

# Doing Business in Vietnam 2022

This Guidebook is prepared in a collaboration between Ernst & Young Vietnam Limited and the Foreign Investment Agency of Vietnam



# Glossary of acronyms

The following acronyms have been used in this Guidebook

<b>APA</b>	Advance Pricing Agreements	<b>IRC</b>	Investment Registration Certificate
<b>ASEAN</b>	Association of Southeast Asian Nations	<b>IT</b>	Information Technology
<b>BCC</b>	Business Cooperation Contract	<b>IZs</b>	Industrial Zones
<b>BEPS</b>	Base Erosion and Profit Shifting	<b>JSC</b>	Joint Stock Company
<b>BLF</b>	Business Licence Fee	<b>LLC</b>	Limited Liability Company
<b>CbCR</b>	Country by Country Report	<b>LOE</b>	Law on Enterprise
<b>CIT</b>	Corporate Income Tax	<b>LOI</b>	Law on Investment
<b>DOLISA</b>	Department of Labor, Invalids and Social Affairs	<b>LOIP</b>	Amended Law on Intellectual Property
<b>DPI</b>	Department of Planning and Investment	<b>M&amp;A</b>	Mergers and Acquisitions
<b>DTA</b>	Double Taxation Agreement	<b>MOF</b>	Ministry of Finance
<b>EPE</b>	Export Processing Enterprise	<b>ODA</b>	Official Development Assistance
<b>EPT</b>	Environment Protection Tax	<b>OECD</b>	Organization for Economic Co-operation and Development
<b>EPZ</b>	Export Processing Zone	<b>PIT</b>	Personal Income Tax
<b>ERC</b>	Enterprise Registration Certificate	<b>PPP</b>	Public-Private Partnership
<b>EU</b>	European Union	<b>R&amp;D</b>	Research & Development
<b>EZ</b>	Economic Zone	<b>RO</b>	Representative Office
<b>FIE</b>	Foreign Invested Enterprise	<b>SBV</b>	The State Bank of Vietnam
<b>FTA</b>	Free Trade Agreement	<b>SOE</b>	State Owned Enterprise
<b>FCWT</b>	Foreign Contractor Withholding Tax	<b>SST</b>	Special Sales Tax
<b>FDI</b>	Foreign Direct Investment	<b>TPD</b>	Transfer Pricing Documentation
<b>GDP</b>	Gross Domestic Product	<b>UN</b>	United Nations
<b>GSO</b>	General Statistics of Vietnam	<b>USD</b>	United States Dollar
<b>IAS</b>	International Accounting Standards	<b>VAS</b>	Vietnamese Accounting Standards
<b>IED</b>	Import and Export Duties	<b>VAT</b>	Value Added Tax
<b>IFRS</b>	International Financial Reporting Standards	<b>VFRS</b>	Vietnam Financial Reporting Standards
<b>IP</b>	Intellectual Property	<b>VND</b>	Vietnamese Dong
		<b>WTO</b>	World Trade Organization

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# Introduction

Being one of the favored places for foreign investment among Southeast Asian countries in recent years, Vietnam has become an attractive destination for investors. In 2022, Vietnam has reopened travel, tourism, transport services and continues to strongly recover from the pandemic by rising incomes, living standards and transparent investment environment as a result of COVID-19 effective management of the Government. The country's economic growth rate in the first quarter of 2022 also increased significantly compared with the same period last year<sup>1</sup>.

To encourage foreign investment, the Vietnamese Government has offered a wide range of investment and tax incentive schemes, highly prioritized domestic infrastructure improvements, and expanded the industrial real estate available to new developers. In addition, to strengthen its connection with the global economy, Vietnam has recently expanded its participation in a number of FTAs with other countries, either as an ASEAN member or on its own.

<sup>1</sup>"Kinh te Viet Nam but pha sau dai dich", Bao dien tu chinh phu, <https://baochinhphu.vn/kinh-te-viet-nam-but-pha-sau-dai-dich-102220530084419455.htm>, 30 May 2022

This Guidebook is prepared in a collaboration between Ernst & Young Vietnam Limited and the Foreign Investment Agency of Vietnam to provide interested investors a basic understanding of Vietnam's investment climate. While this publication provides a broad overview, we highly recommend that any business looking to invest in Vietnam seeks professional advice specific to their circumstances. The information included here is either obtained or derived from a variety of sources in the public domain. The guidebook is up to date as at 2 December 2022. Please be aware that the laws and regulations may change at any time.



# Country profile





# 1 Country snapshot

## **Location**

South East Asia

The country borders China, Laos and Cambodia

## **Land area**

331,344.3 km<sup>2</sup>

## **5 Municipalities and 58 provinces**

North: Hanoi - the capital

Center: Danang City - important seaport

South: Ho Chi Minh City - the largest city

## **Language**

Vietnamese (official language)

English (widely taught at school)

## **Currency**

Vietnamese Dong

## **Population**

99.329.145 (provided by the UN up to November 2022)

## **Employment**

Labor force: Estimated 50.6 million (aged 15 and above)

Unemployment rate: 3.20%

## **Business hours**

Normal working hours are 8 hours per day, or 40-48 hours per week

## **Average annual income**

Approximately USD2.152<sup>1</sup>

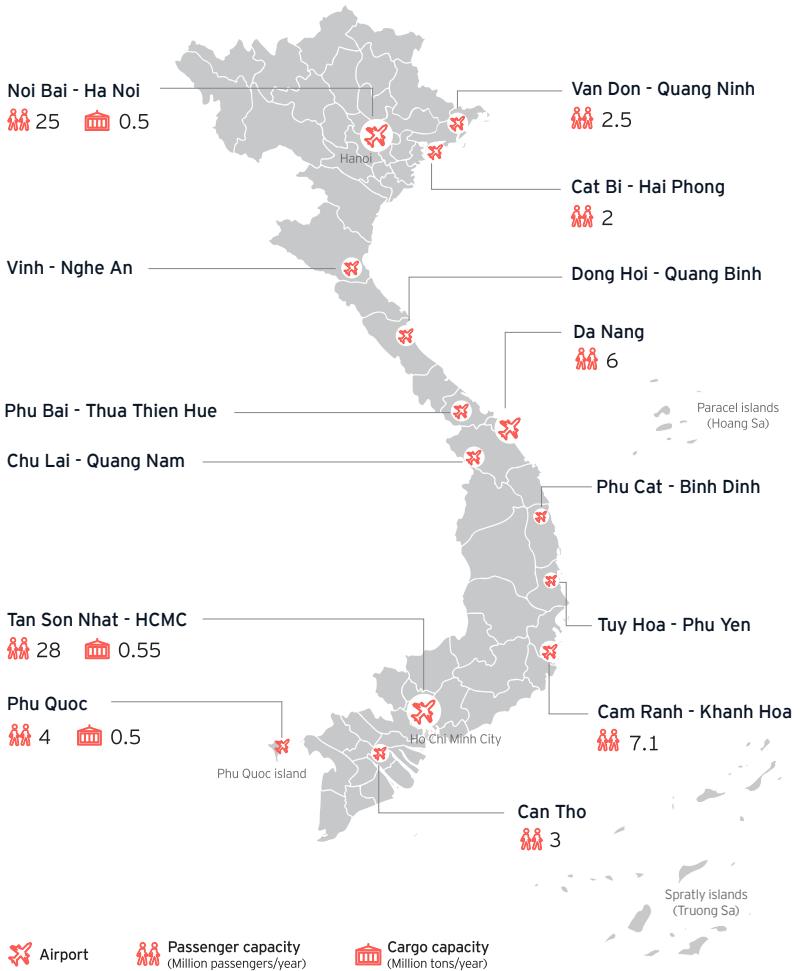
## **Climate and weather**

Varies from North to South

Source: GSO, Statistical Yearbook of Vietnam 2021 (Statistical Publishing House, 2022)

<sup>1</sup>Roughly converted and rounded for readers' reference only. Vietcombank's exchange rate on 1 July 2022: USD1 = VND23,420

# 2 Major airports





# 3 Major seaports



# 4 Coastal economic zones

**Dinh Vu, Cat Hai - Hai Phong**

Size: 21,640 ha

**Nghi Son - Thanh Hoa**

Size: 18,611 ha

**Dong Nam Nghe An - Nghe An**

Size: 18,826 ha

**Dong Nam - Quang Tri**

Size: 23,792 ha

**Chan May, Lang Co -  
Thua Thien Hue**

Size: 27,108 ha

**Chu Lai - Quang Nam**

Size: 27,040 ha

**Dung Quat - Quang Ngai**

Size: 2,807 ha

**Nhon Hoi - Binh Dinh**

Size: 12,000 ha

**Phu Quoc - Phu Quoc  
Island and Nam An Thoi  
Islands**

Size: 56,100 ha

**Nam Can - Ca Mau**

Size: 11,000 ha

**Van Don - Quang Ninh**

Size: 217,133 ha

**Quang Yen - Quang Ninh**

Size: 13,303 ha

**Thai Binh - Thai Binh**

Size: 30,583 ha

**Vung An - Ha Tinh**

Size: 22,781 ha

**Hon La - Quang Binh**

Size: 10,000 ha

Paracel islands  
(Hoang Sa)

**Nam Phu Yen -  
Phu Yen**

Size: 20,730 ha

**Van Phong - Khanh Hoa**

Size: 150,000 ha

**Dinh An - Tra Vinh**

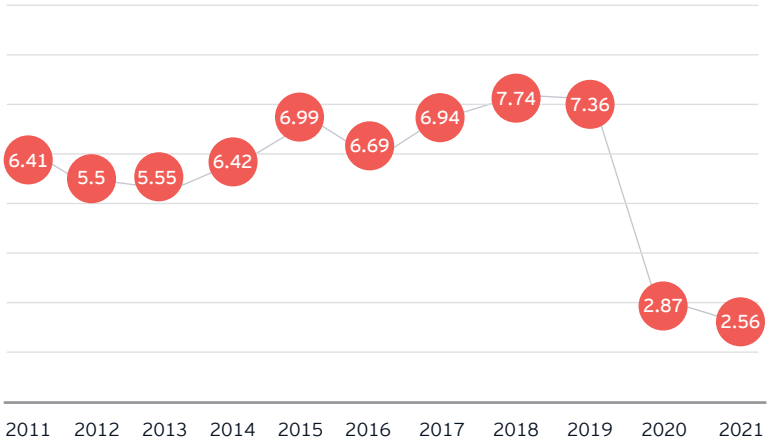
Size: 5,404 ha

Spratly islands  
(Truong Sa)

 Economic zone

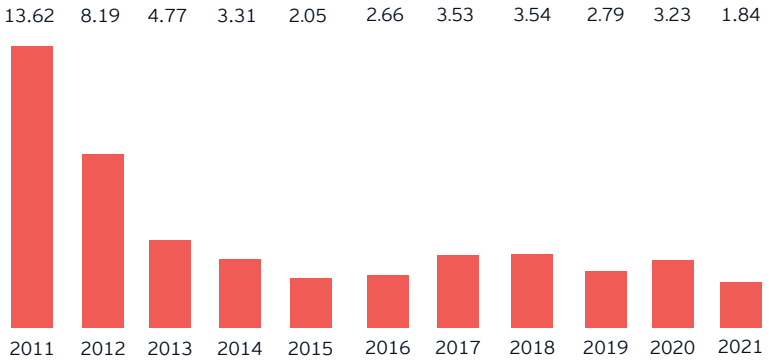
Region	Land for industry, commerce, service, tourism (ha)	Target sectors	Additional Information
Van Don - Quang Ninh	3,400	Developing commercial, aquaculture, clean industry, tourism	
Quang Yen - Quang Ninh	-	Multi-sector coastal economic zone, forming a center of industry, service, port logistics and a modern, smart city	Urban, industrial and high-tech complex: 6,403.7 ha Seaport service, seaport, Dam Nha Mac industrial and urban area: 6,899.3 ha
Dinh Vu, Cat Hai - Hai Phong	6,090	Developing port services, industry, tourism	
Thai Binh - Thai Binh	-	Multi-industry, general economic zone	
Nghi Son - Thanh Hoa	4,175	Developing oil and gas industry, port services, cement, thermal power, tourism	
Dong Nam Nghe An - Nghe An	4,217	Developing precision mechanical industry, assembling machines, textiles, processing agriculture and forestry -fishery products, tourism	
Vung An - Ha Tinh	4,858	Developing shipbuilding, steel rolling, power generation, electronics, and tourism	
Hon La - Quang Binh	1,422	Developing shipbuilding, thermal power, cement, glass, tourism	
Dong Nam - Quang Tri	-	Multi-industry, general economic zone	Dynamic functional zones (non-tariff zones, industrial zones, tourist service and zones): 3,813 ha
Chan May, Lang Co - Thua Thien Hue	4,425	Developing high-tech clean industry, port services, tourism	
Chu Lai - Quang Nam	2,485	Developing processing agriculture and forestry -fishery products, electronics, automobile assembly, garment, footwear, civil goods	
Dung Quat - Quang Ngai	2,4807	Developing petrochemical refining, chemical, shipbuilding, steel rolling	
Nhon Hoi - Binh Dinh	2,980	Developing wind power, shipbuilding, tourism	
Nam Phu Yen - Phu Yen	2,980	Developing high-tech industry, petrochemical refining, tourism	
Van Phong - Khanh Hoa	2,050	Developing shipbuilding industry, international transshipment port, petroleum depot, aquaculture, tourism	
Dinh An - Tra Vinh	2,980	Developing high-tech industry, petrochemical refining, tourism	
Nam Can - Ca Mau	1,909	Developing mechanical engineering, shipbuilding, machine assembly, electronics, seafood processing, oil and gas services, tourism	
Phu Quoc - Phu Quoc Island and Nam An Thoi Islands	5,162	Developing diversify tourism and traditional craft villages	

### GDP growth (%)



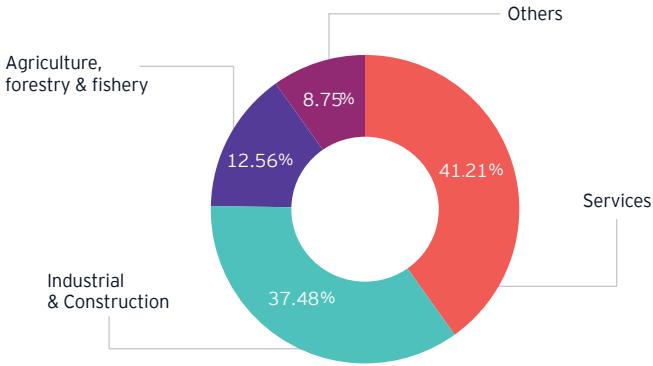
Source: GSO, Statistical Yearbook of Vietnam 2021 (Statistical Publishing House, 2022)

### Inflation (annual average - %)



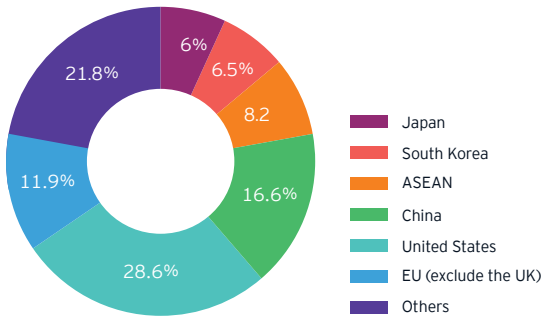
Source: GSO, Statistical Yearbook of Vietnam 2021 (Statistical Publishing House, 2022)

## GDP by sector in 2021



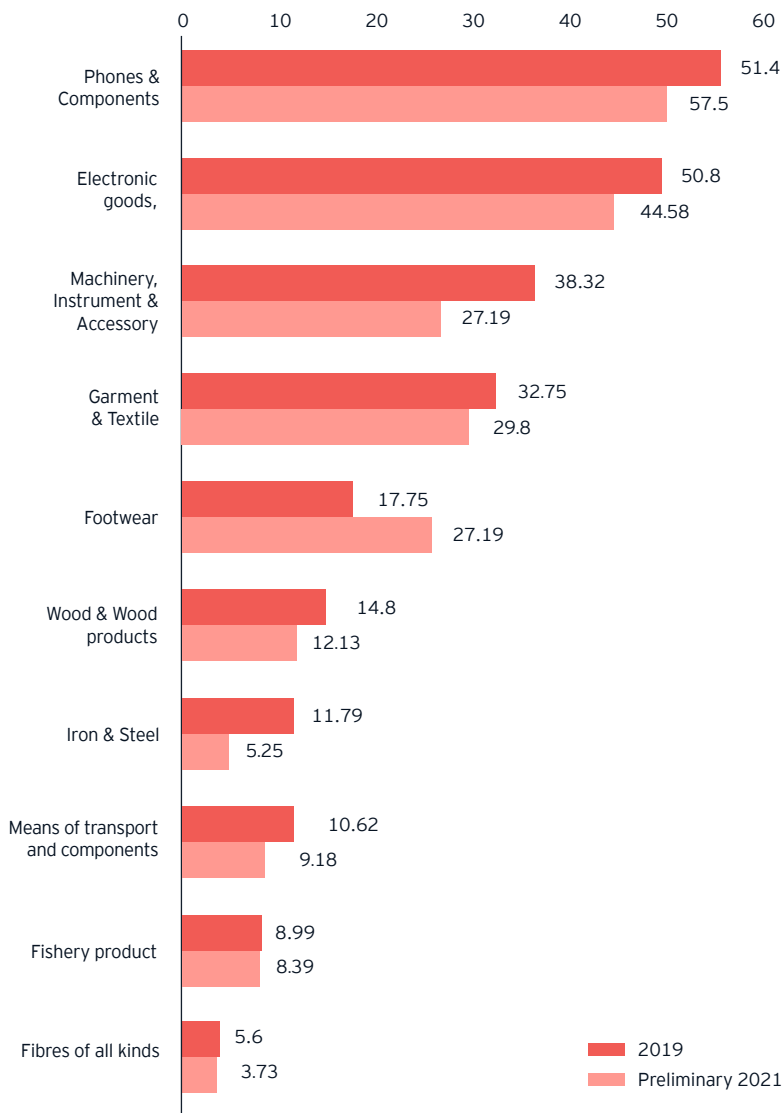
Source: GSO, Statistical Yearbook of Vietnam 2021 (Statistical Publishing House, 2022)

## Main export partners in 2021



Source: GSO, Statistical Yearbook of Vietnam 2021 (Statistical Publishing House, 2022)

## Export value of Vietnam's 10 largest commodities (USD billion)



Source: GSO, Statistical Yearbook of Vietnam 2021 (Statistical Publishing House, 2022)

# 5 Vietnam advantages

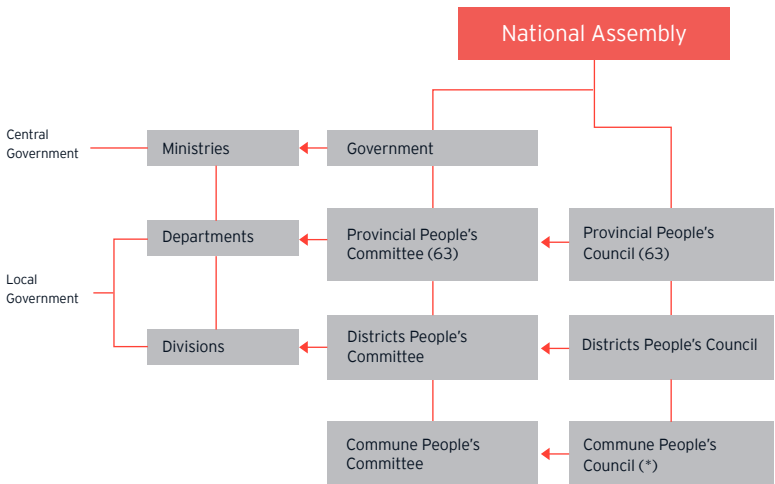
## Why Vietnam is an attractive destination for foreign investors

<b>International integration</b>	<p>Vietnam has demonstrated its commitment to international integration and affirming a new role, image, prestige, and position in the international arena.</p> <p>In more than three decades of renovation and integration, Vietnam has signed 15 FTAs. In the past five years, Vietnam has signed several new-generation FTAs including CPTPP, EVFTA, UKVFTA, RCEP.</p>
<b>Strategic geographic locations</b>	<p>Vietnam is located in the center of South East Asia, sharing boundaries with the Pacific Ocean, Gulf of Thailand, Laos, Cambodia and China.</p> <p>Vietnam has over 3,000 km long coastline, near main international shipping and trading routes.</p>
<b>Competitive labor force</b>	<p>Workforce is an advantage of Vietnam with a working-age population of over 49 million, a steadily increasing proportion of trained workers, and competitive costs compared to neighboring countries.</p>
<b>Political stability</b>	<p>Vietnam is one of the more politically stable countries in South East Asia. Alongside maintaining the one-party state system, its main aim is economic growth.</p>
<b>Improving investment climate</b>	<p>Vietnam continues to welcome FDI and foreign companies play an important role in the economy.</p> <p>The business environment continues improving by new laws streamlining the business registration processes. The country therefore attains a high ranking in business registration procedures and ease of doing business.</p> <p>The Vietnamese Government prioritizes infrastructure improvement to attract more FDI.</p>
<b>Dynamic economy</b>	<p>Vietnam is quickly recovering from the COVID-19 pandemic: maintain the stable politics, ensure social security and order, implement effective solutions to recover and develop the economy.</p> <p>Population: 99.329.145 (provided by the UN up to November 2022)</p>

# Political structure

Vietnam is a socialist country operating under the single-party leadership of the Communist Party. The legislative power in Vietnam is vested in the National Assembly of Vietnam. The implementation and administration of National Assembly legislation is delegated to 63 municipal and provincial bodies based on geographical location. The President of Vietnam is the head of the State, and the Prime Minister of Vietnam is the head of the Central Government. The Central Government is assisted by various ministries in charge of specific sectors in the management of the country.

## Political structure in Vietnam



(\*) Piloting the urban administration model in Hanoi to remove the commune level according to Resolution No.97/2019/QH14

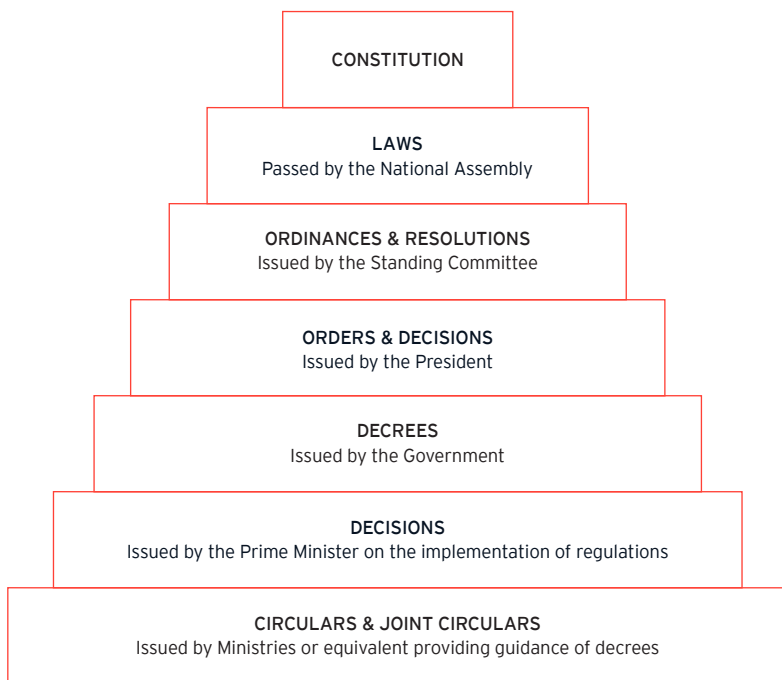
Source: The Constitution of the Socialist Republic of Vietnam, dated 28 November 2013, issued by the National Assembly of Vietnam



# 7 Hierarchy of regulations

The Law on Promulgation of Legal Instruments organizes law into a hierarchy where higher-ranking legal instruments set out general rules and the lower-ranking legal instruments provide clarification and additional details.

## Hierarchy of regulations in Vietnam



Source: Law on Promulgation of Legal Instruments No. 80/2015/QH13, dated 22 June 2015, issued by the National Assembly of Vietnam

# Foreign investment cooperation strategy in 2021-2030

On 2 June 2022, the Prime Minister issued Decision No. 667/QĐ-TTg approving the foreign investment cooperation strategy for the period 2021 - 2030 to enhance the efficiency of foreign investment, by specifying the following specific objectives:

- ▶ Completion of specific objectives under Resolution No. 50-NQ/TW dated 20 August 2019 of the Communist Party of Vietnam Central Committee:
  - ▶ Total registered capital is expected to reach USD 150 - 200 billion (approximately USD 30 - 40 billion/year) in the 2021 - 2025 period, and USD 200 - 300 billion (approximately USD 40 - 50 billion/year) in the 2026 - 2030 period
  - ▶ Total implemented capital is expected to reach USD 100 - 150 billion (approximately USD 20 - 30 billion/year) in the 2021 - 2025 period, and USD 150 - 200 billion (approximately USD 30 - 40 billion/year) in the 2026 - 2030 period
  - ▶ The proportion of enterprises applying advanced technology and modern management methods, satisfying environmental protection requirements, and adopting high technology should increase by 50% by 2025 and by 100% by 2030, compared with 2018
  - ▶ The goods localization rate is expected to rise from the existing rate of 20 - 25% to the rate of 30% and 40% in 2025 and 2030 respectively
  - ▶ The percentage of skilled employees in the workforce is expected to rise from 56% in 2017 to 70% in 2025 and 80% in 2030
- ▶ Increase the percentage of investment capital registered from certain economies so that it accounts for more than 70% of all foreign capital in 2021-2025 and 75% in 2026-2030. The economies mentioned are: (i) Asia: South Korea, Japan, Singapore, China, Taiwan (China), Malaysia, Thailand, India, Indonesia, Philippines; (ii) Europe: France, Germany, Italy, Spain, Russian Federation, UK; and (iii) America: United States of America
- ▶ Total number of multinational corporations listed as the world's largest 500 corporations by Fortune Magazine (USA) having a presence and operating in Vietnam to increase by 50%
- ▶ By 2030, Vietnam should be listed among the top 3 ASEAN leading countries and top 60 worldwide leading countries in the business environment category by World Bank.

# Vietnam's Commitments at COP26

Climate change is now a global challenge. At COP26, Vietnam made strong commitments along with nearly 150 countries to achieve net-zero carbon emissions by the middle of this century.

## Commitments of Vietnam at the United Nations Climate Change Conference in November 2021 (COP26):

General Commitments	Vietnam Commitments
Countries attending the COP 26 are being asked to come forward with ambitious 2030 emissions reductions targets that align with reaching net zero by the middle of the century.	<b>Target: 2050</b> Net-zero carbon emissions: Prime Minister Pham Minh Chinh's statements at COP26 committed that Vietnam will capitalize on its advantage in renewable energy and take stronger measures to reduce greenhouse gas emissions. Along with the cooperation and support of the international community, Vietnam will achieve net-zero emissions by 2050. <sup>1</sup>
The Global Methane Pledge commits signatories to collectively reduce global methane emissions by at least 30% below 2020 levels by 2030 to keep a 1.5°C future within reach. Participants also commit to improve the accuracy, transparency, consistency, comparability, and completeness of national greenhouse gas inventory reporting. <sup>2</sup>	<b>Target: 2030</b> Reduce global methane emissions by 30% Vietnam signed the commitment letter to pledge to reduce global methane emissions.
Countries commit to work together to make clean power the most affordable and accessible option globally.	<b>Target: 2040</b> No new coal plants Vietnam along with over 45 countries commit to scale up the deployment of clean power generation, transition away from coal power generation, and cease issuing new permits for coal power generation. <sup>3</sup>
As part of the Paris Agreement, countries agreed to update their Nationally Determined Contribution (NDC) which include the emissions reduction targets every five years to reflect their highest possible ambition and a progression over time.	<b>Target: 2030</b> Greenhouse gas reductions of 9% (with domestic resources) and 27% (with international support) Viet Nam has unconditionally committed to reducing greenhouse gas (GHG) emissions by 9% by 2030 below business-as-usual levels, while targeting a conditional 27% reduction in emissions below business-as-usual levels based on international support. <sup>4</sup>
145 countries signed onto the Glasgow Leaders' Declaration on Forests and Land Use. These countries committed to halt and reverse forest loss and land degradation by 2030 while delivering sustainable development and promoting an inclusive rural transformation.	<b>Target: 2030</b> End deforestation in Vietnam Vietnam has committed to end deforestation to meet the Paris Agreement goals. <sup>5</sup>

To achieve these commitments, the Vietnam government has issued Notice No. 30/TB-VPCP dated 30 January 2022 focusing on eight areas for implementing Vietnam's COP26 commitments as follows<sup>6</sup>:

- ▶ Transfer from fossil energy to green and clean energy sources
- ▶ Reduce greenhouse gas emissions in industries
- ▶ Reduce methane emissions, especially in agricultural production and waste treatment
- ▶ Encourage research, development and use of electric cars
- ▶ Manage and sustainably use the existing forest area and boost afforestation for carbon absorption and storage
- ▶ Research, produce and use building materials and development of urban areas in accordance with green and sustainable development
- ▶ Promote and innovate communication to achieve consensus and cooperation of the general population and the business community with the Government in fulfilling commitments at COP26
- ▶ Speed up digital transformation in response to climate change

<sup>1</sup>“Full remarks by PM Pham Minh Chinh at COP26”, Government News, <https://en.baochinhphu.vn/full-remarks-by-pm-pham-minh-chinh-at-cop26-11142627.htm>, 02 November 2021

<sup>2</sup>“Homepage”, Global Methane Pledge, <https://www.globalmethanepledge.org/>, accessed 2 August 2022

<sup>3</sup>“Global coal to clean power transition statement”, UN Climate Change Conference in UK 2021, <https://ukcop26.org/global-coal-to-clean-power-transition-statement/>, 04 November 2021

<sup>4</sup>“NDC Support Programme”, UNDP, <https://www.ndcs.undp.org/content/ndc-support-programme/en/home/our-work/geographic/asia-and-pacific/vietnam>, accessed 2 August 2022

<sup>5</sup>“Glasgow Leader’ Declaration on Forest and Land use”, UN Climate Change Conference in UK 2021, <https://ukcop26.org/glasgow-leaders-declaration-on-forests-and-land-use/>, 02 November 2021

<sup>6</sup>Notification No. 30/TB-VPCP Conclusion of the prime minister - head of the national steering committee at the first meeting of the national steering committee of the fulfillment of vietnam's commitments in the 26th conference of the parties to the united nations framework convention on climate change, dated 30 January 2022, issued by Government Office.

# 10 Selection criteria for foreign investment project

The Ministry of Planning and Investment is developing the main criteria to assess and select foreign investors. Under the latest draft, foreign investors may be selected based on seven criteria as follows<sup>7</sup>:

- ▶ Location of investment/hectare of land
- ▶ Number of employees
- ▶ High technology content
- ▶ Technology transfer commitment
- ▶ Ability to associate with domestic businesses
- ▶ Environmental protection
- ▶ Ensuring national defense and security

# 11 National strategy on green development period 2021 - 2030 vision 2050 & Equitization

## National strategy on green development<sup>8</sup>

According to the Decision 1658/QĐ-TTg dated 1 October 2021 on approval for national green growth strategy for the 2021 - 2030 period, with a vision by 2050, the national strategy on green development is to set general objectives and specific objectives for green development as follows:

- ▶ General objectives: Green development promotes economic restructuring with growth model innovation, achievement of economic prosperity, environmental sustainability and social equality; strive towards green and carbon-neutral economy and contribute to the reduction of global warming.
- ▶ Specific objectives are set out below:

<sup>7</sup>"New criteria developed for selection of FDI projects", Vietnamnet Global, <https://vietnamnet.vn/en/new-criteria-developed-for-selection-of-fdi-projects-826058.html>, 29 March 2022.

<sup>8</sup>Decision No. 1658/QĐ-TTg on approval for national green growth strategy for 2021 - 2030 period, with a vision by 2050, dated 1 October 2021, issued by Prime Minister.

## Specific objectives of national strategy on green development

Specific objectives		2030	2050
Reducing intensity of greenhouse gas emission per GDP compared with 2014		≥ 15%	≥ 30%
Greening economic sectors	Consumption of primary energy as a percentage of average GDP	1-1.5%/year (in 2021 - 2030 period)	1%/year (each period - 10 years)
	Proportion of renewable energy in the total primary energy supply	15-20%	25-30%
	Digital economy	30%	50%
	Stable forest cover rate	42%	42-43%
	Total area of dry crops applying advanced water-saving methods	30%	60%
Greening lifestyle and promoting	Urban domestic solid waste collected and treated in accordance with regulations and standards	95%	100%
	Urban domestic solid waste treated by direct burial method	10%	Minimize burying organic solid waste and recyclable waste
	Urban wastewater collected and treated in accordance with regulations and standards	Class 2 urbans or higher: 50% Remaining urbans: 20%	100%
	Public passenger transport rate	Special urbans: ≥ 20% Class 1 urbans: 5%	Special urbans: ≥ 40% Class 1 urbans: 15%
	Buses using clean energy	Special urbans: 15% of total operating buses Class 1 urbans: 10% of new buses	Special urbans: 100% of total operating buses Class 1 urbans: 40% of new buses
	Ratio of green public procurement to total public procurement	≥ 35%	≥ 50%
	Number of urbans approving and implementing the Master plan on green growth urban development towards sustainable smart urbans	10	45
Greening transition on principles of equality, inclusion, and resilience	Human Development Index (HDI)	> 0.75	> 0.8
	Provinces and cities establishing and implementing Provincial air quality management plan	100% by 2030	
	Population using clean water meeting standards prescribed by the Ministry of Health	≥ 70%	≥ 90%



## Equitization

The Vietnamese Government has approved the Proposal on restructuring state-owned enterprises for the period of 2021-2025, emphasizing the need to determine an appropriate roadmap to equitize state-owned enterprises and divestment of state capital in enterprises in order to accelerate the equitization and divestment progress. During this period, Vietnam aims to achieve at least VND 248,000 billion in proceeds from equitization and divestment

According to the report of the Ministry of Planning and Investment, it is expected that in the period of 2021-2025, 22 enterprises will be equitized, including many large enterprises such as Vietnam Bank for Agriculture and Rural Development (Agribank); Vietnam Mobile Telecom Services One Member Limited Liability Company (Mobifone), etc. It is expected that 126 enterprises, including 12 enterprises under ministries and branches, 114 enterprises under the local People's Committee will be divested; 15 enterprises will be transferred to the State Capital and Investment Corporation (SCIC) to divest capital with 11 enterprises under ministries and branches; 4 enterprises under the local People's Committee<sup>9</sup>.

<sup>9</sup>"Đề án cơ cấu lại doanh nghiệp nhà nước - "đòn bẩy" mới cổ phần hóa", Vietnam Plus, <https://www.vietnamplus.vn/de-an-co-cau-lai-doanh-nghiep-nha-nuoc-don-bay-moi-co-phan-hoa/781371.vnp>, 1 April 2022

# Investment protection and Investment incentives





# 1 Investment protection<sup>1</sup>

Under the LOI 2020, the Government provides the following investment protection to foreign investors:

Investment protection to foreign investors

- ▶ No appropriation or confiscation
- ▶ Compensation in the event of confiscation for national defense, security or national interest

- ▶ No priority to domestic goods, services or vendors
- ▶ No restriction on export ratio quantity, value, types of goods, services
- ▶ Self-balance of import-export, import substitution, R&D ratio
- ▶ Investors can choose the headquarter location or location to provide goods/ service

- ▶ Entitlement to new incentives if more favorable
- ▶ Remain current incentives if less favorable than before
- ▶ If the investor is no longer entitled to incentives for national defense and security reasons, relevant compensation may be applied



- ▶ Investment capital and liquidation
- ▶ Income from business activities
- ▶ Lawful money and other assets

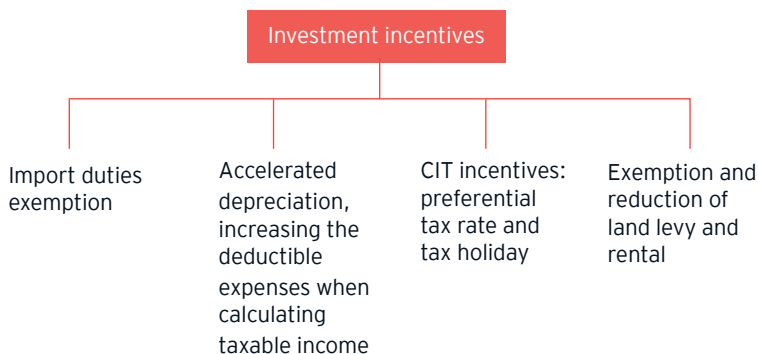
<sup>1</sup>Articles 10, 11, 12, 13 of the LOI 2020



## Types of investment incentive and support<sup>1</sup>

The LOI 2020 provides the following forms of investment incentives and government support:

### Forms of investment incentive



<sup>1</sup>Articles 15, 18 of the LOI 2020



## Forms of investment support

- 1 Development of technical and social infrastructure inside and outside the investment project
- 2 Training and development of human resources
- 3 Credit support
- 4 Access to business premises and business relocation under decisions of regulatory agencies
- 5 Science, technology and technology transfer
- 6 Market development and information provision
- 7 R&D

Source: Law on Investment No. 61/2020/QH14, dated 17 June 2020, issued by the National Assembly of Vietnam

# Projects eligible for investment incentives

- 1 Investment projects in encouraged sectors regulated in Clause 1 Article 16 of the LOI 2020.
- 2 Investment projects located in encouraged areas regulated in Clause 2 Article 16 of the LOI 2020.
- 3 Large investment with a total investment capital from VND6,000 billion subject to detailed conditions on disbursement schedule,
- 4 Social housing construction projects; investment projects located in rural areas and employing at least 500 employees; investment projects that employ persons with disabilities in accordance with regulations of law on persons with disabilities.
- 5 Hi-technology enterprises, science and technology enterprises and science and technology organizations, projects involving transfer of technologies on the List of technologies the transfer of which is encouraged in accordance with regulations of the Law on Technology Transfer No. 07/2017/QH14; technology incubators, science and technology enterprise incubators prescribed by the Law on High Technology No. 21/2008/QH12, and the Law on Science and Technology No. 29/2013/QH13, enterprises manufacturing and providing technologies, equipment, products and services with a view to satisfaction of environment protection requirements prescribed by the Law on Environmental Protection No. 55/2014/QH13.
- 6 Innovation start-up projects, national innovation centers and research and development centers.
- 7 Business investment in small and medium-sized enterprises' product distribution chain; business investment in technical establishments supporting small and medium-sized enterprises, small and medium-sized enterprise incubators; business investment in co-working spaces serving small and medium-sized enterprises and innovation startups prescribed by the Law on Small and Medium-Sized Enterprises.

Source: Clause 2, Article 15, Law on Investment No. 61/2020/QH14, dated 17 June 2020, issued by the National Assembly of Vietnam

# 2.4 Investment incentives and support in IZs and EZs

Vietnam now has more than 400 IZs spread across the country. Below is a summary of the number of IZs by region and the occupancy rate.

Region	Industrial Zones						
	Quantity		Area (ha)		Occupancy rate of industrial zones		
	Number	Account for total number of the whole country (%)	Area	Account for total area of the whole country (%)	Total land area (ha)	Occupied area (ha)	Occupancy rate (%)
Northern Midlands and Mountains	33	8.09	7,937.39	6.22	5,111.16	3,023.736	59.16
Red River Delta	112	27.45	32,871.98	25.77	22,633.08	11,302.832	49.94
Central Coast	74	18.14	24,849	19.48	16,314.2	6,008.82	36.83
Tay Nguyen	11	2.7	1,488.02	1.17	959.19	724.78	75.56
Southeast	114	27.94	44,476.65	34.87	30,287.23	20,413.61	67.40
Mekong Delta	64	15.69	15,934.24	12.49	10,662.46	5,002.79	46.92
<b>Total</b>	<b>408</b>	<b>100</b>	<b>127,557</b>	<b>100</b>	<b>85,967</b>	<b>46,477</b>	<b>54.06</b>

Investment incentives and support	Industrial Zones (IZs)	Economic Zones (EZs)
<b>CIT</b>	Tax exemption for two years and 50% tax deduction for four following years.	CIT incentive rate of 10% in 15 years. Tax exemption for 4 years and 50% tax deduction for 9 following years (excluding income from real estate transfer).
<b>Import duty</b>	Exported goods from Export Processing Zone (EPZ), imported goods to EPZ for processing exported goods are not subject to customs duty. Investment projects for IZ infrastructure development and those located in IZ are free of import duty for imported goods to create fixed assets. Investment projects for IZ infrastructure development are free of import duty for importing materials and components not yet produced domestically for manufacturing in five years from the operation date.	Investment projects located in coastal EZs are free of import duty for imported goods to create fixed assets and free of import duty for importing materials and components not yet produced domestically for manufacturing in five years from the operation date.
<b>Land</b>	Investment projects for IZ infrastructure development and operation are free of land rental after the land rental exemption of the construction period at different levels from 11 years to the whole rental term depending on specific conditions.	Investment projects located in EZs are free of land rental after the land rental exemption of the construction period at different levels from 11 years to the whole rental term depending on specific conditions.
<b>Credit</b>	Investment projects for IZ infrastructure development are entitled to investment loans in accordance with the Decree 32/2017/ND-CP.	EZs are allowed to employ other capital mobilization methods for construction of important socio-technical infrastructure, namely bond issue, Official Development Assistance (ODA), preferential credit, Public-Private Partnership (PPP) fund, advance from investors, etc.
<b>Construction</b>	Construction of some key facilities in IZs are supported by the State budget. Expenses for construction, operation, rental of dormitories and other social infrastructure work for workers in IZs are deductible for CIT purposes. Investment projects for construction of housing and other facilities for workers are entitled to regulated incentives for social housing construction and related fields.	Construction of some key facilities in EZs are supported by the State budget. Expenses for construction, operation, rental of dormitories and other social infrastructure work for workers in EZs are deductible for CIT purposes. Investment projects for construction of housing and other facilities for workers are entitled to regulated incentives for social housing construction and related fields.

# Investment incentives for supporting industrial parks, specialized industrial parks, ecological industrial zones, and high-tech industrial zones

1. Supporting industrial parks, specialized industrial parks, ecological industrial zones, and high-tech industrial zones are entitled to investment incentives and supports in accordance with regulations applicable to normal industrial zone.

2. Industrial parks, specialized industrial parks, ecological industrial zones, and high-tech industrial parks are also entitled to following special incentives and supports:

- ▶ The development of the industrial parks follow the above-mentioned forms are not subject to the occupancy requirement of 60%.
- ▶ Land rent exemption or reduction granted in accordance with legislation on land;
- ▶ Priority to have access to the State-offered investment loans
- ▶ Eligibility to be included in the list of investment-attracting projects of local government.

3. Beside the above incentives and supports mentioned above, ecological industrial zones are also entitled to other incentive and support as follow:

- ▶ Support for the technical construction facilities inside and outside the perimeter of the existing industrial park in order to build connection to enterprises inside the industrial park and assist them in development of the industrial co-operation and transformation into the eco-industrial park;
- ▶ Scientific, engineering, technology transfer assistance aimed at helping enterprises of industrial parks improve procedures for management and operation of their system, renovation of new manufacturing technologies in the expectation of reducing sources of pollution, recycling raw materials;
- ▶ Priority to have access to incentive loans, green credit, green bond
- ▶ Priority to have access to information on current status, technology, industrial co-operation

## Special incentives and investment support

The LOI 2020 and Decision 29/2021/QĐ-TTg prescribing special investment incentives dated 6 October 2021, issued by the Prime Minister, introduced a mechanism which allows the Government's approval for special investment incentives at different levels to encourage the development of several investment projects that have significant socio-economic impact, including:

### Subject:

- ▶ A - Investment projects in sectors subject to special investment incentives which have investment capital of VND30,000 billion (equiv. USD1.28 billion) or above and disburse at least VND10,000 billion (equiv. USD427 million) within three years from the date of the Investment Registration Certificate (IRC) issuance or in-principle approval
- ▶ B - New investment projects (including the expansion of such new projects) establishing innovation centers and research and development centers which have total investment capital of VND3,000 billion (equiv. USD128 million) or above and will disburse at least VND1,000 billion (equiv. USD42.6 million) within three years from the date of IRC issuance or in-principle approval
- ▶ C - National Innovation Center established under a decision of the Prime Minister

### Non-subject:

- ▶ Investment projects that have been granted an investment certificate, IRC, or in-principle approval prior to the effective date of the LOI 2020.
- ▶ Investment projects in following sectors:
  - ▶ Mineral mining projects
  - ▶ Projects on manufacturing, sale of goods and services subject to special excise tax according to the Law on Special Sales Tax No. 27/2008/QH12, except for projects for the manufacturing of automobiles, aircrafts, and yachts
  - ▶ Commercial housing construction projects prescribed by the Law on Residential Housing No. 65/2014/QH13

<sup>1</sup>Roughly converted and rounded for readers' reference only. Vietcombank's exchange rate on 1 July 2022: USD1 = VND23.420



## Detailed special investment incentives and support

Special incentives and investment support	Subject or Conditions
<ul style="list-style-type: none"><li>▶ CIT rate of 9% for 30 years</li><li>▶ CIT exemption for five years and 50% reduction for 10 subsequent years</li><li>▶ Land rental, water surface rental exemption for 18 years and 55%</li></ul>	<ul style="list-style-type: none"><li>▶ Subject A</li></ul>
<ul style="list-style-type: none"><li>▶ CIT rate of 7% for 33 years</li><li>▶ CIT exemption for six years and 50% reduction for 12 subsequent years</li><li>▶ Land rental, water surface rental exemption for 20 years and 65% reduction for the remaining years</li></ul>	<ul style="list-style-type: none"><li>▶ Subject B</li><li>Or</li><li>▶ Subject A which meets one of the following conditions:<ul style="list-style-type: none"><li>▶ High technology project level 1</li><li>▶ Participation of Vietnamese suppliers and service providers level 1</li><li>▶ Technology transfer level 1</li><li>▶ Value added accounting for more than 30% to 40% of the total production costs of finished products</li></ul></li></ul>
<ul style="list-style-type: none"><li>▶ CIT rate of 5% for 37 years</li><li>▶ CIT exemption for six years and 50% reduction for 13 subsequent years</li><li>▶ Land rental, water surface rental exemption for 22 years and 75% reduction for the remaining years</li></ul>	<ul style="list-style-type: none"><li>▶ Subject C</li><li>Or</li><li>▶ Subject A which meets one of the following conditions:<ul style="list-style-type: none"><li>▶ High technology project level 2</li><li>▶ Participation of Vietnamese suppliers and service providers level 2</li><li>▶ Technology transfer level 2</li><li>▶ Value added accounting for more than 40% of the total production costs of finished products</li></ul></li></ul>

### In which:

- ▶ The level of high technology project is defined based on the level of high-tech product revenue, R&D expenses and personnel.
- ▶ The level of participation of Vietnamese suppliers and service providers in the supply chain is defined based on the level of Vietnamese enterprises participating and their value contributed into the supply chain.
- ▶ The level of technology transfer is defined based on the number of Vietnamese enterprises receiving the technology transfer.

# Forms of business





# 1 Forms of foreign direct investment

A foreign investor may invest in Vietnam in the following forms:

Establishment of a business entity

Capital contribution or purchase of shares/  
stakes

Execution of an investment project

Business cooperation contract

Other forms as prescribed by the Government

Source: Law on Investment No. 61/2020/QH14, dated 17 June 2020, issued by the National Assembly of Vietnam

# 2 Forms of enterprise

## Forms of enterprise in Vietnam

	Establishment	Ownership	Liability
<b>Limited Liability Company With One Member</b>	Established by its member(s) by way of capital contribution to the LLC.	One legal entity or individual.	The company owner is liable for the debts and other liabilities to the extent of the company's charter capital.
<b>Limited Liability Company With Two or More Members</b>	Established by its member(s) by way of capital contribution to the LLC.	Legal entities or individuals. Maximum number must not exceed 50.	The members are liable for the debts and other liabilities of the entity to the extent of their capital contributions, except for the case specified in Clause 4 Article 47 of the LOE 2020.
<b>Joint Stock Company</b>	Established by its founding shareholders on the basis of their subscription to shares of the Joint Stock Company (JSC).	Required to have at least three shareholders. No maximum number of shareholders.	The shareholders are only liable for the debts and other liabilities of the entity to the extent of their capital contributions.
<b>Partnership</b>	Established by general partners. A partnership may include limited partners.	Required to have at least two general partners who must be individuals.	A general partner is liable for the company's obligations equal to all of his/her assets. A limited partner is liable for the company's debts equal to the promised capital contribution.
<b>Private Enterprise</b>	Established by a single individual.	Owned by a single individual.	The owner is liable for the entire operation of the company equal to his/her total assets.

Source: Law on Enterprise No. 59/2020/QH14, dated 17 June 2020, issued by the National Assembly of Vietnam

# 3 Setting up an investment project and a company in Vietnam

The LOI 2020 introduces clearer rules on market access, taking into account various commitments in international treaties to which Vietnam is a signatory, and restrictions in local regulations.

## Business sectors that foreign investors can access the market

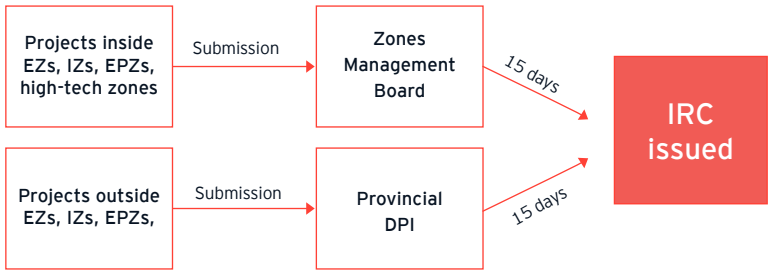
Sectors which are not yet accessible for foreign investors (List A of Appendix I of Decree 31/2021/ND-CP).	✘ Foreign investor is not allowed	
Sectors which are accessible with conditions for foreign investors (List B of Appendix I of Decree 31/2021/ND-CP).	✔ Foreign investor is allowed with market-access conditions	Market-access conditions: <ul style="list-style-type: none"><li>▶ Foreign-owned ratio</li><li>▶ Form of investment</li><li>▶ Scope of investment</li><li>▶ Investor capability</li><li>▶ Others</li></ul>
Sectors which are not included in List A or List B	✔ Foreign investors have the same market access as that of domestic investors	

Source: Article 17, Decree No. 31/2021/ND-CP, dated 26 March 2021, issued by the Government

Foreign investors can set up a business in Vietnam by way of setting up an investment project and a business organization to manage the project. Investment in conditional sector activities is subject to in-principle approval of higher-level competent authorities (nuclear power plant, special-use forests, headwater protection forests or border protection forests; construction of airports, terminals; petroleum processing; betting and casino for foreigners; golf courses; etc.). The process in conditional sectors takes more time and involves specialized competent authorities.

## Procedures and timeline of registration process

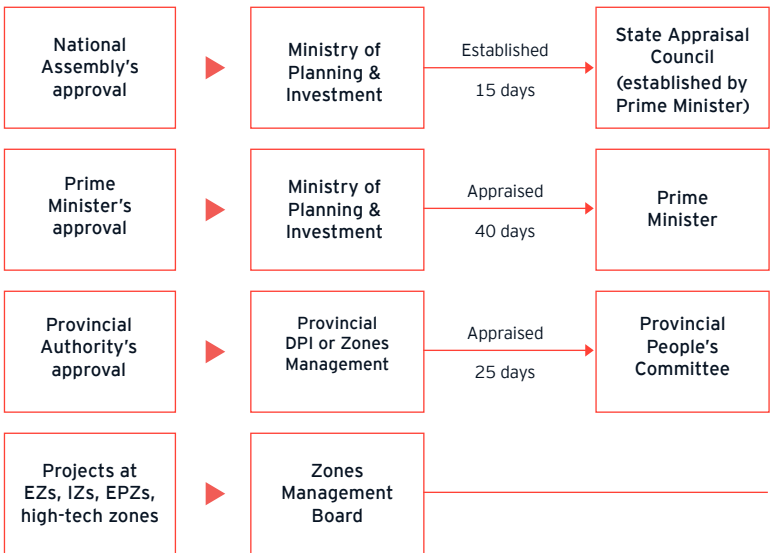
### Projects not subjected to in-principle approval



Source: LOI 2020

## Procedures and timeline of approving in principle

### Projects subjected to in-principle approval

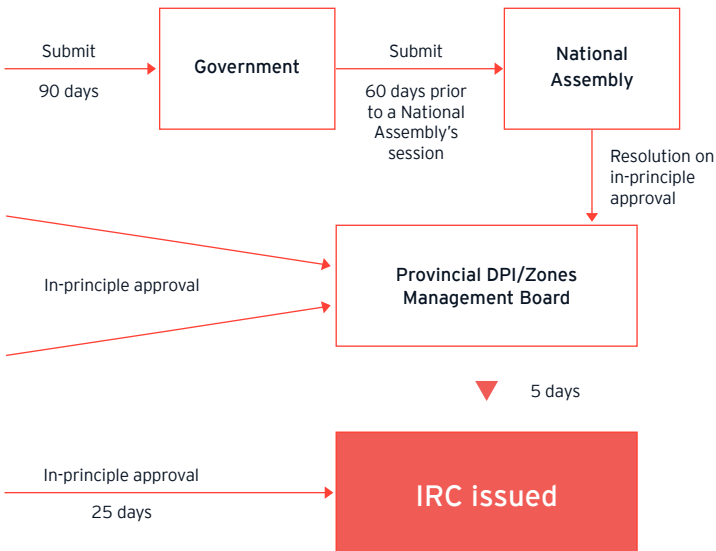


Source: Law on Investment No. 61/2020/QH14, dated 17 June 2020, issued by the National Assembly of Vietnam

## Procedures and timeline of setting up company



Source: Law on Enterprise No. 59/2020/QH14, dated 17 June 2020, issued by the National Assembly of Vietnam



# Development of intellectual property





Following the WTO's requirements on IP and the strategy of Vietnam on developing higher standards of IP rights protection, on 16 June 2022, the National Assembly of Vietnam ratified the Amended Law on Intellectual Property (LOIP), which will take effect on 1 January 2023. The following notable changes under the LOIP are expected to promote technology transfer and commercialization of IP rights:

- ▶ Clearer Administrative procedures: the LOIP facilitates the registration process by creating a legal basis for organizations and individuals to carry out online registration of copyright and related rights; simplifying the industrial design description; allowing a delay in the publication of industrial design applications; and supplement some specific provisions on IP complaint settlement procedures<sup>1</sup>.
- ▶ More specific regulations relating to copyrights and related rights:
  - ▶ Providing a definition of Author and Supporters, in which: The author is the person who directly created the work and the person who supports, gives ideas or provides materials for other people to create works is not the author or co-author<sup>2</sup>.
  - ▶ Allowing the transfer of moral rights under an agreement<sup>3</sup>.
- ▶ Introducing the definition of sound trademark sample and legal framework for sound trademark protection. For example: If the mark is a sound, the trademark template must be an audio file and a graphical representation of the sound<sup>4</sup>.

<sup>1</sup>Clause 14, Clause 33, Clause 38, Clause 44, Article 1, Law on amending and supplementing some articles of the Law on Intellectual Property No. 07/2022/QH15, dated 16 June 2022, issued by the National Assembly of Vietnam

<sup>2</sup>Clause 4, Article 1, Law on amending and supplementing some articles of the Law on Intellectual Property No. 07/2022/QH15, dated 16 June 2022, issued by the National Assembly of Vietnam

<sup>3</sup>Clause 5, Article 1, Law on amending and supplementing some articles of the Law on Intellectual Property No. 07/2022/QH15, dated 16 June 2022, issued by the National Assembly of Vietnam

<sup>4</sup>Clause 33, Article 1, Law on amending and supplementing some articles of the Law on Intellectual Property No. 07/2022/QH15, dated 16 June 2022, issued by the National Assembly of Vietnam

# Land and housing



# 1 Land

The Law on Land No. 45/2013/QH13, effective from 1 July 2014 regulates the forms of land use for FIE, such as:

Forms of land use	Financial obligations in relation to land use right
<ul style="list-style-type: none"><li>▶ Land allocated from the State</li><li>▶ Land leased from the State or real estate developers</li></ul>	<ul style="list-style-type: none"><li>▶ For granting a land use right certificate: Land use fee, land use right registration fee, evaluation fee for the issuance of land use right certificate, license fee, land compensation fee (where applicable)</li><li>▶ During operation: Land lease fee, Non-agriculture land use fee, agriculture land use fee, nature resource tax (where applicable)</li></ul>

Source: Law on Land No. 45/2013/QH13, dated 29 November 2013, issued by the National Assembly of Vietnam

## Land rental fee exemptions<sup>1</sup>

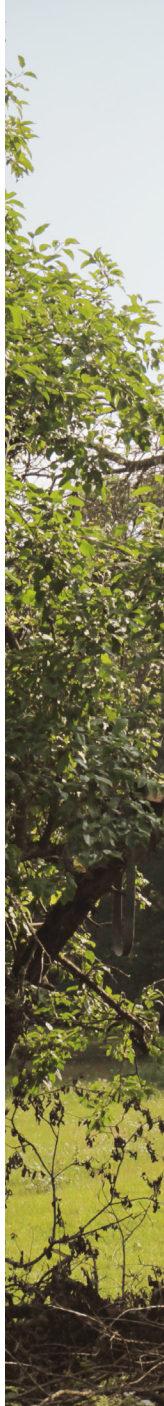
Subject	Exemption duration
Projects in encouraged investment sectors	3 years
Projects in difficult socio-economic geographical areas	7 years
Projects in especially difficult socio-economic geographical areas of in encouraged investment sectors located in difficult socio-economic geographical areas	11 years
Projects in encouraged investment sectors located in especially difficult socio-economic geographical areas	15 years
Projects eligible for special investment incentives as prescribed in Article 20 of the LOI 2020	Up to 22 years
Projects in especially encouraged investment sectors located in especially difficult socio-economic geographical areas or located in high-tech industrial zones	Whole project lifetime

<sup>1</sup>Each of the above incentive will be subject to specific conditions in accordance with relevant

# 2 Housing

Foreign individuals can buy, rent and purchase, receive, or inherit commercial housing in Vietnam which include apartments and separate houses in housing construction investment projects. According to newly issued regulations on commercial housing projects, the type of land used to build commercial housing may include: (i) residential land; and (ii) residential land and other non-residential land satisfying the conditions for permitting a change of land use purpose for the implementation of the project. After obtaining the in-principle approval issued by the competent authority, an investor shall apply for change in purpose of land use (if required) and fulfill the financial obligations in accordance with the law<sup>2</sup>.

<sup>2</sup>Article 4, Law on Amendments to certain articles of the Law on Public-Private Partnership investment, the Law on Investment, the Law on Housing, the Law on Procurement, the Law on Electricity, the Law on Enterprises, the Law on Special excise duties and the Law on Civil judgment enforcement No. 03/2022/QH15, dated 11 January 2022, issued by the National Assembly of Vietnam





# Accounting, taxation and customs



# 1 Accounting

## Vietnamese accounting regulations

The Law on Accounting is the highest accounting regulation in Vietnam. Further guidance on accounting activities are provided by a system of decisions, decrees, circulars, official letters and the VAS.

## Accounting standards

There are currently 26 VAS issued from 2001 to 2005, which were primarily based on the IAS and International IFRS prevailing at the time of issuance. The VAS has not been updated with the current IASs, therefore, some new accounting standards such as IFRS 9 on Financial Instruments, IFRS 15 on Revenue, IFRS 16 on Leases, have not been adopted yet. However, Vietnam has introduced a roadmap to close the gap between VAS and IFRS and it is expected that voluntary adoption of IFRS can be made by 2022.

## Accounting system

Circular No. 200/2014/TT-BTC, dated 22 December 2014, issued by the MOF (Circular 200) providing guidance on Vietnamese Accounting System and the application of accounting standards is commonly used by enterprises in Vietnam.



## Initial accounting set up at newly established entities

A new entity is required to notify the tax authority on the application of Vietnamese Accounting System including:

- ▶ Framework: Vietnamese Accounting System
- ▶ Language: Vietnamese language is required in accounting records, but this can be combined with a commonly used foreign language.
- ▶ Financial year: An accounting period is generally 12 months in duration and the enterprises can select the fiscal year end. This could be either at the end of the calendar year or at the end of each quarter (i.e. 31 March, 30 June and 30 September).
- ▶ Currency accounting records are generally required to be maintained in VND. Entities that receive and pay mainly in a foreign currency can select the foreign currency to be used for their accounting records and financial statements if they meet all the stipulated requirements.

An entity is required to appoint a chief accountant who must satisfy the criteria and conditions stipulated by the Law on Accounting and guiding regulations. If a chief accountant cannot be appointed, the entity can either temporarily appoint a person in-charge of accounting (maximum of 12 months) who meets the criteria and conditions as required by the regulations or outsource the chief accountant position from a competent accounting service company.



# Accounting records and financial statements

## Accounting records

Accounting documents: Accounting vouchers and accounting books can be stored either as hard documents or electronically. If stored electronically, the accounting vouchers and accounting books only need to be printed if requested by the competent authorities for the purpose of testing, inspection, monitoring and auditing.

Retention period: The retention period is:

- ▶ five years for those documents used for management or operation of the enterprise
- ▶ ten years for accounting data, accounting book
- ▶ unlimited time for documents that are important in terms of the economy, national security and defense

## Annual Financial Statements

The basic set of financial statements that must be prepared under VAS and Circular 200 comprises of the following:

- ▶ Balance sheet, including a separate schedule for off balance sheet items
- ▶ Income statement
- ▶ Cash flow statement
- ▶ Notes to the financial statements

The annual financial statements must be approved by the chief accountant and the legal representative and a copy of the financial statements must be submitted to the local authorities within 90 days of the end of the financial year.

For statutory reporting, entities using a currency other than VND as their accounting currency must convert their financial statements prepared under that currency into VND in accordance with certain regulations.

Foreign invested entities are required to have their annual financial statements audited. Those entities must appoint an audit firm from a list of auditors approved and published by the MOF annually.

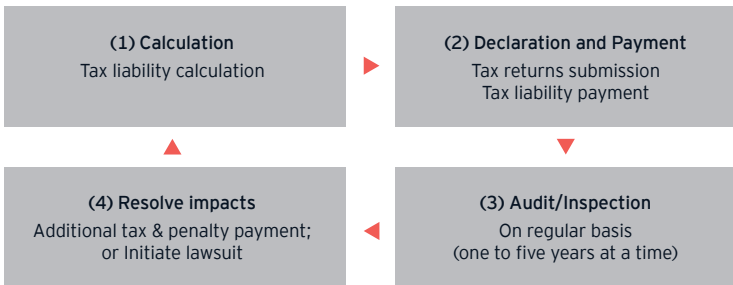
# 2 Taxation



## 2.1 Tax regime in Vietnam

In the majority of cases, tax liability is self-assessed meaning that the taxpayer is responsible for determining the amount of tax it must pay. Following self-assessment and payment, the taxpayer will be subject to an audit or inspection by the tax authorities. Audits usually take place every one to five years. Any reassessments under the audit process will either be settled by the taxpayer or the taxpayer may go through one of the appeal mechanisms.

### Standard process for taxpayers in determining tax obligations



Source: Decree No. 125/2020/ND-CP, dated 19 October 2020, issued by the Government; Article 8, Decree No. 126/2020/ND-CP, dated 19 October 2020, issued by the Government; Law on Tax Administration No. 38/2019/QH14, dated 13 June 2019, issued by the National Assembly of Vietnam



The following taxes are relevant for entities looking to invest in Vietnam:

### All taxes are levied at a national level

Classification	Taxes
<b>Major taxes</b>	Corporate Income Tax (CIT) Value Added Tax (VAT) Foreign Contractor Withholding Tax (FCWT) Personal Income Tax (PIT)
<b>Other taxes</b>	Special Sales Taxes (SST) Natural Resources Tax Environment Protection Tax (EPT) Business License Fee (BLF) and a number of others

Source: Law on Corporate Income Tax No. 14/2008/QH12, dated 3 June 2008, issued by the National Assembly of Vietnam; Law on Value-Added Tax No. 13/2008/QH12, dated 3 June 2008, issued by the National Assembly of Vietnam; Law No. 31/2013/QH13 amending, supplementing a number of Articles of Law on Value-Added Tax, dated 19 June 2013; Law on Special Sales Tax No. 27/2008/QH12, dated 14 November 2008, issued by the National Assembly of Vietnam; Decree No. 50/2010/ND-CP, dated 14 May 2010, issued by the Government



# 2.2 Tax compliance timeline

## Submission schedule for tax returns

Declaration basis	Deadline	CIT	VAT(*)	FCWT	PIT(*)	BLF
Monthly	20th day of the following month		✓	✓	✓	
Quarterly (**)	The last day of the month following the end of the quarter	✓	✓		✓	
Annually/ Finalization	The last day of the 3rd month following the end of the tax year	✓			✓	✓
Upon occurrence (***)	10th day from the occurrence of tax obligations	✓	✓	✓	✓	

(\*) The VAT & PIT filing are by default on a monthly basis. Quarterly VAT filing is applicable upon an enterprise' s request and is only applicable to (i) newly established enterprises for a 12-month period; or (ii) enterprises having previous fiscal year annual revenue less than VND 50 billion. Quarterly PIT filing shall be applicable upon the taxpayer's request if the VAT filing is on a quarterly basis or the taxpayer is not subject to VAT filing.

(\*\*) Where an enterprise executes projects for infrastructure or housing for sale or for lease and collects advances from customers, the enterprise is required to submit a CIT declaration on a quarterly basis and withhold 1% of the total revenue/ advance.

(\*\*\*) (i) For CIT filing: real estate transfer declared by taxpayers that are not real estate companies, or by real estate companies that choose this approach; or by any foreign organization that does business in Vietnam or earns income in Vietnam from capital transfer but its operations do not comply with regulations of the LOI or the LOE. (ii) For VAT filing: real estate transfer transactions of enterprises registered VAT under direct method having VAT liability or VAT incurred at import stage; (iii) for PIT filing: PIT declared by an individual or by an organization on behalf of such individual on income from capital transfer; real estate transfer; capital investment; inheritance, gifts; overseas income from copyrights, franchises, prizes; or PIT declared on rental income or business income of business individuals or households without fixed business location and regular business activities; (iv) For FCWT: If an enterprise incurs FCWT many times in a month, it shall file on a monthly basis instead of filing upon each occurrence.

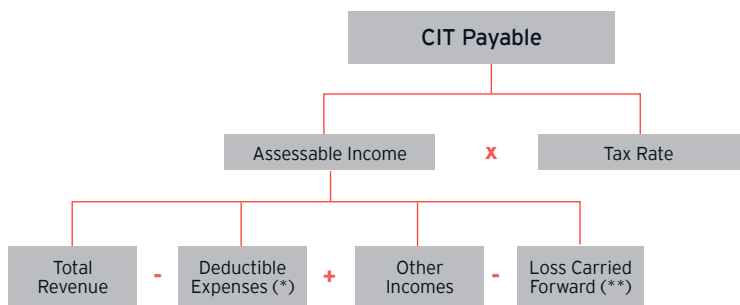
Source: Article 44, Law on Tax Administration No. 38/2019/QH14, dated 13 June 2019, issued by the National Assembly of Vietnam; Article 8, Decree No. 126/2020/ND-CP, dated 19 October 2020, issued by the Government providing detailed regulations for some Articles of the Law on Tax Management Decree No. 139/2016/ND-CP, dated



# 2.3 Corporate Income Tax

## Tax calculation

### Determination of corporate income tax



(\*) To be deductible an expense must satisfy 4 conditions: (1) Incurred and in relation to business activities; (2) supported by proper documents; (3) payments greater than VND 20 million must be supported by non-cash payment (e.g. bank transfer); and (4) must not be in the list of non-deductible expenses specified by the applicable regulations.

(\*\*) Losses can be carried forward for 5 years. There are specific rules and restrictions around offsetting losses against profits from different types of business activities.

Source: Article 7, Law on Corporate Income Tax No. 14/2008/QH12, dated 03 June 2008, issued by the National Assembly of Vietnam

# Non-deductible expenses

## List of non-deductible expenses

### Notable non-deductible expenses

- |   |  |   |
|---|--|---|
|   | <ul style="list-style-type: none"><li>▶ Employment costs not actually paid or not clearly stipulated under a labor contract, collective labor agreement or company's policies</li></ul>                      | <ul style="list-style-type: none"><li>▶ Employee welfare expenses exceeding the cap of one-month average monthly salary</li></ul>   |
| <ul style="list-style-type: none"><li>▶ Depreciation of fixed assets not used for business purposes or exceeding the regulated depreciation rates</li></ul>   | <ul style="list-style-type: none"><li>▶ Interest on loans from non-economic and non-credit organizations exceeding 1.5 times the interest rate announced by the SBV</li></ul>                                | <ul style="list-style-type: none"><li>▶ Interest on loans corresponding to the portion of charter capital not yet contributed in accordance with registered contribution schedule</li></ul>                             |
| <ul style="list-style-type: none"><li>▶ Periodical accrued expenses not paid or not fully paid at the end of the period</li></ul>   | <ul style="list-style-type: none"><li>▶ Provisions for financial investment losses, inventory devaluation, bad debts, product warranties or construction works, not in accordance with regulations</li></ul> | <ul style="list-style-type: none"><li>▶ Unrealized foreign exchange losses due to the year-end revaluation of foreign currency items other than account payables</li></ul>  |
| <ul style="list-style-type: none"><li>▶ Overhead cost allocated to the Permanent Establishment by foreign companies exceeding the amount determined based on the revenue-based allocation ratio</li></ul> | <ul style="list-style-type: none"><li>▶ Contribution to voluntary pension insurance, life insurance for employees exceeding VND3 million/ person/ month</li></ul>  | <ul style="list-style-type: none"><li>▶ Administrative penalties, fines, late payment interest, etc.</li></ul>  |
| <ul style="list-style-type: none"><li>▶ Donations other than certain donations for education, health care, natural disaster or building charitable homes among other things</li></ul>                     | <ul style="list-style-type: none"><li>▶ Certain expenses related to the issuance, purchase and sale of shares</li></ul>  | <ul style="list-style-type: none"><li>▶ Net interest expenses exceeding 30% EBITDA (for enterprises having related party transactions). The excess amount may be carried forwarded for five consecutive years</li></ul> |

Source: Article 9, Law on Corporate Income Tax No. 14/2008/QH12, dated 3 June 2008, issued by the National Assembly of Vietnam



## Tax rate

The current standard CIT tax rate is 20%. The CIT rate for enterprises in exploration and mining of petroleum, gas and other rare and precious natural resources ranges from 32% to 50% depending on the location and type of project.

## Tax payment

From fiscal year 2022, the provisional CIT payments for four quarters must be at least 80% of the total CIT finalization amount. Otherwise, the tax payment interest will be applied.

## Tax incentives

The level of CIT incentives that organizations are entitled to varies based on many factors, including location, sector and business scale.

If organizations are entitled to a number of different incentives regimes they may choose to apply the most favorable one.

In general, the preferential tax rate under the incentive regime is applicable from the first year of revenue generation. Any tax holiday is applicable from the first profit-making year or the fourth year of revenue generation, whichever comes first.

For high-tech enterprises, agriculture enterprises applying high technologies, enterprises as prescribed by the Law on High Technology, the preferential tax rates are applicable from the year in which they are granted the Certificates of High-tech Enterprise or Certificate of Agriculture Enterprise Applying High Technologies.

The following table summarises the incentive regime in Vietnam.



## Summary of the incentive regime in Vietnam

### By Location

Activities	Level of CIT incentives	
	Tax rate	Tax holiday
<ul style="list-style-type: none"> <li>▶ With especially difficult socio-economic conditions</li> <li>▶ Economics zones</li> <li>▶ High-tech zones, including concentrated information technology parks established under the Prime Minister's decision</li> </ul>	10% for 15 years	4 years of tax exemption; and 50% reduction for the next 9 years
<ul style="list-style-type: none"> <li>▶ With difficult socio-economic conditions</li> </ul>	17% for 10 years	2 years of tax exemption; and 50% reduction for the next 4 years
<ul style="list-style-type: none"> <li>▶ Industrial park (not located in a favorable socio-economic location)</li> </ul>	Not applicable	2 years of tax exemption; and 50% reduction for the next 4 years



## By Sector

Activities	Level of CIT incentives	
	Tax rate	Tax holiday
<ul style="list-style-type: none"> <li>▶ High-tech enterprises/ Application of high technologies enterprises</li> <li>▶ Investment and development of water plants, power plants, water drainage and supply system, bridges, roadway, railway, ports, etc.)</li> <li>▶ Software production</li> <li>▶ Production of composite materials, lightbuilding materials, rare materials, production of renewable energy, clean energy, energy from waste destruction and biotechnology development</li> <li>▶ Environmental protection</li> <li>▶ Supporting industries</li> </ul>	10% for 15 years	4 years of tax exemption; and 50% reduction for the next 9 years
<ul style="list-style-type: none"> <li>▶ Socialized projects in regions with difficult/ especially difficult socio-economic conditions</li> </ul>	10% for whole project's duration	4 years of tax exemption; and 50% reduction for the next 5 years
<ul style="list-style-type: none"> <li>▶ Socialized project not located in difficult or especially difficult socio-economic regions</li> </ul>	10% for whole project's duration	Tax exemption and reduction under incentives for location (if applicable)
<ul style="list-style-type: none"> <li>▶ Farming, husbandry, processing of agriculture and aquaculture in difficult regions; forestry in difficult regions; production of plant varieties, animal breeds; production of salt; preservation of agriculture products, aquaculture products and foods, etc.</li> </ul>	10% for whole project's duration	4 years of tax exemption; and 50% reduction for the next 5 years
<ul style="list-style-type: none"> <li>▶ Farming, husbandry, processing of agriculture and aquaculture products not located in</li> </ul>	15% for whole project's duration	Not applicable
<ul style="list-style-type: none"> <li>▶ Manufacturing of steel, energy saving products, machinery and equipment serving agriculture, forestry, fisheries and salt production, traditional crafts, etc.</li> </ul>	17% for 10 years	Not applicable

## By Business scale

Activities	Level of CIT incentives	
	Tax rate	Tax holiday
▶ VND6,000 billion capital projects (*)	10% for 15 years	4 years of tax exemption; and 50% reduction for the next 9 years
▶ VND12,000 billion capital projects (**)		
▶ VND3,000 billion capital projects (***)	5% for 37.5 years	6 years of tax exemption; and 50% reduction for the next 13 years
▶ VND30,000 billion capital projects (****)		

(\*) The capital must be contributed within three years from being licensed and the project must have a minimum annual revenue of 10,000 billion by the fourth years of revenue-generation or employ more than 3,000 employees by the fourth years of operation.

(\*\*) The capital must be contributed within five years from being licensed and the project must use technologies being covered under the Law on High Technology, and the Law on Science and Technology.

(\*\*\*) In which VND 1,000 billion must be contributed within three years from being licensed. The incentive shall apply for investment projects establishing innovation centers and research and development centers.

(\*\*\*\*) In which VND 10,000 billion must be contributed within three years from being licensed. The incentive shall apply for investment projects in sectors subject to special investment incentives.

Source: Article 13, Law on Corporate Income Tax No. 14/2008/QH12, dated 3 June 2008, issued by the National Assembly of Vietnam; Article 15 and 16, Decree No. 218/2013/ND-CP, dated 26 December 2013, issued by the Government

## Extension of incentive scheme

For investment projects of a large scale and utilizing high or new technologies, which are considered in need of particular attraction, the duration of the 10% tax rate may be extended up to 30 years based on a proposal by the Minister of Finance and approval of the Prime Minister.

# 2.4

## Value Added Tax

VAT is imposed on goods and services used in production, trading and consumption in Vietnam (including those purchased from overseas organizations and individuals).

### VAT liabilities

In general, VAT liabilities must be paid to the local tax authorities where the business activities take place while for imported goods, VAT liabilities will be collected by the customs authorities prior to actual importation.

### Declaration method

There are two methods for VAT declaration including the credit method and the direct method. The conditions for adoption of a declaration method are based on annual revenue, business sector, accounting systems and business intentions.

### Comparison of the condition for credit method and direct method

Conditions	Credit Method	Direct method
<b>Annual revenue</b>	More than VND1 billion of revenue subject to VAT	Less than VND1 billion of revenue subject to VAT unless voluntarily registering for the credit method
<b>Business sector</b>	Voluntarily register for VAT declaration under credit method	Engaging in trading gold, silver and precious stones Business individuals and households
<b>Accounting systems</b>	Maintaining complete books of account, invoices and documents in accordance with relevant accounting, tax regulations	Not required to maintain proper books of account and foreign organizations/ individuals carrying out business not regulated under the LOI

Source: Article 7, Decree No. 209/2013/ND-CP, dated 18 December 2013, issued by the Government; Article 12, Circular No. 219/2013/TT-BTC, dated 31 December 2013, issued by the Ministry of Finance

## Tax calculation (Credit method)

### VAT payable calculation (credit method)

Input VAT (*)	Output VAT	VAT payable
<ul style="list-style-type: none"><li>▶ VAT amounts on all VAT invoices of purchased goods and services</li><li>▶ VAT amount paid on imported goods</li><li>▶ VAT amount paid under the FCWT regime</li></ul>	Total VAT on goods or services sold	Output VAT minus Input VAT

(\*) In order for input VAT to be creditable it must be (1) related to the enterprise's business activities; (2.1) be supported by legitimate VAT invoices; or (2.2) be supported by payment evidence (via non-cash mode for invoices of VND20 million or more); or (2.3) be supported by a tax payment voucher (for import VAT); or (2.4) a FCWT payment voucher (for VAT of FCWT).

Source: Article 7, Decree No. 209/2013/ND-CP, dated 18 December 2013, issued by the Government

## Tax rate (Credit method)

### VAT Tax rate summary (credit method)

0%

Export goods and services  
International transportation  
Aviation and maritime services either directly for foreign entities or through agents

5%

Clean water, pesticide services for digging, embanking, dredging of canals, agricultural machinery and equipment, sugar and by-products, medical equipment, teaching aids, artistic, sport activities

10%

Standard VAT rate, applicable to goods and services other than those mentioned above. From February 1st 2022 to December 31st 2022, the VAT rate is reduced to 8% for specific kind of goods/services following Decree 15/2022/ND-CP.

Source: Article 6, Decree No. 209/2013/ND-CP, dated 18 December 2013, issued by the Government Decree 15/2022/ND-CP dated 28 January 2022, issued by the Government

## Direct method

### VAT payable calculation and tax rate summary (Direct method)

Tax calculation	Tax rate
Revenue	<b>1%</b> Distribution; supply of goods
Tax rate	<b>2%</b> Other cases
VAT payable (Revenue) x (VAT rate)	<b>3%</b> Manufacturing; transportation; services attached to the supply of goods; construction, including supply of materials
	<b>5%</b> Services; construction excluding supply of materials

Source: Decree No. 209/2013/ND-CP, dated 18 December 2013, issued by the Government; Article 12, Circular No. 219/2013/TT-BTC, dated 31 December 2013, issued by the MOF; Law No. 31/2013/QH13 amending, supplementing a number of Articles of Law on Value-Added Tax, dated 19 June 2013



# Non-taxable and non-declaration income

Under VAT regulations, income gained from some business activities is not be subject to VAT or does not need to be declared.

## List of income not subject to VAT or exempted from VAT declaration

### Non-taxable income

- ▶ Unprocessed or preprocessed products from farming, breeding, and aquaculture; breeds of livestock, plant varieties, including eggs, breeds, seeds, stems, tubers, semen, embryos, genetic materials
- ▶ Transfer of right to use land
- ▶ Human insurance; agriculture insurance services; insurance for ships and instruments for fishing; reinsurance
- ▶ Finance, banking, and securities services including loans, bank/insurance guarantee, finance lease, issuance of credit cards, brokerage, capital transfer, FX trading, derivatives, collateral and related financial instruments
- ▶ Public postal and telecommunications services, and public Internet services provided by
- ▶ the government, postal and telecommunications services from abroad (inbound)
- ▶ Education and vocational training according to prevailing regulations
- ▶ Machinery and equipment not locally produced, imported for specific purpose
- ▶ Temporarily imported goods
- ▶ Goods and services traded between a foreign party and a free trade zone, or among free trade zones
- ▶ Technology transfers according to the Law on Technology Transfer; intellectual property right transfers according to the Law on Intellectual Property (except exported software)

### Income that does not need to be declared

- ▶ Monetary compensation, financial income
- ▶ Services provided by a business that does not have a permanent establishment in Vietnam
- ▶ Project of investment transfer
- ▶ Transfer of assets within a company and dependent units
- ▶ Capital contribution of assets
- ▶ Commission for some agent services
- ▶ Payment on behalf (including income from undertaking payments on behalf of government authorities)

Source: Article 3, Decree No. 209/2013/ND-CP, dated 18 December 2013, issued by the Government; Law No. 31/2013/QH13 amending, supplementing a number of Articles of Law on Value-Added Tax, dated 19 June 2013

# VAT Refund

Taxpayers can claim VAT refunds from the tax authorities only in the following cases

## List of cases can claim VAT refunds

Cases	Main conditions
<b>New projects investment</b>	Adopting VAT credit method Under pre-operation investment period Total accumulated input VAT exceeds VND300 million (some exceptions may apply)
<b>Exporting activities</b>	Adopting VAT credit method Total accumulated input VAT for export production (after offsetting the VAT liabilities of domestic activities) exceed VND300 million (capped at 10% of export revenue) (* ) Nonrefundable: Goods that are imported and then exported outside a customs-controlled area or goods that are exported outside the customs-controlled area in accordance with the customs regulations
<b>Business</b>	Business transfer, conversion, merger, consolidation division, dissolution, bankruptcy or shutdown
<b>Other cases</b>	Projects and programs financed by ODA grant, grant aids or humanitarian aids Entities granted diplomatic immunity and privileges as per relevant laws Those cases eligible for refund as defined in international treaties that the Socialist Republic of Vietnam has entered into.

Source: Article 9, Decree No. 209/2013/ND-CP, dated 18 December 2013, issued by the Government; Law No. 31/2013/QH13 amending, supplementing a number of Articles of Law on Value-Added Tax, dated 19 June 2013

## Electronic invoices

At present, taxpayers can choose between issuing paper invoices or e-invoices. From 1 July 2022, e-invoices must be used by most enterprises except in very specific cases.



# 2.5

## Foreign contractor

### Taxpayers

FCWT applies to foreign contractors doing business and earning income from Vietnam under a contract, agreement or undertaking. In addition, from 1 July 2020, under the new Law on Tax Administration, overseas service providers providing electronic commerce, digital business and other services provided by overseas providers without permanent establishments in Vietnam shall directly apply or authorize representatives to apply for taxpayer registration, and declare and pay tax in Vietnam in accordance with the regulations of the MOF. Deemed tax (both CIT and VAT of FCWT) on revenue earned will be applied.



## Taxable and non-taxable transactions

### Comparison of transactions applied FCWT and non-FCWT

Transactions	FCWT	Non-FCWT
Services	Services provided or consumed inside Vietnam	Services provided and consumed outside Vietnam
Goods	Supply of goods attached with services in Vietnam Supply of goods in which the final delivery points is inside Vietnam	Supply of goods not attached with services in Vietnam and the final delivery point is outside Vietnam
Others (*)	Construction & installation Interest Royalties Penalty/Compensation Income from transportation activities	

(\*) No dividend withholding tax applies to corporate shareholders

Source: Article 1 and 2, Circular No. 103/2014/TT-BTC, dated 6 August 2014, issued by the Ministry of Finance; Law on Value-Added Tax No. 13/2008/QH12, dated 3 June 2008, issued by the National Assembly of Vietnam; Decree No. 209/2013/ND-CP, dated 18 December 2013, issued by the Government; Law No. 31/2013/QH13 amending, supplementing a number of Articles of Law on Value-Added Tax, dated 19 June 2013

## Declaration methods and calculation

FCWT comprises both a CIT and VAT component.

The filing and calculation of FCWT is based on one of three methods: (1) Deemed method (default); (ii) Hybrid method; and (iii) Declaration method.

## Comparison of criterias among FCWT methods

Criteria	Deemed method	Declaration method	Hybrid method
<b>Filing</b>	Vietnamese Party	Foreign Contractor	Foreign Contractor
<b>Calculation</b>	VAT = Taxable income x deemed rate CIT = Taxable income x deemed rate	VAT = Output VAT - Input VAT (* ) <i>Credit method</i> CIT = Taxable income x rate (* ) <i>same as a domestic corporation</i>	VAT = Output VAT - Input VAT (* ) <i>Credit method</i> CIT = Taxable income x deemed rate
<b>Revenue/ Profit remittance</b>	Tax liability shall be withheld before remittance	No detailed requirement	No detailed requirement

Source: Article 12 and 13, Circular No. 103/2014/TT-BTC, dated 6 August 2014, issued by the Ministry of Finance; Law on Value-Added Tax No. 13/2008/QH12, dated 3 June 2008, issued by the National Assembly of Vietnam; Decree No. 209/2013/ND-CP, dated 18 December 2013, issued by the Government; Law No. 31/2013/QH13 amending, supplementing a number of Articles of Law on Value-Added Tax, dated 19 June 2013

The Deemed Method is the default method, and the most common method. The Declaration method and Hybrid method must be selected and can only be chosen if the following conditions are met:

- ▶ The taxpayer is conducting a business in Vietnam under a contract with a duration of 183 days or more
- ▶ The taxpayer has a registered Permanent Establishment in Vietnam (e.g. Project Office)
- ▶ The taxpayer applies the Vietnamese Accounting Systems

## Tax rates

For the deemed method, different tax rates apply depending on the type of business activity

## FCWT tax rate summary

Business activities	VAT rate	CIT rate
Supply of goods in Vietnam or the goods are associated with services rendered in Vietnam (including on-spot export and import, distribution of goods in Vietnam or delivery of goods where the seller bears the risks relating to delivery of the goods within Vietnam)	Exempt	1%
Services	5%	5%
Supply of goods attached to services where the value is separated (Income from goods)	Exempt	1%
Supply of goods attached to services where the value is separated (Income from services)	5%	5%
Supply of machinery and equipment with services attached where the value is not separated	3%	2%
Construction, installation inclusive of raw materials, machinery and equipment	3%	2%
Construction, installation exclusive of raw materials, machinery and equipment	5%	2%
Loan interest	Exempt	5%
Royalties (in accordance with the Law on Intellectual Property)	Exempt	10%
Royalties (not in accordance with the Law on Intellectual Property)	5%	10%
Software	Exempt	10%
Software Services	Exempt	5%
Other cases where the value of different activities is not separated	Highest rate applicable	

Source: Article 12 and 13, Circular No. 103/2014/TT-BTC, dated 6 August 2014, issued by the Ministry of Finance

# 2.6

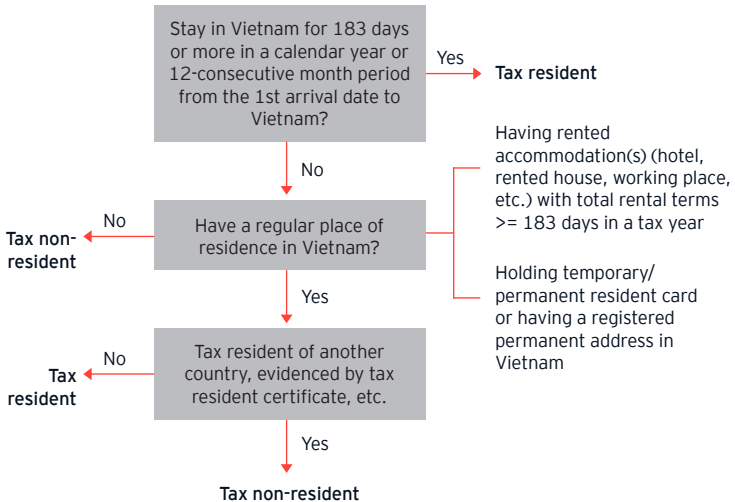
## Personal income tax



### Tax residency status

The incidence of PIT depends on whether an individual is a tax resident or a tax non-resident of Vietnam

#### Determination of tax residency status in Vietnam



Source: Clause 1 and 2, Article 1, Circular No. 111/2013/TT-BTC, dated 15 August 2013, issued by the Ministry of Finance providing guidelines for implementation of the Law on Personal Income Tax, the Law amending, supplementing a number of Articles of the Law on Personal Income Tax and Decree No. 65/2013/ND-CP of the Government making detailed provisions for a number of Articles of the Law on Personal Income Tax, the Law amending, supplementing a number of Articles of the Law on Personal Income Tax



## Tax resident vs. tax non-resident

### Comparison between tax residents and tax non-residents

	Tax resident	Tax non-resident
Taxable income	Worldwide income	Vietnam-sourced income
Deductions to employment income	Family relief Compulsory insurances Voluntary pension fund/ insurance (capped at VND1 million/month) Donations to charitable, humanitarian, study encouragement funds	No
Tax rate on employment income	Progressive tax rates (5% - 35%) (*)	Flat rate of 20%
Tax finalization on employment income	Required	Not required
Double taxation elimination	Foreign tax credit on foreign-sourced income	Tax exemption if conditions stated in the tax treaty are satisfied (a notification to the tax authority is required).

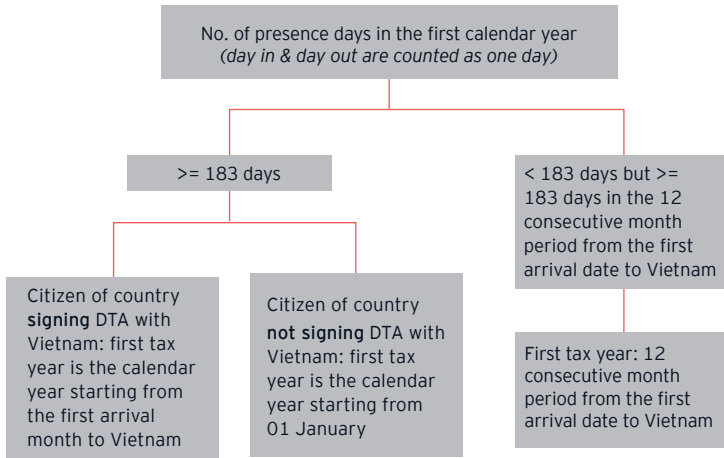
(\*) Upon paying income of VND2 million or more to a tax resident who does not sign a labor contract or signs a labor contract with term of less than 3 months, the Vietnam-based income payer shall withhold PIT at 10% unless the income payee provides a valid commitment on under-taxation-threshold-income. The progressive tax rates shall still be applied on total annual employment income of the tax residents upon their tax finalizations.

Source: Article 1 and 7, Clause 1 of Article 18, Clause 2 of Article 26 of Circular No. 111/2013/TT-BTC, dated 15 August 2013, issued by the Ministry of Finance providing guidelines for implementation of the Law on Personal Income Tax, the Law amending, supplementing a number of Articles of the Law on Personal Income Tax and Decree No. 65/2013/ND-CP of the Government making detailed provisions for a number of Articles of the Law on Personal Income Tax, the Law amending, supplementing a number of Articles of the Law on Personal Income Tax

# Tax year

## Determination of tax year of a tax resident in Vietnam

- ▶ First tax year



- ▶ Second tax year onwards: calendar year

Source: Point e.2, Clause 2, Article 26, Circular No. 111/2013/TT-BTC, dated 15 August 2013, issued by the Ministry of Finance providing guidelines for implementation of the Law on Personal Income Tax, the Law amending, supplementing a number of Articles of the Law on Personal Income Tax and Decree No. 65/2013/ND-CP of the Government making detailed provisions for a number of Articles of the Law on Personal Income Tax, the Law amending, supplementing a number of Articles of the Law on Personal Income Tax; Article 2, Circular No. 119/2014/TT-BTC, dated 25 August 2014, issued by Ministry of Finance amending, supplementing a number of Articles of Circular No. 156/2013/TT-BTC, dated 06 November 2013, Circular No. 111/2013/TT-BTC dated 15 August 2013, Circular No. 219/2013/TT-BTC dated 31 December 2013, Circular No. 08/2013/TT-BTC dated 10 January 2013, Circular No. 85/2011/TT-BTC dated 17 June 2011, Circular No. 39/2014/TT-BTC dated 31 March 2014, and Circular No. 78/2014/TT-BTC dated 18 June 2014 of the Ministry of Finance in order to simplify tax formalities

## Employment income

All salary, allowances, bonuses and benefits in-kind are taxable unless specifically excluded.

The following are some examples of benefits not subject to PIT:

- ▶ One-off relocation allowance for expatriates to reside in Vietnam, Vietnamese employees to work overseas or Vietnamese employees who have long-term residence overseas to return to work in Vietnam
- ▶ Meal allowance in-kind (uncapped) or in cash (capped at VND730,000/month)
- ▶ Clothing allowance in-kind (uncapped) or in cash (capped at VND5 million/year)

- ▶ Mobile phone allowance
- ▶ Wages for working at night or overtime in excess of the normal wages
- ▶ Non-compulsory insurance without accumulated premium (e.g. health, accident insurance) for employees
- ▶ Training fees relevant to employees' profession or in line with the employers' plan
- ▶ Tuition fees for the children of expatriates working in Vietnam to study in Vietnam and children of Vietnamese working abroad to study abroad from kindergarten to high school level
- ▶ Transportation for conveying employees from their residence to their workplace and vice versa
- ▶ Allowance for marriage and condolences for funeral of the employees and their family members (capped at average one month salary)
- ▶ Air ticket for home leave of expatriates working in Vietnam or Vietnamese employees working overseas limited to one trip per year
- ▶ Per diem and business trip expenses
- ▶ Severance allowance paid in line with the labor regulations
- ▶ Social insurance allowance paid by the social insurance authorities and
- ▶ Health care, entertainment, beauty services for collective employees without mentioning any specific employee

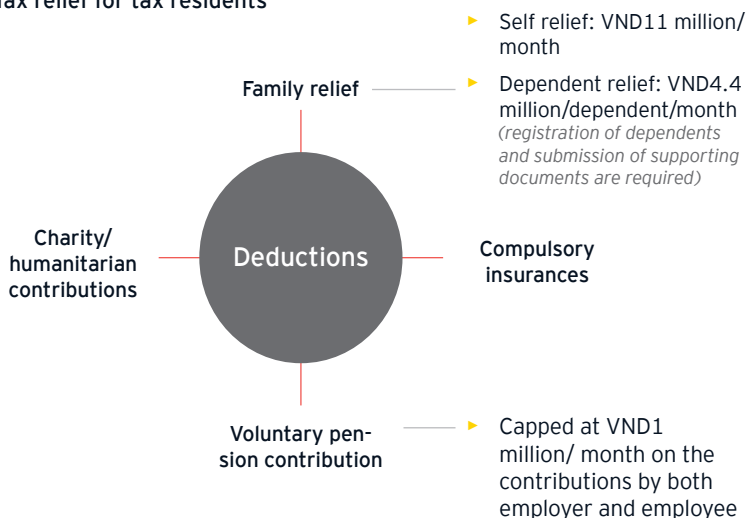
The following are examples of some benefits which are subject to concessional PIT treatment:

- ▶ Accommodation and electricity, water and associated services provided and arranged by the employer to the employee is taxed at the lower of the actual expenses and 15% of the total taxable income (exclusive of house rental and utilities expenses)
- ▶ Life insurance premiums paid by an employer for an employee is taxed at a flat tax rate of 10%



## Deductions

### Tax relief for tax residents



Source: Article 9, Circular No. 111/2013/TT-BTC, dated 15 August 2013, issued by the Ministry of Finance providing guidelines for implementation of the Law on Personal Income Tax, the Law amending, supplementing a number of Articles of the Law on Personal Income Tax and Decree No. 65/2013/ND-CP of the Government making detailed provisions for a number of Articles of the Law on Personal Income Tax, the Law amending, supplementing a number of Articles of the Law on Personal Income Tax; Resolution No. 954/2020/UBTVQH14 dated June 2, 2020 on changes to Personal Income Tax exemptions





## Tax rates

### Tax rates on employment income

Monthly assessable income (INC) (VND million)	Residents (*)	Non-residents
INC ≤ 5	5%	
5 < INC ≤ 10	10%	
10 < INC ≤ 18	15%	
18 < INC ≤ 32	20%	20%
32 < INC ≤ 52	25%	
52 < INC ≤ 80	30%	
INC > 80	35%	

(\*) Upon paying income of VND2 million or more to a tax resident who does not sign a labor contract or signs a labor contract with term of less than 3 months, the Vietnam-based income payer shall withhold PIT at 10% unless the income payee provides a valid commitment on under-taxation-threshold-income. The progressive tax rates shall still be applied on total annual employment income of the tax residents upon their tax finalizations.

Source: Clause 2 of Article 7, and Clause 1 of Article 18, Circular No. 111/2013/TT-BTC, dated 15 August 2013, issued by the Ministry of Finance providing guidelines for implementation of the Law on Personal Income Tax, the Law amending, supplementing a number of Articles of the Law on Personal Income Tax and Decree No. 65/2013/ND-CP of the Government making detailed provisions for a number of Articles of the Law on Personal Income Tax, the Law amending, supplementing a number of Articles of the Law on Personal Income Tax



## Tax rates on non-employment income

Types of income	Residents	Non-residents
Business income	0.5% - 5% (based on type of business income)	1% - 5% (based on type of business income)
Income from capital investment	5%	5%
Income from capital contribution transfer	20% (on net gain)	0.1% (on sales proceeds)
Income from security transfer	0.1% (on sales proceeds)	0.1% (on sales proceeds)
Income from real estate transfer	2% (on sales proceeds)	2% (on sales proceeds)
Income from winning prize (*)	10%	10%
Income from commercial franchises and copyright (*)	5%	5%
Income from gifts and inheritance (*)	10%	10%

(\*) PIT is imposed on the income amount portion in excess of VND10 million.

Source: Appendix 1, Circular No. 40/2021/TT-BTC; Articles 10, 11, 13, 14, 15, 16, 17, 19, 20, 21, 22, 23, Circular 111/2013/TT-BTC



## Tax declaration deadline

Description	Deadlines
Tax registration	Within 10 working days from the date the individual incurs tax obligation
Monthly tax filing and payment	By the 20th day following the reporting month
Quarterly tax filing and payment	By the end of the month following the reporting quarter
Year-end finalization filing and payment (withholding tax return)	By the last day of the third month from the end of the tax year
Year-end finalization filing and payment (direct filing)	By the last day of the fourth month from the end of the tax year (for tax year being the calendar year) By the last day of the third month from the end of the tax year (for other tax years)
End of assignment finalization and payment	Prior to leaving Vietnam or within 45 days from the repatriation from Vietnam in case of authorization
Submission of dependent registration (direct family)	By the finalization due date
Submission of dependent registration (others)	By 31 December of the year

Source: Clause 2, Article 33, Article 44, Law on Tax Administration No. 38/2019/QH14, dated 13 June 2019, issued by the National Assembly of Vietnam; Clause 3, Article 21, Circular No. 92/2015/TT-BTC; Point c.2.3, Clause 1, Article 9, Circular No. 111/2013/TT-BTC



## 2.7 Transfer pricing

The tax authorities have the power to adjust the value of purchases, sales, exchanges and accounting records of goods and services of taxpayers if that value is not in accordance with the arm's length principle.

The Vietnamese transfer pricing requirements are broadly consistent with those set out in the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations. However, it is worth noting that the acceptable arm's length price under Vietnam's transfer pricing regulation is a value that falls within a range determined by the 35th to 75th percentile rather than the inter-quartile range, which is the traditionally accepted range.

The applicable transfer pricing methods under the Vietnam's transfer pricing regulations include:

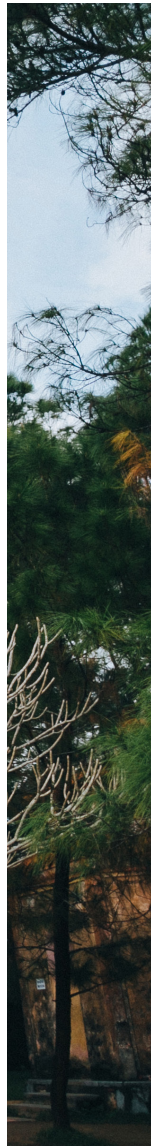
- ▶ Comparable uncontrolled price method
- ▶ Resale price method
- ▶ Cost plus method
- ▶ Profit-split method or profit allocation method
- ▶ Comparable profit method (referred to as Transactional net margin method in the OECD Transfer Pricing Guidelines).

It is noted that conditions to apply the transfer pricing method above may be different from the conditions stated in the OECD Transfer Pricing Guidelines.

The Vietnamese regulations contain detailed TP documentation requirements. The documentation must be prepared before the submission of the annual CIT return. It does not need to be filed but must be submitted to the tax authority immediately upon request of the tax authority in a tax audit. Taxpayers are obliged to comply with the three-tiered TP documentation requirement, including:

- ▶ Master file
- ▶ Local file
- ▶ Copy of CbCR prepared by the overseas ultimate parent company in accordance with the laws of the respective parent company's jurisdiction

In addition, taxpayers are obliged to prepare and submit certain stipulated disclosure forms together with their CIT finalization returns. If transfer prices are found to be non-arm's length or non-compliant, then the Vietnamese Tax Authorities may adjust the transfer prices and assess additional taxes and penalties. Companies seeking greater certainty may consider entering an APA. The APA period is three years with a renewal of a maximum three years.



# 28 Double taxation avoidance

Vietnam has signed 80 DTAs with jurisdictions that provide relief from double taxation. The table below indicates jurisdictions that Vietnam has signed a DTA with.



## List of jurisdictions signed DTAs with Vietnam

Algeria*	Germany	Malaysia	Saudi Arabia
Australia	Hong Kong	Malta	Serbia
Austria	Hungary	Mongolia	Seychelles
Azerbaijan	Iceland	Morocco	Singapore
Bangladesh	India	Mozambique	Slovakia
Belarus	Indonesia	Myanmar	Spain
Belgium**	Iran	Netherlands	Sri Lanka
Brunei Darussalam	Ireland	New Zealand	Sweden
Bulgaria	Israel	Norway	Switzerland
Cambodia	Italy	Oman	Taiwan
Canada	Japan	Pakistan	Thailand
China Mainland	Kazakhstan	Palestine	Tunisia
Croatia	North Korea South	Panama	Turkey
Cuba	Korea**	Philippines	Ukraine
Czech Republic	Kuwait	Poland	United Arab Emirates
Denmark	Laos	Portugal	United Kingdom
Egypt*	Latvia	Qatar	United States*
Estonia	Luxembourg	Romania	Uruguay
Finland	Macau	Russia	Uzbekistan
France	Macedonia*	San Marino	Venezuela

Source: General Department of Taxation, <http://www.gdt.gov.vn/>, accessed 6 April 2021, EY compilation

(\*) These DTAs are not yet in force

(\*\*) The protocols amending these DTAs are not yet effective

## DTA application notification procedures

Any benefit arising to a company under a DTA does not apply automatically. In order to take advantage of any relief under a DTA the taxpayer must submit a DTA application to the local tax authority 15 days before the tax payment due date. However, this is not strictly implemented in practice because a DTA application dossier may still be considered as long as it is within the three years time limit.

There are particular cases whereby the tax authority may reject the application under the DTA including:

- ▶ The application for exemption/reduction is submitted more than three years after the tax obligation arises
- ▶ The transaction is solely for the purpose of enjoying DTA benefits
- ▶ The applicant is not the true beneficiary of the tax payment being considered for exemption/reduction

## Mutual agreement procedures (MAP)

A MAP process is available. All DTAs concluded by Vietnam incorporate a provision on MAP. A MAP request has to be submitted within three years from the date of receiving the first notice from the tax authority leading to the tax treatment deemed by the complainant not to be in accordance with the provisions of the DTA. For this, the complainant must fulfil all tax obligations stated in the tax treatment decisions (which are tax administrative decisions, tax notices, etc.) issued by tax authority before and during the process of settlement of MAP request.

# 2.9 Special sales tax

SST is an indirect tax imposed on certain special goods produced, traded, or imported by enterprises in Vietnam

## Taxpayer

SST payers include producers and importers of goods and providers of services which are subject to SST.

Exporters that purchase SST liable goods from producers for export and do not export but sell them domestically shall also pay SST.



## Taxable objects and rates

The following table lists the goods and services to which SST applies. We note there are certain exemptions to this general list.

### List of tax rates applicable for goods and services

Goods	Tax rate (%)
Cigarettes, other products derived from tobacco plants	75
Spirit/Wine	35-65
Beer	65
Automobiles having fewer than 24 seats	5-150
Motorcycles with cylinder capacity above 125cm <sup>3</sup>	20
Aircraft/Yacht	30
Gasoline	7-10
Playing cards	40
Votive papers and objects	70

Services	Tax rate (%)
Dancing club business	40
Massage, karaoke, betting business	30
Casino, electronic casino game business	35
Golf course business	20
Lottery business	15
Air-conditioners of 90,000 BTU or less (Except for ones equipped on transport vehicles)	10

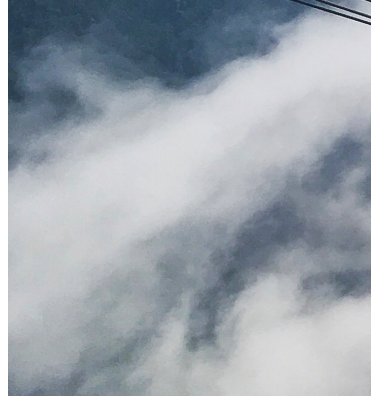
Source: Article 7, Law on Special Sales Tax No. 27/2008/QH12 dated 14 November 2008, issued by the National Assembly of Vietnam; Item 2, Article 2, Law No. 106/2016/QH13 amending the Law on Value Added Tax, Law on Special Sales Tax, and Law on Tax Administration, dated 06 April 2016, issued by the National Assembly of Vietnam

# 2.10

## Business license fee

There is a nominal tax (maximum amount VND3 million) on the registered capital (charter capital or invested capital) of an enterprise. It is collected annually.

# Customs duty and procedures



## Export duty

Most exported goods are exempt from export duty. Export duty is currently only charged on certain items such as natural resources, wood, metal scraps, etc. The rates range from 0% to 40%.

## Import duty

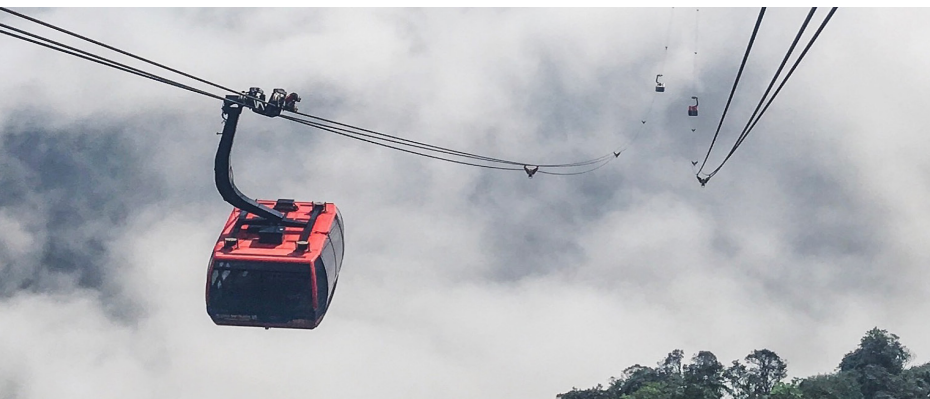
For imported goods, the applicable import duty rates vary depending on the type of goods imported (i.e., the HS codes of the goods) and the originating countries.

In general, consumer goods, especially luxury goods, and goods that can already be produced in Vietnam are subject to high import duties, while machinery, equipment, materials and supplies necessary for production are subject to lower rates or even zero rated of import duties.

There are three types of import duty rates:

- ▶ Preferential rates (i.e., Most Favored Nation rates) for commodities imported from countries or territories that are WTO members or countries that have most favored nation commercial treatment with Vietnam
- ▶ Special preferential rates for commodities imported from countries or territories having FTAs with Vietnam (see details in page 82)
- ▶ Ordinary rates which are mostly at 150% of the corresponding preferential rates (i.e., Most Favored Nation rates) applied to the same commodities

Other additional import duties that may be applied to imported goods include anti-dumping tax, safeguard tax and anti-subsidy tax.



## Dutiable value

The dutiable value of imported and exported goods is the customs value which is determined in compliance with the WTO Valuation Agreement.

## Customs procedures

Registration of a customs declaration with the customs office is required within 30 days from the date the imported goods arrive at the Vietnam check-points. Regarding exported goods, the customs declarations must be registered with the customs office after the exported goods are available and must be at least four hours before the departure of the transport means or at least two hours before the departure of the aircraft where goods are exported via courier. In practice, the export customs declarations are registered with the customs office at least one day before the departure of the transport means.

Customs declarations are subject to a risk assessment which will trigger different levels of inspection by the customs authorities (generally referred to as red, yellow, and green lane).

Certain goods are banned from import/export or require the importer/exporter to obtain import and export permits from the governmental agencies.

# Exemption

Exemptions from import duty are granted for certain imported goods, some of which include:

- ▶ Sector:
  - ▶ Parts, components, materials that are not yet produced in Vietnam imported for the assembly of automobiles
  - ▶ Certain goods imported for oil and gas or shipbuilding activities
  - ▶ Materials and supplies that cannot be produced in Vietnam and imported for direct use in production of IT products, digital contents and software
  - ▶ Certain goods imported/exported for environment protection activities
  - ▶ Goods imported for R&D or education purposes
- ▶ Projects entitled to investment incentives:
  - ▶ Machinery and equipment, special means of transportation and construction materials which are not yet produced in Vietnam imported to form fixed assets of the projects
  - ▶ Materials and parts that are not yet produced in Vietnam imported to serve the manufacturing activity of the projects within 5 years from the date of production commencement
- ▶ Business scheme:
  - ▶ Goods imported under toll manufacturing or contract manufacturing models (i.e. goods imported for the production of exported goods)
  - ▶ Goods temporarily imported within a certain period of time and subsequently re-exported (with some exceptions)
- ▶ Low value goods:
  - ▶ Gifts within the respective prescribed limits for individuals and entities
  - ▶ Non-commercial goods, e.g., samples, pictures, videos, models and advertisement publications in small quantities

# Refunds

Import/export duties may be refunded in some cases such as:

- ▶ Import duties paid on imported goods which are later exported overseas or non-tariff zones
- ▶ Export duties paid on exported goods which are later re-imported
- ▶ Import duties paid on materials imported to produce goods that are subsequently exported
- ▶ Import/export duties paid on imported/exported goods but the goods are actually imported/exported with a quantity smaller than the quantity on which duty was paid

## Authorized Economic Operator

An AEO can enjoy certain benefits such as:

- ▶ Fast-track customs clearance procedures (e.g., all customs declarations are allocated into green lane)
- ▶ Exemption from document submission and physical goods inspection
- ▶ Monthly tax payment and submission of C/O (i.e. receive goods first and pay taxes later)
- ▶ Exemption from post-clearance audit (unless suspected of fraud)

Some of the conditions, among others, to be granted AEO status:

- ▶ Full compliance: no tax offence within two years before AEO application
- ▶ High annual turnover of import/export volumes or being certified by the Ministry of Science and Technology as high-tech enterprises

## Export Processing Enterprise

Enterprises that produce goods for export may register to be an Export Processing Enterprise. An EPE means a company established and operated within an Export Processing Zone or an enterprise specializing in manufacturing exported products within an industrial park or an economic zone. Goods which are imported into the EPE and consumed within the EPE are not subject to customs duty and VAT. Goods exported from the EPE to overseas markets are not subject to export duty.

In order to register as an EPE, the registrant company must satisfy the requirements for customs supervision, e.g. must have hard fences to separate the company with the outside area or must have 24/7 operating cameras.

## Customs inspection and audits

Post-clearance audits are common in Vietnam as customs authorities like to facilitate the customs clearance process for companies' exported and imported goods and the customs authorities conduct post-clearance audits to monitor companies' compliance with customs regulations. Needless to say, customs inspection is also focused during customs clearance process based on risk management principles.

During customs audits, customs authorities focus on the following customs compliance areas:

- ▶ Inventory balance and the use of the duty-exempted imported goods
- ▶ HS classification
- ▶ Customs valuation
- ▶ Goods' origin
- ▶ Eligibility for export-import duty exemption

# Free trade agreements

Vietnam is a signing member of the following FTAs:

FTAs	Signing members
ASEAN Trade in Goods Agreement (ATIGA)	10 ASEAN member countries (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand,
Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)	Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam (*)
ASEAN - Japan Comprehensive Economic Partnership (AJCEP)	10 ASEAN member countries and Japan
ASEAN - Korea FTA (AKFTA)	10 ASEAN member countries and Korea Republic
ASEAN - India FTA (AIFTA)	10 ASEAN member countries and India
ASEAN - China FTA (ACFTA)	10 ASEAN member countries and China
ASEAN- Hong Kong FTA (AHKFTA)	10 ASEAN member countries and Hong Kong
ASEAN - Australia - New Zealand (AANZFTA)	10 ASEAN member countries and Australia, New Zealand
Vietnam - Chile FTA (VCFTA)	Vietnam, Chile
Vietnam - Korea FTA (VKFTA)	Vietnam, Korea Republic
Vietnam - Japan Economic	Vietnam, Japan
Vietnam - Eurasian Economic Union FTA (VN-EAEU FTA)	Vietnam, Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia
Vietnam - European Union FTA (EVFTA) *Goods exported from Vietnam to the EU are still entitled to GSP benefits until 31	Vietnam, 27 EU member states
Regional Comprehensive Economic Partnership (RCEP) (**)	10 ASEAN member countries and Australia, China Mainland, Japan, Korea Republic, and New Zealand
Vietnam - UK FTA (UKVFTA) (***)	Vietnam, the United Kingdom

Source: Website of WTO Center under Vietnam Chamber of Commerce and Industry at <https://www.trungtamwto.vn/>, accessed 6 April 2021; EY compilation.

Notes:

(\*) The CPTPP Agreement officially took effect on 30 December 2018. The CPTPP took effect in Vietnam on 14 January 2019.

(\*\*) RCEP agreement was signed on 15 November 2020 and entered into force on 1 January 2022.

(\*\*\*) The UKVFTA was signed on 29 December 2020. The Agreement has been temporarily applied from 23:00 p.m. on 31 December 2020 GMT or 6 a.m. on 1 January 2021, Vietnam time and officially took effect on 1 May 2021.

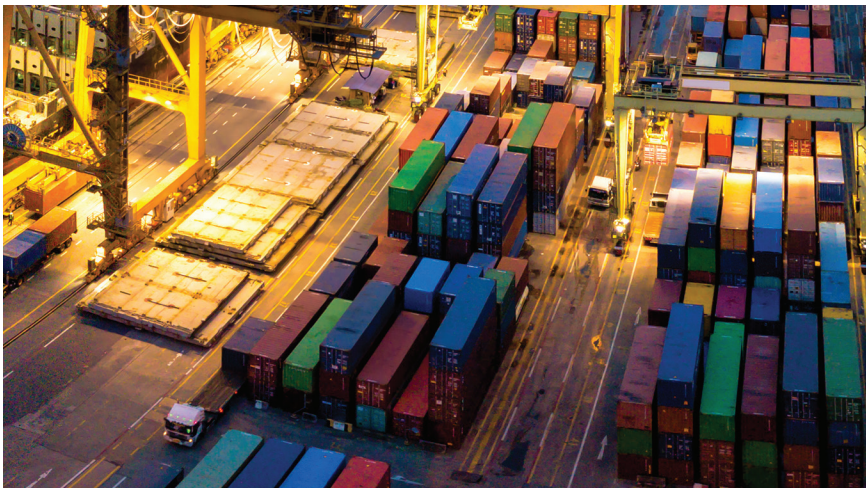
(\*\*\*\*) UKVFTA20201229 20201231 232021116202151

In addition to the FTAs, Vietnam has also signed trade agreements with Cambodia, Cuba, Laos.

## Proof of origin

Proof of origin is required when exporters/importers claim special preferential duty rates under FTAs or trade agreements. Some commodities must be accompanied with proof of origin when they are imported into Vietnam even where preferential tariffs are not available for such commodities. Proof of origin can be in the form of a paper Certificate of Origin (C/O or COO), an origin statement or self-certification, or an electronic C/O. Each FTA has its own required form of proof of origin.

Generally exported goods are not required to have a proof of origin. Proof of origin for exported goods is applied by exporters for the importing partners to enjoy preferential import tariffs in importing countries.



# Human resources and employment





# 1 Overview of workforce of Vietnam in 2021

**98.5** million people

Population quality was improved, fertility rate decreased, and the replacement fertility rate had been maintained since 2005 (\*)

**37.9%**  
working in  
Service Sector

**28.9%**  
working in Agriculture,  
Forestry and Fisheries Sector

**33.2%**  
working in Industry and  
Construction Sector (\*\*)

**50.6 million**  
Working age  
population aged 15  
and above in 2021  
(\*)

**4.6%**  
An increase in  
annual productivity  
(\*)

**26.1%**  
The proportion of  
trained workforce  
with diplomas and  
certificate in 2021 (\*)

(\*) Source: Statistical yearbook of Vietnam 2021 by GSO

(\*\*) Source: Report on labor workforce in Vietnam in Q4 and the year 2021 by GSO



## Overview of workforce in IT field in 2022

Mostly located in Ho Chi Minh City (55.3%) and Hanoi (34.1%)

8.55% of IT workforce being female

30% of IT workforce with 5-year working experience and above  
52.1% having less than 3-year working experience

Source: Vietnam IT market report 2022 by TopDev



# 2 Working time

- ▶ The standard working hours should not exceed 8 hours per day or 48 hours per week.
- ▶ An employer has the right to determine the daily or weekly working hours. However, the daily working hours should not exceed 10 hours per day or 48 hours per week where a weekly basis is applied.
- ▶ Overtime hours of an employee should not exceed 50% of the normal working hours in a single day.
- ▶ In case of weekly work, the total normal working hours plus overtime working hours should not exceed 12 hours a day or 40 hours a month.
- ▶ The total overtime working hours should not exceed 200 hours a year, except in the following cases where an employer may request an employee to work overtime for up to 300 hours in a year provided the employer has first submitted a written notification to the provincial labor authority and obtained agreement from the employee:
  - ▶ Manufacture, processing of textile, garment, footwear, electric, electronic products, processing of agricultural, forestry, aquaculture products, salt production
  - ▶ Generation and supply of electricity, telecommunications, refinery operation water supply and drainage
  - ▶ Works that require highly skilled workers that are not available on the labor market at the time
  - ▶ Urgent works that cannot be delayed due to seasonal reasons or availability of materials or products, or due to unexpected causes, bad weather, natural disasters, fire, hostility, shortage of power or raw materials, or technical issue of the production line
  - ▶ Other cases prescribed by the Government

## Leave days:

- ▶ Certain types of leave are paid for by the employer: Public holidays, Annual leave and Personal paid leave.
- ▶ Certain other types of leave are paid for by Social Insurance Agency.

## Certain types of leave in Vietnam

### Public holidays

Vietnamese: 11 public holidays per year

Foreigners: 1 traditional New Year holiday and 1 Independence Day of their country, in addition to the mentioned 11 public holidays

### Annual leave

From 12 to 16 working days per year for employees who have been working for an employer for 12 months, depending on their working conditions and type of work

Annual leave shall be increased by 1 day for every 5 years of service

### Leave paid by SI Agency

Pregnant check: 5 working days

Miscarriage: up to 50 days

Maternity leave: 6 months

Contraception: up to 15 days

Parental leave: from 5 to 14 working days  
Child sickness (under 7 years old): up to 20 working days depending on child's age

Self-sickness: up to 60 working days for short day and up to 180 days for long day

Convalescence: up to 10 days

### Personal paid leave

Marriage: 3 working days

Marriage of child: 1 working day

Death of parents, spouse's parents, spouse or child: 1 working day

Source: Article 112, 113 and 115, Labour Code No. 45/2019/QH14, dated 20 November 2019, issued by the National Assembly of Vietnam; Article 26, 27, 29, 41 and from 32 to 37, Law on Social Insurance No. 58/2014/QH13, dated 20 November 2014, issued by the National Assembly of Vietnam

## Summary of salary scale by region

Effective from 1 July 2022, the minimum salary by region ranges from VND3,250,000 to VND4,680,000 per month and varies for each city and province.

In addition to the monthly minimum salary, **the hourly minimum wage is also applied** with the same effective date for those who receive income in the form of an hourly salary payment. Accordingly, employees may earn a minimum hourly rate ranging from VND15,600 to VND22,500 depending on their region.



# 4 Social, health and unemployment insurance

The following are the statutory contribution rates for employers and employees with respect to social security, health insurance and unemployment insurance from 1 January 2020:

## Statutory contribution rates for employers and employees

		Social Insurance	Health Insurance	Unemployment Insurance	Occupational diseases & accident fund	Total		
		%	%	%	%	%		
Vietnamese	From 1 January 2022 to 30 June 2022	Employer	17	3	0	0	20	
		Employee	8	1.5	1	0	10.5	
		<b>Total</b>	<b>25</b>	<b>4.5</b>	<b>1</b>	<b>0</b>	<b>30.5</b>	
	From 1 July 2022 to 20 September 2022	Employer	17	3	0	0.5 or 0.3	20.5 or 20.3	
		Employee	8	1.5	1	0	10.5	
		<b>Total</b>	<b>25</b>	<b>4.5</b>	<b>1</b>	<b>0.5 or 0.3</b>	<b>31 or 30.8</b>	
	From 1 October 2022 onward	Employer	17	3	1	0.5 or 0.3	21.5 or 21.3	
		Employee	8	1.5	1	0	10.5	
		<b>Total</b>	<b>25</b>	<b>4.5</b>	<b>2</b>	<b>0.5 or 0.3</b>	<b>32 or 31.8</b>	
	Foreigner	From 1 January 2022 to 30 June 2022	Employer	17	3	0	0	20
			Employee	8	1.5	0	0	9.5
			<b>Total</b>	<b>25</b>	<b>4.5</b>	<b>0</b>	<b>0</b>	<b>29.5</b>
From 1 July 2022 onward		Employer	17	3	0	0.5 or 0.3	20.5 or 20.3	
		Employee	8	1.5	0	0	9.5	
		<b>Total</b>	<b>25</b>	<b>4.5</b>	<b>0</b>	<b>0.5 or 0.3</b>	<b>30 or 29.8</b>	



Source: Article 5, Decision No. 595/QĐ-BHXH, dated 14 April 2017, issued by the General Director of Vietnam Social Security; Decree 58/2020/NĐ-CP, dated 27 May 2020, issued by the Government; Resolution No. 68/NQ-CP, dated 1 July 2021, issued by the Government; Resolution 116/NQ-CP, dated 24 September 2021, issued by the Government

The social and health insurance contribution is calculated based on the salary or wage, allowance and additional payments stated in the labor contract. However, it is capped at 20 times the standard minimum salary provided by the Government. The current capped salary for the social and health insurance contribution is VND29,800,000 (VND1,490,000 x 20). The common minimum salary may change from year to year according to the government's decision.

The unemployment insurance contribution is only required for Vietnamese employees and calculated based on the salary or wage, allowance and additional payments stated in the labor contract. However, it is capped at 20 times the regional minimum salary, which currently ranges from VND3,250,000 to VND4,680,000, effective from 1 July 2022.

In addition to the monthly minimum salary, the hourly minimum wage is also applied with the same effective date for those who receive income in form of hourly salary payment. Accordingly, employees may earn a minimum hourly rate ranging from VND15,600 to VND22,500 depending on their region.

Also from 1 July 2022, the provision on minimum salary higher than 7% for employees passing apprenticeship is removed as stipulated in the Decree 38/2022/ND-CP, dated 12 June 2022, issued by the Government. However, as per the Official 2086/BLDTBXH - TLDLDVN, dated 17 June 2022 on directing the implementation of Decree 38, issued by the Ministry of Labor, Invalids and Social Affairs - General Confederation of Labor of Vietnam, for the agreed and committed contents in labor contracts, labor agreements, or other legal agreements which are more favorable to employees than the regulations prescribed in Decree 38, shall continue to be implemented, unless otherwise agreed upon by the parties. Accordingly, the contents implemented including the salary regime paid to employees doing jobs and vocational training at least 7% higher than the minimum salary shall continue to be implemented, unless otherwise agreed upon by the two parties as prescribed by law.

Currently the social insurance applies for foreigners who sign labor contracts with Vietnamese entities with a term of 12 months or more and have a work permit or practice license or certificate.





# 5 Recruitment & Termination of employment

## Recruitment, probation and labor contract

Recruitment ▶	Probation ▶	Labor contract
<p>Employers have the right to recruit employees directly or through employment agencies or dispatching agencies Employees shall not pay any recruitment cost.</p>	<p>Only one probationary period is allowed for a job and shall not exceed: 180 days for enterprise executive position 60 days for positions that require college degree or above; 30 days for positions that require a vocational certificate, technicians, and skilled employees; 6 working days for other jobs.</p>	<p>There are two types of labor contracts: An indefinite-term labor contract; A definite-term labor contract, with a duration of up to 36 months A definite-term labor contract can be renewed only 1 time except for foreigners, directors of state-invested enterprises, elderly people, members of the management boards of the representative organizations.</p>

Source: Article 11, 20 and 25, Labour Code No. 45/2019/QH14, dated 20 November 2019, issued by the National Assembly of Vietnam

## Termination of employment

1

The contract expires or the agreed work in the contract has been completed without agreement on extension, modification or amendment.

4

The employee is sentenced to imprisonment without suspended sentence or not in the case of being set free, is sentenced to death or is prohibited from performing the job stated in the labor contract under a legally effective judgment or ruling of a court.

2

Both parties agree to terminate.

5

The individual employer dies; is declared by a court to have lost civil act capacity, be missing or dead. The employer who is not individual has been liquidated or the provincial business registration authority declared that the legal representative of the employer does not implement the rights and obligations in accordance with the law.

3

The individual employee dies; is declared by a court to have lost civil act capacity, be missing or dead.

6

The employer lays off the employee due to structural or technological changes or because of economic reasons, merger, consolidation or division of the enterprise, sale, lease, conversion of business type, transfer of ownership or rights to use other business asset.

**7** Employees/ Employers unilaterally terminate the labor contract in accordance with law.

**9** Foreign employee working in Vietnam is deported under a legally effective judgment or ruling of a court, decision of relevant competent state agency.

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**8** The employee is dismissed.

**10** The work permit of foreign employee working in Vietnam is invalid.

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**11** The employee fails to perform his/her tasks during the probationary period under the employment contract or gives up the probation.

## Employer unilaterally terminates the contract

### Circumstances where an employer has the right to unilaterally terminate an employment contract

1

The employee repeatedly fails to perform his or her work as agreed in the employment contract.

2

The employee is sick or has an accident and remains unable to work after having received treatment for a period of 6-12 consecutive months or more than half of the duration of the contract in case of seasonal contract.

3

In the event of a natural disaster, fire, major epidemic, hostility, relocation or downsizing requested by a competent authority, the employer has to lay off employees after all possibilities have been exhausted.

4

The employee is not present at the workplace after the time limit of the temporary suspension of the employment contract.



The employer shall establish criteria for assessment of employees' fulfillment of duties as a basis for consideration.



Upon recovery, the employer may consider entering into another employment contract with the employee.

5

The employee fails to go to work without acceptable excuses for at least five consecutive working days.

6

The employee fails to provide truthful information related to their name, date of birth, sex, education level, health condition, etc.

Source: Article 36, Labour Code No. 45/2019/QH14, dated 20 November 2019, issued by the National Assembly of Vietnam

## Employee unilaterally terminates the contract

### Circumstances where an employee has the right to unilaterally terminate an employment contract

1

Is not assigned to the work or workplace or not provided with the working conditions as agreed in the employment contract.

2

Is not paid adequately or on schedule as agreed in the employment contract.

3

Is maltreated, assaulted, physically or verbally insulted by the employer in a manner that affects the employee's health, dignity or honor; is sexually harassed in the workplace.

4

The employee or their families are in difficult circumstances which prevent them from performing labor contracts (taking care of their families, relocating due to natural disasters, fires).

5

The employee is elected to a full-time position in an elected body or is appointed to a position in the state apparatus.

6

Is pregnant and has to stop working under confirmation from a competent health facility.

7

The employee is sick or has an accident and remains unable to work after having received regularly treatment.

8

Employees who suffer from sexual harassment in the workplace (sexual harassment is a sexual nature of any person to another person at work without being accepted).

9

The employer fails to provide truthful information related to work, place of work, work hours, salary, insurance, etc.

10

May unilaterally terminate the employment contract, subject to prior notice to the employer.



## Employment of foreigners

### Requirements for employment of foreigners

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Only employ foreigners to hold positions of managers, executive directors, specialists and technical workers with professional requirements which cannot be met by Vietnamese workers.

Recruitment of foreign employees in Vietnam is subject to written approval by competent authorities.

### Work permit

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The maximum duration of a work permit is two years. A work permit can only be extended one time with a maximum duration of two years.

After a work permit has expired, foreign workers have to ask for the grant of new work permit.

### Labor contract

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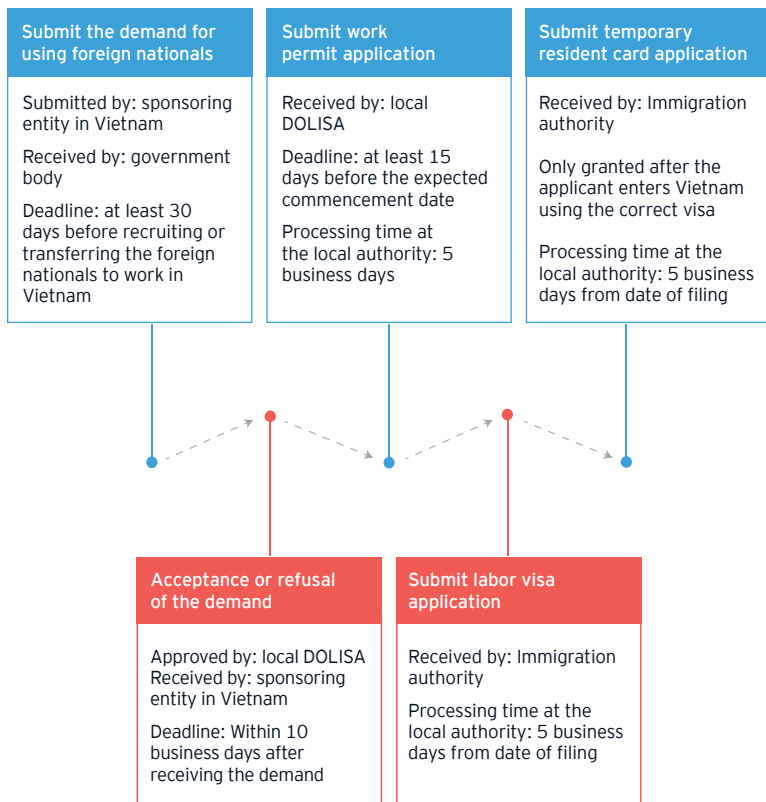
The duration of a foreign employee's employment contract must not exceed that of the work permit.

A definite-term employment contract may be entered into multiple times with foreigners.

Source: Article 20, 151, 152 and 155, Labour Code No. 45/2019/QH14, dated 20 November 2019, issued by the National Assembly of Vietnam

# 6 Work permit and visa application

## Procedure and standard timeline for Work permit and Visa application



Source: Decree No. 152/2020/ND-CP, dated 30 December 2020, issued by the Government; Law on Entry, exit, transit, and residence of foreigners in Vietnam No. 47/2014/QH13, dated 16 June 2014, issued by the National Assembly of Vietnam; Law No. 51/2019/QH14, dated 25 November 2019, issued by the National Assembly of Vietnam amending the Law on Entry, exit, transit, and residence of foreigners in Vietnam

# 6.1

## Entry visas

*The sections below provide only the general standard business immigration requirements for a foreigner to work in Vietnam. Various requirements and practices are not described in this guidance. Some regulations did not apply during COVID-19 period. Professional advice should be obtained on a case-by-case basis.*

All foreigners must have a passport or passport substitute papers that are valid for at least six months and a visa granted by the competent Vietnamese agencies, except for citizens of countries that have visa exemptions included in bilateral consular agreements with Vietnam, such as: ASEAN member countries and Kyrgyzstan) or unilateral agreements with Vietnam (Denmark, Finland, France, Germany, Japan, Korea [South], Italy, Norway, the Russian Federation, Sweden and the United Kingdom).

To legally enter Vietnam, foreigners must apply for a visa corresponding to the entry purpose and provide supporting documents. After the visa is granted, the foreigner is responsible for acting in accordance with the registered purpose of entry.

Foreigners entering Vietnam to work must submit the work permits or work permit exemption certificates in the visa application dossiers. Consequently, work permits or work permit exemption certificates must be obtained before the labor visa application dossiers are filed.

The validity of each visa type differs and corresponds to the supporting documents in the visa application. For example, the maximum duration of a working visa is 24 months, the maximum duration of an investor visa is 5 years, and the maximum duration of a business visa is 12 months.

The current processing time is five working days from the date of filing.



# 6.2

## Work permits

A work permit is required for a foreign national to legally work in Vietnam, except for cases of work permit exemptions. This document is granted only to a foreign national who is sponsored by an entity in Vietnam.

A foreigner who enters Vietnam

for less than 30 days to work as a manager, executive director, specialist or technician and up to 3 times a year is not required to obtain a work permit. For those who come to work in Vietnam to settle an urgent issue, complicated technical or technological issue which (i) affects or threatens to affect business operation and (ii) cannot be resolved by Vietnamese experts or any other foreign experts currently in Vietnam are also not required to obtain a work permit.

### **Procedure and standard timeline.**

The sponsoring entity in Vietnam must submit a document explaining the need to employ foreign nationals in Vietnam (known as “demand for using foreign nationals”) to the competent authority at least 30 days before recruiting or transferring the foreign nationals to work in Vietnam. Within 10 business days from receiving the

demand, the local DOLISA must respond to the sponsoring entity in writing regarding the acceptance or refusal of the demand. This letter is considered to be a pre-approval for using foreign employees in Vietnam.

This pre-approval letter is one of the compulsory documents for application dossiers for the issuance or extension of a work permit.

A work permit application must be filed with the local DOLISA at least 15 days before the expected commencement working date. The current processing time at the local labor authority is five business days.

The supporting documents in a work permit application that are issued in

foreign countries must be legalized in the country of issuance. Depending on the diplomatic relations between Vietnam and the country of issuance, the steps required to legalize the documents may vary.

A work permit can be granted with a maximum validity period of two years. A work permit can be renewed but it is only renewed once for a period of up to 2 years.

**Qualification requirements.** A foreign national who wants to work in Vietnam must meet the required qualifications for a pre-approval position. They must also be working in a management position or be a specialist or technician.

In addition to the above qualifications, foreign nationals will generally fall into one of two major categories: intra-company transfer and local hires. An intra-company transfer must have worked for their home employer for at least 12 months prior to the work permit application. The local hire must sign a local employment contract with the sponsoring entity in Vietnam. Both intra-company transfers, and local hires must submit documentation proving that they meet the necessary criteria.

**Work permit exemptions.** There are a number of work permit exemptions for example:

- ▶ A foreigner who is a contributing member or owner of a LLC with a capital contribution value of at least VND 3 billion
- ▶ A foreigner who is a member of the board of directors of a JSC with a capital contribution value of at least VND 3 billion
- ▶ A foreigner who comes to Vietnam for a period of less than three months to offer services
- ▶ A foreigner who is an intracompany transferee of corporations operating within 11 service industries listed under Vietnam's WTO commitments.

In general, to satisfy the work permit exemption, at least 10 days before the date the foreign national is supposed to begin work, the sponsoring entity must submit a work permit exemption application to the local labor authority.

The local DOLISA must issue a written certificate to the employer within five working days. A written response and explanation is provided if the work permit exemption application is rejected.

# Temporary residence card

A temporary residence card serves as a multiple-entry visa with a minimum term of one year. The maximum term of a temporary residence card is subject to the remaining term of the work permit, the work permit exemption certificate, the validity of the business license and the applicant's passport (whichever is earlier).

A temporary residence card is granted to a foreigner who has a valid work permit or work permit exemption certificate with duration of over one year and their legal spouse and children under 18 years old. Documents proving the relationship between the principal applicant and the dependents must be legalized and translated into Vietnamese for the temporary residence card application.

This card can only be granted after the applicant has entered Vietnam using a valid visa. The current processing time at the local authority is five business days from the date of the filing of the application.



# Digital Transformation and Innovation



# 1 Highlights in Vietnam's policies, orientations in digital transformation

In order to keep up with the trend of international digital transformation, in 2022, the Prime Minister issued two Decisions with the goal of developing science, technology and digital transformation. These are:

- ▶ Decision No. 569/QĐ- TTg dated 11 May 2022 on Promulgating the strategy for development of science, technology and innovation by 2030.
- ▶ Decision No. 411/QĐ-TTg dated 31 March 2022 on Approval for the national strategy for development of digital economy and digital society by 2025, orientation towards 2030.

## 2 Vietnam National Innovation Center

### 2.1 Introduction of Vietnam National Innovation Center

The Vietnam National Innovation Center (NIC) was established by the Prime Minister under the Decision No.1269/QĐ-TTg dated 2 October 2019. With two locations in Hanoi City and Hoa Lac Hi-tech Park, the function of NIC is promoting and supporting the innovation ecosystem of Vietnam, contributing to the reform of development model based on science and technology with 3 functional departments:

- ▶ **Ecosystem Development Department:** Support and develop the startup and innovation ecosystem, including the main actors: government; science and technology institutes and, academies; banks and investors; corporates; start-ups, incubators, accelerators; agencies providing legal, supporting, consulting services; intellectuals, science, and technology experts.

- ▶ **Enterprises Support Department:** Support, consult, develop innovative enterprises, individuals, and organizations' innovative programs; operate the one-stop unit of NIC, manage and exploit the office space and rental facilities of NIC; consult on innovation for enterprises, organizations and localities; connect domestic and international enterprises supporting organizations.
- ▶ **Human Resources Development Department:** Develop national innovation human resources, planning programs to train and retrain individuals and organizations on entrepreneurship, innovation; manage the NIC's scholarship fund and select recipients.

NIC should be the leading innovation center in three ways:

- ▶ Create an outstanding business environment that attracts leading global and local firms.
- ▶ Foster the creation of an eco-system startups, micro, small and medium enterprises to join value chain of global corporates and technology companies
- ▶ Act as a regulatory pilot to create conditions that can be replicated in other locations

## The preferential mechanisms and policies for NIC<sup>1</sup>

For the national innovation center model:

- ▶ Granted preferential treatment in relation to taking out state preferential loans
- ▶ Entitled to lease land for 50 years in hi-tech zones and shall be exempted from paying land rentals for the entire lease term
- ▶ Entitled to receive foreign non-government aid, grants and donations from domestic organizations and individuals to invest in facilities, operation, and management of NIC.
- ▶ Granted an exemption from import duty goods imported to acquire fixed assets for direct use in scientific research, technology development.
- ▶ Granted the most preferential corporate tax rates regulated under the current Law

For startups and innovative companies located in the NIC:

- ▶ Entitled to the NIC's support in administrative procedures in business registration, work permits, registration of industrial property rights

<sup>1</sup>According to Decree No. 94/2020/ND-CP and Decree 31/2021/ND-CP

- ▶ Granted access to NIC's facilities, working space, laboratories, testing and experimenting facilities, means or amenities.
- ▶ Entitled to receive preferential treatment in procurement procedure described in the Law on Bidding
- ▶ Entitled to raise and receive funding from research funding programs of the Government and domestic and foreign enterprises, organizations, and individuals in accordance with the law to put their ideas or concepts into practice
- ▶ Entitled access to the most attractive tax incentives prescribed in law on taxes

## Business and collaboration for enterprises operating in NIC

- ▶ Connect partners to support innovative businesses and individuals to access resources in finance, technology, high-quality human resources, consultancy, market information, etc.
- ▶ Establish operations at NIC's campuses in Hanoi and Hoa Lac Hi-tech Park to receive investment and business incentives specified specifically for the NIC in the Government's Decree No. 94/2020/ND-CP.
- ▶ Cooperate in training and increase the ability on innovation and technologies of the Industrial Revolution 4.0.
- ▶ Coordinate research and implementation of projects building and developing innovation centers in Vietnam.
- ▶ Provide non-government aids, grants and donations to invest in building facilities and supporting activities, management and operations of the NIC.

## Relevant information as stated in the outline

Vietnam is placed 48th among 132 economies in the Global Innovation Index 2022 with a performance above expectation for the level of development which was announced by the United Nations' World Intellectual Property Organization (WIPO). The GII 2022 report released on 29 September 2022 mentioned Vietnam was placed 2nd among the 36 lower-middle-income group economies, and 10th among the 17 economies in South East Asia, East Asia, and Oceania.







# Foreign exchange control

In principle, transactions in Vietnam must be dominated and undertaken in VND, except for a few permitted cases. All buying, selling, lending and other foreign currency transactions must be made through credit institutions and banks authorized by the SBV.

Foreign investors may recognize payments (including payment from overseas) for the pre-license expenses as a part of contributed investment capital. Foreign investors are allowed to repatriate profit from their investment in Vietnam after completion of all legal, tax and financial obligations to the State Budget i.e. completion of tax finalization, submission of audited financial statements, no more accumulated loss and notification to tax authority. The profit repatriation can be made annually at the end of each fiscal year or upon the termination of the subsidiary in Vietnam.



## Useful websites

1. Ministry of Planning and Investment: <http://www.mpi.gov.vn>
2. Foreign Investment Agency - Ministry of Planning and Investment: <http://fia.mpi.gov.vn>
3. Ministry of Industry and Trade: <https://moit.gov.vn>
4. Ministry of Finance: <https://mof.gov.vn>
5. State Bank of Vietnam: <https://www.sbv.gov.vn>
6. Vietnam Chamber of Commerce and Industry: <https://en.vcci.com.vn>
7. General Department of Taxation: <http://gdt.gov.vn>
8. General Department of Customs: <https://www.customs.gov.vn>
9. State Securities Commission of Vietnam: <http://www.ssc.gov.vn>
10. General Statistics Office: <https://www.gso.gov.vn>
11. WTO Center: <https://wtocenter.vn>
12. Provincial Competitiveness Index: <https://pcvietnam.vn>
13. Vietnam Business Annual Report: <https://vbis.vn>



# Foreign Investment Agency



**Foreign Investment Agency (FIA)**  
**Ministry of Planning and Investment of Vietnam**

FIA, an organization belonging to the Ministry of Planning and Investment of Vietnam, is commissioned to advise to the Minister of Planning and Investment to implement state management function related to FDI activities in Vietnam and Vietnam direct investment activities abroad.

Divisions under Foreign Investment Agency include:

- ▶ Administration Office
- ▶ Statistics and General information Division
- ▶ Foreign Investment Division
- ▶ Outward Investment Division
- ▶ Investment Promotion Division

Scan here to visit FIA website



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