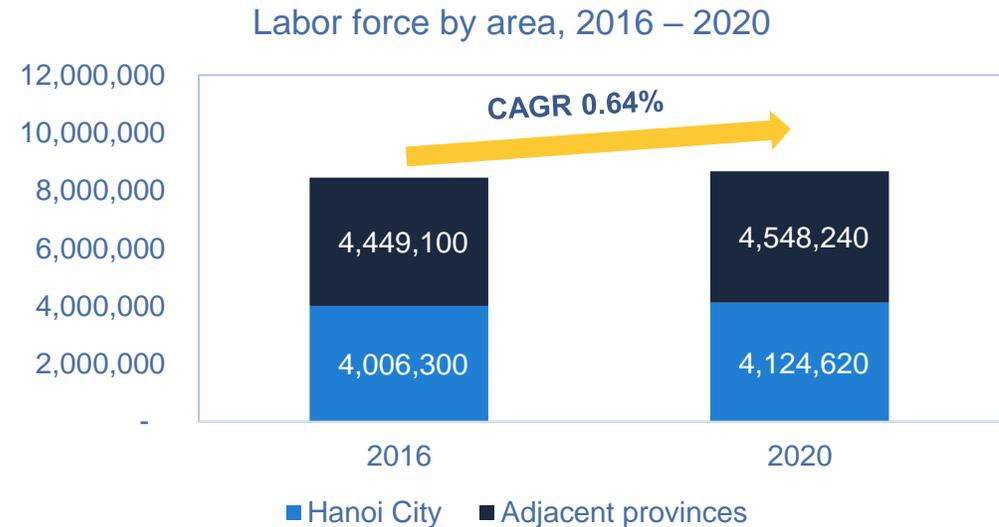
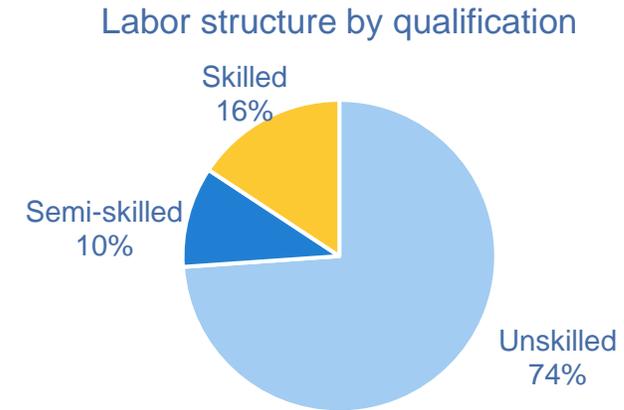
US\$112 bn GDP

Labor Availability | Hanoi Metro Area

**Around
8.7 million**
Total labor force

**Accounts for
16%**
Of national labor force

**Approximately
469 labor/ sq. km**
Labor density



Labor Availability | Hai Phong Metro Area

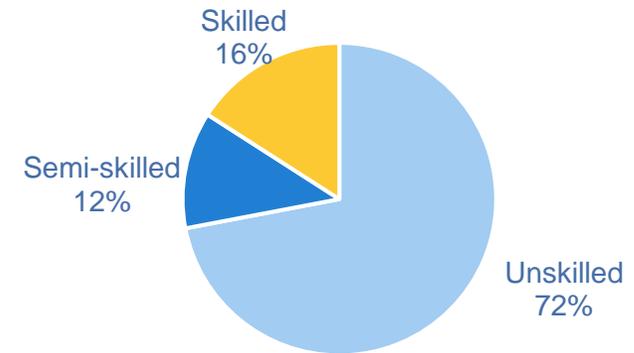
Nearly
3.9 million
Total labor force

Accounts for
7%
Of national labor force

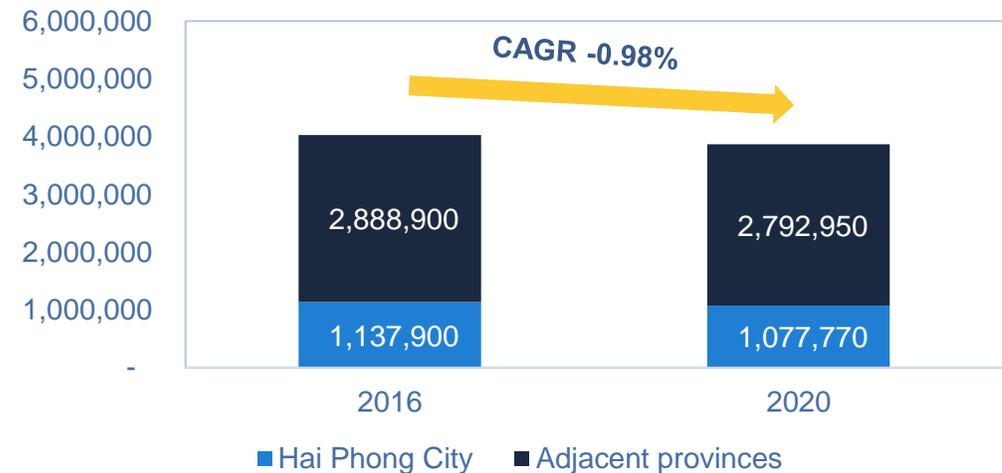
Approximately
352 labor/ sq. km
Labor density



Labor structure by qualification



Labor force by area, 2016 – 2020

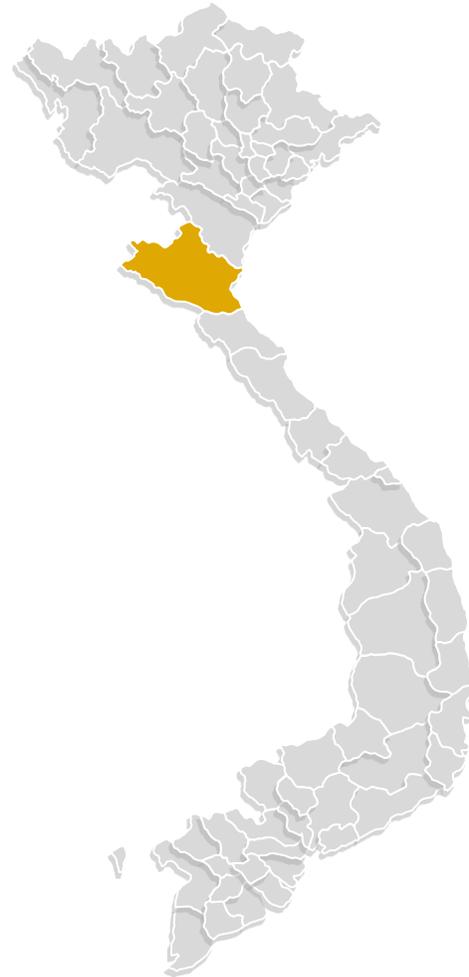


Labor Availability | Nghe An Province

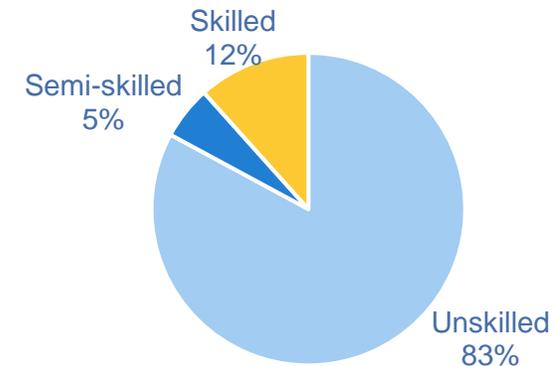
Over
1.9 million
Total labor force

Accounts for
3.5%
Of national labor force

Approximately
117 labor/ sq. km
Labor density



Labor structure by qualification



Labor force by area, 2016 – 2020

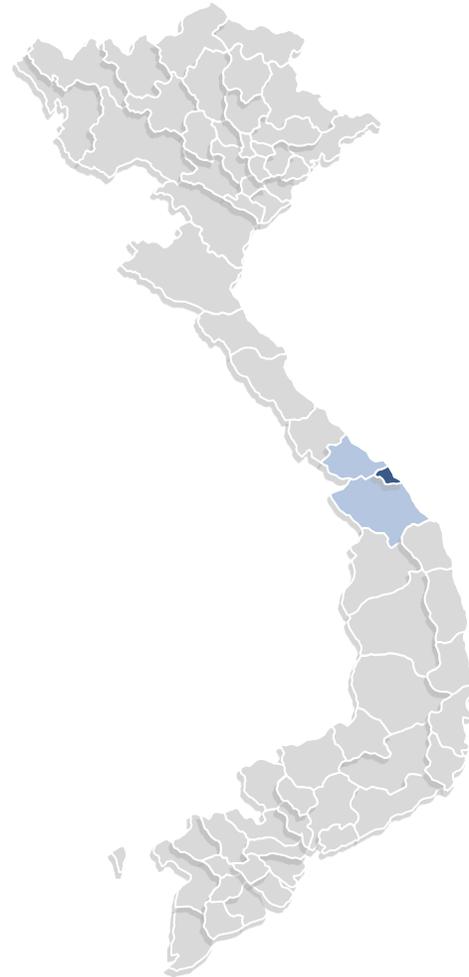


Labor Availability | Da Nang Metro Area

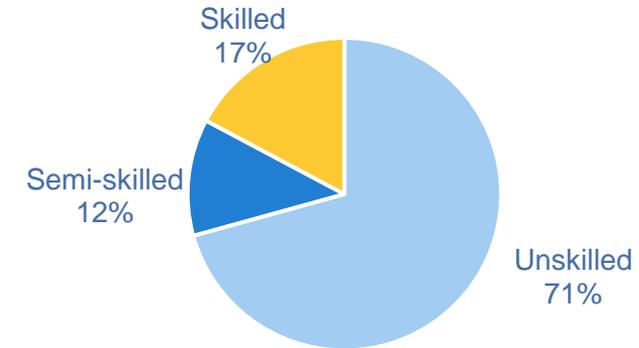
Nearly
2.1 million
Total labor force

Accounts for
3.8%
Of national labor force

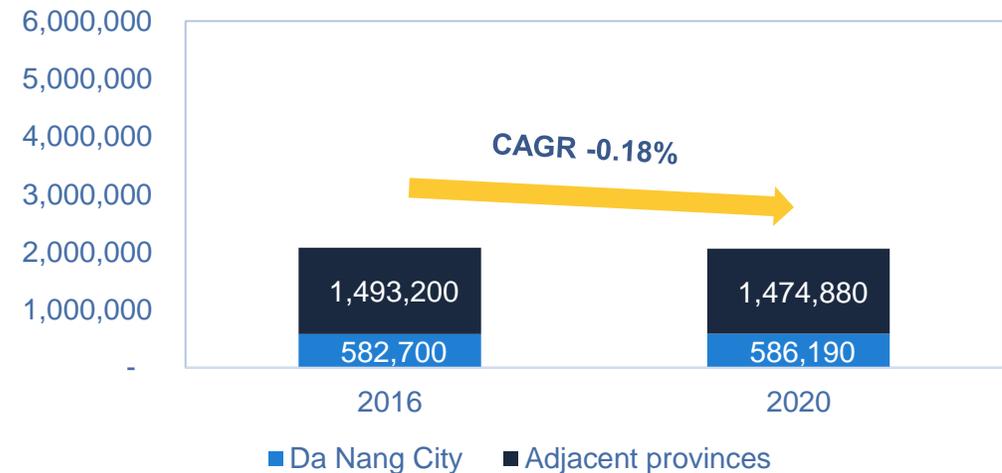
Approximately
123 labor/ sq. km
Labor density



Labor structure by qualification



Labor force by area, 2016 – 2020

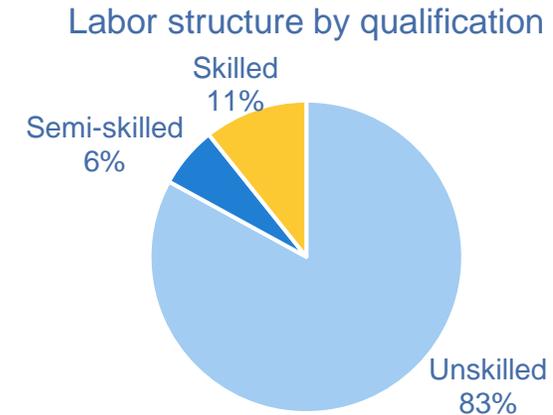


Labor Availability | Ho Chi Minh City Metro Area

Over
10.5 million
Total labor force

Accounts for
19.2%
Of national labor force

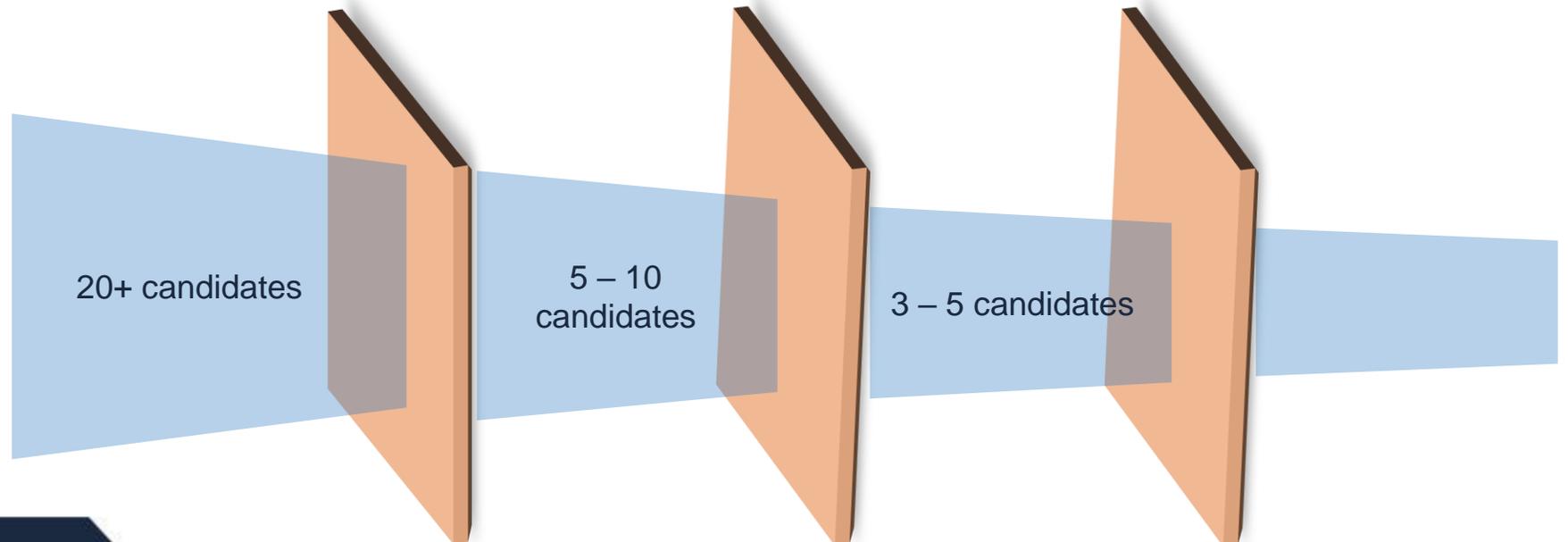
Approximately
497 labor/ sq. km
Labor density



Standard Recruitment Process

1 – 2 months for unskilled and semi-skilled labor

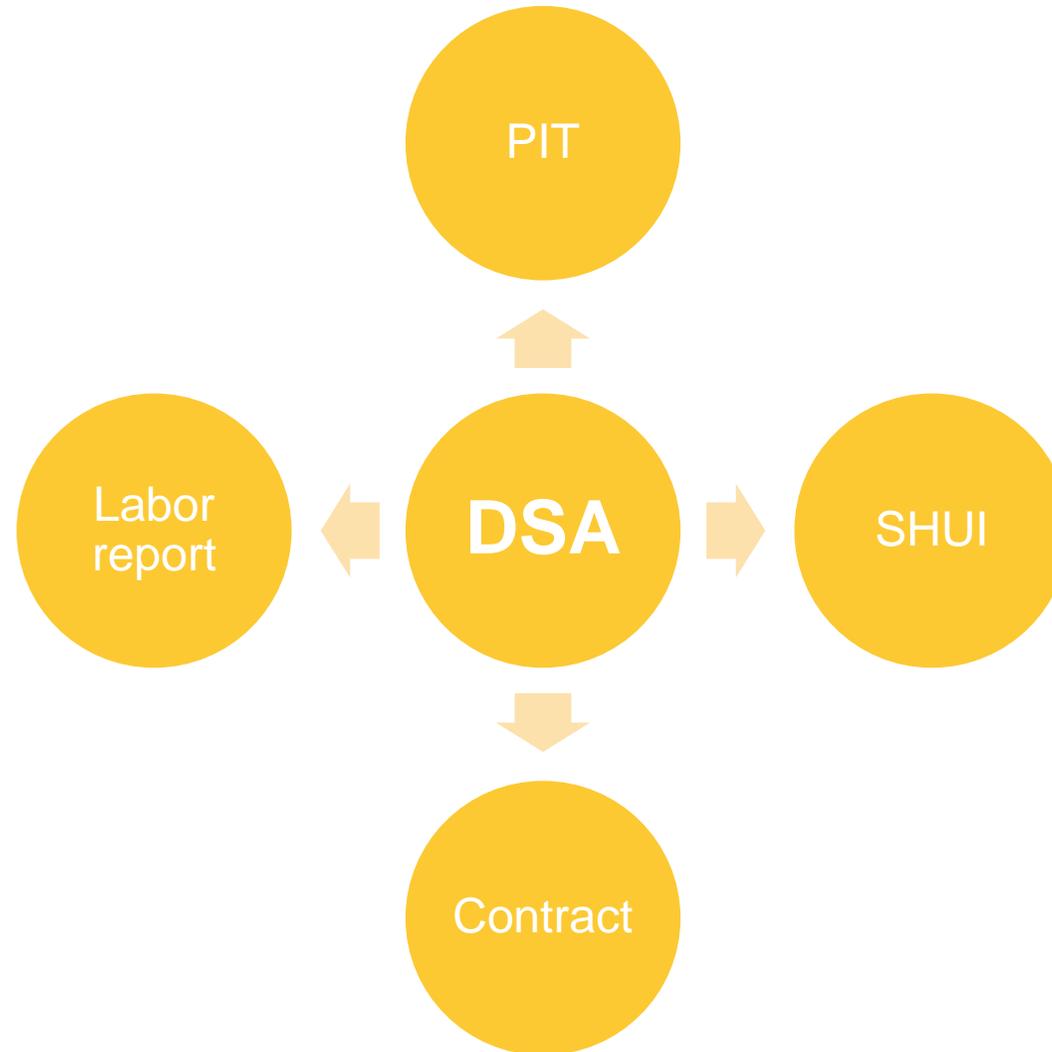
1 – 3 months for skilled labor

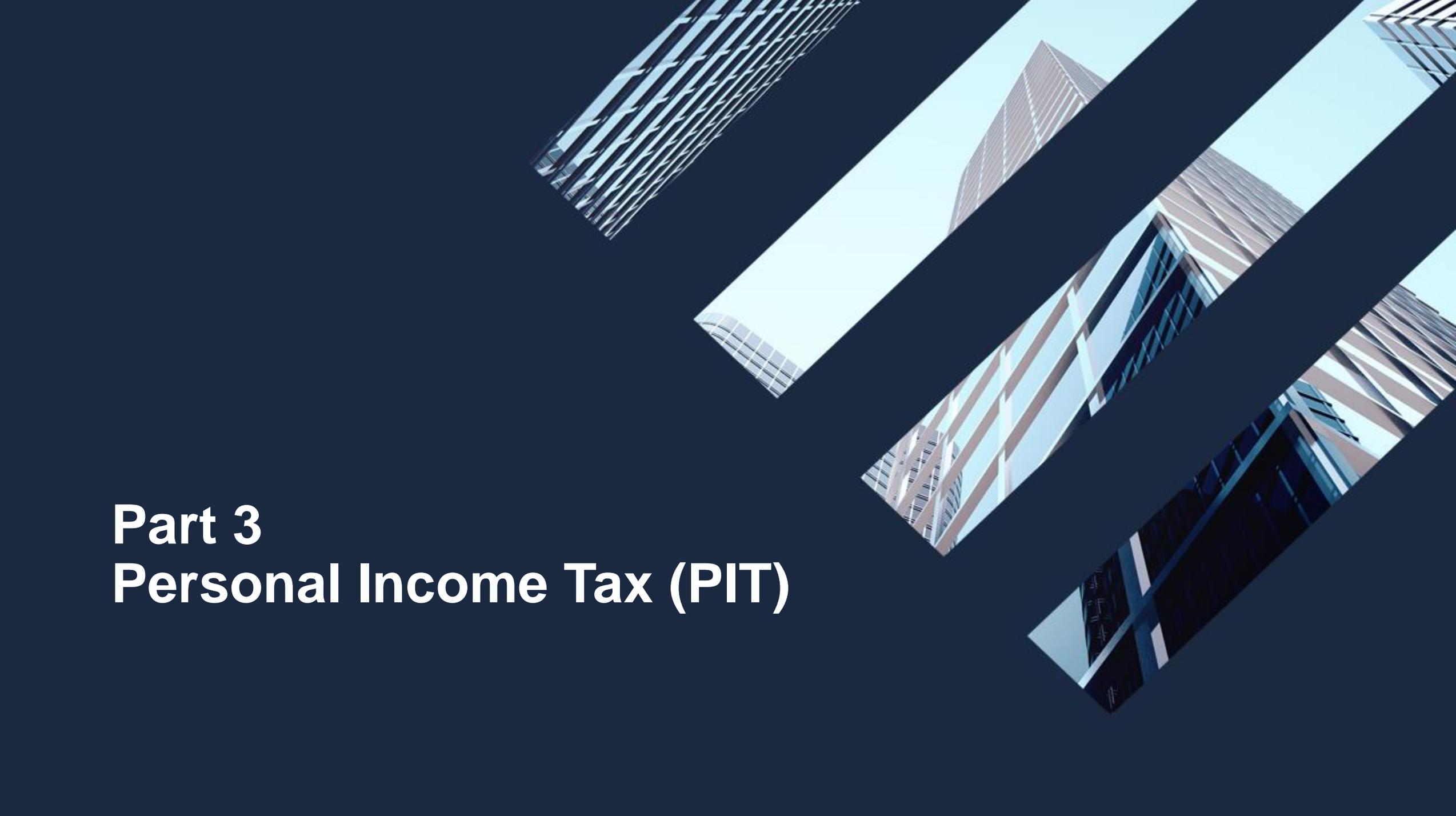




Part 2
Professional Employment
Organization (PEO) Service

Professional Employment Organization (PEO) Service





Part 3
Personal Income Tax (PIT)

Personal Income Tax (PIT)

- Taxpayers are distinguished between tax resident and non-resident individuals
 - Tax residents pay PIT in Vietnam on their **global income**
 - Non-residents pay PIT in Vietnam on their **Vietnam's sourced incomes** and on **incomes paid by a local employer**

Tax resident

Being present in Vietnam for **at least 183 days** in a calendar year or **12 consecutive months** counting from the date of his/her presence in Vietnam

Having a place of habitual residence in Vietnam: either having **a place of permanent residence** or a **rented house for dwelling** in Vietnam under a rent contract with a term of **183 days or more**

PIT Calculation



TAX RESIDENT

PIT = Assessable Income x Progressive Tax Rate



NON-RESIDENT

PIT rate for employment incomes: 20% flat rate

PIT Rates for Employment Income Tax Resident

Tax Bracket	Monthly Taxable Income (MTI) in VND	MTI in USD (1 USD = 23,150 VND)	Tax Rate
1	MTI ≤ 5,000,000	MTI ≤ 216	5 %
2	5,000,001 to 10,000,000	Between over 216 and 432	10 %
3	10,000,001 to 18,000,000	Between over 432 and 776	15 %
4	18,000,001 to 32,000,000	Between over 776 and 1,382	20 %
5	32,000,001 to 52,000,000	Between over 1,382 and 2,246	25 %
6	52,000,001 to 82,000,000	Between over 2,246 and 3,456	30 %
7	MTI > 82,000,000	Over 3,456	35 %

Monthly Basic Deductions for Tax Resident

1

Personal Deductions

VND 11 million per month for each taxpayer

VND 4.4 million per month for each dependent of the taxpayer

2

Deductions for insurance premiums

Include premiums for social insurance, health insurance, unemployment insurance

3

Deductions for the contribution to charitable, humanitarian and study encouragement funds

Social, Health & Unemployment Insurance (SHUI)

Social Security (SI/HI/UI) Contributions for Vietnamese Employees (as of Oct 2022)									
Employer's Contributions					Employee's Contributions				
SI			UI	HI	SI			UI	HI
retirement, death	sickness, maternity leave	occupational diseases, accidents			retirement, death	sickness, maternity leave	occupational diseases, accidents		
14%	3%	0.5%	1%	3%	8%	-	-	1%	1.5%
21.5%					10.5%				
Total = 32%									

Social Security (SI/HI/UI) Contributions for Foreign Nationals Working in Vietnam (2022)				
Employer's Contribution			Employee's Contribution	
Social Insurance	Health Insurance	Trade Union Fee	Social Insurance	Health Insurance
17.5%	3%	2%	8%	1.5%



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Q&A



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