

# Doing Business in Vietnam

Nguyen Quynh Nam | Managing Partner  
Crowe Horwath Vietnam  
Warsaw, Poland 16 November 2017



# Speaker



**Nguyen Quynh Nam | CPA (VN, Aust.), FCCA, CTA**  
Managing Partner  
**Crowe Horwath Vietnam**

- 17 years of experience in audit, tax and business advisory serving multi-national and local clients operating in varied industries
- Fellow member of Vietnam Association of Certified Public Accountants (VACPA) and currently member of Executive Committee of VACPA
- Member of Vietnam Association of Tax Consultants (VTCA)
- Fellow member of Association of Chartered Certified Accountants, United Kingdom (ACCA, UK)
- Member of Certified Practicing Accountants, Australia (CPA Aust.)

# Content

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- Vietnam overview
- Forms of business
- Establishing the business entity
- Taxation overview
- Accounting and Auditing requirements
- Human resource requirements
- Withdrawal procedures

# Vietnam Overview



**Population:** 92 million  
**Area:** 329,247 sq km (127,123 sq miles)  
**Municipalities and provinces:** 63  
**Currency:** Vietnamese dong



Capital city: Hanoi

3<sup>rd</sup> largest city, important seaport: Da Nang

Largest city: Ho Chi Minh



Language: Vietnamese

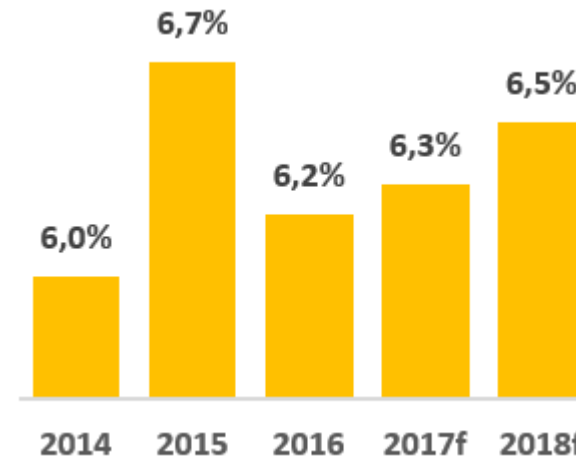


International dialing code: +84

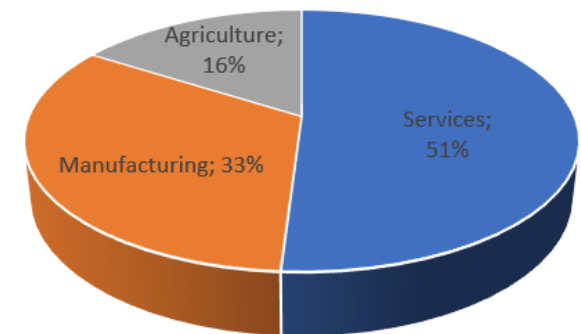


Business and banking hours:  
8am to 5pm  
Monday to Friday

**GDP growth rate**



**GDP by sector**



# Why Vietnam



## Strategic location:

- Close to other major markets
- Long coastline, direct access to the Eastern Sea



## Fast growing economy:

- One of the most dynamic economies in the world
- GDP growth is expected to be between 6% to 7% from 2016 to 2018 and average growth of 5% from 2014 - 2050



## Ease of doing Business:

- Getting better every year
- Ranked 68 out of 190 countries



## Openness to foreign investment:

- Stable social – political environment
- Permitted foreign ownership for most sectors
- Top FDI attraction in emerging markets and a stable government committed to growth



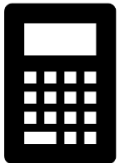
## Numerous trade agreements:

- Member of ASEAN and ASEAN Free Trade Area (AFTA)
- Member of World Trade Organisation (WTO)
- Bilateral Trade Agreement (BTA) with the US
- Free Trade Agreement with the European Union



## Young and skilled workforce:

- According to Worldometers, the median age in Vietnam is 30.8 years
- Vietnam also invests more money in education than other developing countries



## Relatively low setup costs:

- In contrast to many other countries, there are no minimum capital requirements for most business lines in Vietnam



## Competitive labor costs:

- Labor costs in Vietnam are among the lowest in Asia
- Compared to China: wages in Vietnam are less than half of what the wages are in China



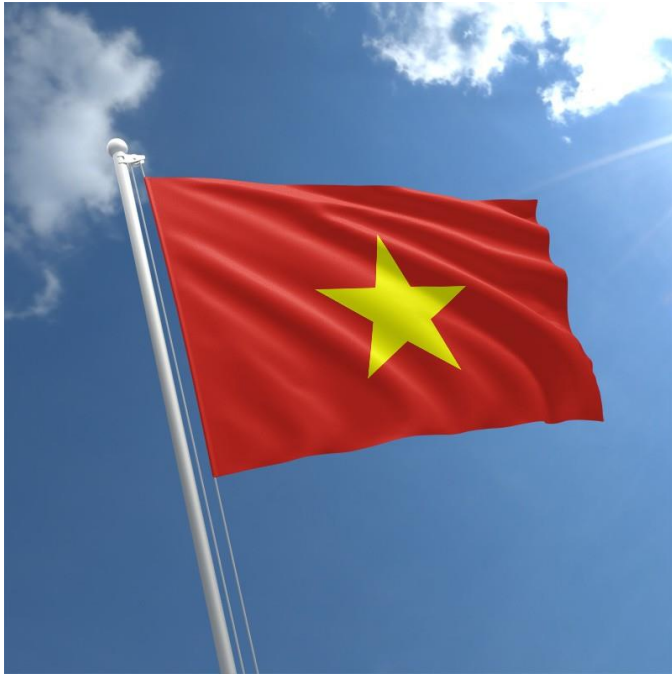
## Infrastructure development:

- Investment opportunities in large scale infrastructure
- Construction output value grew 10% in 2016

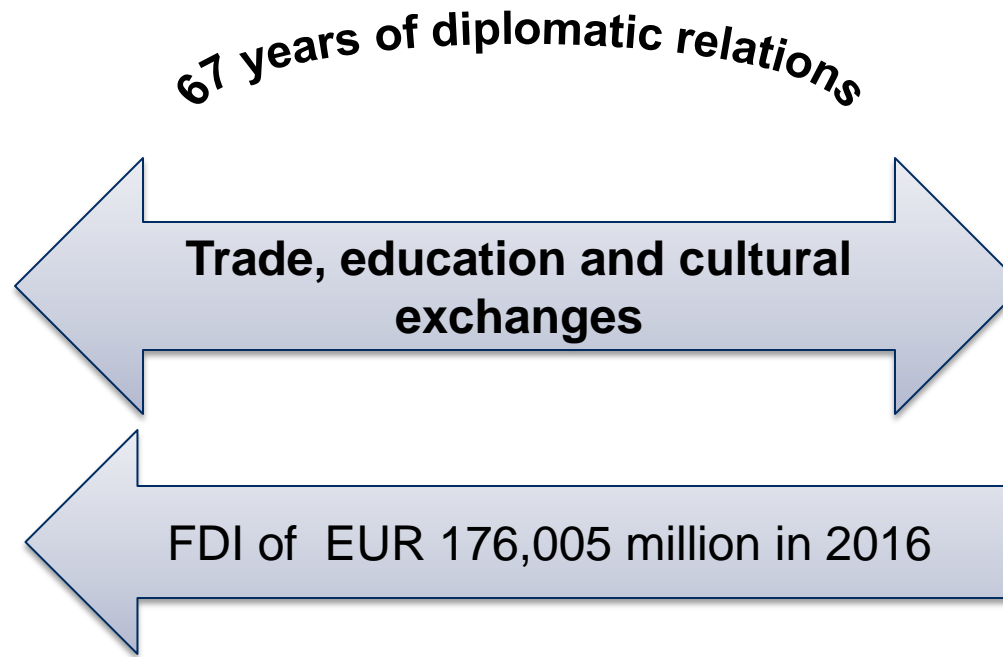
# FTAs



# Vietnam – Poland Relations



one of the five key markets  
in a new Polish trade  
promotion effort.

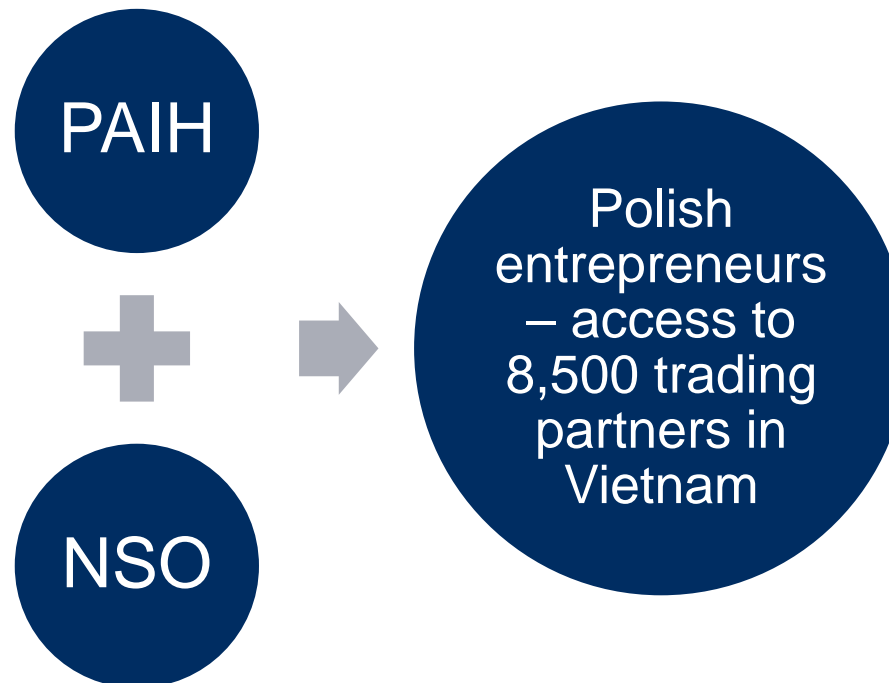


Vietnam's largest trade  
partner in Europe

# Vietnam – Poland Relations

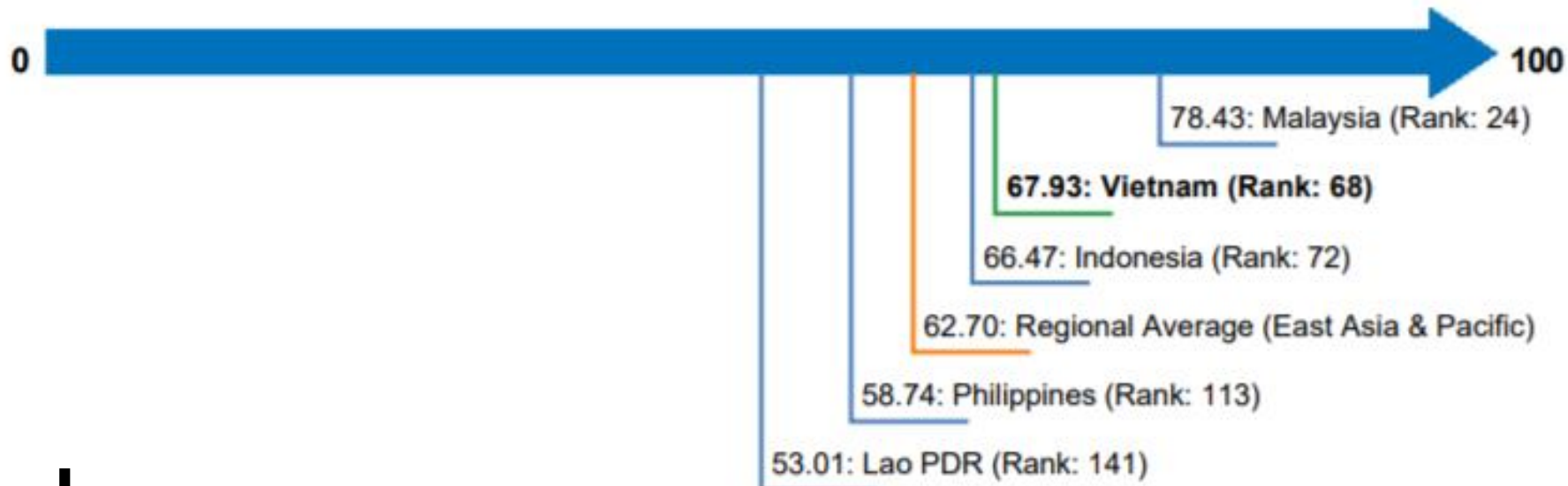
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**Polish Trade and Investment Agency (PAIH)  
&  
National One-Stop Services and Investments Organization (NSO)**





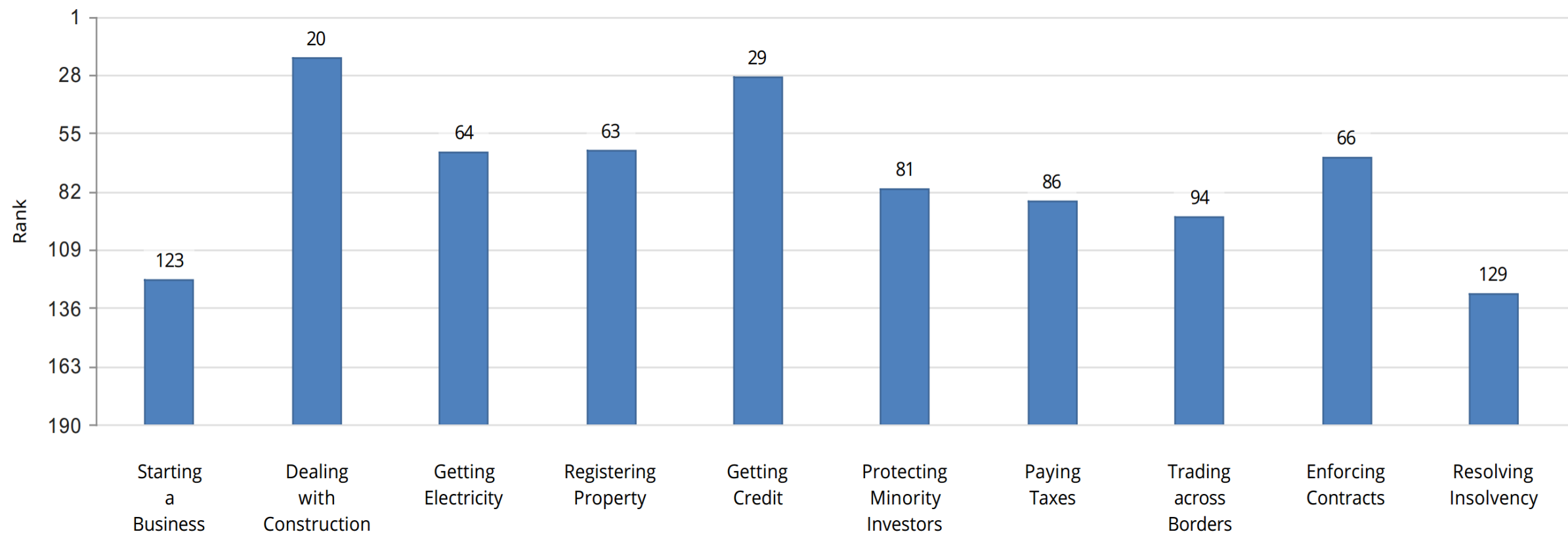
# The Business Environment



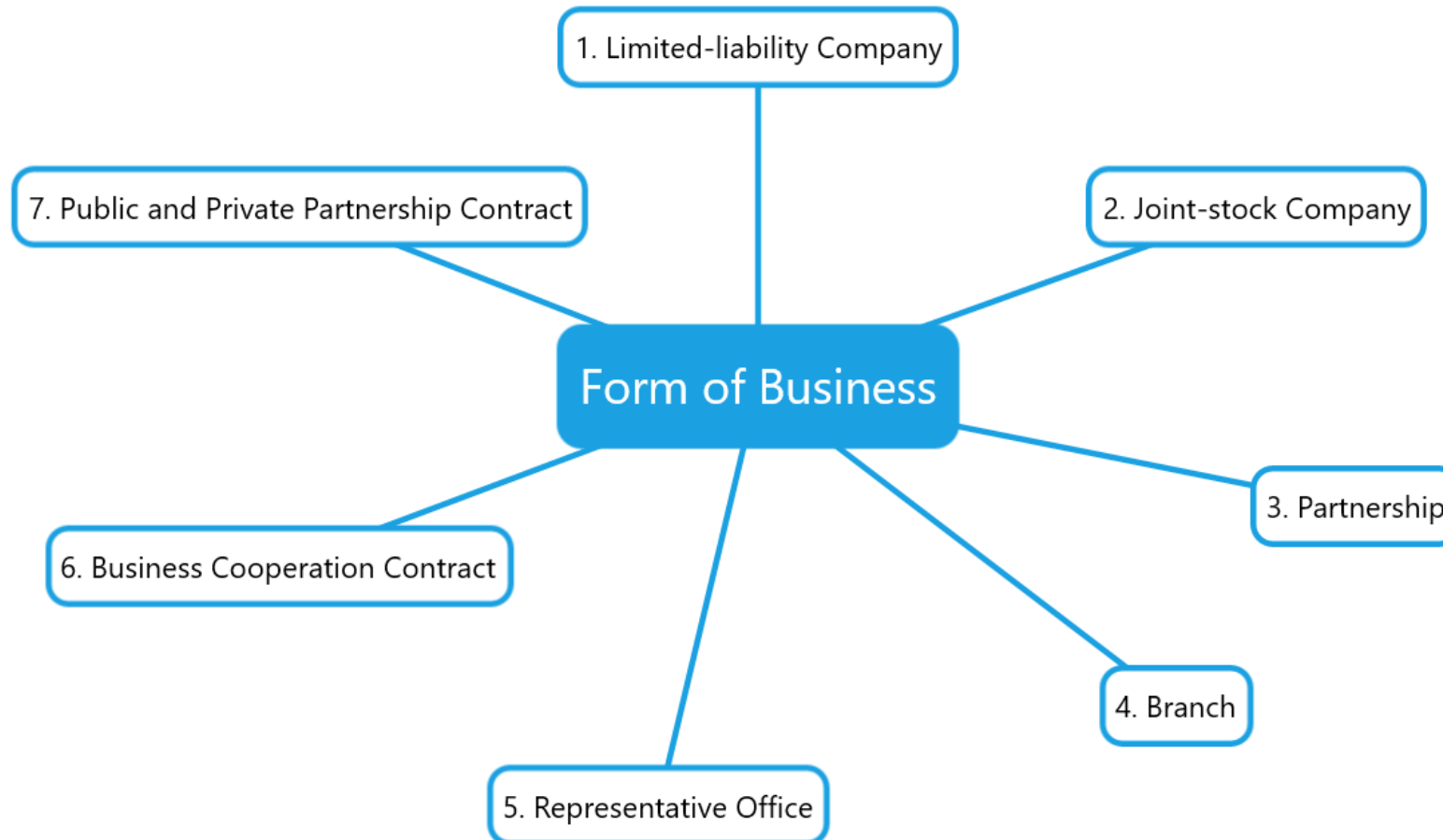
Vietnam up 14 notches in World Bank Doing Business 2018 report

World Bank Doing Business Report	Vietnam Ranking
2018	68
2017	82
2016	91

# The Business Environment



# Forms of Business



# Establishing the business entity

No	Procedure	Time to complete (*)	Associated costs (*)
1	Check the proposed company name; obtain the Investment Registration Certificate and/or Enterprise Registration Certificate from the local business registration office under the Department of Planning and Investment	3 days – 15 days	VND 200,000 (official fees)
2	Make a company seal	1 day	VND 165,000 – VND 370,000 for bronze Seal
3	Registration of the seal-sample with the Business Registration Office	5 days	No charge
4	Open a bank account	1 day	No charge
5	Buy pre-printed VAT invoices from the Municipal Taxation Department or obtain and print self-printed VAT invoices	10 days, simultaneous with previous procedure	About VND 200,000 per book



## Establishing the business entity

No	Procedure	Time to complete (*)	Associated costs (*)
6	Publish the registration contents on the National Business Registration Portal (NBRP)	5 days, simultaneous with previous procedure	VND 300,000
7	Pay business license tax	1 day, simultaneous with previous procedure	VND 2,000,000
8	Register with the local labor office to declare use of labor (Municipal Department for Labor, Invalids and Social Affairs)	1 day, simultaneous with previous procedure	No charge
9	Register employees with the Social Insurance Fund for the payment of health insurance and social insurance	1 day, simultaneous with previous procedure	No charge

(\*) In practice, the time to complete usually takes longer and the associated costs may be higher.

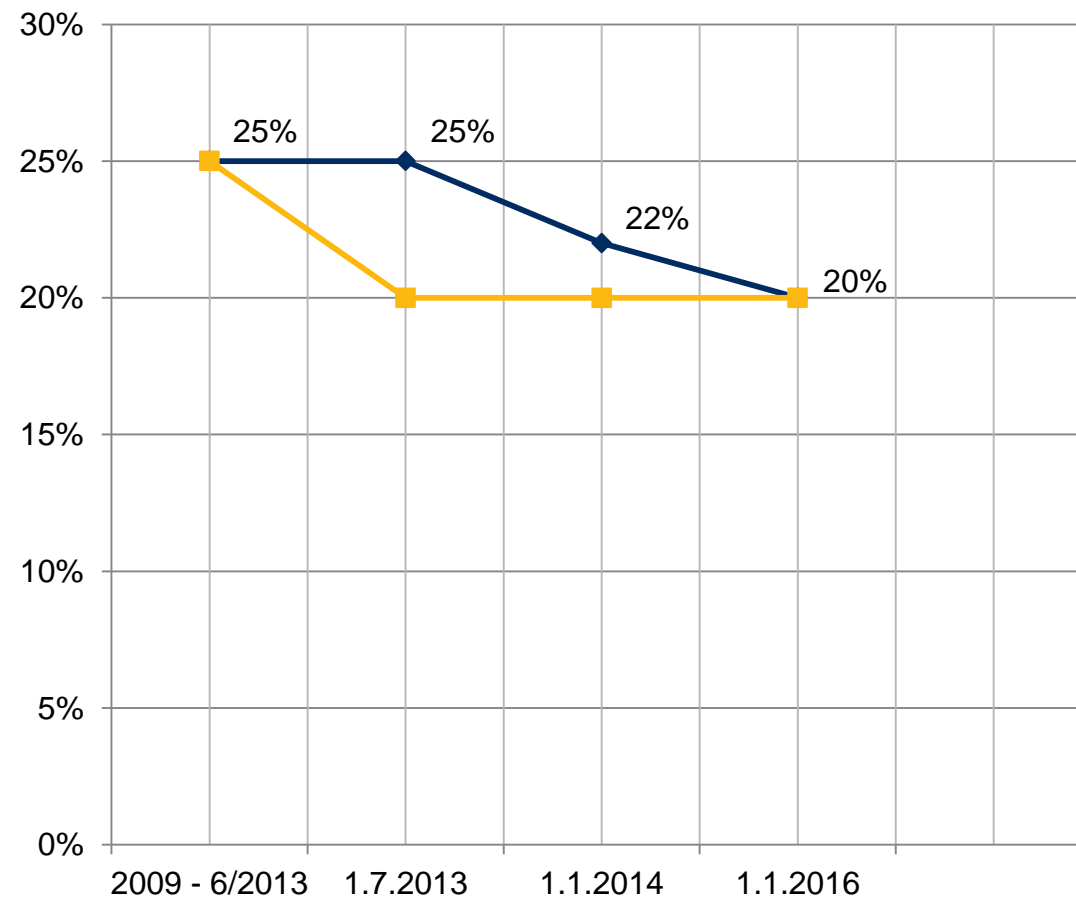
# Taxation Overview

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1. Corporate Income Tax (CIT)
2. Transfer Pricing (TP)
3. Capital Assignment Profits Tax (CAPT)
4. Value Added Tax (VAT)
5. Personal Income Tax (PIT)
6. Foreign Contractor Tax (FCT)
7. Social, Health and Unemployment Insurance Contributions
8. Special Sales Tax (SST)
9. Natural Resource Tax
10. Property Tax
11. Environment Protection Tax
12. Import Export Duties
13. Other Taxes

# Corporate Income Tax (“CIT”)

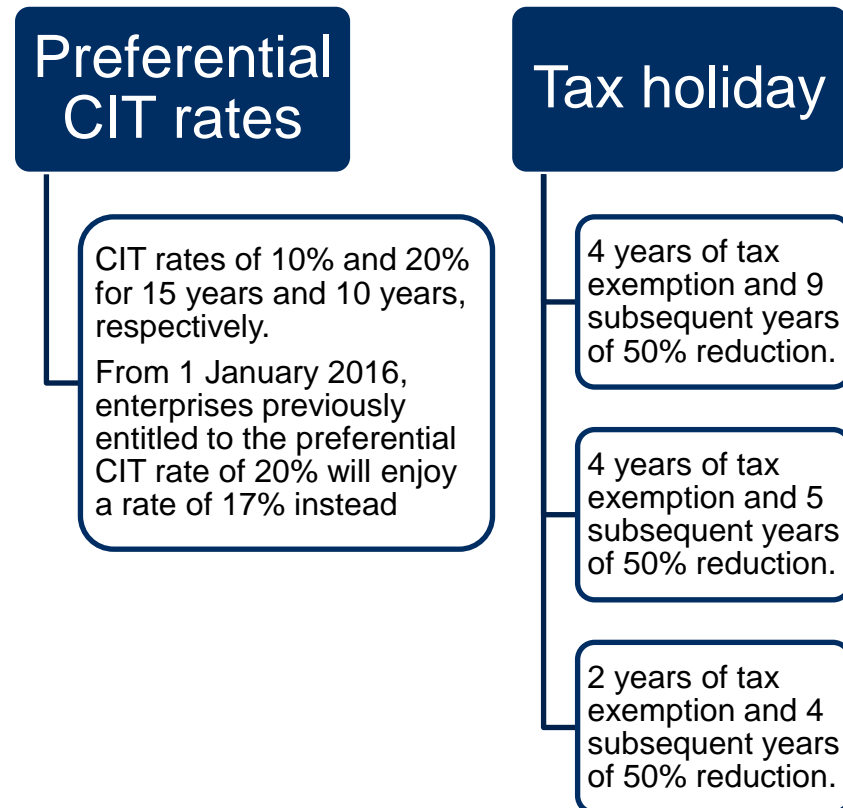
**Standard rate 20%**



# Corporate Income Tax (“CIT”)

## Tax incentives

- Based on sector, location, scale, industrial products manufacturing.





# Transfer Pricing

- Q3/2015, Established the Transfer pricing Inspection Department of the GDT and of the 4 Tax Departments: HN, HCM, BD, ĐN

- 22/2/2017: GDT-MOF chaired a seminar on the implementation of the BEPS action plan in APEC
- 24/2/2017 - Decree 20 and 28/4/2017 – Circular 41 on tax administration for enterprises engaged in transfer pricing

2012

2015

2016

2017

- 15/2/2012: Established the Team of tax administration on transfer pricing activities of the General Department of Taxation
- 21/5/2012: Issued Decision 1250 to approve the action program to control transfer pricing activities in the period of 2012 - 2015

- 23/5/2016: Decision 1134, GDT was assigned to build a decree on transfer pricing
- 3/6/2016: Directive 22, PM requested Tax Authorities enhancing the tax inspection and checking, especially on transfer pricing
- 21/7/2016: GDT announced the establishment of BEPS steering committee
- GDT conducted 17 provincial Tax Department to inspect directly on transfer pricing and make the list of enterprises with risks of transfer pricing

# Transfer Pricing: Three-Tiered Approach

Form 04

## Country-by-Country Template

- Key financial information on all group members on an aggregate country basis with an activity code for each member

Form 03

## Master File

- Key information about the group's global operations including a high-level overview of a company's business operations along with important information on a company's global TP policies with respect to intangibles and financing

Form 02

## Local File

- Information and support of the intercompany transactions that the local company engages in with related parties

# Capital Assignment Profits Tax (“CAPT”)

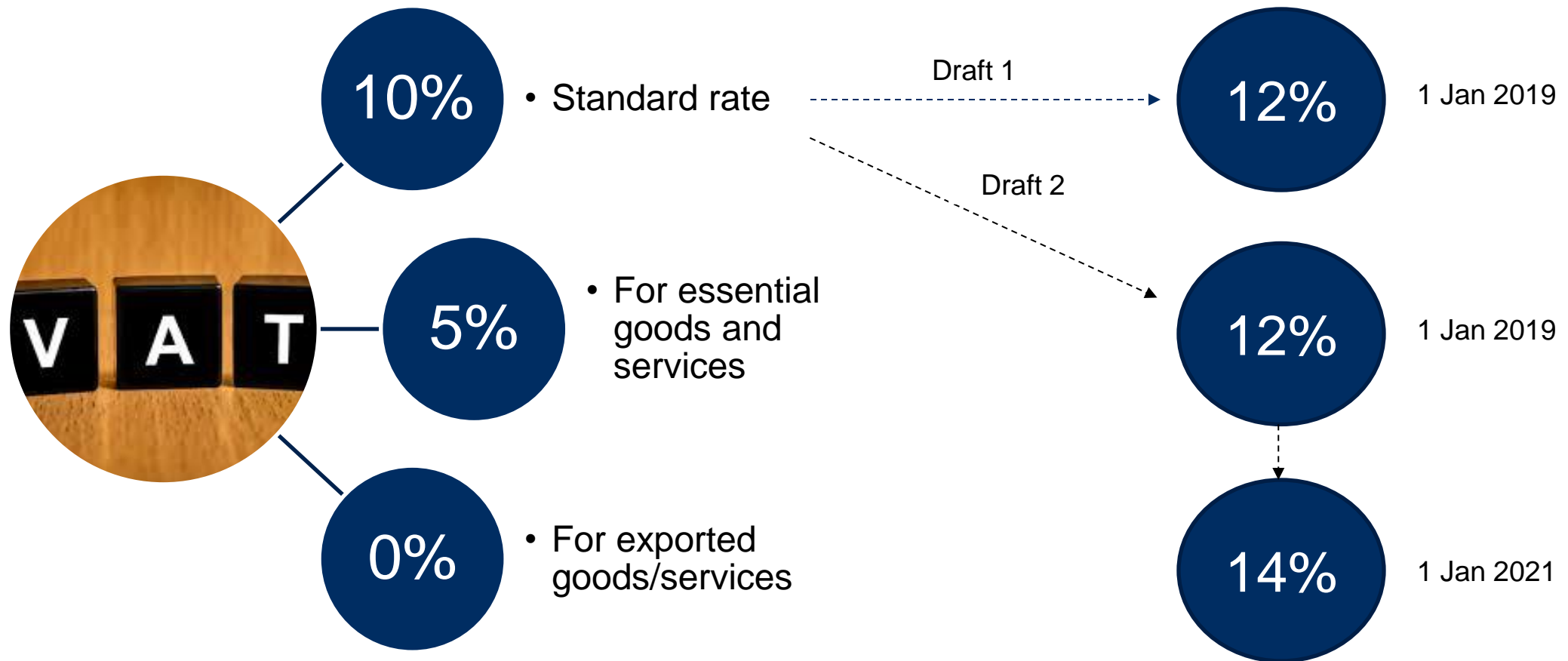
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## **Tax rate 20%**

- Gains derived from the sale of shares in a Vietnam company.
- The taxable gain is determined as the excess of the sale proceeds less cost (or the initial value of contributed charter capital for the first transfer) less transfer expenses.

# Valued Added Tax (“VAT”)

- VAT applies to goods and services used for production, trading and consumption in Vietnam.

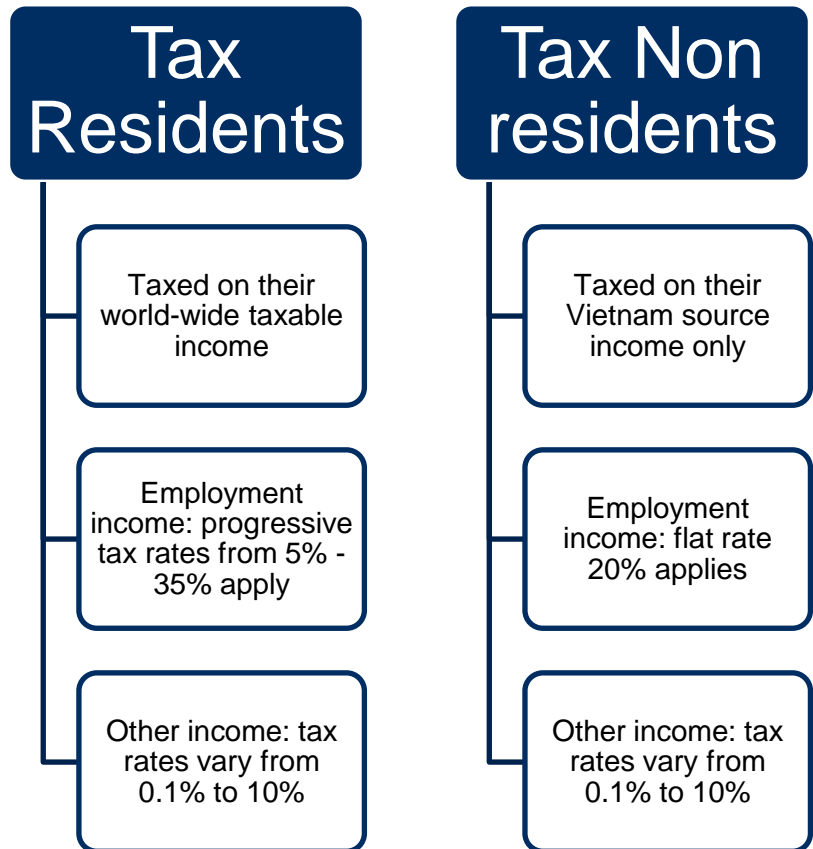




# Personal Income Tax (“PIT”)

- PIT rates depend on residency status and nature of income.

Level	Assessable income/month	Tax rate
1	Up to VND 5 million	5%
2	From over VND 5 million to VND 10 million	10%
3	From over VND 10 million to VND 18 million	15%
4	From over VND 18 million to VND 32 million	20%
5	From over VND 32 million to VND 52 million	25%
6	From over VND 52 million to VND 80 million	30%
7	From over VND 80 million	35%



# Foreign Contractor Tax (“FCT”)

- Levied on payments to foreign organisations and individuals undertaking businesses or earning income sourced from Vietnam.
- Not a separate tax and is merely a collection mechanism for VAT and CIT or PIT
- Payments subject to FCT include interest, royalties, service fees, leases, insurance, and goods supplied within Vietnamese or associated services rendered in Vietnam.
- Tax rate for example:

5%	1%	5%	10% - 15%
• General services	• Goods	• Interest	• Royalties

# Social, Health and Unemployment Insurance Contributions

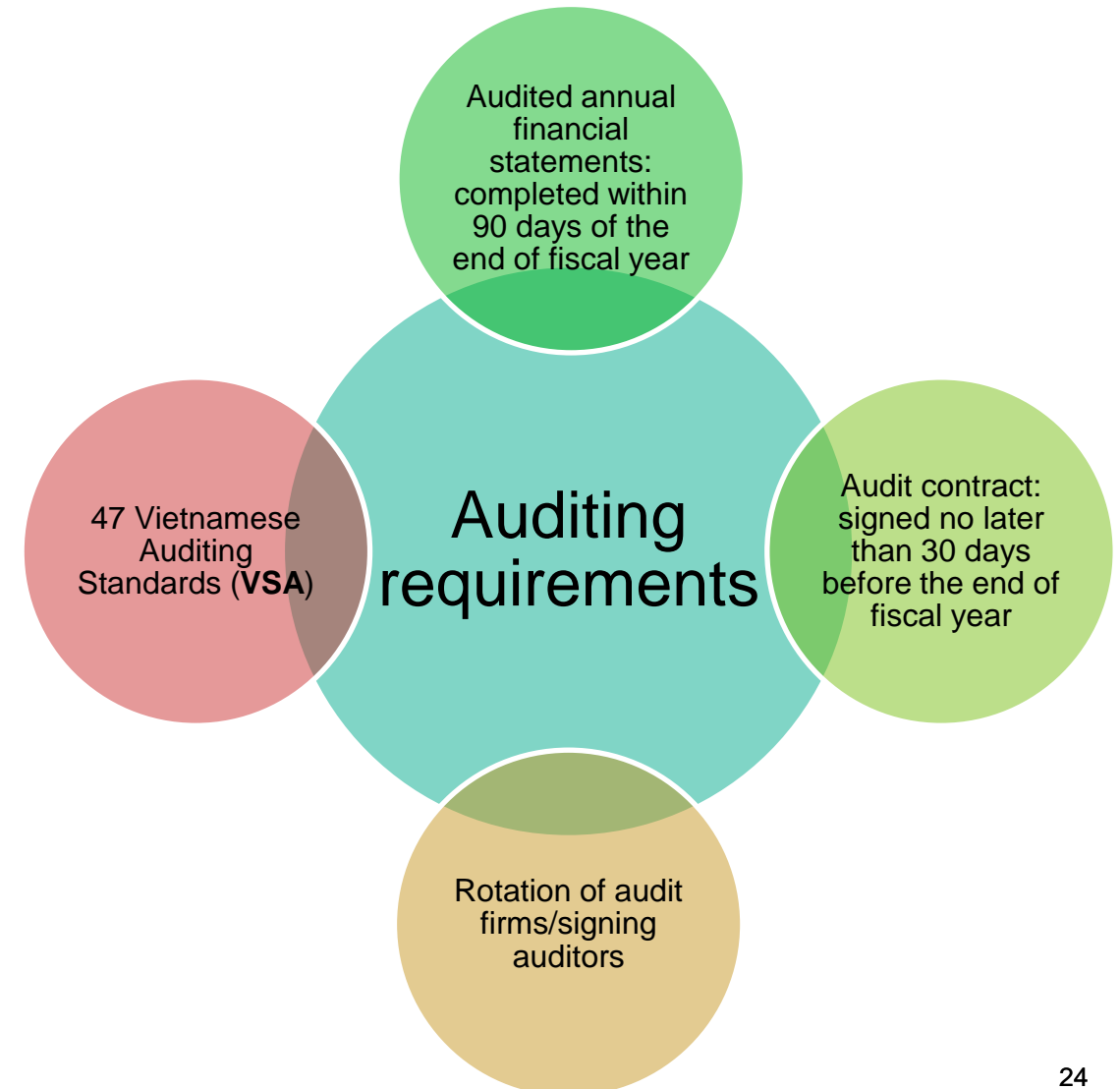
	Social Insurance	Health Insurance	Unemployment insurance	Trade Union fee
Employer	17.5%	3%	1%	2%
Employee	8%	1.5%	1%	1%

From 1 January 2018, insurances are calculated on the basis of total salaries and additional amounts stated in the labor contract.

# Accounting requirements



# Auditing requirements





# Human Resource Requirements

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## 1. Special labor standards to take heed of

- Laborer's age is from 15 years old and over Probation period must be not over than 60 days for skilled workers and 30 days for other workers.

## 2. Social welfare: insurance, pension, etc

## 3. Requirements for retirement benefits

Vietnamese employees who have paid social insurance contribution for full 20 years or more are entitled to a retirement pension when reaching 60 years of age for men or 55 years of age for women.

## 4. Legal annual leave and public holidays

- Normally, 12 annual leave days per year;
- Public holidays include: calendar New Year holiday (01 day), Lunar New Year holiday (05 days), Hung Kings Commemoration Day (01 day), Liberation Day 30 April (01 day), International Labor Day 01 May (01 day), National Holiday 02 September (01 day).

# Withdrawal procedures

## Voluntarily liquidation:

- Condition: A company is solvent and all creditors can be paid
- Process: generally takes 12 months or more and requires a final tax audit

Procedure	Authority in charge
Complete the compulsory insurance finalization dossier	The Social Insurance Department
Report on labor status	The Department of Labor, War Invalids and Social Affairs
Submit audited financial statements	The Tax Department; Department of Planning and Investment; Statistics Department
Submit PIT & CIT finalization dossier	The Tax Department
Report on tax invoice usage and destruction	
Complete the application for tax clearance	
Return the seal and certificate of seal sample registration	The Police Department
Submit the application dossier for dissolution to the licensing authority	Department of Planning and Investment/Board Management of Industrial Zones, Export Processing Zones (licensing authority)

***Thank you!***



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