Doing business in Vietnam

2020

Audit | Tax | Advisory | Business Process Solutions

Contents

Foreword

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Vietnam is a unique country providing extensive opportunities for those willing to spend time to understand the market. Although not without its challenges, Vietnam's economy continues to expand and modernise and with the opening up of previously restricted industries and sectors to meet WTO commitments and commitments under various Free Trade Agreements (FTA's), opportunities continue to develop. Growth is being further stimulated through these bi-lateral FTA's (e.g. South Korea) and others such as the EU Vietnam Free Trade Agreement and the CPTPP.

Grant Thornton Vietnam has prepared this guide to assist those interested in doing business, in Vietnam. This guide does not cover the subject exhaustively. However, it is intended to answer some of the more important questions that may arise. When specific problems occur in practice, it will often be necessary to refer to the laws and regulations, of Vietnam and to obtain the appropriate professional advice.

We hope this guide helps you in learning about and understanding business in Vietnam. Should you require professional assistance we will be only too willing to meet you, and ascertain where we can be of assistance.

NOTE:

This guide contains only brief notes and includes legislation in force as of December 2019. The information herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one is entitled to rely on this information and no one should act on such information without appropriate professional advice obtained after a thorough examination of the particular situation.

Country profile

Summary

Vietnam is a rapidly developing country with a dynamic and emerging market economy.

According to Bloomberg, Vietnam is one of the fastest growing economies in Southeast Asia. Vietnam's GDP growth rate recorded at 7.02 percent increase in 2019, mainly fueled by the construction, processing and manufacturing industries. This figure is forecasted by Asian Development Bank to slow down to the rate of 41.8% in 2020 due to the impact of COVID-19, yet still higher than other Southeast Asian countries.

The global pandemic has caused severe damage to almost every sector of the economy, mostly in tourism andhospitality, manufacturing, aviation and transportation services industry. To cope with this issue, Prime Minister Nguyen Xuan Phuc has urgently conducted meetings where all members of the Government and delegates can agree on future plans to improve the ease in doing, business, in Vietnam. Moreover, the government has also issued a number of resolutions, directives and decrees in a timely manner to help the country quickly recover the normal pace of all economic activities.

Vietnam comprises a landmass of 330,972 km2, a vast sea area including a large continental shelf, and a string of archipelagos stretching from the Gulf of Tonkin in the North to the Gulf of Thailand in the South.

Vietnam is an elongated "S" shape with a long borderline from China in the North, Laos in the West and Cambodia in the West and South West. Vietnam has a diversified topography of plains, midlands and mountains.

The capital of Vietnam is Hanoi, which lies in the north of the country. Other major cities include Ho Chi Minh City (often abbreviated to "HCMC" and also referred to as Saigon), Dong Nai, Ba Ria – Vung Tau, Binh Duong in the South; Hai Phong, Quang Ninh and Hai Duong in the North, Hue, Da Nang, Quang Nam, Quang Ngai on the Central and South East Coast.

After achieving a low record of 2.8% in 2019, inflation rate increased to 3.3% in 2020 mainly due to price hikes for food, but this level is still lower the rate of 2018 (3.5%) and predicted to be controlled below the official target of 4%.

Hanoi
Capital

330,972 km^2
Area

Vietnamese
Language

VND
Currency

+84
International dialling code

8am to 5pm
Business and Banking hour

69
Doing Business rank 2019
(by The World Bank)

7.02%
GDP growth

96.4 M
Population

Geography

Vietnam has a strategic location due to being in the middle of ASEAN, one of the most vibrant economic zones in the world and providing a favorable climate and geographical location that can promote many infrastructure systems and logistic service networks.

Vietnam has a long coastline to the East Sea, the world's most important shipping routes that is extremely advantageous for fishery and trading sectors. Moreover, Vietnam is a land of rolling green hills and a tropical narrow and fertile coastal lowland between Mekong Delta and Red River Delta that promote many forestry and agricultural activities.

Climate

Vietnam has a tropical monsoon climate with typical features including high temperature and humidity but the specific characteristics are different according to region. The Northern part of the country has all four seasons, while further to the south, there will only be two main seasons, which are the dry season and rainy season. Topographical factors differ from the North to the South of this "S" shaped country, which brings out a variety of microclimates that benefit both the agricultural diversity and the mesmerizing scenaries for tourism. Annually, the months of September to December often experience typhoons mostly in the North and Central Costal areas.

Population

Vietnam has the third largest population in South East Asia (after Indonesia and Philippines) and is ranked 15th in the world, in terms of total population, reaching 96.2 million according to the latest population survey by GSO (General Statistics Office). The rural population accounts for approximately 64.1%.

The city of Hanoi covers a large urban and rural area in the north of the country.
Ho Chi Minh City, the primary economic hub for Vietnam, had a population of more than 9 million. However, the actual population of Ho Chi Minh City (and Hanoi, to a lesser extent) is likely to be significantly higher due to unrecorded migration from rural areas. In addition, Ho Chi Minh City is also bordered by the established industrial and urban areas of Binh Duong, Dong Nai and Long An Provinces, which arguably extend the City's limits into these provinces.

Political and legal system

The Constitution in general establishes the rights of the people under the leadership of the Communist Party. The power of the people is exercised through the National Assembly, at a central level and through People's Committees, at a local level.

The National Assembly is the supreme representative and legislative body and determines domestic and foreign policies, socio-economic tasks, national defence and security issues.

The Head of State is the President, elected by the National Assembly and he represents the Nation in internal and foreign affairs. The highest executive body in Vietnam is the Government, formerly known as the Council of Ministers. It is in charge of the general management of the economy and the State. The court and prosecution system in Vietnam has a structure similar to the administrative system. At a central level, the Supreme People's Court is the highest judicial body in Vietnam. At a local level, courts exist at provincial and district levels.

The 12th National Party Congress was held in Hanoi inJanuary 2016, to select new leaders for the country. Mr Nguyen Xuan Phuc was elected as Prime Minister and Madam Nguyen Thi Kim Ngan was elected as Chairwoman of the National Assembly for a term of 5 years. Mr Nguyen Phu Trong, the incumbent General Secretary of the Communist Party was also re-elected. On 23rd October 2018, Mr Nguyen Phu Trong was elected by the National Assembly as the official President and General Secretary of the Communist Party of the Socialist Republic of Vietnam.

The Vietnamese legal system consists of a constitution, codes, laws, ordinances, decrees, decisions, circulars, directives and official letters. Although all have the force of law, only laws passed by the National Assembly are referred to as such.

Ordinances are issued by the Standing Committee of the National Assembly to regulate an area where a law is not yet promulgated or regulated. On matters the National Assembly has entrusted to the Government, the Government will issue decrees, decisions, circulars or directives to implement the issued laws or ordinances.

Decrees, decisions and circulars are normally issued by individual ministries and other State agencies, including People's Committees, with respect to subjects within their sphere of responsibility and the force of subordinate legislation.

It should be noted that while codes, laws and ordinances are referred to by name; decrees, decisions, circulars and directives are usually referred to by the number, signing date, and the name of issuer.

Language

Vietnamese is the country's official language. Foreign languages such as English, French, Russian, Chinese, Japanese and German are also used to varying degrees. English, however, is by far the most widespread foreign language and is commonly used alongside Vietnamese in legal documents relevant to foreign trade and foreign direct investment. English is also featured on the websites of many businesses (both local and foreign-owned) and Government

Education and employment level

Education

Education in Vietnam is divided into 5 levels: preschool, primary school, secondary school, high school and higher education. Most of the education facilities are public schools but in recent years, more private institutions were established from both international and domestic investors. Vietnam's current demographic is mainly made up of under 20s who will create a prominent workforce for the economy but also raise the competitiveness for higher education. Vietnamese actively seek for international education and on an average, Vietnamese students annually spend USD3-4 billion to study abroad, with the majority being self-financed [1]. The country's ranked 48th in World Bank's human capital index, the highest rating for any lower middle income country.

Employment level

At the end 2019, Vietnam had 72.45 million people over 15 years old, including 55.7 million people of working age with approximately 65.3% of them concentrated in rural areas. The number actually employed was estimated at 54.02 million, 35.3% of which were working in agriculture, forestry and fishery sectors, 29.2% working in the industrial and construction sector and 35.5% working in the services sector.

Overall the unemployment rate in 2019 was 2.05%, slightly higher than that of 2018 and lower than 2017 (2.00% and 2.21% respectively); however, the 2019 unemployment rate in urban areas slight improved to 2.93% compared to 2.95% in the previous year.

After the severe damage of COVID-19, the unemployment rate among the working age is reported to be the highest of any of the last 5 years, accounting for 2.22%. In Quarter I 2020 based on a report of the General Statistical Office, the percentage of people of above 15 joining the workforce accounted for 75.4% of the population, lower than that of 2019 (76.6%). However, higher unemployment rate with more people looking for jobs will offer a larger pool of labour for corporations seeking to conduct business in Vietnam.

55.7 M

people of working age

35.5%

of the labour force working in service sector

(1) Vietnamese annually spend USD4 billion studying abroad - Dtinews

Economy; Framework of industry; Technology

Economy

Vietnam is a developing country, that has been transitioning from the rigidities of a centrally-planned economy since 1986. Vietnam joined the World Trade Organization in January 2007, which promoted more competitive, export driven industries. Vietnam successfully finalised negotiations for the Comprehensive and Progressive Agreement for the Trans Pacific Partnership (CPTPP) trade agreement, which came into force in Vietnam on 14th January 2019, and signed a number of bilateral and multilateral free trade agreements (FTAs) with other countries, including the EU Vietnam FTA, and joined the ASEAN Economic Community (AEC).

In 12/2/020, the European Parliament (EP) finally approved

EU- Vietnam Free Trade Agreement (EVFTA) and the EU-Vietnam Investment Protection Agreement (EVIPA). After the approval of Vietnam to EVFTA in June 8, 2020, the agreement is now effective. The aim of the agreement is to expand exports between Vietnam and the EU as well as waive 99% of tariffs within seven years. It is expected that Vietnam's GDP will be increased to 4.6% with its exports to EU by 42.7% by 2025. Furthermore, this will give a boost for the economy on its road to recovery post-pandemic, especially to key export industries such as manufacturing of smartphones and electronic products, textiles, footwear and agricultural products.

For the first five months of 2020, the number of newly established businesses was 48.3 thousand and the amount of registered capital was VND 558 trillion, a decline of 10.5% in the number of enterprises and 16.7% in terms of capital, compared to the same period in 2019. In addition, 21.7 thousand enterprises resumed their operations, up 10.5% compared to the same period of last year. As of May 2020, there were 6.1 thousand firms completely closed down and 16.5 thousand firms terminating operations and waiting for dissolution procedures, this was a decrease of 14.5% and 4.8% respectively compared to the same period 2019. There are also 26 thousand enterprises who temporarily suspended operations, which is an increase of 36.4% compared to the same period last year.

Framework of industry

In recent years, the foreign invested sector was identified as an increasingly significant source of growth for the Vietnamese economy, accounting for 24.3% of the total capital invested in the first quarter of 2020. The total amount of FDI was 38.2 billion USD in 2019, increasing 7.2% compared to the same period in 2018, according to the Foreign Investment Agency.

- **Manufacturing**

The manufacturingsector was the main contributor to the country's overall economic growth in 2019. Due to Vietnam offering many benefits, mostly in terms of its low labour cost, cheap raw materials as well as improved infrastructure, the country has become an attractive manufacturing hub for many giant global companies. Moreover, the on-going trade tension with China has shifted the focus of many big investors and corporations to Southeast Asian countries, especially Vietnam due to its positive performance in containing the pandemic, its improved conditions for doing business, and it's low labour costs . China's increasing production and labour costs have been the main reason for many firms to plan on moving their production to Vietnam, with its lower cost compared to China and Mexico.

- **Real Estate**

Ho Chi Minh and Ha Noi are the top two most populated cities in the country, where the need for housing is growing at a high speed. While Ho Chi Minh has been receiving the most real estate FDI inflow for the past years, Hanoi has attracted less foreign investment in this sector. However, it is expected that Ha Noi will soon to experience an increase of new foreign investors, in the next few years with new construction projects aimed at developing smart cities. Moreover, the rapid urbanization pace and the increase in tourism are the main contributors to the increasing real estate demand in many big cities. It is reported by the Ministry of Planning and Investment that there was an increase of 235% in the share purchase and capital contribution into the real estate sector in 2019.

- **Retail and wholesales**

The rising middle class has been the main driver for the surge of the retail and wholesale industries. Vietnam's urban population will increase at the rate of 3.85% per annum for the next 30 years, higher than the average rate of the Southeast Asian region. Moreover, the country's consumer spending rate is estimated to surpass the rate of other ASEAN countries, which will substantially drive the growth of retail and wholesale sectors.

Many important sectors, in Vietnam, have been in hibernation, since the beginning of the year, due to the pandemic. Nonetheless, in order to support businesses in difficulty as well as attract foreign investors to potential sectors in Vietnam, the Government hascreated many investment incentives, mostly in form of tax breaks, import duties and land rental reduction or exemptions. There are also many other industries that are highly encouraged by the Government to invest in the country, including the production of mechanical machinery, IT and software products, the production of clean, renewable and new energy.

Technology

Vietnam's technology advancement is recognized in both size and scale. In mid-2018, Vietnam had an estimated 30,000 businesses in the ICT sector which generating $USD98.9 billion in revenue. The industry created almost 1 million jobs and earned US$83.3 billion from export [2]. Many tech giants established IT facilities in Vietnam, namely Intel, Samsung, IBM, Siemens, Sony, HP and Toshiba. The government supports the ecosystem in 4 key areas: infrastructure, talent, event and promotion and finally framework enhancement.

With a score of 8.8 points in 2019, in comparison with the world average of 36.31 points, Vietnam ranked 42nd out of 129 economies in the Global Innovation Index. The market currently has more than 68 million internet users, 65 million social media users and 145.8 million mobile connections [3]. According to Cento Ventures, in 2019, Vietnam technology startups raised a total of $246 million, mainly focused on retail and payment sectors [4]. At the moment, Vietnam is one of the first countries in the world to trial 5G, planning a commercial launch in 2021 [5]

As stated by Ministry of Labour Invalids and Social Affairs, at the end of 2019, the national poverty rate continued decreasing to 4% compared to 5.3% in 2019 and 5.35% in 2018.

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According to the Human Development Index (HDI) report announced by UNDP in 2019, Vietnam's HDI for 2019 positioned it at 118 out of 189, thanks to multiple achievements in poverty reduction, healthcare and education improvements.

With 70 percent of the population under 35, the middle class is expected grow to 40% of the population, by 2030, Vietnam lifestyle is rapidly changing [6]. The exposure to new technology services like ride-hailing, e-commerce and online payments allows Vietnamese to have more options and boost their consumption on digital platforms. Consumers are also considered to have better health awareness, with more purchases of natural-based or organic products and physical health awareness. Conscious consumerism is also on the rise thanks to accessible information on the product's source and its nutritional impact [7]. Higher income and changing life perspective encourage outbound travel and people prefer to increase their budget for recreation in general. In 2018, Vietnamese made 8.6 million trips abroad and on an average they spent from VND5 – 10 million for each trip [8].

According to the Mercer's survey of over 209 cities across five [redacted] terms of the cost of living, as compared to 124th and 137th respectively in 2018. Living in Ho Chi Minh City and Hanoi is more expensive than in Kuala Lumpur (ranked 141th) but not as expensive as in Phnom Penh and Bangkok (108th and 40th respectively).

(2) Vietnam's Future Digital Economy – Towards 2030 and 2045 – CSIRO and DATA61
(3) Digital 2020: Vietnam - Dataeportal
(4) Vietnam Tech Investment report – Cento Ventures and ESP Capital
(5) Vietnam Rushes to Adopt 5G – The Diplomat/ First 5G network broadcasts in Vietnam - Vnexpress

(6) Country's overview – World Bank
(7) Top 10 remarkable trends of Vietnamese consumers recently – Vietnam marketing association
(8) What are the most favorable outbound destinations of Vietnamese travelers? - Vietnamnet

Key trends and statistics

Overview

Vietnam ranked 67 out of 141 countries in World Economic Forums Global Competitiveness Index 2019 edition, a 10-rank improvement from 2018 (77/140). In addition, Vietnam earned 61.5 points, a slight increase over 58.1 points in 2018.

In terms of credit rating, Vietnam is rated Ba3 with a stable outlook by Moody's in 1st April 2020. Fitch also affirmed Vietnam's BB rating in April 2020 while revising the Outlook to Stable from Positive.

"Vietnam is one of only four Fitch – rated sovereigns in the Asia – Pacific (APAC) that are expect ed to post positive economic growth in 2020. Official data shows the economy expanded by 0.4 percent year-on-year in the second quarter of 2020, despite the impact of the coronavirus pandemic on tourism and export demand, in line with our full-year 2.8 percent growth projection" Fitch commented.

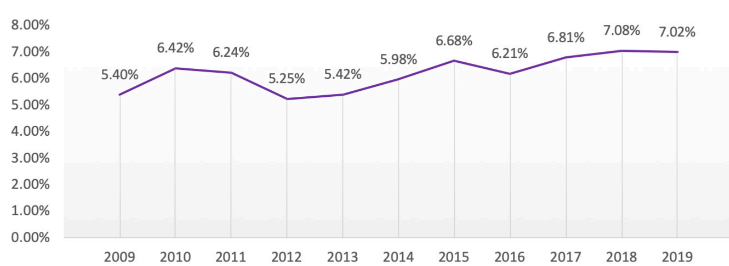
Economic Environment

GDP Growth Rate

Vietnam's GDP growth rate was 7.02% in 2019, marking the second consecutive year with growth of over 7 percent since 2011, mainly fueled by exports, foreign direct investment and the manufacturing industry. This also ranks Vietnam as one of the fastest growing economies in Southeast Asia – according to Asian Development Bank. GDP expected to decline to a maximum 4.8 percent in 2020 due to the impact of the COVID-19 pandemic but it is expected to bounce back up to 6.8 percent in 2021 according to the ADB's Asian Development Outlook 2020. Vietnam is forecast to be the one of the fastest-growing economics in Southeast Asia.

GDP Growth Rate (2009-2019)

Source: GSO and the Ministry of Planning and Investment

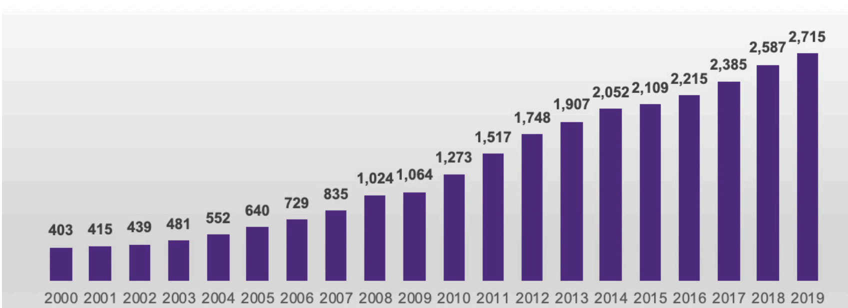


GDP per capita

GDP per capita has continued to improve steadily y-o-y since 2000. The graph below shows the average GDP per capita of USD2,715 in 2019, an increase of 5% compared to 2018. The actual GDP per capita in key cities such as Ho Chi Minh City and Hanoi are significantly higher than other regions

GDP per capita (2000-2019)

Source: Government Statistics Office (GSO)



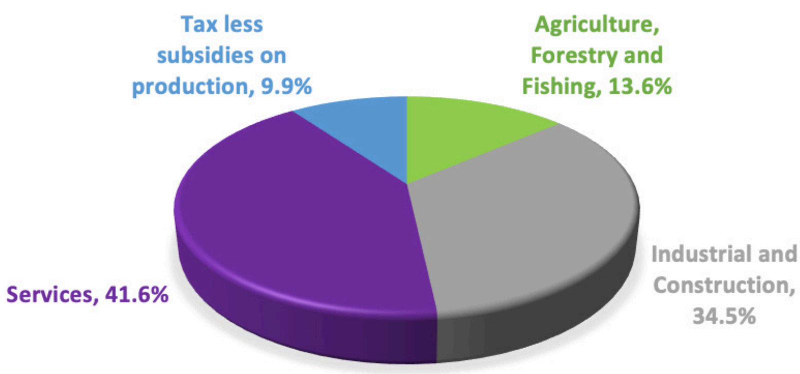
Contribution to GDP

The Service sector continued to contribute the largest portion to the economy (41.17%), followed by the Industry and Construction sector (34.28%).

The Industry and Construction sector, however, is the fastest growing sector with an increase of 8.9% in 2019 compared to the previous year.

GDP contribution by sectors

Source: Government Statistics Office (GSO)



Principal Exports

In 2019, export turnover increased by 8.1% y-o-y, reaching USD 263.45 billion.

Vietnam's Principal Exports

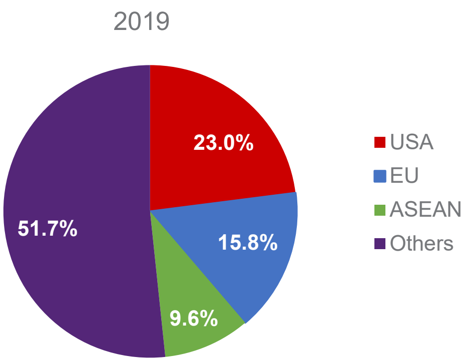
Source: Government Statistics Office (GSO)

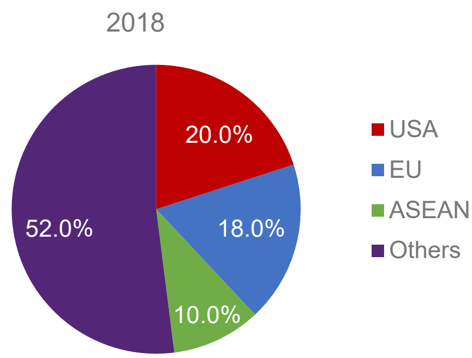
	2019		2018	
	USD Billion	%	USD Billion	%
Telephones and their parts	51.8	19.7%	49.1	20.2%
Textile, sewing products	32.6	12.4%	30.5	12.5%
Computers, Electronical products & parts	35.6	13.5%	29.3	12.0%
Other Machinery, instrument, accessory	16.5	6.3%	16.5	6.8%
Footwear	18.3	6.9%	16.2	6.7%
Wood and wooden products	10.5	4.0%	8.9	3.7%
Seafood	8.6	3.3%	8.8	3.6%
Means of transport and equipment	8.5	3.2%	8.0	3.3%

Overall, Vietnam's top export sectors remained unchanged from 2018 to 2019. Telephones and spare parts continued to contribute the largest export turnover, contributing 19.7% of total export value in 2019 and increasing by 5% y-o-y.

Vietnam's Principal Exports Market (%)

Source: Government Statistics Office (GSO)





TThe US continued to be the largest export market, accounting for 20% of total export value, followed closely by EU (19%).

Principal Imports

Total import turnover reached USD253.5 billion in 2019, an increase by 7% from 2018.

The top 7 import sectors remained unchanged, while Computers, Electronics & spare parts replaced; Machinery, Instruments and Accessories to be the largest import sector.

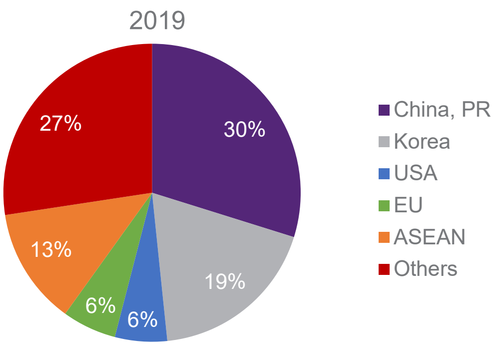
Vietnam's Principal Imports

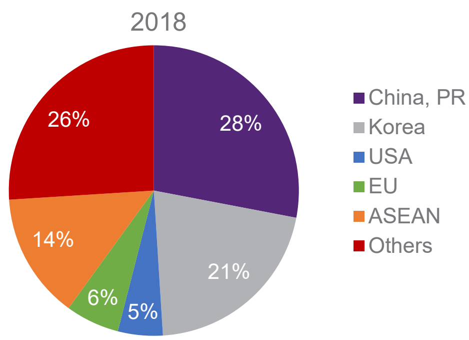
Source: Government Statistics Office (GSO)

	2019		2018	
	USD Billion	**%**	**USD Billion**	**%**
Computers, Electronical products & parts	51.5	20.3%	42.2	17.8%
Machinery, instrument, accessory	36.6	14.4%	33.7	14.2%
Telephones and their parts	14.7	5.8%	15.9	6.7%
Textile & fabrics	13.3	5.2%	12.8	5.4%
Iron, Steel	9.4	3.7%	9.9	4.2%
Plastic materials	9.0	3.6%	9.1	3.8%
Petroleum oil, refined	9.5	3.7%	7.6	3.2%
Other base metals	6.4	2.5%	7.2	3.1%
Articles of plastics	6.5	2.6%	5.9	2.5%
Auxiliary materials for textile, garment, leather, footwear	5.8	2.3%	5.7	2.4%

Vietnam's Principal Import Market (%)

Source: Government Statistics Office (GSO)





China continues to be Vietnam's largest source of imports in 2019. The Korean percentage slightly decreased. On the other hand, imports from EU and the US remained fairly stable, together they make up 10% of Vietnam's total imports.

Foreign Direct Investment (FDI)

Total registered FDI was recorded at USD38.02 billion in 2019, a y-o-y decrease of 7.2%.

Korea was the largest source of investment in 2019, with USD7.92 billion, accounting for 20.8% of total registered FDI. Followed by Hong Kong, Singapore and Japan.

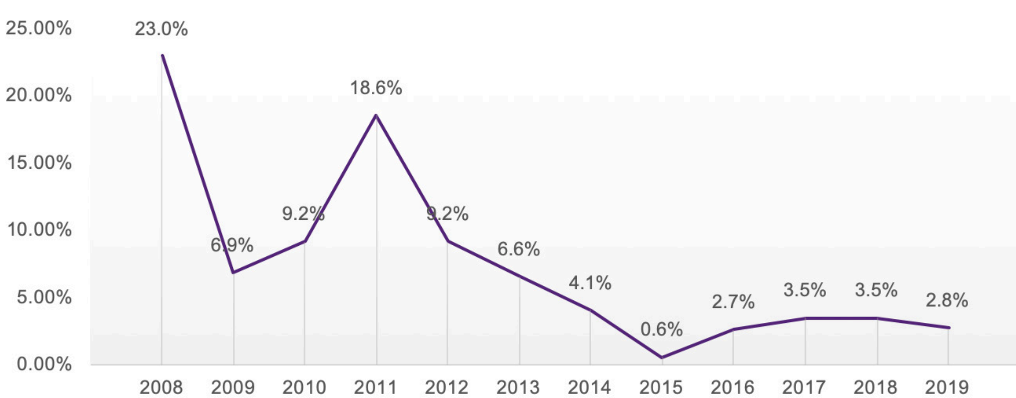
In terms of sectors, the top 4 sectors for FDI in 2019 were Processing and Production Industries (64.66%), Real Estate (10.2%) and following up were Wholesale and Retail, science and technology.

Inflation

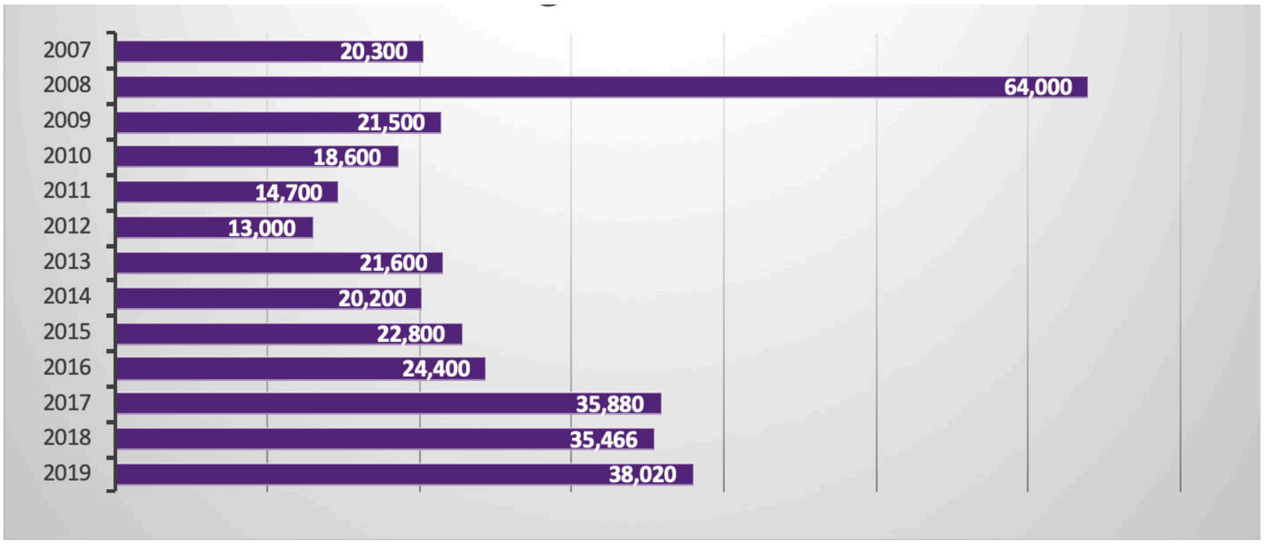
TThe inflation rate in 2019 has been reduced to 2.79% - lowest in the last 3 years. Inflation is expected to continue at a rate of under 4%, which is a stated Government policy target.

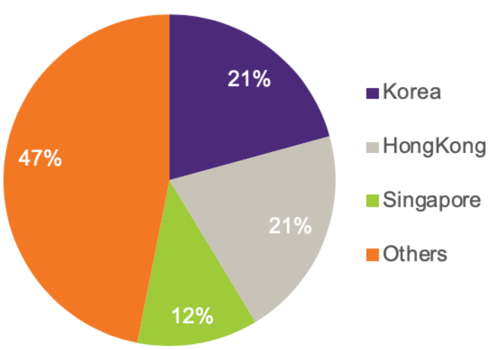
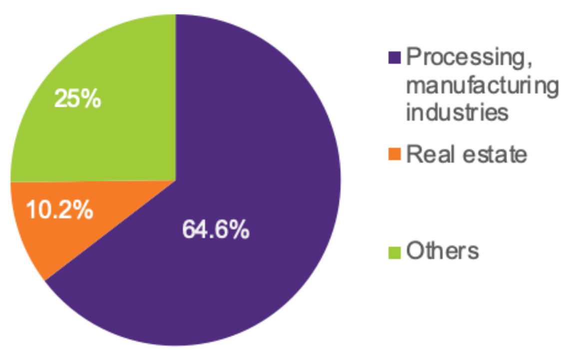
Vietnam Annual Inflation rate (2008-2019)

Source: Government Statistics Office (GSO)



Registered FDI



Registered FDI by countries and territories, USD billion (2019) *Source: Ministry of Planning and Investment*	*Registered FDI by sectors, USD billion (2019)* *Source: Ministry of Planning and Investment*
	

Opening up to Foreign Investment

FDI in 2019

Recorded all-time highs

USD 38.02 bn
New commitments, up 7.2% yoy

USD 20.38 bn
Disbursements, up 7.3% yoy

Investment in new projects ↓ 6.8% in value	Additional capital to existing projects ↓ 23.6%	Capital contribution and share repurchase ↑ 56.4%
3,883 new licensed projects with total investment of USD16.75 billion	Dropped to USD5.8 billion	Grew to USD15.47 billion

JOINED

international commercial organizations

such as WTO and AEC

SIGNED

various Free Trade Agreements (FTAs)

Since the economic reform "Doi Moi" in 1986, foreign investment has been deemed as an essential resource for development of Vietnam economy. So as to attract further capital inflows from outside investors, a good investment climate is of the utmost importance.

By April 2020

12 being effective

- CPTPP - effective in Vietnam in January 2019
- AHKFTA - effective in June 2019
- (Asean with Hongkong)
- VN EAEU FTA - effective in 2016
- (Vietnam with the Customs Union of Belarus, Kazakhstan, Russia, Amenia and Kyrgyzstan)
- VKFTA - effective in 2015
- (Vietnam Korea FTA)
- JVEPA - effective in 2009
- (Vietnam with Japan)

1 signed but not effective until August 2020

- EVFTA was signed in June 2019 but not effective until August 2020

3 being negotiated

- RCEP. Vietnam EFTA FTA, Vietnam Israel FTA
- The RCEP has completed negotiation documents.

EVFTA is expected to be one of the key drivers for economic growth, in that virtually all tariffs (with a few exceptions) imposed on imported goods from both sides would be eliminated within 10 years from the effective date. Also, it will open up the Vietnamese market to EU investments, which will encourage more foreign investment inflows into Vietnam).

CPTPP considered as a modified version of the TPP, has entered into force in the beginning of 2019. It is the third largest signed trade agreement, after the North American Free Trade Agreement and the Vietnam European Union FTA. With the absence of the United States, CPTPP is expected to still yield robust economic gains for Vietnam, although at a lower level than the original TPP. Gains from CPTPP are expected to be concentrated in a handful of industries, including: clothing, textiles, food, beverages, and tobacco.

UPDATES
Laws on Investments and Enterprises

IMPROVEMENTS
in bureaucratic procedures

These changes underline the government's efforts to further improve

- Vietnam's business environment
- The country's rankings in the Ease of Doing Business report by the World Bank and the Global Competitiveness Index 2019 (Vietnam gained 10 places in 2019)

On 17 June 2020, Vietnam's National Assembly passed the amended Law on Investment and Law on Enterprises, both of which will take effect on 1 January 2021.

- **The amended Law on Enterprises** simplifies the business registration process, redefines state-owned enterprises, and exclude household business from the scope of the current law.
- **The amended Law on Investment** provides updates on conditional business lines, investment incentives, support mechanisms while removing administrative approval for certain types of investment projects

- In 2018, Ministry Foreign and Trade and the Ministry of Construction removed 858 investment conditions.
- At the beginning of 2020, Ministry of Industry and Trade continued to simplify and remove 205 investment conditions.

However, these actions have still been considered as far below the requirements.

The General Department of Vietnam Customs is also putting efforts to reduce customs clearance time for exports and imports to 70 hours and 90 hours respectively and aimed for a further reduction to below 36 hours and 41 hours by 2020.

Business etiquette and travel

Business ettiquette

Greetings

To greet and say goodbye to Vietnamese business partners, Vietnamese shake using both of their hands with the left hand on top of the right wrist and bow slightly. Otherwise, you can bow to Vietnamese.

Business meetings

Face-to-face meetings are considered very formal, in Vietnam, and will normally be confirmed at most one week before the appointment time, if dealing with Government departments and State-Owned Enterprises. To start and open a business conversation, business cards should be handed and received to and from business partners with two hands. To clarify the person you are speaking with and show your proper respect, you should read your partners cards carefully. Do not simply glance at it and put it in your pocket or wallet immediately.

One more important thing should be noted in business meetings is being receptive to any invitations to lunch or dinner after your business meetings. Dinners or luncheons are often arranged by business partners, who will be hosting you in order to build personal relationships – one of the keys to successful business, in Vietnam.

Addressing Vietnamese

Vietnamese names are written backwards compared to Western names and generally have three or 4 parts: Surname (family name), middle name and Christian name. If it is applicable, you can add the professional title. It is normal to use the last name to address a Vietnamese i.e. their Christian name.

Business attire

In working places, Vietnamese dress conservatively in good-looking clothes. Men wear suits and women wear suits or dresses. For the time of warmer months, particularly in Southern Vietnam, jackets and suit jackets are not required unless meeting Government officials.

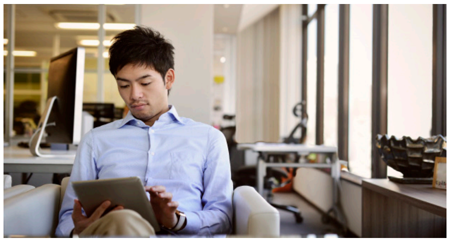
Gift giving

The Giving gifts is quite common, throughout Vietnam, and on numerous occasions during the year and in business meetings to express your appreciation, gratitude or respect to your business relations. The gift is not supposed to be costly but as an appreciation of friendship.

Public holidays

Employees who have been employed for 12 months are provided with a minimum of 12 days of paid annual leave (vacation) per year, in addition to the Public Holidays.

1 Jan	New Year's Day
Lunar new year (varies)	Tet Holidays (5 days)
10^{th} day of 3^{rd} lunar month (varies)	Hung King's Anniversary
30 Apr	Reunification Day
1 May	International Labour Day
2 Sep	National Day

Travel to Vietnam

Visas

A valid visa is required for entry into Vietnam. Legally, tourist visas are not valid for business visits, although this requirement is not strictly enforced. Vietnam has signed bilateral agreements with most ASEAN countries to exempt entry visas for ASEAN citizens visiting other ASEAN countries for a pre-determined period of time. Vietnam has also exempted citizens of The United Kingdom, Germany, France, Italy, Spain, Denmark, Finland, Sweden, Japan, South Korea, Norway, Belarus and Russia visiting Vietnam from requiring entry visas for visits of less than 15 days.

e-Visa

Foreigners nowadays can request to have an electronic visa issued by the Vietnamese Immigration Department through the online portal and application fee can also be paid via a prescribed electronic payment gateway of the Immigration Department. E-visa only allows single entry with the maximum stay length of 30 days. There covers a total of 80 countries that allow e-Visa issuing and 33 ports allow using e-Visa to enter and exit Vietnam.

Visa extensions

Nowadays, Vietnam visa extension is not difficult. Depending on your holding visa, the procedures takes you 7 to 10 days to extend a visa for 30 to 60 days at a cost of 60USD and 180USD respectively. Normally, visa extensions work smoothly in four big cities: Ho Chi Minh City, Hanoi, Danang and Hue.

Changes due to COVID-19

All types of visa granted to foreigners have been temporally suspended since March 18, 2020 and as of March 22, foreigners are suspended from entering Vietnam to minimize the possibility of spreading COVID-19. According to Prime Minister Nguyen Xuan Phuc, diplomats, experts, foreign investors and highly skilled workers are not subjected to the measure yet medical check and a 14-day quarantine are mandatory upon arrival. Although the Immigration Department have confirmed the tarnsition of the pilot e-visa project into law July 1st, 2020, international flights for foreigners to the country remained banned until further notice. Foreigners entering Vietnam on e-Visa, tourist visas or waiver programmes before March 1st that are still in the country due to travel restrictions will automatically receive visa extensions until June 30th .

Currently, the government is considering entry visa exemptions to foreign visitors from Australia, New Zealand, India and Canada and majority of European countries (such as Switzerland, Netherlands and Belgium).

In order to obtain a business visa, a business person should be sponsored by an organisation in Vietnam. The sponsorship can be by the visitor's Vietnamese business partner or the visitor's representative office or branch, a trade-support institution, a consulting firm or authorized agent. Visitors must submit visa application forms with photographs and their passports to the Vietnamese Embassy in their country for visa issuance and pay a visa stamping fee.

A one-month renewable visa will generally be issued. Multiple entry-exit visas, which are valid for three to six months may be obtained for visitors who have regular business in Vietnam. It is dependent on each case, 6-month visa could be issued to visitors such as prestige tourism agencies or investors who are making investments in Vietnam.

Visas can be pre-arranged through certain travel agents or online and collected upon arrival at Hanoi or Ho Chi Minh City airports, avoiding the need to visit a Vietnamese Embassy abroad.

Alongside implementing the e-visas system, the

Vietnamese Immigration Department has allowed for a Visa upon arrival in order to make the process of obtaining a visa easier for tourists and business travellers. This system allows the traveler to apply for an approval letter from the Vietnamese Immigration Department online. The visa will be issued upon arrival at an international airport , in Vietnam, upon having paid the relevant fee. However, Visa on arrival can be subject to delays of 30-120 minutes depending on the time of arrival, particularly in HCMC. So using the fast track option is recommended for an additional fee.

Regulatory environment

Summary

The political system of the Socialist Republic of Vietnam can be defined by a single-party socialist Republic. The system is led by the Communist Party of Vietnam.

Executive power is concentrated in the Government, formerly known as the Council of Ministers. The Government is charged with the general management of the economy and the state. The head of government is the Prime Minister.

The Head of State, also known as the President, represents the Nation in internal and foreign affairs and helps to appoint the Prime Minister and other officials with the help of the National Assembly.

Below the Central Government are People's Councils and People's Committees. People's Councils are directly elected by the people and People's Committees are elected by People's Councils. There are three levels of People's Committees and People's Councils: provincial, district and commune (or ward).

The National Assembly is the highest body of the State, exercising constitutional and legislative powers, deciding on important issues for the country, and having supreme oversight over the activities of the State. The National Assembly has power to elect, relieve from duty or remove from office the President, Chairperson of the National Assembly, and Prime Minister. It has 487 members, elected by popular vote to serve five-year terms. While the Constitution in general establishes the rights of the people under the leadership of the Communist Party, the power of the people is exercised through the National Assembly at a central level and through People's Councils at a local level. The Vietnamese judiciary is independent of the executive. The legal system consists of the Constitution, codes, laws, ordinances, decrees, decisions, circulars, directives and official letters. Although all have the force of law, only laws passed by the National Assembly are referred to as such. The Constitution is the Supreme Law of the country.

The court and prosecution system in Vietnam have a structure similar to the administrative system. At a central level, the Supreme People's Court is the highest judicial body in Vietnam. At a local level, courts exist at provincial and district levels. Legal decisions are made by the People's Courts, the People's Inspectorate, Military Tribunals and Special Tribunals.

Data Protection

Vietnam does not have a comprehensive data protection law. Instead, the provisions for data protection can be found across a number of different pieces of legislation:

- The Constitution
- The Civil Code (Law No. 91/2015/QH13)
- The Law on Protection of Consumers' Rights (Law No. 59/2010/QH12)
- The Law on E-Commerce (Law No. 51/2005/QH11)
- The Law on Information Technology (Law No. 67/2006/QH11)
- The Law on Insurance Business (Law No. 24/2000/QH10, and Amended Laws No. 61/2010/QH12, No. 42/2019/QH14)
- The Law on Credit Institutions (Law No. 47/2010/QH12) and Amended Law No. 17/2017/QH14.
- The Law on Cyber Information Security (Law No. 86/2015/QH13)
- Cybersecurity Law (Law No. 24/2018/QH14)

The provisions under the above data protection laws apply to all individuals, companies and State Bodies. While there is no official definition, personal data is generally defined as information which is adequate to accurately identify the identity of a data subject, covering at least one of the following types of information: full name, date of birth, profession, title, contact address, e-mail address, telephone number, ID number and passport number.

The key data protection provisions for people or entities who hold or process personal data are as follows:

- A data subject's right to privacy shall be respected and protected by law
- The collection and publication of personal information must only occur with the consent of the data subject, unless this is being undertaken as part of obligations stipulated by law
- Any form of electronic information of a data subject must be protected and kept confidential; the control of this communication may only take place in circumstances stipulated by law and subject to a decision issued by an authorised State body

- Anyone collecting, processing and using the personal data of a data subject in a network environment must obtain consent from the data subject, unless otherwise stipulated by law
- The data subject must be notified of the form, scope, place and purpose of the collection, processing and use of his or her personal data
- The data must only be stored and used for a certain period, either as stipulated by law or per the agreement between the two parties
- The data collector must take the necessary measures to ensure that the personal data is not lost, stolen, disclosed, modified or destroyed
- Necessary measures must be taken to update or amend personal data if it is inaccurate
- Data can only be transferred to a third party where the data subject provides his consent.

There is no official body in Vietnam regulating the use of personal data. Accordingly, there is no notification or registration scheme for the collection, processing or disclosure of personal data. There is also no legal requirement to appoint a data protection officer.

Any person or business that fails to uphold necessary measures to ensure the safety of personal information may be liable to an administrative fine of between VND 10 million and VND 30 million (USD430-USD1,290).

Exchange Controls

The management of foreign exchange for both local and foreign invested enterprises and foreign parties to business contracts is regulated by the State Bank of Vietnam ("SBV").

Foreign invested enterprises and parties to Business Cooperation Contracts ("BCCs") must open bank accounts in Vietnam Dong, and/or foreign currencies, with banks permitted to operate in Vietnam. Where necessary, Vietnamese enterprises with foreign-owned capital may open accounts with banks abroad with the approval of the SBV.

Furthermore, foreign invested enterprises and parties to BCCs are able to buy foreign currencies from commercial banks to cover permitted transactions. Although they have the right to cover, there is no guarantee that their foreign currency demands can be met, except for infrastructure development and other "critically important" projects. However in practice there has only been one brief period in the last 30 years when US$ were in short supply but other currencies like the Euro were still freely available.

Foreign invested enterprises and parties to BCCs are required to open a "capital account", which is a bank account for all transactions involving capital remittance, foreign loans, profits and other legitimate types of income from foreign investment. In addition to this account, other operating VND and/or foreign currency accounts can be opened. Specific cases and conditions for Vietnamese companies opening bank accounts in a foreign country also apply.

All foreign loans (except for short-term loan of less than one year) must be approved and registered with the SBV. All foreign loan transactions that a foreign invested firm undertakes must be conducted via the capital account. The conversion of currencies into USD or VND for various financial transactions is implemented with reference to the rate set by the SBV, at the time of transfer.

Residents receiving foreign currency income from goods and services exported, or other non-resident sources in foreign countries, must transfer such income to foreign currency accounts opened with authorised credit establishments in Vietnam. This should be done in accordance with payment time-limits of contracts or payment vouchers.

Organisations receiving foreign currency from remittances must transfer such currency to foreign currency accounts opened with authorised banks or sell it to authorised banks.

Foreign investors are permitted to repatriate dividends, income legally earned in Vietnam and any remaining invested capital upon the liquidation of an investment project to abroad. This transfer must be conducted via the company's capital account.

Money Laundering Regulations

Vietnam issued the Law on Anti Money Laundering No. 07/2012/QH13 which was effective from 01 January 2013.

Vietnamese legislation requires individuals/organisations to report transactions over a certain threshold and suspicious transactions to Anti Money Laundering Department (AMLD). In addition:

- Jewelery sellers must ascertain the identity of, and report, transactions of VND300 million (USD13,000) or more
- Securities brokers, dealers and real estate vendors have to ascertain all transactions regardless of the amount of the transaction
- Banks will have to ascertain the identity of businesses and individuals undertaking transactions equal to or greater than VND300 million (equivalent to USD13,000) per day if these individuals or businesses have not undertaken any other transactions in six months
- Casinos will have to ascertain the identity of persons

gambling when the bets or the wins are equal to or exceed VND60 million (equivalent to USD2,580) per day

- Non-profit entities (charity organisations, humanitarian organisations) will have to ascertain and provide the names, addresses of organisations/individuals who make donations/sponsors, how the funds were used

- All reporting entities must undertake anti money laundering risk assessments in respect of their business and implement compliance plans to mitigate those risks.

Failure to comply with the above provisions may result in a number of administrative sanctions. A monetary fine of VND30 million to VND50 million (equivalent to USD 1,290 -USD2,150) can be imposed for failure to report suspicious transactions. A monetary fine of VND100 million to VND150 million (equivalent to USD4,299 –USD6,449) is applied for failure in reporting the transactions related to the parties named in the authorities black list. A fine and a prison term of between one and fifteen years may be imposed for involvement in money laundering activities, alongside a ban on holding certain professional positions for one to five years.

Intellectual Property Rights

Vietnam recognises the importance of protecting intellectual property rights (IPR), which include patents, trademarks and service marks, copyright and industrial designs. With the implementation of 13 Free Trade Agreements ("FTAs") provisions regarding IPR, Vietnam has made a commitment to protecting intellectual property. The FTA's property rights chapter was modelled on the WTO Agreement on Trade-Related aspects of Intellectual Property Rights ("TRIPs").

The National Office of Intellectual Property (NOIP) is the authority responsible for the registration of intellectual property. Foreign organisations and individuals who seek to register their intellectual ownership should file their applications through an authorised agent, who will transfer their applications to the NOIP.

The Copyright Office of Vietnam under the Ministry of Culture, Sports and Tourism is responsible for the protection of copyrights.

Copyright

Copyright can protect: literary work, dramatic works, musical works, artistic works, layouts and typographical arrangements, recordings and broadcasts. Copyright works, receive statutory protection automatically once they are placed in the public domain.

Protection granted

Copyright is granted to eligible work automatically irrespective of registration. However, registration of this copyright is recommended. The author or owner of a copyright can directly, or authorise another person, to submit an application for the registration of a copyright to the Copyright Office of Vietnam of the Ministry of Culture, Sports and Tourism.

The owner is granted moral and economics rights over his work, including the right to apply technological measures to prevent infringements of his rights.

Infringements

In the case of infringements, whereby a person reproduces, distributes, displays or performs the protected work, the owner can take the following actions:

- request that a person terminates the infringement, correcting any false information and providing appropriate compensation
- request the competent state authority to apply administrative, civil or criminal sanctions.

Duration

The length of protection is indefinite for the moral rights of authors to give titles to their works, attach their names to their works and have their real names acknowledged when the work is published.

However, the right of publication with regard to cinematographic works, photographic works, applied art works and anonymous works is only protected for 75 years from the date of first publication.

For all other works, rights are protected for the life of the author plus 50 years.

Patents

Patents protect inventions which can be applied in an industrial environment. For a patent to be granted, the invention must be new, have an inventive step which is not obvious to someone with experience in the subject and capable of being used in some kind of industry.

Protection granted

A patent gives its owner the ability to take legal action to stop others from:

- the making of a product or the use of a process which is the subject-matter of the patent
- selling anything incorporating the subject-matter of the patent
- including third parties into any of the above, without the inventor's permission.

Patents must be registered with the NOIP of Vietnam. The rights are then protected by registration.

Infringements

Infringing a patent means manufacturing, using, selling or importing patented products or processes without the owners' permission.

In case of infringement, the owner of a patent can request that the person terminates any infringement or request the state authority to apply administrative, civil or criminal sanctions.

Duration

20 years

Trademarks

A trade mark must be a sign capable of distinguishing goods and services of one undertaking from those of another undertaking. Those signs can be: words, personal names, designs, letters, numeral slogans, sounds, smells, signs and distinctive colours.

Protection granted

The owner can obtain protection in Vietnam by registering the trademark at the NOIP, unless it is a famous trade mark which is protected on the basis of actual use in the marketplace.

Registration provides the owner with exclusive use over the trade mark.

Infringements

Some examples of infringement of a trademarks are:

- using an identical or similar trade mark for identical or similar goods and services to a registered trade mark creating a likelihood of confusion on the part of the public
- where a mark has a reputation, infringement may arise from the use of the same or a similar mark which damages or takes unfair advantage of the registered mark
- In the case of infringement, the owner of a patent can request that the person terminates any infringement or request the state authority to apply administrative, civil or criminal sanctions.

Duration

10 years, can be renewed for consecutive periods of 10 years.

Designs

An industrial design, the external appearance of a product embodied in three dimension configurations, lines, colours or a combination of the aforementioned elements, can be protected if it is new, of a creative nature and can be applied in industry.

Protection granted

Registering a design gives the owner a property right over the design. Holding design rights provides the owner with the exclusive right to use it and to prevent any third party using it without consent.

The filing must be made with the NOIP.

Infringements

Design rights are infringed by an unauthorised person making an article exactly or substantially similar to the protected design or by making a design document for the purpose of making unauthorised copies.

Duration

5 years, then can be renewed twice and 5 year per each renewal.

Establishing a business in Vietnam

The two important legal documents that govern business establishment in Vietnam are the Law on Investment and the Law on Enterprises.

In 2005, the National Assembly issued the Law on Investment and Law on Enterprises. In 2014, some significant adjustments were made to the two Laws, the new versions of which came into effect on 1 July 2015. During 2018, there were some discussions to amend the Laws but not yet officially approved.

The Law on Investment introduces a common regime for investment by both domestic and foreign investors, and includes a single law governing both domestic and foreign investment, covering both direct and indirect sources.

Together, the Law on Investment and the Law on Enterprises have changed Vietnam's business environment and opened more opportunities with more transparent and simplified procedures for new enterprises establishing in Vietnam.

Licensing Procedures for Incorporation

A foreign entity may establish its presence in Vietnam as a limited liability company with one or more members, a joint-stock company, a partnership, a branch, a business cooperation contract or a representative office. The following incorporation certificates will be granted to the foreign invested enterprise:

Investment Registration Certificate

For projects located outside industrial zones, export processing zones, high-tech zones and economic zones: The Investment Registration Certificate (IRC) is obtained by filing an application with the Provincial Department of Planning and Investment.

For the projects located inside industrial zones, export processing zones, high-tech zones and economic zones: The Provincial Industrial Zone Management Authority or Economic Zone Management Authority will be authorised to issue the IRC for newly-established businesses.

The granted IRC will be issued after 15 days from receipt of complete application dossers.

Business Registration Certificate

The Provincial Department of Planning and Investment is the authorised agency to grant the Business Registration Certificate (BRC).

The granted BRC will take up to 3 days after receipt of complete application dossers.

Post-registration procedures

After being granted the IRC and BRC, in order to officially operate, the enterprise also needs to finalize the following procedures:

- After receiving a business code number (which is also a tax code number), the enterprise needs to carry out tax registration procedures at the Tax Office to declare and pay tax according to the notice of the provincial / municipal Tax Department.
- Enterprises, branches and representative offices should contact the concerned agencies and police offices to carry out procedures for seal creation and registration.
- For conditional business lines: After being granted a BRC, the enterprise shall contact the specialized management agency for guidance.
- Within 30 days from the date of establishment or registration of changes in the business registration contents, the enterprise must post the contents of the enterprise registration on the National Business Registration Information Portal.

Business entities

The Law on Enterprises (LoE) was adopted by Vietnam's National Assembly on 26 November 2014 and took effect on 1 July 2015. The National Assembly passed the amendment of LoE on 17 June 2020, which will be effective from 01 January 2021. The Laws provide four types of legal forms of corporation for business entities, comprising:

- Limited liability company (LLC)
- Joint-stock company (JSC)
- Sole proprietorship
- Partnership

A foreign entity may establish its presence in Vietnam as a limited liability company with one or more members, a joint-stock company, a partnership, a branch, a business cooperation contract or a representative office.

Foreign investors are also permitted to purchase an interest in existing domestic enterprises, subject to ownership restrictions; this varies depending on the relevant industry sector.

Establishing a company

Foreign investors who wish to establish an entity in Vietnam for conducting their investment in the country must have an investment project. An investment project is a collection of proposals declaring how the firm plans to spend its medium and long-term capital to carry out its investment activities in a specified area and for a specified duration of time. Documents must also be supplied, attesting to the legal status of the investor, report on the financial capacity, and proposal for investment preferential treatment. An Investment Registration Certificate ("IRC") will be issued within 15 days from the receipt of a complete dossier of documents for a common investment project. Upon the issuance of the IRC, the investor must apply for the Business Registration Certificate ("BRC") to complete the incorporation process and put the investment project into implementation. These processes may take longer if the authorities require extra documentation. In some cases, an IRC may not be granted, as it is at the discretion of the authorities.

Following establishment, a number of other formalities must be carried out, including:

- Announcing the establishment information on the National Business Registration Portal
- Carving and notifying the Company seal(s) with the licensing authority
- Opening bank accounts
- Registering salary scale with the labour office • Registering to join the social insurance with social insurance department
- Registering and paying Business License Tax to the competent tax authorities
- Submitting the proposed accounting system to the competent tax authorities

Capital requirement

Typically, there are no maximum or minimum capital requirements for a company. However, in some sectors a company must be able to meet certain capital threshold requirements before it is permitted to start business,

e.g. a minimum capital requirement of VND3,000 billion (equivalent to USD129 million) is required for a commercial bank.

Company Charter

The Company Charter is one of the documents that governs the incorporation and operation of the Company. The Company Charter determines the competence, duties and obligations conferred on the board of directors and its shareholders/owners.

A Company charter should include:

- the company name, head-office, branches and representative offices
- a list of business activities the firm undertakes
- the charter capital and any methods of raising or reducing the charter capital
- name, address, nationality and other basic identification of company owner
- rights and obligations of the owner/ investor
- management structure
- legal representative of the company
- formality for the adoption of decisions
- dispute resolution methods
- method for calculating salary, allowance and bonuses of chairman, directors or general director
- principles for the distribution of profits and settlement of losses
- procedures for dissolution or liquidation.
- Providing the constitution does not contravene legal obligations, the document will be binding between the company and owners.

Legal representative

A Joint-stock company or Limited liability company is allowed to have more than one legal representative and only one of them is required to reside in Vietnam.

Seal of the company

Enterprise is entitled to decide form, quantity, and contents of its seal.

Filing requirements

Every company established in Vietnam must comply with the Vietnamese Accounting Standards and System regulated by the Ministry of Finance.

Companies are obliged to submit financial statements within 30 days for sole proprietorship and partnerships and within 90 days for other type of enterprises from fiscal yearend.

Audited financial statements by third parties are mandatory requirements for foreign invested companies, public companies, securities firms, credit institutions, financial institutions, insurance enterprises/brokers.

Limited Liability Companies

There are two types of limited liability company: (i) One Member Limited Liability companies, and (ii) Limited Liability companies with two or more members. Neither form can be listed.

Limited liability companies are not entitled to issue shares and the total members in a limited liability company cannot exceed 50.

A limited liability company cannot issue shares. In addition to cash, capital contributions can be made in the form of gold, the value of land use rights, intellectual property rights, technology, technical know-how and other assets.

Limited liability companies can reduce their charter capital in accordance with the laws.

Management structure

The management structure of a limited liability company will depend on the number of the authorized representatives of the Company to create the mechanism of Chairman or members' council.

In the case of a "Chairman mechanism mode", the management structure will consist of one authorised representative appointed by the owner and the general director.

In the case of "members' council mechanism mode", the management structure comprises the members' council, the chairman of the members' council and the general director. The general director is appointed or hired by members' council to manage the daily business operations of the company. The chairman of the Members' council, who is also elected by members, can be concurrently the company's General Director.

For a company whose total members exceed 11, a Supervisory Board must be established to supervise the management and direction of the company handled by a board of directors and the General Director.

Joint-Stock Companies

A joint stock company ("JSC") is a company whose charter capital is divided into shares, held by three or more organisations or individuals. It is a recognised legal entity and the only company type under Vietnamese law that can issue shares. Its shareholders are responsible for its debts and liabilities up to the amount of their contributed capital. A JSC can issue securities and be listed on the Securities Exchange. A JSC may either be 100 per cent foreign owned or domestically owned, or may take the form of a joint venture between foreign and domestic investors.

A JSC is established by its founding shareholders based upon their subscription for shares in the company. It is required to have at least 3 shareholders, with no maximum stipulated by law.

The founding shareholders of a JSC must subscribe at least 20%of the total shares that the JSC is authorised to offer for sale. Shareholders can be Vietnamese or foreign nationals. A JSC must issue ordinary shares and may issue preference shares and/or issue bonds. Types of preference shares include:

- Voting preference shares: only held by government authorised organisations and founding shareholders
- Dividend preference shares
- Redeemable preference shares
- Other types of preference share, subject to the company's charter.

Shareholders are permitted to convert preference shares into ordinary shares, but not permitted to convert ordinary shares into preference shares.

The company's shares are allowed to be freely transferred among shareholders, except for voting preference shares.

Management structure

he management structure of a JSC comprises the general meeting of shareholders, the board of management, the general director and the board of supervisors (where the company has more than 11 individual shareholders and shareholders being organizations hold more than 50% of total shares).

The Board of Management should consist of at least 3 members but no more than 11. Its members are elected by the General Shareholder Meeting for terms of up to 5 years. The Board of Management has authority to make decisions, exercise the company's rights and perform the company's obligations on behalf of the company.

Partnerships

Partnerships can be established in Vietnam providing there are at least two individuals who are members of the partnership and co-owners of the business. These individuals will be general partners and have unlimited liability for all obligations of the partnership. The partnership may also have limited liability partners, who can be individuals or organisations, who only contribute a part of the capital and have limited liability and rights up to the value of their contribution.

Typically partnerships are not widely used for foreign investment in Vietnam.

Branches and Representative Offices

In accordance with Commercial Law, foreign investors can set up a resident Representative Office ("RO") or a Branch in Vietnam; however, these are restricted to certain sectors. The following regulations are in place regarding ROs and Branches:

- all foreign businesses, which have been in operation for more than a year will be allowed to open RO in Vietnam;
- foreign businesses shall only be entitled to set up a branch in Vietnam with the condition that the business has been in operation for at least five years;
- licenses for ROs and branches will be valid for five years but may be extended or re-issued upon expiry;
- branches shall be entitled to do business in accordance with the branch license;
- ROs shall only conduct market research and commercial promotion activities as prescribed by laws;
- branches are required to report annually to the Ministry of Industry and Trade, on the operational and financial position of the business;
- ROs are required to submit annual reports to the provincial Department of Industry and Trade.

Business Cooperation Contracts (BCC'S)

A business cooperation contract is a contractual relationship signed between multiple parties, generally a foreign investor and a local company. This does not form a legal entity but permits the partners to engage in business activities on the basis of mutual allocation of responsibilities and the sharing of profits and losses. This form of business has traditionally been used in industries where LLCs and JSCs are restricted. This form of business is a means of private financing without transferring management control to a foreign partner.

Public and Private Partnership Contracts

Public and Private Partnerships ("PPP") contracts are contractual arrangements entered into by the government with the private sector for infrastructure projects and public services. These are typically used for transportation, electricity production, water supply, drainage and waste treatment projects. It includes Build-Operate-Transfer (BOT), Build-Transfer (BT) And Build-Transfer-Operate (BTO) Contracts. The difference between these contracts is the point in time that the project is transferred to the government.

Finance

Capital markets

The Vietnam securities markets are monitored and regulated by the State Securities Commission. There are two centralised securities markets, the Ho Chi Minh City Stock Exchange (HOSE) and the Hanoi Stock Exchange (HNX).

The market for unlisted public companies, UPCOM which was established in June 2009, aims to narrow transactions on the free market, improve information and transparency of companies and reduce risks for investors.

Even though Vietnam Stock market experienced a decrease of 14.1% in compared with end of 2019 when VN-Index reached 825.11 points on 30 June 2020, this is still a significant improvement with the 25.2% increase from the record low of 659.21 points on 24 March 2020, when the market was affected heavily by the Covid 19 pandemic.

Total market capitalisation dropped 11.2% to USD167.14 billion, accounting for 64.5% of GDP in the first half of 2020. The bond market reached USD51.5 billion, increasing by 0.8% in compared to the end of 2019 (accounting for 19.7% GDP).

The P/E ratio of Vietnam's securities market was around 12.93 as at the mid of 2020.

On November 2019, the Securities Law was amended to suite the actual development in the scale of Vietnam's stock market. Procedures and conditions related to Initial Public Offering (IPO) have been the main focus of the amended law.

To be able to file for an IPO, a charter capital of VND30 billion (USD2 million) is required, a rise from former requirement of VND10 billion (USD500,000). Major shareholders must retain their ownership of 20 percent of the charter capital for one year after the IPO. Public companies are also subject to stricter requirements in auditing, information disclosure and management.

With new regulations to enhance transparency in the investing environment, especially for foreign investors,

Vietnam hopes to make the stock market's size equal to the country's GDP in 2020. Larger market capitalisation would help Vietnam move from frontier market to an emerging market status, according to Financial Times Stock Exchange (FTSE)'s ranking.

All securities transactions in Vietnam must be conducted in Vietnamese Dong. In order to sell and buy securities of listed enterprises, foreign investors must trade through a special Vietnam Dong indirect investment account opened at an authorized bank in Vietnam and must have a trading number.

Banking system

Vietnam's banking system was divided into a two-tier structure in 1988, when the State Bank of Vietnam (SBV) assumed the regulatory and supervisory roles for the banking sector, with commercial activities shifting to credit institutions.

The SBV acts as both the Central Bank and as a Government Agency of the Socialist Republic of Vietnam.

Operating under the tight direction of the Government, the SBV is subject to the Government's or the Prime Minister's approval for key areas of operation.

Since dividing into a two-level system, the Vietnam banking system has expanded rapidly. Vietnam's credit institutions comprise state-owned commercial banks (SOCBs), joint-stock commercial banks, joint-venture banks, 100% foreign-owned banks, branches of foreign banks, credit cooperatives, finance leasing companies and finance companies.

Four SOCBs dominate the domestic banking sector, the Bank for Foreign Trade of Vietnam (Vietcombank), the Vietnam Joint Stock Commercial Bank for Industry and Trade (Vietinbank), the Bank for Investment and Development of Vietnam (BIDV), and the Vietnam Bank for Agriculture and Rural Development (Agribank). The SOCBs currently account for around 47.2% of total banking system assets; however, the domination of these banks has been on a significant downward trend due to the strong growth of private banks and foreign banks.

In 2020, the Vietnam banking system recorded a good performance as all large banks reported substantial growth in profits earned. Profitability of Vietnam commercial banks reached the ASEAN average level. The banking system average ROA increased from 0.56% in 2011 to 1.39% in June 2020. Similarly, average ROE rose from 6% to 17.5%.

As reported by State Bank of Vietnam, the total assets of credit institutions in Vietnam in March 2020 decreased by 0.71% YoY. Credit growth in the first 4 months of 2020 was estimated at 1.41 percent compared with the beginning of the year. However, priority was given to credit for manufacturing, processing, trade and services, which increased 3.47 percent. Credit for the agricultural and rural sector grew only 0.8%, while credit for risky areas was strictly controlled. The banking sector's dealing with non-performing loans has been largely successful, helping reduce the non-performing loan ratio to 1.63% from 2.46% in 2016. However, in 2019, IPO activities of commercial banks experienced a gloomy year with no new deals despite the fact that Vietnam was a dynamic market for IPO in 2018. This is mostly due to the unpredictable shock of the market, forcing companies find other alternatives for financing purposes.

On 28 November 2018, Vietcombank (VCB) and Vietnam International Joint Stock Commercial Bank (VIB) became the two first Vietnamese banks which were approved by the SBV to apply Basel II standards. By 26 December 2019, anther 16 banks were also approved to implement Basel II standard. Besides these banks, other banks have announced their roadmaps for upgrading their ratios to meet Basel II standards. They are increasing capital, improving the risk management systems, information infrastructure and databases.

Over the last decade, foreign banks have expanded their presence in Vietnam. There are 50 foreign bank branches; two joint-venture banks, and nine 100% foreign-owned banks in the country as of 30 June 2020.

Current legislation states that the total foreign shareholding in local Vietnamese banks is not to exceed 30 percent. Within this limit, the maximum shareholding permitted to a foreign bank as a strategic partner is 20 percent, while a non- strategic investor can own 15 percent. Individual investors may hold no more than 5% of the shares. These regulations have reduced the attractiveness of Vietnam banking system investment to foreign investors.

Legal treatment

Under the current regulations, credit institutions are permitted to provide a wide range of products and services from traditional banking to fund management or securities services. In practice, due to licensing restrictions, the nontraditional banking services are generally provided by banks through separate legal entities.

In accordance with Vietnam's commitments to the WTO, the government has committed to providing a level playing field for both domestic and foreign credit institutions.

Foreign investor banking services

Generally, all foreign investors are required to open a bank account to conduct business in Vietnam. Foreign investors are permitted to open accounts in Vietnamese Dong and some other foreign currencies. Foreign invested enterprises should note the requirement to open a capital account for all capital and dividend transactions.

Insurance industry

Vietnam's liberalisation policy in the early 1990s opened the insurance industry up to foreign investment. Previously, the market was dominated by state-owned enterprises. Foreign invested enterprises can now operate insurance businesses as 100 percent foreign-owned enterprises, joint ventures with local partners, branches or representative offices. If an investor chooses a 100 percent foreign owned or joint venue form, they must set these up as limited liability companies.

According to Ministry of Finance, 2019 was the 6th year the insurance industry achieved an annual growth rate above 20%. In 2019, total revenue of the insurance industry reached approximately USD6.93 billion, an increase of 20.5% compared to the amount of 2018. Major growth was seen in life insurance. Nevertheless, the country has one of the world's lowest life insurance penetration levels at lower than 1.4 per cent of GDP. The average insurance premium in Vietnam stands at US$30, much lower than the global average of $595 and Southeast Asia's average of $74. By 30 June 2020, Vietnam had 64 insurance companies, including 31 non-life insurers, 18 life insurers, two Bancassurance companies and 14 insurance brokerage companies. In 2019, the Insurance Association of Vietnam set the target insurance revenue growth rate of 20% for the insurance industry: 35% increase in life insurance segment and 10% increase in non-life insurance segment.

The insurance market is highly regulated in Vietnam. Insurance companies are supervised by the Insurance

Supervisory Authority, a subordinate body within the

Ministry of Finance, under a number of laws, including the Law on Insurance Business of 2000 and its amendment in 2010.

Investment Management

There are various types of investment management organizations in Vietnam: securities companies, fund management companies, securities investment funds, and branches of foreign investment firms. While securities companies and securities investment funds focus virtually totally on the stock market, fund management firms and foreign invested enterprises diversify their business into numerous fields such as: securities, real estate, or investing in private companies.

According to The State Securities Commission, there are currently 105 securities companies, 48 fund management companies, 25 branches of foreign invested enterprises, and 31 securities investment funds that are in operation in Vietnam.

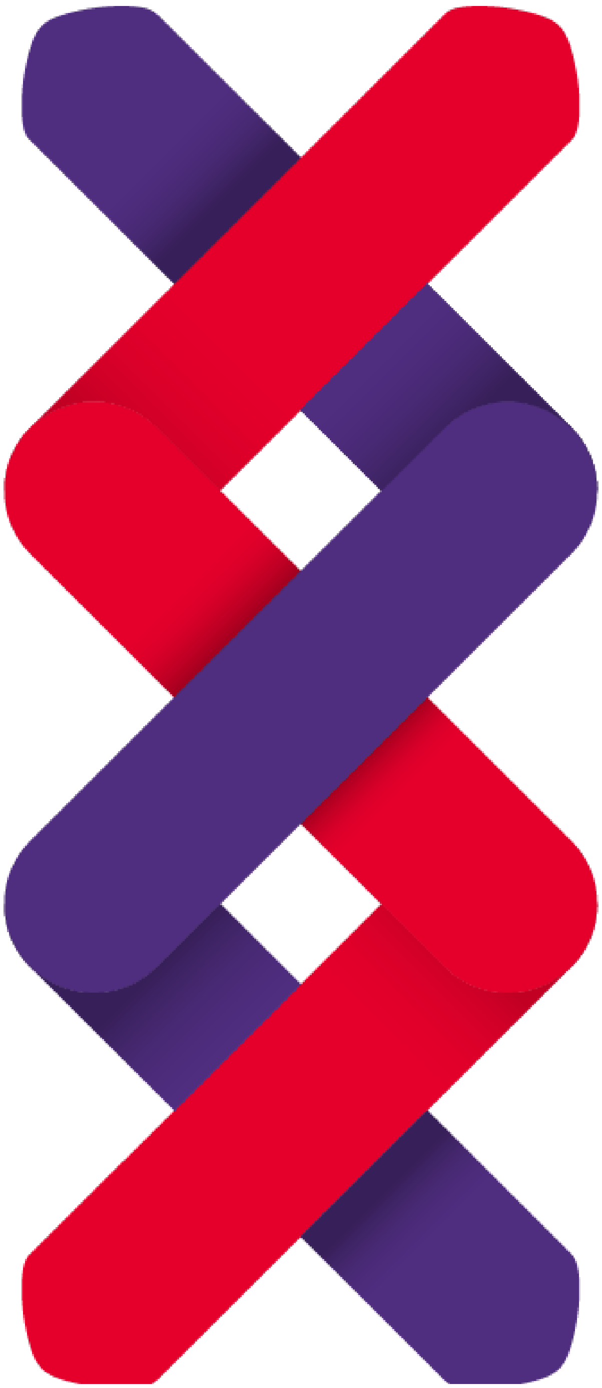
Due to the severe impact of Covid 19 pandemic, the investment management industry experienced a difficult period. In the first quarter of 2020, all open-end stock and balanced funds in Vietnam recorded negative growth rates. On the other hand, open-end bond funds had a better performance when 10/11 funds reported positive growth. For instance, TCBF and BVBF had growth rate of 2.0% and 5.1%, respectively.

Private Equity (PE) funds were quite active in Vietnam in 2019. Vietnam was among the Top 3 attractive markets in ASEAN in the last 2 years, with total value of USD1.9 billion (excluding real estate and infrastructure).

As the number of wealthy individuals in Vietnam is on the rise thanks to the rapid economic growth, a large number of local banks have started to tap into the wealth management and priority banking segments, which has been better served by foreign banks and branches of foreign banks, in Vietnam.

The wealth management industry is regulated by The State Securities Commission, which supervises the securities market, provides licenses to market participants and regulates the market's activities. The State Bank of Vietnam also has a role in regulating banks' wealth management products.

Labour



Laws governing employment and industrial relations largely stem from provisions set out under Constitution 1992 and 2013. However, the current Labour Code, enacted in 2012, provides the framework of regulations regarding the employment relationship. Alongside the Code, there are specific implementing decrees to help guide organisations to comply with the provisions of the current Labour Code, for example, the decrees on labour contracts, on labour disputes, and salary.

The Labour Code 2012 covers a diverse range of labour related issues, including recruitment, employment contracts, working hours, labour discipline, and labour dispute resolution, which is applicable to employees and employers, across both foreign and resident organizations.

On 20 November 2019 the National Assembly issued the new Labour Code – No, 45/2019/QH14 which is effective from 1 January 2021. Compared with the Labour Code 2012, the Labour Code 2019 adjusts some points related to labour contracts, probation periods, retirement age, overtime, public holiday, fully paid personal leave, etc.

Employment Contracts

In Vietnam, employment relationships are governed by the contractual agreement entered into between employer and employee. Contracts may take one of the following forms:

- Indefinite-term labour contract.
- Definite-term labour contract - the duration of which is defined by the two parties as a period of 12 to 36 months.
- A temporary labour contract for a specific project or seasonal work - the duration of which is less than 12 months.

A definite-term labour contract can only be renewed twice; following that, the employer must sign an indefinite-term labour contract. In case the employer does not wish to renew the labour contract with the employee, the employer must inform the employee of the termination at least 15 days before the expiry date of the labour contract.

Contracts must comply with a prescribed form published by the Ministry of Labour, War Invalids and Social Affairs (MOLISA). The labour contract must have principal contents: name and address of the employer; full name, date of birth, gender, residential address, ID number of the employee; job and work place; term of the labour contract; wage, form of wage payment; deadline for wage payment; regimes for promotion and wage raise, working time; social insurance and health insurance; training. The Labour Code allows an employer to require an employee whose work is related to business or technological secrets to enter into a separate agreement on confidentiality and nondisclosure of those secrets. The confidentiality agreement may contain a clause on financial penalties, in case of breach of contract.

The Labour Code prohibits employers from keeping employees' original identification cards, diplomas and certificates and requesting employees to make deposits in cash or property as security for the performance of the labour contracts, when signing and performing labour contracts.

A contract must be signed by the legal representative of the employer or an authorised person before the employment begins.

Minimum regional wages

According to Decree No. 157/2018/ND-CP which is According to Decree No. 90/2019/ND-CP which is effective from 1 January 2020, the Prime Minister approved an increase in Vietnam's minimum monthly wages from VND150,000 to VND240,000, dependent on the region.

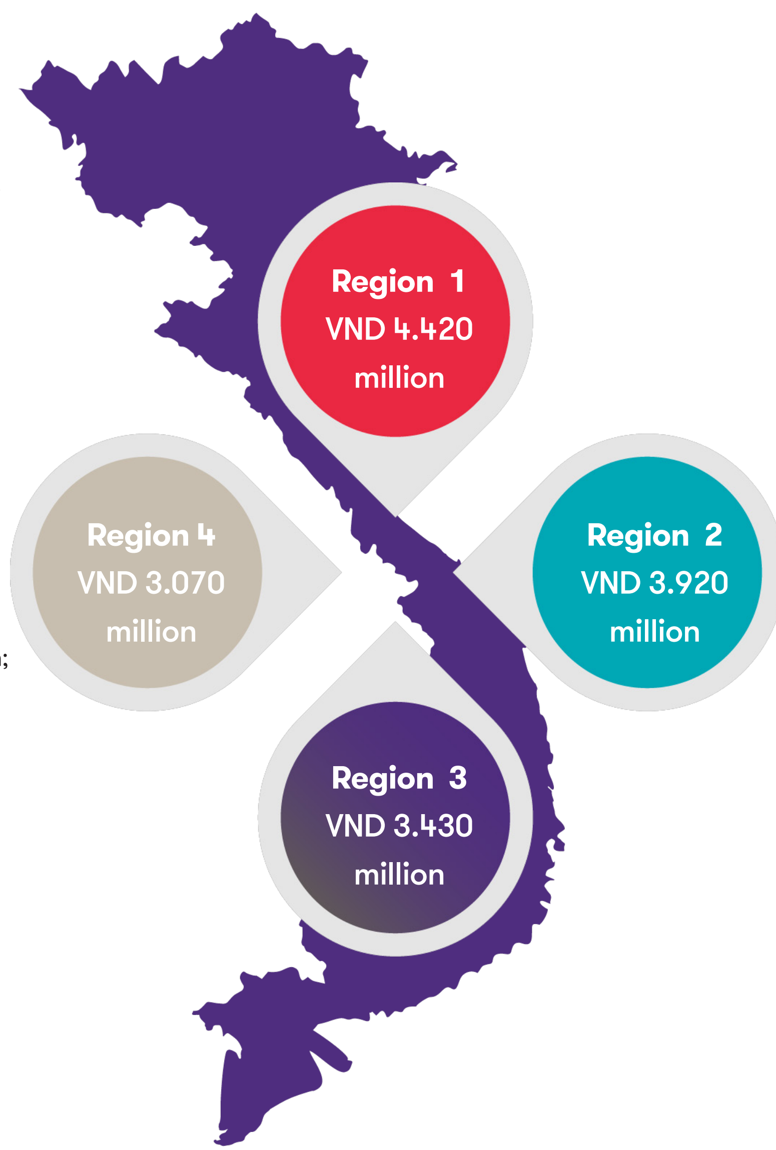
The whole country of Vietnam is divided into 4 regions as the Appendix of this Decree. The minimum regional wages are as follows:

- For enterprises located in region I: VND 4,420,000/ month;
- For enterprises located in region II: VND 3,920,000/ month;
- For enterprises located in region III: VND 3,430,000/ month;
- For enterprises located in region IV: VND 3,070,000/ month.

The above are the regional minimum wage rates which are the lowest rates used as the basis for any arrangement between enterprises and employees on salary and salary payment, in which the wage rate to be paid to employees who work under normal working conditions, meet monthly working hour standards, and fully discharge their obligations for predetermined labor productivity norms or agreed worked duties, but these rates must be:

a) Equal or higher than regional minimum wage rates paid to unskilled employees who perform simple tasks;

b) At least 7% higher than the regional minimum wage rates paid to skilled/trained employees.



Normal working hours, overtime and leave

Normal working hours

Under the Vietnamese Labour Code, normal working hours should not exceed 8 hours per day or 48 hours per week. This may be extended through an agreement between the employer and employee but the normal working time cannot exceed 10 hours per day, or 48 hours per week.

Overtime

Employers can request the employees to work overtime with the condition that the employer obtains the employee's consent. The employer must ensure that the number of overtime working hours does not exceed 50% of the normal working hours per day; (in case of applying regulations on weekly work, the total of normal working hours and overtime working hours must not exceed 12 hours per day); must not exceed 30 hours per month and the total of overtime working hours must not exceed 200 hours per year, except some special cases as stipulated by the Government in which overtime working hours must not exceed 300 hours per year.

Employees who work overtime are entitled to additional wages. Wages for overtime work on normal days is at least equal to 150% of his/her current wage unit. Wages for overtime work on weekends is at least equal to 200% of his/ her current wage unit and for public holidays and paid leave days, the overtime wage is at least equal to 300% of his/her current wage unit. Furthermore, an employee who works at night will be paid an additional amount of at least 30% of the normal salary.

Leave

According to Article 155, Labour code 2012, women who are over seven months pregnant performing heavy works, or have a child of less than one year in age, are granted an extra hour off a day and are not permitted to work overtime.

According to Article 163, Labour code 2012, the working time of minor employees aged from 15 years to under 18 years must not exceed 8 hours per day and 40 hours per week. They may work overtime and at night in some occupations and jobs stipulated by the Ministry of Labor, War Invalids and Social Affairs. Employees are entitled to at least one rest day per week.

Employees who have been employed for 12 months are provided with a minimum of 12 days of paid annual leave (vacation) per year, alongside the 10 days of public holiday each year. Employees who work in dangerous jobs or those that reside in areas with harsh living conditions may be entitled to up to two to four extra days off. Furthermore, workers are generally entitled to an extra day of holiday for each five years of service with a company. Employees are entitled to sick leave, although this is not paid for by the employer. The Social Insurance Fund covers sick-leave allowances for employees and also for female employees taking care of their sick children. The maximum time granted per year for sick leave is 60 days (in most industries and professions and depending on the period that they paid social insurance premiums), and 15 days to 20 days permitted for taking care of sick children (depending on the age of their children). The allowance granted in lieu of salary is equal to 75 per cent of the salary.

Social security

Vietnam's compulsory social, health & unemployment insurance ("SIHIUI") regime covers sickness, maternity, work-related accidents, unemployment, retirement and survivorship allowance. The employers and Vietnamese employees are required to contribute compulsory social insurance, health insurance and unemployment insurance on a monthly basis to the social insurance fund.

The SIHIUI contribution is computed on the factors of salary and mandatory rate.

The mandatory contribution rate by employee and employer are as following.

	Social insurance	Health insurance	Unemployment insurance	Total
Employee	8%	1.5%	1%	10.5%
Employer	17.5%	3%	1%	21.5%
Total	25.5%	4.5%	2%	32%

Since 1 January 2018 onwards, it is compulsorily required to contribute the SI for the employees with labour contracts of 01-month term and above, contribute the HIUI for the employees with labour contracts of 03-month term and above.

According to Decree No. 38/2019/ND-CP, effective from 1 July 2019, which regulates the statutory pay rate for public officials, public employees, working employees and workers, the common minimum salary was increased to VND1,490,000 per month. Resolution No.86/2019/QH14 dated November 12, 2019, regulates that from July 1, 2020, the common minimum salary will be increased from VND1,490,000/month to VVND1,600,000/month. However, due to Covid-19 pandemic having already had a significant impact on businesses and social activities, the Government proposed postponing the basic salary increase this year.

With the effect of the changes in the said Decree, the maximum wages base to determine Social Insurance ("SI"), Health Insurance ("HI") and Unemployment Insurance ("UI") contribution are as follows:

- The salary base to determine SI and HI contribution shall not exceed 20 times of the common minimum salary, which from 1 July 2019 is VND29,800,000 per month (i.e. the common minimum wages of VND1,490,000 x 20 times); and

- The salary base to determine UI contribution shall not exceed 20 times of the regional minimum wages, from 1 January 2020 is VND88,400,000 per month for employees working in Ho Chi Minh City (i.e. the regional minimum wages VND4,420,000 x 20 times).

Retirement benefits are provided under the compulsory social insurance regime.

Currently, monthly pensions are provided from the Social Insurance Fund where an individual has contributed social insurance for more than 20 years and when they reach 60 years of age for men, or 55 years of age for women.

However, the conditions regarding retirement age will be adjusted by the Labour code 2019, effective from 1 January 2021. Whereby, retirement ages of employees in normal working conditions shall be gradually increased to 62 for males by 2028 and 60 for females in 2035.

From 2021, the retirement ages of employees in normal working conditions shall be 60 years 03 months for males and 55 years 04 months for females, and shall increase by 03 months for males and 04 months for females after every year.

A deduction of up to VND3,000,000 per month is permitted for contributions to supplementary pension schemes. Though still in its infancy, it is expected that a greater number of providers will offer supplementary schemes. With these schemes, the employees will have a better support in and the means to save for retirement diversify the sources of their pensions and will provide employers with a means to retain key employees (ref to: Circular 25/2018/TT-BTC on guidelines Decree 146/2017/ND-CP).

Regarding to Decree 143/2018/ND-CP, effective from 1 December 2018, employees who are foreigners working in Vietnam shall be required to participate in the compulsory SI program if they obtain work permits, practicing certificates, practicing licenses issued in Vietnam, AND have indefinite-term employment contracts or definite-term employment contracts which is valid for at least one year with employers in Vietnam. Social insurance contribution rate by employee and employer for foreigners working in Vietnam as follows:

	Social Insurance	Effective date
Employee	8% of monthly pay to the retirement and death benefit fund.	01-Jan-22
Employer	3% of the above mentioned of salary paid into the sickness and parental insurance benefit fund;	01-Dec-18
	0.5% of salary paid into the occupational accident and disease benefit fund;	01-Dec-18
	14% of salary into the retirement and death insurance benefit fund	01-Jan-22

Healthcare and benefits

Health care

Basic health care is covered by the Social Insurance Fund. However, private schemes are becoming more popular especially schemes from Insurance companies.

Health insurance benefits of employees

In the National Assembly's Resolution No.86/2019/QH14 of November 12,2019, on the 2020 state budget estimate, from July 1, 2020, the base salary will be increased from VND1,490,000/month to VND1,600,000/month. Accordingly, some benefits of health insurance for employees will be adjusted accordingly.

Specifically, the level of entitlement to health insurance is specified in Claude 1, Article 14 of the Government's Decree No.146/2018/ND-CP dated October 17, 2018 detailing and guiding measures to implement some article of the Law on health Insurance as follows:

The participants of health insurance are entitled to 100% of the medical examination and treatment expenses of the health insurance when they have participated in health insurance for 5 consecutive years or more and have the same sum of money paid for medical examination and treatment with the health insurance in the year greater than 6 months of basic salary, except for case of self-examination and treatment not at the right level.

However, due to the difficulties affected by the Covid-19 pandemic, in report No.237/BC-CP issued in May 19, 2020, the Government proposed postpone basic salary increase this year. The official decision will be approved by the National Assembly accordingly.

Workers' compensation

Labour accident and occupational disease regimes

According to Law on occupational safety and hygiene No. 84/2015/QH13, Article 38, employees are entitled to be covered under the labour accident regime and will be covered for a lump-sum allowance and monthly allowance by the Social Insurance Fund based on the working capacity decrease .

An employee with occupational accidents and disease not due to the fault of the employee and reduced working capacity from 5% or more shall be compensated by the employer at the following rates:

a) At least equal to 1.5 month' salary under the labor contract if the employee is reduced from 5.0% to 10% of his working capacity and then every 1.0% increase, an addition of 0.4 months of salary under the labor contract if reduced working capacity from 11% to 80%;

b) At least 30 months' salary under labor contract for an employee who suffers reduced working capacity from 81% or more or for the death of the employee from occupational accidents.

Where due to the fault of the employee, he also receives an allowance of an amount at least equal to 40% of the rate prescribed above.

Probation

Employers and employees may agree on a probationary period. This must not exceed 60 days for work that requires special or highly technical skills and 30 days for all other work. A probationary employee must not be paid less than 85% (per cent) of the normal wage for that job.

Type of contract	Advance Notice Required (days)
Indefinite term contract	45
Definite term contract	30
Seasonal contracts	3

Dismissal

The current Labour Code protects the employee. In general, both employer and employee may unilaterally terminate a labour contract in certain circumstances specified in the Labour Code; these include failure of employees to carry out their tasks, breach of discipline or serious injury of illness. Termination may also occur due to financial problems or the advent of technology rendering the employee's job obsolete. Termination must be made in writing.

In some cases, the employer is required to discuss the termination and reach an agreement with the executive committee of the trade union. Where the employer or employee is terminating a contract, advance notice must be given. This is calculated considering the period for which the worker has been employed.

Protection from termination

While Vietnam has not yet developed a set of laws and regulations to deal with employment discrimination issues, labour law prescribes the prohibition of discrimination based on sex, race, social class, beliefs or religion.

Therefore, no employee can be dismissed based upon these factors. Furthermore, the labour code specifically provides that no female employee can be dismissed because she is getting married, pregnant, taking maternity leave or nursing a child.

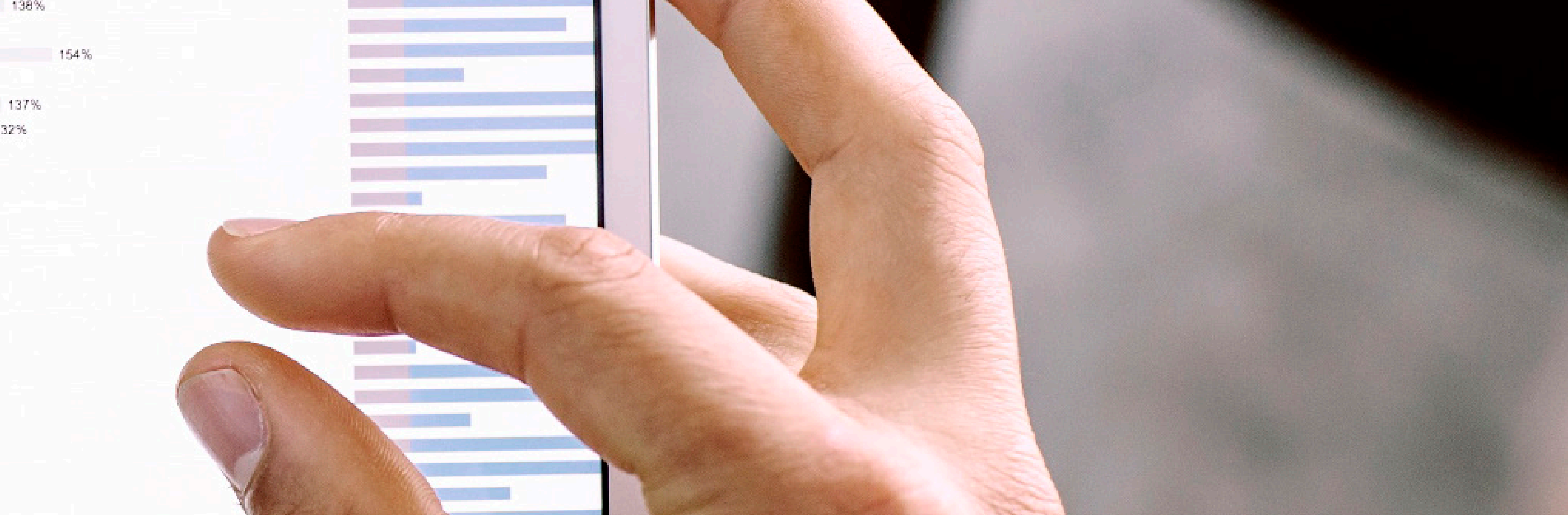
Collective redundancies

Employers are restricted in the situations that they are permitted to make mass redundancies. For example, natural disasters, fire or other major force majeur events, as set out by the government. If the employer intends to undergo mass redundancy, they must consult with the trade union and appropriate state authority. They must also provide severance payments, where applicable.

Severance redundancy payments

The employer shall give redundancy pay to employees regularly working for 12 months or more but losing their jobs due to technological, structural change or economic reasons or a merger, amalgamation, split or separation of enterprise or cooperatives. The redundancy pay will be one month's salary for each year of employment, with a minimum of least two months' salary.

Where a labour contract is terminated, the State Unemployment Agency will pay the severance allowance for the period employees participated in unemployment insurance, and the employer is responsible for paying severance allowance for any period not covered by unemployment insurance for employees who have worked on a regular basis for a period of at least 12 months. Each year of work will have an entitlement of half a month's salary. The qualification period of work as the basis for calculation of severance allowance shall be the total period during which the employee actually worked for the employer minus (i) the period over which the employee participated in the unemployment insurance as prescribed by law, (ii) probation period and internship period (ref to: Decree 148/2018/ND-CP), and (iii) the period which severance allowance/redundancy allowance has been paid.



Previously under the provisions of the Law on Social Insurance 2006, if an enterprise employed fewer than 10 employees, it was not required to pay unemployment insurance. However, starting from 1 January 2015 , the effective date of the 2013 Employment law, according to Clause 3, Article 43 of this Law, employers must participate in unemployment insurance for employees who have labor contracts of 3 months or more regardless of the number of employees.

Employment of resident and non-resident employees

The Vietnamese Labour Code states that foreign companies, branches and representative offices must provide Vietnamese citizens with priority of employment opportunity.

Any Vietnamese citizens who wish to be employed by foreign companies must satisfy the following criteria:

- are over 18 years old (with exceptions)
- have fulfilled their legal obligations
- have not been charged with any criminal activity
- are not officials, employees of mass organisations or armed forces personnel
- are retired officials, public servants or discharged armed forces personnel, who have obtained consent from their former employers.

Where employment positions require specialist skills or senior management responsibilities that Vietnamese residents cannot fill, organisations are authorised to recruit foreigners to fill that position. However, the employer must have a plan or program of training to enable a Vietnamese national to take over the job and replace the foreigner at a point in the future. For most positions, foreign employees must provide original copies of relevant educational qualifications in order to obtain a work permit.

Foreigners who work in Vietnam are required to obtain a work permit or to obtain confirmation from the local labour department that he/she is exempted from a work permit. Work permits are issued for the same duration as the term of the labour contract; a work permit can be issued for a maximum of 24 months and is allowed to be renewed with the same duration.

All foreigners are required to apply for a work permit, except for the following cases:

- They are a member of a limited liability company with more than two members;
- They are the owner a limited liability one-member company
- They are a member of the management board of a joint-stock company
- They are in Vietnam to offer and sell services
- They are in Vietnam to deal with emergency cases that are likely to affect business activities that Vietnamese experts cannot deal with
- They are a foreign lawyer who has been issued a license to practice law in Vietnam
- Foreigners' internal movement in the enterprises operating in 11 service sectors specified in Vietnam's commitment schedule to WTO are not subject to work permits. (11 service sectors are listed in Annex I under Decree 35/2016/TT-BCT issued on 28 Dec 2016 which is effective from 10th February 2017).

Trade Unions

All companies, with either Vietnamese or foreign owned capital, must permit their employees to join a trade union. Disputes between employers and employees should be resolved through negotiations. If a resolution is not reached then the Ministry of Labour, War Invalids and Social Affairs or Labour Tribunal may be asked to intervene to settle the dispute.

Companies are required to contribute 2% of total salary

Financial reporting and audit

The accounting and auditing profession, in Vietnam, has improved dramatically in recent years. This is a result of the introduction of and continuing improvement of the accounting and auditing standards. Additionally, professional bodies have been established, the number of qualified accountants and auditors has increased as well as further development of relevant laws and regulations.

Vietnamese Accounting Standards and System

Accounting Standards

There are currently 26 Vietnamese Accounting Standards ("VAS") which were issued from 2001 to 2005. All standards were adopted from and primarily based on the International Accounting Standards ("IAS") and International Financial

Reporting Standards as promulgated by the International Accounting Standards Board ("IASB") prevailing at the time of issuance. Key differences between (International Financial Reporting Standards ("IFRS") and VAS include terminology, applied valuation methods or disclosure requirements due to the continuing changes and amendments to IFRS.

On 16 March 2020, MOF issued the Decision 345/QD-BTC to approve "Approving scheme for application of "IFRS", in Vietnam". Specific objectives applied to financial reporting standards in Vietnam consist of 2 contents below:

• Develop measures and routes, publicise and provide assistance regarding the application of IFRS in Vietnam for each to enhance transparency and trustworthiness of the financial statements and raise accountability of the enterprises. Accordingly, public listed entities and foreign-invested entities are encouraged voluntarily to apply IFRS from 2022. From 2025, all public listed entities are required to fully apply IFRS, fothers are encouraged to apply IFRS.

• Issue guidelines and organise implementation of Vietnamese Financial Reporting Standards ("VFRS") following the principles of acknowledging international practices to the maximum satisfactory to characteristics of Vietnamese economy and enterprise demand while ensuring feasibility during implementation. Accordingly, the Ministry of Finance of Vietnam ("MOF") would conduct research, develop and issue documents providing guidelines for VFRS and replacing current documents before 15 November 15 2024 and require fullapplication of VFRS from 2025.

Accounting System

All companies in Vietnam are required to adopt the Circular

No 200/2014/TT-BTC dated 22 December 2014 ("Circular 200") issued by the MOF, and other prevailing Vietnamese decisions and circulars. Circular 200 provides guidance on Vietnamese Accounting Systems ("VAS") and the application of and adoption of accounting standards to all types of enterprises in Vietnam.

On 26 August 2016, the MOF issued Circular No 133/2016/TT-BTC ("Circular 133") which provides guidance on VAS for Small and Medium-sized Enterprises ("SMEs"). The Circular 133 took effect for fiscal years commencing on or after 1 January 2017. Circular 133 replaces the contents applied to SMEs in both the Decision No 48/2006/QD-BTC ("Decision 48") dated 14 September 2006 and the Circular No 138/2011/TT-BTC ("Circular 138") dated 4 October 2011 as issued by the MOF. SMEs are authorised to proactively design and construct their accounting system in line with SMEs' respective industries, management and decision-making purposes. SMEs can decide to apply the accounting system under Circular 200 and relevant amendments, supplements or replacements of regulations, but are required to notify the Tax Authorities, as well as to consistently apply this accounting system during the fiscal year.

On 28 December 2018, the MOF issued the Circular No 132/2018/TT-BTC ("Circular 132") which provides guidance on VAS for microenterprises.   Circular 132 took effect for fiscal years commencing on or after 1 April 2019. Accordingly, a microenterprise shall not be required to appoint a chief accountant, if available, it is entitled to engage chief accountant services. In addition, a microenterprise paying corporate income tax ("CIT") based on the CIT-to-sales ratio (%) is not bound to prepare and submit a financial statement to the tax authority. A microenterprise, at their discretion, may choose accounting regulations under either the Circular 132 or Circular 133 on accounting regulations for SME's.

All securities companies in Vietnam are required to adopt the Circular No 210/2014/TT-BTC ("Circular 210"), issued by the MOF on 30 December 2014, providing guidance on accounting systems applicable to securities companies. Circular 210 provides a number of amendments related to the chart of accounts, accounting methods, forms of accounting books and methods of preparation and presentation of financial statements applicable to securities companies established and operating under the provisions of the Vietnamese Securities Law. Circular 210 is applied for securities companies' financial year starting from 1 January 2016 onwards.

Accounting records and financial statements

The Vietnamese Law on Accounting stipulates that the accounting records and financial statements of all enterprises, established in Vietnam, should be prepared in accordance with the following fundamental requirements:

Accounting records

•• Framework: Vietnamese Accounting System;

• Language: Vietnamese;

• Currency: Vietnamese Dong ("VND") (*);

• The entity can use electronic documents as accounting

records, but must print and file those electronic papers in hardcopy;

• Records retention: five (5) years for accounting documents; ten (10) years for accounting data, accounting books and permanently for documents that are significant in term of economics, national security and defence.

(*) Foreign-invested entities are allowed to select and use another currency in recording transactions and maintaining their accounting records, provided that they can clearly demonstrate that the receipts and disbursements are mainly denominated in such other currency. However, for statutory reporting, entities using another currency, as the functional currency, must convert their financial statements prepared under such other currencies into VND under certain prescribed regulations.

Financial statements

• Framework: VAS

• Financial year: An accounting period is generally 12 months in duration. Enterprises must select the fiscal year end, which 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). A notice to the local tax authority is required to be submitted if an enterprise selects a quarter date other than December (**); • Language: Vietnamese;

• Reporting currency: VND (***);

• Approval: The financial statements must be approved by the Chief Accountant and the Legal Representative.

(**) For newly incorporated enterprise, the first accounting period must not be more than 15 months after the enterprise's date of incorporation.

(***) If an enterprise selects a foreign currency to be used as functional currency in recognising transactions, maintaining its accounting records and preparing its financial statements, its financial statements are required to be translated into VND for statutory reporting purposes.

The MOF also issued the Circular 202/2014/TT-BTC dated 22 December 2014 to guide, amend and supplement the methods of how to prepare and present consolidated financial statements.

Auditing standards

There are 47 Vietnamese Standards on Auditing ("VSA"), which were issued by the MOF. Of these, 37 standards were issued in 2013 and 10 standards were issued in 2015. The VSA were essentially adopted from International Standards of Auditing ("ISA"). All audit activities and practices of audit firms and auditors are required to be in accordance which VSA and the Law on Independent Audit, which was released on 29 March 2011 and took effect on 1 January 2012.

Audit requirements

Under the Law on Independent Audit, annual financial statements of foreign invested entities and public interest entities (i.e. listed entities, banks, insurance companies, securities companies and financial institutions), and any other entities involved in special situations such as mergers and acquisitions, changes in ownership, termination and bankruptcy must be audited by an audit firm, legally operating in Vietnam.

Under the prevailing regulations certain entities such as banks, non-banking credit institutions, and branches of foreign banks have to rotate or replace their audit firm by another audit firm after five consecutive years. There is no similar requirement for rotation of audit firms and auditors for other business entities. However, the Law on Independent Audit mandates that signing auditors (licensed auditors signing the auditor's report along with the legal representative of the audit firm) have to be rotated or replaced after three consecutive years.

Foreign invested entities are required to have their annual financial statements audited. Those entities must appoint an audit firm from the list of practicing auditors and audit firms qualified to provide audit services as approved and published by the MOF annually. There were 193 audit firms in the list of firms who are approved and authorised by the MOF in 2020.

Public interest entities are required to submit "reviewed" semi-annual financial statements and "audited" annual financial statements. Such review and audit should be carried out by auditors and audit firms qualified to provide such services to Public Interest Entities ("PIE") as approved by the State Securities Committee ("SSC"). The list of approved auditors and audit firms is reviewed and published annually on the websites of the MOF, the State Securities Commission of Vietnam ("SSC") and Vietnamese Association of Certified Public Accountants ("VACPA").

Currently, there are 37 audit firms in that list which includes Grant Thornton Vietnam.

Audit contracts should be signed with the independent auditors no later than 30 days before the end of the entity's financial year in accordance with the Decree 105/2004/ ND- CP dated 30 March 2004 and the Law on Independent Auditing with effect from 1 January 2012.

Filing/publication requirements

Foreign invested entities are required to submit statutory audited financial statements to the applicable licensing body, Department of Finance in province and city under the jurisdiction of the central government where such enterprise's head office is located, and the local tax authority and department of statistics within 90 days from their reporting date. For enterprises located in an Export Processing Zone or Industrial Zone, financial statements will be filed with Export Processing Zone or Industrial Zone Management Board, as required.

Public interest entities are required to submit and publish their half-year reviewed financial statements and year-end audited financial statements within 45 days and 90 days,respectively, from the balance sheet date.

Tax System

The tax system of Vietnam has undergone crucial reforms since Doi Moi in 1986.

In particular, since Vietnam obtained membership of international organizations e.g. ASEAN (1995) and WTO (2007), tax policy and tax reform have become more aligned with international rules and practices, and at the same time tax collection and administration processes have been improved. In 2007, the Law on Tax Administration was first implemented. The Law provides rules on tax administration, management of information, tax collection and enforcement, and has provided guidance in areas previously open to wide interpretation. Later in 2007, the National Assembly also passed the first Law on Personal Income Tax, covering taxation of all income of individuals in Vietnam for the first time. This Law introduced the concept of personal and family deductions in determining taxable income of individuals.

In 2008, three major tax laws were amended: Corporate Income Tax, Value Added Tax and Special Sales Tax. All of these laws were implemented in 2009 and were further amended in 2014-2015 with various changes for implementation in 2014 and 2015 onwards.

Tax administration is controlled by the General Department of Taxation, which operates under the Ministry of Finance. Tax affairs may also be handled by local provincial Tax Departments.

Foreign investors are likely to be subject to the following common taxes:

- Corporate Income Tax
- Value Added Tax
- Personal Income Tax
- Foreign Contractor tax
- Others (e.g. Special Sales Tax, Import and Export Duties, Natural Resources Tax, Environmental Protection Tax, Property Tax, etc.).

Tax relief measures in response to COVID-19

Covid-19 pandemic has already had a significant impact on businesses and social activities. The Vietnam government issued Decree 41/2020/ND-CP dated 08 Apr 2020 and Resolution 116/2020/QH14 dated 19 Jun 2020 for further tax measures supporting enterprises/individuals on responding to the implications of Covid-19. Of which, tax payers could enjoy tax relief as following:

Tax

- 30% CIT reduction – total revenue in 2020 not exceeding VND200billion
- Payment extension for 5 months:
+ CIT finalization FY2019;
+ Provisional CIT for Q1 and Q2 of 2020;
+ VAT – monthly payment: March, April, May, June 2020; Quarterly: Q1, Q2 of 2020
- Exemption of Business Registration Tax for newly established enterprises in 2020
- PIT and VAT payments for business individuals extended until 31 December 2020

Land Rental Fee

- Extension for 5 months from 31 May 2020

Corporate Income Tax ("CIT")

Scope

Organizations conducting business and earning taxable income in Vietnam, which do not benefit from tax exemptions, are subject to CIT, comprising: • Enterprises established pursuant to the laws of Vietnam

• Foreign enterprises earning income in Vietnam, with or without a resident establishment in Vietnam

• Enterprises established pursuant to the Law on Cooperatives

• Professional entities established pursuant to the laws of Vietnam

• Any other organization conducting activities of production or business that earns income from activities in Vietnam.

A company is a tax resident if it is incorporated in Vietnam or has a permanent establishment ("PE") in Vietnam. In these cases, the foreign enterprise must pay tax on its worldwide income. If the company is not either a tax resident or does not possess a PE, it is only required to pay tax on income arising in Vietnam.

CIT rate

Currently, the CIT standard rate is 20%.

Certain industries are liable to a higher tax rate:

• Companies operating in the oil and gas industry are subject to rates ranging from 32% to 50%, depending on the location and specific project.

• Any companies engaging in prospecting, exploration and exploitation of mineral resources are subject to CIT rates of 40% or 50% depending on location.

CIT may be reduced under investment incentive schemes.

Deductible vs. non-deductible expenses

Deductible expenses

Expenses are CIT deductible if they meet the following requirements:

• Relevant to business activities;

• Having sufficient legitimate invoices and vouchers;

• Settlement via forms of non-cash payment for transactions from VND20 million and above; and • Not specifically identified as being non-deductible.

Non-deductible expenses

• Depreciation of fixed assets which is not in accordance with the prevailing regulations;

• Employee remuneration expenses which are not actually paid, or are not stated in a labour contract or collective labour agreement;

• Staff welfare (including certain benefits provided to family members of staff) exceeding an annual cap of one month's average salary;

• Reserves for research and development not in accordance with the prevailing regulations;

• Provisions for severance allowance and payments of severance allowance in excess of the prescribed amount per the Labour Code;

• Overhead expenses allocated to a PE, in Vietnam, by the foreign company's head office exceeding the amount under a prescribed revenue-based allocation formula;

- Interest on loans corresponding to the portion of charter capital not yet contributed;
- Interest on loans from non-economic and non-credit organizations exceeding 1.5 times the interest rate set by the State Bank of Vietnam;
- Certain interest expenses exceeding the cap of 20% of EBITDA;
- Provisions for stock devaluation, bad debts, financial investment losses, product warranties or construction work which are not in accordance with the prevailing regulations;
- Unrealised foreign exchange losses due to the year-end revaluation of foreign currency items other than accounts payable;
- Donations except certain donations for education, health care, natural disaster or building charitable homes for the poor;
- Administrative penalties, fines, late payment interest;
- Contributions to voluntary pension funds and life insurance premiums and the purchase of voluntary pension and life insurance premiums for employees exceeding VND3 million per month per person (effective from 1 February 2018);
- Certain expenses directly related to the issuance, purchase or sale of shares;
- Creditable input value added tax, corporate income tax and personal income tax (in case of gross income).

The previous cap on the tax deductibility of advertising and promotion expenses was abolished from 2015

For certain businesses such as insurance companies, securities trading and lotteries, the Ministry of Finance provides specific guidance on deductible expenses for CIT purposes.

Taxable Income

Taxable income is defined as the difference between total revenue and deductible expenditures, plus other assessable income.

Business Units are required to prepare an annual CIT return which includes a section for making adjustments to accounting profit to arrive at taxable profit.

Losses

Businesses that incur losses after tax finalization are entitled to carry forward those losses to be offset against the assessable income of future years for maximum of five consecutive years before they expire.

Losses on incentivised activities can be offset against profits from non-incentivised activities, and vice versa.

Losses from the transfer of real estate and the transfer of investment projects can be offset against profits from other business activities.

Taxpayers are not allowed to carry back losses.

Administration

Taxpayers subject to CIT are obliged to file tax declarations on an annual basis.

The tax payment shall be on a quarterly basis, based on estimates, and on an annual basis based on the finalization. The quarterly CIT shall be paid no later than the last day of the 1st month of the following quarter. Timeline for both filing the annual CIT finalization returns and paying taxes is no later than the last day of the 3rd month from the end of the fiscal year. The final tax payment at yearend finalization stage is required and should not exceed 20% of the accumulated CIT liabilities paid during four quarters. Otherwise, the shortfall in excess of 20% is subject to penalty calculated at 11% per year for late payment counting from the deadline for payment of CIT in the 4th Quarter.

The standard tax year is the calendar year. For enterprises that apply a fiscal year different from the calendar year, the tax period shall be determined according to the applied fiscal year. An enterprise may change the tax year period but the period chosen cannot exceed 12 months and it is required to notify the tax authorities prior to implementation

Firms must pay tax in the province where their head office is located. If an enterprise has a "dependent accounting production establishment" in another province or city, then the amount of CIT assessable and payable will be determined in accordance with a ratio of expenses incurred by each manufacturing establishment over the total expenditure of the company.

ietnam does not operate a separate Capital Gains Tax ("CGT") regime.

For local corporate sellers, any gain derived from the transfer of capital/securities in another Vietnamese entity is regarded as other income and accordingly subject to CIT at the current standard rate of 20%.

For foreign sellers (e.g. individuals being tax resident in Vietnam and corporations), the tax treatment on capital gains earned by a foreign seller is different depending on the corporate form of the target. In particular, the transfer of contributed capital in a Vietnamese limited liability company is subject to CGT at 20% on the gain whereas the transfer of securities (bonds, shares of public joint stock companies) is subject to CGT on a deemed basis at 0.1% of the sale price.

However, an individual investor who is a non-tax resident in Vietnam and earns income from the transfer of capital/securities in a Vietnamese LLC/JSC is subject to PIT at a rate of 0.1% on the sales proceeds.

The taxable gains are determined as the excess of the transfer price less the purchase price of transferred capital/securities less the deductible transfer expenses.

Groups

There are no provisions within the corporate tax law addressing the concept of group consolidation. Nevertheless, current regulation stipulates that profits and losses cannot be offset between companies within a group.

Thin capitalisation rules

At present, there are no thin capitalisation rules. However, certain restrictions to that effect can be found in the regulations on foreign loans and corporate income tax (permitted borrowing capacity and excessive interest rates).

Dividend Income

Dividends paid to corporate shareholders are generally exempt from CIT, if the paying firm has fulfilled its CIT obligations before payment.

Profit Repatriation

Foreign investors are allowed to repatriate their profits either on annual basis or on termination of the investment, in Vietnam, provided that they have profits, based on the audited financial statements.

Foreign investors or their investee companies upon the foreign investors' authorization are required to notify the local tax authorities of the plan to repatriate profits at least 7 working days prior to the scheduled repatriation.

Tax Incentives

Tax incentives comprise preferential tax rates, tax exemption and tax reduction and are applicable to new investment projects in encouraged locations, encouraged sectors and certain large-scale projects. Investment expansion projects (including expansion projects licensed or implemented during the period from 2009 to 2013 which were not entitled to any CIT incentives previously) which satisfy certain conditions are also entitled to CIT incentives from 2015. The projects which are formed after certain acquisitions or reorganisations are not considered new investment projects and investment expansion projects entitled to tax incentives.

CIT rate	Description	Applicable period	CIT Exemption	CIT Reduction
10%	(1) Income from new investment projects in the areas of with specially difficult socio-economic conditions , economic zones, and hi tech zones	Up to 15 years For the newly invested projects in s Item (2), the applicable period might be extended for an additional 15 years maximum, subject to the Government's decision	4 years	9 years
	2) Income from new investment projects in: • Scientific research and technology development; investment in the development of specially crucial infrastructure works as prescribed and software production • Manufacturing composite materials, light construction materials, precious and rare materials; manufacturing reproduction energy, clean energy, energy from destroying waste; developing bio-technology • Environmental protection.			
	(3) Income of hi-tech enterprises, agricultural enterprises applying high technology	15 years	4 years	9 years
	(4) Income from newly-established investment projects in the sector of production (except for project producing goods subject to special sales tax, mineral exploitation projects) have investment capital scale at the minimum of VND6,000 billion and being disbursed in under 3 years from the date of investment certificate, and • Having total minimum revenue of VND10,000 billion/year no later than 3 years from the first year of generating revenue; or • Employing more than 3,000 fulltime employees no later than 3 years from the first year of generating revenue.			
10%	Income of enterprises from social activities in the sectors of education and training, vocational training, culture, medical health, sportsthe environment, and judicial assessment	Entire project life	4 years	5 years or 9 years applying for the areas with specially difficult/ difficult socio-economic conditions
15%	Incomes of enterprises from farming, husbandry, processing of agriculture and aquaculture products in areas with normal socio-economic conditions	Entire project life		
20%	Income from newly-invested projects based in areas with difficult socio-economic conditions Income from newly-invested projects in manufacture of high-quality steel; production of energy saving products; manufacture of machinery and equipment serving for agriculture, forestry, fish breeding, salt production; manufacture of irrigation equipment; production and refining of feed for cattle, poultry and aquatic resources; development of traditional trades and occupations	10 years (CIT rate of 17% from 01/01/2016)	2 years	4 years

Transfer Pricing

Enterprises that have transactions with related parties are required to prepare compliance documents in order to maintain sufficient evidence toward the arm's length nature of such transactions. In this respect, according to the currently prevailing regulations on Transfer Pricing (TP) matters of Vietnam, effective since May 2017 and applied for tax year 2017 onwards, enterprises shall be considered associated in a tax period under two (2) general conditions as follows:

i. A party participates directly or indirectly in the management, control or equity of the other, or puts investment in the other;
ii. Parties participate directly or indirectly in the common management, control, or the capital of or put investment into other parties.

In general, the TP legal regime in Vietnam is generally established from the foundation of the Transfer Pricing guidelines and the Base Erosion and Profit Shifting (BEPS) action plan issued by Organization for Economic Co-operation and Development (OECD). The current regulations mandate the three (3) acceptable categories of TP methods of examining the arm's length principle, i.e. comparable uncontrolled price method, comparable profit margin methods (including cost plus method, resale price method and comparable profit method) and profit allocation method.

Taxpayers who entered into related party transactions are required to disclose their associated transactions under the annual TP Disclosure Forms (TPFs), which should be filed together with the annual Corporate Income Tax returns. In addition, taxpayers are also required to prepare the contemporaneous TP Documentation (TPD) reports in Vietnamese, by the disclosure of the TPFs, which provide consistent information with the above TPFs, information regarding the operation and profitability of the taxpayer and the Group as a whole, and most importantly, proper analysis evidencing that related party transactions, if any, are conducted in accordance with the arm's length principle. Taxpayers shall maintain the TPD reports in their own and submit to the tax authorities upon specific written request. The current regulations also provide the submission deadlines of 15-working-days for the cases being under tax or TP audit and of 30-working-days for other circumstances.

At the same time, the country TP regulations have also provided certain simplified compliance requirements for small and medium enterprises satisfying certain threshold. Once provided conditions are met, taxpayers might only be subject to simplified TPF and then exempted from the preparation of TPD reports in the respective tax year.

Of note, the Ministry of Finance has introduced the Advance Pricing Agreement ("APA") mechanism in accordance with Circular No. 201/2013/TT-BTC dated 20 December 2013. The General Department of Taxation is working through process of guidance which allows both, the taxpayers and the tax authorities, to conclude the advance agreement on pricing methods and outcomes..

Controlled foreign companies (CFC)

There is no anti-controlled foreign company legislation.

Interest expense cap for enterprises having related party transactions

It's an interesting point that the currently prevailing regulations on TP matters of Vietnam, i.e. Decree No. 20/2017/ND-CP of the Government, also provided a provision on the interest expense cap for taxpayers entered into related party transactions. Such a provision has been recently amended by Decree No. 68/2020/ND-CP of the Government dated 24 June 2020 with some retroactive applications.

Specifically, Net Interest Expense, defined by excluding (i) financial incomes from savings and lendings from (ii) interest expense, will be deductible at a cap of 30% of taxpayers' EBITDA.

Any exceeding interest expenses, i.e. over 30% EBITDA, can be carried forward within next 5 years as maximum. But this carry-forward provision might not be retroactively applicable for the assessment years of 2017 and 2018.

Value Added Tax ("VAT")

VAT is an indirect tax, the cost of which ultimately falls on the consumer. The majority of transactions involving the supply of goods, the provision of services and imports will be subject to this tax.

Broadly, VAT is levied on the value added, at each stage of the production and distribution supply chain. Registered businesses act as collection points for the Tax Department.

VAT rates

The standard rate is **ten percent (10%)**. In addition, there are other rates of 5% and 0% and VAT exemption, as below:

- **0%** : This rate applies to exported goods/services including goods/services sold to overseas/non-tariff areas and consumed outside Vietnam/in the non-tariff areas, goods processed for export or in-country export (subject to conditions), goods sold to duty free shops, certain exported services, construction and installation carried out for export processing enterprises, aviation, marine and international transportation services.

- **5%**: This rate applies generally to areas of the economy concerned with the provision of essential goods and services. These include: clean water; teaching aids; books; unprocessed foodstuffs; medicine and medical equipment; various agricultural products and services; technical/scientific services; rubber latex; sugar and its by-products; certain cultural, artistic, sport services/products and social housing.

- **VAT exemption**: Under this treatment, no output VAT shall be charged and the input VAT shall be uncreditable, but considered as deductible expenses for CIT purposes, comprising the following:

– Certain agricultural products;

– Fertilizer, feed for livestock, poultry, seafood and other animals

– Goods/services provided by individuals having annual revenue of VND 100 million or below;

– Imported or leased drilling rigs, airplanes and ships of a type which cannot be produced in Vietnam;

– Transfer of land use rights (subject to limitations);

– Financial derivatives and credit services (including credit card issuance, finance leasing and factoring); sale of VATable mortgaged assets by a borrower under the lender's authorization, in order to settle a guaranteed loan and provision of credit information.

– Various securities activities including fund management;

– Capital assignment;

– Foreign currency trading;

– Debt factoring;

– Certain insurance services (including life insurance, health insurance, agricultural insurance and reinsurance);

– Medical services;

– Teaching and training;

– Printing and publishing of newspapers, magazines and certain types of books;

– Public passenger transport;

– Transfer of technology, software and software services except exported software which is entitled to 0% rate;

– Gold imported in pieces which have not been processed into jewelry;

– Exported unprocessed mineral products such as crude oil, rock, sand, rare soil, rare stones, etc., or processed into other products in which the total value of such natural resources and minerals plus the energy cost are at least 51% of production costs

– Imports of machinery, equipment and materials which cannot be produced in Vietnam for direct use in science research and technology development activities;

– Equipment, machinery, spare parts, specialized means of transport and necessary materials which cannot be produced in Vietnam for prospecting, exploration and development of oil and gas fields;

– Goods imported in the following cases: international non-refundable aid, including from Official Development Aid, foreign donations to government bodies and to individuals (subject to limitations).

In addition, there are regulated **cases that goods and services are not required to declare and pay VAT**. This means that no output VAT has to be charged but input VAT paid on related purchases can be creditable. These supplies include:

– Compensation, bonuses and subsidies, except those provided in exchange for marketing/promotional services;

– Transfers of emission rights and other financial revenues;

– Certain services rendered by a foreign organization which does not have a PE in Vietnam, where the services are rendered outside of Vietnam, including repairs to means of transport, machinery or equipment, advertising, marketing, promotion of investment and trade to overseas; brokerage activities for the sale of goods and services overseas, training, certain international telecommunication services;

– Sales of assets by non-business organizations or individuals who are not registered for VAT;

– Transfer of investment projects;

– Sale of agricultural products that have not been processed into other products or which have just been through preliminary processing;

– Capital contributions in kind;

– Certain asset transfers between a parent company and its subsidiaries or between subsidiaries of the same parent company;

– Collections of compensation/indemnities by insurance companies from third parties;

– Collections on behalf of other parties which are not involved in the provision of goods/services (e.g. if company A purchases goods/services from company B, but pays to company C and subsequently company C pays to company B, then the payment from company C to company B is not subject to VAT);

– Commissions earned by (i) agents selling services, including postal, telecommunications, lottery, airlines/bus/ship/train tickets, at prices determined by principals; and (ii) agents for international transportation, airlines and shipping services entitled to 0% VAT; and (iii) insurance agents;

– Commissions from the sale of exempt goods/services.

VAT calculation methods

There are two VAT calculation methods:

- **Credit method** applies to business establishments maintaining full books of account, invoices and documents in accordance with the relevant regulations, including: (i) Business establishments with annual revenue subject to VAT of VND1 billion or more, and (ii) Certain cases voluntarily registering for VAT declaration under the deduction method.

Accordingly, VAT payable = Output VAT – Input VAT.

Input VAT is creditable if it meets the requirements of:

- Relevant to business activities;

- Having sufficient legitimate invoice and vouchers;

- Settlement via forms of non-cash payment for transaction more than VND20 million; and

- Paying under the bank account

- **Direct method** applies to:

– Business establishments with annual revenue subject to VAT of less than VND1 billion;

– Individuals and business households;

– Business establishments which do not maintain proper books of account and foreign organizations or individuals carrying out business activities in forms not regulated in the Law on Investment; and

– Business establishments engaging in trading in gold, silver and precious stones.

Accordingly, VAT payable = revenue x deemed VAT rate .

Deemed VAT rate for direct VAT calculation varies depending on the business activities, as below:

1%
this ratio is for the business of "distribution, supply of goods"

3%
this ratio is for "the production, transportation, service associated with goods, construction exclusive of the materials

5%
his rate is for "service, construction exclusive of material"

2%
this ratio is for other business activities.

VAT administration

All organisations and individuals producing VAT liable goods and supplies must register for VAT. Also, branches must register separately and declare VAT on their own transactions.

The Business Units shall file and pay their VAT returns on a monthly basis by the 20th day of the subsequent month, or on a quarterly basis by the last day of the 1st month of the subsequent quarter (for companies with prior year annual revenue of VND 50 billion or less).

Invoices and payment vouchers

Entities may use pre-printed invoices, self-printed invoices or electronic invoices to declare their VAT liability. There are stipulated items that must be included and strictly reflected onto the invoice.

Since 24 December 2014, the General Department of Taxation regulates that invoices, contracts, payment vouchers and the related documents must be consistent and the payment vouchers must state clearly the payment for the reference contract. Otherwise, it shall not be creditable for VAT purpose.

According to Decree 119/2018/ND-CP dated 12 September 2018 prescribing electronic invoices for sale of goods and provision of services, e-invoices will now be mandatory for businesses from 1 November 2020.

There are two types of e-invoices as follows:

E-invoices without a verification code from the tax authorities are acceptable for enterprises in certain industries, such as electricity, petroleum, telecommunication, transportation, financial services, insurance, medicals, e- commerce, supermarkets, trading etc., and companies which deal with the tax authorities electronically and maintain technology infrastructure, accounting software, e- invoice software as regulated.

E-invoices with a verification code from the tax authorities are applicable for enterprises other than the above and individuals and enterprises in high tax risk catergory.

VAT refunds

From 01 July 2016, VAT refunds will no longer be allowed, except the following cases:

- For exporters, where excess input creditable VAT exceeds VND300 million, a refund may be granted on a monthly/ quarterly basis; however, the amount of input VAT relating to export sales to be refunded must not exceed 10% of export revenue.
- Newly established entities in the pre-operation investment phase may claim VAT refunds on a yearly basis or where the accumulated VAT credits exceed VND300 million.

However, for investment projects, VAT refunds shall not be granted in the following cases:

– the chartered capital has not been fully contributed as registered;

– conditional investment projects do not meet the conditions under Investment Law

– investment projects exploiting natural resources licensed after 01 July 2016, or manufacturing projects in which the cost of natural resources and energy expenses account for 51% or more of the total cost of the product.

Personal Income Tax (“PIT”)

The Law on PIT took effect on 1 January 2009. This replaced the previous ordinance and regulations covering Income Tax on High Income Earners in Vietnam.

Individuals liable to PIT and tax resident status

• Individuals are subject to Vietnamese PIT based upon their tax residence status, i.e. PIT on their worldwide income for tax residents or PIT on Vietnam sourced income for non-tax residents.

• Any foreign individual shall be considered a Vietnamese tax resident if he/ she meets one of the following conditions:

• Being present in Vietnam for a period of 183 days or more within either a western calendar year or for 12 consecutive months counting from the first arrival date;

• Having a permanent residence in Vietnam (including a registered residence which is recorded on the permanent/ temporary residence card in case of foreigners) and being unable to prove tax residence in another country;

• Having a leased house in Vietnam with a term of 183 days or more in a tax year and being unable to prove tax residence in another country

A non-resident is any individual who does not satisfy the above conditions.

Taxable income

Taxable income generally comprises 10 main types of income: employment income, business income, income from capital investments, income from capital transfers, income from real property transfers, winnings or prizes, royalties, income from franchises, income from inheritances and receipts of gifts.

Income not subject to tax generally includes:

Employment

• One-off regional transfer allowances for: (i) foreigners moving to reside in Vietnam, (ii) Vietnamese holding other country nationality working in Vietnam, and (iii) Vietnamese working overseas;

- Once per year home leave round trip airfare for expatriates and Vietnamese working overseas;

- Employee training fees paid to training centres;

- School fees up to high school in Vietnam/overseas for children of expatriates/Vietnamese working overseas;

- Mid-shift meals (subject to a cap if the meals are paid in cash);

- Taxable housing benefit including utilities: being the lower of the actual rental paid and 15 per cent of the employee's gross taxable income (excluding taxable housing)

- Part of night shift or overtime salary payable that is higher than the day shift or normal working hours salary stipulated by the Labour Code

- Compensation for labour accidents; and

- Income of Vietnamese vessel crew members working for foreign shipping companies or Vietnamese international transportation companies

To apply the PIT exemption on the above, there are a range of conditions and restrictions.

Non-Employment

- Interest earned on deposits with credit institutions/banks and on life insurance policies

- Retirement pensions paid under the Social Insurance law (or the foreign equivalent)

- Income from transfer of properties between various direct family members

- Inheritances/gifts between various direct family members;

- Monthly retirement pensions paid under voluntary insurance schemes;

- Income from life insurance policies

- Foreign currency remitted by overseas Vietnamese

- Scholarships

- Compensation payments from life and non-life insurance contracts

PIT deductions

- Tax deductions include:

- Contributions to mandatory social, health and unemployment insurance schemes

- Contributions to local voluntary pension schemes (subject to a statutory cap)

- Personal and family relief: Personal relief of VND9 million/month, and family relief of VND3.6 million/month/dependent. From 01 July 2020, the relief increases to VND11 million/month for personal relief and VND4.4 million/month/dependent for family relief. Those tax allowances are applicable from July 2020 for PIT provision, and for the tax period of 2020 upon year-end PIT finalization. The dependent allowance is not automatically granted, and the taxpayer needs to register qualifying dependents and ensure legitimate supporting documents to be in place; and

- Contributions to certain approved charities.

PIT administration

- **Individual tax code**: Any individual present in Vietnam who has taxable income must obtain an individual tax code. The taxpayers who have taxable employment income must submit the tax registration file to their employer; the employer will subsequently submit this to the local tax office. For individuals with taxable non-employment income, they must submit their tax registration file directly to the district tax office.

- **PIT declaration and payment**:

\- For employment income, Employers must deduct and withhold employees' PIT and submit/ pay it to the tax authority, alongside the relevant social security contributions on monthly basis, with a timeline no later than the 20th of following month or on a quarterly basis by the last day of the 1st month following the reporting quarter. The total income withheld must be finalized no later than the last day of the 3rd month after the end of the western calendar year.

Individuals who are subject to PIT direct filling are required to carry out PIT finalization no later than the last day of the 4th month after the end of the calendar year.

Expatriate employees are also required to carry out a PIT finalisation on termination of their Vietnamese assignments within 45 days from the termination date. Tax refunds due to excess tax payments are only available to those who have a tax code and Vietnamese bank account.

– For non-employment income, the individual is required to declare and pay PIT in relation to each type of taxable non-employment income. The PIT regulations require income to be declared and tax paid on a regular basis, often each time income is received.

- **PIT credit**:

For tax residents who have overseas income, any PIT paid in a foreign country is creditable against tax paid in Vietnam subject to certain percentage and tax administration procedures.

- **PIT year**:

The Vietnamese tax year is the calendar year. However, in the calendar year of first arrival, if the tax payer resides less than 183 days in one calendar year, his/her first tax year is the 12-month period from the date of arrival. The subsequent tax year is the calendar year.

Progressive PIT rates on employment income

(Please note the amounts below are millions)

Annual employment Income for resident		PIT rate (%)
From (million VND)	To (million VND)	
0	60	5
60	120	10
120	216	15
216	384	20
384	624	25
624	960	30
960+	-	35

Brief of PIT rates and bands

No.	Type of PITable incomes	PIT rate	
		resident	non-resident
1	Employment income	Progressive rate as above (*)	20%
2	Business income		
	Goods distribution/ supply	0,5%	
	Service, construction exclusive of building material	2%	
	Particularly: Asset lease, insurance brokerage, lottery brokerage, multi-level marketing brokerage	5%	
	Manufacturing, transportation, service associated with goods, construction inclusive of building material	1,5%	
	Other business activities	1%	
3	Capital investment	5%	
4	Capital assignment	20% on net gains	0.1% on sales proceeds
5	Transfer of securities	0.1% on gross sale proceeds	
6	Real property transfer	2% on gross sale proceeds	
7	Royalties/ Technology transfer/ Franchising	5% on amount over VND10 million	
8	Winnings/ Prizes/ Inheritance/ Gifts	10% on amount over VND10 million	

Foreign Contractor Tax ("FCT")

FCT imposed on foreign business individuals and foreign organizations earning Vietnam-sourced income (herein referred as "foreign contractor" or "FC"), except: (i) "pure supply of goods" under INCORTERMS., i.e. where title passed at or before the border gate of Vietnam and there are no associated services performed in Vietnam, (ii) services performed and consumed outside Vietnam. It includes two kinds of taxes: VAT-FCT and CIT-FCT at varied FCT rates.

There are three methods of FCT payment at the FC's selection:

- **Deduction method:**

This method allows the FC declaring: (i) VAT under the approach of crediting the input VAT against the output VAT, and (ii) CIT based on the declaration of revenue and expense similar to the local enterprises' application. Of note, FC is required to meet some criteria, including FC's adoption of the Vietnamese Accounting System.

- **Direct method:**

Under this method, FCT is the mechanism to withhold taxes. The FC's VAT and CIT will be withheld by the Vietnamese customers at prescribed rates from the payments made to the FC. Various FCT rates are regulated under the nature of activities performed (please kindly see our below table briefing the FCT rates for each activities).

- **Hybrid method:**

This method is a mixed-up between the deduction method and direct method, i.e. allows the FC declares VAT based on the creditable approach and CIT at direct method.

FCT rates

Ratio for FCT (%)

	Type of business activities	Deemed VAT-FCT rate (%)	Deemed CIT-FCT rate (%)x
1. Trades:	(i) Distribution, supply of goods; (ii) Distribution, supply of goods associated with services rendered in Vietnam (including the form of spot export and import); (iii) Supplying goods under INCOTERMS where the seller bears risk relating to goods in Vietnam.	1/Exempt	1
2. Services:	Services	5	5
	Restaurant/ hotel/ casino management services	5	10
	Service associated with goods supply (if contract doesn't separate the value of goods and service)	3	2
3. Insurance:	Insurance	5 /Exempt	5
	Re-insursance abroad, commission of the re-insurance transfer	Exempt	0.1
4. Leasing:	Leasing machinery and equipment	5	5
	Leasing aircraft, airplane engines/ spare parts, vessels (for aircraft and vessel cannot be produced in Vietnam)	Exempt	2
5. Banking:	Derivative financial services	Exempt	2
	Loan interest	Exempt	5
6. Capital Investment:	Transferring securities/ deposit certificates	Exempt	0.1
7. Oil and Gas:	Supply of goods and/or services for oil & gas exploration and development	10/5/ exempt	5
	Leasing drilling rigs	Exempt	5
8. Construction:	Construction, installation including supply of materials, machinery, equipment	3	2
	Construction, installation excluding supply of materials, machinery, equipment	5	2
9. Transportation:	Transport (including the transport by seaway, by airway)	3/0	2
10. Royalty:	Royalty/ Licence fee (*):Software licenses, transfer of technology, transfer of intellectual property rights are VAT exempt	Exempt (*)	10
11. Others:	Other production	3	2
	Other Business activities	2	2

Vietnam has entered into more than 70 DTAs with other countries for the avoidance of Double Taxation (note that the DTA with the United States of America is still not effective). FCs, and individuals working in Vietnam being nationals of the countries who have entered into Tax Treaties with the Vietnamese Government can apply for either FCT exemption for the part of CIT only or the PIT provided that these FCs/ individuals satisfy certain conditions of the Tax Treaty, i.e. (i) the FCs do not create or have a PE, (ii) the individuals do not become tax resident and receive income from a PE in Vietnam.

The Vietnamese Government has given more guidance on the application of DTAs effective since 2014. The most notable changes relate to beneficial ownership and general anti-avoidance provisions. DTA entitlements will be denied where the main purpose of the arrangements is to obtain beneficial treatment under the terms of the DTA (treaty shopping) or where the recipient of the income is not the beneficial owner. The guidance dictates that a substance over form analysis is required for the beneficial ownership and outlines the factors to be considered:

- Where the recipient is obligated to distribute more than 50% of the income to an entity in a third country within 12 months;
- Where the recipient has little or no substantive business activities;
- Where the recipient has little or no control over or risk in relation to the income received;
- Back to back arrangements;
- Where the recipient is resident in a country with a low tax rate;
- The recipient is an intermediary or agent.

Other Taxation

Import Duty

Generally, all goods crossing Vietnamese borders are subject to import duties. In particular:

- Goods imported through Vietnamese border gates or border by road, river, seaport, airport, international railway, international post and other locations for customs procedures clearance
- Goods transferred from the local market to non-tax areas or vice versa
- Other goods traded or exchanged that are considered as imports.

The following goods are not subject to import duties:

- Goods transited and transported by mode of border gate trans-shipment through Vietnam's border gates or borders under the customs law
- Humanitarian aid goods
- Goods imported from abroad into non-tariff zones and only used therein
- Goods brought from one non-tariff zone to another

Import duty rates are classified into 3 categories: ordinary rates, preferential rates and special preferential rates.

Preferential tax rates are applicable to imports originating from countries or groups of countries or territories that grant most-favoured-nation treatment in trade relations with Vietnam. Taxpayers declare the origin of goods themselves and are held responsible for declarations regarding the origin of goods.

Particularly-preferential tax rates are individually specified for each item covered by decisions released by the Minister of Finance.

Ordinary tax rates are applicable to imports originating from countries, groups of countries or territories that do not grant most-favoured-nation treatment or special import tax preferences to Vietnam. The ordinary tax rate is equal to 150 per cent of the preferential tax rate.

Apart from being subject to import tax, in certain situations Vietnam also imposes an anti-dumping tax, anti-subsidy tax and anti-discrimination tax or safeguard tax, in accordance with existing rules.

Import and export duty rates are subject to frequent changes and it is always prudent to check the latest position.

Export Duty

Export duties are charged on a limited number of items, generally natural resources such as sand, chalk, marble, granite, ore, crude oil, forest products, and scrap metal. Export duty rates range from 1% to 40%.

Special Sales Tax (SST)

Special sales tax is a form of excise tax levied on the production or import of certain goods and the provision of certain services:

- Goods generally subject to SST include: cigarettes, cigars and other products processed from tobacco; spirits and beer; certain passenger vehicles; two-wheel motor vehicles with a cylinder capacity above 125cm^3; aircraft and yachts for specific civil purposes; various types of petrol; air-conditioners with a capacity of 90,000 BTU or less and cards.

• Businesses subject to SST include: dancehalls, massage lounges and karaoke parlours, casinos, slot machines and other similar types of machines, betting businesses, golf and lotteries.

Manufacturer of SST liable goods which purchased or imported SST liable raw materials are permitted to credit SST amount paid on raw materials imported or purchased from local suppliers against the SST amount payable upon selling goods.

The SST taxable price of domestically manufactured goods is the selling price excluding the environment protection fee. The SST taxable price at the import stage is the import dutiable price plus import duty. The SST payable is computed by the taxable price multiplied with the SST rate.

Natural Resources Tax ("NRT")

NRT is also known as production royalty tax. All organisations and individuals engaged in the exploitation or the mining of natural resources in compliance with the laws of Vietnam, irrespective of their industry, scope and operational form, are liable to register, declare and pay royalties.

Taxable resources means all natural resources existing in the land, islands, internal waters, sea territory, exclusive economic zones (including maritime areas common to both Vietnam and a neighbouring country) and the continental shelf under the sovereignty of the Socialist Republic of Vietnam, including: metallic mineral resources; non-metallic mineral resources including soil, stone, sand, gravel, coal, gemstones, mineral water and natural thermal water; oil; gas or natural gas; natural forest products; natural marine products; natural water including surface water, ground water and other natural resources under the law on natural resources.

The taxable value of a resource is the selling price of each item or unit of resource at the place of mining in accordance with the principle of market price. The royalty rates vary from 1 per cent to 40 per cent, whilst petroleum, natural gas and coal gas are taxed at progressive tax rates depending on the daily average production output.

Property tax

Property tax in Vietnam is levied in the form of three taxes: land-use fee, land rental and non-agricultural land-use tax.

• The land-use fee applies to organizations which are allocated land by the State to develop infrastructure for sale or for lease and who are subject to the payment of land-use fee. The duration of land usage under this category should be "long term stable use".

• Land rental is the amount an investor pays to lease (or rent) land in Vietnam. The amount varies depending on a number of factors including the location, infrastructure and the industrial sector in which the business is operating. Payment of the lease can be for a long-fixed period of time or annually.

• Non-agricultural land-use tax applies to residential land in rural/urban areas and non-agricultural land used for business purposes. The calculation of tax liability is based on the land area, price of land and tax rate.

In addition, owners of houses and apartments have to pay land tax under the law on non-agricultural land use tax. The tax is charged on the specific land area used based on the prescribed price per square meter and progressive tax rates ranging from 0.03% to 0.15%.

Environmental protection tax

Environmental tax is an indirect tax, collected on products and goods that, when used, are deemed to cause negative environmental impacts. The tax is levied on the production or importation of certain goods, based on the Absolute tax rate. Export products are exempt from environmental protection tax.

Anti-avoidance measures

While Vietnam does not have any specific anti-avoidance rules, the tax authorities have the power to carry out tax inspection of any taxpayer. Tax inspections can be conducted on a regular basis but no more than once a year. Tax inspection durations must not exceed thirty days from the date of notification of the tax inspection decision; however these may be extended for an additional period not exceeding thirty days.

A taxpayer who pays tax later than the deadline is to pay the full tax amount plus a fine equal to 0.03% per day for late payment of the tax amount. Taxpayers who make incorrect declarations, thereby reducing tax payable or increasing refundable tax amounts, are to pay the full amount of the undeclared tax or return the excess refund, and will also pay a fine equal to 20% of the under-declared or excess refunded tax amounts, together with a fine for late payment of the tax.

A taxpayer that commits an act of tax evasion or tax fraud is liable to pay the full amount of tax according to the regulations and a fine will be imposed of between one and three times the evaded tax amount. The general statute of limitations for imposing tax is 10 years and for penalties is 5 years.

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