



Doing business in Vietnam 2024

Forvis Mazars in Vietnam

**forvis
mazars**



Contents

	Editorial
07	General information
21	The economy of Vietnam
25	Investment incentives and guarantees
30	ESG outlook in Vietnam
37	Business organisations available to foreigners
43	Taxation
58	Accounting & Audit
63	Labour and Immigration
67	Land – Real Estate
70	Foreign exchange control
72	Personal Data Protection
74	Practical information
	References



Huyen Nguyen
Managing Partner, Forvis Mazars in
Vietnam

Vietnam's economy is predicted to continue growing quickly through 2024 and beyond, supported by advances in the digital economy, manufacturing, exports, and foreign direct investment. Vietnam hopes to attain equitable and sustainable growth in the future by investing in infrastructure, developing its human capital, and pursuing ongoing economic reforms. The nation is positioned as a major participant in the ASEAN area and a potential destination for foreign investors due to its advantageous demographics, youthful workforce, and strategic location.

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.

As of 2024, Vietnam's economy has continuously grew at one of the fastest rates among ASEAN countries. Its GDP growth rate has exceeded that of some of its ASEAN counterparts, averaging between 6 and 7% annually. Furthermore, Vietnam's industrial sector, particularly in electronics, textiles, and footwear, has made important contributions to the country's economic progress. The country has successfully integrated into global supply chains, taking advantage of its competitive labor costs and favorable trade agreements. This has allowed Vietnam to become a significant exporter of commodities in ASEAN and abroad. Most important, Vietnam has also made progress in growing its digital economy and promoting innovation. The country's internet adoption, e-commerce, and digital payments have all increased rapidly, helping to diversify and modernise the 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 economic information about the country's economy. With 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 comprehensive and up-to-date 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 2024*, like its previous annual editions, is available in digital format and presented in English.

About Forvis Mazars in Vietnam



300+
Professionals

8
Partners

#1
Outsourcing service

2
Offices

Forvis Mazars in Vietnam

Forvis Mazars is a leading global professional services network operating under a single brand with just two members: Forvis Mazars, LLP in the United States and Forvis Mazars Group SC, an internationally integrated partnership operating in over 100 countries and territories. Our combined teams of 40,000+ professionals are committed to delivering an unmatched client experience across the globe.

Forvis 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. Forvis Mazars in Vietnam is ranked number one for the Outsourcing service and among the top Auditing firms in Vietnam.

Our multidisciplinary team of 300 professionals, which includes Chartered Accountants, Certified Public Auditors, Tax Lawyers, Master of Accounting and Finance, Master of Business and Administration, and Cost Accountants, possesses all of the necessary commercial and technological abilities, professional experience, and knowledge base to provide bespoke solutions to our clients.

“ Technology has changed everything we do whilst the corporate and political landscapes are becoming more unpredictable and evolving on a global scale. Whatever the situation, Forvis Mazars is able to withstand obstacles and uphold our pledge to support our clients throughout their development 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 you move forward. Foremost, we believe sustainability and uniqueness will build remarkable growth, that also defines the way we have been successfully operating our firm whilst making impactful investments in our people and society. ”

Huyen Nguyen
Managing Partner, Forvis Mazars in Vietnam

Abbreviations

A

ASEAN - Association of Southeast Asian Nations
APA - Advanced Pricing Agreement

B

BEPS - Base Erosion and Profit Shifting
BCC - Business Co-operation Contract

C

CIT - Corporate income tax
CECA - Comprehensive Economic Cooperation Agreement

D

DICA - Direct Investment Capital Account(s)
DTA - Double Tax Agreement

E

EBIT - Earnings before interest and taxes
EU - European Union

F

FCT - Foreign contractor tax
FIEs - Foreign Invested Enterprises
FTA - Free Trade Agreement
F.O.B value - Free on-board value

G

GDP -Gross domestic product
GMT -Time Relative to Greenwich Mean Time
GSO -General Statistics Office

I

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

O

OECD -Organization for Economic Cooperation and Development

P

PDP - Power Development Plan
PIT - Personal income tax

T

TP - Transfer pricing

V

VAS - Vietnamese Accounting Standards
VAT - Value Added Tax
VCCI - Vietnam Chamber of Commerce and Industry
VND - Vietnamese Dong

W

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

According to the World Bank, Vietnam's economy demonstrated mixed signs of recovery in 2023 and early 2024. The nation's ambition to become a leading digital economy in the region has been fueled by significant investments in digital infrastructure. However, there exist potential risks on both the domestic and international fronts that could adversely affect the economic forecast. Owing to the openness of Vietnam's economy, it might be prone to the repercussions of global growth falling short of expectations. This susceptibility is also applicable to its key trade partners, which include the US, the European Union, and China.



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: 52.4 million
- Labor participation rate: 68.5%

Language

- Vietnamese as mother tongue
- Widely taught: English, French, Chinese

Income category

- Lower middle income
- Monthly minimum wage (2023): VND 3.45 million (~ USD 141.58) to VND 4.96 million (~USD 203.87)

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)

General Statistics Office of Vietnam 2023, The Global Economy 2023, The World Bank 2023, Asia Briefing 2023



5.05%

Average GDP Growth (2023)

4,284 USD

GDP per capita (2023), up 160 USD compared to 2022, approximately 3.88%

General information

Key country facts

GDP in 2023 was estimated to increase by 5.05% compared to the previous year, only higher than the growth rate of 2020 and 2021 in the period 2011-2023. Reported the General Statistics Office (GSO, 2024) Vietnam's economy grew by 6.42% in the first six months of 2024, slightly lower than the figure of 6.58% at the same time of 2022 within the 2020-2024 period.

The impact of big global events on the country economy is unavoidable. Since 2023, the global economy has faced numerous obstacles and challenges. Strategic competition between powerful countries is intensifying and broadening, escalating geopolitical tensions. The Russia-Ukraine conflict is difficult, and warfare in the Middle East has hampered the global economic recovery process following the Covid-19 epidemic. Numerous nations have experienced slower growth, risen public debt, and the reduction in global aggregate demand has directly impacted open, powerful economies like Vietnam.

According to data released by the General Statistics Office (GSO), in 2023, Vietnam's GDP grew by 5.05%. In contrast, the GDP growth rate for the first half of

2024 was significantly higher at 6.42%. This comparison highlights a notable increase in economic performance, as the growth rate more than doubled from 3.7% in the first half of 2023 to 6.42% in the same period in 2024. This improvement marks the second highest growth rate within the 2020 - 2024 period, indicating a robust economic recovery and acceleration in the first half of 2024 compared to the overall growth in 2023 (GSO, 2023).

The International Monetary Fund (IMF) said that Vietnam's economic growth is expected to be close to 6% this year, supported by strong external demand, resilient foreign investment and accommodative policies (IMF, 2024).

GDP by sectors in 2023

11.96%

Agriculture, Forestry and Fishing

8.38%

Product taxes minus product subsidies

37.12%

Industry (including Construction)

42.54%

Service sectors

General information

Key country facts

In the year 2023, Vietnam's Consumer Price Index (CPI) for all items stood at 183.1 points. There was a 3.25% increase in the CPI from the previous year, successfully meeting the National Assembly's target. The consumer price index indicates changes in the price of a weighted average market basket of consumer goods and services purchased by households (Statista, 2023).

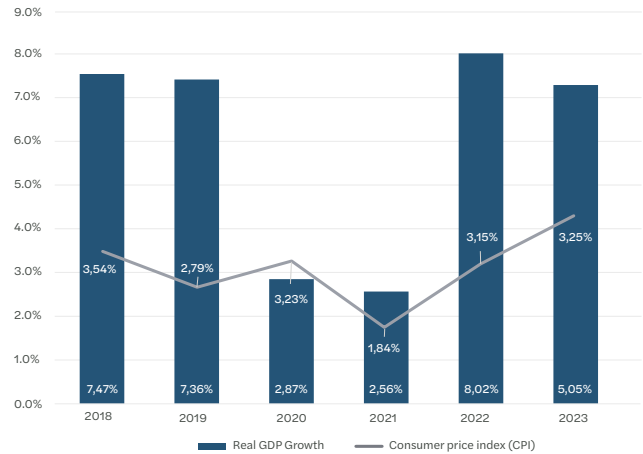


Figure 1: Overview of GDP growth and CPI

(GSO, 2023)

General information

Key economy facts

FDI statistics

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 General Statistics Office as of June 29, 2024:

- Foreign enterprises invested over 15.19 US billion in the Vietnamese economy in the first six months of 2024, indicating a 13.1% increase over the same period last year.
- There were 1,538 newly invested projects with a total registered capital of 9.54 US billion, up 18.9% in the number of projects and up 46.9% in capital over the same period last year.
- As many as 592 projects registered to add more than 3.95 US billion in capital, up 35% year on year.
- Also, in the first 6 months of the year, about 10.84 US billion worth of FDI capital was disbursed, an increase of 8.2% over the same period in 2023.
- Singapore was the greatest investor in Vietnam among 84 countries and territories during the review period, investing almost 5.58 US billion, accounting for nearly 36.7% of total foreign capital into Vietnam and reflecting an 86% year-on-year increase. It was followed by Japan, Hong Kong (China), the Republic of Korea, and China. However, China was the top investor in terms of new projects, accounting for 29.1% of total FDI projects in Vietnam.

9.54 US billion

Total FDI capital inflows in 2023

592

Valid projects with total registered capital of approximately 3.95 US billion.

10.84 US billion

FDI disbursement in 2022

84

Countries and territories invested in Vietnam in 2023, with top four leading counterparts namely Japan, Hong Kong (China), the Republic of Korea, and China

General information

Key country facts

Enterprise registration status

In general, in the first four months of 2024, the country had 51.6 thousand newly registered enterprises with a total registered capital of nearly 508 VND trillion and a total number of registered employees of nearly 353.8 thousand employees, an increase of 3.4% in the number of enterprises, 9.3% in registered capital, and 6.8% in the number of employees over the same period last year. The average registered capital of a newly founded firm in the first four months of 2024 reached 9.9 VND billion, up 5.7% from the same period in 2023.

In the first four months of this year, there were 507 newly established enterprises in the agricultural, forestry, and fishery sectors, up 1.2% from the same period last year; 12.5 thousand enterprises in the industrial and construction sectors, up 4%; and 38.6 thousand enterprises in the service sector, up 3.2%.

Import – Export

Vietnam's products export turnover was assessed at 190.08 US billion in the first half of 2024, gaining 14.5% year on year and increasing the country's trade

surplus to 11.63 US billion according to the General Statistics Office (GSO, 2023).

Domestic and foreign-invested sectors both contributed to growth. The domestic economic sector saw exports increase by 20.6% to US\$53.39 billion, accounting for 28.1% of the total. Processed industrial goods dominated exports, with an estimated value of 166.79 US billion.

Imports also increased steadily, up 17% year on year to 178.45 US billion. The domestic economic sector added 65.74 US billion to import turnover, representing a 22.3% rise. The foreign-invested industry imported 112.71 US billion worth of goods, up 14.1% from the same period last year.

Raw materials for production were the most important import category, accounting for a sizable 94% share with a value of 167.73 US billion.

The United States remained Vietnam's top export market, with an anticipated turnover of 54.3 US billion. China maintained its position as Vietnam's largest import market, with an estimated value of 67 US billion.

51.6 thousand

Newly registered enterprises in the first four months of 2024

508 VND trillion

Total registered capital in the first four months of 2024

353,800 Apprx.

Employees, an increase of 3.4% in the number of enterprises

190.08 US billion

Total export value in the first half of 2024

178.55 US billion

A steady 17% year-on-year import increase

General information

An attractive Vietnam

Strategic location

- Vietnam is in the heart of Southeast Asia, providing easy access to major markets such as China, Cambodia, Laos, Thailand...
- The long coastline provides direct access to the South China Sea and is close to the world's main shipping routes.
- Its location next to China, currently the world's production factory, makes Vietnam an ideal alternative for investors seeking to diversify their supply chains from China.

Promising market with an emerging middle class

- According to Boston Consulting Group, reports Nikkei Asian Review, Vietnam has the 7th fastest-growing middle class in the world and the fastest-growing middle class population in Southeast Asia.
- The middle class in Viet Nam is expected to add 36 million people to its middle class by 2030 according to the report "The new faces of the Vietnamese consumer" launched by McKinsey, 2021. The middle class in Vietnam is expected to account for 26% of the country's population by 2026, up from 13% in 2023, according to the report by the Ministry of Labour, Invalids and Social Affairs.
- The size of Vietnamese middle-class households is expected to reach 95 million people by 2030 (*Statista, 2022*).
- E-commerce market value in Vietnam would exceed 39 US billion by 2025, according to Ministry of Industry and Trade (*MoIT, 2023*).
- The personal financial assets (PFA) market of Việt Nam is projected to reach 600 US billion by 2027 (*McKinsey, 2024*).

Youthful labour force

- Vietnam's median age is 32.8 with over 52.4 million people are in the workforce (*Vietnam Demographics, 2023*).
- The literacy rate of people aged 15-60 in Vietnam reached 62,2% and among the countries with the highest literacy rate in Asia Pacific (*The General Statistics Office, 2023*).
- Vietnam has one of the highest Internet penetration levels in Southeast Asia. The forecast of smartphones users reaching 67.3 million by 2026, accounting for 96.9% internet users (*HSBC, 2023*).
- Its people are tech-savvy, pursue entrepreneurial paths, and are generally open to new ideas.

Robust global economic integration

- Viet Nam is a member of the UN, ASEAN, ASEM, APEC, the WTO, the Francophone, the Non-Allied Movement and other regional and international organizations.
- The government has pursued strategies to join several Free Trade Agreements. Until 2023, Vietnam has signed 16 FTAs and in the final stages of negotiations towards the signing of EFTA, ASEAN – Canada FTA, and Vietnam – UAE FTA (*WTO Center, 2023*).
- As of June 2024, Vietnam maintains diplomatic relationships with 189 UN member states, State of Palestine and Sahrawi Arab Democratic Republic. In addition, Vietnam has established economic, trade, and investment ties with 224 countries and territories.



General information

Key country facts

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

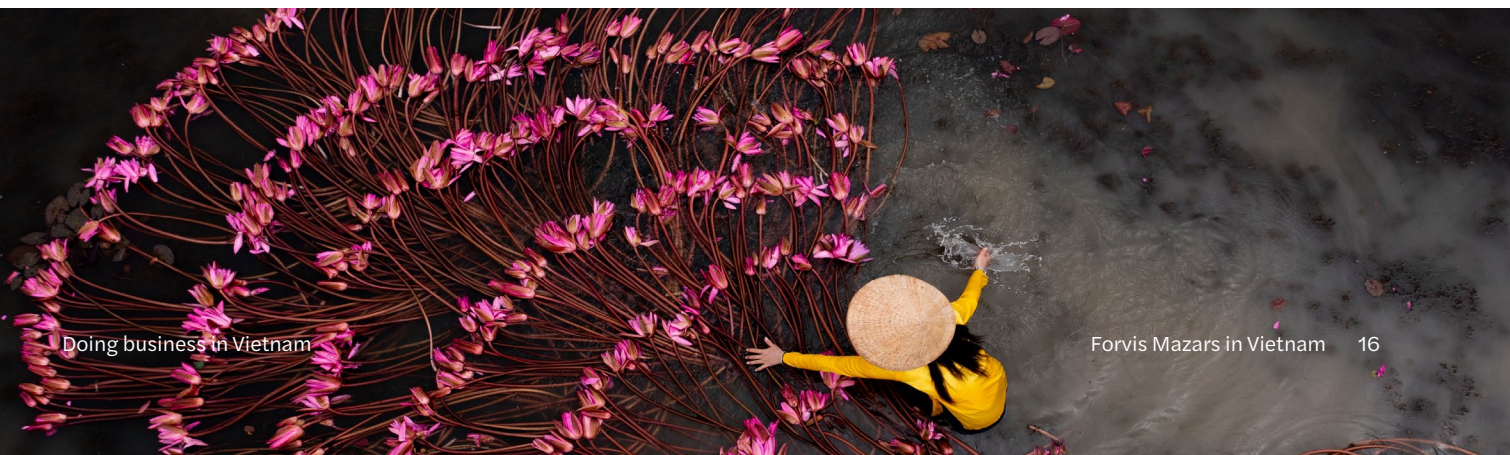
- According to the World Economic Forum's Global Competitiveness Report, Vietnam's overall quality of infrastructure ranked 77th out of 141 countries.
- The country's public and private investment in infrastructure reached 5.7% of GDP, the highest in Southeast Asia (*United Nations, 2023*).
- VARS data showed that by the end of Q1/2024, the country had 418 industrial parks, including four export processing zones. The Saigon Hi-Tech Park (SHTP) in Ho Chi Minh City was the largest. Other significant IZs were in Binh Duong, Hanoi, and Da Nang. The average occupancy rate was 80%, with northern provinces at 83% and southern ones at 91% (*Vietnam Association of Realtors (VARs), 2023; Savills, 2023*).

Stable economic growth

- In 2023, Vietnam's GDP grew by 5.05%. In contrast, the GDP growth rate for the first half of 2024 was significantly higher at 6.42%. This comparison highlights a notable increase in economic performance (*GSO, 2023*).
- CEBR also forecasts Vietnam's average annual GDP growth rate will be 6.7 per cent in the period 2024-2028.
- In 2023, Vietnam's average inflation rate was 3.25%. This followed a significant drop to below 1% in 2015. Since then, Vietnam's inflation has stabilized and is projected to remain around 3.4% annually (*Statista, 2024*).
- The economy is showing mixed signs of recovery in early 2024. While exports are rebounding, both consumption and private domestic investment are experiencing more gradual growth.

Lucrative ground for foreign investment

- Vietnam's economy has been experiencing consistent growth for several years presents a fertile ground for long-term investment, backed by resilient economic fundamentals.
- In the first half of 2024, Vietnam attracted nearly 15.2 US billion in foreign direct investment (FDI), a year-on-year increase of 13.1 percent. If this growth trend persists throughout the year, the total FDI for 2024 might exceed that of 2023 (*Ministry of Planning and Investment, 2024*).
- The Vietnamese government has fostered a conducive business environment by implementing various policies and reforms. These measures are designed to draw foreign investment and further enhance the ease of doing business in the country.



General information

Bilateral and Regional FTAs & CECA

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, Armenia, Kazakhstan, Kyrgyzstan (VN – EAEU FTA)

2019

Vietnam - Canada, Mexico, Peru, Chile, New Zealand, Australia, Japan, Singapore, Brunei, Malaysia (CPTPP)

ASEAN - Hong Kong, China (AHKFTA)

2020

Vietnam - EU (27 members) (EVFTA)

2021

Vietnam - United Kingdom (UKVFTA)

2022

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

2023

Vietnam - Israel (VIFTA)

(WTO and International Trade Center)



General information

Bilateral and Regional FTAs & CECA

Under negotiation

EFTA – Vietnam

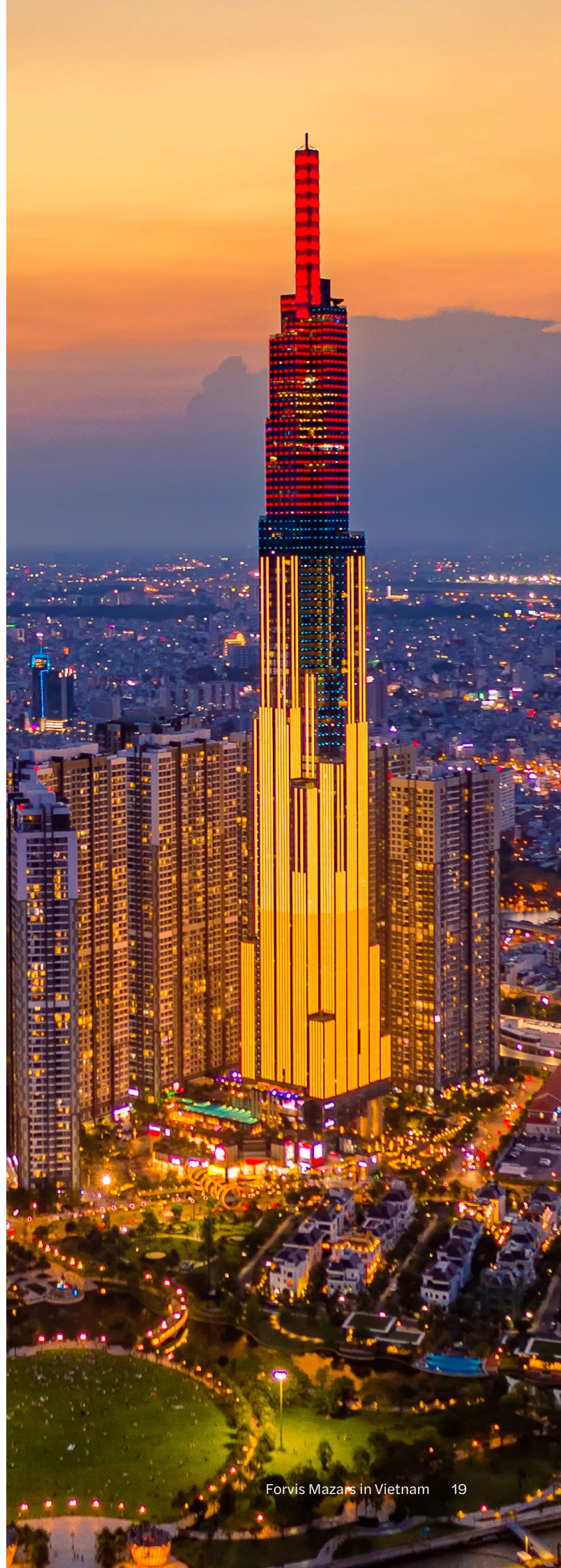
Vietnam and EFTA (including 4 countries Switzerland, Norway, Iceland, Liechtenstein) started negotiations on a free trade agreement since May 2012.

ASEAN – Canada

ASEAN and Canada began negotiations on signing an FTA in November 2021.

Vietnam – UAE

Vietnam and United Arab Emirates (“UAE”) are in the process of initiating negotiations on signing an FTA.



General information

Bilateral and Regional FTAs & CECA

New FTA – VIFTA

On July 25, 2023, Vietnam and Israel officially signed a Free Trade Agreement (VIFTA), marking a significant extension in Vietnam's network of economic partnerships. This agreement has increased Vietnam's collection of active FTAs to 16, with an additional three under negotiation. These agreements involve cooperation with 60 economies, covering the majority of Vietnam's key international trade partners.

All active FTAs mandate a phased elimination of tariffs, progressively reducing numerous tariff lines to a 0% rate each year. Additionally, these FTAs facilitate the reduction or complete removal of various non-tariff barriers. This strategic approach significantly enhances competitive trading conditions for Vietnamese imports and exports.

Import & Export volume in 2023

According to the statistic of the Ministry of Planning and Investment, the total export-import turnover of 2023 was estimated at US\$683 billion, marking a decrease of 6.6% compared to the previous year. Delving into the details, export categories include:

- Processed industrial goods at 88.3%.
- Agricultural and forestry products at 7.9%.
- Aquatic products at 2.5%.
- Agricultural and forestry products at 7.9%.
- Aquatic products at 2.5%.

On the import side, key items for 2023 are:

- Production materials, which accounted for 93.8% of imports, including machinery, equipment, spare parts, and raw materials.
- Consumer goods, comprising 6.2% of total imports.

Utilization of FTA Tariff Preferences

Data from the Ministry of Industry and Trade indicates that in 2022 (as the statistical figure for 2023 has not yet been made publicly available), export revenue benefiting from FTA tariff preferences amounted to US\$78.3 billion, representing 33.61% of Vietnam's total export turnover to FTA markets. The year also saw the issuance of 1,380,359 million preferential Certificate of Origin (C/O) sets, reflecting increases of 13.18% in value and 11.75% in volume compared to 2021.

It's important to note that the 33.61% utilization rate of FTA tariff preferences doesn't tell the whole story. In many cases, the standard import tariffs under the Most Favored Nation (MFN) rules are already at 0% or very low, around 1-2%, which matches the special rates offered through the FTAs. Because of this, using FTA preferences doesn't always offer extra benefits in terms of lower tariffs. This is often why these preferences might not be used in certain export situations.

Product performance in FTA Utilization

In 2022, agricultural products (Chapter 01 – 24 of the HS) show a high utilization of FTA preferences, largely because they meet the World Organization (WO) rules of origin for raw and processed agricultural products. Many industrial products (Chapters 25-98), however, have lower rates of tariff preference utilization due to more complex Rules of Origin (ROOs) for industrial goods compared to agricultural products.

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 foreign currencies are accepted for certain transactions with credit institutions, State authorities and other transactions as permitted by 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 liberalized. 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 US\$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



Several significant development patterns are now impacting the trajectory of Vietnam's economy. First and foremost, the economy is rapidly industrialising, with a focus on electronics, textiles, footwear, and auto production. Vietnam has actively sought inclusion into global trade networks through accords such as the CPTPP and the EVFTA. These agreements allow privileged access to large markets, hence increasing export potential and foreign investment inflow.

Over the last few years, the government is investing extensively on infrastructure projects, such as transportation, electricity, and digital infrastructure. Improved infrastructure promotes economic connectedness, productivity, and regional growth.

Rapid urbanization is producing new consumer markets and commercial opportunities, particularly in the retail, real estate, and consumer products industries. Rising wages and urban lifestyles are boosting demand for a diverse set of goods and services.

It is also notable that Vietnam has been the fastest growing digital economy in ASEAN in 2022, 2023 and expected to maintain this position until 2025, with the forecast of smartphones users reaching 67.3 million by 2026, accounting for 96.9 per cent internet users, according to Google, Temasek, Bain & Company and Insider Intelligence. Taking ESG into account, Vietnam is increasingly focusing on sustainable development and environmental conservation. To alleviate environmental concerns, efforts are being made to reduce pollution, promote renewable energy sources, and implement green technologies.

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.

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

#3

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

#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 IT products, software products, digital contents.

#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

Sectors eligible 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

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

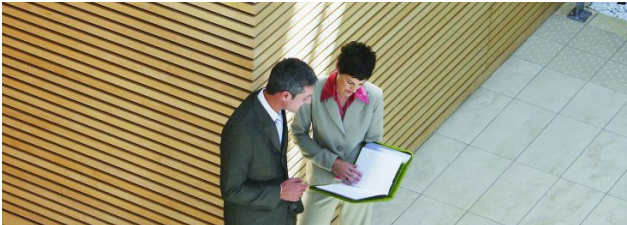
- Projects on investment in establishment of innovation centers and R&D centers with a total investment capital of at least VND 3,000 billion and disbursing at least VND 1,000 billion within three years from the date of the Investment Registration Certificate or the approval for investment.
- Investment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



Investment incentives and guarantees

Key sectors & locations currently targeted for investment incentives

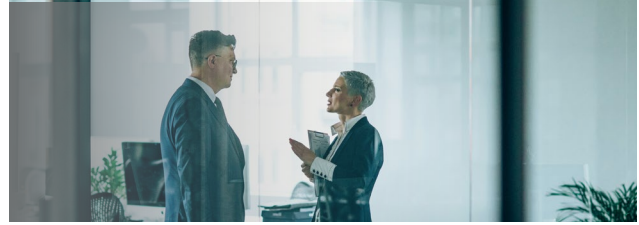
The Government also provides some basic investment guarantee commitments:



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

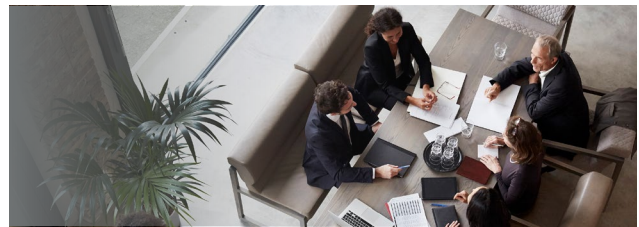
After all financial obligations towards the State of Vietnam are fulfilled, the foreign investors are permissible to transfer abroad investment capital and investment liquidation proceeds; incomes from business investment activities; money and other assets under their lawful ownership.



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.

ESG outlook in Vietnam

ESG is a set of standards for environmental, social and corporate governance in the process of operating a company. ESG has received widespread attention in Vietnam in recent years thanks to the effort of the Vietnamese Government.



ESG outlook in Vietnam

Vietnam is catching up with the global ESG trend

At the 2021 United Nations Climate Change Summit (COP26), Vietnam left an impressive mark when Prime Minister Pham Minh Chinh announced a series of commitments on climate change responses.

Following this, at COP28 in Dubai, the Prime Minister announced a Resource Mobilization Plan to establish a Just Energy Transition Partnership (JETP) between Vietnam and the International Partnership Group (IPG).

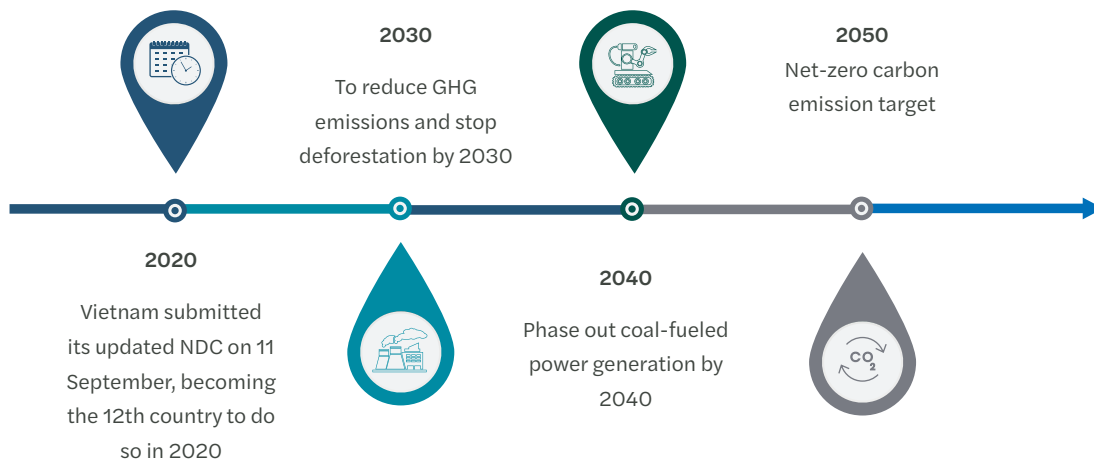





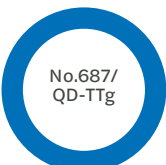

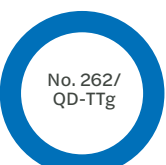


Figure 2: Vietnam’s commitment to tackle climate change

Domestically, from 2020 to 2024, the Government issued several legislations to push forward ESG initiatives. Notably, the Ministry of Finance issued Circular No. 96/2020/TT-BTC in 2020 on the disclosure of information on the stock market, which requires public and listed companies in Vietnam to publish their annual ESG reports. The reports should contain greenhouse gas emissions, resource management, energy consumption, water consumption, compliance with environmental protection laws, employee-related policies, responsibilities to local communities, green capital

market activities in accordance with the instruction of the State Securities Commission. In August 2022, the Ministry of Natural Resources and Environment (MONRE) released Decree 08/2022/ND-PC, which stipulated regulations guiding the implementation of the Environment Protection Law, including several provisions on the Extended Producer Responsibility policy. The Decree also included a specific timeline for the implementation of recycling requirements for different types of products and packaging, ranging from 2022 to 2027.

ESG outlook in Vietnam

16 November 2020	01 October 2021	07 January 2022	10 January 2022
			
Guidelines on disclosure of information on securities market	National Green Growth Strategy for the 2021-30 period with a vision by 2055	Decree on Greenhouse Gas Emission and Ozone Layer Production	Extended Producer Responsibility (“ERP”) regulations on environmental protection
<p>This mandates ESG reporting for public and listed company in Vietnam</p>	<p>This strategy highlights the country’s commitment to sustainable development</p>	<p>This decree provides an initial roadmap for a domestic carbon market</p>	<p>This strategy aims to guide the implementation of various provisions of the Law and provide regulations on EPR-related matters</p>
13 April 2022	07 June 2022	26 July 2022	01 April 2024
			
National Environmental Protection Strategy to 2030 with a vision to 2050	Scheme for Circular Economy Development	National Strategy on Climate Change for 2050	Power Development Plan 8 (PDR8)
<p>This strategy aims to ensure a safe and healthy environment for the people and sustainable development for the country</p>	<p>This scheme promotes the efficient use of resources and waste reduction</p>	<p>This strategy outlines Vietnam’s plans to mitigate and adapt to climate change</p>	<p>This plan guides the development of the country’s power sector, with a focus on renewable energy</p>

ESG outlook in Vietnam

Perspectives of foreign companies operating in Vietnam

Vietnam Business Forum (“VBF”) conducted a survey in two phases (October 2023 and February 2024), compiling the perspectives of foreign companies operating in Vietnam towards ESG. The study gathered 655 responses from foreign business leaders, offering valuable insights into the current state and evolution of the Vietnamese business environment, including the

status of ESG development and its alignment with the prevailing Vietnamese business context.

According to the survey, 82% of foreign companies have developed an ESG strategy locally, centrally or both. 56% of them take an active approach towards ESG matters, while 25% are monitoring the Vietnamese government and other businesses.

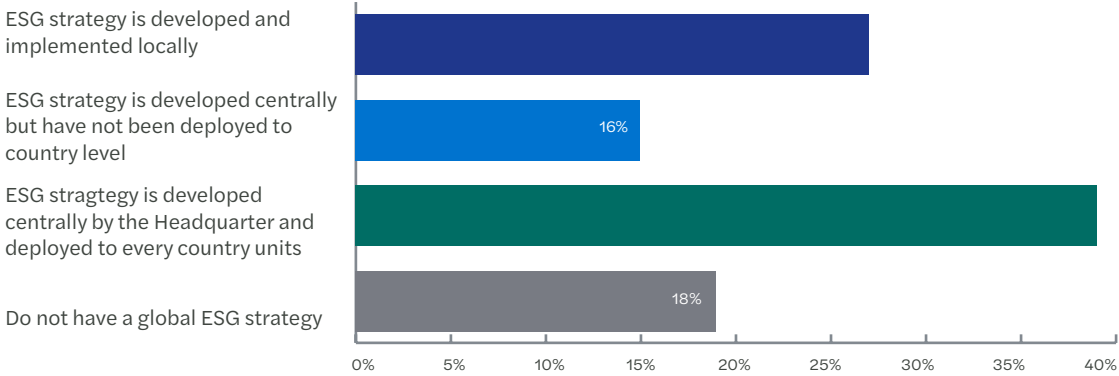


Figure 3: Survey of developing status of ESG strategy

(Pathway towards a sustainable economic recovery, VBF March 2024)

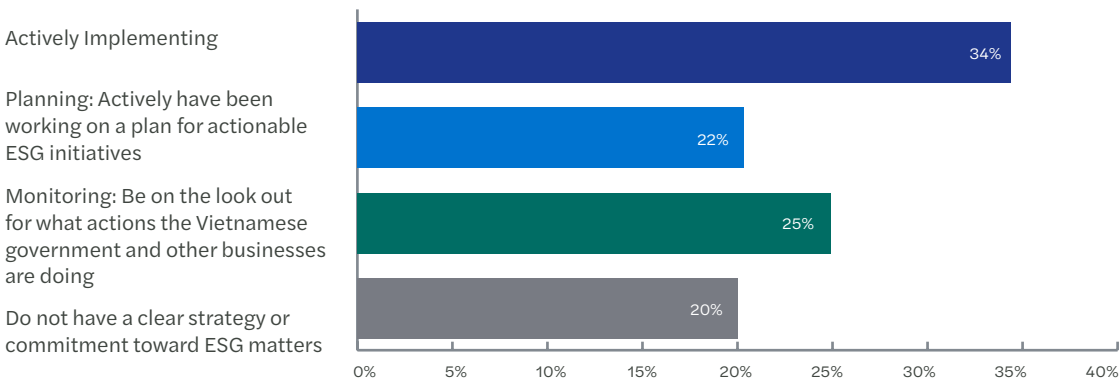


Figure 4: Companies’ approach toward ESG matters

(Pathway towards a sustainable economic recovery, VBF March 2024)

In terms of resource allocation and budget allocation for ESG initiatives, more than 5 out of 10 companies reported having some budget allocated for ESG initiatives.

ESG outlook in Vietnam

Perspectives of foreign companies operating in Vietnam

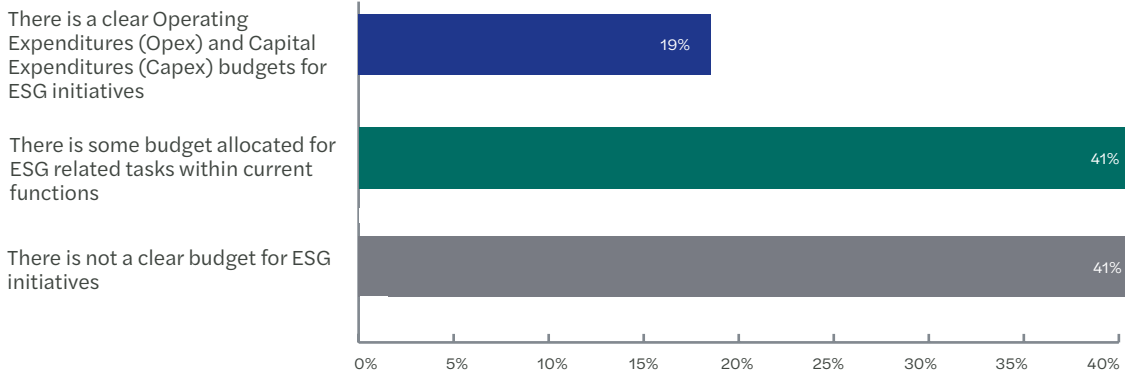


Figure 5: Resource allocation for ESG initiatives

(Pathway towards a sustainable economic recovery, VBF March 2024)

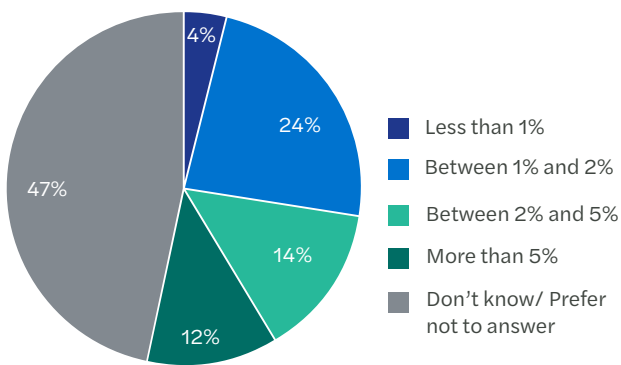


Figure 6: Budget allocation (%) for ESG initiatives

(Pathway towards a sustainable economic recovery, VBF March 2024)

Driving force of ESG evolution

Whereas ESG was once considered as a mere cost item a few years ago, ESG initiatives have now proven to have a clear connection with long-term profitability opportunities. As more stakeholders raise concerns about ESG matters, implementing these ESG initiatives helps to enhance brand image and reputation, improve access to capital and lower costs. Sustainability reporting is seen as one of the key initiatives, alongside regulation, to drive the necessary changes.



ESG outlook in Vietnam

Impact of sustainability reporting on entities



Likely Benefits

- **Improved data quality**
- **Better information to inform governance/strategy, driven by focus on risks and opportunities**
- **Increased access to capital**
- **Lower cost of capital which can demonstrate good performance**
- **Improved (or maintained) reputation**
- **Greater stakeholder and employee engagement**
- **Enhanced systems, process and internal controls**

Since the Vietnam-EU Free Trade Agreement (EVFTA) was signed, 25/27 EU member countries have invested more than 26 US billion in more than 2,000 FDI projects in Vietnam. Correspondingly, Vietnam is the EU's 16th largest trading partner and the EU's largest trading partner among countries in the Association of Southeast Asian Nations (ASEAN). Vietnam is also the 11th largest exporter to the EU. Such developments have resulted in many Vietnamese companies being in the value chain of businesses operating in Europe. In this context, EU CSRD (Corporate Sustainability Reporting Directive), CSDDD (Corporate Sustainability Due Diligence Directive) and CBAM (Carbon Border Adjustment Mechanism) are among the most impactful new regulations for Vietnam.

The introduction of the CSRD will require these companies, specifically European FDI companies and companies in the value chain of European partners, to initiate data collection and sustainability report compilation to provide to their



Likely Costs

- **Upfront implementation costs**, including expenses for recruiting contractors, consultants or employees, training, setting up new processes and systems, designing new internal controls, and increased management time required (including communications)
- **Ongoing application costs**, including data collection/analysis, compliance with assurance and other requirements, recruitment, and more
- **Assurance costs**
- **Potential litigation risks** related to wider stakeholder engagement/interest

European partner or parent companies upon request. Meanwhile, the CSDDD will compel them to act responsibly with respect to workers and the environment by upholding due diligence obligations. Finally, CBAM is set to impact Vietnam's exports, particularly in the iron and steel, cement, fertilizer, and aluminum industries. This carbon tax regime will place a price on carbon emissions from the production of carbon-intensive commodities entering the EU and promote cleaner industrial output in non-EU countries. While it poses challenges, it can also motivate Vietnam to accelerate its path toward carbon neutrality by establishing uniform standards and domestic obligations for affected industries.

ESG outlook in Vietnam

Indicators for measuring and evaluating the level of ESG practices in Vietnamese businesses

There are three measures of ESG practices currently available in Vietnam as follows:

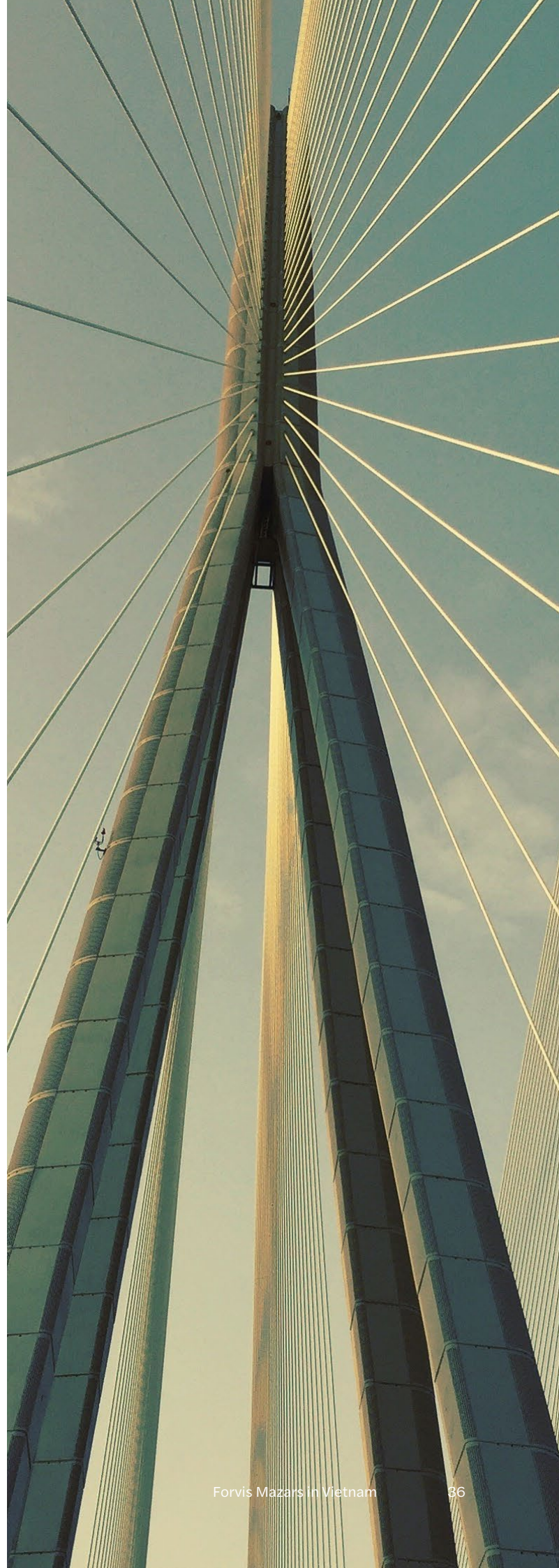
Vietnam Sustainability Index: launched in 2017 by the HCMC Stock Exchange (HOSE) in collaboration with the German International Cooperation Organization (GIZ) and the State Securities Commission.

Corporate Sustainability Index (CIS): launched in 2016, established annually by the Vietnam Business Council for Sustainable Development formed by Vietnam Chamber of Commerce and Industry. It was last amended in 2023 with 130 indicators in 4 areas: performance, governance, environmental, labor and social.

ISO 26000: international standard set that includes guidelines on corporate social responsibility issued by the International Standards Organization. The standard can be applied to all kinds of organizations, types and sectors.

Barriers to ESG implementation by businesses in Vietnam

Implementing ESG practices for small and medium sized enterprises is more challenging due to their lack of understanding ESG standards and regulations, financial capability, company size and lower transparency of ESG data. In addition, the independence of ESG reports is integral to building trust in the ESG scoring system. According to the July 2022 Global Sustainability Standards Study, 50% of global businesses have ensured the independence of their ESG information, whereas in Vietnam, the figure is only 36%.



Business organisations available to foreigners

Foreign invested enterprises

Other market entry options

Termination of enterprise operation



Business organisations available to foreigners

Foreign invested enterprises

Establishment of Foreign Invested Enterprises (FIE)



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	
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			

Business organisations available to foreigners

Foreign invested enterprises

Types of FIE available

	Partnership	Limited Liability Company		Joint-stock Company
		Single-member	Multi-members	
Liability of owners/ shareholders	<ul style="list-style-type: none"> - 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 within 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 contributed capital.
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
Capital requirement	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.			
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 case of making capital contribution in kind to the company.	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.	

Business organisations available to foreigners

Foreign invested enterprises

Types of FIE available

	Partnership	Limited Liability Company		Joint-stock Company
		Single-member	Multi-members	
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 organisation only appoints 1 authorised 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. In case where the company has less than 11 shareholders and the shareholders being organizations 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.
Legal representative	<ul style="list-style-type: none"> • 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. 			

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 or to 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.

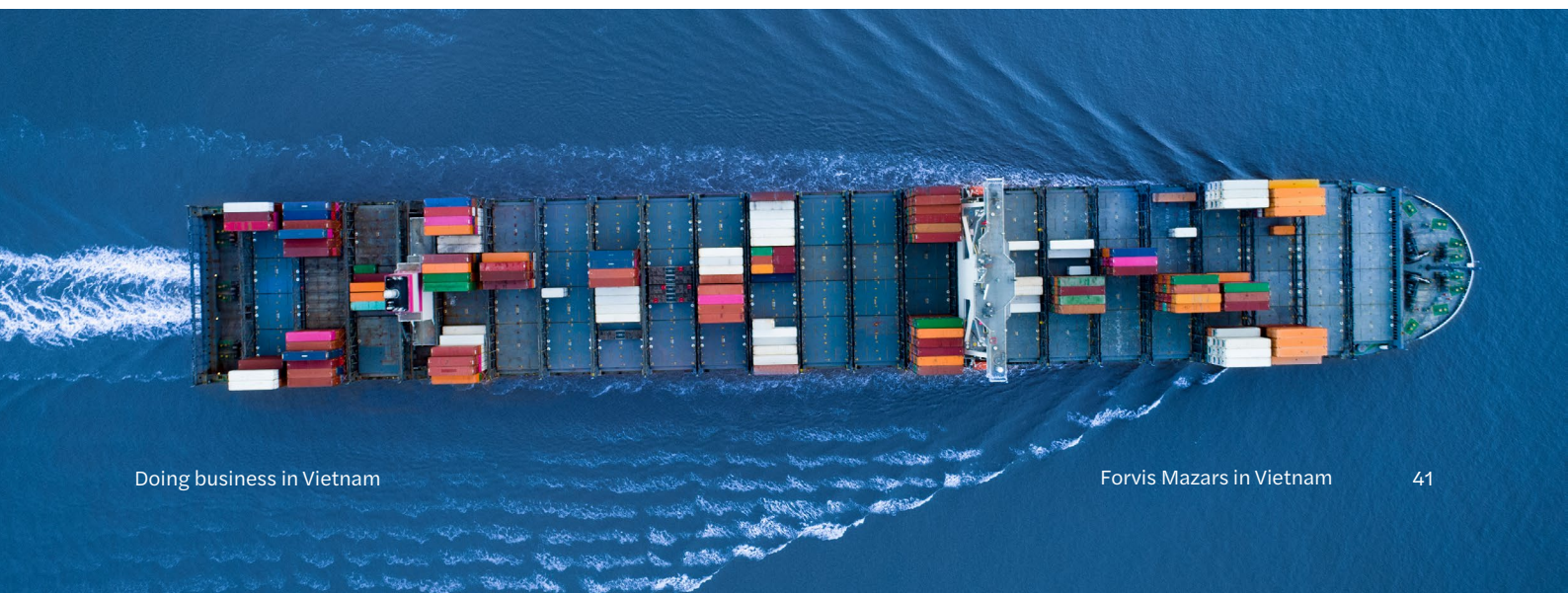
Foreign Contractor/Cross-border supplies

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 one year from the date of incorporation/registration and the Business Registration Certificate or equivalent documents must be in effect for at least one year as from the date of submission of the application.



Business organisations available to foreigners

Termination of enterprise operation



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

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 foreign investors in Vietnam.

Overview

Corporate Income Tax ("CIT")

Value Added Tax ("VAT")

Invoices

Transfer pricing

Personal Income Tax ("PIT")

Foreign Contractor Tax ("FCT")

Export and Import Duty

Other Taxes and Fees

Double Tax Agreements ("DTA")

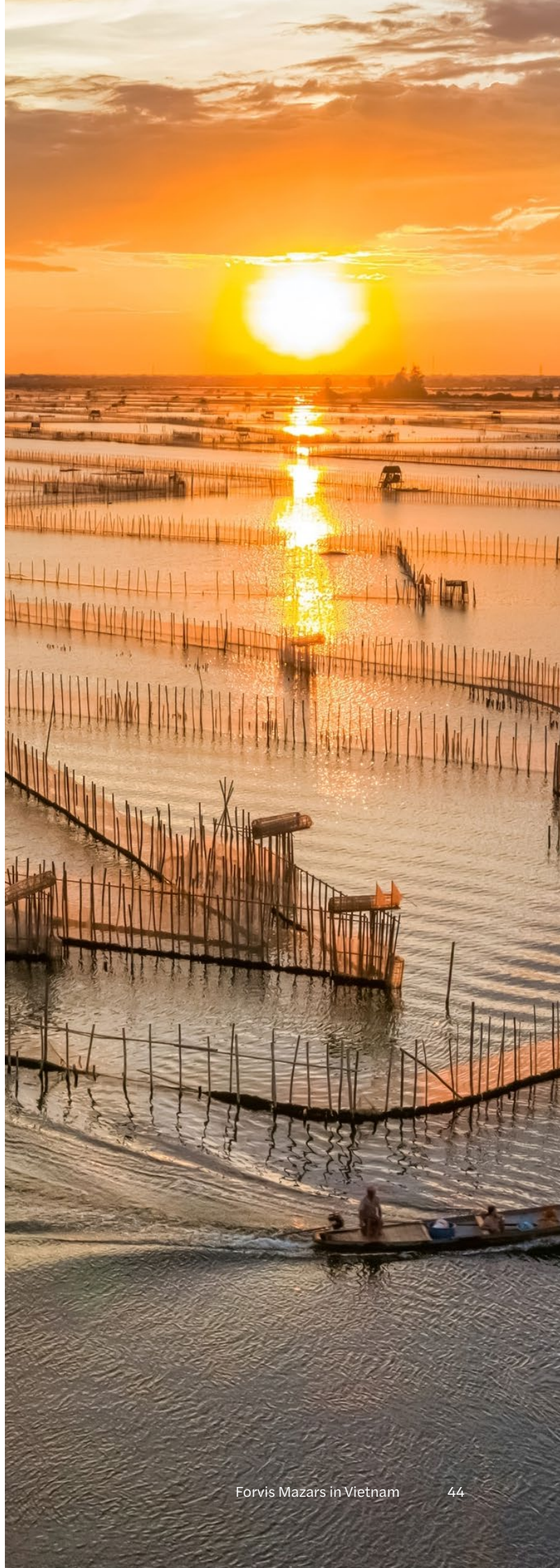


Taxation Overview

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.

Furthermore, the new versions of Law on VAT and Law CIT are being drafted and expected to be enacted soon. The aim of these revisions is to eliminate inconsistencies and redundancies in the existing tax legal framework.





Taxation

Corporate Income Tax (“CIT”)

CIT is imposed on the income (Profit) of enterprises, or any kind of organisations established under Vietnamese laws 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.
- iv. 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.

From 2024, Vietnam adopts the Global Minimum Tax in line with the Pillar Two of Base Erosion and Profit Shifting (BEPS) 2.0 Actions. A minimum CIT rate of 15% shall be applied for certain

qualified large multinational corporations operating in Vietnam which may potentially impact the advantages of previously granted CIT incentives. In an effort to maintain the attractiveness of the business environment, a draft decree is being formulated for the establishment, management, and use of an investment support fund. This fund is intended to support, encourage, and attract strategic investments in high-tech sectors and Research & Development activities.

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 invoiced 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 five years counting from the year after the year of loss.



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. According to the draft VAT law, the application of VAT rates for product groups may be changed to consistent with the orientation of reforming the tax system, moving towards applying a common tax rate.

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.

VAT 5%

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

VAT 0%

Mainly applied to exported goods/services

VAT 10% (*)

This is the “standard” rate.

() For 2024, the standard VAT rate was adjusted from 10% to 8% (with exception of some groups of goods and services) thanks to the incentive program of the Government.*

Taxation Invoices

“[...] From 01 July 2022, enterprises are compulsorily required to switch from using paper invoices and electronic invoices under old system to the new electronic invoices system...”

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.



Taxation

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 Plan 13.

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-tiered TP documentation includes Local Files, Master Files and Country-by-Country Reports. The three-tiered TP documentation must be prepared before the deadline of the annual tax return. The law also provides certain safe harbour 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.

Taxation

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

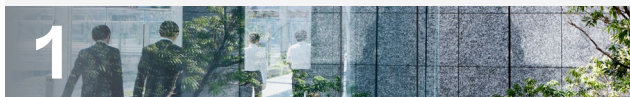
In general, the PIT tax year is the calendar year. In certain cases, the PIT tax year may differ from calendar-year basis. Particularly, the PIT tax year can be 12 consecutive months from the day on which the foreign individual arrives at Vietnam if he/she stays in Vietnam for less than 183 days in the 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.

Taxation

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 organizations 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 organization, these are CIT and VAT.

Basically, FCT is imposed in the following circumstances:



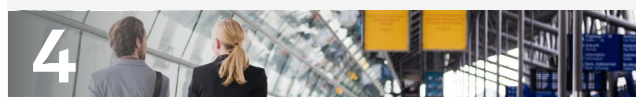
A foreign entity’s sale of goods/commodities within Vietnam (i.e., the delivery place is within the territory of Vietnam or whereby the foreign entity still controls the ownership/quality/pricing or bears some costs related to the distribution of the goods in Vietnam).



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) 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.

Taxation

Foreign Contractor Tax (“FCT”)

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.



Taxation

Foreign Contractor Tax (“FCT”)

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%
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 and digital 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 authorize 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 of and reporting to the tax authorities.

Taxation

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%.

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.

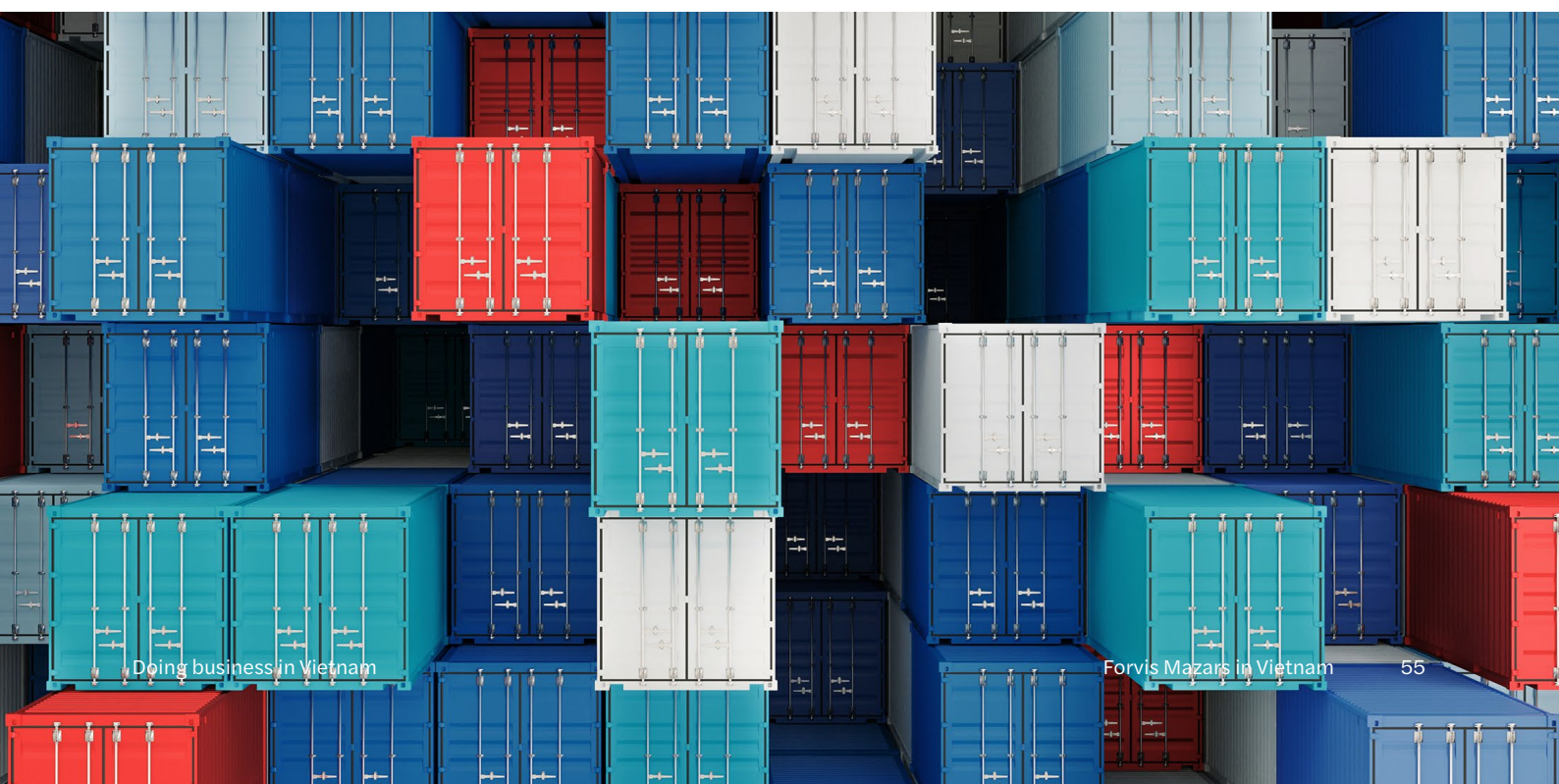
There are three categories of import tariff schedules as follows:

- **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 (“FTA”) 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.

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 one is the VIFTA between Vietnam and Israel.

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.



Taxation

Other taxes and fees

Special Sales Tax	<p>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%.</p>
Natural Resources Tax	<p>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%.</p>
Law on Non-agricultural Land Use Tax	<p>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:</p> <ul style="list-style-type: none"> (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. <p>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.</p>
Environmental Protection Tax	<p>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.</p>
Tolls and Fees	<p>Other than the above, there are some other tolls and fees such as leasing fees for land use.</p>
Tax audits and Penalties	<p>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.</p>

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 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 Vietnamese Accounting System

The Vietnamese Accounting Standards (“VAS”)

Accounting records

Fiscal year

Chief Accountant

Audit

Internal audit



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. A new regulation was approved in late November 2015 and took effect from 1 January 2017.

The Accounting Law provides the legal framework for accounting and corporate financial reporting in Vietnam. Under the law, all enterprises are required to prepare their financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Enterprise Accounting System, and the statutory requirements relevant to the preparation and presentation of financial statements.

The Vietnamese Accounting System

The Vietnamese Accounting System is primarily regulated by the following circulars:

- Circular 200/2014/TT-BTC, applicable for enterprises of all kinds of business sectors
- Circular 133/2016/TT-BTC, applicable for Small and Medium Enterprises (“SMEs”)
- Circular 132/2018/TT-BTC, applicable for micro businesses

SMEs and micro businesses may choose to apply the provisions of Circular 200 to meet their management requirements.



Accounting & Audit

The Vietnamese Accounting Standards (“VAS”)

Twenty-six (26) Vietnamese Accounting Standards were issued from 2001 to 2005 by the Ministry of Finance (“MoF”).

In March 2020, the MoF issued Decision 345/QĐ-BTC (“Decision 345”), which laid the foundation for the adoption of International Financial Reporting Standards (“IFRS”) in Vietnam and introduced the Vietnam Financial Reporting Standards (“VFRS”). The transition aims to enhance the comparability and transparency of corporate financial statements, aligning with international best practices and improving the effectiveness of corporate governance.

According to Decision 345, the roadmap divides the implementation of IFRS/VFRS into two phases:

- Phase I: Voluntary application period from (2022– 2025)

During this phase, enterprises with the necessary resources and interest may apply IFRS for preparing consolidated financial statements. This includes parent entities such as state-owned enterprises, listed companies, large public entities, and FIEs that have been pre-approved by the MoF.

- Phase II: Compulsory application (after 2025)

Following the voluntary period, enterprises will be required to either apply IFRS for consolidated financial statements (and/or for separate financial statements, depending on the requirement) or adopt VFRS.

Accounting records

The general requirements of the Vietnamese Accounting System include:

- The use of the Vietnamese language is mandatory in accounting records. It can be combined with a commonly used foreign language.
- Financial statements must be presented in Vietnamese Dong. In limited cases where financial statements are prepared in a foreign currency, they must be converted to Vietnamese Dong when publicly disclosed and submitted to the authorities in Vietnam.
- The chart of accounts must comply with Circular 200/2014/TT-BTC. Modifications to the chart of accounts may be accepted after registering the changes and obtaining approval from the Ministry of Finance (“MOF”) before implementation.
- Numerous reports must be prepared as specified by Vietnamese Accounting Regulations.
- Accounting software may be used to record business transactions, provided that the electronic accounting data is secured and searchable for the required retention period. Additionally, electronic accounting documents may need to be printed, signed by the responsible, and affixed with the company seal.

Accounting & Audit

Fiscal year

The fiscal year in Vietnam is generally the calendar year, from January 1 to December 31. However, the entity may notify the local tax authority if they wish to use a 12-month fiscal year that begins on the first day of a quarter and ends on the last day of the previous quarter in the following year.

For the first or last fiscal year (i.e., the year of establishment or closure), the accounting period may exceed 12 months but must not exceed 15 months.

Chief Accountant

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

A foreigner may be appointed as the Chief Accountant of an enterprise if they meet the prescribed conditions and hold one of the following qualifications:

- A certificate of accounting expertise or an accounting/auditing certificate issued by a foreign organization recognised by the MoF,
- An accounting/auditing professional practicing certificate issued by the MoF, or
- A Chief Accountant certificate obtained after completing the Chief Accountant training course as prescribed by MoF regulations.

In case the Chief Accountant cannot be appointed, the enterprise may employ a person who meets all the criteria and conditions required by the accounting law to be responsible for accounting work for up to 12 months. Alternatively, the enterprise may outsource the Chief Accountant position to an accounting service firm in Vietnam.



Accounting & Audit

Audit

The annual financial statements of FIEs must be audited in accordance with the Law on Independent Audit. The audit must be conducted by an independent auditing firm authorised to operate in Vietnam.

According to Circular 200/2014/TT-BTC, FIEs must submit their audit report along with the audited financial statements to the relevant authorities annually (e.g., the finance authority, General Statistics Office, licensing authority, local tax authority, etc.).

Representative Offices and Project Management Offices are not subject to audit and are only required to produce financial statements to meet the obligations of the parent company. However, they must maintain accounting records in accordance with simplified VAS.

Internal audit

The legal framework for statutory internal audit is outlined in Decree 05/2019/NĐ-CP (“Decree 05”), issued by the Vietnamese Government on 22 January 2019, and effective from 1 April 2019. Accordingly, internal audits are required for, among others, enterprises of the following types:

- Listed companies;
- Enterprises in which the State owns more than 50% charter capital, and which are parent companies operating under the form of parent-subsiary; and,
- State-owned-enterprises which are parent companies and are operating under the form of parent-subsiary.

The concerned enterprises are required to comply with these requirements by 1 April 2021 (i.e., 24 months from the effective date of Decree 05). Notably, enterprises may hire independent audit firms that are legally accredited to provide internal audit services to ensure adherence to fundamental internal audit principles and other stipulated requirements.



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, Vietnamese Government has been creating more favourable conditions for foreign employees to enter and reside in Vietnam.

Foreigners are allowed to enter Vietnam by obtaining a visa with single entry or multiple entries, which is categorized 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 subject to:

- 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 organization; and
- iv. charter capital of the sponsoring organization (applied for the visa type of “Investment”).

On a separate note, the aforementioned Visa categories 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”.

Without prejudice to the generality of the foregoing, numerous new regulations on immigration management have come into effective, which allow citizens of all countries and territories to apply for the issuance of electronic visas (“EV visa”). Accordingly, the term of an EV visa is now increased from 30 days up to 90 days since 15 August 2023.

Furthermore, citizens of certain countries may visit Vietnam without a visa up to 45 days, 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 128/NQ-CP dated 14 August 2023).



Labour and Immigration

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 a maximum validity term of 2 years.

On a worthy note, as of 1 January 2024, employers are required to post recruitment notices for recruiting Vietnamese employees on the Government’s electronic portal at least 15 days, before filing the dossier of explanation about the demand of recruiting foreign employees for a specific job position. With this approach, the Vietnamese Government encourages enterprises to prioritize recruiting Vietnamese candidates for the same position.

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.
- ii. Enter Vietnam for less than 03 months to offer services.
- iii. An owner or a capital contributing member of a limited liability company owning a capital contribution valued of at least VND 3 billion.
- 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.
- v. Being a foreign lawyer who has been granted a License to practice law in Vietnam.

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

Notably, after Decree 70/2023/ND-CP came into effective on 18 September 2023, foreigners who marry Vietnamese and reside in Vietnam territory, are now required to apply for a CoWPE, instead of sending the report to the labor authority.

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.

As per our observation, due to the recent requirement of posting the recruitment of Vietnamese on the Government’s electronic portal, the procedures for applying for the WP or CoWPE have been prolonged, leading to certain difficulties for enterprises.

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.

Labour and Immigration

Employees' representative organization

All organizations having employees in Vietnam are subject to Law on Trade Union (leading to the requirement for contributing 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 organizations that are independent of the State-run Vietnam General Confederation of Labor. Such organizations 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 organizations 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 salary for compulsory insurance contribution calculation (*)
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 salary for compulsory insurance contribution calculation include total basic salary, certain allowances and other supports as stipulated in the labour contract, but subject to a cap.

From 01 July 2025, with the effective of the new Law on Social Insurance, the capped salary shall be still the base salary until the reference salary is announced by the Government.

Land – Real Estate

The new Laws

Land Use Rights (“LURs”)

Land lease

Land lease term

Houses/Apartments owned by foreigners

Scope of real estate business of FIE

Land - Real Estate

The new Laws

The Vietnamese National Assembly has promulgated the Real Estate Business Law 2023, Housing Law 2023 and Land Law 2024. These laws have just come into effect on August 1, 2024 and together introduces new provisions aimed at amending and supplementing the definition, rights, and obligations of foreign-invested enterprises using land.

Land Use Rights (LURs)

Generally, the foreign investors can obtain LURs (i) by way of a joint -venture to which a local Vietnamese partner contributes a LUR as a capital contribution, or (ii) by setting up a FIE to lease land from certain permitted lessors such as industrial zone infrastructure developers or the State of Vietnam. The FIE 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 FIE may lease the land from the State of Vietnam or sub-lease land from the industrial zone infrastructure developers. The Land Law 2024 introduces land leasing options for one-time rent payment and annual rent payment arrangements. The State allows land leasing with a one-time rental fee for the entire lease period in the following cases:

a. Implementing investment projects in agriculture, forestry, aquaculture, and salt production;

b. Using land in industrial parks, clusters, high-tech zones, worker accommodations within industrial parks, and land designated for public purposes with commercial intent;

c. Using land to build social housing for rent according to the provisions of the Housing Law.

Land 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.

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 Housing Law 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.



Land - Real Estate

Scope of real estate business of FIE

Business activities	FIE with 50% foreign investment capital or more
Investing in housing construction and construction projects associated with land use rights for sale, lease, or lease purchase through real estate projects	Yes
Investing in the construction of technical infrastructure in real estate projects to sell, lease or sublease land use rights that already have technical infrastructure	Yes
Rent houses, construction works or their floor areas	Yes
Receive transfer of all or part of a real estate project to continue investing in construction and business	Yes



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 authorized 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 authorized 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 organizations 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 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 7 working days in advance of the remittance date.



Personal Data Protection

Introduction of new regulation on PDP

Rights of data subjects

PDP Measures

Administration procedures

Sanctions

Draft Law on PDP



Personal Data Protection (“PDP”)



Introduction of new regulation on PDP

On 17 April 2023, the Vietnamese Government issued a Decree on Personal Data Protection – Decree 13/2023/ND-CP – which is effective from 1 July 2023. The Decree 13 is the first regulations providing a comprehensive legal framework for personal data privacy in Vietnam, setting out a number of requirements that relevant organizations, including enterprises, shall comply to ensure that personal data is not infringed, while legitimate rights and interests of data subjects are protected.

Principally, personal data should be processed in accordance with the principles of lawfulness, transparency, purpose limitation, data minimization, confidentiality and accountability.

Rights of data subjects

Under the Decree 13, the rights of data subjects are clearly and specifically defined, among others, data subjects will be notified when their personal data are collected and processed; the personal data will only be processed on a consent basis; besides, data subjects have the right to access, withdraw, delete, self protection or even claim for damages on data breaches.

Sanctions

Noncompliance with PDP regulations result in administration penalties or criminal sanctions.

Draft Law on PDP

Currently, a draft Law on PDP is being developed with comprehensive frameworks and regulations to ensure the secure management, processing, and use of personal data.

PDP Measures

Decree 13 sets out a number of measures for personal data protection, including but not limited to:

- Management measure adopted by organisations who process personal data, for example, enterprises shall appoint department/personnel in charge of PDP; review or build-up internal PDP policies and procedures;
- Technical measures adopted by organisations who process personal data;
- Measures adopted by the Government competent authorities according to PDP regulations;
- Investigation and procedure measures adopted by competent authorities;

Administration procedures

Most enterprises shall be parties involved in personal data processing, hence be mandatorily to carry out the administrative procedures, consisting of: Assessing the impact of personal data processing; assessing the impact of transferring personal data abroad (for businesses with data transfer activities abroad, usually businesses with parent companies overseas, e-commerce businesses, etc), and notifying data breaches or violations of PDP regulations to the Ministry of Public Security on incurrence basis.

The impact assessment dossiers need to be maintained at the enterprises and sent to the Ministry of Public Security.

Practical information

Transportations

Telecommunication

Time relative to Greenwich Mean Time (“GMT”)

Business hours

Public holidays



Practical information

Transportations

Transportation in Vietnam is improving rapidly in terms of both quantity and quality. In recent years, the construction of expressways has accelerated. Air travel is also important for long distance travel.

Roadway

Vietnam is renowned for its motorbike culture. According to research by Bain & Company, GenZero, and Standard Chartered Bank, Vietnam is recognized as the country with the largest share of motorbikes and mopeds among all types of passenger vehicles, accounting for 96% of the total vehicle share in the country. (*Seasia Stats, 2024*)

Private transportation services are quite well developed with taxis and ride-hailing platforms. In 2023, taxis continued to be a popular choice for both locals and tourists for short-distance travel due to their affordability, convenience, and door-to-door service.

Bus transport dominates over 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.

Motorways (or Express ways)

Vietnam's expressway network is a relatively recent addition to the country's transportation infrastructure. The first expressways were inaugurated in the mid-2000s. In 2023, Vietnam made substantial progress in expanding its expressway network. A record 475 km of new expressways were commissioned throughout Vietnam during 2023, increasing the total length nationwide to 1,892 km. The Ministry of Transport (MoT) has set targets of 3,000 km by 2025 and 5,000 km by 2030. (*Ministry of Transport (MoT), 2023*).

Railways

The railway system in Vietnam is owned and operated by the state-owned Vietnam Railways. The principal route, the single-track North-South Railway running between Hanoi and Ho Chi Minh City, accounts for 1,726 kilometres (1,072 mi) of the network's total length of 2,600 kilometres (1,600 mi). (*Vietnam Rail Pass*)

Metro systems are currently under construction in the two metropolises of Hanoi and Ho Chi Minh City. In Hanoi, the first metro line (Cat Linh - Ha Dong) officially began operation in November 2021, while the second metro line (Nhon - Hanoi Train Station) is expected to be completed in 2027. In Ho Chi Minh City, the first line, Ben Thanh - Suoi Tien, is anticipated to open in 2024. The city's second metro line, which will connect District 1's Ben Thanh Market and Tham Luong canal, is scheduled to break ground in 2025 and is projected for completion in 2030. (*Ministry of Transport (MoT), 2023*)

Airports

Vietnam has a total of 46 airports, divided into two types:

- Civil airports: These include 10 international airports and 12 domestic airports. Civil airports are managed and operated by the Airports Corporation of Vietnam. There are four major airports: Noi Bai International Airport (IATA: HAN) in the North of Vietnam, Da Nang International Airport (IATA: DAD) in Central Vietnam, Cam Ranh International Airport (IATA: CRX) in the South-Central Coast of Vietnam, and Tan Son Nhat International Airport (IATA: SGN) in the South of Vietnam.
- Military airports: There are 14 military airports under the management of the Ministry of National Defense. (*Vietjet*)

In addition, Long Thanh International Airport is currently under construction in Long Thanh, Dong Nai, locates approximately 40 km (25 mi) east of Ho Chi Minh City, it is expected to be the largest airport in Vietnam upon completion. Construction began on January 5, 2021, and it is scheduled to open by the end of 2025. (*Airports corporation of Vietnam - ACV*)

Practical information

Transportations

Seaports

With a coastline spanning 3,260 km (2,030 mi), Vietnam is a key location for international shipping access. The country has 320 ports, 163 of which are international. Vietnam is home to three seaports that are listed among the top 50 largest container ports globally: Ho Chi Minh City Port, Hai Phong Port, and Cai Mep-Thi Vai Port. The Vietnamese government has made substantial investments in technology and infrastructure, driven by ambitious goals to increase port capacity to 400 million tons by 2030. (*UNDP, 2023; Government News, 2023; Vietnam Briefing, 2024*)

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. (*Government News*).



Practical information

Telecommunication

Vietnam is well-equipped with robust WIFI and 4G internet networks that span across the country, providing reliable and high-speed internet access to its citizens. The country is also gradually expanding its 5G network, aiming to stay at the forefront of the global digital revolution. In the bustling metropolises, the majority of the population uses electronic devices such as smartphones, tablets, and laptops for both personal and professional purposes. Most public places like coffee shops, restaurants, and hotels offer complimentary WIFI access, making it convenient for locals and tourists alike to stay connected.

Public holidays

Vietnamese people celebrate 11 public holidays a year.

Time relative to Greenwich Mean Time (GMT)

Vietnam operates on a single time zone across the entire country, known as Indochina Time, which is 7 hours ahead of Coordinated Universal Time (UTC +7) or Greenwich Mean Time (GMT +7). This means that if you want to convert UTC or GMT to Vietnam time, you simply add 7 hours. For instance, if it's 12:00 pm in UTC, it would be 7:00 pm in Vietnam. It's also important to remember that Vietnam does not observe daylight saving time, so the time remains consistent throughout the year, regardless of the season.

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 Holiday	Details	Days
International New Year's Day	January 1	1
Lunar New Year Holidays	February 1	5
Hung Kings Commemoration Day	The 10th day of the third month of the lunar calendar	1
Reunification Day	April 30	1
International Labor Day	May 1	1
Independence Day	September 2	2



References

1. Communist party of Vietnam online newspaper (2024). Six-month FDI inflows up 13% year on year. <https://en.dangcongsan.vn/trade-investment/six-month-fdi-inflows-up-13-year-on-year-20002606.html>
2. Communist party of Vietnam online newspaper (2024). Vietnam's smartphones users to reach over 67 million by 2026: HSBC. <https://en.dangcongsan.vn/daily-hot-news/vietnam-s-smartphones-users-to-reach-over-67-million-by-2026-hsbc-20001634.html>
3. Danso. (2024). Dan so Viet Nam. Danso. <https://danso.org/viet-nam/>
4. General Statistics Office. (2023). Press release socio-economic situation in the Second quarter and six months of 2023. General Statistics Office. <https://www.gso.gov.vn/en/data-and-statistics/2023/07/press-release-socio-economic-situation-in-the-second-quarter-and-six-months-of-2023/>
5. General Statistics Office. (2024). Socio-economic situation report in the second quarter and six months of 2024. General Statistics Office. <https://www.gso.gov.vn/en/data-and-statistics/2024/07/socio-economic-situation-report-in-the-second-quarter-and-six-months-of-2024/>
6. IMF. (2024). Real GDP growth. International Monetary Fund. https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOORLD
7. Mc Kinsey & Company. (2021). The new faces of the Vietnamese consumer. <https://www.mckinsey.com/featured-insights/future-of-asia/the-new-faces-of-the-vietnamese-consumer>
8. Ministry of Planning and Investment. (2024). Foreign direct investment situation in 2024. <https://www.mpi.gov.vn/en/Pages/solieudautunuocngoai.aspx>
9. Ministry of Planning and Investment. (2024). <https://www.mpi.gov.vn/portal/Pages/2023-12-29/Tong-kim-ngach-xuat-nhap-khau-hang-hoa-nam-2023-uoaburip.aspx>
10. Ministry of Planning and Investment. (2024). FDI attraction situation in Vietnam and Vietnam's overseas investment in the first seven months of 2024. Ministry of Planning and Investment. <https://www.mpi.gov.vn/en/Pages/2024-7-26/FDI-attraction-situation-in-Vietnam-and-Vietnam-s-p3ba11.aspx>
11. Nikkei Asia. (2023). Growing affluence in Vietnam lures foreign brands. <https://asia.nikkei.com/Business/Trends/Growing-affluence-in-Vietnam-lures-foreign-brands>
12. Savills. (2023). The Guide to Vietnam Industrial Zone. <https://industrial.savills.com.vn/2023/08/vietnam-industrial-zone/>
13. Statista. (2024). Vietnam: Inflation rate from 1987 to 2029*. <https://www.statista.com/statistics/444749/inflation-rate-in-vietnam/>
14. Statista. (2023). Consumer price index (CPI) in Vietnam from 2010 to 2023. <https://www.statista.com/statistics/975686/vietnam-consumer-price-index>
15. Statista. (2022). Compound annual growth rate (CAGR) of middle income population in the ASEAN region from 2016 to 2021, by country. <https://www.statista.com/statistics/1044791/asean-growth-of-middle-income-population-by-country/>
16. The Investor. (2024). Industrial property retains leading position in Vietnam. <https://theinvestor.vn/industrial-property-retains-leading-position-in-vietnam-d10345.html>
17. The global economy (2023). Labor force – country rankings. https://www.theglobaleconomy.com/rankings/labor_force/Asia/

References

18. Tuoitre News. (2024). Vietnam's FDI attraction reaches over \$15bn in H1: ministry. <https://tuoitrenews.vn/news/business/20240629/vietnams-fdi-attraction-reaches-over-15bn-in-h1-ministry/80695.html>
19. UN E-government Knowledgebase. (2024). Country Data of Vietnam. United Nations. <https://publicadministration.un.org/egovkb/en-us/Data/Country-Information/id/189-Viet-Nam>
20. VCCI. (2024). Vietnam's Economy Predicted to Surpass Singapore's In 2038. <https://en.vcci.com.vn/vietnams-economy-predicted-to-surpass-singapores-in-2038>
21. Vietnam Briefing. (2024). Understanding Vietnam's Middle Class: Size, Spending Patterns, and Opportunities for Businesses. Vietnam Briefing. <https://www.vietnam-briefing.com/news/understanding-vietnams-middle-class-size-spending-patterns-and-opportunities-for-businesses.html/>
22. Vietnam Law Magazine. (2024). Vietnam among top domestic infrastructure investors: Ambassador. <https://vietnamlawmagazine.vn/vietnam-among-top-domestic-infrastructure-investors-ambassador-71650.html>
23. Vietnamplus (2024). Vietnam's GDP growth reaches 6.42% in first half. <https://en.vietnamplus.vn/vietnams-gdp-growth-reaches-642-in-first-half-post289375.vnp>
24. Vietnamplus. (2024). Vietnam's exports surge in first half of 2024, driving trade surplus. <https://en.vietnamplus.vn/vietnams-exports-surge-in-first-half-of-2024-driving-trade-surplus-post289376.vnp>
25. Vietnam News. (2024). Rising middle class pushes wealth management potential in Việt Nam. <https://vietnamnews.vn/economy/1655947/rising-middle-class-pushes-wealth-management-potential-in-viet-nam.html>
26. Vietnam News. (2023). 2023: Vietnam's GDP increases by 5,05%, reaching 430 billion USD. <https://www.vietnam.vn/en/nam-2023-gdp-cua-viet-nam-tang-505-quy-mo-dat-muc-430-ty-usd/>
27. Vietnam News. (2023). Việt Nam and Trinidad & Tobago relations officially established. Vietnam News. <https://vietnamnews.vn/politics-laws/1479539/viet-nam-and-trinidad-tobago-relations-officially-established.html>
28. VN Economy. (2023). E-commerce forecast to hit \$39bln by 2025. <https://vneconomy.vn/e-commerce-forecast-to-hit-39bln-by-2025.htm>
29. WTO Center. (2023). Vietnam's FTAs as of August 2023. <https://wtocenter.vn/thong-ke/13814-vietnams-ftas-summary-as-of-april-2019>
30. World Bank. (2024). Viet Nam's Economy Poised for Gradual Recovery, World Bank Report Finds. <https://www.worldbank.org/en/news/press-release/2024/04/23/viet-nam-s-economy-poised-for-gradual-recovery-world-bank-report-finds>
31. Worldometers. (2024). Vietnam Population. https://www.worldometers.info/world-population/vietnam-population/#google_vignette
32. WTO Center. (2023). Tình hình tan dung ưu đãi thuế quan theo các FTA của Vietnam năm 2022. <https://trungtamwto.vn/thong-ke/23349-tinh-hinh-tan-dung-uu-dai-thue-quan-theo-cac-fta-cua-viet-nam-nam-2022>.

Contacts

Jean-Marc Deschamps

Senior Advisor

jean-marc.deschamps@forvismazars.com

Huyen Nguyen

Managing Partner

huyen.nguyen@forvismazars.com

Vinh Bui

Partner, Head of Audit & Assurance

vinh.bui@forvismazars.com

Phuong Anh Pham

Partner, Audit & Assurance

anh.pham@forvismazars.com

Da Nguyen

Partner, Tax

da.nguyen@forvismazars.com

Ho Chi Minh City Office

9th – 11th Floor, Viet Dragon Tower, 141 Nguyen Du Street

District 1, Ho Chi Minh City

Vietnam

Tel: +84 (28) 38 24 14 93

Hanoi Office

14th Floor, Peakview Tower, 36 Hoang Cau Street

Dong Da District, Hanoi

Vietnam

Tel: +84 (24) 39 36 10 31

Forvis Mazars is a leading global professional services network operating under a single brand with just two members: Forvis Mazars, LLP in the United States and Forvis Mazars Group SC, an internationally integrated partnership operating in over 100 countries and territories.

Both members share a commitment to providing an unmatched client experience, delivering audit & assurance, tax, advisory and consulting services across the globe.

www.forvismazars.com/vn

Minh Nguyen

Partner, Head of Advisory

minh.nguyen@forvismazars.com

Laurent Nguyen

Partner, Financial advisory

laurent.nguyen@forvismazars.com

Christophe Cougnaud

Partner, Legal

christophe.cougnaud@forvismazars.com

Dang Phuong Dung

Partner, Legal

dung.dang@forvismazars.com

Follow us

Website: www.forvismazars.com/vn

Facebook: www.facebook.com/ForvisMazarsVN

LinkedIn: www.linkedin.com/company/forvis-mazars-in-vietnam



**forvis
mazars**