



DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia

Investing in Vietnam 2021



DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia



Dezan Shira & Associates is a pan-Asia, multi-disciplinary professional services firm, providing market entry, legal, accounting, tax, HR, technology, and operational advisory to international investors. Operational throughout China, ASEAN, and India, our mission is to guide foreign companies through Asia's complex regulatory environment and assist them with all aspects of establishing, maintaining, and growing their business operations in the region.

With more than 28 years of on-the-ground experience and 28 offices throughout China, Hong Kong, India, Russia, Singapore, Indonesia, and Vietnam, as well as from our eight 'Asian Alliance' partner offices in Bangladesh, Malaysia, the Philippines, and Thailand, together, we make up one of the largest integrated providers of corporate services in the region, with more than 35 offices and 500 professionals in Asia. The firm also owns and publishes **Asia Briefing**, the publishing umbrella for **Vietnam Briefing**, **ASEAN Briefing**, **China Briefing**, and **India Briefing**.



VIETNAM BRIEFING

From Dezan Shira and Associates



Vietnam Briefing is a prestigious source of business insights about the investment environment, the local business legislation, as well as tax, accounting, and HR and payroll regulations for foreign corporate investors interested in doing business in Vietnam.

Vietnam Briefing is powered by a large team of experienced researchers, business analysts, lawyers, tax experts, accountants, and auditors at Dezan Shira & Associates. The publishing site serves 2 million visitors annually.

Representatives



Filippo Bortoletti

Senior Manager
International Business Advisory
Hanoi

✉ filippo.bortoletti@dezshira.com



Marco Förster

Manager
International Business Advisory
HCMC

✉ marco.foerster@dezshira.com

Our Services

BUSINESS INTELLIGENCE



Saponti Baroowa

Associate Director, Business Intelligence
✉ saponti.baroowa@dezshira.com

- > Business Matchmaking
- > Location Analysis and Site Selection
- > Market Research and Entry Strategy
- > Supply Chain Re-engineering

BUSINESS ADVISORY



Tam Nguyen

Senior Manager, Business Advisory Services
✉ tam.nguyen@dezshira.com

- > Corporate Establishment/ Deregistration
- > Amendment of Company Registration
- > Corporate Governance and Company Secretarial
- > Due Diligence

TAX AND ACCOUNTING



Nguyen Thi Thanh Thao

Manager, Corporate Accounting Services
✉ thao.nguyen@dezshira.com

- > Accounting Services
- > Audit and Risk Advisory
- > Tax Advisory
- > Transfer Pricing

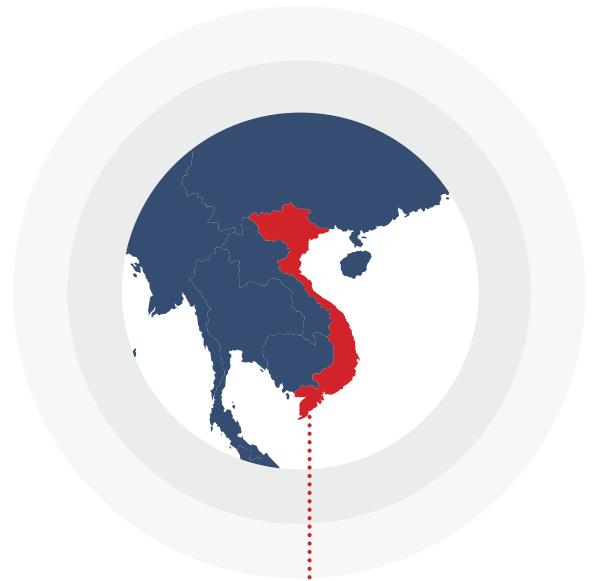
HR & PAYROLL



Tran Nguyen

Manager, HR & Payroll Service
✉ tran.nguyen@dezshira.com

- > Human Resources
- > Global Staffing Solutions
- > Asia Admin
- > Payroll



Credits

Publisher / Dezan Shira & Associates

Edited by / Trang Nguyen (Jasmine)

Contributors / Pritesh Samuel – Phuc Duong – Hung Q. Mai – Thang Vu – Vinh Le – Tran Le – Dan L. Nguyen

Designer / Thu Ha

© 2021 Dezan Shira & Associates

Disclaimer

The contents of this guide are for general information only. For advice on your specific business, please contact a qualified professional advisor. Copyright 2021, Asia Briefing Ltd. No reproduction, copying or translation of materials without prior permission of the publisher.

Table of Contents

1. Demographics	05
2. Economics and FDI	06
3. Key Economic Regions	08
4. Free Trade Agreements	09
5. How to Set up a Business	10
6. Tax and Accounting Compliance	12
7. HR and Payroll Compliance	13

1. Demographics



★ Political System	Socialist Republic
★ Capital	Hanoi
📍 Economic Centre	Ho Chi Minh City
👤 Population	97.58 million
💰 Currency	Vietnam Dong (VND)
🗣️ Language	Vietnamese
🌐 Provinces	63
📍 Area	331,210 km²
🌐 Neighbours	China, Laos, Cambodia
🕒 Time Zone	UTC+7
📈 GDP Growth	2.91%
👥 Labour Force	54.6 million
👤 Middle class population	13% population <i>Expected to double by 2026</i>
💰 Average annual income	US\$ 3934

2. Economics and FDI



2.91%
GDP Growth Rate



7%
Export Growth Rate



US\$19.98 billion
FDI Disbursement



US\$543 billion
Import and Export Turnover



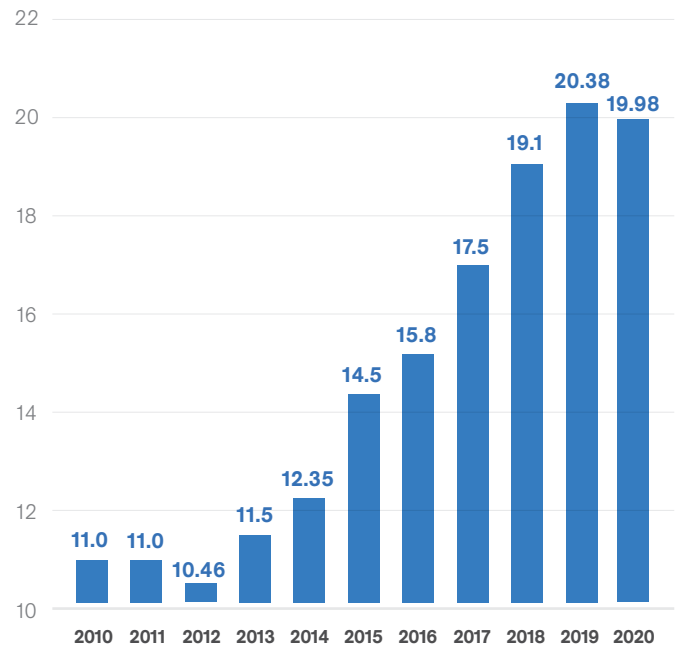
2,523
New Projects
Granted investment certificate in 2020



112
Investor Countries and Territories

FDI Disbursement in Vietnam (US\$ Billion)

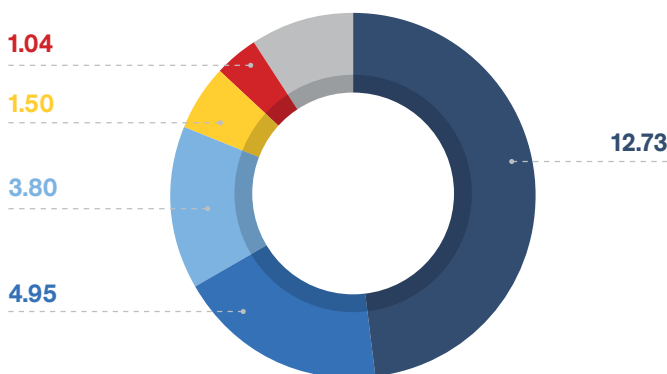
From 2010 to 2020



Source: Ministry of Planning and Investment

Top 5 Sectors Receiving Investment (US\$ Billion)

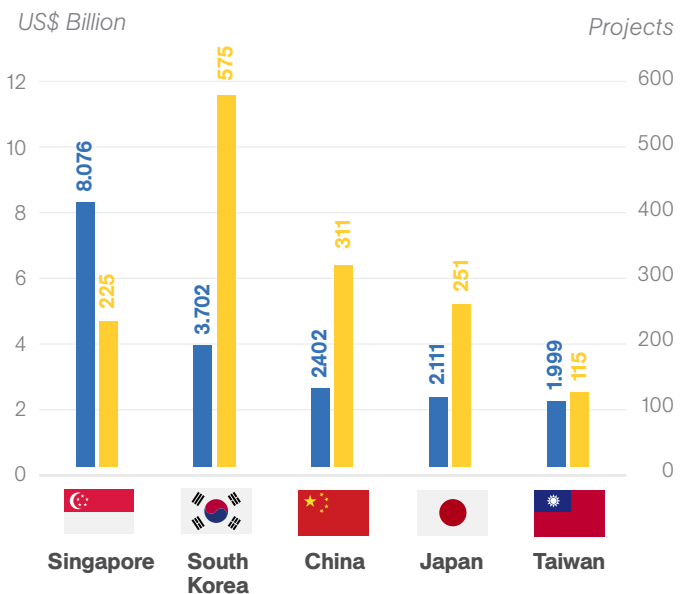
- Manufacturing and Processing
- Real Estate
- Electricity Production and Distribution
- Wholesale and Retail
- Profession, Science, and Technology
- Others



Source: Ministry of Planning and Investment
Data as from January 1 to November 20, 2020

Top 5 Countries Investing in Vietnam

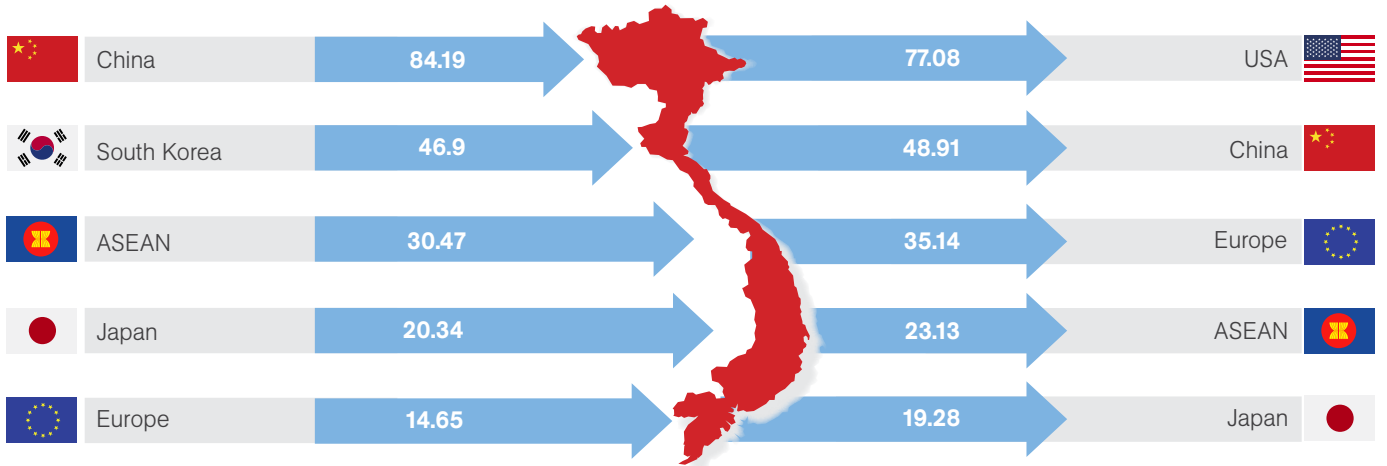
- Total registered capital (US\$ Billion)
- Newly granted projects



Source: Ministry of Planning and Investment
Data as from January 1 to November 20, 2020

Top 5 Import and Export Partners (US\$ Billion)

TOP 5 IMPORT PARTNERS



Source: General Statistics Office of Vietnam

Top 5 Imports and Exports (US\$ Billion)

TOP 5 IMPORTS

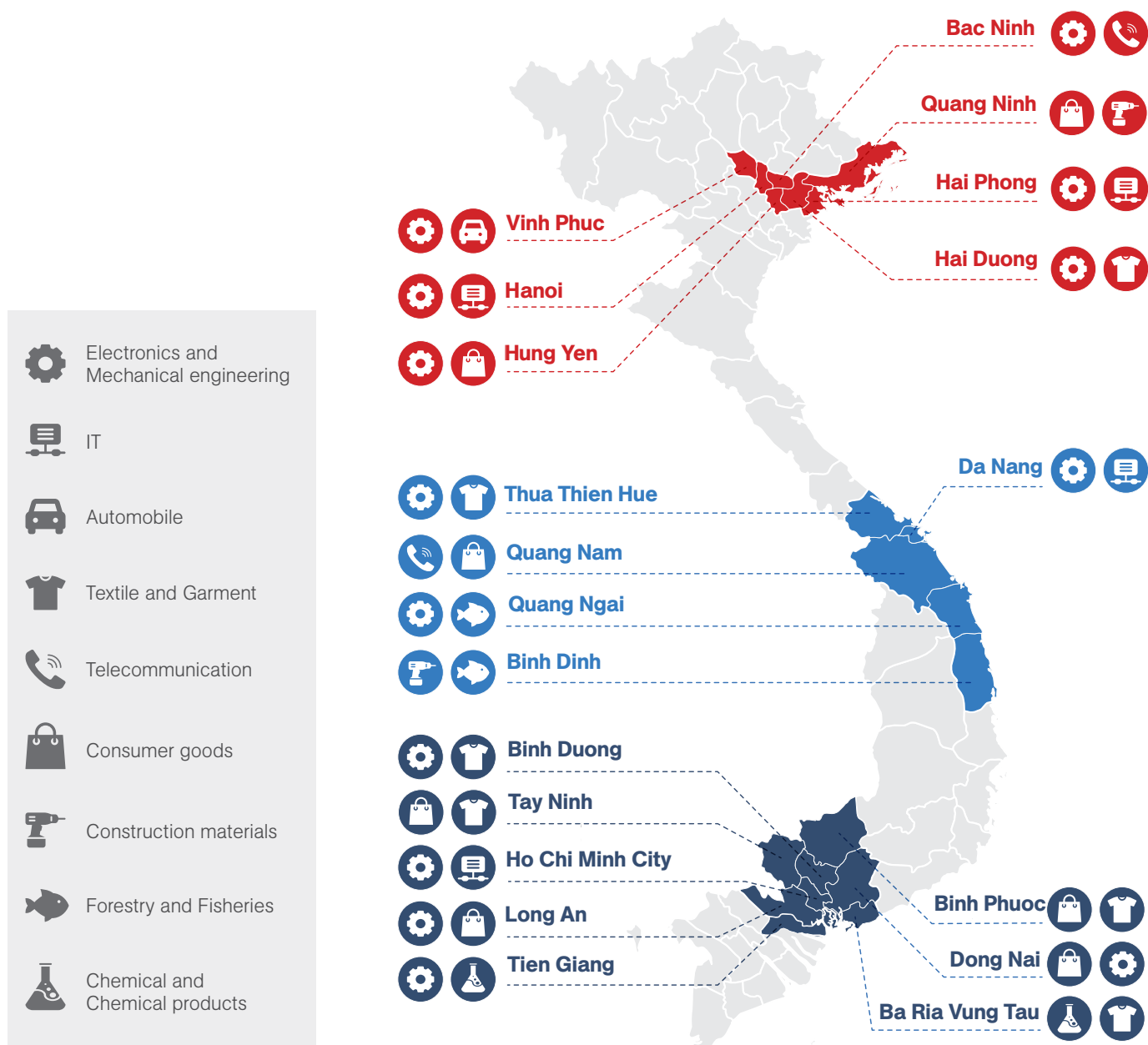
1	Computers, Electronic products and Components	63.97
2	Machinery and Equipments	37.25
3	Telephones and Components	16.65
4	Textile fabrics	11.88
5	Plastic Materials	8.4

TOP 5 EXPORTS

1	Telephones and Components	51.18
2	Computers, Electronics, and Components	44.58
3	Textile and Garment	29.81
4	Machinery and Equipment	27.19
5	Footwear	16.79

Source: General Statistics Office of Vietnam

3. Key Economic Regions



THE NORTHERN ECONOMIC ZONE

23,401.3

Industrial Zone Area (ha)

3.7

Average Factory Rent (US\$/SqM/Month)

78%

Occupancy Rate

75.8

Average Industrial Land Price (US\$/SqM)

THE CENTRAL ECONOMIC ZONE

12,862.6

Industrial Zone Area (ha)

3

Average Factory Rent (US\$/SqM/Month)

77%

Occupancy Rate

32.8

Average Industrial Land Price (US\$/SqM)

THE SOUTHERN ECONOMIC ZONE

62,143.1

Industrial Zone Area (ha)

4

Average Factory Rent (US\$/SqM/Month)

90%

Occupancy Rate

83

Average Industrial Land Price (US\$/SqM)

Source: BI, Dezan Shira & Associates

4. Free Trade Agreements

14 FTAs in Effect

ASEAN

Association of Southeast Asian Nations

CPTPP

Comprehensive and Progressive Agreement for Trans-Pacific Partnership

VEUFTA

Vietnam Eurasian Economic Union FTA

RCEP

Regional Comprehensive Economic Partnership

EVFTA

Vietnam - European Union FTA

UKVFTA

The UK-Vietnam FTA

VJEPA

Vietnam - Japan FTA

VKFTA

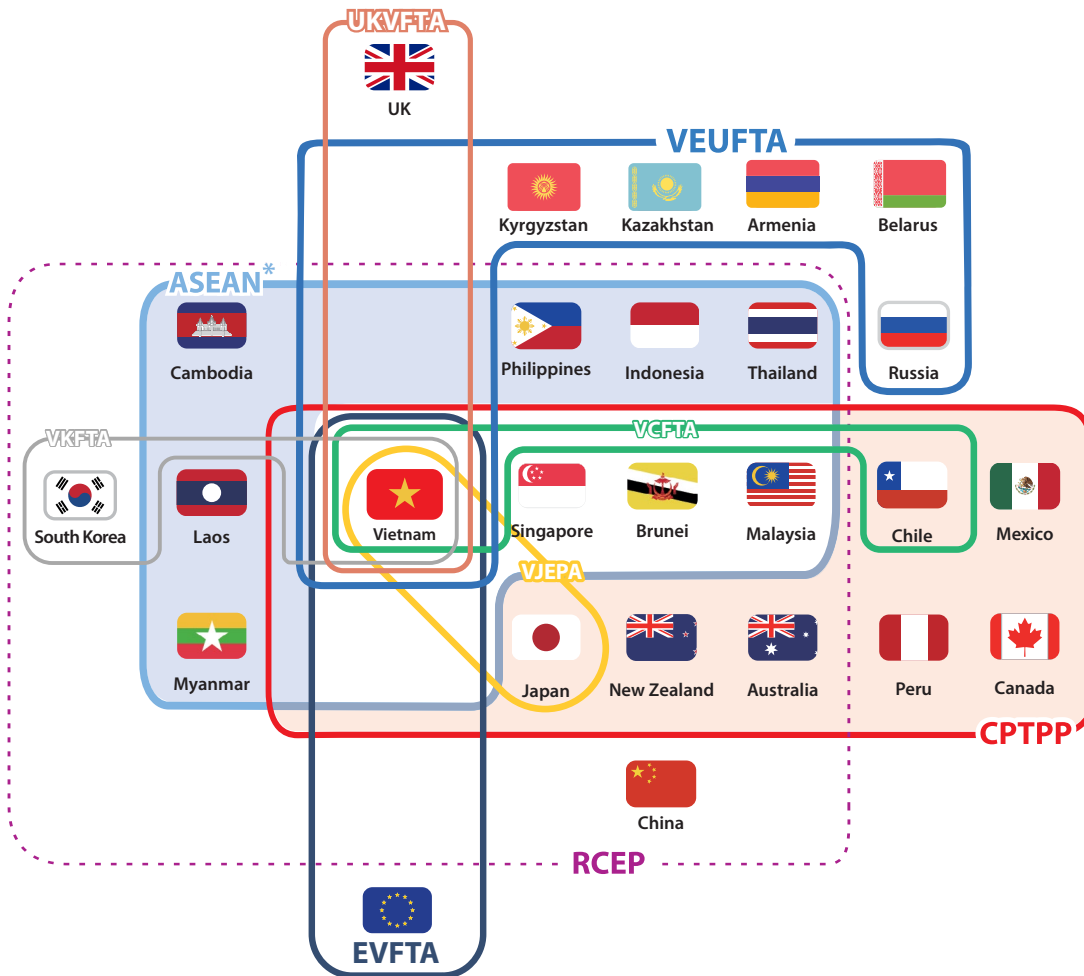
Vietnam - South Korea FTA

VCFTA

Vietnam - Chile FTA

— Agreements in Force

----- Negotiations ongoing



* ASEAN has multilateral trade agreements with India, China, New Zealand, Australia, Japan, South Korea, and Hong Kong

5. How to Set up a Business

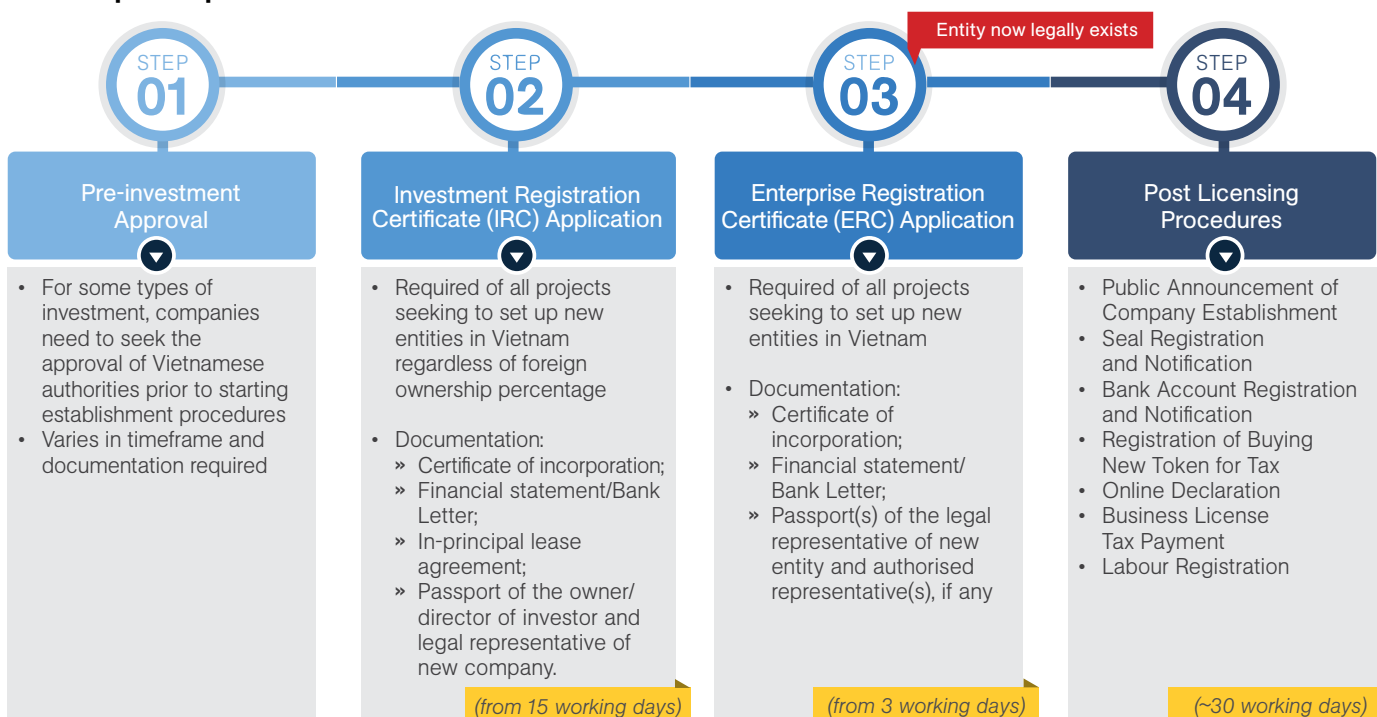
Key Market Entry Options

Entry Market Structure Types	Common Purpose	Statutory Set up Time	Pros	Cons
Representative Office	<ul style="list-style-type: none"> Non-separate legal entity Market Research Act in liaison on behalf of parent company 	Time to find location + 2 weeks	<ul style="list-style-type: none"> Easy registration procedure 	<ul style="list-style-type: none"> The parent company must have been established and in operation for 1 year Cannot conduct revenue generating activities Parent company bears liability
Branch Office	<ul style="list-style-type: none"> Non-separate legal entity Commercial activity within parent company's scope 	Time to find location + 3 weeks*	<ul style="list-style-type: none"> Can remit profits abroad 	<ul style="list-style-type: none"> The parent company must have been established and in operation for 5 years Limited to certain industry sectors Parent company bears liability
Limited Liability Company	<ul style="list-style-type: none"> Separate legal entity 	Time to find location + 1 month**	<ul style="list-style-type: none"> Liability limited to capital contribution Freely engaged in any registered business lines that are not banned by local laws 	<ul style="list-style-type: none"> Cannot issue shares Maximum of 50 shareholders
Joint-Stock Company	<ul style="list-style-type: none"> Separate legal entity 	Time to find location + 1 month**	<ul style="list-style-type: none"> Liability limited to capital contribution Freely engaged in any registered business lines that are not banned by local laws Can issue shares and go public 	<ul style="list-style-type: none"> At least three shareholders required Supervisory board required for most joint stock companies
Public Private Partnership	<ul style="list-style-type: none"> Entails partnership between foreign or domestic enterprise and government for infrastructure projects 	2 – 4 months + negotiation	<ul style="list-style-type: none"> Government aggressively pursuing PPPs to develop infrastructure 	<ul style="list-style-type: none"> Several PPP models Investors unsure of returns

* Applies to normal cases whose parent company's business lines are under the management of Ministry of Industry and Trade. Otherwise, relevant competent authorities will consider licensing on a case by case basis and the timeframe will be prolonged accordingly.

** Applies to normal investing projects whose objectives/business lines are under WTO Commitments. Otherwise, relevant competent authorities will consider licensing on a case by case basis and the timeframe will be prolonged accordingly.

Four Step Set Up Guide



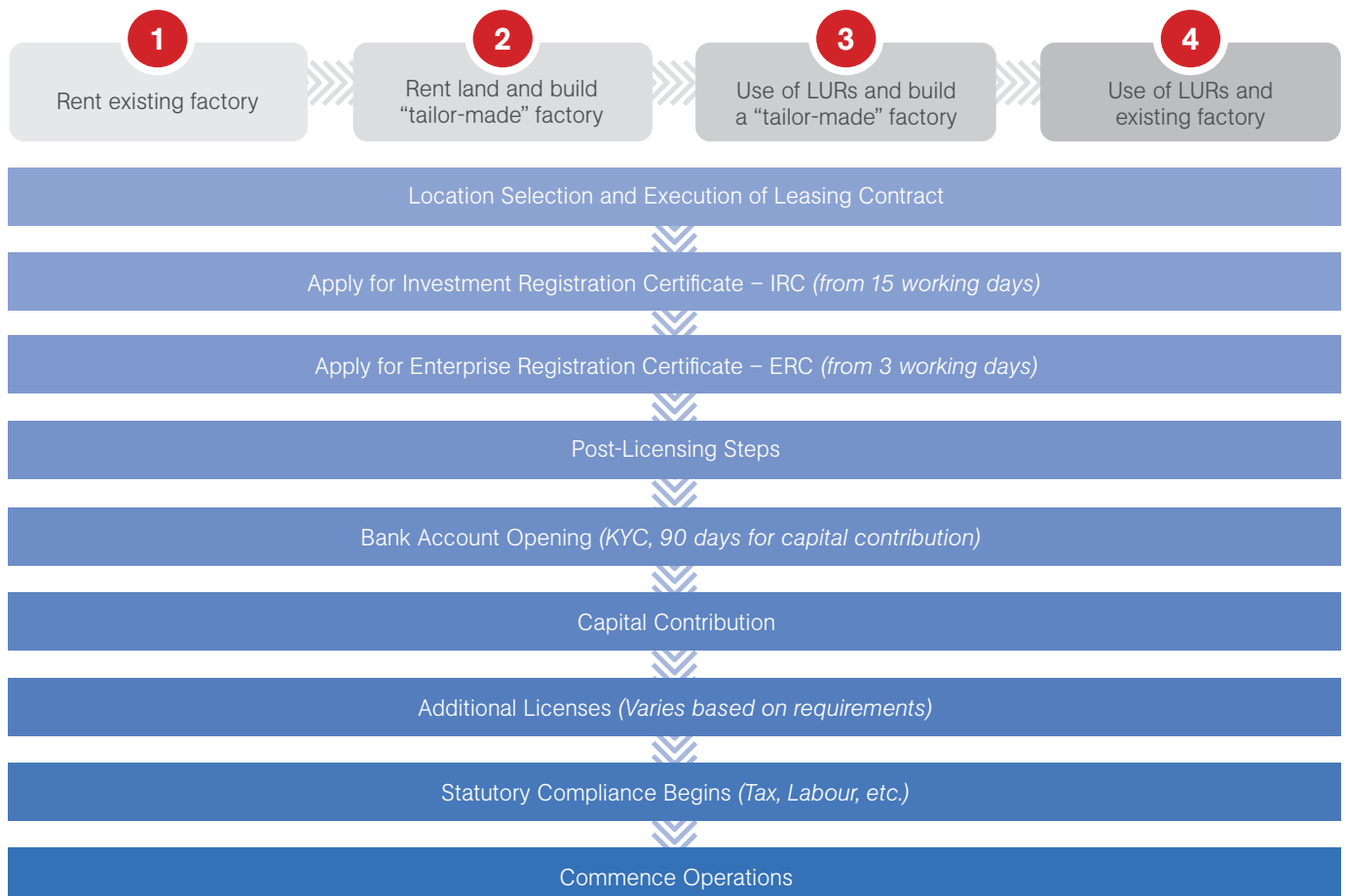
(The IRC & ERC can be processed concurrently depending on internal policy of each province/city)

Timeframe to Set up a Representative Office (RO)

Steps	Estimated Timeframe
1 Operation License Application	10 working days RO now legally exists
2 RO Seal Registration	7 working days
3 RO Tax Code Application	10 working days
4 Bank Account Registration	20 working days
5 Declaration of Labour Usage*	1 working day
6 Employee's Registration for Social Insurance Fund*	1 working day
7 Trade Union Registration*	1 working day

*If having new hires

Set up a Factory



6. Tax and Accounting Compliance



Businesses must comply with Vietnam Accounting Standards (VAS)



Accounting records must be in Vietnamese

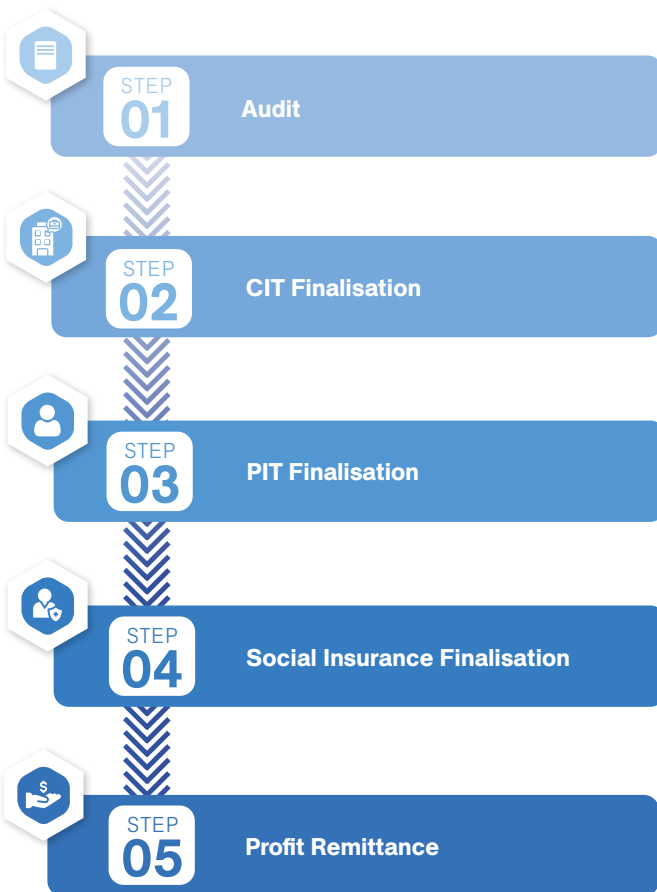


Transactions must be in Vietnam Dong (VND)



Accounting reports are specified by VAS regulations, printed and filed on a monthly basis

Accounting and Compliance Finalisation Procedures for Foreign-Owned Enterprises



Vietnam's Major Taxes



Business License Tax (BLT)

- Indirect tax imposed on entities conducting business activities in Vietnam
- Paid annually



Corporate Income Tax (CIT)

- Direct tax levied on profit earned by companies / organisations
- Typically, CIT is at 20%



Value-added Tax (VAT)

- Imposed on the supply of goods & services
- 3 different rates (0%, 5% & 10%)



Special Consumption Tax (SCT)

- Excise tax that applies to the import / export of:
 - 11 categories of products
 - 6 types of services



Custom Duties

- Most goods imported or exported across the borders of Vietnam are subjected to duties



Foreign Contractor Tax (FCT)

- Comprises of VAT & income tax (CIT / PIT)
- Imposed on payments from local organisations to foreign contractors in exchange for goods/services/ copyrights incurred and consumed in Vietnam.

7. HR and Payroll Compliance

Employment Contracts

Indefinite term
Term and time for contract termination are not determined

Definite term
Less than 36-month term and time for contract termination are determined

Work Permit Procedures and Requirements



ELIGIBILITY

- > 18 years old
- Satisfactory health condition to meet job requirements
- A manager, executive director or expert with technical skills and knowledge necessary for the job
- Not currently subject to criminal prosecution or any criminal sentences in Vietnam or overseas or have a criminal record



TERMS OF TERMINATION

- Expiration of permit
- Termination of labour contract
- Content of labour contracts is inconsistent with the work permit granted
- Foreign employees fired by foreign employers
- Withdrawal of work permit by authorised state agencies



EXEMPTION

- Working in Vietnam for less than three months
- Owner or capital contributor of LLC with capital contribution of at least 3 billion VND
- Members of the board of JSCs with capital contribution of at least 3 billion Vietnam Dong

Personal Income Tax (PIT) Obligations



Non-residents in Vietnam are taxed at 20% on all Vietnam sourced income



Vietnam residents are taxed on worldwide income

Vietnam's Personal Income Tax

Tax bracket	Monthly taxable income (million VND)	Monthly taxable income (US\$)	Tax rate
1	Up to 5	Up to 213	5%
2	Over 5 to 10	Over 213 to 426	10%
3	Over 10 to 18	Over 426 to 767	15%
4	Over 18 to 32	Over 767 to 1,363	20%
5	Over 32 to 52	Over 1,363 to 2,220	25%
6	Over 52 to 80	Over 2,220 to 3,416	30%
7	Over 80	Over 3,416	35%

Vietnam's Social Insurance Rates

For Vietnamese Employees

SHUI	Employer	Employee
Social (SI)	17.5%	8%
Health (HI)	3%	1.5%
Unemployment (UI)	1%	1%
Total	21.5%	10.5%

For Foreign Employees

SHUI	Employer	Employee
Social (SI)*	3.5%	-
*Until December 31, 2021		
Health (HI)	3%	1.5%
Unemployment (UI)	-	-
Total	6.5%	1.5%

Severance & Payment

- Eligible for employees working in a company for > 12 months
- Severance compensation shall amount to half a month's wages for every year the employee has been working
- The nature of severance is dependent on salary:
 - » Working period in the company
 - » Duration covered by social insurance

Compensation

- Overtime compensation rates:**
- Weekdays (day time) - 150%
 - Weekends (day time) - 200%
 - Public holidays, paid leave days-300%
 - Weekdays (night time) - 30% extra, above aforementioned rates

Types of Bonuses

- Large bonuses**
- Annual Performance Bonus
 - Lunar New Year bonus (13th Month Bonus)
- Small bonuses**
- International Labor Day
 - National Day

* Bonuses are not guaranteed and subject to PIT in Vietnam.

Allowances & Benefits

- Housing rent
- Payment for utilities services for employees
- Transportation, phone bills, meals, and clothing allowance
- Premiums for life insurance
- Health care services
- Entertainment fees
- Sports fees or membership

*Some are subject to PIT in Vietnam.



DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia

- Dezan Shira & Associates Offices
- Dezan Shira Asian Alliance Members



Global Offices

CHINA

- Beijing
beijing@dezshira.com
- Dalian
dalian@dezshira.com
- Dongguan
dongguan@dezshira.com
- Guangzhou
guangzhou@dezshira.com
- Hangzhou
hangzhou@dezshira.com
- Ningbo
ningbo@dezshira.com
- Qingdao
qingdao@dezshira.com
- Shanghai
shanghai@dezshira.com
- Shenzhen
shenzhen@dezshira.com
- Suzhou
suzhou@dezshira.com

- Tianjin
tianjin@dezshira.com
- Zhongshan
zhongshan@dezshira.com

HONG KONG

- hongkong@dezshira.com

INDIA

- Delhi
delhi@dezshira.com
- Mumbai
mumbai@dezshira.com

INDONESIA

- Jakarta
indonesia@dezshira.com
- Batam
batam@dezshira.com

SINGAPORE

- singapore@dezshira.com

VIETNAM

- Da Nang
danang@dezshira.com
- Hanoi
hanoi@dezshira.com
- Ho Chi Minh City
hcmc@dezshira.com

MONGOLIA

- mongolia@dezshira.com

DEZAN SHIRA ASIAN ALLIANCE MEMBERS

- Bangladesh
bangladesh@dezshira.com
- Malaysia
malaysia@dezshira.com
- Thailand
thailand@dezshira.com
- The Philippines
philippines@dezshira.com

- Japan
japan@dezshira.com
- Cambodia
cambodia@dezshira.com
- South Korea
southkorea@dezshira.com

DEZAN SHIRA LIAISON OFFICES

- Germany
germandesk@dezshira.com
- Italy
italiandesk@dezshira.com
- U.S.A.
usa@dezshira.com