Doing business in Vietnam 2023

Mazars in Vietnam

mazars

Contents

Editorial

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Managing Partner, Vietnam

Vietnam's economy has remained resilient despite the challenges of the COVID-19 pandemic thanks to strong economic fundamentals, decisive containment measures, and well-targeted government support. Stepping into 2023, as Russia – Ukraine war has upended many well laid plans, Vietnam will be significantly affected by market fluctuations in economic and trade cooperation as well as import and export of goods. Despite that, our country remains as one of the favored places for foreign investment among Southeast Asian countries.

Vietnam's strategic location in the heart of Southeast Asia and along the coastline of the Pacific Ocean provides significant benefits in terms of access to the world's major trade routes. During the past few years, Vietnam has prominently incorporated itself into the global supply chain whilst becoming the destination for international companies as manufacturers relocate from China to Vietnam. These advantages have coupled with significant developments this year to further strengthen Vietnam's competitive allure for FDI (Foreign Direct Investment).

In 2022, Viet Nam outperformed other countries in the region by experiencing a revival in consumer spending, multiple quarters of strong export growth, and a gradual resurgence of international tourism. Flexible policies and a successful COVID-19 vaccination campaign also have resulted in remarkable progress in Vietnam's economic outlook. In 2023, being a country with high level of economic openness and deep integrated into the global economy, Vietnam cannot avoid the consequences of the war between Russia and Ukraine. The economic outlook for Vietnam is likely to be impacted by a range of complex factors, encompassing energy and food-related issues resulting in inflationary pressures across several nations, the evolving pandemic situation, and the ongoing conflict between Russia and Ukraine. Additionally, embargo measures of the many economies heavily affected the recovery of the supply chain may also have an impact on Vietnam. However, Vietnam has been showing abilities to adapt traditions easily to changed conditions, a strong propensity to save and invest. Since the launch of the Đổi Mới economic reforms in 1986, Vietnam has achieved tremendous economic and social progress towards an integrated, transparent, and sustainable economy.

Our annual publication "**Doing business in Vietnam**" aims to provide the most relevant and updated information that investors and business leaders need to comprehend. It highlights several topics for enterprises to focus on, namely investment incentives, legal structures, tax, labour and foreign exchange control along with general information about the country's economy. With almost 30 years of experience in facilitating foreign investments in Vietnam, our diverse and multidisciplinary school of excellence is confident in our ability to deliver the most detailed and updated publication. We acknowledge the need for transparent and reliable information when doing business in a new market or even running an existing organisation.

Working through this guide enables you to select and identify your priorities to create a clear tailored plan for your business. Doing Business in Vietnam 2023, like its previous annual editions, is available in digital format and presented in English.

About Mazars in Vietnam

240+
Professionals

4 Partners*
Partners who are fully integrated into Mazars global partnership

#1
Accounting service

2
Offices

Mazars in Vietnam

Mazars in Vietnam was established in 1994, providing professional auditing, accounting, financial & business advisory, tax and legal services and has since grown to become one of the premier mid-tier firms in the country with two offices in Hanoi and Ho Chi Minh City.

As of January 2023, Mazars in Vietnam is ranked number one for Accounting outsourcing services, and among the top Auditing firms in Vietnam.

With over 240 staff, our multi-disciplinary team of professionals comprises Chartered Accountants, Certified Public Auditors, Tax Lawyers, Masters in Accounting and Finance, Masters in Business and Administration and Cost Accountants. Our team has all the requisite business and technical skills, professional experience and knowledge base to deliver customised solutions to our clients. Because we possess these respective competencies, our professionals are capable of developing competitive advantages and sustainable values for a wide range of businesses. We view ourselves as advisors and business partners who help our clients succeed, not just doing menial bookkeeping or data entry work.

“Over the period, the business and political landscape is shifting globally and becoming more unpredictable while technology is changing everything we do. No matter what, Mazars remains resilient against the challenges, as well as honoring our commitments to staying with our clients along their journey. Operating as a single, united and integrated partnership with agility, empathy and consistent quality, we strive to truly understand what you need to deliver tailored values targeted to business specific requirements and help them move forward. Foremost, we believe sustainability and distinction shall construct extraordinary growth, that also defines the way we have been successfully running our firm while thrivingly investing in our people and society.”

Huyen Nguyen
Managing Partner, Mazars in Vietnam

Abbreviations

A

ASEAN - Association of Southeast Asian Nations

APA - Advanced Pricing Agreement

APEC - Asia-Pacific Economic Cooperation

B

BEPS - Base Erosion and Profit Shifting

BCC - Business Co-operation Contract

C

C.I.F. - Cost, Insurance, and Freight value

CIT - Corporate income tax

CECA - Comprehensive Economic Cooperation Agreement

CPI - Consumer Price Index

D

DICA - Direct Investment Capital Account(s)

DTA - Double Tax Agreement

E

EBITDA - Earnings before interest and taxes, depreciation and amortisation

EU - European Union

EPA - Economic Partnership Agreement

F

FBRA -Foreign Borrowing and Repayment Account

FDI -Foreign Direct Investment

FCT -Foreign contractor tax

FIEs - Foreign Invested Enterprises

FTA -Free Trade Agreement

F.O.B value - Free on board value

G

GBP -Great Britain Pound

GDP -Gross domestic product

GMT -Time Relative to Greenwich Mean Time

GSO -General Statistics Office

I

ITA - The International Air Transport Association

IT - Information Technology

L

LURs - Land use rights

M

MFN - Most Favored Nation

MOF - Ministry of Finance

MPI - Vietnam Ministry of Planning and Investment

MOIT - Ministry of Industry and Trade

N

NCSI - National Cyber Security Index

O

OECD -Organization for Economic Cooperation and Development

P

PIT - Personal income tax

PPP - Public-Private Partnerships

R

RCEP - Regional Comprehensive Economic Partnership

R&D - Research and Development

T

TP - Transfer pricing

V

VACPA - Vietnam Association of Certified Public Accountants

VAS - Vietnamese Accounting Standards

VAT - Value Added Tax

VCCI - Vietnam Chamber of Commerce and Industry

VN - Vietnam

VND - Vietnamese Dong

W

WFOE - Wholly Foreign Owned Enterprise

WTO - World Trade Organization

General information

Welcome to Vietnam

Key country facts
Key economy facts
An attractive Vietnam
Bilateral and Regional FTAs & CECA

Key country facts

The economy both globally and specifically in Vietnam are experiencing many fluctuations. Russia's invasion of Ukraine, and the economic consequences of the COVID-19 all affect the outlook with persistent inflation, high energy prices, the stock market struggle, and financial tightening, etc. Despite these challenges, Vietnam today is still seen as an emerging market which has benefited from a surge in private consumption and export growth. In the other side, The Green Economy is an alternative vision for growth and development as it helps us do business responsibly and sustainably.

General information
Key country facts

Location
- South East Asia
- Bordering China, Laos and Cambodia

Government
- The Socialist Republic of Vietnam

Labour force
- Aged from 15 and older: 50.6 million

Language
- Vietnamese as mother tounge
- Widely taught: English, French, Chinese

Income category
- Lower middle income
- Monthly minimum wage (2022): USD 140 – USD 202 upon region

Land area
- **Apprx. 331,690 sq. km**
- **Provinces & Cities:** 63
- **Capital city:** Hanoi
- **Covered city:** Ho Chi Minh City

Population
- **Apprx. 98 million**
- Major ethnic group: Kinh (Viet), accounted for 85.7% of the ethnic composition

Religion
- Buddhism, Catholicism, Taoism and Confucianism

Currency
- Vietnamese dong (VND)

Source: GSO 2021, 2022, The Global Economy 2022, The World Bank 2022, Asia Briefing 2022

5.66%

Average GDP Growth (2018-2022)

4,110 USD

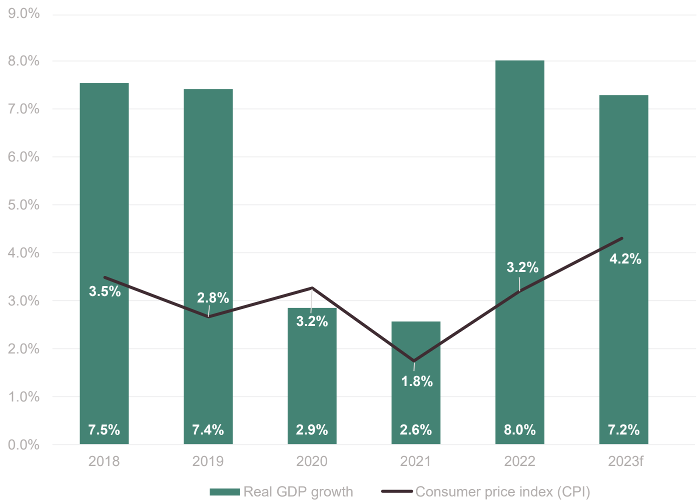
GDP per capita (2022), up USD 393 compared to 2021

General information
Key economy facts

In March 2023, GDP in 2022 was estimated to increase by 8,02% compared to the figure of 2021, achieving the highest increase over the period 2011-2022 due to the economic recovery after the pandemic was controlled. The agriculture, forestry, and fishery sector continue to play a supporting role, in which the output of the number of crops has increased, livestock production has grown steadily, and the export of agricultural products has achieved impressive results. In the industrial and construction sectors, businesses have been more proactive in terms of labor and production and business plans, overcoming difficulties to recover and expand production. Most importantly, the service sector bounced back and grew stronger with the growth rate in 2022 reaching the highest over the period 2011-2022.

As inflation is under control, the average consumer price index (CPI) in 2022 increased by 3.15% over the previous year, lower than the growth rate of 3.54% and 3.23% in 2018 and 2020; higher than the growth rate of 2.79% and 1.84% in 2019 and 2021. The average 2022 inflation increase by 2.59%.

Figure 1: Overview of GDP growth and CPI



Source: GSO, 2022

GDP by sectors

5.11%

Agriculture, Forestry and Fishing

38.24%

Industry (including Construction)

56.65%

Services

General information

Key economy facts

Foreign direct investment (FDI) continues to be of vital importance to Vietnam, as a means to support post-Covid economic recovery and drive the government's aspirations to achieve middle-income status by 2045.

According to the Statistics from the Foreign Investment Agency (Ministry of Planning and Investment), as of December 20, 2022:

- The FDI disbursement rose to 13.5% in 2022 to USD 22.4 billion.
- The total newly registered capital, adjusted capital, and capital contributions and share purchases amounted to nearly USD 27.72 billion, which is equivalent to 89% of the same period in 2021. The manufacturing sector accounted over USD 16.8 billion, representing 60.6% of the total registered foreign direct investment in Vietnam, followed by the real estate sector with a total investment of USD 4.45 billion, accounting for 16.1%. The electricity production and distribution sector came in 3rd place with over USD 2.26 billion, comprising about for 8%.
- The country was home to 36,278 valid projects with a total registered capital of approximately USD 438.7 billion. The accumulated realised capital of FDI projects is estimated at USD 274 billion, equaling 62.5% of the total valid registered investment capital.

27.72 USD billion

Total FDI capital inflows in 2022

22.4 USD billion

FDI disbursement in 2022

36,278

Valid projects with total registered capital of approximately **USD 438.7 billion**.

108

Countries and territories invested in Vietnam in 2022, with top three leading counterparts namely Singapore (USD 6.46b), Republic of Korea (USD 4.88b) and Japan (USD 4.78b).

Manufacturing and processing sector attracted the most FDI.

General information
Key economy facts

Vietnam has seen a wave of startups and businesses established over recent years, making it the most vibrant in Southeast Asia. Despite the negative impact of Covid-19, which resulted in many businesses ceasing operations or going bankrupt, the number of newly established enterprises still rose strongly.

According to the General Statistics Office, for the entire year of 2022, Vietnam saw around 148,500 new businesses entering the market, with an increase of 27.1% and a total registered capital of VND 1,590.9 trillion, down 0.9% and nearly 981,300 employees, up 14.9% compared last year. The number of enterprises returning to business was 52,700, up 38.8% year-on-year The entire country has 143,200 enterprises withdrawing from the market, up by 19.5%.

In 2022, Vietnam's trade-in-goods totaled USD 730.2 billion in value terms, 9.1% above compared with last year. The export value was USD 371.3 billion and import value was USD 358.9 billion, rose 10.5% and 7.8% respectively, in which China and The US are two leading trade partners in 2022.

148,500

Newly registered enterprises in 2022, with an increase of 27.1% as compared to 2021

1,590.9 VND trillion

Total registered capital in 2022, with a decrease of 0.9% as compared to 2021

981,300 Apprx.

Employees, with an increase of 14.9% as compared to 2021

Key trade partners in 2022 (Unit: USD billion)

China	The US	Republic of Korea	Japan
Exp.: 57.7 Imp.: 117.87	Exp.: 109.39 Imp.: 14.47	Exp.: 24.29 Imp.: 62.09	Exp.: 24.23 Imp.: 23.37

Exp.: Exports
Imp.: Imports

Source: GSO, 2022

General information

An attractive Vietnam

Strategic location

- Vietnam represents the gate of the Asia-Pacific region.
- The country's long coastline providing the country direct access to the world's main shipping routes.
- Its location next to China, currently the world's production factory, makes Vietnam an ideal alternative choice for investors seeking to diversify their supply chains from China.

Youthful labour force

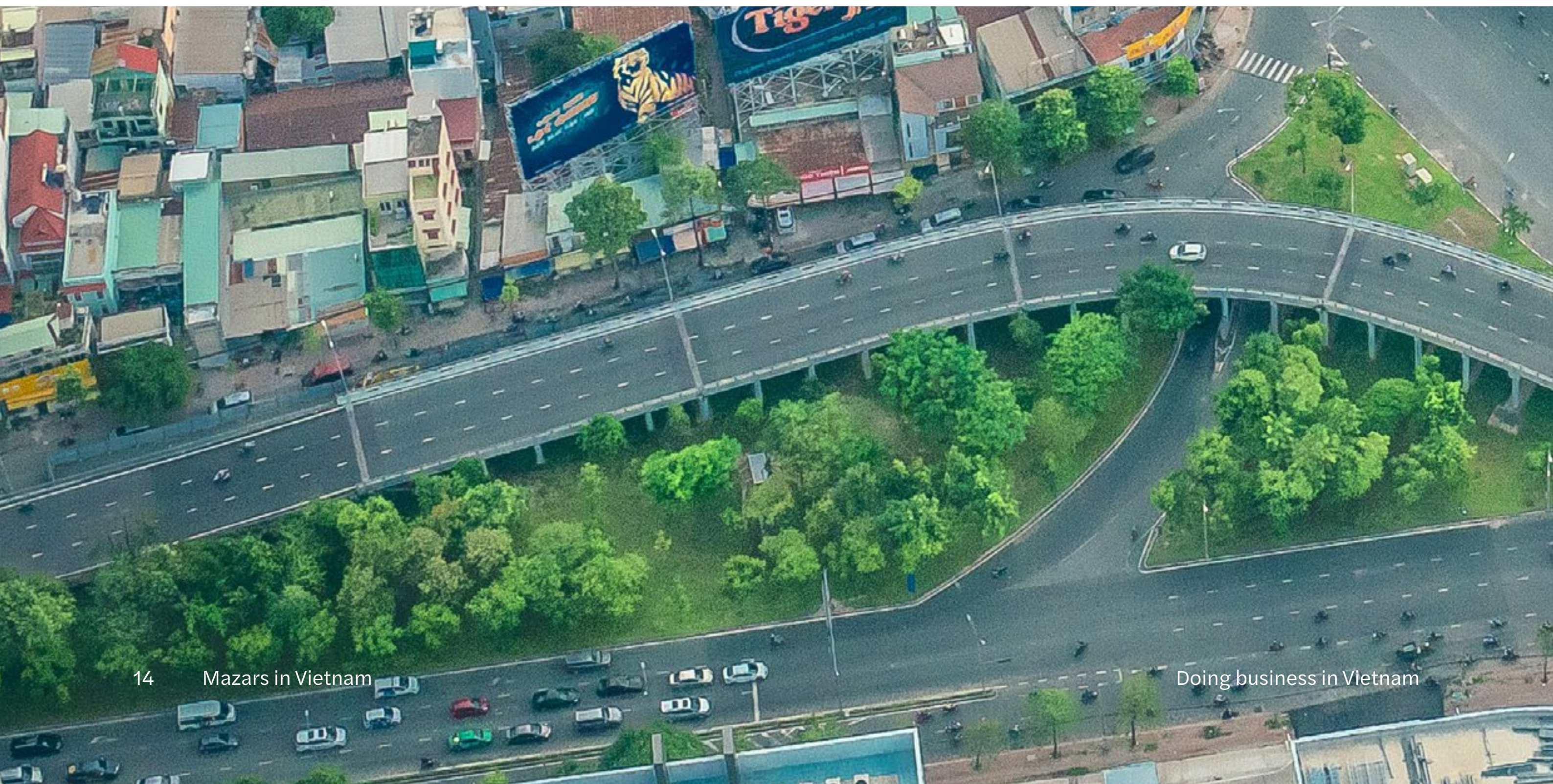
- Vietnam's median age is 32.8 with over 51.7 million people are in the workforce.
- The literacy rate of people aged 15-60 in Vietnam reached 96.1%, and among the countries with the highest literacy rate in Asia Pacific (Statista, 2022).
- Vietnam has one of the highest Internet penetration levels in Southeast Asia.
- Its people are tech-savvy, pursue entrepreneurial path, and is generally open to new ideas.

Promising market with an emerging middle class

- An enormous market of around 98 million people, ranking #15 in the world, is an attractive pool for any types of business.
- Vietnam is expecting an increase of 36 million people to the country's consumer class by 2030 (McKinsey, 2021).
- Vietnam's road to becoming an upper-middle-income country by 2035 and a high-income country by 2045 is current on-track, as the country has the 7th fastest growing middle class in the world (Source of Asia, 2022).

Robust global economic integration

- ASEAN, APEC and WTO are among over 70 international and economic organisations/communities that Vietnam is a member of.
- The government has pursued strategies to join a number of Free Trade Agreements. Until 2022, Vietnam has signed 15 FTAs and in the final stages of negotiations towards the signing of a FTA with Israel and EFTA (MPI, 2022).
- Vietnam has established diplomatic relations with 192 countries and bilateral strategic agreements with the majority of the world's leading economies.



General information

An attractive Vietnam

Government support

- Vietnam's government is very stable and committed to seeing the country grow by prioritising infrastructure investments.
- Vietnam has continuously improved and adjusted its financial incentives and institutions to attract and better manage foreign investment resources.
- Remarkable regulatory reform, switching to "E-Government" with the implementation of administrative procedures and online public services.

Infrastructure development

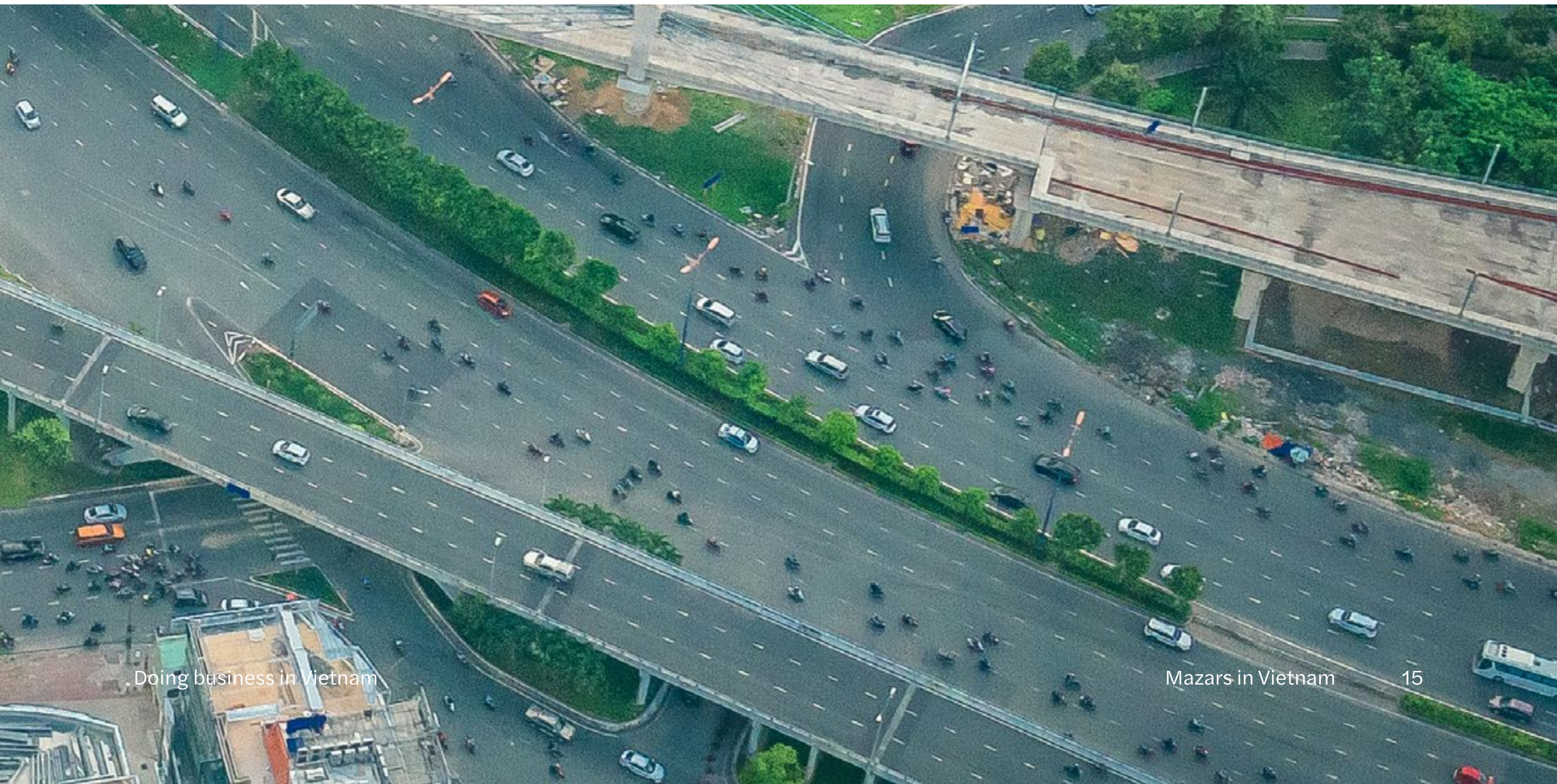
- At 6% of the GDP, Vietnam is currently the leading country in ASEAN for infrastructure investment. Per World Economic Forum's ranking, Vietnam is now positioned 47th in infrastructure rankings and 103rd in road quality out of 160 countries (Vietnam Briefing, 2022).
- Over 397 industrial zones were established across the country, especially 18 coastal economic zones. As well, there are 3 high-tech parks in 3 major cities Hanoi, Ho Chi Minh City and Da Nang with high-skilled labour and trade-friendly convenience (MPI, 2021). Industrial zone occupancy rate is also on the rise, at more than 80% in recent years.

Stable economic growth

- Vietnam's economy growth bursted to 8.02% in 2022 at the fastest pace since 1997 (Reuters, 2022).
- Among the still-recovering economies around the world, Vietnam has not only been quickly recovering, but also picked up its pace after various strict lockdown measures to curb the pandemic's impacts.
- Vietnam is currently aiming for GDP growth of 6.5% and inflation at 4.5% for 2023 (Reuters, 2022).

Lucrative ground for foreign investment

- Foreign direct investment into Vietnam saw an increase of 13.5% in 2022, at USD 22.4 billion, reaching its highest level since 2018 (Reuters, 2022).
- FDI focused into 19/21 sectors in the national economic classification system, where the leading sectors include processing and manufacturing industry, real estate, and electricity production and distributions (MPI, 2022).



Bilateral and Regional FTAs & CECA

Signed and in effect

1993
Vietnam participated in ASEAN Free Trade Area (AFTA)

2003
ASEAN – China (ACFTA)

2007
ASEAN – South Korea (AKFTA)

2008
ASEAN - Japan (AJCEP)

2009
Vietnam - Japan (VJEPA)

2010
ASEAN – India (AIFTA)

ASEAN - Australia/New Zealand (AANZFTA)

2014
Vietnam - Chile (VCFTA)

2015
Vietnam - South Korea (VKFTA)

2016
Vietnam - Russia, Belarus, Amenia, Kazakhstan, Kyrgyzstan (VN – EAEU FTA)

2019
CPTPP (previously known as "**TPP11**")

ASEAN - Hong Kong (AHKFTA)

2020
Vietnam - EU (EVFTA)

2021
Vietnam - United Kingdom (UKVFTA)

2022
ASEAN - China, South Korea, Japan, Australia, New Zealand (RCEP)

Source: Center for WTO and International Trade (VCCI)

15

Agreements signed and in effect

04

Agreements are under negotiation

80

Countries are under Double Taxation Avoidance agreements.

Bilateral and Regional FTAs & CECA

Negotiations completed

EFTA – Vietnam

Vietnam and EFTA (including 4 countries Switzerland, Norway, Iceland, Liechtenstein) started negotiations on a free trade agreement since May 2012.

Israel – Vietnam

Vietnam and Israel began negotiations on signing a FTA in December 2015.

Under negotiation

ASEAN – Canada

Negotiations commenced in November 2021 between ASEAN and Canada.

Vietnam – UAE

Vietnam and United Arab Emirates (UAE) are in the process of initiating negotiation since the meeting on April 2023.

Note:

FTA(s) - Free Trade Agreement(s)

EPA - Economic Partnership Agreement

CECA - Comprehensive Economic Cooperation Agreement

CEP - Comprehensive Economic Partnership

CPTPP - Comprehensive and Progressive Agreement for Trans-Pacific Partnership

RCEP - Regional Comprehensive Economic Partnership

General information
Bilateral and Regional FTAs & CECA

Since the EVFTA officially took effect in 2020, Vietnam's import volume from the EU has increased year by year. According to the General Department of Customs, total import volume in the 2nd year of EVFTA (from August 2021 to July 2022) reached USD 16.4 billion, increased by 0.2%. Pharmaceutical, chemical, wooden products and dairy products are those that records high growth in import volume from the EU in 2022.

In return, Vietnam's total exports to the EU topped USD 56 billion in 2022 (MOIT, 2022), making the total export volume to the EU after 02 years of implementing EVFTA reach USD 83.4 billion. Of note, Vietnam's key export items including garments, footwear, and seafood products all saw positive growth.

Vietnamese businesses have quite utilised incentives within the EVFTA. In 2021, revenue from Vietnam's exports granted a certificate of origin (C/O) under the EUR.1 form accounted for over 20% of total exports to the bloc (MOIT, 2022). In the first ten months of 2022 it was 25.1%.

Vietnam not only achieved the success of two-way trade, but also became a more attractive destination for foreign direct investment from the EU. With commitments to transparent governance and an open environment for businesses and investors of the two parties, the EVFTA provided Vietnam with access to quality investment and advanced technology of the EU. Accordingly, up to August 2022, the European businesses have invested in 2,378 projects in Vietnam which make up USD 27.59 billion, taking in account the adjustment of Brexit (MOIT, 2022).

Despite starting in such a difficult context amid the pandemic, the two-way trade between Vietnam and the UK still recorded new highs. Total trade in goods and services (exports plus imports) between the UK and Vietnam was GBP 6.4 billion, in current prices, in the four quarters to the end of Q3/2022, in which the total UK imports from Vietnam amounted to GBP 5.4 billion (Department for Business and Trade - GOV.UK - Trade & Investment factsheet, 2022).

According to the RCEP, Vietnam and other members could have eliminated tariffs on at least 64% of tariff lines since the agreement took effect in January 2022 (Nguyen, 2021). By the end of a 20-year roadmap, Vietnam will eliminate nearly 90% of tariff lines for other members while get an elimination of 92% of tariff lines in return.

The economy of Vietnam

Exchange controls
Development trends
Digital environments

The economy of Vietnam
Exchange controls

Throughout the country, transactions must be carried out in Vietnamese Dong ("VND"). United States Dollar ("USD") and other certain currencies are accepted for certain transactions with Credit Institutions, State authorities and other transactions as permitted by the laws. In general, the inflow of foreign currency into Vietnam is welcome with minimum restrictions, while the transfer of foreign currency abroad has also been significantly liberalised. Foreign investors and foreigners working in Vietnam are permitted to remit their earnings abroad after completing all their financial liabilities to the Vietnamese Government. However, upon leaving Vietnam, individuals are not permitted to take more than USD 5,000 or equivalent in other currencies in cash without declaration to the Vietnamese Customs and permission from the State Bank of Vietnam or another eligible credit institutions.

Currently, the Vietnamese Government has issued a range of regulations regarding foreign exchange control in Vietnam, which investors are required to follow when doing business in Vietnam. Accordingly, local and foreign investors shall be allowed to make capital contributions in local and foreign currencies to carry out foreign invested projects as specified in the granted investment licenses. Generally speaking, the capital contribution shall be made into direct investment capital accounts ("DICAs"), except for certain cases. The remittance of capital, profit and lawful incomes abroad by foreign investors shall also be carried out through the DICAs or indirect investment capital accounts ("IICAs") as the case may be.

The economy of Vietnam
Development trends

In recent years, the private sector has become far more influential. The Vietnam Stock Exchange came into existence in 2000 and the Government's policy of privatising State-Owned Enterprises made room for foreign investors to invest in the Vietnamese market. Vietnam has become a strong base for manufacturing and IT related services, with reasonable employment costs. However, weak copyright laws are expected to deter "high added value" industries from bringing large amounts of intellectual property into Vietnam for fear of losing it to clone competitors.

Thus, at present there is a large "low–tech" industry, to which the Government would like to be able to attract more "higher added value" businesses.

The economy of Vietnam

Digital environments

Cyber security

Laws on Cybersecurity 2018 provide measures and activities to protect national security and ensure social order and safety in cyberspace, legitimate rights and interests of organizations and individuals. Laws on Cyber Security are expected to create equality between domestic and foreign businesses when providing services on the internet.

In addition, regulations on personal data protection promulgated in April 2023 help to improve personal data protection.

Digital Economy

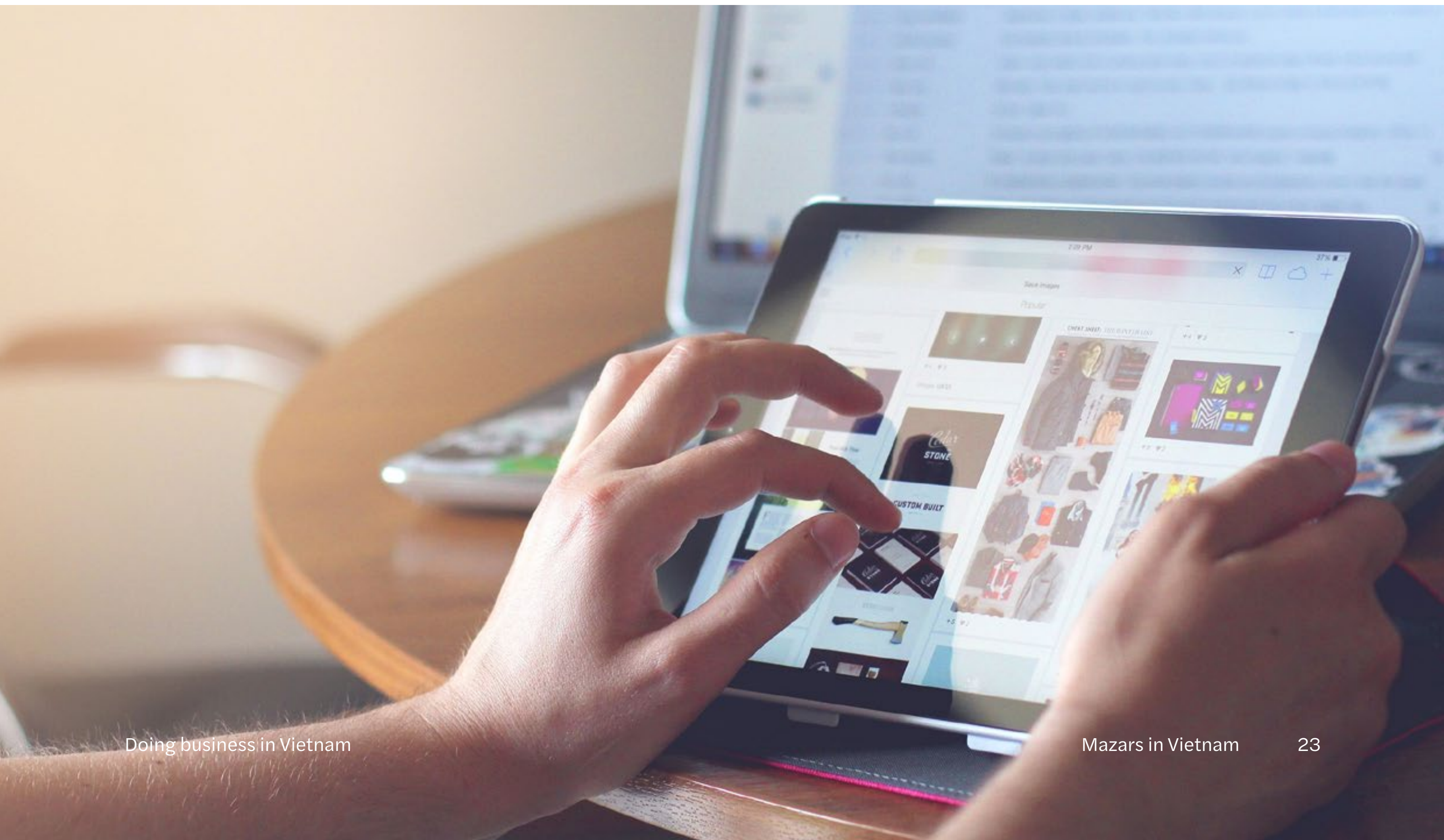
Vietnam is undergoing a period of essential transformation of digital economy regulations. In light of the National Digital Transformation Programme to 2025, with Orientation to 2030 as approved by the Prime Minister in Decision 749/QD-TTg, Vietnam is ardently working to develop its digital government, economy, and society. It is also establishing local digital businesses with improved global competitiveness and capacity.

E-Government

According to the United Nations Survey 2022, Vietnam's E-Government Development Index (EGDI) is high and ranks 86 .

Online public services provided to people and businesses are increasing, with highly effective areas in tax (99.8% of enterprises file e-taxes) and customs (99.7% of enterprises implement e-customs). The National Public Service Portal (www.dichvucong.gov.vn) has processed more than 5 million application dossiers of public services .

Vietnam has issued Decision 942/QD-TTg, approving the Strategy for E-Government Development towards Digital Government in the 2021-2025 period, with a vision to 2030 which sets out the vision for Central Government Cloud, Agency Government Cloud, and Enterprise Government Cloud.



Investment incentives and guarantees

Key sectors & locations currently targeted for investment incentives

Basic investment guarantee commitments

Investment incentives and guarantees

Key sectors & locations currently targeted for investment incentives

Sectors eligible for investment incentives

#1

High-tech activities, high-tech ancillary products; research, development and production of the products derived from scientific and technological results

#2

Production of IT products, software products, digital contents

#3

Production of new materials, new energy, clean energy, renewable energy; production of products with at least 30% value added; energy-saving products

#4

Cultivation, processing of agricultural, forest, fishery products; forest planting and protection; salt production; fishing and fishing logistics services; production of plant varieties, animal breeds, and biotechnology products

#5

Production of electronic products, key mechanical products, agricultural machinery, automobiles, automotive parts; shipbuilding

#6

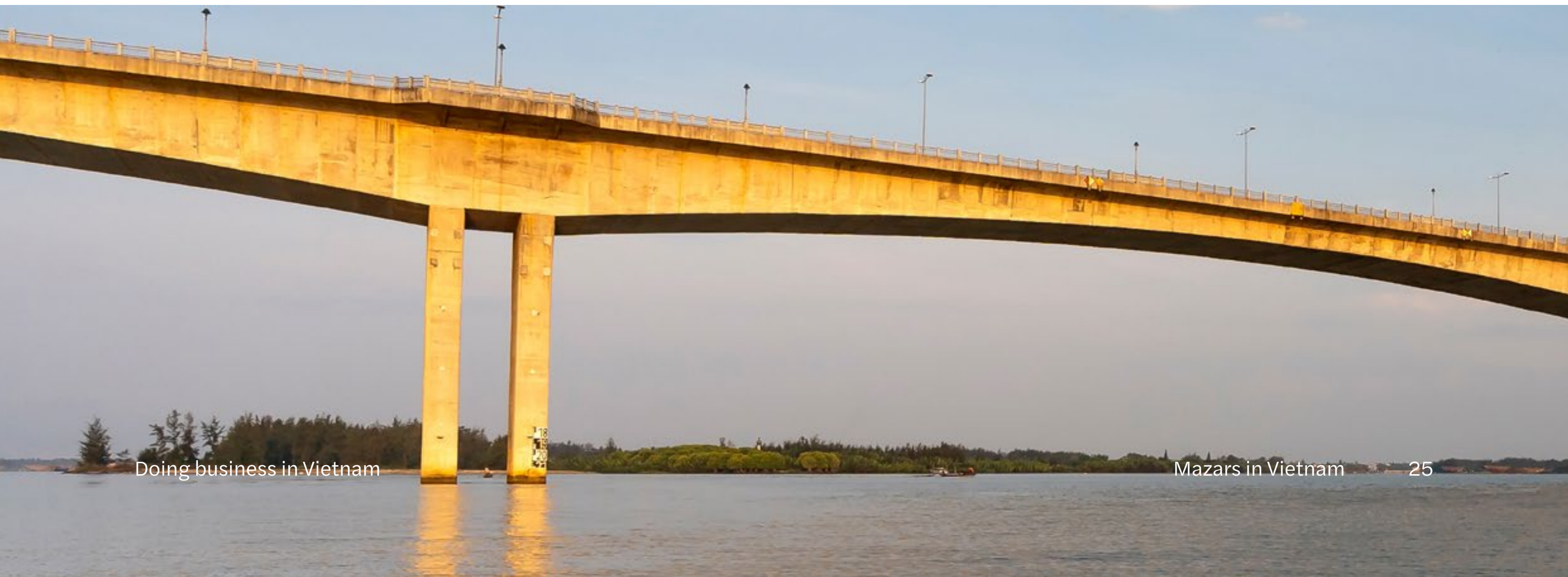
Waste collection, treatment, recycling or re-use

#7

Production of supporting industrial products

#8

Investment in infrastructure works; development of public passenger transportation in urban areas



Investment incentives and guarantees

Key sectors & locations currently targeted for investment incentives

#9

Pre-school education, general education, vocational education and higher education

#10

Investment in physical training and sport facilities for the people with disabilities or professional athletes; protection and promotion of the value of cultural heritage

#11

Medical examination and treatment; production of drugs, medicinal ingredients, drug storage; scientific research on dosage technology and biotechnology for producing new drugs; production of medical equipment

#12

Investment in geriatric centres, psychiatric centres, treatment centres for agent orange patients; nursing homes for the elderly, people with disabilities, orphans, street children

#13

People's credit funds, microfinance institutions

#14

Production of goods, provision of services that create or participate in the value chains or industrial clusters

Investment incentives and guarantees

Key sectors & locations currently targeted for investment incentives

The Government also provides some basic investment guarantee commitments as follows:

Guarantees for asset ownership

Lawful assets of the investors shall be neither nationalised nor confiscated by administrative measures.

The investors shall be reimbursed or compensated in cases where their assets are purchased or requisitioned by the State of Vietnam for the reasons of national defence, security or national interest, state of emergency or in response to natural disasters.

Guarantees for transfer of foreign investors' assets overseas

After all financial obligations towards the State of Vietnam are fulfilled, the foreign investors are permissible to transfer abroad investment capital and investment liquidation proceeds; incomes from business investment activities; money and other assets under their lawful ownership.

Guarantees for business investment activities

The investors shall not be required to prioritise purchasing, using domestic goods/services; or purchasing from domestic suppliers/providers; or achieving a certain localisation rate for goods production and/or R&D; nor be required to achieving a certain export target; limiting the quantity, value, types of goods/services exported or domestically provided; or balancing foreign currencies earned from export to meet import demands.

The investors will not be required to supply goods and services or have the headquarters situated at a location requested by a competent authority.

Guarantees for business investment upon changes of laws

Upon the changes of laws, the Investors shall:

- be entitled to new investment incentives which are more favorable for the remaining incentive enjoyment period.
- continue to enjoy the current incentives if new incentives are less favourable for the remaining incentive enjoyment period.
- be compensated by relevant measures if no longer entitled to incentives due to national defense and security reasons.

Investment incentives and guarantees

Key sectors & locations currently targeted for investment incentives

Areas eligible for investment incentives

- Disadvantaged areas and extremely disadvantaged areas
- Industrial parks, export-processing zones, hi-tech zones and economic zones
- Specific lists are promulgated by the Government

Special investment incentives for projects that exert significant socio-economic effects

- Projects on investment in establishment of innovation centers and R&D centers with a total investment capital of at least VND 3,000 billion and disbursing at least VND 1,000 billion within 3 years from the date of the Investment Registration Certificate or the approval for investment.
- Investment projects in investment incentive sectors with an investment capital of at least VND 30,000 billion and disbursing at least VND 10,000 billion within 3 years from the date of the Investment Registration Certificate or the approval for investment.

Digital transformation trends and policies

Digital transformation refers to the integration of digital technologies into all areas of a business, resulting in fundamental changes in how the business operates and delivers value to customers.

Digital transformation trends and policies

Context of digital transformation

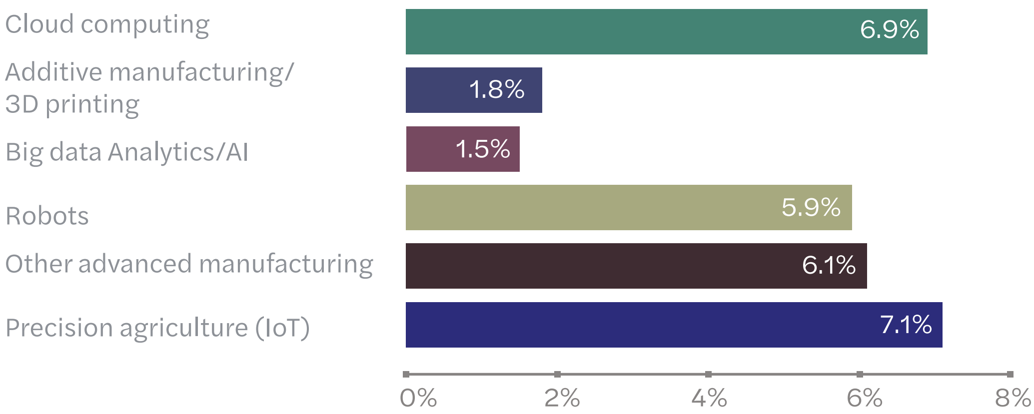
In response to the COVID-19 outbreak, Vietnam's use of digital platforms, e-commerce websites, social networks, and specialised applications has expanded significantly, from 48% of enterprises having digital presence in June 2020 to 73% in Jan 2021. The rate of businesses spending in digital solutions, jumped from 5% to 21% during the same period.

Moreover, the Vietnamese government has also increased its attempts to automate processes and offer citizens public services using digital means.

As of June 2022, 45.78% of administrative services were conducted online, a 160% increase from the same time period in 2021.

On the other hand, the Vietnamese adoption of key industry 4.0 technologies is still in its very early stages according to a survey by World Bank in 2021. For now, digital platforms are mostly used to simplify straightforward commercial processes including sales, accounting, and payment methods.

Figure 2: Share of Firms adopting Industry 4.0 Technologies



Source: The World Bank 2021

03 Driving forces for digital transformation

Internet penetration and mobile adoption

- In January 2021, there were over 72 million internet users (74% population) and over 63 million active mobile internet subscribers (65% penetration rate).
- Vietnam ranks 10th among the countries with the most 5G-connected devices in the world after Q3/2022.

Digital payments

- Increasing popularity of mobile payment platforms (Momo, Zalopay, Viettelpay, etc.)
- Digital payments reached VND 22.4 quadrillion (approximately USD 970 billion), up 20% between 2019 and 2020.
- Government set goals to reduce cash transactions to below 8% by 2025.

Cloud computing and data analytics

- Businesses can gain valuable insights from data, and use it to improve products and services, as well as overall customer experience.
- In 2020, the Ministry of Information and Communications launched a program to train 50,000 IT workers in cloud computing and data science by 2025.

Digital transformation trends and policies

Government policies and initiatives

1

National digital transformation project

This project aims to promote the use of digital technologies in government agencies, businesses, and society, with a focus on improving efficiency, productivity, and innovation. The project has 3 main focus points including digital government, digital economy and digital society.

2

Vietnam Digital Transformation Alliance

This public-private partnership's goal is to boost the adoption of digital technologies in the country. The alliance brings together government agencies, businesses, and academic institutions to collaborate on projects and initiatives that promote digital transformation.

3

National strategy on Industry 4.0

This strategy focuses on the development of high-tech industries and the adoption of advanced technologies in manufacturing. It relies on developing digital infrastructure, enhancing human resources, and promoting innovation and entrepreneurship.

4

E-commerce

The Ministry of Industry and Trade has developed a legal framework for e-commerce and has established an e-commerce development fund to support the growth of online businesses. The government has also encouraged the use of digital payments, with the goal of reducing cash transactions and promoting financial inclusion.

5

National digital literacy project

This initiative's purpose is to improve digital literacy and skills among the population.

6

Rural broadband project

The objective is to provide high-speed internet access to rural areas to bridge the digital divided between urban and rural areas.

Digital transformation trends and policies

Digital transformation trends in 2023

5G	5G will bring faster speeds, lower latency, and a higher density than 4G networks. For telecom providers, 5G offers a whole slew of benefits, ranging from increased capacity to the delivery of new content, services, and experiences in previously unthinkable ways and at incredible speeds. 5G also has the potential to transform business models and operations by dramatically improving how services are delivered to end-users.
Customer Data Platforms (“CDP”)	CDP unifies all customer data into a single view, connecting that data to the actual human being via a real-time profile. With the data centralised and secure in one database, decision-makers can easily analyse the insights — and act quickly to prompt conversions.
Cybersecurity	As more and more companies move their data onto the cloud, protecting that data becomes more crucial. And with hybrid work here to stay, it’s easier than ever for company data to become threatened by simple tactics like unauthorised sharing or phishing scams. Even if your data security is robust, companies should be transparent on their data privacy policies.
Artificial Intelligence (“AI”)	This involves using AI-based tools to spot and recognise trends, make decisions, forecast, learn, and improve.
Multi-cloud architecture	A multi-cloud strategy is used for a variety of reasons, including disaster recovery, data residency requirements, and resilience. To manage their various cloud environments, businesses must search for cloud management and automation solutions. These will also assist them in meeting agility requirements and trying out new delivery models.
Automation	With automation, organisations can seamlessly scale while reducing operational expenses along the way. Accessible and cost-effective ways to start introducing automation to your business include Robotic Process Automation (RPA) and Low-code or no-code development.
Data analytics	Data democratisation emerged as a result of an insight that data is increasingly important in decision-making. It enables companies to make better decisions by giving all employees access to data and also improves collaboration and communication by sharing data across departments.

Vietnam Digital’s Transformation

5G:
10th worldwide in number of devices connected

CDP:
Early stage of adoption

Cybersecurity:
7th in South East Asia according to NCSI

AI:
55th worldwide in AI readiness, 26th in research capacity

Multi-cloud architecture:
Over 30 cloud computing data centers

Automation:
Early stage of adoption

Data analytics:
Early stage of adoption

Business organisations available to foreigners

Foreign invested enterprises
Other market entry options
Termination of enterprises

Business organisations available to foreigners

Foreign invested enterprises

Establishment of Foreign Invested Enterprises (FIEs)

Limitations of foreign ownership

The foreign investors are allowed to own 100% of the share capital of a company in Vietnam, except for circumstances where the foreign ownership ratio is limited under the bilateral or multilateral agreement(s) to which Vietnam is a signatory (e.g. Schedule of Specific Commitments in Services upon the accession to the WTO of Vietnam, Schedule of Specific Commitments under the Europe – Vietnam Free Trade Agreement and the Vietnamese specialised local laws and regulations.

Investment procedures

The establishment of a FIE involves the procedures to obtain an Investment Registration Certificate and an Enterprise Registration Certificate.

However, depending on the investment sectors and scale, there are some certain investment projects which must each undergo a procedure to obtain an "in-principal" approval from the competent State authority (i.e. the National Assembly, the Prime Minister or the provincial People's Committees) prior to licensing to guarantee the national interest.

Types of FIE available

	Partnership	Limited Liability Company		Joint-stock Company
		Single-member	Multi-members	
	(2)	(3)	(4)	(5)
Legal status	Having legal status			
Number of owners/ members/ shareholders	Minimum – 2	Only 1	Minimum – 2	Minimum – 3
	Maximum – unlimited		Maximum – 50	Maximum – unlimited
Perpetual succession	Yes			

Foreign invested enterprises

Types of FIE available

<table>
<tr><th rowspan="2"></th><th rowspan="2">Partnership</th><th colspan="2">Limited Liability Company</th><th rowspan="2">Joint-stock Company</th></tr>
<tr><th>Single-member</th><th>Multi-members</th></tr>
<tr><td></td><td>(2)</td><td>(3)</td><td>(4)</td><td>(5)</td></tr>
<tr><td>Liability of owners/ shareholders</td><td>- Partners (who must be individuals) have unlimited liabilities.
- Capital contributors are liable for the debts of the company within their contributed capital.</td><td>Owner shall be liable for the debts and other property obligations of the company wihin the charter capital.</td><td>Members shall be liable for the debts and other property obligations of the company within their contributed capital.</td><td>Shareholders shall be liable for the debts and other property obligations of the company only within the contributed capital.</td></tr>
<tr><td>Issuance of securities</td><td>Unable to issue any types of securities</td><td>Unable to issue shares</td><td>Unable to issue shares</td><td>Able to issue any types of securities</td></tr>
<tr><td>Capital requirement</td><td colspan="4">There is no statutory minimum capital contribution threshold in most of the investment fields, but for some conditional sectors and industries such as banking, petroleum, etc., the foreign investor(s) must guarantee their capital contribution at least equal to a certain level, which is often called as legal capital.</td></tr>
<tr><td>Time-limit for capital contribution</td><td>As committed by the partners and capital contributors</td><td colspan="2">90 days from the date of issuance of the Enterprise Registration Certificate, excluding the time required for transportation, importation and implementation of relevant administrative procedures for transferring the ownership of assets in case of making capital contribution in kind to the company.</td><td>90 days from the date of issuance of the Enterprise Registration Certificate, unless a shorter time-limit for making capital contribution is stipulated in the Charter or agreed in the shares purchase agreement(s). In case of making capital contribution in kind, the time-limit for doing so shall exclude the time required for transportation, importation and implementation of relevant administrative procedures for transferring the ownership of assets to the company.</td></tr>
</table>

Business organisations available to foreigners
Foreign invested enterprises

Types of FIE available

<table>
<tr><th rowspan="2"></th><th rowspan="2">Partnership</th><th colspan="2">Limited Liability Company</th><th rowspan="2">Joint-stock Company</th></tr>
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<tr><td></td><td>(2)</td><td>(3)</td><td>(4)</td><td>(5)</td></tr>
<tr><td>Corporate governance</td><td>- Members’ Council and Chairman of the Members’ Council; and
- General Director/ Director</td><td>- Members’ Council and Chairman of the Members’ Council; OR the Chairman of the company if the company’s owner being an organisation only appoints 1 authorised representative or the company’s owner is an individual; and
- General Director/Director</td><td>- Members’ Council and Chairman of the Members’ Council; and
- General Director/ Director</td><td>- General Shareholder Meeting, Board of Directors, Inspection Committee and General Director/Director. In case where the company has less than 11 shareholders and the shareholders being organisations own less than 50% of total shares, the Inspection Committee is not amongst the required components in the organisational and management structure of the company; OR
- General Shareholder Meeting, Board of Directors and General Director/Director. In this case, there shall be at least 20% of the members of the Board of Directors being independent members and the organization of an auditing committee under the Board of Directors is a must.</td></tr>
<tr><td>Legal representative</td><td colspan="4">• In respect of Partnership, all partners shall be the legal representatives of the company.
• In respect of Limited Liability Company and Joint-stock Company, the company is permissible to have 1 or more legal representatives.
• There must be at least 1 legal representative of the company residing in Vietnam. If the company only has 1 legal representative, upon his/her departure from Vietnam, the said legal representative must authorise another person residing in Vietnam in writing to exercise rights and perform obligations of the legal representative; in such the case, the legal representative shall still be responsible for the performance of the authorised person.</td></tr>
</table>

Business organisations available to foreigners

Other market entry options

Business Co-operation Contract ("BCC")

A BCC means a form of investment where the investors enter into a contract in order to co-operate in business, share profits and/or products without the establishment of a legal entity.

Capital contribution, Purchase of shares or capital contribution, Merger and Acquisition

Investors are allowed to contribute capital, purchase shares or capital contribution in, merge with and acquire enterprises in Vietnam. The maximum ratio of the foreign investors' capital therein is regulated in a number of sectors and industries.

Branch

The establishment of a Branch must be made in accordance with the bilateral or multilateral agreement(s) to which Vietnam is a signatory as well as the Vietnamese laws. For normal foreign traders, their Branch is permitted to carry out the activities as stipulated in its Branch Establishment License.

To set up a Branch in Vietnam, amongst other conditions, the foreign traders must have been operating for at least 5 years from the date of incorporation/registration and the Business Registration Certificate or equivalent document must be valid for at least 1 more year as from the date of submission of the application.

Foreign Contractor/Cross-border supplies

Foreign companies can perform a number of cross-border supplies in accordance with the bilateral or multilateral agreement(s), to which Vietnam is a signatory as well as the Vietnamese laws. For instance, for construction and related activities, foreign contractors are permitted to carry out business by directly entering into construction contracts with Vietnamese owners or main contractors of the project and earning income therefrom. However, in order to do so, such foreign contractors must apply for Construction Activity Permit and setup what is known as a Project Execution Office.

Representative Office

The establishment of a Representative Office must be made in accordance with the bilateral or multilateral agreement(s), to which Vietnam is a signatory as well as the Vietnamese laws. The Representative Office permits the foreign traders to conduct the activities of liaison office, market research, promotion of their business investment opportunities, which are all purely reflecting the nature of business development, without generating any type of income or profit.

In order to set up a Representative Office, foreign traders must satisfy certain conditions, amongst others, such foreign traders must have been operating for at least 1 year from the date of incorporation/registration and the Business.

Registration Certificate or equivalent documents must be in effect for at least 1 year as from the date of submission of the application.

Termination of enterprises

Dissolution

An enterprise shall be dissolved in the following cases only after it has paid all debts and other property obligations as well as not involved in any dispute at a court or arbitral tribunal:

- The operational term as stipulated in the Charter is expired without any decision on extension thereof;
- As decided by the Members' Council (in respect of Partnership), the Owner or the Members' Council (in respect of Limited Liability Company), the General Shareholder Meeting (in respect of Joint-stock Company);
- The enterprise fails to maintain the minimum number of members/shareholders as ascribed by the Law on Enterprises for a period of 6 consecutive months without carrying out the procedures for conversion of the enterprise form; and
- The Enterprise Registration Certificate is revoked.

Bankruptcy

An enterprise is considered as being insolvent if such enterprise has failed to pay a due debt for 3 months as from its due date.

Generally, the bankruptcy procedures include:

i. Filing of the request for initiation of bankruptcy process with the court;

ii. Commencement of bankruptcy proceedings, unless the request is withdrawn;

iii. Appointment of asset management officer/ firm;

iv. Making list of creditors;

v. Creditors' meeting;

vi. Rehabilitation or bankruptcy and liquidation of assets. Simplified procedures shall be applied in some certain cases as stipulated by the regulations of laws.

Taxation

Taxation
Overview

Vietnam applies a common set of tax regulations on a nationwide basis, which over recent years, has become equal between local and foreign enterprises. Tax regulations include laws/ordinances/ resolutions from the highest level and sub-law guidance such as decrees, decisions, circulars and numerous official letters.

In recent years, Vietnam has been applying various administrative reforms and attempting to better adjust to the era of digital technologies. Among a number of tax regulations, the Tax Administration Law 2019 which has been in effect since July 2020 is a good example. The Law and its guiding Decree/Circular introduce tax administration regimes for e-commerce activities/activities via digital platform, incorporates tax management on the internet platform (e-tax) and officially sets guidelines for the new system of e-invoices.

License fee

License fee (previously known as license tax) is imposed on enterprises, representative offices, business individuals, and other business types doing business in Vietnam on an annual basis. The fee amount depends on the registered capital of the taxpayers, or fixed amount in certain cases.

The license fee shall be exempted in the first calendar year for newly established enterprises and some other types of business establishments. During the exemption period, if the mentioned enterprises establish a new branch, representative office or business location, such new set-up one(s) shall be also exempted from the license fee for the same period.

Taxation

Corporate Income Tax ("CIT")

CIT declaration and payment are required on:

i. an annual basis;

ii. upon incurrence (for some special cases); and

iii. upon division, M&A, conversion, dissolution or shut down of the company.

Quarterly CIT declaration is no longer required (however provisional CIT payment remains applicable on a quarterly basis).

Tax rates

The standard CIT rate is 20%. Taxation for oil and gas businesses is applied within the range from 32% to 50%. The natural resources industry may have a higher tax rate (i.e. 40% or 50%).

Tax incentives

CIT incentives are available, including a preferential tax rate and tax holidays which are granted to investment projects based on their business activities or their location. Some additional CIT incentives are also available for enterprises operating in manufacturing, construction and transportation with a high ratio of female employees or ethnic-minority employees.

Taxable Income (Profit)

Taxable income is defined as the difference between total taxable revenue and total deductible expenses of the enterprise during the tax year.

Taxable revenue includes all income from sales, provision of services and other incidental income accruing to the enterprise from any business activities, irrespective of whether the revenue was derived in Vietnam or overseas and has been collected or not.

Generally, expenses are tax deductible on the basis that they are business related and supported by legitimate invoices/documents and are not specifically identified as being non-deductible. For the purchase of goods or services with invoice valued at VND 20 million (VAT inclusive) and above, evidence of non-cash payment is also required.

Losses Carried Forward

An enterprise is allowed to carry forward fully and continuously the operating loss of a financial year to offset against future taxable income for a period of up to 5 years counting from the year after the year of loss.

CIT is imposed on the income (Profit) of enterprises, or any kind of organisations established under Vietnamese laws doing business in Vietnam.

Taxation

Value Added Tax ("VAT")

Generally, goods and services used for production, business and consumption in Vietnam are subject to VAT. Different VAT rates (0%, 5% and 10%) or VAT exemption are applied to different kinds of goods and services.

There are two methods of VAT filing:

Direct method

Where VAT would be imposed as a percentage directly on revenue (for a number of cases) or on added value of the Company.

Credit method (also known as Deduction method)

Where the taxpayer shall have its input VAT on expenses and output VAT on sales of goods and services, and only the exceeding amount of the output VAT over the creditable input VAT shall be paid to the Tax Department.

VAT exemption

Some goods and services are exempted from VAT such as medical or veterinary exempt services, certain kinds of insurance services, certain financial operations.

0%

Mainly applied to exported goods/services.

5%

Generally applied to areas of the economy concerned with the provision of essential goods and services.

10%

This is the "standard" rate.

(*) It was adjusted to 8% (with exception of some groups of goods and services) during 11 months of 2022 thanks to the incentive program of the Government. The standard VAT rate resumed to 10% from 01 January 2023, then adjusted to 8% again with effect from 01 July 2023 until 31 December 2023.

Taxation
Invoices

> *"[...] From July 2022, enterprises are compulsorily required to switch from using paper invoices and electronic invoices under the old system to the new electronic invoices system..."*

For the period up to 30 June 2022: an enterprise can use pre-printed invoices, self-printed invoices or electronic invoices. The tax invoice template must contain stipulated items and be notified to the local tax authorities before coming into use.

As an attempt to minimise tax evasion and reinforce tax administration, from July 2022, enterprises are compulsorily required to switch from using paper invoices and electronic invoices under the old system to the new electronic invoices system.

Transfer pricing

Vietnam transfer pricing framework has been significantly developed since 2017 with the introduction of Decree 20/2017/ND-CP, Decree 68/2020/ND-CP and Decree 132/2020/ND-CP. The current TP regulations are closely adapted from the OECD Base Erosion and Profit Shifting ("BEPS") Action 13 - Country-by-Country Reporting.

Key compliance requirements for taxpayers

Follow the arm's length principle

The pricing of related party transactions should be based on the pricing that would have been agreed upon in transactions between independent parties. Non-arm's length transactions shall be adjusted either voluntarily by the taxpayers or through assessments made by the tax authorities.

Maintain three-tier documentation

Three-tier TP documentation includes master files, local files and country-by-country reports. The three-tier TP documentation must be prepared before the deadline of the annual tax return. The law also provides certain safe habour rules for TP documentation exemption.

Declare TP forms annually

The TP forms declare taxpayers' related parties, related party transactions, any voluntary TP adjustments, and the availability of TP documentations. The TP declaration forms must be submitted together with the annual CIT return.

30% of EBITDA cap on interest expenses

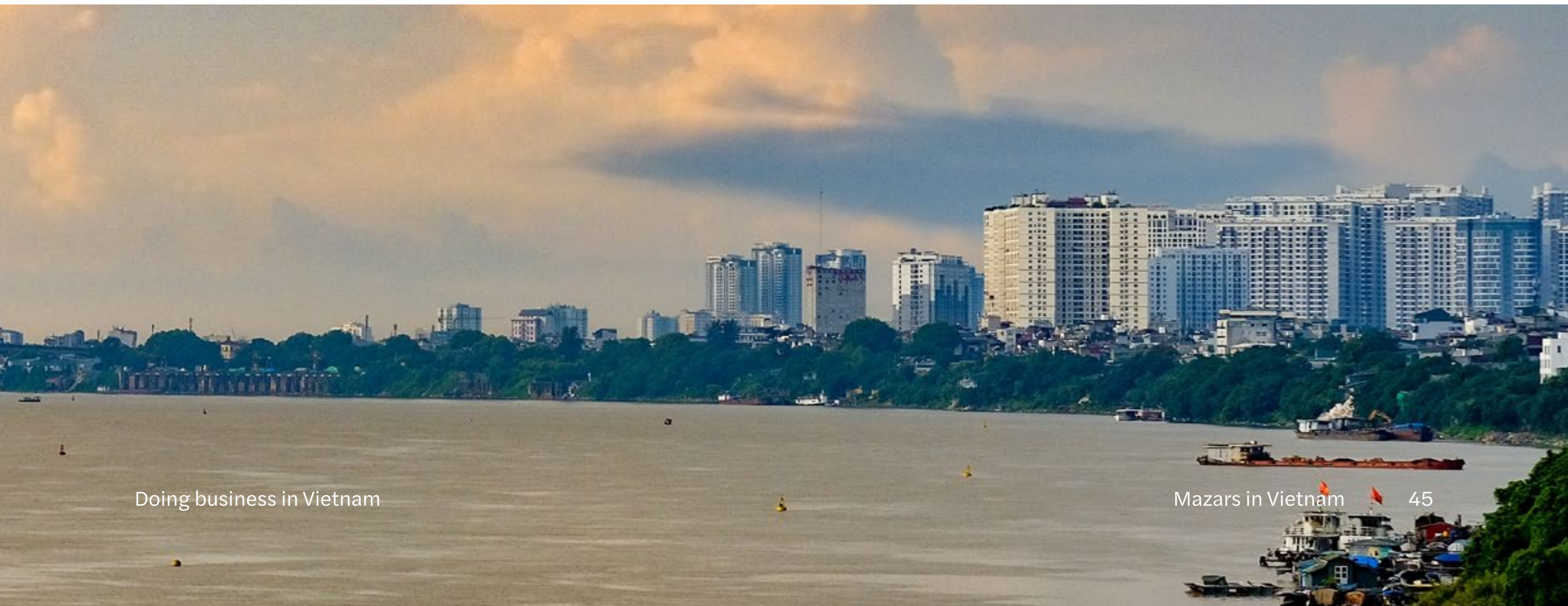
For enterprises having related-party transactions, deductible net interest expenses are limited to 30% of EBITDA. Non-deductible interest expenses may be carried forward over the subsequent five years.

TP audit

As an effort to tackle tax base erosion and profit shifting, TP has always been one of the focused areas in tax audit/ tax inspection plan in recent years. TP audit can be combined with general tax audit/tax inspection. Significant related party transactions, fluctuating or significantly low profit; or non-compliance with TP declaration are some factors that could attract tax authorities for a TP investigation.

Advanced Pricing Agreement ("APA")

For certainty on the methodology of setting up the arm's length range, enterprises might consider applying for the APA, which has proved to be a vital tax planning tool. Under APA, taxpayers agree with tax authorities on the pricing of related party transactions in advance for a maximum effective period of three years, but not exceeding the actual number of years that taxpayers have operated and paid CIT in Vietnam.



Taxation
Personal Income Tax (“PIT”)

PIT is applied to taxable income received by individuals. Therefore, as a general rule, PIT is a liability of individuals; however the PIT regulations encompass the concept of tax withholding at source, in which the income-payer is required to temporarily withhold tax prior to paying incomes to its employees and remit the withheld tax to the tax authority.

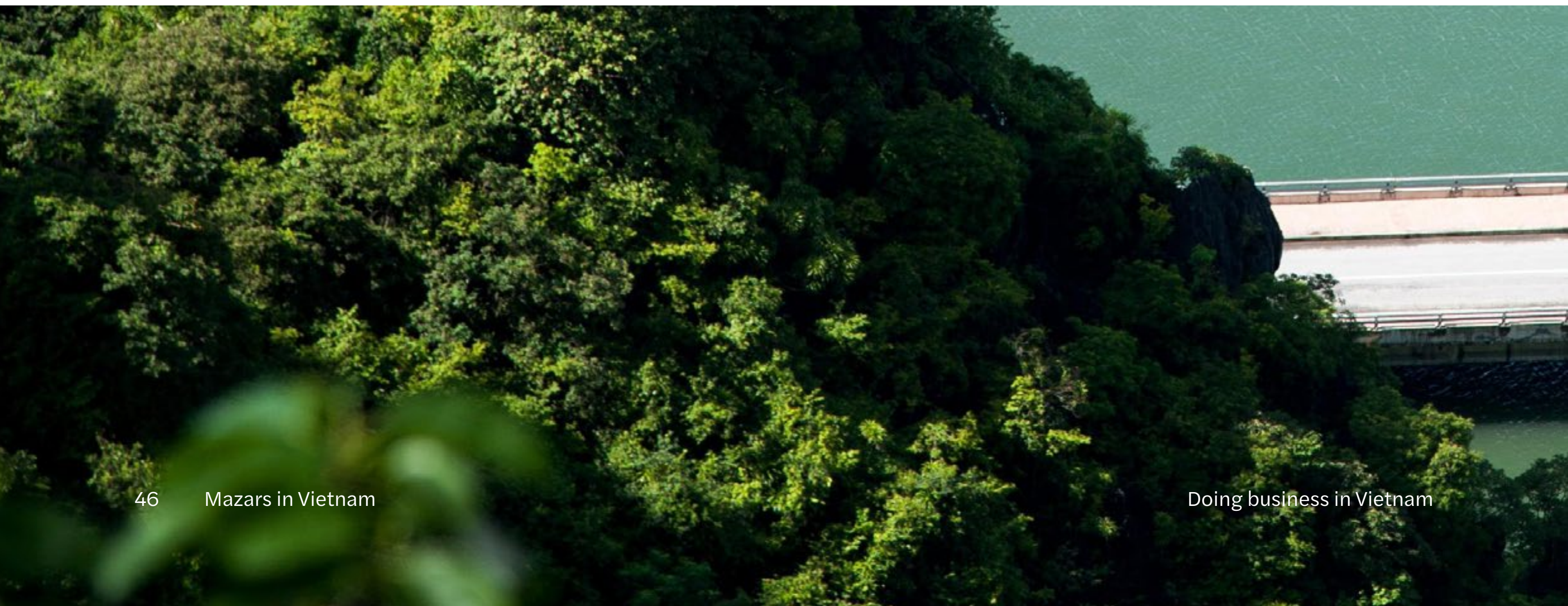
Taxable income

Taxable income includes employment income, business income, income from capital investment, income from capital transfer, income from transfer of immovable properties, and other taxable income.

Employment income is the most common type. In particular, taxable employment income includes income in the form of salaries, wages, remuneration, allowances (excluding some non-taxable income and exempt income as stipulated), income from membership of business associations, boards of management, boards of control, management councils and other organisations, and other benefits in cash or in-kind.

Residency status

Residents	A foreigner is considered a tax resident if: • He/she stays in Vietnam for 183 days or more during a tax year, or • He/she stays in Vietnam for less than 183 days but maintains a regular residential location in Vietnam (notwithstanding, a foreigner in the latter case can be considered non-resident in Vietnam if he or she can prove tax residency in another country). This can be reconsidered in light of the provisions of the relevant Double Tax Agreement that might apply. A resident taxpayer is subject to PIT on his/her worldwide income.
Non-residents	A foreigner is considered non-tax resident in Vietnam if he/she does not fall into the above conditions of resident taxpayers. A non-resident foreigner in this circumstance is taxed on his/her Vietnam-sourced income.



Personal Income Tax ("PIT")

Allowable deductions

An allowable deduction is available for resident taxpayers having taxable employment income, such as compulsory insurance contributions, charity and humanitarian contributions, family deduction, etc.

Tax rates

For employment income, tax residents are taxed using progressive tax rates with a top marginal rate of 35%; meanwhile non-tax residents are taxed at 20%.

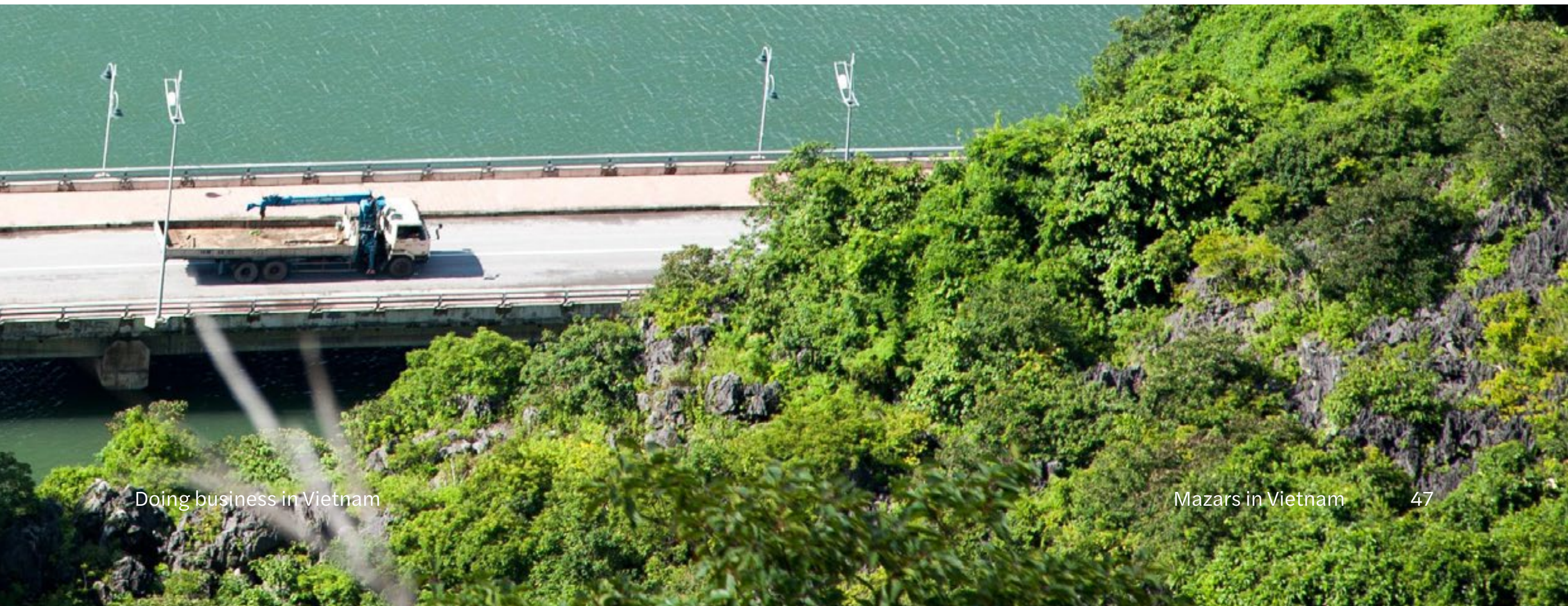
Other incomes are taxed at flat rates, summarised as below:

No.	Income category	Residents	Non-residents
1	Business income (*)	0.5%-5% on revenue (depending on type of business)	
2	Gain on capital transfer	20% on gains	0.1% on sales proceeds
3	Gain on securities transfer	0.1% of sales proceeds	
4	Gain on real estate transfer	2% of sales proceeds	
5	Income from prize-winning/ heritance/gifts	10% on portion exceeding VND 10 million	
6	Income from royalty/franchising	5% on portion exceeding VND 10 million	
7	Interest/Dividend	5% on income	

(*) Business individuals/households are also subject to VAT (1% - 5% of revenue or VAT-free, depending on type of business income).

Tax year

In general, the PIT tax year is the calendar year. In certain cases, the PIT tax year may differ from calendar-year basis. Particularly, the PIT tax year can be 12 consecutive months from the day on which the foreign individual arrives at Vietnam if he/she stays in Vietnam for less than 183 days in the first calendar year, or from January to the departure date of the year when the foreign individual qualified as Vietnamese tax resident terminates his/her labor contract in Vietnam.



Foreign Contractor Tax ("FCT")

FCT, normally referred to as the Withholding Tax, is imposed on foreign contractors or foreign sub-contractors (hereinafter collectively referred to as foreign contractors), which are defined as foreign organisations or individuals carrying out business in Vietnam under the contract signed with a Vietnamese contracting party or signed with a main foreign contractor. FCT actually comprises of two kinds of taxes, Income Tax and VAT. In cases where the foreign contractor is an organisation, these are CIT and VAT.

Basically, FCT is imposed in the following circumstances:

01

A foreign entity's sale of goods/commodities within Vietnam (i.e., the delivery place is within the territory of Vietnam or whereby the foreign entity still controls the ownership/quality/pricing or bears some costs related to the distribution of the goods in Vietnam).

02

A foreign entity's sale of goods/commodities which are associated with services to be performed in Vietnam, including but not limited to installation, commissioning and maintenance.

03

A foreign entity's provision of services in Vietnam (with certain exceptions).

04

Other income received in Vietnam in any form (irrespective of the location where the business is carried out) such as income from asset transfer, income from royalties and interest, etc.

There are three methods for FCT filing, which results in different positions of taxes payable. Each party's responsibility for tax administration as well as other accounting compliance requirements are to be undertaken by the foreign contractor and the Vietnamese party.

Declaration method (previously known as VAS Method)	The foreign contractor applies the Vietnamese Accounting System (VAS), pays VAT by the credit method and is liable to pay CIT on their net profit earned from the project/contract at the applicable rate, similar to a Vietnamese enterprise.
Direct method (previously known as Withholding Method)	The foreign contractor pays FCT on a deemed withholding basis. FCT applies at various rates, depending on the nature/scope of the contract. It is the responsibility of the Vietnamese contracting party to register the contract with the local tax department, and to withhold and pay the applicable FCT to the local tax department.
Hybrid method	This is a combination of the above two methods. VAT is declared using the credit method (same as Declaration Method), while CIT is declared on a deemed basis (same as Direct Method).

Declaration method and Hybrid method are normally employed by foreign contractors having big and long-run projects in Vietnam so that the input/output basis can be utilised to reduce the VAT impact for the whole project. Meanwhile, the Direct method is most commonly used.

Foreign Contractor Tax ("FCT")

The FCT deemed tax rates are as below:

Business activity	VAT rate	CIT rate
Trading: distribution, supply of goods, raw materials, supplies machinery and equipment; distribution of goods, raw materials, supplies, machinery and equipment attached to services in Vietnam (including those provided in the form of domestic exports, except for goods processed under processing contracts with foreign entities); supply of goods under Incoterms	N/A	1%
Service, machinery and equipment leasing, insurance, lease of oilrig	5%	5%
Restaurant/Hotel/Casino management services	5%	10%
Lease of aircraft, aircraft engines, aircraft spare parts and sea going vessels	5%	2%
Construction and installation WITH supply of materials, machinery and equipment	3%	2%
Construction and installation WITHOUT supply of materials, machinery and equipment	5%	2%
Production, transportation and service with supply of goods	3%	2%
Transfer of securities, certificates of deposit, ceding reinsurance abroad, reinsurance commission	N/A	0.1%
Derivatives financial services	N/A	2%
Loan interest	N/A	5%
Income from royalties	N/A or 5%	10%
Others	2%	2%

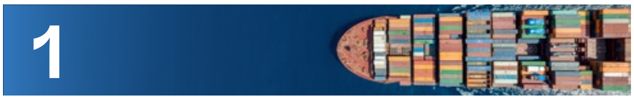
FCT for e-commerce businesses

Foreign companies doing e-commerce and digital business and providing other services in Vietnam without a Permanent Establishment (PE) are subject to FCT in Vietnam and would declare taxes in Vietnam under a different tax filing mechanism. They now can directly carry out the tax registration, declaration, and payment toward its revenue in Vietnam through the online portal of the General Department of Taxation on a quarterly basis; or authorise another party to do so on their behalf.

If the foreign companies do not perform the above, relevant Vietnamese parties involved in the transactions shall bear certain responsibilities:

- If the Vietnamese customers are companies: Such Vietnamese contracting parties are required to declare and pay taxes on behalf of the foreign companies (same as Direct method);
- If the Vietnamese customers are individuals: Commercial banks or payment intermediary companies are responsible for declaring and paying taxes on behalf, or reporting to the tax authorities.

Export and Import duty



Export duties

Export duty is primarily applied to agricultural products (e.g. rice, forest products and fish) and natural minerals. The duty is calculated on F.O.B. value of the export, with duty rates may be up to 40%.

Vietnam is in the process of promoting trade facilitation, and co-operation with many countries via various bilateral and multilateral trade agreements in order to reduce customs duty rates and the abolition of non-tariff trade barriers based on the relevant treaties. The most recent effective ones are the EVFTA between Vietnam and EU, the UKVFTA between Vietnam and United Kingdom, and RCEP among 15 Asia-Pacific countries.

More than that, there are also many incentive schemes of tax exemption applying on new investments and export-production plans in Vietnam, in aiming to attract new investment and encourage export business.

Import duties

Import duty is charged on a much wider range of goods, and is calculated on C.I.F. value of the import. The duty rates are calculated taking product type and origin into account.

There are three categories of import tariff schedules as follows:

- **Preferential tariff schedule:** To be applied to goods imported from countries / territories which have commitment on Most Favoured Nation (MFN) treatment with Vietnam. Most of these are WTO-member countries, and some other countries such as Taiwan.
- **Special preferential tariff schedule:** To be applied to goods imported from countries / territories which have participated into Free Trade agreement with Vietnam. Certificate of origin ("C/O") or documents likewise shall be required. Duty rate under this schedule is lower than that of MFN tariff schedule for the same product.
- **Normal tariff schedule:** The ordinary import duty rate shall be applied in case the two schedules mentioned above are not applicable. Normally, the ordinary rate in most of the cases is equal to 150% of the MFN duty rate applicable on the same product.

Other taxes and fees

Special Sales Tax	Special sales tax is only imposed on certain kinds of goods such as cigarettes, beer, alcohol, cars, motorbike, airplane, yachts, air-conditioners, gasoline, etc., and services such as running dancehalls, casinos, golf businesses and lottery businesses. The rate of special sales tax ranges from 1% to 150%.
Natural Resources Tax	Natural resource tax is imposed on organisations or individuals exploiting natural resources such as oil, minerals, forest resources, marine products and natural water, etc. Tax rates range from 1% to 35%.
Law on Non-agricultural Land Use Tax	The Law on non-agricultural land use tax was effectively introduced from 1 January 2012, replacing the old 1992 Ordinance on Housing and Land Tax and its amendment in 1994 and governs the three following objects: (1) Residential land in rural and urban areas; (2) Non-agricultural production and business land, including land for the construction of industrial parks; land for the construction of production and business establishments; land for mineral exploitation and processing; and land for the production of construction materials and pottery articles; (3) Non-agricultural land which is used for commercial purposes. Non-agricultural land which is used for non-commercial projects is not subject to this kind of tax. In addition, the regulations also provide nine cases of tax exemption and four cases of 50% tax reduction. Basically, those who are responsible for tax declaration and tax payment are organisations, households and individuals that have the right to use taxable land. Where organisations, households or individuals have not yet been granted with certificates of land use rights and/or certificates of ownership of houses and other land-attached assets, the current land users need to pay the tax.
Environmental Protection Tax	Environmental protection tax is imposed on products that are considered to have any negative impact on human health or the environment such as coal, petrol, plastic bags, oil, etc.
Tolls and Fees	Other than the above, there are some other tolls and fees such as leasing fees for land use.
Tax audits and Penalties	Enterprises are audited by the tax authorities on a regular basis, typically once in every 3 to 5 year period. In addition, the enterprise may also be subject to inspections from other Vietnamese authorities (for example, the Customs Department, General Department of Taxation, Ministry of Finance, State Audit). The time and scope of the audit or inspection are notified by a written notice which is sent to the enterprise prior to the inspection. Such tax audit or inspection may result in tax collections, interest on late tax payment and penalties, with a statute of limitations set at 2 and 5 years for administrative penalties and penalties for incorrect tax declarations/tax fraud, respectively.

Taxation

Double Tax Agreements (DTA)

Vietnam has now concluded Double Tax Agreements on avoidance and prevention of double tax with around 80 countries and others are at various stages of negotiation.

Generally, all of the DTAs benefit taxpayers by providing tax exemptions or tax credit schemes as a measure to avoid double taxation. The DTAs also provide restriction on tax rates on some specific kinds of income and the tax sparing system for developing countries in their initial economic development stage, such as Vietnam.

Tax exemption

For a short-term stayer

Generally, a short-term stayer is exempt from tax in the country where the income is earned by virtue of the Tax Treaty if the following three conditions are met:

- The number of days in Vietnam is less than 183 calendar days;
- The source of remuneration is not a resident of Vietnam; and
- The remuneration is not borne by a permanent establishment that the employer has in Vietnam.

For normal business profit

Normally, the profits of an enterprise being tax resident of a country for normal businesses shall be taxable only in that country unless the enterprise carries on business in the other country through a permanent establishment ("PE") situated therein. In other words, if a company does not create a PE in Vietnam, the income generated from its business in Vietnam might be exempted from CIT in Vietnam (note: this refers to a normal business profit, not specific ones such as royalty).

For other incomes

Other incomes (such as income from capital transfer) might also be eligible to tax exemption in Vietnam by virtue of DTA, subject to specific stipulation in corresponding DTAs.

The rules of the tax treaty are not automatically applied, and the taxpayer needs to make specific application to the tax authority if tax exemption is to be claimed. By law, confirmation from the tax authority of either approving or rejecting the tax exemption must be issued within 30 or 40 days upon sufficient submission of the application.

Credit against tax payable in home country

In cases where the foreign company/individual has to pay tax in Vietnam in line with the Vietnamese law and the DTA, as a measure to eliminate the double taxation, the DTAs normally allow the foreign company/individual to credit the tax already paid in Vietnam against the tax payable in home country in respect of such income. However, in no case does the creditable amount exceed the tax amount of such income computed in accordance with the tax laws of the home country. The procedure for the tax credit shall be specified under the laws of the home country.

Tax rates

The DTAs set out the maximum rates of tax applied to some kinds of income (such as interest, dividend, royalties). If the tax rate stipulated by domestic Vietnamese law is different from that in the DTAs, the lower rate shall be applied.

Tax sparing credit system

In order not to diminish existing tax incentives given by the Vietnamese Government, some tax DTAs recognise the tax sparing credit system (i.e. exemption of deemed foreign tax) by a specific tax treaty due to strong requests from developing countries as well as from political considerations of economic co-operation with such countries.

Accordingly, the tax exemptions according to Vietnam law are entitled to the tax sparing credit where the resident of the other country shall be entitled to credit the Vietnamese tax that would have been paid according to the laws of Vietnam (and the treaty) if the Vietnamese tax had not been reduced or relieved in accordance with the special incentive measures designed to promote economic development in Vietnam. This tax sparing credit system normally terminates a certain number of years after the tax treaty is effective.

Accounting & Audit

Legal framework of the Vietnamese Accounting System

The legal framework of the Vietnamese Accounting System was stipulated in the Accounting Law issued by the National Assembly of Vietnam in 2003. New regulation was approved in late November 2015 and took effect from 01 January 2017.

The Accounting Law provides the legal framework for accounting, and corporate reporting in Vietnam. Under Accounting Law, all companies are required to prepare their financial statements in accordance with Vietnamese Accounting Standards ("VAS"), Vietnamese Enterprise Accounting System (not applicable for credit institutions) and detailed guidelines of the Ministry of Finance.

The Accounting Law endorses the alignment of VAS with International Standards for the preparation of corporate financial statements.

The Vietnamese Accounting System was primarily regulated by the circulars stated below:

- Circular 200/2014/TT-BTC applicable for enterprises of all kinds of business sectors.
- Circular 133/2016/TT-BTC applicable for SME
- Circular 132/2018/TT-BTC applicable for micro business
- SME and micro business may apply the provisions of Circular 200 to meet their management requirements.

The accounting system in Vietnam

Enterprises with foreign-owned capital and foreign parties to business co-operation contracts (collectively "FIEs"), are required to adopt the Vietnamese Enterprise Accounting System (not applicable for credit institutions), VAS and their interpretive guidance.

Generally, companies do not need to register their accounting system if they are fully complying with the standard accounting system. However, when a company wishes to adopt any supplement or revision to the standard, the company must register and get approval from the MOF before implementation.

The general requirements of the Vietnamese Accounting System include:

- The use of Vietnamese language or both Vietnamese language and another widely used language in the preparation of accounting records. The use of Vietnamese Dong as the accounting currency. Only in limited cases can FIEs use a "foreign currency" as the accounting currency.
- Chart of accounts must be complied with the Vietnamese Accounting Regulations. If business enterprises wish any changes in the chart of accounts, they must register and get approval from the MOF before application.
- Numerous reports must be produced as specified in the Vietnamese Accounting Regulations.
- Accounting software can be used to record business transactions providing that the electronic accounting data must be secured and searchable within a compulsory retention period. Electronic accounting documents may be required to be printed out, signed and stamped whenever a competent authority needs them for inspection purposes.

Accounting currency

As noted above, it is required that companies in Vietnam (including foreign invested companies) must use Vietnamese Dong as the accounting currency. However, where the company mainly receives income and makes payments in a foreign currency, the company could use a foreign currency regulated by the MOF as its accounting currency.

The company must be self-responsible for this and notify the tax authority upon implementation.

Companies with foreign capital established and operating in Vietnam and using foreign currency as their accounting currency shall concurrently make financial statements in the accounting monetary unit (foreign currency) and convert these statements into Vietnamese Dong for submission to state management agencies.

The Vietnamese Accounting Standards

Accounting treatments are not always clearly stipulated in the VAS and may therefore be made based on the International Accounting Standard. The reason is that it is considered as the implicit policy of the MOF to use the International Accounting Standard is to fill the gaps left by the not-yet-fully developed "fair accounting practice" in Vietnam. Needless to say, its application should be pre-approved by the MOF.

The MOF issued Decision 345/QD-BTC dated 16 March 2020 ("Decision 345") which provides detailed roadmap for application of financial reporting standards in Vietnam, which comprise International Financial Reporting Standards ("IFRS") and Vietnamese Financial Reporting Standards ("VFRS"). According to the Decision 345, for the first phase from 2022 to 2025, some specific groups of enterprises can voluntarily apply IFRS by notifying the MOF before such application. For the later phase from 2025, based on assessment of the first phase, the MOF will determine the plan for certain groups of enterprises. The set of IFRS translated into Vietnamese is expected to be released gradually from 2023. In the meantime, VFRS and related guidance are planned to be issued by 15 November 2024.

Accounting & Audit

Fiscal year

The fiscal year applicable to FIEs in Vietnam is normally a calendar year i.e., 1 January – 31 December. FIEs may notify the local tax authority about their own 12-month fiscal year, commencing from the first day of a quarter and ending on the last day of the previous quarter in the following year. For the first/last fiscal year (i.e. the year of company establishment and closure), the accounting period can be more than 12 months but must not be longer than 15 months.

Accounting staff

Every enterprise is required to employ a Chief Accountant who must satisfy the criteria and conditions stipulated by the Law on Accounting, except for micro businesses.

A foreigner may be appointed to act as the Chief Accountant of the enterprise, provided that he/she meets the prescribed conditions and he/she has a certificate of accounting expertise or an accounting/auditing certificate issued by a foreign organisation recognised by the MOF; or an accounting/auditing professional practising certificate issued by the MOF; or a Chief Accountant certificate obtained after having passed the chief accountant's training course as prescribed in the regulations of the MOF.

In case a chief accountant cannot be appointed, the enterprise can employ a person who satisfies all criteria and conditions required by law, to be responsible for accounting work for a maximum of 12 months. The enterprise can also outsource this chief accountant position from an authorised accounting service company in Vietnam.

Audit

The annual financial statements of FIEs must be audited in accordance with the Law on Independent Audit. The audit must be carried out by an independent auditing company permitted to operate in Vietnam.

According to the provisions of Articles 110, Circular 200/2014/TT-BTC providing guidance on enterprise accounting system, FIEs are required to submit audit report together with audited financial statements to the authorities annually (e.g. finance authority, General Statistics Office, licensing authority, local tax authority, etc.).

Representative Offices and Project Management Offices are not subject to audit and only have to produce Financial Statements to meet the obligations of the parent. However, they are required to keep the accounting records under simplified VAS.

Internal audit

The legal framework of the statutory internal audit was stipulated in the Decree 05/2019/ND-CP ("Decree 05") dated 22 January 2019 issued by the Vietnamese Government in 2019 and took effect from 01 April 2019. Per Decree 05, the internal audit is required for, among others, enterprises of the following forms:

- Listed companies;
- Enterprises with 50% of their charter capital held by the State, which are parent companies operating in a parent - subsidiary business model; and
- State enterprises which are parent companies operating in a parent - subsidiary business model.

The concerned enterprises are required to proceed to comply with such requirements before 01 April 2021 (i.e. 24 months from the effective date of Decree 05). Of note, enterprises may hire independent audit companies which are legally accredited to render audit services. In case where enterprises hire accredited independent auditing companies to provide internal audit services, they must ensure conformance to fundamental internal audit principles and other requirements as stipulated.

Mazars offers a Chief Accountant service whereby we take the post of Chief Accountant and our client outsources some or all of the Accounting to us. It is not possible for a firm to be both Auditor and Chief Accountant .

Labour and Immigration

Visa & temporary residence card

Work Permit and Certificate of Work Permit Exemption

Salary

Compulsory insurance

Employees' representative organization

Labour and Immigration

Visa & temporary residence card

In the context of global integration after the Covid-19 pandemic, Vietnamese Government has been creating more favourable conditions for foreign employees to enter and reside in Vietnam.

Basically, foreigners are allowed to enter Vietnam by obtaining a visa, which is categorised into a number of different types such as: LD1 and LD2 (“Labour”); DT1, DT2, DT3, DT4 (“Investment”); DN1 and DN2 (“Enterprise”); etc. An appropriate type of visa will be depended on:

i. the purpose of the entry to Vietnam;

ii. status of obtaining the Work Permit/ Certificate of Work Permit Exemption (applied for the visa type of “Labour”);

iii. the form of the sponsoring organisation; and

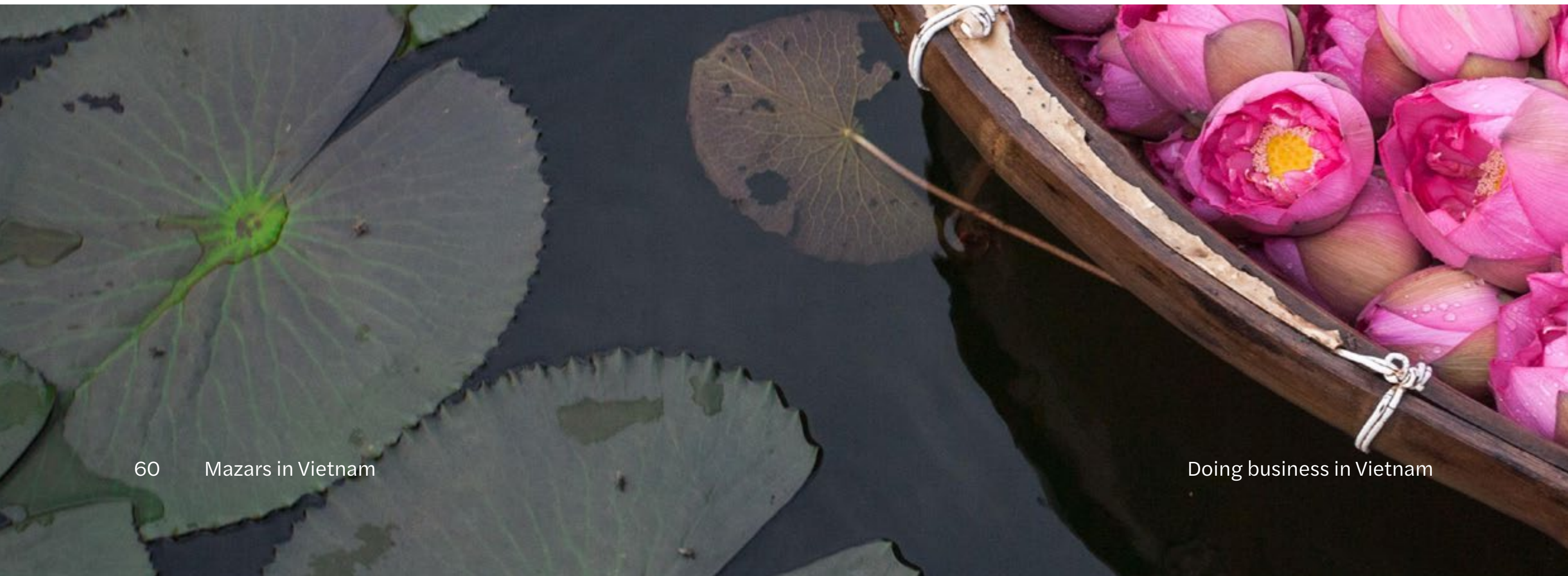
iv. charter capital of the sponsoring organisation (applied for the visa type of “Investment”).

Notwithstanding the above, the Immigration Department tends to control more strictly the requirements of the persons submitting the visa dossiers on behalf of the organisations sponsoring the foreign employees. In particular, to apply for Entry Visa Approval for foreign employees, the applicants must be current employees of the sponsor organisations, proven by presenting their labor contracts, payment evidence of their PIT and Social Insurance contribution. This licensing procedure causes certain difficulties and obstacles in practice (especially for newly established organizations having no employees in Vietnam) and is being requested to be removed by the enterprise community.

Without prejudice to the generality of the foregoing, citizens of certain countries may visit Vietnam without a visa for a certain period of time, regardless of their passport type or immigration purpose, for instance citizens of Asean countries or citizens of 13 countries including Germany, France, Italy, Spain, the UK and Northern Ireland, Russia, Japan, Korea, Denmark, Sweden, Norway, Finland, and Belarus (according to Resolution 32/NQ-CP dated 15 March 2022).

Visa can be replaced by a temporary residence card (“TRC”) which grants the foreigners the right to temporarily reside in Vietnam for a certain length of time up to 3 years or 10 years (for Investment TRC only) provided some requirements are satisfied. Nevertheless, investors with an investment of capital under VND 3 billion will not be eligible for the issuance of “Investment TRC”.

An electronic visa (E-visa) is one of visa types issued to foreigners by Vietnamese Immigration Department via electronic system. In June 2023, The National Assembly approved a government proposal to extend the validity of tourist e-visas from 30 to 90 days and allow visitors multiple entries, effective from August 15 2023.



Work Permit and Certificate of Work Permit Exemption

Generally, in order to legally work in Vietnam, the foreigners must obtain a Work Permit ("WP") or a Certificate of Work Permit Exemption ("CoWPE"), as the case may be. Under the Labor Code 2019 (coming into force as from 01 January 2021) and its guiding legislations, the term of a WP or a CoWPE shall not exceed 2 years. Notably, the WP is only allowed to be extended once with the validity term of 2 years for the maximum.

In some special cases, neither WP nor CoWPE is required such as:

i. A foreigner entering Vietnam to work as a manager, executive director, expert or engineer no more than 3 times per year and working period of each entry is under 30 days, or

ii. A foreigner marrying a Vietnamese citizen and residing in Vietnam, or

iii. An owner or a capital contributing member of a limited liability company owning a capital contribution valued of at least VND 3 billion, or

iv. A chairperson or a member of the Board of Directors of a joint-stock company with a capital contribution value of at least VND 3 billion.

Instead, the employers just need to explain the demand for recruiting foreign employees (as the case may be) and send a notification to the competent labor authority on the case of exempting from the obligation of obtaining the WP or CoWPE.

In practice, the WP application procedure is still facing many administrative difficulties, especially in localities due to differences in the interpretation of laws and instructions on application conditions and procedures.

Specifically, enterprises applying for approval of demand for recruiting foreign employees must prove that they have endeavored to recruit Vietnamese for the same position. This requirement results in certain difficulties for enterprises. The reasons for enterprises' recruitment of foreign employees are also considered more strictly *(e.g. the enterprises have to prioritise recruiting Vietnamese employees; otherwise, they need to point out the criteria/ job descriptions that the Vietnamese employees could not qualify for compared to the foreign employees; the forecasted plan of the enterprises to recruit and train the Vietnamese employees in the future in order to replace the foreign employees, etc.).*

Labour and Immigration

Salary

Enterprises directly employ and agree on salaries with their employees. However, they must comply with the regulations on minimum wages. The Government of Vietnam approves the base salary (previously known as the common minimum salary) and regional minimum salary applicable from time to time.

Employees' representative organisation

All organisations having employees in Vietnam are subject to Law on Trade Union (leading to the requirement on contribution to Trade Union Fund). Setting up Trade Union is optional though and enterprises have to satisfy certain conditions in accordance with the Law on Trade Union.

According to the prevailing Labor Code 2019, in addition to Trade Union, employees are entitled to either form or join other representative organisations that are independent of the State-run Vietnam General Confederation of Labor. Such organisations shall be legally established and operate after being registered with the competent authority. In the coming time, the Government will expedite issuing the necessary guidance and regulations to enforce the aforesaid provisions on representative organisations in order to strongly and effectively protect the interests of employees.

Compulsory insurance

Generally, when a Vietnamese employer ("ER") enters into a labor contract with an employee ("EE") – either local or foreign, both parties are required to make contributions to the compulsory social insurance ("SI"), health insurance ("HI") and unemployment insurance ("UI") funds (except for some cases) as below:

No.	Contribution category	By employer	By employee	Capped at (*)
1	Social insurance	17.5%	8%	20 times of base salary
2	Health insurance	3%	1.5%	20 times of base salary
3	Unemployment insurance (local only)	1%	1%	20 times of regional minimum salary

(*) The above contribution rates are applied to total basic salary, certain allowances and other supports as stipulated in the labour contract, but subject to a cap.

Land – Real Estate

Land Use Rights

Land lease

Land lease term

Land rent incentives

Houses/Apartments owned by foreigners

Land Use Rights (LUR's)

Normally, the foreign investors can obtain LURs (i) by way of a joint-venture to which a local Vietnamese partner contributes an LUR as a capital contribution, or (ii) by way of land leased directly from certain permitted lessors such as industrial zone infrastructure developers or the State of Vietnam. The FIEs implementing investment projects for the construction of houses for sale or for a combination of sale and lease may also be allocated land with land use levy by the State.

Land lease

The foreign investors may lease the land directly from the State of Vietnam after they establish an FIE in Vietnam or sub-lease land from the industrial zone infrastructure developers.

Lease term

The land lease term must be consistent with the duration of the approved investment project provided that it does not exceed 50 years or, in some circumstances, 70 years. The extension of the land lease term may be allowed by the State of Vietnam for an additional period without exceeding the said term upon expiry if the lessee wishes to continue to use the land.

Land rent incentives

Land and water surface rent exemptions and reductions apply to a number of investment projects which satisfy certain conditions such as investment in encouraged sectors or certain fields of business and/or encouraged geographical locations. The FIEs and foreign parties to BCCs may enjoy land and water surface rent exemptions of between 3 years to the whole operational period, and/or land and water surface rent reduction in some cases.

Houses/Apartments owned by foreigners

Under the prevailing laws, the following foreign organizations and individuals are allowed to purchase and own residential houses/apartments in Vietnam (subject to certain conditions):

- The foreign entities who invest in project-based housing construction in Vietnam as prescribed in the Law on Residential Housing and the relevant regulations of laws;
- The FIEs, branches, representative offices of the foreign enterprises, foreign-invested funds and branches of foreign banks operating in Vietnam;
- The foreign individuals who are allowed to enter Vietnam.

The Draft of Land Law (amended)

After nearly 10 years of enforcement and implementation, the Land Law 2013 has brought about remarkable achievements in land management, exploitation and use. However, it shows a lot of provisions under the Land Law 2013 is not consistent to that of the other new laws (e.g. the new enterprise and investment law promulgated in 2020). Therefore, a Draft of Land Law (amended) is being considered. Some amendments to the content of land allocation and land lease to foreign-invested enterprises in this Draft are consulted and discussed since they seem to narrow the scope of leasing land from the State. For instance, according to the current Land Law 2013, foreign-invested enterprises may lease land from the State to implement investment projects on residential houses for lease. Meanwhile, under the Draft of Land Law (amended), the cases in which land is leased by the State do not include implementing investment projects on construction of residential houses for sale or a combination of sale and lease.

Foreign exchange control

Bank accounts
Foreign exchange control implications
Profit remittance

Foreign exchange control

Bank accounts

The FIEs, foreign investors participating into BCCs or directly implementing PPP investment projects without establishment of project enterprises must open a DICA at an authorised bank in Vietnam through which all capital-related transactions of the investors would be handled (e.g. in-cash capital contribution; profit remittance; foreign loans disbursement and repayment (only applicable to FIEs), etc.).

Asides from the foregoing, the FIEs are additionally entitled to open and operate the below types of bank accounts, which shall have separate functions, specifically:

- Foreign borrowing and repayment account ("FBRA"): Normally, the transactions related to foreign loans shall be performed via the DICA. However, in cases where the currency of the foreign loans is not same as of the DICA, the FIEs are allowed to open a FBRA under the same currency as of the foreign loans to perform all the related transactions instead. FRBA may also be used for foreign short-term loans (i.e. loans having term of up to 12 months).
- Current account(s): Asides from the DICA and/or FBRA, the FIEs are also entitled to open and operate the current accounts at the authorised bank(s) to serve for various payment transactions. In fact, due to strict control of foreign exchange in Vietnam as mentioned above, the FIEs may consider maintaining and using both current accounts in foreign currency and VND.

Foreign exchange control implications

The foreign exchange regulations of Vietnam require all transactions within the country and between Vietnam residents be made in VND. However, the laws do stipulate a number of exceptional transactions permitted to be conducted in foreign currency, which often include:

- payment for the purchase of goods and/or services from individuals and organisations outside Vietnam;
- repayment of the foreign loans and interest;
- collection of turnovers from the provision of goods and/or services to the foreign customers outside Vietnam; and
- payment of salaries, bonuses, and allowances to the foreign employees.

Profit remittance

Under the prevailing laws, foreign investors are only permitted to transfer after-tax profits abroad (tax on remittance of profits abroad is no longer applied) either at the end of the fiscal year or upon termination of the direct investment activities in Vietnam. The FIEs must fulfil its tax and financial obligations to the State of Vietnam, submit their audited financial report and have CIT finalised before such remittance.

The foreign investors are required to directly make or authorise the FIEs invested by such investors to make a Notification of remittance of profits abroad to the competent tax authority at least 7 working days in advance of the remittance date.

Practical information

Transportations
Telecommunication
Time relative to GMT
Business hours
Public holidays

Practical information

Transportations

Motorbikes

- The most popular mean of transportation used by Vietnamese is probably motorbike, while in big cities, there have been a significant evolution with growing proportion of cars.
- Private transportation services are quite well developed with taxis and ride-hailing platforms.
- Bus transport dominates for long distances and it is relatively expensive to hire a car and driver for the day if it is necessary to visit an outlying town or an industrial park well away from the city.

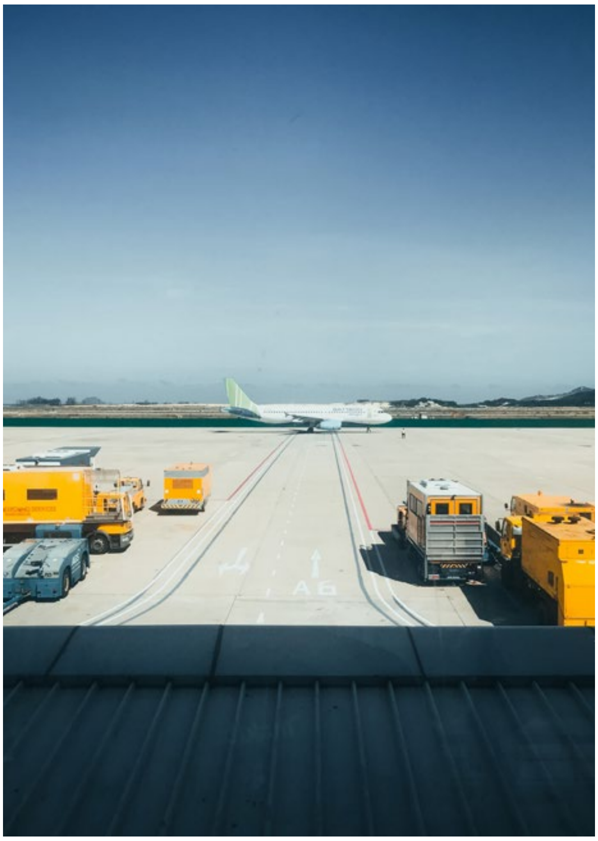
Railways

- Vietnam railways is the state-owned operator in Vietnam, which has about 3,163 kilometres of track, of which 2,703 kilometre of main lines, 460 kilometre of station's inner lines and branch lines. It is slow and cumbersome to the eyes of Westerners but is effective, nonetheless.
- The first metro lines (Cat Linh - Ha Dong) in Hanoi officially operated in November 2021 while the second metro lines (Nhon – Hanoi Train Station) carried out test run in December 2022. In Ho Chi Minh City, Metro No.1 Ben Thanh – Suoi Tien is expected to be completed by the end of 2023.

Motorways (or Express ways)

- Vietnam's expressway network is a relatively new addition to the country's transportation network. The first expressways opened in the mid-2000s; by 2020, the expressway network is planned to span 1,276 kilometers (793 miles), with ambitions for approximately 7,000 kilometers (4,300 miles) of expressway by 2030.

Transportations



Airports

- Airports are numerous, but the largest ones by far are Noi Bai (Hanoi) and Tan Son Nhat (Ho Chi Minh City), which are both major international hubs. It is notable that Government has approved the construction of Long Thanh International Airport in Dong Nai, which is expected to be the largest airport in Vietnam when finished.
- Vietnam currently has 05 licensed commercial airlines, with state- owned Vietnam Airlines and budget airline VietJet Air dominating the playing field. New players Bamboo Airways (operational now for over two years) and Vietravel Airlines (newly operated in late December 2020) and low-cost carrier Pacific Airlines (previously known as Jetstar Pacific) make up the rest of the market.
- There are regular flights between all major cities in Vietnam. Domestic flights take from 40 minutes up to about 2 hours depending on the routes. According to IATA, Vietnam is one of the 5 airway markets with the largest increase in passenger volume after China, the US, India and Indonesia. And it is expected to grow even further.

Seaports

- With the long coastal line, Vietnam is the key location for international shipping access. Vietnam has 45 deep-sea ports with a total capacity of more than 500 million tons per year, contributing to the total of over 300 big and small ports across the country. Major seaports are located in key economic cities namely Hai Phong, Da Nang, and Ho Chi Minh City.
- Vietnam has established 32 shipping routes, with 25 international routes and 7 domestic ones. Apart from intra-Asia routes, Vietnam also operates long-distance ones to North America and Europe, becoming the competitive sea-shipping destination only after Singapore and Malaysia.

Practical information

Telecommunication

Vietnam is well equipped with WIFI and 4G internet networks across the country, and gradually expanding to 5G network. The majority of the population of large cities uses electronic devices where most coffee shops, restaurants and hotels offer complimentary WIFI access. Disparities between urban and rural areas are no exception when it comes to telecommunication.

Time relative to Greenwich Mean Time (GMT)

Vietnam is seven hours ahead of GMT year-round and does not operate daylight saving time. So, the time difference to the UK changes between 6 and 7 hours (France 5 and 6 hours) depending on the time of the year.

Business hours

Businesses in Vietnam generally operate an eight-hour day between 8:00am and 5:00pm. A one-hour lunch period is usually taken between midday and 1:00pm. Most business offices are closed on Saturday and Sunday. Retail hours are considerably longer.

Public holidays

Vietnamese people celebrate 11 public holidays a year.

International New Year's Day **(in Vietnamese "Tết Dương lịch")**	01 January
Vietnamese New Year's Days **(in Vietnamese "Tết Nguyên Đán")**	The date of Vietnamese New Year's Days is based on the Lunar Calendar and takes 5 days, normally in late January or February. During these holidays, local public services, shops, and restaurants are often closed, and consumer prices tend to increase significantly.
Vietnamese Kings' Commemoration Day (in Vietnamese "Giỗ tổ Hùng Vương)	A traditional holiday commemorating the Mythical Hung Kings – The first king of Van Lang or Lac Viet. The date of this holiday is also based on the Lunar calendar.
Liberation Day - 30 April	Celebrates the reunification of Vietnam in 1975.
International Worker's Day - 01 May	Celebrates the workers' economic and social achievements.
Independence Day - 02 September	Celebrates the declaration of Vietnam Independence. Employees are entitled to 2 days off for this occasion.

What we do

Services tailored to our clients' needs

We operate as one team, taking a collaborative, integrated approach that allows us to deliver consistent and personalised services to our clients, of all shapes and sizes, across all sectors and geographies.

Audit & assurance

We have the technical knowledge, commitment to quality and dedication to service to provide clients with a first-class audit.

Outsourcing

We have a strong track record in helping businesses internationalise. Our outsourcing services are flexible and scalable, enabling you to react quickly to change in your business or markets.

Financial advisory

We provide certainty and clarity to clients during critical business lifecycle events – whether it's raising funds, developing an acquisition strategy, restructuring or carrying out an investigation.

Tax

We provide bespoke advice in all areas of taxation, helping corporates and private clients at both national and international levels.

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