DOING BUSINESS IN VIETNAM

mazars

1
GLOBAL INTEGRATED
PARTNERSHIP

1,100
PARTNERS

91
COUNTRIES
AND TERRITORIES

318
OFFICES

40,400
PROFESSIONALS
24,400 IN MAZARS INTEGRATED PARTNERSHIP
16,000 VIA THE MAZARS NORTH AMERICA ALLIANCE

€1.8 BN
FEE INCOME

10.4%
2018/2019 GROWTH

These figures are valid as of 1 January 2020.
For current up-to-date information, please visit
www.mazars.com/keydata

PREAMBLE

Vietnam is a densely populated country that is developing rapidly since shaking itself from the shackles of a centrally planned, agriculturally dominated to a more industrial and export driven economy. Since opening up its economy during the 90s, Vietnam has experienced tremendous growth led by its manufacturing and export sector, clearly establishing its strong position as an attractive destination for investors and global companies from all around the world. Among its many positive attributes, Vietnam has a youthful, innovative and well-educated workforce, abundance of natural resources and a stable political environment. Most recently Vietnam has entered into numerous bilateral and multilateral free trade agreements with many developing countries. These trade agreements, along with the current global shift in supply chain from China to Southeast Asia (especially Vietnam), are expected to further drive Vietnam's growth for the next decade.

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

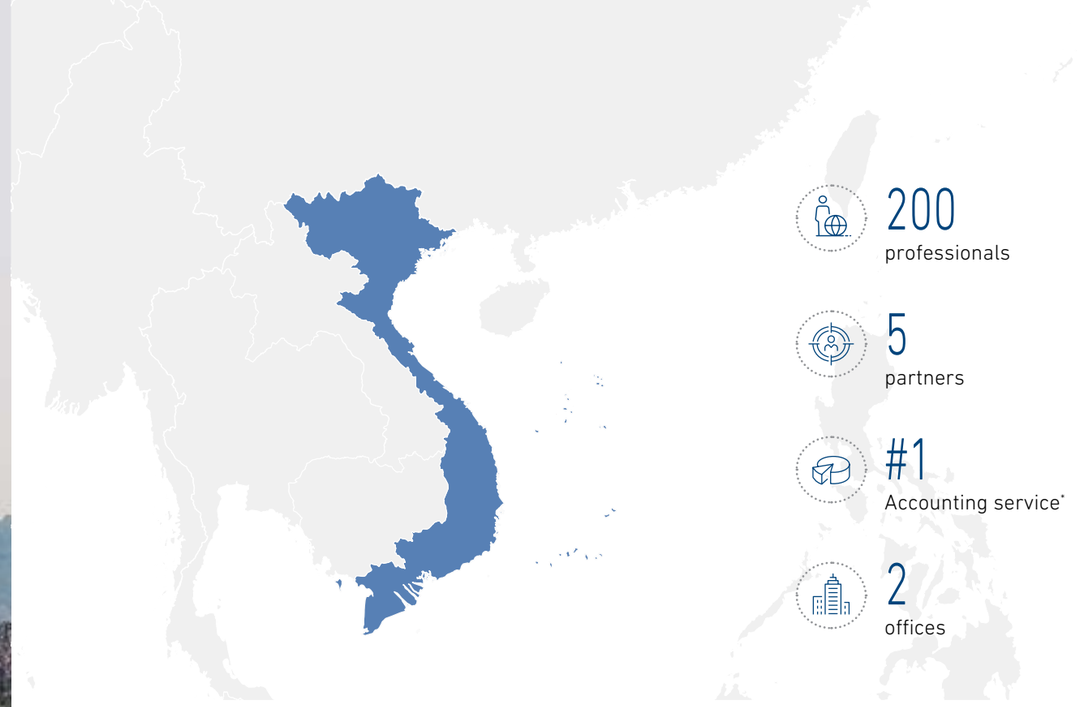
With more than 25 years of experience in facilitating foreign investments in Vietnam, our diverse and multidisciplinary Mazars is confident in our ability to deliver the most detailed and updated publication beyond your expectation. We thoroughly comprehend the need for transparent and reliable information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

Doing Business in Vietnam 2020, as its previous annual editions, is available in digital format and presented in both English and French versions.

Jean-Marc Deschamps

Managing Partner, Mazars in Vietnam

Doing business in Vietnam



200
professionals

5
partners

#1
Accounting service*

2
offices

Mazars in Vietnam

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

As of January 2020, Mazars is ranking in Top 10 audit firms and the leading firm with respect to Accounting Outsourcing Service in Vietnam, according to the report of VACPA, Ministry of Finance Vietnam.

With over 200 staff, our multi-disciplinary team of professionals comprises Chartered Accountants, Certified Public Auditors, Tax Lawyers, Masters in Accounting and Finance, Masters in Business and Administration and Cost Accountants, who are all well equipped with the requisite business and technical skills, experience and knowledge base to deliver customised solutions to our clients. With their respective competencies, our professionals are capable of developing competitive advantages and sustainable values for a wide range of businesses.

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PRACTICAL INFORMATION

ABBREVIATIONS APPLIED

Abbr.	Explaination
APA	Advanced Pricing Agreement
BEPS	Base Erosion and Profit Shifting
CBC	Country by Country
BCC	Business Co-operation Contract
CEPT	The Common Effective Preferential Tariff
CIT	Corporate income tax
DICA	Direct Investment Capital Account(s)
DTA	Double Tax Agreement
EBIT	Earnings before interest and taxes
EU	European Union
EVFTA	The EU-Vietnam Free Trade Agreement
EVIPA	The EU-Vietnam Investment Protection Agreement
F.O.B price	Free on board price
FCT	Foreign contractor tax
FIEs	Foreign Invested Enterprises
GDP	Gross domestic product
GMT	Time Relative to Greenwich Mean Time
IT products	Information Technology products
JSC	Joint Stock Company
LURs	Land use rights
MFM	Most Favoured Nation
MOF	Ministry of Finance
ND-CP	A code part of a Decree name in the Vietnamese law system, standing for “Nghị Định – Chính Phủ” in Vietnamese.
ODA	Official development assistance
OECD	Organization for Economic Cooperation and Development.
PIT	Personal income tax
SMEs	Small and medium enterprises
TP	Transfer pricing
TT-BTC	A code part of a Circular name in the Vietnamese law system, standing for “Thông Tư – Bộ Tài Chính” in Vietnamese.
VAS	Vietnamese Accounting Standards
VAT	Value-Added Tax
WFOE	Wholly Foreign Owned Enterprise
WTO	World Trade Organization

GENERAL INFORMATION

Key country facts

An attractive Vietnam

Bilateral and Regional FTAS & CECA

KEY COUNTRY FACTS

Vietnam terms its economy as socialist-oriented market economy, which is described as a multi-sectoral market economy in which the state sector plays the leading role in directing economic development. In recent years, however, the ongoing equitization of the state-owned companies have reduced their contributions to the economy whereas the private sector is increasingly contributing more to the country's GDP. Vietnam's economy increased positively 7.02% in GDP in 2019 and CPI growth of 2.79%. As well, Vietnam experienced three consecutive years of inflation below 4%, while foreign trade exceeded US$500 billion in 2019 dollar. As of September 2020, the number of newly-established enterprises and those recovering operations reached 133,600, a year-on-year rise of 2.9%, according to the General Statistics Office (GSO).

In the first quarter of 2020, after showing some resilience with a GDP growth rate estimated at 3.8%, Vietnam's economy was badly affected by Covid-19 resulting from restrictive measures put in place in April by the government to contain the disease. With its success in managing Covid-19, the economy is expected to bounce back to pre Covid-19 level faster than other countries in the region.

Vietnam key country facts

Capital: Hanoi
Covered city:
Ho Chi Minh city

Government
The Socialist Republic of Vietnam

Population
97,062,117 of which Kinh (Viet) account for 85.7% of the ethnic composition

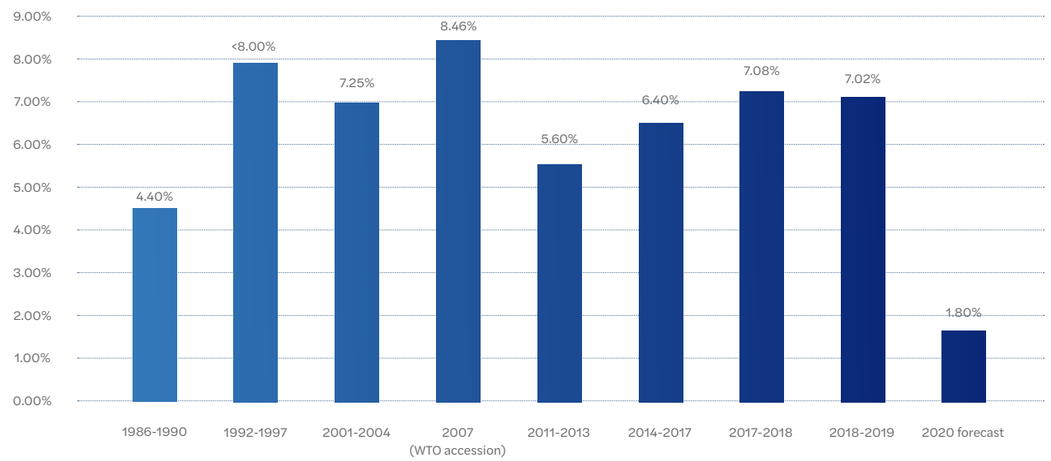
Language
Vietnamese as mother tounge

Currency
Vietnamese dong (VND)

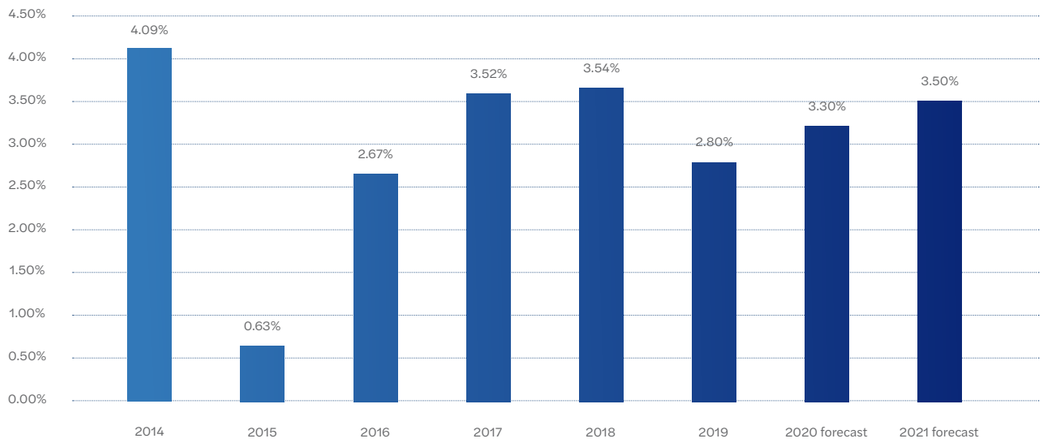
Religions
Buddhism, Catholicism, Taoism and Confucianism

Income Category
Lower middle income

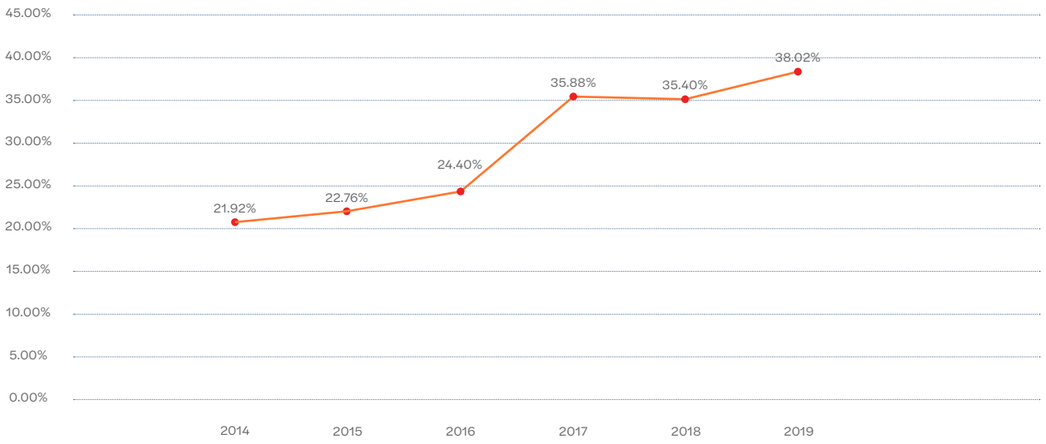
GDP growth (%/year)



Vietnam Inflation rate



Vietnam total FDI Inflows



Top 3 Exported market

Top 3 Imported market

Top 5 FDI countries

AN ATTRACTIVE VIETNAM

STRATEGIC LOCATION

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

YOUTHFUL LABOUR FORCE

- Vietnam's median age is 32.5 and most are entrepreneurial in nature.
- Vietnam has literacy rate over 95 percent and has one of the highest Internet penetration levels in Southeast Asia.
- Its people are technologically savvy, pursue entrepreneurial path, and is generally open to new ideas.
- The country's workforce experiences an annual increase of 1.5 million people

PROMISING MARKET WITH AN EMERGING MIDDLE CLASS

- An enormous market of around 97 million people, ranking #15 in the world, is an attractive pool for any types of business.
- An emerging middle class, currently accounting for 13% of the population, is expected to reach 26% by 2026.

GOVERNMENT SUPPORT

- Vietnam's government is very stable and committed to seeing the country grow by prioritizing infrastructure investments;
- Vietnam has continuously improved and adjusted its financial incentives and institutions to attract and better manage foreign investment resources.

FREE TRADE AGREEMENTS

- Vietnam is a member of the ASEAN and World Trade Organisation,
- The government has pursued strategies to join a number of free trade agreements, most recently joined the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the EU-Vietnam (EVFTA).
- Vietnam has bilateral agreements with the majority of the world's leading economies.

INFRASTRUCTURE DEVELOPMENT

- The country has improved infrastructure significantly, especially highways and seaports.
- The expansion of regional airports as well as an international hub airport

STABLE ECONOMIC GROWTH

- Viet Nam is one of the fastest growing economies in ASEAN, with a projected growth reaching 6.9%, and this is expected to continue until 2021.
- The inflation rate remains stable

BILATERAL AND REGIONAL FTAs & CECA

In effect

2020	**EU – Vietnam (EVFTA)**	- Improving bilateral trade and investments cooperation; contributing to the smooth progress in exports-imports and customs process. - Legal framework: Circular No. 11/2020/TT-BCT
2019	**ASEAN - Hong Kong (FTA)**	- Enhancing trade and investments progress via incentives and minimising tariffs, thus opening up more business cooperation among members - Legal framework: Decree 07/2020 / ND-CP
2018	**CPTPP (TPP11) (FTA)**	- Promoting trade and investments, exports-imports via agreements in tax and investments incentives, as well as customs and tariffs. - Legal framework: Decree No. 57/2019 / ND-CP
2016	**India – Vietnam (CSP)**	- Focusing on bilateral defence cooperation, including: procurement of weaponry and military hardware, capacity building, collaboration in the area of warship building and repair. - Further expanding into bilateral collaboration in the area of aerospace, biotechnology, chemical goods, automotive, renewable energy, and so on.
2016	**EAEU – Vietnam (FTA)**	- Improving trade and investments cooperation; contributing to the smooth progress in exports-imports and customs process. - Legal framework: Decree No. 150/2017 / ND-CP dated December 26, 2017
2015	**ASEAN – AEC (FTA)**	- ASEAN Economic Community (AEC) was established to create an environment for manufacturing cooperation, competitive economy, and integrating with the global economy. - Legal framework: Decree No. 156/2017 / ND-CP dated December 27, 2017
2015	**South Korea – Vietnam (FTA)**	- Promoting bilateral trade cooperation in goods, services and investments; contributing to the smooth progress in exports-imports and customs process. - Legal framework: Decree No. 149/2017 / ND-CP dated December 26, 2017
2014	**Chile – Vietnam (FTA)**	- Promoting bilateral trade cooperation in goods; contributing to the smooth progress in exports-imports and customs process. - Legal framework: Decree No. 154/2017 / ND-CP
2013	**China – Vietnam (CSP)**	- Enhancing the bilateral exchanges and trade cooperation progress in a variety of industries, such as: cross-border economic zones, infrastructure, education, and so on. - Continuing to advance cooperation in areas such as marine environmental protection, marine scientific research, maritime search and rescue, disaster prevention and mitigation and maritime connectivity.
2012	**UK – Vietnam (EPA)**	- Improving bilateral trade and investments cooperation; contributing to the smooth progress in exports-imports and customs process.
2010	**Russia – Vietnam (CSP)**	- Improving bilateral trade and investments in both goods and services; - Enhancing strategic partnership in a wide range of areas, such as: culture, education, healthcare, digital information, and so on.
2010	**ASEAN - Australia/ New Zealand (FTA)**	- Encompassing a wide range of commitments in goods and services (including financial services and telecommunications), investment, e-commerce, people mobility, intellectual property, competition and economic cooperation policy. - Legal framework: Decree No. 158/2017 / ND-CP dated December 27, 2017
2010	**ASEAN – India (FTA)**	- Improving trade and investments cooperation, especially in services; contributing to the smooth progress in exports-imports and customs process. - Legal framework: Decree No. 159/2017 / ND-CP dated December 27, 2017
2009	**Japan – Vietnam (FTA)**	- Improving bilateral trade and investments in both goods and services; - Enhancing strategic partnership in a wide range of areas, such as: culture, education, digital information, intellectual property and so on. - Legal framework: Decree No. 155/2017 / ND-CP dated December 27, 2017
2008	**ASEAN - Japan (FTA)**	- Enhancing commitments on trade in goods, services, investment and economic cooperation. - Legal framework: Decree No. 160/2017 / ND-CP dated December 27, 2017
2007	**ASEAN – South Korea (FTA)**	- Enhancing commitments on trade in goods, services, investment and economic cooperation, especially in exports-imports process. - Legal framework: Decree No. 157/2017 / ND-CP dated December 27, 2017
2003	**ASEAN – China (FTA)**	- Enhancing commitments on trade in goods, services, investment and economic cooperation, especially in exports-imports process. - Legal framework: Decree No. 153/2017 / ND-CP dated December 27, 2017

Upcoming or under negotiation

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

Note:

Free Trade Agreements (FTAs)
Economic Partnership Agreement (EPA)
Comprehensive Economic Partnership (CEP)

Of a remarkable milestone, EVFTA and EVIPA between EU and Vietnam was ratified by the European Parliament Committee on International Trade (INTA) on 21 January 2020, by European Parliament (EP) on 12 February 2020 and adopted by the Council on 30 March 2020. This agreement is the second one the EU has concluded with a Southeast Asia country, and clears the path, on the EU side, for the entry into force of the agreement. As the EU is the second largest export market of Vietnam, the agreement, once being fully ratified by the EU and Vietnam, is of great strategic and economic significance thanks to the expanded opportunities they present in terms of investment and trade between Vietnam and EU member countries.

According to Mr. Nguyen Hai Minh, Tax & Business Advisory Partner at Mazars Vietnam and Vice President of European Chamber of Commerce in Vietnam (EuroCham), the approval of EVFTA is important to Vietnam and the EU. For EU, the Agreement helps to spread its values to developing countries through trade and also creating a foothold to significantly enter the Asian market. For Vietnam, it is a country dependent on exports for growth, and through the trade agreements, it has forged its economic development by engaging in trade with as many countries as possible. With EVFTA, Vietnamese businesses have more opportunities to access to the European market of nearly 500 million consumers, approach European quality standards and environmental friendly production technology, and able to engage with global value chains driven by European businesses.

The European Union - Vietnam Free Trade Agreement (EVFTA) officially came into effect on August 1, marking an important milestone in bilateral relations on the occasion of the 30th anniversary of Vietnam-EU diplomatic ties (1990-2020). The implementation of the EVFTA is expected to boost trade and investment between the two sides and bring Vietnam-EU relations to new heights.

THE ECONOMY OF VIETNAM

Exchange controls

Development trends

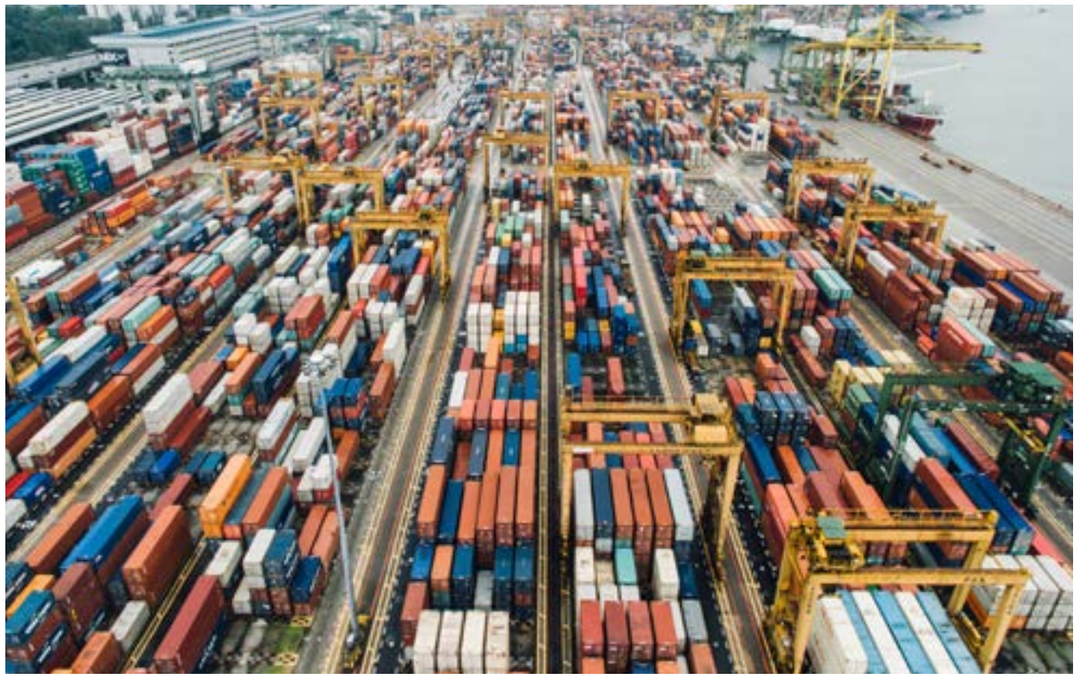
EXCHANGE CONTROLS

Throughout the country, only US Dollars and certain other currencies are accepted for transactions with Credit Institutions and other transactions in big cities and provinces as permitted by the Prime Minister. In general, the inflow of foreign currency into Vietnam is welcome with minimum restrictions while the transfer of foreign currency abroad has also been significantly liberalised. Foreign investors and foreigners working in Vietnam are permitted to transfer their earnings abroad after completing all their financial liabilities to the Vietnamese Government. However, on leaving Vietnam individuals are not allowed to take more than USD 5,000 or equivalent in other currencies in cash (including debit notes and travelers cheques) without declaration to the Vietnamese Customs and permission from the State Bank of Vietnam or another eligible bank.

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

DEVELOPMENT TRENDS

In recent years the Private Sector has become far more influential. The Vietnam Stock Exchange came into being in 2000 and the Government's policy of privatising State Owned Enterprises made room for foreign investors to invest in the Vietnamese market. Vietnam has become a strong base for manufacturing and IT related services with reasonable employment costs. However, the weak copyright laws are thought to deter "High added value" industries from bringing too much intellectual property into Vietnam for fear of losing it to clone competitors. Thus, at present there is an abundance of 'low–tech' industry and the Government would like to be able to attract more 'higher added value' businesses.



Doing business in Vietnam

INVESTMENT INCENTIVES AND GUARANTEES

Key sectors currently targeted for Investment Incentives

Government basic investment guarantee commitments

KEY SECTORS CURRENTLY TARGETED FOR INVESTMENT INCENTIVES INCLUDE:

High-tech activities, high-tech ancillary products; research and development

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

Production of key electronic, mechanical products, agricultural machinery, cars, car parts; and shipbuilding

Production of ancillary products serving textile and garment industry, leather and footwear industry, and the products in the third point above

Production of IT products, software products, digital contents

Cultivation, processing of agriculture products, forestry products, aquaculture products; afforestation and forest protection; salt production; fishing and ancillary fishing services; production of plant varieties, animal breads, and biotechnology products

Collection, treatment, recycling of waste

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

Preschool education, compulsory education, and vocational education

Medical examination and treatment; production of medicines, medicine ingredients, essential medicines, medicines for prevention and treatment of sexually transmitted diseases, vaccines, biologicals, herbal medicines, orient medicines; scientific research into preparation technology and/or biotechnology serving creation of new medicines

Investment in sport facilities for the disabled or professional athletes; protection and development of cultural heritage

Investment in geriatric centers, mental health centers, treatment for agent orange patients; care centers for the elderly, the disabled, orphans and street children

People’s credit funds, microfinance institutions

Business investment in distribution chain of products of small and medium enterprises (SMEs); business investment in technical establishment providing the assistance for SMEs and incubators of SMEs; business investment in co-working spaces serving SMEs and startups in accordance with regulations of law on assistance for SMEs

THE GOVERNMENT ALSO PROVIDES SOME BASIC INVESTMENT GUARANTEE COMMITMENTS AS FOLLOWS

- Lawful assets will not be nationalised

- Assets that are appropriated because of national defense or other legitimate reasons will be fully compensated in accordance with the law

- Investors have no restrictions or requirements relating to buying, export production, imported goods, balancing currency, goods substitution, research and development, or provide goods/services at specified locations

- The Prime Minister and relevant government bodies will determine foreign currency requirements for investment projects relating to infrastructure development

- Foreign investors are permitted to transfer abroad capital and liquidations; income from business investment and money and other assets under the lawful ownership of the investors

- The Prime Minister shall provide guarantees for contract execution by competent authorities or state-owned companies participating in investment projects subject to issuance of decisions on investment policies by the National Assembly, the Prime Minister, and other important projects of investment in infrastructural development

- Where a new law that provides more favourable investment incentives, the investors shall enjoy the new incentives for the remaining period of the incentive enjoyment of the project. However, if new law provides less favourable investment incentives, the investors shall keep enjoying the current incentives, with a few exceptions.

BUSINESS ORGANIZATION AVAILABLE TO FOREIGNER

Foreign Investment

Other market entry options

Termination of enterprises

FOREIGN INVESTMENT

Limitations of foreign ownership

Foreign investors are allowed to own 100% of the share capital of a company in Vietnam, except for circumstances where foreign ownership is limited which are stated in Vietnam's bilateral and international agreements such as WTO commitments and particular local laws and regulations.

Investment Procedures

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

However, certain investment projects, depending on the investment sectors and scale, must undergo a procedure to obtain an "in principal" approval from the competent state authorities (the National Assembly, the Prime Minister or the People's Committees on a provincial level) prior to licensing to guarantee national benefit.

Types of FIE available

	Partnership	Limited Liability Company		Joint-stock Company
		One member	Two members or more	
	(2)	(3)	(4)	(5)
Legal Status	Having legal status			
Number of owners/share holders	Minimum – 2 Maximum – unlimited	1	Minimum – 2 Maximum – 50	Minimum – 3 Maximum - unlimited
Perpetual succession	Yes			
Liability of owners/share holders	Partners (who must be individuals) have unlimited liabilities Capital contributors are liable for the debt of the company within their contributed capital	Owner shall be liable for the obligation of the company within the charter capital		Members shall be liable for the debt of the company within their contributed capital
Issuance of securities	Unable to issue any types of securities	Unable to issue share		Able to issue any types of securities
Capital requirement	There is no minimum requirement for capital in most investment field, but for some conditional industries such as banking, real estates or petroleum, foreign investor must guarantee their capital above certain level. These certain levels are often called legal capital.			
Time-limit for capital contribution	As committed by the partners and capital contributors	90 days from the date of issuance of the Enterprise Registration Certificate		90 days from the date of issuance of the Enterprise Registration Certificate, except when the Charter provides for a shorter time-limit
Corporate Governance	- Members' Council; and - General Director/Director	- Members' Council and Chairman of Members' Council; OR the Chairman of the company if the company's owner only appointing one representative; and - General Director/ Director; and - Inspector	- Members' Council and Chairman of Members' Council; and - General Director/ Director; and - Inspection Committee (compulsory if having more than 11 members)	- General Shareholder Meeting, Board of Directors, Inspection Committee and General Director/ Director. If having less than 11 shareholders and the shareholders being organizations own less than 50% of total shares, it is not required to have Supervisors; OR - General Shareholder Meeting, Board of Directors and General Director/ Director. In this case, at least 20% of the number of members of the Board of Directors must be independent members and there must be an internal auditing committee under the Board of Directors.
Legal representative	- May have one or more legal representatives. - At least one legal representative must reside in Vietnam and such legal representative when leaving Vietnam must authorize in writing another person to exercise rights and perform obligations of the legal representative.			

OTHER MARKET ENTRY OPTIONS

Business Co-operation Contract (BCC)

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

Capital Contribution, Share Purchase, Merger and Acquisition

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

Branch

The establishment of a branch must be made in accordance with Vietnam's WTO commitments and local regulations. For normal foreign merchants, a branch is permitted to carry out the activities stipulated in its license.

To set up a branch in Vietnam, amongst other conditions, the foreign company must operate for at least 05 years from the date of establishment or registration and the Certificate of Business Registration or equivalent document is valid for at least 01 more year from the date of submission of the application.

Representative Office

The establishment of a representative office is permitted for foreign companies for market research, sales promotion activities (and therefore not for trading). In order to set up a representative office, the foreign company must satisfy certain conditions including, amongst others, that the company is already legally recognised in the country of its business registration and has been in operation for at least one year from the establishment date.

Foreign Contractor/Cross-border supplies

Foreign companies can perform a number of cross-border supplies in accordance with Vietnamese laws and WTO commitments. For instance, for construction and related activities, foreign contractors can do business by directly entering the construction contract with the Vietnamese project owner and earning income from it. However, the foreign contractor must apply for a Construction Activity Permit, and set up what is known as a Project Management Office.

TERMINATION OF ENTERPRISES

Dissolution

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

- The duration of operation stipulated in the charter of the enterprise expires and there is no decision to extend;
- As decided by the enterprise owner;
- The enterprise does not have the minimum number of members stipulated by Law on Enterprises for a period of six consecutive months without following procedures for business conversion: and
- The business registration certificate is revoked.

Bankruptcy

An enterprise is considered as being insolvent if it fails to pay a due debt after 3 months from its due date. Generally, the bankruptcy procedures include:

(1) Filling the request for initiation of bankruptcy process with the court
(2) Negotiations to withdraw the petition between the petitioner and the insolvent enterprise – result in court accept/reject petition
(3) Commencement of bankruptcy process by the court
(4) Creditors' meeting
(5) Implementation of the rehabilitation plan
(6) Declaration of bankruptcy by the court
(7) Liquidation (assets disposal) procedures.

Simplified procedures are applied in certain cases as stipulated by the laws.

TAXTATION

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

Overview

License Fee

Corporate Income Tax (CIT)

Value Added Tax (VAT)

Invoices

Personal Income Tax (PIT)

Foreign Contractor Tax (FCT)

Export and Import Duty

Other Taxes and Fees

Double Tax Agreements (DTA)

OVERVIEW

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

In recent years, Vietnam has been applying various administrative reforms and showing attempt to better fit with the era of digital technologies. Among a number of tax regulations, the Tax Administration Law 2019 which takes effect from 01 July 2020 is a good example. The Law introduces tax administration regimes for e-commerce activities/activities via digital platform, incorporates tax management on the internet platform (e-tax) and officially sets guidelines for the new system of e-invoices.

LICENSE FEE

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

CORPORATE INCOME TAX (CIT)

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

CIT declaration and payment are required on

(i) an annual basis;

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

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

Quarterly CIT declaration is no longer required (however provisional CIT payment is still to be made on a quarterly basis).

Tax Rates

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

Tax Incentives

CIT incentives are available, including a preferential tax rate and tax holidays which are granted to investment projects based on their business activities or their location. Some additional CIT incentives are also available for enterprises operating in the manufacturing, construction and transportation fields with a high ratio of female employees or ethnic-minority employees; or for small and medium enterprises (which are expected to be detailed in the upcoming updated CIT Law).

Taxable Income (Profit)

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

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

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

Losses Carried Forward

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

Transfer Pricing

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

The principle is that, transactions between related parties must be made on an arm's length basis. Failure to comply with the arm's length principle implies an exposure to a reassessment of prices or profits for tax purposes which may be accompanied by penalties and interest charges (to some extent, this literally implies that the tax authorities may set transfer prices for the company if there is no supporting transfer pricing documentation). The adjustments entail wider consequences in terms of an altered tax profile and possible adverse publicity.

In terms of required documents, an enterprise which has related party transactions must submit a disclosure form of the related party transactions during the year (to be lodged annually to the tax authority together with a year-end CIT return) and preparation of Transfer Pricing Documentation as evidence of the arm's length principle.

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

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

VALUE ADDED TAX (VAT)

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

VAT exemptions	Some goods and services are exempted from VAT such as medical or veterinary exempt services, certain kinds of insurance services, certain financial operations.
VAT 0%	Mainly applied to exported goods/services.
VAT 5%	Generally applied to areas of the economy concerned with the provision of essential goods and services.
VAT 10%	This is the 'standard' rate.

There are two methods of VAT filing:

Direct method	Credit method (also known as Deduction method)
Where VAT would be imposed as a percentage directly on revenue (for a number of cases) or on added value of the Company.	Where the taxpayer shall have its input VAT on expenses and output VAT on sales of goods and services, and only the exceeding amount of the output VAT over the creditable input VAT shall be paid to the Tax Department.

INVOICES

An enterprise can use pre-printed invoices, self-printed invoices or electronic invoices. The tax invoice template must contain stipulated items and be notified to the local tax authorities before coming into use. As an attempt to minimize tax evasion and reinforce tax administration, enterprises are encouraged to apply electronic invoices. Per Decree 119/2018/ND-CP, electronic invoices would be compulsory from 01 November 2020, however it seems to be delayed until 01 July 2022 per the draft Decree replacing Decree 119 and also per the Tax Administration Law 2019.

PERSONAL INCOME TAX (PIT)

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

Taxable Income

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

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

Residency Status

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

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

Allowable Deductions

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

Tax Rates

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

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

No.	Income Category	Residents	Non-residents
1	Business income	0.5%-5% of revenue (depending on type of business income)	
2	Gain on capital transfer	20%	0.1% on sales proceeds
3	Gain on securities transfer	0.1% of sales proceeds	
4	Gain on real estate transfer	2% of sales proceeds	
5	Income from prize-winning/heritance/gifts	10% on portion exceeding VND10 mil	
6	Income from royalty/franchising	5% on portion exceeding VND10 mil	
7	Interest/Dividend	5%	

FOREIGN CONTRACTOR TAX (FCT)

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

Basically FCT is imposed in the following circumstances:

- A foreign entity's sale of goods/commodities within Vietnam (i.e. the delivery place is within the territory of Vietnam or whereby the foreign entity still controls the ownership/quality/pricing or bears some costs related to the distribution of the goods in Vietnam);
- A foreign entity's sale of goods/commodities which are associated with services to be performed in Vietnam, including but not limited to installation, commissioning and maintenance;
- A foreign entity's provision of services in Vietnam (with certain exceptions);
- Other income received in Vietnam in any form (irrespective of the location where the business is carried out).

Current regulations provide three methods for FCT filing, which results in different positions of tax payable, each party's responsibility on tax administration as well as other accounting compliance requirements to be undertaken by the foreign contractor and the Vietnamese party.

DECLARATION METHOD
(previously known as VAS Method)

The foreign contractor applies the Vietnamese Accounting System (VAS), pays VAT by the credit method and is liable to pay CIT on their net profit earned from the project/contract at the applicable rate, similar to a Vietnamese enterprise.

DIRECT METHOD
(previously known as Withholding Method)

The foreign contractor pays FCT on a deemed withholding basis. FCT applies at various rates, depending on the nature/scope of the contract. It is the responsibility of the Vietnamese contracting party to register the contract with the local tax department, and to withhold and pay the applicable FCT to the local tax department.

HYBRID METHOD

This is a combination of the above two methods. VAT is declared using the credit method (same as Declaration Method), while CIT is declared on a deemed basis (same as Direct Method).

Direct Method is the most common one. The FCT deemed tax rates are as below:

Business activity	VAT rate	CIT rate
Trading: distribution, supply of goods, raw materials, supplies machinery and equipment; distribution of goods, raw materials, supplies, machinery and equipment attached to services in Vietnam (including those provided in the form of domestic exports, except for goods processed under processing contracts with foreign entities); supply of goods under Incoterms	N/A	1%
Service, machinery and equipment leasing, insurance, lease of oilrig	5%	5%
Restaurant/Hotel/Casino management services	5%	10%
Lease of aircraft, aircraft engines, aircraft spare parts and sea going vessels	5%	2%
Construction and installation WITH supply of materials, machinery and equipments	3%	2%
Construction and installation WITHOUT supply of materials, machinery and equipments	5%	2%
Production, transportation and service with supply of goods	3%	2%
Transfer of securities, certificates of deposit, ceding reinsurance abroad, reinsurance commission	N/A	0,1%
Derivatives financial services	N/A	2%
Loan interest	N/A	5%
Income from royalties	N/A or 5%	10%
Others	2%	2%

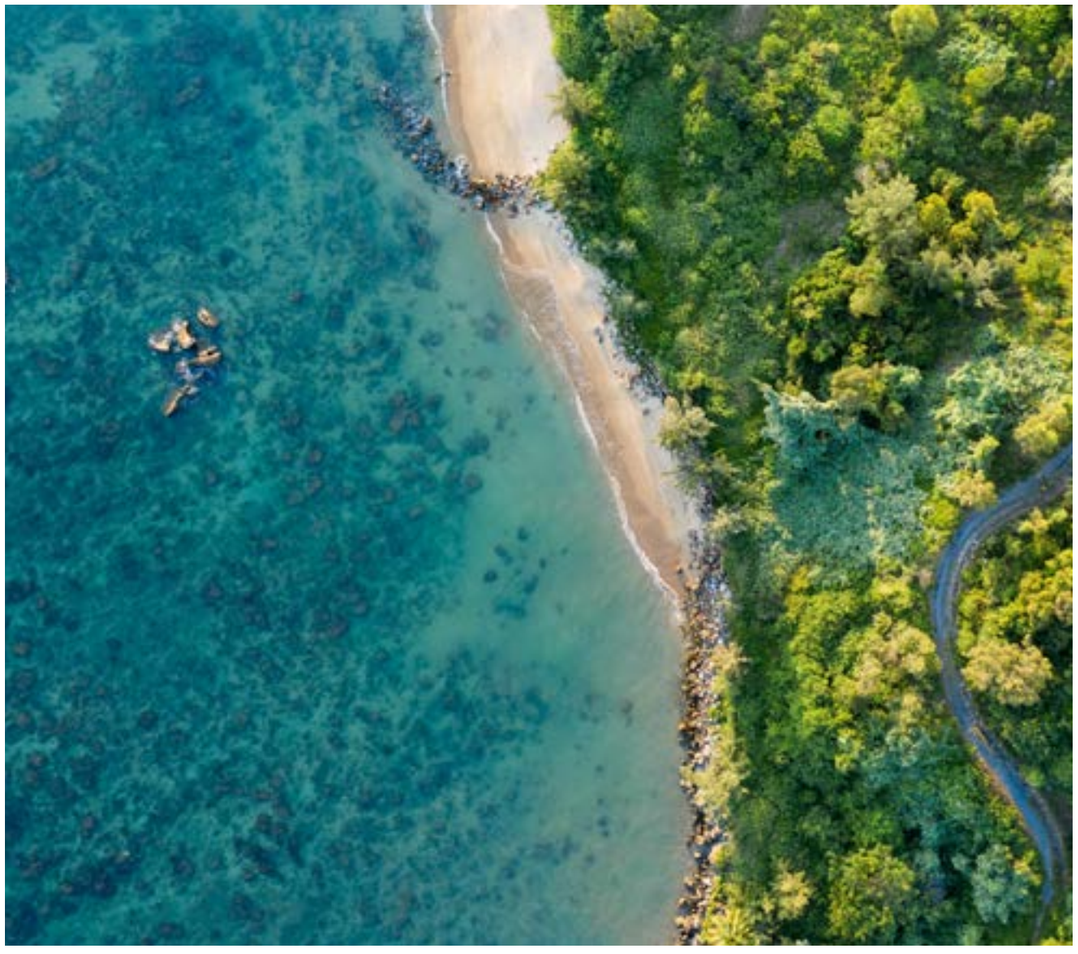
EXPORT AND IMPORT DUTY

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

Import duties are charged on a much wider range of goods. Rates are calculated taking product type and origin into account. There are three categories of duty rate as follows:

- Preferential rates are applied to goods imported from countries which have Most Favoured Nation (MFN) status with Vietnam.
- Ordinary rates apply to goods imported from other countries. These are 150% of the preferential rates applicable to MFN countries; and
- Special preferential rates apply to goods imported from countries which have a special preferential agreement with Vietnam, e.g. the ASEAN member countries under the CEPT and EU member countries under the Textile-Garment Treaty between Vietnam and the EU.

Vietnam is in the process of promoting imports, and co-operation with a number of countries (including ASEAN countries, India, Australia/New Zealand, Korea, Japan, China, Chile, Eurasia, EU) via various bilateral and multilateral trade agreements in order to reduce customs duty rates and the abolition of non-tariff trade barriers based on the relevant treaties. The most recent one is the EVFTA between Vietnam and EU.



OTHER TAXES AND FEES

Special Sales Tax

Special sales tax is only imposed on some kinds of goods such as cigarettes, beer, alcohol, cars, motorbike, airplane, yacht, air-conditioner, gasoline, etc., and services such as running dance halls, casinos, golf business, lottery business. The rate of special sales tax ranges from 5% to 150%.

Natural Resources Tax

Natural Resource Tax is imposed on organisations or individuals exploiting natural resources such as oil, minerals, forest resources, marine products and natural water etc. Tax rates range from 0% to 35%.

Law on Non-agricultural Land Use Tax

The Law on non-agricultural land use tax was effectively introduced from 1st January 2012, replacing the old 1992 Ordinance on Housing and Land Tax and its amendment in 1994 and governs the three following objects:

(1) Residential land in rural and urban areas;

(2) Non-agricultural production and business land, including land for the construction of industrial parks; land for the construction of production and business establishments; land for mineral exploitation and processing; and land for the production of construction materials and pottery articles;

(3) Non-agricultural land which is used for commercial purposes. Non-agricultural land which is used for non-commercial projects is not subject to this kind of tax. In addition, the regulations also provide nine cases of tax exemption and four cases of 50% tax reduction.

Basically, those who are responsible for tax declaration and tax payment are organisations, households and individuals that have the right to use taxable land. Where organisations, households or individuals have not yet been granted with certificates of land use rights and/or certificates of ownership of houses and other land-attached assets, the current land users need to pay the tax.

Environmental Protection Tax

Environmental Protection Tax is imposed on products that are considered to have any negative impact on human health or the environment such as coal, petrol, plastic bags, oil, etc.

Tolls and Fees

Other than the above, there are some other tolls and fees such as leasing fees for land use.

Tax Audits and Penalties

Enterprises are audited by the tax authorities on a regular basis, typically once in every three to five-year period. In addition, the enterprise may also be subject to inspections from other Vietnamese authorities (for example, the Customs Department, General Department of Taxation, Ministry of Finance, State Audit). The time and scope of the inspection are notified by a written notice which is sent to the enterprise prior to the inspection. Such tax audit or inspection may result in tax collections, interest on late tax payment and penalties, which statute of limitation set at 2 and 5 years for administrative penalties and penalties for incorrect tax declarations/tax fraud, respectively.

DOUBLE TAX AGREEMENTS (DTA)

Overview

Vietnam has now concluded Double Tax Agreement (DTA) on avoidance and prevention of double tax with around 80 countries and others are at various stage of negotiation.

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

Tax Rates

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

Tax 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.

However, the rules of the tax treaty are not automatically applied and the tax payer needs to make specific application to the tax authority if tax exemption is to be claimed.

Tax sparing credit system

In order not to diminish existing tax incentives given by the Vietnamese Government, some tax DTAs recognise the tax sparing credit system (i.e. exemption of deemed foreign tax) by a specific tax treaty due to strong requests from developing countries as well as from political considerations of economic co-operation with such countries. Accordingly, the tax exemptions according to Vietnam law are entitled to the tax sparing credit where the resident of the other country shall be entitled to credit the Vietnamese tax that would have been paid according to the laws of Vietnam (and the treaty) if the Vietnamese tax had not been reduced or relieved in accordance with the special incentive measures designed to promote economic development in Vietnam. This tax sparing credit system normally terminates a certain number of years after the tax treaty is effective.

ACCOUNTING AND AUDIT

Legal Framework of the Vietnamese Accounting System

The Accounting System In Vietnam

The Vietnamese Accounting Standards (VAS)

Accounting Currency

Fiscal Year

Accounting Staff

Audit

Internal Audit

LEGAL FRAMEWORK OF THE VIETNAMESE ACCOUNTING SYSTEM

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

The Accounting Law provides the legal framework for accounting, and corporate reporting in Vietnam. Under Accounting Law, all companies are required to prepare their financial statements in accordance with Vietnamese Accounting Standards (VAS), Vietnamese Accounting Regimes and detailed guidelines of the Ministry of Finance.

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

THE ACCOUNTING SYSTEM IN VIETNAM

Enterprises with foreign-owned capital and foreign parties to business co-operation contracts (collectively FIEs), are required to adopt the Vietnamese accounting system, Vietnamese Accounting Standards and their interpretive guidance.

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

The general requirements of the Vietnamese Accounting System include:

- The use of Vietnamese language or both Vietnamese language and another widely used language in the preparation of accounting records.
- The use of Vietnamese Dong as the currency unit in accounting. Only in limited cases can FIEs use a 'foreign currency' as the currency unit in their accounting records.
- Chart of accounts must comply with the Vietnamese Accounting Regulations. If business enterprises wish any changes in chart of accounts, they must register and get approval from the MOF before application.
- Numerous reports must be produced as specified in the Vietnamese Accounting Regulations.

THE VIETNAMESE ACCOUNTING STANDARDS (VAS)

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

ACCOUNTING CURRENCY

As noted above, it is required that companies in Vietnam (including foreign invested companies) must use Vietnamese Dong as the currency unit in accounting. However, where the company mainly receives income and makes payments in a foreign currency, the company could use a foreign currency regulated by the MOF as its accounting currency. The company must be self-responsible for this and notify the tax authority upon implementation. Companies with foreign capital established and operating in Vietnam and using foreign currency as the accounting monetary unit shall concurrently make financial statements in the accounting monetary unit (foreign currency) and convert these statements into Vietnamese Dong for submission to state management agencies.

FISCAL YEAR

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

ACCOUNTING STAFF

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

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

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

AUDIT

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

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

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

INTERNAL AUDIT

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

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

Of note, enterprises may hire independent audit companies which are legally accredited to render audit services. In case where enterprises hire accredited independent auditing companies to provide internal audit services, they must ensure conformance to fundamental internal audit principles and other requirements as stipulated.

LABOUR AND IMMIGRATION

Visa & Temporary Residence Card

Work Permits

Salary

Compulsory Insurance

Trade Union

VISA & TEMPORARY RESIDENCE CARD

A visa type DN or LD must be obtained prior to a foreigner's entry into Vietnam for working purposes. Visa can be replaced by a temporary residence card ("TRC") which grants the foreigner the right to stay in Vietnam for a certain length of time up to 05 years provided certain requirements are satisfied.

As from 01 July 2020, the term of TRC issued for foreign investors will vary depending on the invested sectors and the amount of investment capital, which may allow up to 10 years of residence in Vietnam. However, investors with investment capital of under VND 3 billion will no longer be eligible for issuance of TRC.

WORK PERMITS

Foreigners, before working in Vietnam, must obtain a work permit or a certificate of work permit exemption, as the case may be. Under the current Labor Code 2012, the term of a work permit or a certificate of work permit exemption shall not exceed 2 years, and can be renewable for multiple times subject to certain conditions. However, from the year 2021, work permit can only be extended once.

SALARY

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

COMPULSORY INSURANCE

Generally, when a Vietnamese employer entering into a labour contract with an employee (either local or foreign), both parties are required to make contributions to the social insurance, health insurance and unemployment insurance funds (except for some cases) as below:

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

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

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

TRADE UNION

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

As from the effective date of the Labor Code 2019 (i.e. 01 January 2021), in addition to Trade Union, employees are entitled to either form or join other representative organisations that are independent of the State-run Vietnam General Confederation of Labor. Such organisations shall be legally established and operate after being registered with the competent authority.

LAND

Land use rights (lur's)

Land lease

Lease term

Houses/apartments owned by foreigners

LAND USE RIGHTS (LUR'S)

Normally, foreign investors can obtain LURs (a) by way of a JVC to which a local Vietnamese partner contributes an LUR as a capital contribution, or (b) by way of land leased directly from certain permitted lessors such as the State. Nevertheless, FIEs implementing investment projects for the construction of houses for sale or for a combination of sale and lease may also be allocated land with land use levy.

LAND LEASE

A foreign investor may lease the land directly from the Government after he/she establishes an FIE in Vietnam or sublease land from an infrastructure developer.

LEASE TERM

The lease term must be consistent with the duration of the approved project provided that it does not exceed 50 years or, in some circumstances, 70 years. The extension of the lease term may be allowed by the Government upon expiry if the lessee wants to continue to use the land.

HOUSES/APARTMENTS OWNED BY FOREIGNERS

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

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

FOREIGN EXCHANGE CONTROL

Bank accounts

Foreign exchange control implicaions

Profit remittance

BANK ACCOUNTS

Companies are required to open and operate a VND currency account at a commercial bank licensed to operate in Vietnam. They can also open a foreign currency account if the operation requires. FIEs are particularly required to open Direct Investment Capital Account(s) (DICA) in one commercial bank in Vietnam through which all the capital transactions would be handled (e.g. charter capital contribution, foreign loans including both short-term loan and medium/long-term loans).

FOREIGN EXCHANGE CONTROL IMPLICATZIONS

The foreign exchange regulations of Vietnam require all transactions within the country and between Vietnam residents be made in VND. The laws prescribe the number of transactions which a company can conduct in a foreign currency. These often include:

- Payment for the purchase of goods and services from individuals and organisations outside Vietnam.
- Repayment of foreign loans and interest.
- Collection of turnover from the provision of goods and services to foreign customers outside Vietnam; and
- Payment of salaries, bonuses, and allowances to expatriate employees.

PROFIT EMITTANCE

Under current regulations, FIE’s 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 investment in Vietnam. The enterprise must fulfill its tax and financial obligations to the State of Vietnam and submit its audited financial report. It is also a requirement that the CIT position must be finalised.

FIE’s are required to submit a Notification of remittance of profit abroad to the relevant tax authority seven business days in advance of the remittance date.

PRACTICAL INFORMATION

Transportation

Telecommunication

Time Relative To Greenwich Mean Time (GMT)

Business Hours

Public Holidays

TRANSPORTATION

- The most popular mean of transportation used by Vietnamese is probably motorbikes, while in big cities, there have been a significant evolution with growing proportion of cars

- Private transportation services are quite well developed with taxis and ride-hailing platforms

- Bus transport dominates for long distances and it is relatively inexpensive to hire a car and driver for the day if it is necessary to visit an outlying town or an industrial park well away from the city.

- Vietnam Railways is the state-owned operator in Vietnam, which has about 3,200 kilometre of track, 60% of which is in the Northern provinces. It is slow and cumbersome to the eyes of Westerners but is effective nonetheless.

- Vietnam is pushing ahead with the construction of its first urban metro projects in both Hanoi and Ho Chi Minh City. It is expected that the first metro lines in Hanoi will be completed and put into operation in 2021 and the expected time for around the same in Ho Chi Minh City.

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

- Airports are numerous, but the two largest ones are Noi Bai (Hanoi) and Tan Son Nhat (Ho Chi Minh City), which are both major international hubs.

- Vietnam currently has five licensed commercial airlines, with state-owned Vietnam Airlines and budget airline Vietjet Air dominating the playing field. New player Bamboo Airways, operational now for a little over one year, low-cost carrier Jetstar Pacific and Vietnam Air Services Company (VASCO), make up the rest of the market.

- There are regular flights between all major cities in Vietnam. Domestic flights take from 40 minutes up to about 2 hours depending on the

TELECOMMUNICATION

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

Time Relative to Greenwich Mean Time (GMT)

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

BUSINESS HOURS

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

PUBLIC HOLIDAYS

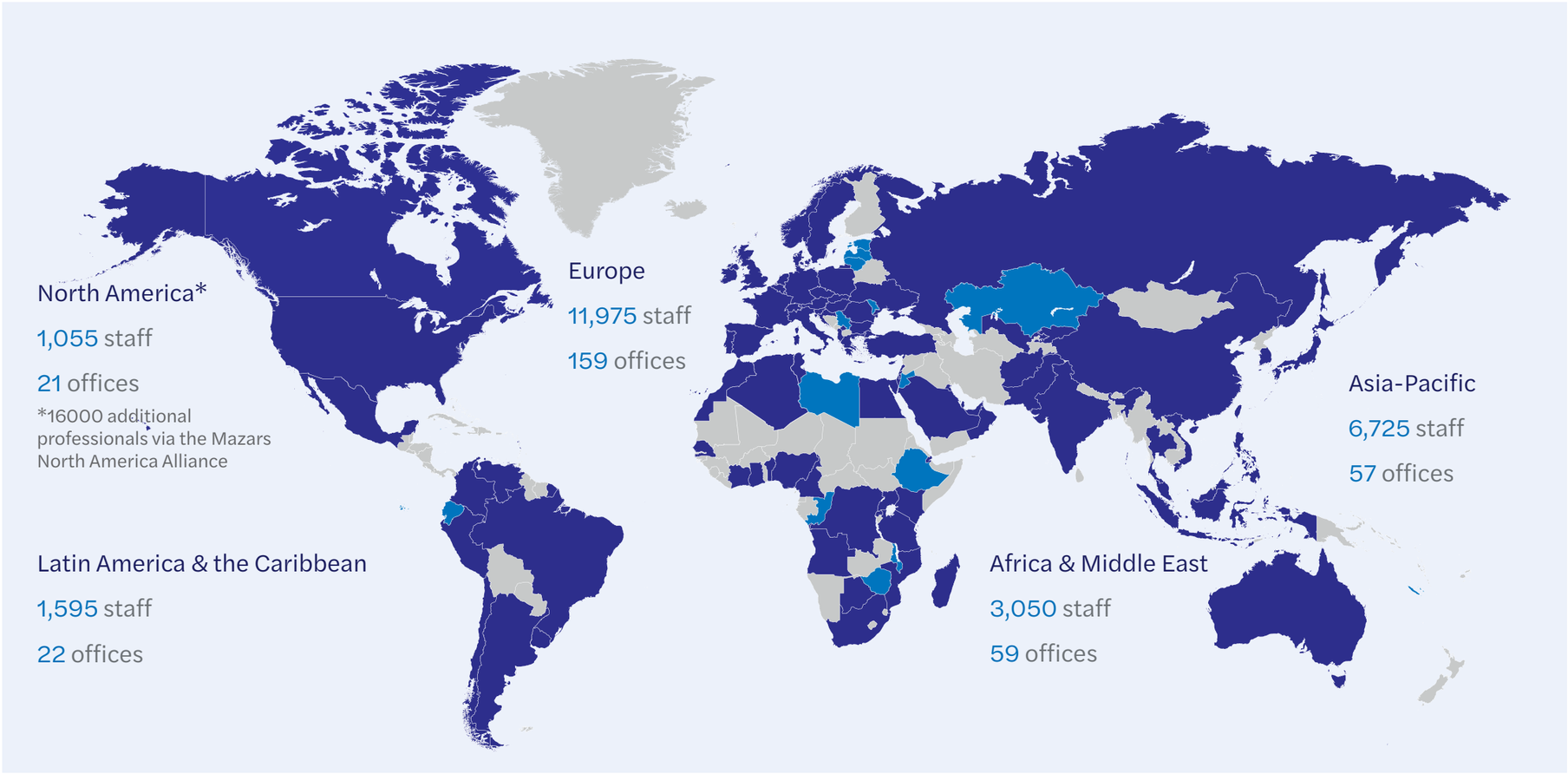
Vietnamese people celebrate 10 public holidays a year.

INTERNATIONAL NEW YEAR'S DAY (TET DUONG LICH)	01 January
VIETNAMESE NEW YEAR'S DAYS (TET NGUYEN DAN)	The date of Tet Nguyen Dan is based on the lunar calendar and takes 5 days. During these holidays, local public services, shops, and restaurants are often closed, and consumer prices tend to increase significantly. Normally late January or February
VIETNAMESE KINGS' COMMEMORATION DAY (GIO TO HUNG VUONG)	A traditional holiday commemorating the Mythical Hung Kings – The first king of Van Lang or Lac Viet. The date of this holiday is also based on the Lunar Calendar
LIBERATION DAY - 30 APRIL	**Celebrates the reunification of Vietnam in 1975**
INTERNATIONAL WORKER'S DAY 14 - 1 MAY	**Celebrates the workers' economic and social achievements**
INDEPENDENCE DAY - 2 SEPTEMBER	Celebrates the declaration of Vietnam Independence (From 1 January 2021, employees will be entitled to 2 days off for this occasion).

The right scale

International and local

Operating in 91 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in the Mazars integrated partnership and 16,000 via the Mazars North America Alliance.



Valid as of 1 January 2020
*FTE at 31 August 2019

- Integrated countries and territories
- Non-integrated countries and territories: Mazars correspondents and representative offices

North America

- Bermuda
- Canada
- United States

Latin America & the Caribbean

- Argentina
- Brazil
- Cayman Islands
- Chile
- Colombia
- Dutch West Indies
- Ecuador
- Mexico
- Peru
- Uruguay
- Venezuela

Africa & Middle East

- Algeria
- Angola
- Bahrain
- Benin
- Botswana
- Cameroon
- Congo (Brazzaville)
- Congo (Kinshasa)
- Djibouti
- Egypt
- Ethiopia
- Ghana
- Israel
- Ivory Coast
- Jordan
- Kenya
- Kuwait
- Lebanon
- Libya
- Madagascar
- Malawi
- Mauritius
- Morocco
- Mozambique
- Nigeria
- Oman
- Palestine
- Qatar
- Rwanda
- Saudi Arabia
- Senegal
- South Africa
- Tanzania
- Tunisia
- Uganda
- United Arab Emirates
- Zimbabwe

Europe

- Albania
- Austria
- Belgium
- Bulgaria
- Channel Islands
- Croatia
- Cyprus
- Czech Republic
- Denmark
- Estonia
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Kosovo
- Latvia
- Lithuania
- Luxembourg
- Malta
- Moldova
- Netherlands
- Norway
- Poland
- Portugal
- Romania
- Russia
- Serbia
- Slovakia
- Slovenia
- Spain
- Sweden
- Switzerland
- Turkey
- Ukraine
- United Kingdom

Asia-Pacific

- Afghanistan
- Australia
- China
- Hong Kong (SAR)
- India
- Indonesia
- Japan
- Kazakhstan
- Korea
- Kyrgyzstan
- Malaysia
- New Caledonia
- Pakistan
- Philippines
- Singapore
- Taiwan
- Thailand
- Uzbekistan
- Vietnam

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