Doing business in Vietnam 2021

Mazars in Vietnam

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Contents

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Welcome to Vietnam!

Vietnam is a densely populated country that is developing rapidly during the past 30 years since it opened its economy to the world (or "Doi Moi" program) and abandoned its previous centrally planned economic model. The country during that time has made a seismic shift from an agriculturally dominated industry to a more industrial and export driven economy.

Since the 90s, Vietnam has experienced tremendous growth led by its manufacturing and export sector, clearly establishing its strong position as an attractive destination for investors and global companies from all around the world. Especially during the past few years, Vietnam has prominently inserted itself into the global supply chain because of the US-China trade war; Vietnam has been the country of choice for international companies as manufacturers relocate from China to Vietnam. Among its many positive attributes, Vietnam has a youthful, innovative and well- educated workforce, abundance of natural resources and a stable political environment. Most recently Vietnam has entered into numerous bilateral and multilateral free trade agreements with many developing countries. These trade agreements, along with the current global shift in supply chain from China to Southeast Asia (especially Vietnam), are expected to further drive Vietnam's growth for the next decade.

However, as Vietnam is still a developing frontier market, starting a business and establishing a foothold in Vietnam will have its challenges and intricacies. To ensure an organized and successful business entry in Vietnam, business leaders and investors entering and operating in the country should refer to a trusted Vietnam investment and business guide, serving as a factsheet with regular updates on relevant business information, such as investment incentives, legal structures, tax, labour, foreign exchange control, along with general information about the Vietnamese economy. "Doing business in Vietnam" – an annual publication published by Mazars in Vietnam – aims to provide the relevant and updated information that all investors and businesses need to know.

With more than 25 years of experience in facilitating foreign investments in Vietnam, our diverse and multidisciplinary Mazars is confident in our ability to deliver the most detailed and updated publication beyond your expectation. We thoroughly comprehend the need for transparent and reliable information when doing business in a new market or even running an existing operation. We are confident that this publication is an all-encompassing "cheat sheet" that will help all businesses to navigate this complex and dynamic market and succeed in Vietnam.

Doing Business in Vietnam 2021, as its previous annual editions, is available in digital format and presented in English version.

Who we are
Mazars in Vietnam

200+
Professionals

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

#1
Accounting service

2
Offices

Mazars in Vietnam was established in 1994 to provide professional accounting and business advisory services to foreign and local organisations and has since grown to become one of the premier mid-tier firms in the country. We currently provide services to a variety of clients from our offices in Hanoi and Ho Chi Minh City. Our clients are both large and small and operate across all commercial, industrial and not-for-profit sectors. We are well known for providing high-quality professional services and having the ability to communicate well in English, French and Vietnamese.

As of January 2021 in Vietnam, Mazars is ranked in the Top 10 audit firms and the leading firm for Accounting Outsourcing Service according to the report of VACPA, Ministry of Finance Vietnam.

With over 200 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, who are all well equipped with the requisite business and technical skills, experience and knowledge base to deliver customised solutions to our clients. With their respective competencies, our professionals are capable of developing competitive advantages and sustainable values for a wide range of businesses.

Abbreviations applied

Abbr.	Explanation	Abbr.	Explanation
APA	Advanced Pricing Agreement	GMT	Time Relative to Greenwich Mean Time
BEPS	Base Erosion and Profit Shifting	GSO	General Statistics Office
CBC	Country by Country	IT products	Information Technology products
BCC	Business Co-operation Contract	IMF	International Monetary Fund
CEPT	The Common Effective Preferential Tariff	JSC	Joint Stock Company
CIT	Corporate income tax	LURs	Land use rights
Customs GOV	General Department of Vietnam Customs	MFM	Most Favoured Nation
DICA	Direct Investment Capital Account(s)	MOF	Ministry of Finance
DTA	Double Tax Agreement	ND-CP	A code part of a Decree name in the Vietnamese law system, standing for "Nghị Định – Chính Phủ" in Vietnamese.
EU	European Union	ODA	Official development assistance
FTA	Free Trade Agreement	OECD	Organization for Economic Cooperation and Development.
CECA	Comprehensive Economic Cooperation Agreement	PIT	Personal income tax
F.O.B price	Free on board price	SMEs	Small and medium enterprises
FCT	Foreign contractor tax	TP	Transfer pricing
FIEs	Foreign Invested Enterprises	WTO	World Trade Organization
GDP	Gross domestic product		

General information

Key country facts

An attractive Vietnam

Bilateral and Regional FTAs & CECA

General information

Key country fact

Vietnam terms its economy as socialist-oriented market economy, which is described as a multi-sectoral market economy in which the state sector plays the leading role in directing economic development. In recent years, however, the ongoing equitization of the state-owned companies has reduced their contributions to the economy whereas the private sector is increasingly contributing more to the country's GDP. Given remarkable resilience against the Covid-19 pandemic, Vietnam's economy ended 2020 positively at 2.91% growth in GDP and is among the world's highest growth rate in 2020. As well, Vietnam experienced four consecutive years of inflation below 4%, and reached 3.23% in CPI growth.

Foreign capitals play a key component of Vietnam's economic growth, while foreign trade increased to US$543.9 billion in 2020.

With the ongoing regulatory reform, new free trade agreements in effect and Government's efforts in pushing ahead international economic integration, Vietnam will remain a promising destination for investments and supply chain diversification.

In the first quarter of 2021, GDP experienced a quarter-on-quarter increase of 4.48%, which is higher than that of 3.68% in Quarter 1 of 2020. For the first two months of 2021, the number of newly-established enterprises and those recovering operations reached 29,162, a year-on-year decrease of 0.7%, according to the General Statistics Office (GSO). This might be explained by tight control of the government over the Covid-19 epidemic which helped the economy gradually recover and the effectiveness of the EU-Vietnam Free Trade Agreement as at 01 August, 2020.

**Figures as of 2020 from GSO*

General information

Key country fact

Land

Apprx. 310,070 sq. km
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

Government

The Socialist Republic of Vietnam

Labour force

56 million

Language

Vietnamese as mother tounge

Currency

Vietnamese dong (VND)

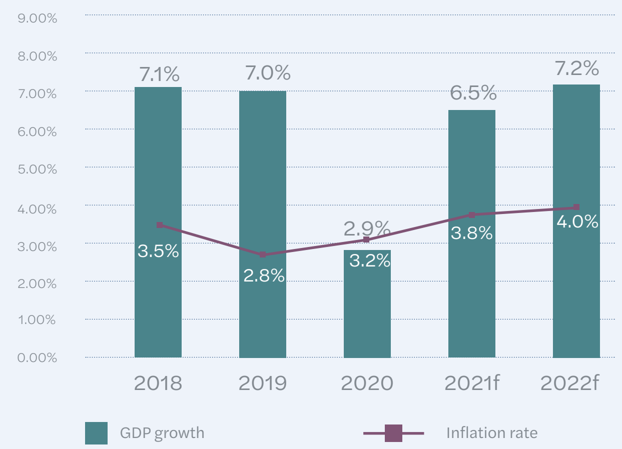
Religion

Buddhism, Catholicism, Taoism and Confucianism

Income category

Lower middle income

GDP growth and Inflation rate*



Figures as of 2020 from World Bank and IMF

GDP by sectors*

14.3%	Agriculture, Forestry and Fishing
35.9%	Industry (including Construction)
42.8%	Services

Figures as of 2020 from GSO

HCI index*

38th place out of 174 countries on the human capital index (HCI), and among Top 10 countries in ASEAN

Figures as of 2020 from World Bank and Statista

General information

Key country fact

Import* (2020)

Total $262.7 billion USD

Top 03 import sources of Vietnam

- China
- South Korea
- Japan

Top 03 imported goods (in billion USD)

64.0	Electronic goods, computers and their parts
37.25	Machinery, instruments, accessory
21.54	Textile, leather and shoes raw materials

Export* (2020)

Total $282.65 billion USD

Top 03 export markets of Vietnam

- The United States
- China
- Japan

Top 03 exported goods (in billion USD)

51.18	Phones all of kinds and their parts
44.58	Electronic goods, computers and their parts
29.81	Textile, leather and shoes raw materials

**Figures as of 2020 from Customs GOV*

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 32.5 with over 56 million people are in the workforce • Vietnam has literacy rate averaged at 95% and has one of the highest Internet penetration levels in Southeast Asia. • Its people are technologically 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. • An emerging middle class, currently accounting for 13% of the population, is expected to reach 26% by 2026.
Government support	• Vietnam's government is very stable and committed to seeing the country grow by prioritizing 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.
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, most recently signed the UK - Vietnam (UKVFTA) FTA and the EU-Vietnam FTA (EVFTA). • Vietnam has established diplomatic relations with 189 countries and bilateral strategic agreements with the majority of the world's leading economies.
Infrastructure development	• Significant expansion and improvement in transportation infrastructure, especially highways, airports and seaports. Two notably projects are under construction namely the metro line in Ho Chi Minh City and Long Thanh Airport (Dong Nai). • Over 350 industrial zones and export-processing zones across the country, especially 17 coastal economic zones. As well, 3 high-tech parks in 3 major cities Hanoi, Ho Chi Minh City and Da Nang with high-skilled labours and trade-friendly convenience.
Stable economic growth	• Viet Nam is one of the fastest growing economies in ASEAN, with a projected growth reaching 6.5% in 2021, and this is expected to keep over 7% until 2022, according to World Bank. • Quick economic recovery over the past year of uncertainty and global recessions. • The inflation rate remains stable and under control.

Bilateral and Regional FTAs & CECA

Signed and in effect

Source: WTO

No.	Name of FTAs, CSPs and EPA	Effective year
1	UK – Vietnam FTA (UKVFTA)	2021
2	EU – Vietnam (EVFTA)	2020
3	ASEAN - Hong Kong (FTA)	2019
4	CPTPP (TPP11) (FTA)	2018
5	India – Vietnam (CSP)	2016
6	Eurasian Economic Union – Vietnam (FTA)	2016
7	ASEAN – AEC (FTA)	2015
8	South Korea – Vietnam (FTA)	2015
9	Chile – Vietnam (FTA)	2014
10	China – Vietnam (CSP)	2013
11	UK – Vietnam (EPA)	2012
12	Russia – Vietnam (CSP)	2010
13	ASEAN - Australia/New Zealand (FTA)	2010
14	ASEAN – India (FTA)	2010
15	Japan – Vietnam (FTA)	2009
16	ASEAN - Japan (FTA)	2008
17	ASEAN – South Korea (FTA)	2007
18	ASEAN – China (ACFTA)	2003

Bilateral and Regional FTAs & CECA

Under negotiation

Source: WTO

EFTA – Vietnam	Vietnam and EFTA (including 4 countries Switzerland, Norway, Iceland, Liechtenstein) started negotiations on a free trade agreement since May 2012. Currently, this FTA is still under negotiation.
Israel - Vietnam	Vietnam and Israel began negotiations on signing a free trade agreement (FTA) on December 2, 2015. Currently, this FTA is still under negotiation.
RCEP (ASEAN+6)	• The Regional Comprehensive Economic Partnership (RCEP) between ASEAN and the six members that already had FTAs with ASEAN, including: China, South Korea, Japan, India, Australia and New Zealand, started negotiations on May 9, 2013. In November 2019, the member countries basically completed the negotiation on the RCEP document (except India - announced to withdraw from this Agreement). • The agreement will cover commitments on trade and investments cooperation, intellectual property, e-commerce, and so on. • On 15 November 2020, 15 RCEP members (except India) signed the agreement. The agreement will take effect within 60 days after approval by at least 06 ASEAN members and 03 non-ASEAN members.

Note:

Free Trade Agreements (FTAs)

Economic Partnership Agreement (EPA)

Comprehensive Economic Cooperation Agreement (CECA)

Comprehensive Strategic Partnership (CSP)

With a boost from FTAs, Vietnam is positioning itself as a preferred destination for driving supply chain diversification and knowledge and technology transfer.

Since the beginning of 2021, Vietnam has signed 15 free trade agreements (FTAs), in which 7 FTAs are signed as an ASEAN member and 7 FTAs are signed as an independent party with the most notable significant agreements being the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), EU – Vietnam free trade agreement (EVFTA) and UK – Vietnam free trade agreement (UKVFTA). In addition, Vietnam is also in the process of negotiating with three other FTAs, namely Vietnam and EFTA (including 4 countries Switzerland, Norway, Iceland, Liechtenstein), Vietnam – Isarel FTA and Regional Comprehensive Economic Partnership Agreement (RCEP). Above all, Vietnam's responsible role as a member in different diplomatic relations and international organizations as well as its active acceleration in the negotiation and signing of FTAs with many important and potential partners, have shown the government's efforts to further integrate into the global economy.

According to the Ministry of Planning and Investment, Vietnam's total exports – imports value in 2020 reached 545,36 billion USD, up 5,4% as compared to the same period in 2019 despite the vast effects of the pandemic both domestically and globally. Specifically, under EVFTA, EU commits to eliminate tariffs for Vietnamese goods contained in 85.6% of tariff lines, equivalent to 70.3% of Vietnamese export turnover to the EU, while Vietnam commits to eliminate tariffs for EU goods belonging to 48.5% of tariff lines, equivalent to 64.5% of EU export turnover to Vietnam. With government's desired shift toward digitalization and innovation, Vietnam is emerging as a key manufacturing hub in the region for hi-tech products such as phones, electronics, computers, while low-tech ones such as textiles, garment and footwear also contribute significantly to the overall export value.

Vietnam has recently gradually reformed its regulations and law regime in a way to bring transparency and convenience to both domestic and international businesses. In the past few years, several legal documents have been drafted, amended and re-issued, notably mentioning the new Labour Code 2019, Enterprise Law, Investment Law or the new Law on Public-Private Partnership. Policy and legal framework development will be a major focus in upcoming period for Vietnam to further create a business-friendly environment yet conforming with international requirements and attract high quality foreign investments.

Exchange controls

Development trends

Exchange controls

Exchange controls

Throughout the country, only US Dollars and certain other currencies are accepted for transactions with Credit Institutions and other transactions in big cities and provinces as permitted by the Prime Minister. 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 transfer their earnings abroad after completing all their financial liabilities to the Vietnamese Government. However, on leaving Vietnam individuals are not allowed to take more than USD 5,000 or equivalent in other currencies in cash (including debit notes and travellers cheques) without declaration to the Vietnamese Customs and permission from the State Bank of Vietnam or another eligible bank.

Up to now, the Vietnamese Government has issued a range of regulations regarding foreign exchange management in Vietnam which investors are required to follow when doing business in Vietnam. Accordingly, local and foreign investors shall be allowed to contribute the amounts of capital in local and foreign currencies as specified in their investment registration certificates. The contributed capital shall be carried out through transfer to direct investment capital accounts. The transfer of capital, profits and lawful incomes abroad by foreign investors shall also be carried out through the direct investment capital accounts.

Development trends

In recent years the Private Sector has become far more influential. The Vietnam Stock Exchange came into being 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, the weak copyright laws are thought to deter "High added value" industries from bringing too much intellectual property into Vietnam for fear of losing it to clone competitors. Thus, at present there is an abundance of "low–tech" industry and the Government would like to be able to attract more "Higher added value" businesses.

Investment incentives and guarantees

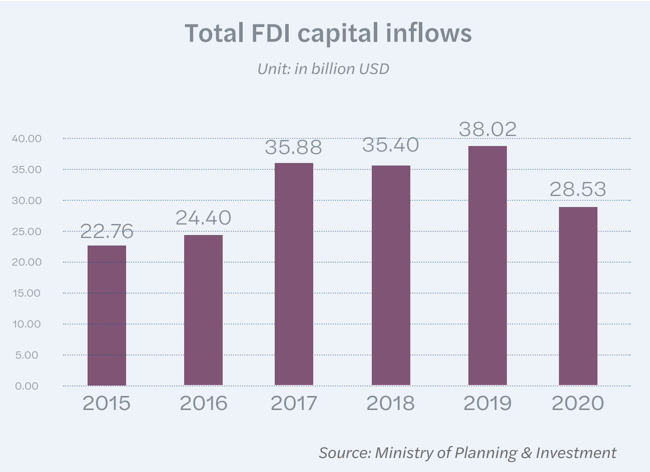
Foreign investment environment

Key sectors currently targeted for investment incentives

Basic investment guarantee commitments

Investment incentives and guarantees

Foreign investment environment



Top 5 foreign investors in Vietnam	Total value (billion USD)	Number of projects*
South Korea	70.6	8,963
Japan	60.3	4,632
Singapore	56.5	2,629
Taiwan	33.7	2,792
Hongkong	22.6	1,944

**Figures as of December 2020*

With its maturing manufacturing industry, geographical proximity to China, emerging skilled and lower-cost labour force, the continuing ease of doing business, and investor-friendly investment laws, Vietnam becomes the leading destination for foreign investment and supply chain diversifications.

Generally, the Covid-19 pandemic has put significant impacts on economic activities, thus limiting the movement of foreign investors and number of new investment projects. However, in the past 12 months, Vietnam still achieved positive GDP growth and reached 28.53 billion USD in total foreign direct investment inflows. In which, there are 2,523 newly licensed projects with the registered capital of 14.6 billion USD, down 35% in the number of projects and 12.5% in the registered capital compared to 2019. Highlights from these foreign investments can be noted as Bac Lieu liquefied natural gas (LNG) power plant project (4 billion USD), South Vietnam Petro Complex project in Ba Ria – Vung Tau (1,3 billion USD) or West Lake Urban Area in Hanoi (774 million USD).

In an effort to make the country more FDI-friendly, Vietnamese government has gradually simplified legal procedures and streamlined the bureaucratic process related to decision making. Revised tax and legal regime, special investment incentives in industrial zones, as well as the digitalisation of administrative procedure have been applied to support and bring flexibility of doing business in Vietnam for foreign investors. Notably, Vietnam has signed many bilateral and multilateral free trade agreements with its recent FTAs include the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the EU-Vietnam FTA (EVFTA) and the UK-Vietnam FTA (UKVFTA). These FTAs will facilitate FDI inflows into Vietnam, lower trade and investment barriers for participating countries, provide better market access for Vietnamese exports, and encourage reforms that will help all foreign investors.

Investment incentives and guarantees

Key sectors currently targeted for investment incentives

High-tech activities, high-tech ancillary products; research, development and manufacture of the products derived from scientific and technological results in accordance with regulations of laws on science and technology

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

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

Preschool education, general education, vocational education and higher education

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

People's credit funds, microfinance institutions

Medical examination and treatment; production of drugs, medicinal ingredients, drug storage; scientific research into preparation technologies, biotechnologies for producing new drugs; manufacture of medical equipment

Production of products on the List of prioritized supporting industrial products

Production of IT products, software products, digital contents

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

Waste collection, treatment, recycling or re-use

Investment in development, operation and management of infrastructure works; development of public passenger transportation in urban areas

Manufacture of goods, provision of services that create or participate in the value chain or associated industries

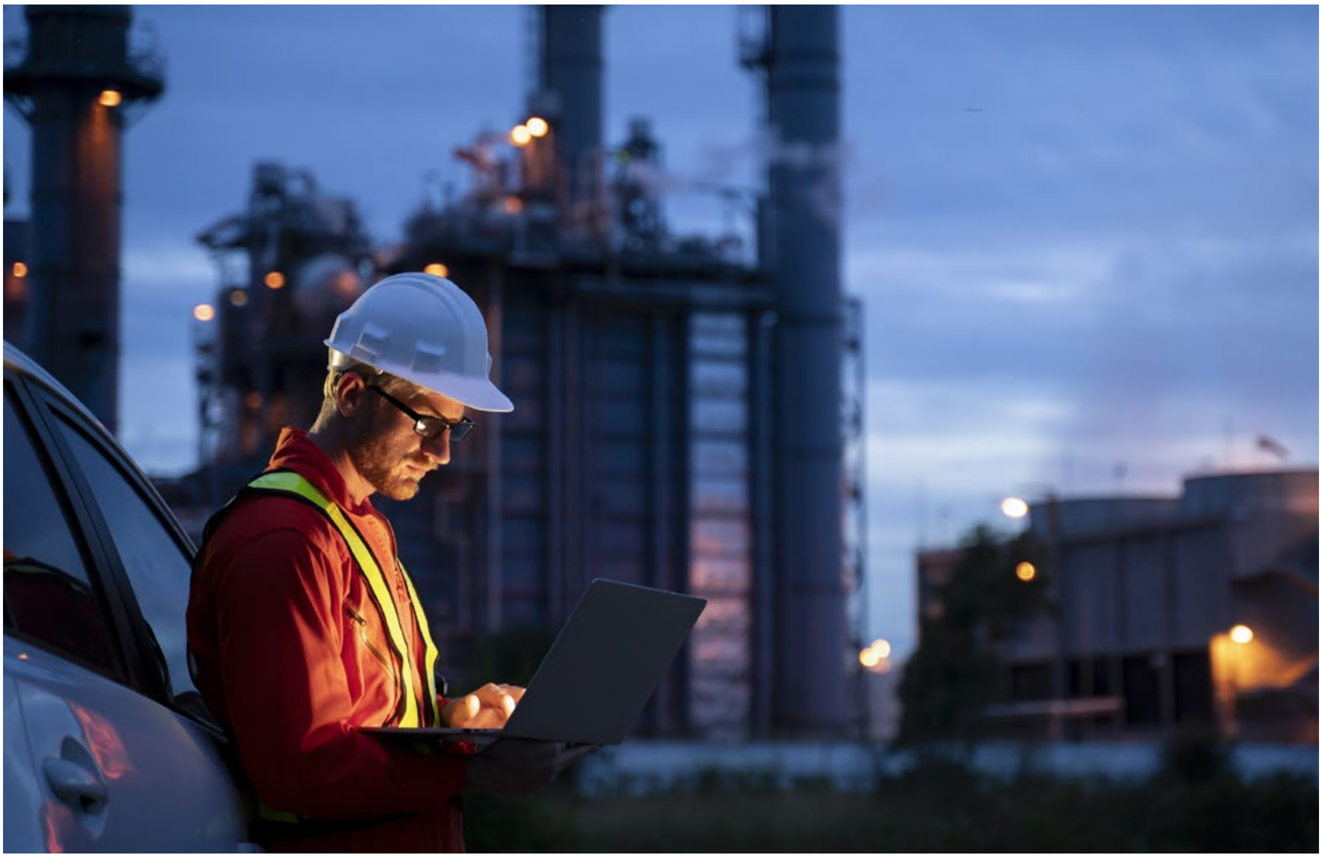
Investment in physical training and sport facilities for the people with disabilities or professional athletes; protection and promotion of value of cultural heritages

Investment incentives and guarantees
Basic investment guarantee commitments

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

- Lawful assets of investors shall be neither nationalized or confiscated by administrative measures.
- In cases where an asset is purchased or requisitioned by the State for the reasons of national defence and security, national interests, state of emergency or in response to natural disaster, the investors shall be reimbursed or compensated in accordance with regulations of laws.
- Investors are not required to prioritize purchasing, using domestic goods/services; or purchase, use goods/services provided by the domestic producers/service providers; achieve a certain export target; limit the quantity, value, types of goods/services exported or domestically produced/provided; import a quantity/value of goods that is equivalent to the quantity/value of goods exported; or balance foreign currencies earned from export to meet import demand; reach a certain localization rate for domestically produced goods and/or a certain level/value of domestic research and development activities; supply goods/provide services at a particular location and/or have the headquarter situated at a requested location.
- The Prime Minister shall consider and decide the forms and contents of the State's guarantee for investment projects subjecting to the "in principle" approval of the National Assembly or the Prime Minister or other important infrastructure development investment projects proposed by relevant governmental bodies.
- After all financial obligations towards Vietnamese Government are fulfilled, foreign investors are permitted to transfer abroad investment capital and investment liquidation proceeds; income from business investment; money and other assets under their lawful ownership.

Upon the promulgation of new legislation(s) which provides more favorable investment incentives, the investors shall be entitled to such new incentives for the remaining incentive enjoyment period of their investment projects, except for special investment incentives for the projects granted with certificates or approvals prior to the effectiveness of the Law on Investment 2020 (i.e. 1st January 2021). Otherwise, if the said new legislation(s) provides less favorable investment incentives, the investors shall continue to enjoy the current incentives, with a few exceptions.



Business organisations available to foreigner

Foreign investment

Other market entry options

Termination of enterprises

Foreign Investment

Establishment of Foreign Invested Enterprises (FIEs)

Limitations of foreign ownership

Foreign investors are allowed to own 100% of the share capital of a company in Vietnam, except for circumstances where foreign ownership is limited which are stated in the bilateral or multilateral agreement(s) to which Vietnam is a signatory such as WTO Commitments as well as the Vietnamese specialized local laws and regulations thereof.

Investment procedures

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

However, certain investment projects, depending on the investment sectors and scale, must 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 interests.

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			
Liability of owners/ shareholders	- Partners (who must be individuals) have unlimited liabilities - Capital contributors are liable for the debts of the company within their contributed capital	Owner shall be liable for the debts and other property obligations of the company wihin the charter capital	Members shall be liable for the debts and other property obligations of the company within their contributed capital	Shareholders shall be liable for the debts and other property obligations of the company only within the amount of capital contributed to the company.
Issuance of securities	Unable to issue any types of securities	Unable to issue shares	Unable to issue shares	Able to issue any types of securities

Business organisations available to foreigner

Foreign Investment

Types of FIE available

	Partnership	Limited Liability Company		Joint-stock Company
		Single-member	Multi-members	
	(2)	(3)	(4)	(5)
Capital requirement	There is no minimum requirement for capital in most investment field, but for some conditional industries such as banking, petroleum, etc., the foreign investor(s) must guarantee their capital above certain level. These certain levels are often called legal capital.			
Time-limit for capital contribution	As committed by the partners and capital contributors	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 cases of making capital contribution in kind to the company.		90 days from the date of issuance of the Enterprise Registration Certificate, excluding unless a shorter time-limit for making capital contribution is stipulated in the Charter or agreed in the shares purchase agreement(s). In cases of making capital contribution in kind, the time-limit for making capital contribution shall exclude the time required for transportation, importation and implementation of relevant administrative procedures for transferring the ownership of assets to the company.
Legal representative	- 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 may have 01 (one) or more legal representatives. If there are more than 01 (one) legal representative, the Charter shall specify the rights and obligations of each of them. Otherwise, all legal representatives shall be jointly liable for any damages caused to the company in accordance with the civil laws and relevant regulations of laws. - At least 01 (one) legal representative of the company must reside in Vietnam. If the company only has 01 (one) legal representative, upon his/her departure from Vietnam, the said legal representative must authorize another person residing in Vietnam in writing to exercise rights and perform obligations of the legal representative; in this such case, the legal representative shall still be responsible for the performance of the authorized person.			

Foreign Investment

Types of FIE available

	Partnership	Limited Liability Company		Joint-stock Company
		Single-member	Multi-members	
	(2)	(3)	(4)	(5)
Corporate Governance	- Members' Council and Chairman of the Members' Council; and - General Director/ Director	- Members' Council and Chairman of the Members' Council; OR the Chairman of the company if the company's owner being an organization only appoints 01 (one) authorized representative or the company's owner is an individual; and - General Director/ Director	- Members' Council and Chairman of the Members' Council; and - General Director/ Director	- General Shareholder Meeting, Board of Directors, Inspection Committee and General Director/ Director. If having less than 11 (eleven) shareholders and the shareholders being organizations own less than 50% of total shares, it is not required to have Inspection Committee; OR - General Shareholder Meeting, Board of Directors and General Director/Director. In this case, at least 20% of the number of members of the Board of Directors must be independent members and there must be an auditing committee under the Board of Directors.

Business organisations available to foreigner
Other market entry options

Business Co-operation Contract (BCC)

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

Capital contribution, Purchase of shares or capital contribution

Investors are allowed to contribute capital to, purchase shares or capital contribution in enterprises in Vietnam. The maximum ratio of foreign investors' capital 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 on its Branch Establishment License.

To set up a Branch in Vietnam, amongst other conditions, the foreign traders must have been operating for at least 05 (five) years from the date of incorporation/registration and the Business Registration Certificate or equivalent document must be valid for at least 01 (one) 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 permissible to carry out business by directly entering into construction contracts with the 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 set up 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, the foreign traders must satisfy certain conditions including, amongst others, such foreign traders must have been operating for at least 01 (one) year as from the date of incorporation/registration and the Business Registration Certificate or equivalent document must be in effect for at least 01 (one) 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 Law on Enterprises for a period of 06 (six) 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 03 (three) months as from its due date.

Generally, the bankruptcy procedures include:

(1) Filing of the request for initiation of bankruptcy process with the court;

(2) Commencement of bankruptcy proceedings, unless the request is withdrawn;

(3) Appointment of asset management officer/firm;

(4) Making list of creditors;

(5) Creditors' meeting;

(6) Rehabilitation or bankruptcy and liquidation of assets.

Simplified procedures shall be applied in some certain cases as stipulated by the regulations of laws.

Taxation

This chapter presents an overview of the Vietnamese tax system, Vietnam's major taxes as well as the tax treaties between Vietnam and other countries which may have a significant impact on the activities of a foreign investor in Vietnam.

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 showing attempt to better fit with the era of digital technologies. Among a number of tax regulations, the Tax Administration Law 2019 which takes effect from 01 July 2020 is a good example. The Law and its guiding Decree introduces 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.

Taxation

Corporate Income Tax (CIT)

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

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 is still to be made 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%. 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 the manufacturing, construction and transportation fields with a high ratio of female employees or ethnic-minority employees; or for small and medium enterprises (which are expected to be detailed in the upcoming updated CIT Law).

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.

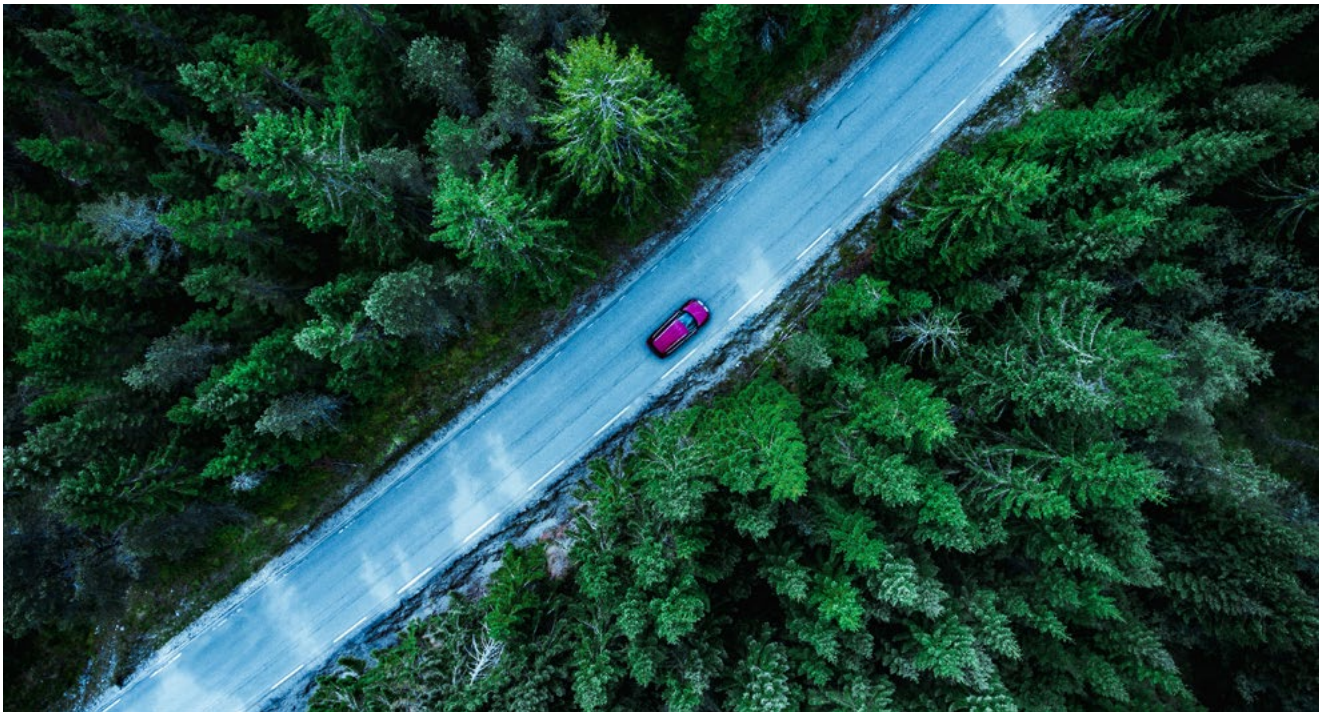
Generally, expenses are tax deductible on the basis that they are business related and supported by legitimate invoices/documents and are not specifically identified as being non-deductible. For the purchase of goods or services valued from VND 20 million (VAT inclusive) and above, evidence of non-cash 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 five years counting from the year after the year of loss.

Taxation

Transfer Pricing



Vietnam released Transfer Pricing regulations from 2005 which provide the primary regulatory framework for the determination and audit of Transfer Pricing activities in Vietnam. It has been some years already that Transfer pricing ("TP") is a top priority for both companies and tax authorities.

The principle behind transfer pricing is transactions between related parties must be made on an arm's length basis. Failure to comply with the arm's length principle implies an exposure to a reassessment of prices or profits for tax purposes which may be accompanied by penalties and interest charges (to some extent, this literally implies that the tax authorities may set transfer prices for the company if there is no supporting transfer pricing documentation). The adjustments entail wider consequences in terms of an altered tax profile and possible adverse publicity. In terms of required documents, an enterprise which has related party transactions must submit a disclosure form of the related party transactions during the year (to be lodged annually to the tax authority together with a year-end CIT return) and preparation of Transfer Pricing Documentation as evidence of the arm's length principle.

In 2017, Vietnam released new TP regulations, which adopts parts of the new guidelines of the Organization for Economic Cooperation and Development's Action Plan on Base Erosion and Profit Shifting ("BEPS"). According to this, a TP Documentation to be presented to the Vietnamese tax authorities must not only cover the local reports of the Vietnamese taxpayer, but may also require the Global Master Files and Country by Country ("CbC") report for the whole group. Since then, a lot of legal documents were released, gradually enhancing local TP legislation.

For certainty on methodology of setting up the arm's length range, enterprises might consider applying for the Advanced Pricing Agreement ("APA"), which is proved 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 five years (with a renewal period of another five years in some cases). The overall application process is conducted through various phases (evaluation of APA strategy, pre-filling consultation, preparation of formal APA documentation, submission and negotiation with tax, and finalizing the APA).

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 exemptions are applied to different kinds of goods and services.

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.
VAT 0%	Mainly applied to exported goods/services.
VAT 5%	Generally applied to areas of the economy concerned with the provision of essential goods and services.
VAT 10%	This is the “standard” rate.

There are two methods of VAT filing:

Direct method	Credit method (also known as Deduction method)
Where VAT would be imposed as a percentage directly on revenue (for a number of cases) or on added value of the Company.	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.

Taxation

Invoices

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 minimize tax evasion and reinforce tax administration, enterprises are encouraged to apply electronic invoices and in fact, majority of enterprises have changed to/chose to use electronic invoices.

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 form. In particular, taxable employment income includes income in the form of salaries, wages, remuneration, allowances (excluding some non-taxable 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

The taxation of a foreigner is dependent on his/her resident status in Vietnam, under two categories:

Residents	Non-residents
A foreigner is considered tax resident if he/she stays in Vietnam for 183 days or more during a tax year, or if 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 relevant Double Tax Agreement that might apply. A resident taxpayer is subject to PIT on his/her worldwide income.	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 Vietnamese-sourced income.

Allowable deductions

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

Personal Income Tax (PIT)

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% of revenue (depending on type of business)	
2	Gain on capital transfer	20%	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 mil	
6	Income from royalty/franchising	5% on portion exceeding VND 10 mil	
7	Interest/Dividend	5%	

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

Taxation

Foreign Contractor Tax (FCT)

FCT, normally referred to as the Withholding Tax regime, is very comprehensive, comprising VAT and CIT (or PIT), and is imposed on foreign entities/individuals not having a legal entity status in Vietnam but carrying out business in Vietnam or earning income in Vietnam as a foreign contractor.

Basically FCT is imposed in the following circumstances:

- 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);
- 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;
- A foreign entity's provision of services in Vietnam (with certain exceptions);
- Other income received in Vietnam in any form (irrespective of the location where the business is carried out).

Taxation

Foreign Contractor Tax (FCT)

Current regulations provide three methods for FCT filing, which results in different positions of tax payable, each party's responsibility on tax administration as well as other accounting compliance requirements 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).

Direct method is the most common one. 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%

Export and Import duty

Export duties

Export duties are primarily applied to agricultural products (e.g. rice, forest products and fish) and natural minerals. Rates may be up to 40% and are imposed on the F.O.B price of exported goods.

Import duties

Import duties are charged on a much wider range of goods. Rates are calculated taking product type and origin into account.

There are three categories of duty rate as follows:

- Preferential rates are applied to goods imported from countries which have Most Favoured Nation (MFN) status with Vietnam.
- Ordinary rates apply to goods imported from other countries. These are 150% of the preferential rates applicable to MFN countries; and
- Special preferential rates apply to goods imported from countries which have a special preferential agreement with Vietnam, e.g. the ASEAN member countries under the CEPT and EU member countries under the Textile-Garment Treaty between Vietnam and the EU.
- Vietnam is in the process of promoting imports, and co-operation with many countries (including ASEAN countries, India, Australia/New Zealand, Korea, Japan, China, Chile, Eurasia, EU) 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.

Taxation

License fee

License fee 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.

Other taxes and fees

Special Sales Tax

Special sales tax is only imposed on some kinds of goods such as cigarettes, beer, alcohol, cars, motorbike, airplane, yacht, air-conditioner, gasoline, etc., and services such as running dance halls, casinos, golf business, lottery business. The rate of special sales tax ranges from 5% 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 0% to 35%.

Law on Non-agricultural Land Use Tax

The Law on non-agricultural land use tax was effectively introduced from 1st 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 three to five-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 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, which statute of limitation 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 Agreement (DTA) on avoidance and prevention of double tax with around 80 countries and others are at various stage 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 of tax rates on some specific kinds of income (see below) and the tax sparing system for developing countries in their initial economic development stage, such as Vietnam.

Tax rates

The DTAs set out the maximum rates of tax applied to some kinds of income and if the tax rate stipulated by domestic Vietnamese law is different from that in the DTA, the lower rate shall be applied.

Tax exemptions 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.

However, 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.

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 ("VAS") 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 Accounting Regimes and detailed guidelines of the Ministry of Finance.

The Accounting Law endorses the alignment of Vietnamese Accounting Standards with International Standards for the preparation of corporate Financial Statements.

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 accounting system, Vietnamese Accounting Standards 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, they 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 currency unit in accounting. Only in limited cases can FIEs use a 'foreign currency' as the currency unit in their accounting records.
- Chart of accounts must comply with the Vietnamese Accounting Regulations. If business enterprises wish any changes in 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 currency

As noted above, it is required that companies in Vietnam (including foreign invested companies) must use Vietnamese Dong as the currency unit in accounting. 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 the accounting monetary unit 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 (VAS)

Accounting treatments are not always clearly stipulated in the Vietnamese Accounting Standard 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.

Recently, the MOF issued Decision No. 345/QD-BTC which provides detailed plan for application of International Financial Reporting Standard ("IFRS") in Vietnam. According to the Decision, 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, basing on assessment of the first phase, the MOF will determine the deadline for compulsory IFRS for certain groups of enterprises.

Accounting & Audit

Fiscal year

The fiscal year applicable to FIEs in Vietnam is normally a calendar year i.e. 1st January - 31st December. FIEs may notify to the local tax authority 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.

Audit

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

FIEs are required to submit audited financial statements to the authorities (e.g. licensing authority, local tax authority, etc.) within 90 days from the date the fiscal year ends.

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 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 requirement before 01 April 2021 (i.e. 24 months from the effective date of Decree 005). 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

Salary

Compulsory insurance

Trade union

Labour and Immigration

Visa & temporary residence card

Foreigners are allowed to enter into Vietnam by obtaining a visa, which is categorized into a number of different types such as LD ("labour"), DT ("investment"), DN ("enterprise"), etc. Depending on the purpose of the entry to Vietnam, an appropriate type of visa is required.

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 05 (five) years or 10 (ten) years (for DT ("investment") TRC only) provided some requirements are satisfied. Nevertheless, the investors with the investment capital of under VND 03 billion will not be eligible for the issuance of "Investment TRC".

Of note, due to the outbreak of the acute respiratory infection (Covid-19), the immigration of the foreigners into Vietnam shall have to be in compliance with the guidance of the Government as from time to time and also subject to strict scrutiny of the competent authorities of Vietnam.

Salary

Enterprises directly employ and agree 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 common minimum salary) and regional minimum salary applicable from time to time.

Employees' representative organization

All organizations having employees in Vietnam are subject by Law to Trade Union fund contributions (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 Labour Code 2019, in addition to Trade Union, employees are entitled to either form or join other representative organizations that are independent of the State-run Vietnam General Confederation of Labour. Such organizations shall be legally established and operate after being registered with the competent authority.

Work Permit and Certificate of Work Permit Exemption

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 Labour Code 2019 (coming into force as from 1st January 2021) and its guiding legislations, the term of a WP or a CoWPE shall not exceed 02 (two) years. Notably, the WP is now only allowed to be extended once with the validity term of 02 (two) years for the maximum.

In some special cases such as a foreigner enters 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 a foreigner marries a Vietnamese citizen and resides in Vietnam, or an owner or a capital contributing member of a limited liability company owning a capital contribution valued of at least VND 3 billion, or 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, neither WP or CoWPE is required. Instead, the employer just needs to send a notification to competent labor authority.

Compulsory insurance

Generally, when a Vietnamese employer enter into a labour contract with an employee (either local or foreign), both parties are required to make contributions to the social insurance, health insurance and unemployment insurance 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	1% (local only)	1% (local only)	20 times of regional minimum salary

(*) Foreign employee shall only be subject to full contribution rates of social insurance from 2022. For the period from December 2018 to the end of 2021, only employer contribution rate of 3.5% is required.

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

Land

Land use rights (LUR’s)

Land lease

Lease term

Land rent incentives

Houses/apartments owned by foreigners

Land

Land Use Rights (LUR's)

Normally, foreign investors can obtain LURs (a) by way of a JVC to which a local Vietnamese partner contributes an LUR as a capital contribution, or (b) by way of land leased directly from certain permitted lessors such as the State. Nevertheless, 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.

Land lease

A foreign investor may lease the land directly from the State after establishing an FIE in Vietnam or sub-lease land from an infrastructure developer.

Lease term

The lease term must be consistent with the duration of the approved project provided that it does not exceed 50 (fifty) years or, in some circumstances, 70 (seventy) years. The extension of the lease term may be allowed by the State for an additional period without exceeding the said term upon expiry if the lessee wants 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. FIEs and the foreign parties to BCCs may enjoy land and water surface rent exemptions of between 03 (three) years to the whole operational period and land and water surface rent reduction in some cases.

Houses/Apartments owned by foreigners

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

- 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;
- FIEs, branches, representative offices of foreign enterprises, foreign-invested funds and branches of foreign banks operating in Vietnam;
- Foreign individuals who are allowed to enter Vietnam.

Foreign exchange control

Bank accounts

Foreign exchange control implications

Profit remittance

Foreign exchange control

Bank accounts

Companies are required to open and operate a VND currency account at a commercial bank licensed to operate in Vietnam. They can also open a foreign currency account if the operation requires. The FIEs, foreign investors participating into BCCs or directly implementing public-private partnership ("PPP") projects without establishment of project enterprises are particularly required to open Direct Investment Capital Account (DICA) in 01 (one) commercial bank in Vietnam through which all capital transactions would be handled (e.g. capital contribution, the foreign loans including both short-term loans and mid/long-term loans).

Foreign exchange control implications

The foreign exchange regulations of Vietnam require all transactions within the country and between Vietnam residents be made in VND, except for a number of exceptional transactions that can be conducted in foreign currency which often include:

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

Profit remittance

Under current regulations, the 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 fulfill tax and financial obligations to the State of Vietnam, submit their audited financial report and have CIT finalized before such remittance.

The foreign investors are required to directly make or authorize the FIEs invested by such investors to make a Notification of remittance of profits abroad to the competent tax authority at least 07 (seven) working days in advance of the remittance date.

Practical information

Transportation

Telecommunication

Time relative to Greenwich Mean Time (GMT)

Business hours

Public holidays

Practical information
Transportations

Motorbikes

- The most popular mean of transportation used by Vietnamese is probably motorbikes, 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 inexpensive 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 3,200 kilometre of track, 60% of which is in the Northern provinces. It is slow and cumbersome to the eyes of Westerners but is effective nonetheless.
- Vietnam is pushing ahead with the construction of its first urban metro projects in both Hanoi and Ho Chi Minh City. It is expected that the first metro lines in Hanoi will be completed and put into operation in 2021 and the expected time for around the same in Ho Chi Minh City, but actually no clear progress so far.

Motorways

- Motorways (or Expressways) are a new concept for the Vietnamese, and traffic is growing rapidly. The major roads are dangerous due to outdated design, an inappropriate mix of traffic (do not be surprised to see farm animals on major roads) and no Highway Code to speak of.

Seaports

- With the long coastal line, Vietnam is the key location for international shipping access. Vietnam has 44 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
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 Airpot 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.

Practical information

Telecommunication

Vietnam is well equipped with WIFI and 4G internet networks across the country, with plans for 5G network underway. 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, but 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.

Public holidays

Vietnamese people celebrate 11 public holidays a year.

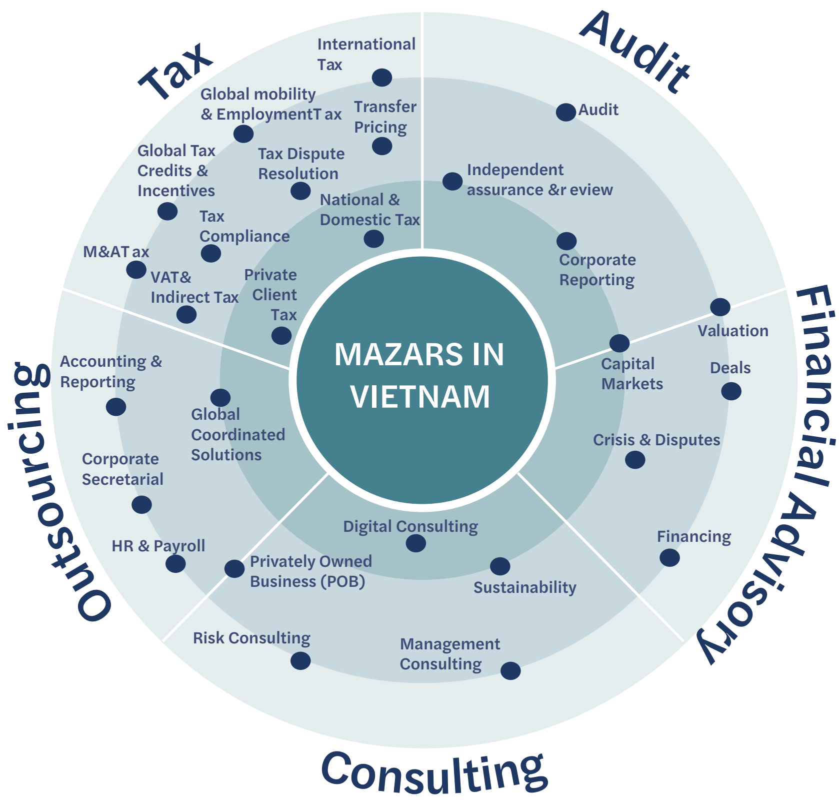
International New Year's Day (Tet Duong lich)	01 January
Vietnamese New Year's Days (Tet Nguyen Dan)	The date of Tet Nguyen Dan is based on the lunar calendar and takes 5 days. During these holidays, local public services, shops, and restaurants are often closed, and consumer prices tend to increase significantly. Normally late January or February.
Vietnamese Kings' Commemoration Day (Gio to Hung Vuong)	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 - 1 May	Celebrates the workers' economic and social achievements
Independence Day - 2 September	Celebrates the declaration of Vietnam Independence (From 1 January 2021, employees will be entitled to 2 days off for this occasion).

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.

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 – large and small – across all sectors and geographies. We use our expertise and our independence to do what is right.



Audit & assurance

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

Accounting and 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.

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of more than 42,000 professionals – 26,000+ in Mazars' integrated partnership and 16,000+ via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

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