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Changes in Vietnam's Regulatory Environment

A Look Back on 2016 and a Look Ahead to 2017

By Dustin Daugherty and Oscar Mussons



Corporate Income Tax

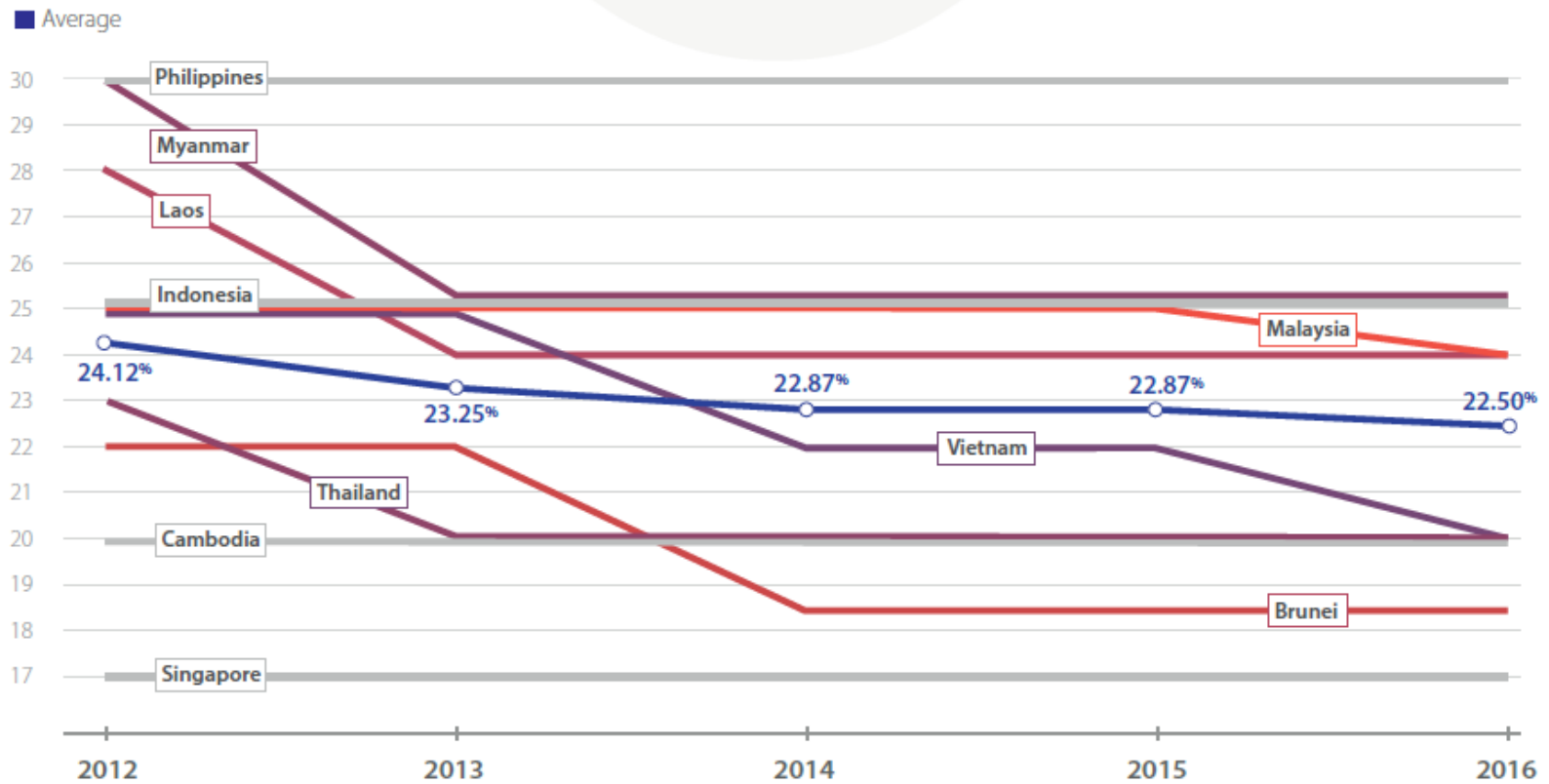
(January 1, 2016)

- Corporate Income Tax has been reduced from 22% to 20%

CIT	VAT	Withholding Tax			PIT	
20%	0%, 5%, 10%	Dividends	Interests	Royalty	Min	Max
		0%	5%	10%	5%	35%

Corporate Income Tax

The Progression of Corporate Income Taxation Across ASEAN (2012-2016)



Circular 59: Vietnam's Social Insurance Scheme

(January 1, 2016)

- Circular 59/2015/ TT-BLDTBXH is the most important revision to existing guidance (outlined Decree 115/2015/ND-CP) on the implementation of Vietnam's Social Insurance (SI) Law. As part of, and in addition to, measures aimed at reducing the governments outstanding fiscal obligations, these updates cover applicable salaries, covered employees, benefits, as well as the specific obligations of employers with regard to their employees.



Circular 59: Vietnam's Social Insurance Scheme



Allowances Under Circular 59

Included	Excluded
<ul style="list-style-type: none">• Position Allowance• Seniority Allowance• Hardship Allowance• Area Allowance• Mobility Allowance• Attraction Allowance	<ul style="list-style-type: none">• Annual Performance Bonuses• Initiative Bonuses• Meal Allowances (mid-shift)• Child care allowance• Petrol Allowance• Accommodation Allowance• Allowances for the support of occasions such as weddings, funerals, and birthdays• Allowances paid to employees as a result of accidents and other occupations health hazards.

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Circular 59: Vietnam's Social Insurance Scheme



Calculation of Benefits under Circular 59

<i>How to calculate?</i>	Before 1 January 2016	From 1 January 2016
Daily Compensation for paid sick leave	To divide the sickness benefit allocated per month by 25 days	To divide the sickness benefit allocated per month by 24 days
The benefit level for convalescence and rehabilitation after sickness per day	25% at home 40% at a center	30% of basic salary
The allowance if employees still need treatment after 180 days*	45%** of the salary subject to SI contributions of the month preceding their leave	50%** of the salary subject to SI contributions of the month preceding their leave

*for diseases requiring long term treatment
** if they have paid SI contributions for under 15 years

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12th National Congress of the Communist Party of Vietnam

(January 20–28, 2016)

- After his first election in 2011, Nguyễn Phú Trọng has been re-elected as he General Secretary of the Communist Party of Vietnam.
- The Congress has appointed Trần Đại Quang as 9th President of Vietnam. He is in office since April 2 after been formally elected by the National Assembly of Vietnam
- The Congress has also appointed Nguyễn Xuân Phúc as 8th Prime Minister of Vietnam, and he assumed office on April 7.



European Union – Vietnam Free Trade Agreement

(February 1, 2016)

- The text of the EVFTA has been released, following the conclusion of negotiations in December 2015.

Key areas of progress for the pact in 2016?

- Legal scrubbing
- Translation into 23 EU languages and Vietnamese



The Guide to Drafting PPP Proposals and Feasibility Studies

(March 1, 2016)

- The Vietnamese ministry of Planning and Interior passed Circular 02/2016/TT-BKHDT regarding the preparation and appraisal of PPP project proposals and feasibility studies. Outlining specific requirements and methods of evaluation for both reports, Circular 02 is a welcome supplement to the *Law on Bidding* originally passed in 2013 as well as Decree No. 15/2015/ND-CP passed in February.



Private-Public Partnership Opportunities

During this year the Vietnamese government has released a list of projects that have been opened for foreign investments including:

- Upgrades and construction of roads, bridges, and railways
- Expanding capacity and reliability of power grids in Hanoi and Ho Chi Minh City
- Construction and development of industrial parks and complexes
- Expansion of existing port capacity



Free Trade Areas

(May 11, 2016)

- Vietnamese Prime Minister Nguyen Xuan Phuc announced that Vietnam would create a Free Trade Area (FTA) with 55 partners during the 17th Asian Banker Summit in Hanoi.



Tax Administration

(July 1, 2016)

- For those failing to pay taxes by the dates specified within Vietnamese legislation, amendments to Tax Administration are set to provide some relief from late payment penalties. Changes currently show interest on late payments falling to just 0.03 percent a day or around 11 percent a year.



Special Consumption Tax and Value Added Tax

(July 1, 2016)

- Adjustments to **Special Consumption Tax (SCT)** see three major adjustments under recent amendments
- **Value Added Tax (VAT)** saw an **increased number of exemptions** added
- At the same time, **VAT refunds were also restricted**



U.S. visitors to Vietnam now eligible for one-year visa

(September 4, 2016)

- Visa updates between the United States and Vietnam replace a previous arrangement that had allowed both tourists and those doing business to enter the country for a maximum of 3 months with entry fees starting at US\$ 25. Under the updated visa scheme, two new categories of visas have been introduced and are outlined below. These are to apply to both business visitors and tourists, allowing a significant expansion of maximum stay for US tourists.
 - 1 year, multiple entry – stamping fee US\$ 135

Eurasian Economic Union – Vietnam Free Trade Agreement

(October 5, 2016)

- EAEU-VN FTA has come into effect
- The Vietnamese government has issued a decree to cut import taxes for the 2016-18 period under the free trade agreement between Vietnam and the Eurasian Union (EAEU) with the following stages:
 - Stage 1 – Runs from October 5 to December 31, 2016
 - Stage 2 – Runs from January 1, 2017 to December 31, 2017
 - Stage 3 – Runs from January 2018 to December 31, 2018



VIETNAM

Vietnam 2017

What's next?



Trans-Pacific Partnership



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Trump to withdraw from Trans-Pacific Partnership on first day in office

President-elect says he will leave TPP, with Japanese prime minister Shinzo Abe warning trade deal would be 'meaningless' without US



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Trump vows to renounce Pacific trade deal on first day in office

Japan's Abe says 12-country pact will 'have no meaning' without US participation



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US President-elect Trump vows to withdraw from TPP on first day in office

Xinhua | Updated: 2016-11-22 09:01

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Trans-Pacific Partnership: and now? (1 of 2)

- TPP has helped to spur the biggest overhaul of Vietnam's economy in decades.
- The trade pact is still really useful for the government and for Vietnamese business
- On October 2016, the ruling Communist Party adopted a resolution on International Economic Integration that confirmed Vietnam's commitment to further opening up the economy.

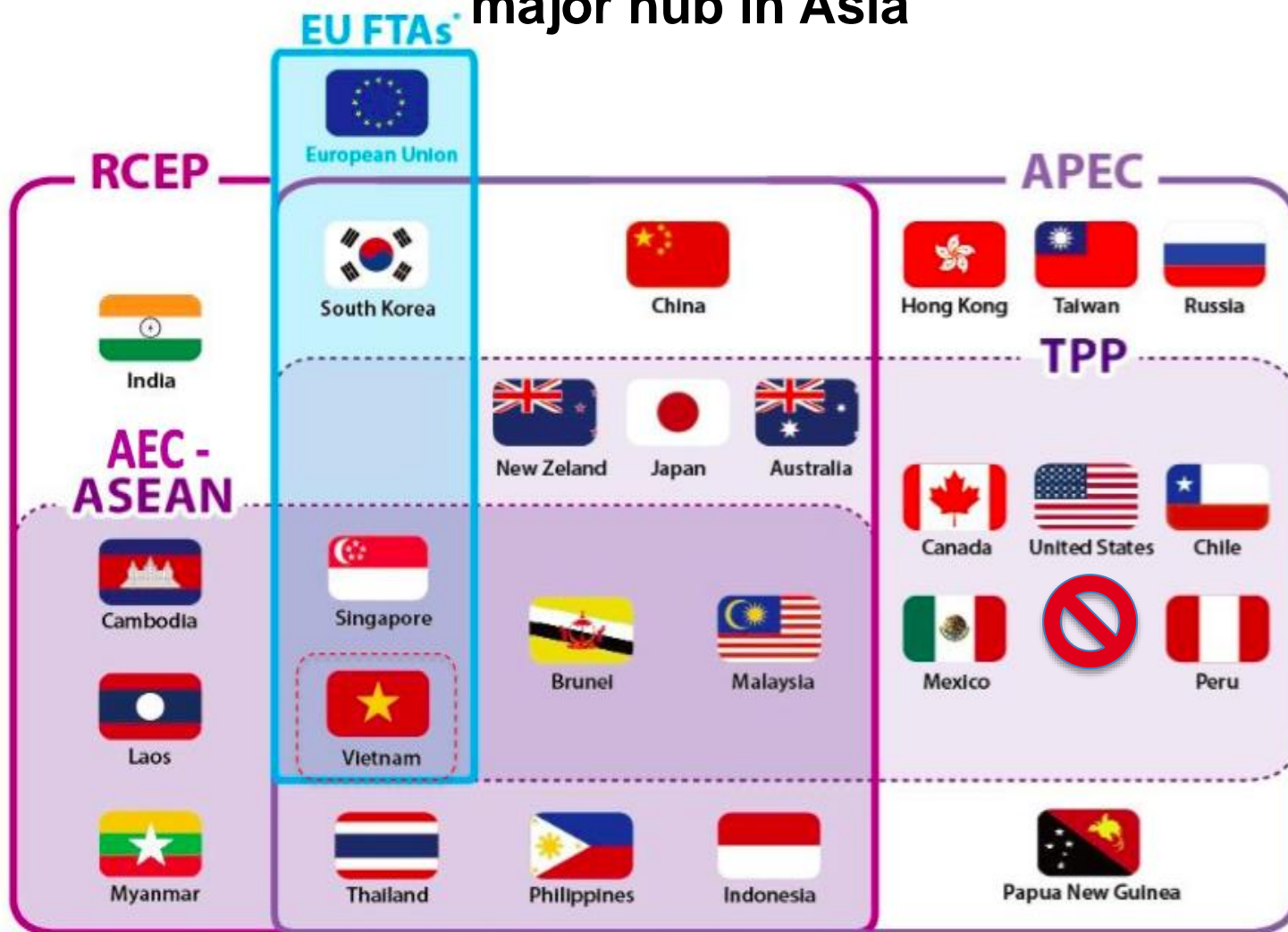


Trans-Pacific Partnership: and now? (2 of 2)

- The Communist government in Hanoi plans to push ahead with more than 30 separate pieces of legislation proposed
- Prime Minister's Decision No. 1969/QĐ-TTg , Oct 13, 2016 "Preparation and Action Plan to Implement the WTO Trade Facilitation Agreement"
- According to WTO Director-General Roberto Azevêdo, who met Vietnam's government and business leaders on Apr 15, 2016 in Hanoi, "For Viet Nam, the Trade Facilitation Agreement could reduce trade costs by as much as 20%.."



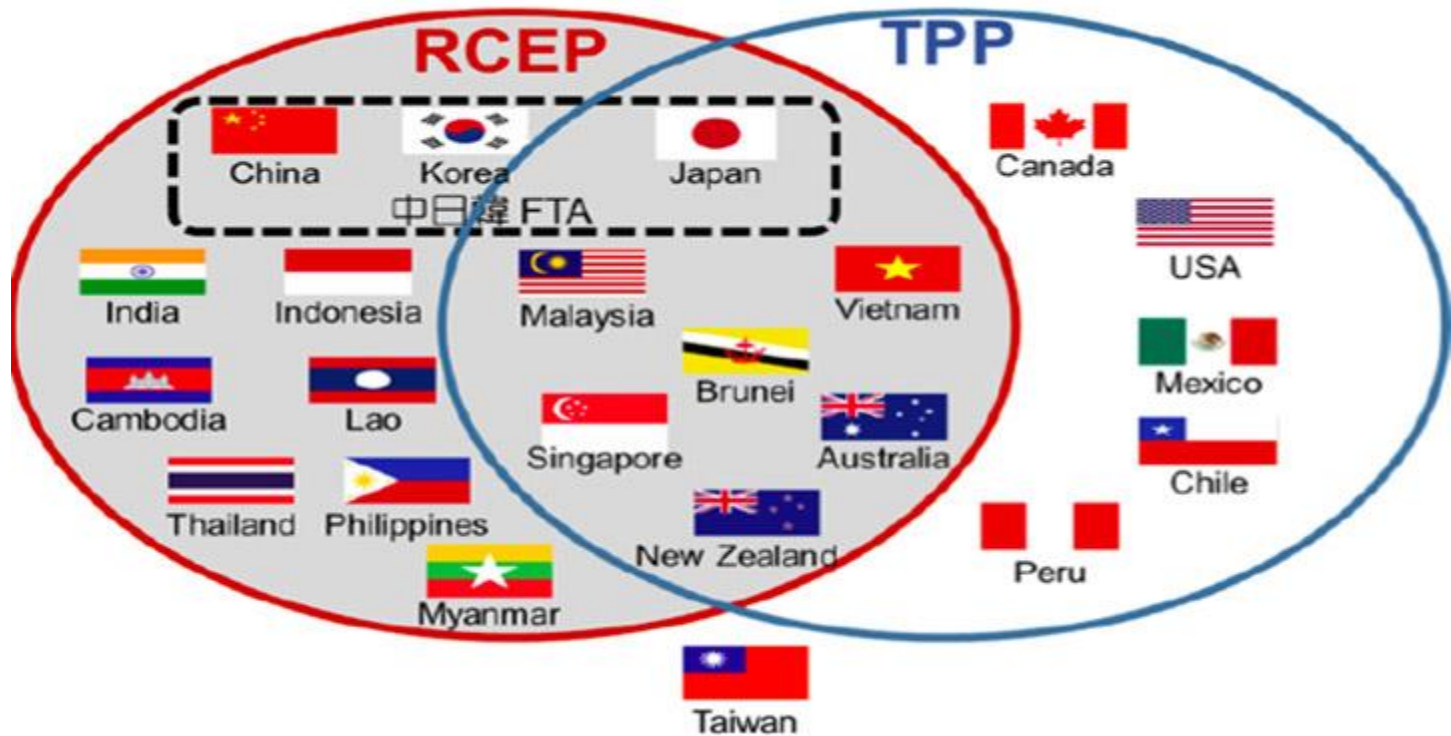
Viet Nam still enjoys a privileged position and is becoming a major hub in Asia



The Time For The Regional Comprehensive Economic Partnership



The turn for the Regional Comprehensive Economic Partnership



European Union – Vietnam Free Trade Agreement

What's expected in 2017?

- European Commission proposal to sign & conclude.
- Council authorization.
- Signature and EU ratification.

What should be next?

- EVFTA will entry into force (EIF) in 2018



Eurasian Economic Union – Vietnam Free Trade Agreement (Stage 2)

(January 1, 2017)

- The Vietnamese government has issued a decree to cut import taxes for the 2016-18 period under the free trade agreement between Vietnam and the Eurasian Union (EAEU).
 - Stage 1 – Runs from October 5 to December 31, 2016
 - Stage 2 – Runs from January 1, 2017 to December 31, 2017
 - Stage 3 – Runs from January 2018 to December 31, 2018
- Goods that will benefit include input material for production, like textile, garments, leather, footwear and plastic.

Eurasian Economic Union – Vietnam Free Trade Agreement (Stage 2)



Minimum wages' review

(January 1, 2017)

- Vietnam's National Wage Council has decided upon a modest 7.3 percent average increase in monthly minimum wages across the country for 2017.
- This is the lowest annual increase since 1997 .

Vietnamese Minimum Wages 2016 vs 2017

	Minimum Monthly Wage 2016	Minimum Monthly Wage 2017
Zone 1	VND 3,500,000 (~US\$156)	VND 3,750,000 (~US\$166)
Zone 2	VND 3,100,00 (~US\$139)	VND 3,320,000 (~US\$149)
Zone 3	VND 2,700,000 (~US\$120)	VND 2,900,000 (~US\$130)
Zone 4	VND 2,400,000 (~US\$107)	VND 2,600,000 (~US\$116)



Stricter rules for real estate loans

(January 1, 2017)

- The State Bank of Vietnam increases the risk weights of loans
- The new regulations should significantly insulate the Vietnamese real estate sector from the risks of bad debt.
- The changes also underline the importance of tracking legislations in Vietnam



Resolution 19-2016/NQ-CP

- Passed on April 28, 2016, the resolution seeks to propel Vietnam into the top-four ASEAN member states in terms of business climate.
- The resolution lists out plans from 2017 until 2020 and highlights the importance of changing trade regulations and government management of import-export products.
 - a) Issuance of building permission and relevant papers in less than 77 days.
 - b) Registration of property possession in less than 14 days.
 - c) Maximum time to handle contract disputes to be reduced to 200 days.
 - d) Processing of bankruptcy cases in 24 months instead of five years.
 - e) Maximum customs duration of 10 and 12 days for exports and imports respectively.



Business Licensing Fees

- (January 1, 2016)

Under the newly **proposed** guidelines, companies with registered capital in Vietnam would be subject to one of the following fee levels:

- **VND 3 million** (USD 135): Levied on businesses with charter capital under VND 10 Billion
- **VND 5 million** (USD 224): Required when licensing companies with registered capital between VND 10 and 100 billion
- **VND 10 million** (USD 448): Companies with registered capital over VND 100 billion would be required to pay this fee.
- **VND 1 million** (USD 44): Required for individuals with an annual turnover in excess of VND 300 million
- **VND 300,000** (USD 12): Levied on business households with an annual turnover between VND 100 million and VND 300 million



Transfer Pricing Thresholds (1 of 2)

- Vietnam's Ministry of Finance released a draft circular on October 11th, 2016, which, **if passed**, is set to become the largest change to transfer pricing (TP) regulation since 2010. The circular is widely expected to become effective at the top 2017.

Relaxed Thresholds for Related Entities

- Under proposed changes, the ownership threshold would be raised to 25 percent while transactions between otherwise unrelated entities would have to meet or exceed 60 percent of one party's sales or purchases.



Transfer Pricing Thresholds (2 of 2)

Compliance Exemptions

- Proposed updates outline an exemption from TP compliance for small and medium sized enterprises. In contrast to thresholds, which are based on a percentage of ownership or sales, qualification for a TP compliance exemptions can be secured if both the revenue and the value of a company's related party transactions fall below specific amounts.



Freight services and related charges

(July 1, 2017)

- Shipping operators will have to publicize surcharges of freight services for containerized goods, fees and charges of shipping freight services, and charges for port services.
- The decree will target containerized goods, while bulk shipments that are not containerized will not be subject to the rule.
- More than 40 foreign shipping companies operate in Vietnam and are involved in 88 percent of imports and exports of local enterprises.





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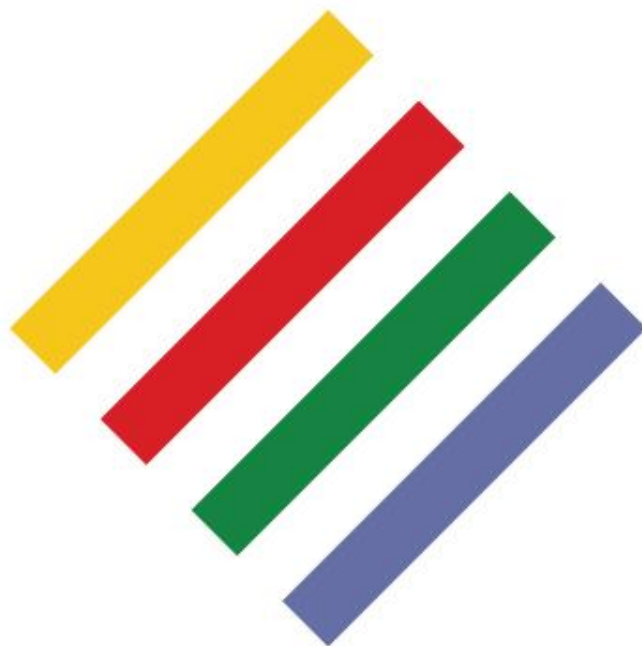
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