







DEZAN SHIRA & ASSOCIATES  
Your Partner for Growth in Asia

# Investing in Vietnam 2020





 This infographic of Investing in Vietnam 2020 is produced by a team of professionals at  
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 as Creative designers.

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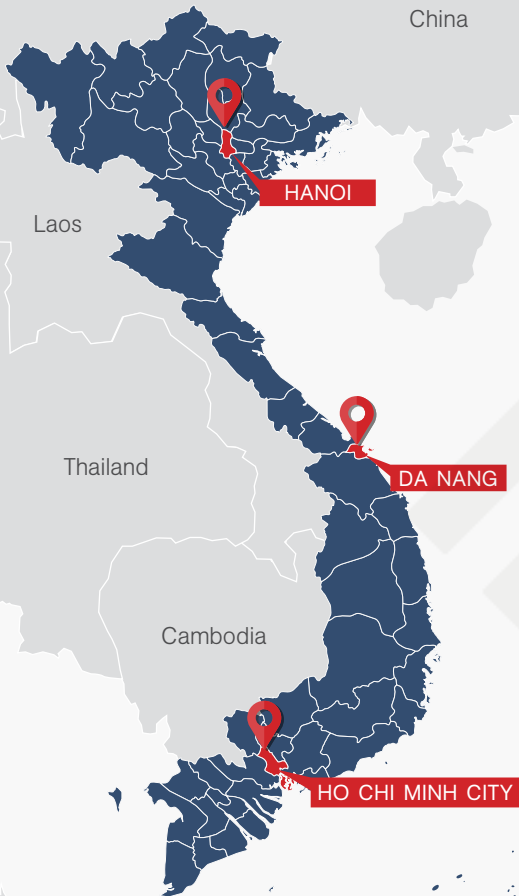
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# 1. Demographics



★ Political System	<b>Socialist Republic</b>
★ Capital	<b>Hanoi</b>
📍 Economic Centre	<b>Ho Chi Minh City</b>
👤 Population	<b>96.2 million</b>
💰 Currency	<b>Vietnam Dong (VND)</b>
🗣️ Language	<b>Vietnamese</b>
🌐 Provinces	<b>63</b>
📍 Area	<b>331,210 km<sup>2</sup></b>
🌍 Neighbours	<b>China, Laos, Cambodia</b>
🕒 Time Zone	<b>UTC+7</b>
📈 2019 GDP Growth	<b>7.02%</b>
👥 Labour Force	<b>55.4 million</b>
👤 Middle class population	<b>10% population</b> <i>Expected to rise to 33 million people by 2020</i>
💵 Average annual income	<b>US\$2,587</b>

## 2. Economics and FDI in 2019

**7.02%**  
GDP Growth Rate

**8.1%**  
Export Growth Rate

**US\$ 20.38 billion**  
FDI Disbursement

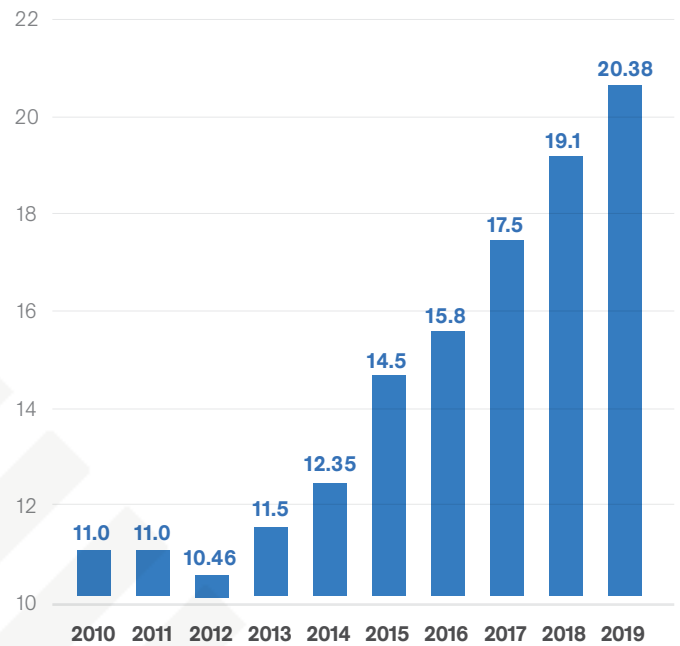
**US\$ 543.25 billion**  
Import and Export Turnover

**3,883**  
New Projects  
granted investment  
certificate in 2019

**125**  
Investor Countries  
and Territories

### FDI Disbursement in Vietnam (US\$ Billion)

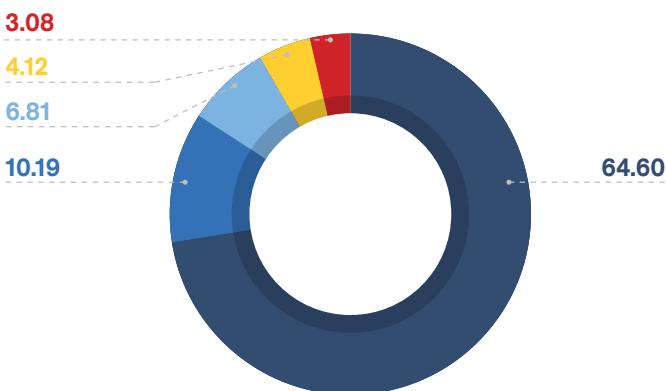
From 2010 to 2019



Source: Ministry of Planning and Investment

### Top 5 Sectors Receiving Investment (US\$ Billion)

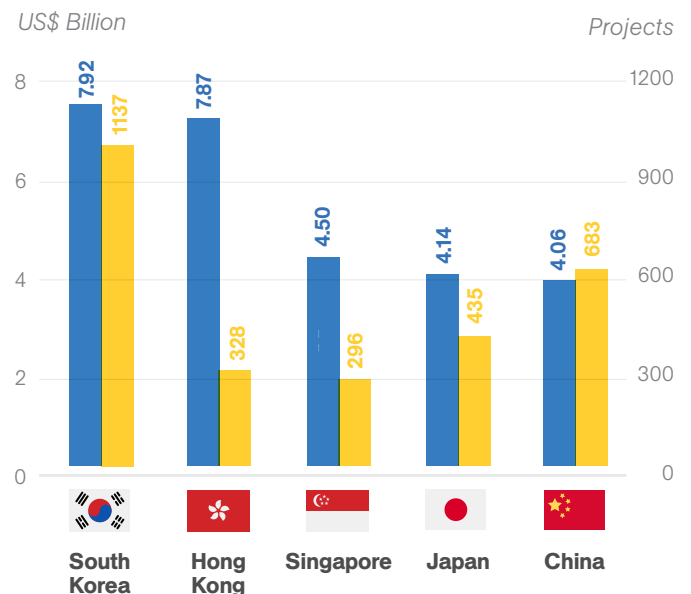
- Processing and Manufacturing
- Real Estate
- Wholesale and Retail
- Profession, Science and Technology
- Finance, Banking and Insurance



Source: Ministry of Planning and Investment

### Top 5 Countries Investing in Vietnam

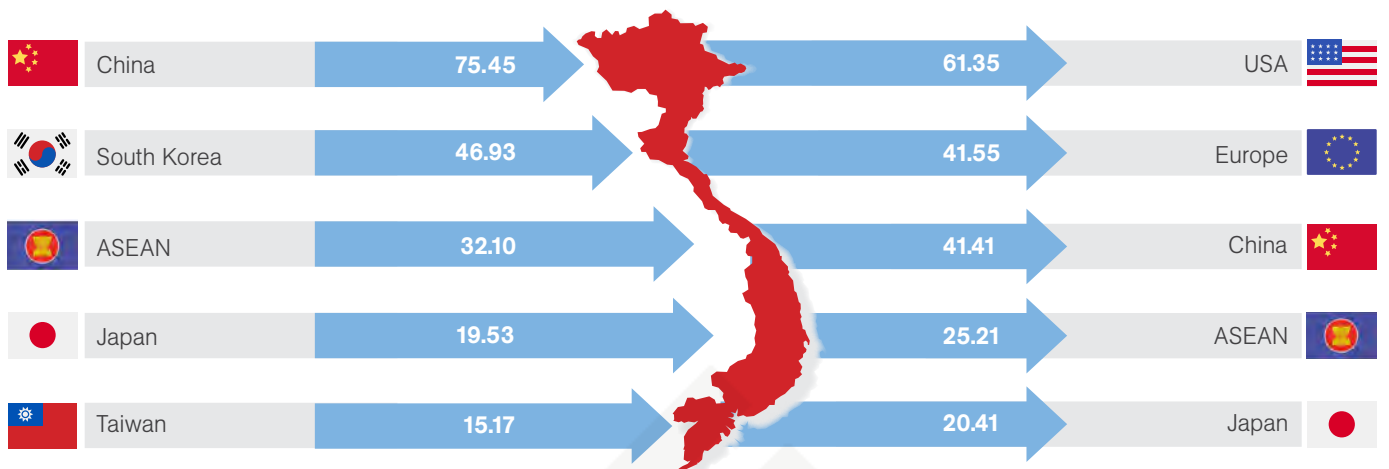
- Total registered capital (US\$ Billion)
- Newly granted projects



Source: Ministry of Planning and Investment

## 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

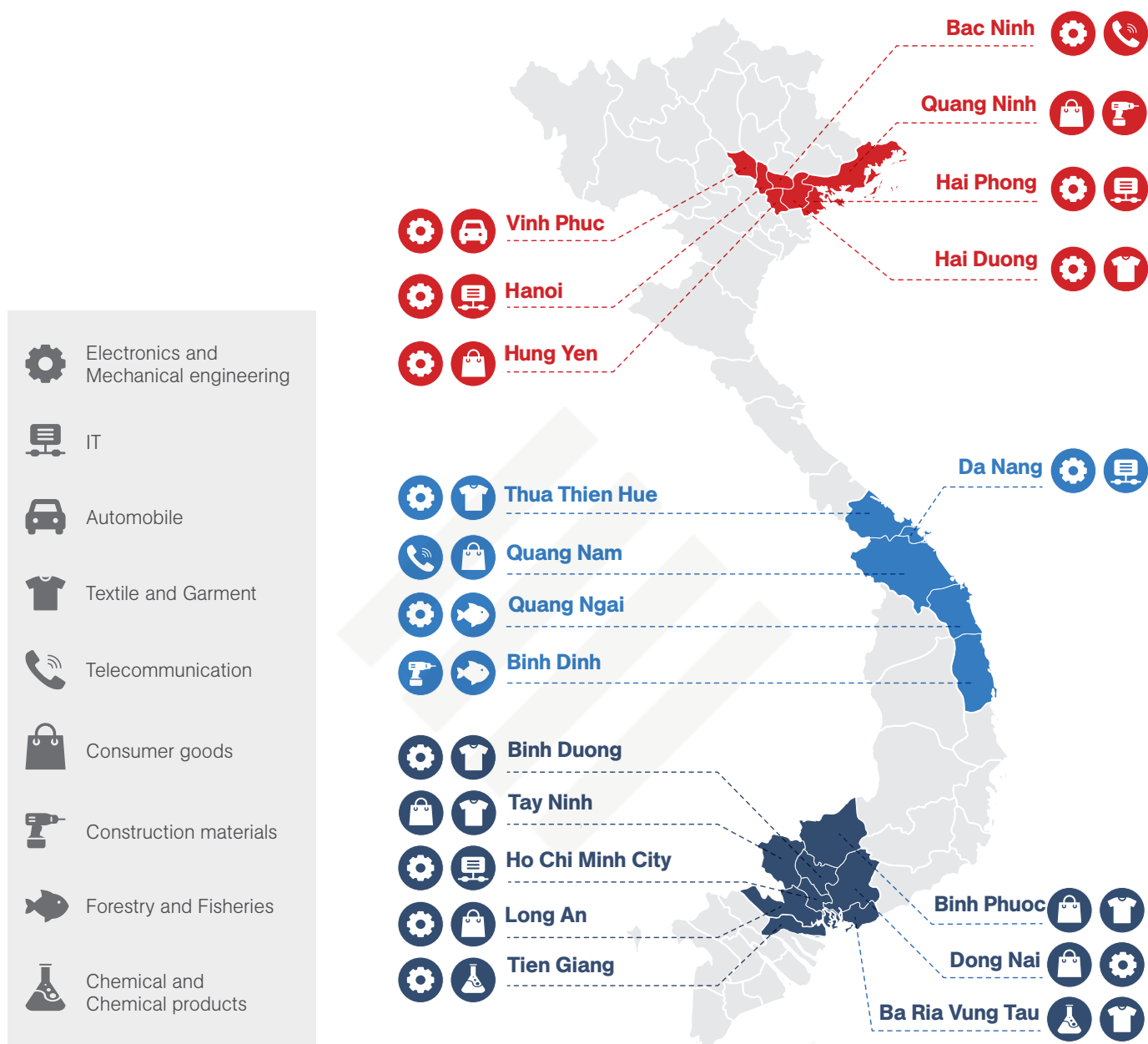
1	Computers, Electronic products and Components	51.35
2	Machinery and Equipments	36.75
3	Telephones	14.62
4	Textile fabrics	13.28
5	Iron and Steel	9.51

### TOP 5 EXPORTS

1	Telephones	51.38
2	Computers and Components	35.93
3	Textile and Garment	32.85
4	Footwear	18.32
5	Machinery and Equipments	18.30

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: Vietnam Briefing

# 4. Free Trade Agreements

**13** FTAs in Effect

**4** Signed/under Negotiations

**ASEAN**  
Association of  
Southeast Asian Nations

**VEUFTA**  
Vietnam Eurasian  
Economic Union FTA

**EVFTA**  
Vietnam - European  
Union FTA

**VKFTA**  
Vietnam – South Korea FTA

**CPTPP**  
Comprehensive and  
Progressive Agreement  
for Trans-Pacific Partnership

**RCEP**  
Regional Comprehensive  
Economic Partnership

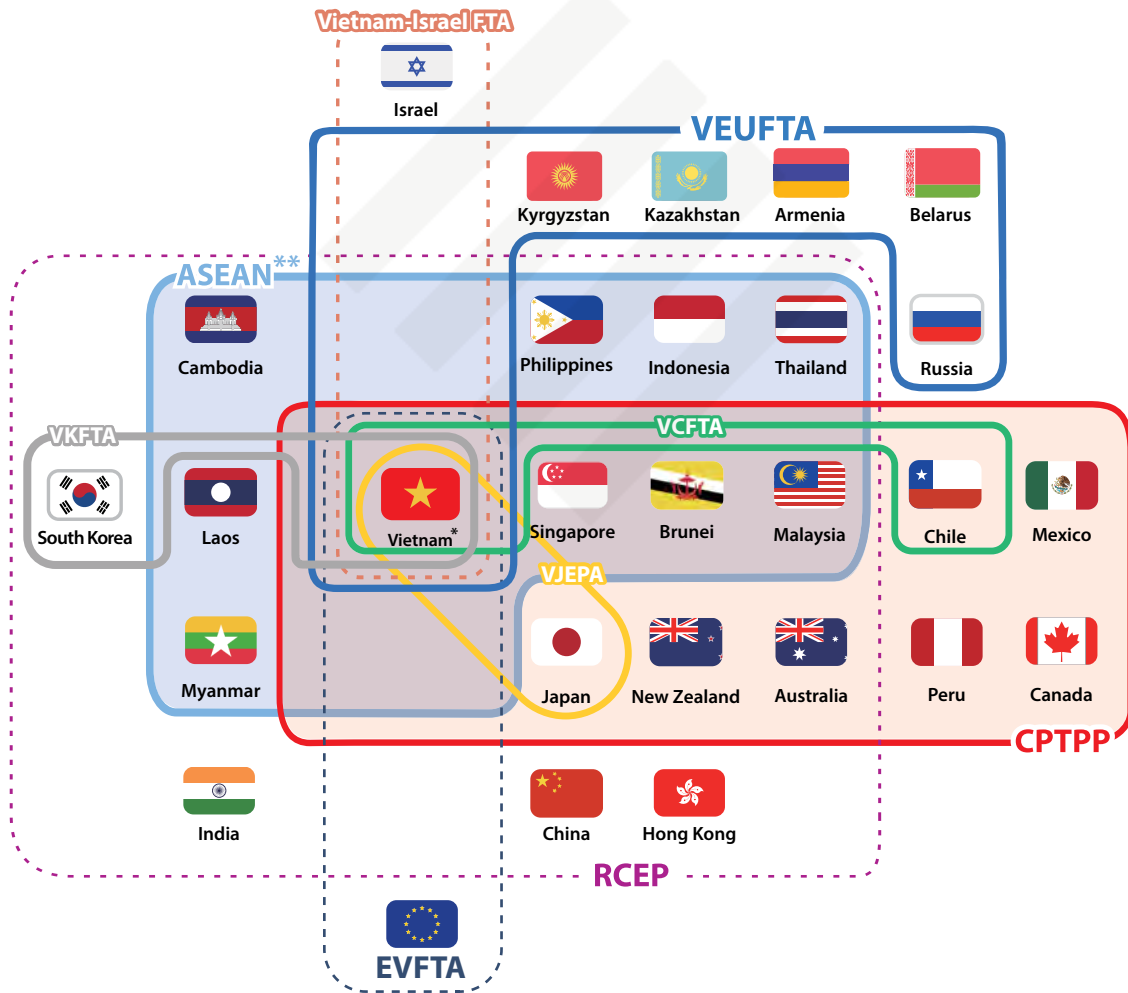
**Vietnam-Israel FTA**  
Vietnam - Israel FTA

**VCFTA**  
Vietnam – Chile FTA

**VJEPA**  
Vietnam – Japan FTA

— Agreements in Force

----- Negotiations ongoing



\* Vietnam also has a FTA with EFTA States (including Norway, Switzerland, Iceland, and Liechtenstein) under negotiations

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



# 5. How to Set up a Business

## Key Market Entry Options

Entry Market Structure Types	Common Purpose	Estimated Set up time	Pros	Cons
Representative Office	<ul style="list-style-type: none"> <li>Non-separate legal entity</li> <li>Market Research</li> <li>Act in liaison on behalf of parent company</li> </ul>	6-8 weeks*	<ul style="list-style-type: none"> <li>Easy registration procedure</li> </ul>	<ul style="list-style-type: none"> <li>Cannot conduct revenue generating activities</li> <li>Parent company bears liability</li> </ul>
Branch Office	<ul style="list-style-type: none"> <li>Non-separate legal entity</li> <li>Commercial activity within parent company's scope</li> </ul>	6-8 weeks*	<ul style="list-style-type: none"> <li>Can remit profits abroad</li> </ul>	<ul style="list-style-type: none"> <li>Limited to certain industry sectors</li> <li>Parent company bears liability</li> </ul>
Limited Liability Company	<ul style="list-style-type: none"> <li>Separate legal entity</li> </ul>	Time to find location + 2 – 4 months**	<ul style="list-style-type: none"> <li>Liability limited to capital contribution</li> <li>No restriction on the scope of business</li> </ul>	<ul style="list-style-type: none"> <li>Cannot issue shares</li> <li>Maximum of 50 shareholders</li> </ul>
Joint-Stock Company	<ul style="list-style-type: none"> <li>Separate legal entity</li> </ul>	Time to find location + 2 – 4 months**	<ul style="list-style-type: none"> <li>Liability limited to capital contribution</li> <li>No restriction on the scope of business</li> <li>Can issue shares and go public</li> </ul>	<ul style="list-style-type: none"> <li>At least three shareholders required</li> <li>Supervisory board required for most joint stock companies</li> </ul>
Public Private Partnership	<ul style="list-style-type: none"> <li>Entails partnership between foreign or domestic enterprise and government for infrastructure projects</li> </ul>	2 – 4 months + negotiation	<ul style="list-style-type: none"> <li>Government aggressively pursuing PPPs to develop infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Several PPP models</li> <li>Investors unsure of returns</li> </ul>

\* Applies to normal investing projects whose objectives/business lines are under WTO Commitments. For special cases, the timeframe will be prolonged.

\*\* Applies to normal cases. For special cases, the timeframe will be prolonged.

## Four Step Set Up Guide



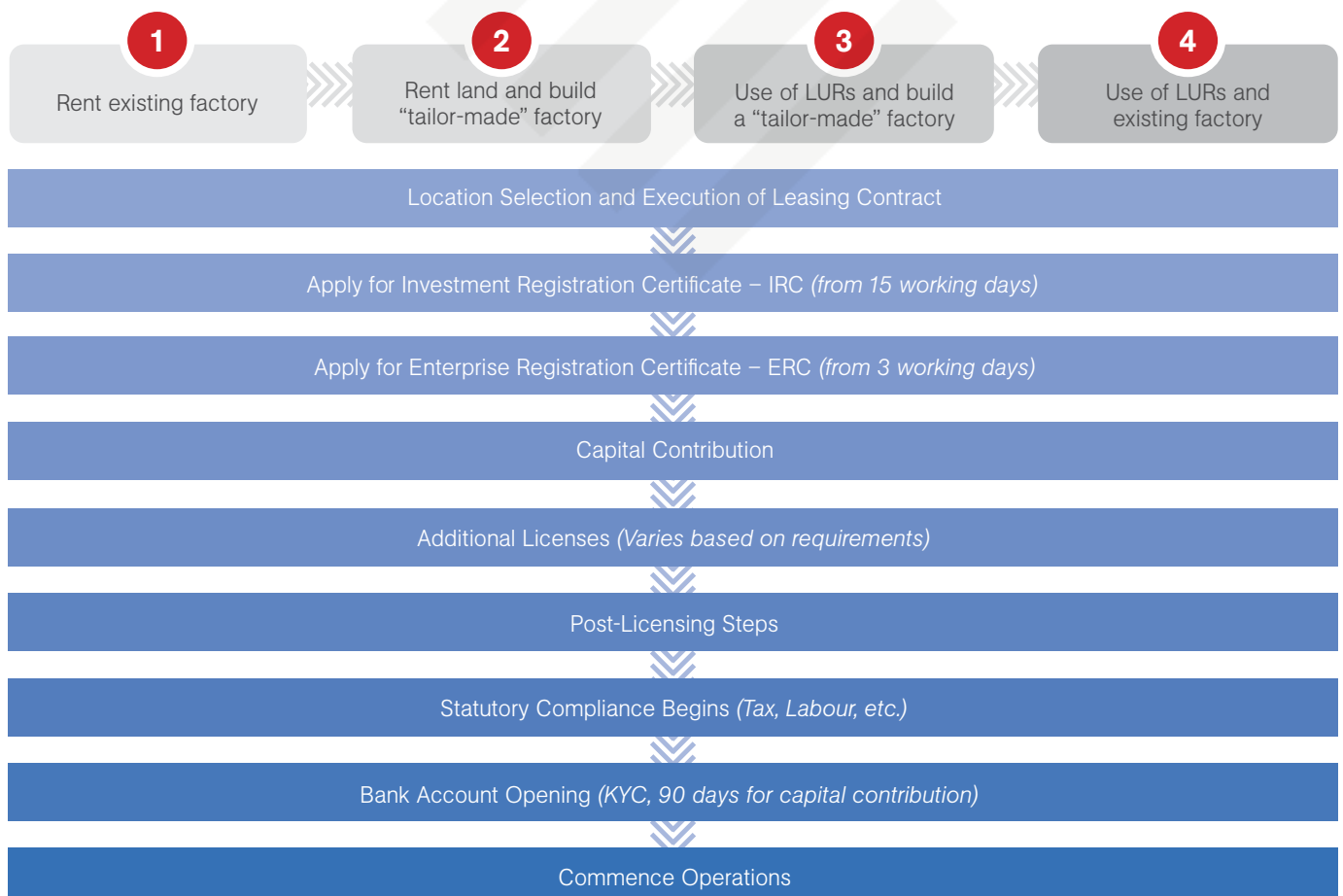
(The IRC & ERC can be processed concurrently depending on internal policy of each province/city)

## Timeframe to Set up a Representative Office (RO)

Steps	Estimated Timeframe
1 Operation License Application	15 working days
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 and Procedures



Businesses must comply with Vietnam Accounting Standards (VAS)



Accounting records must be in Vietnamese

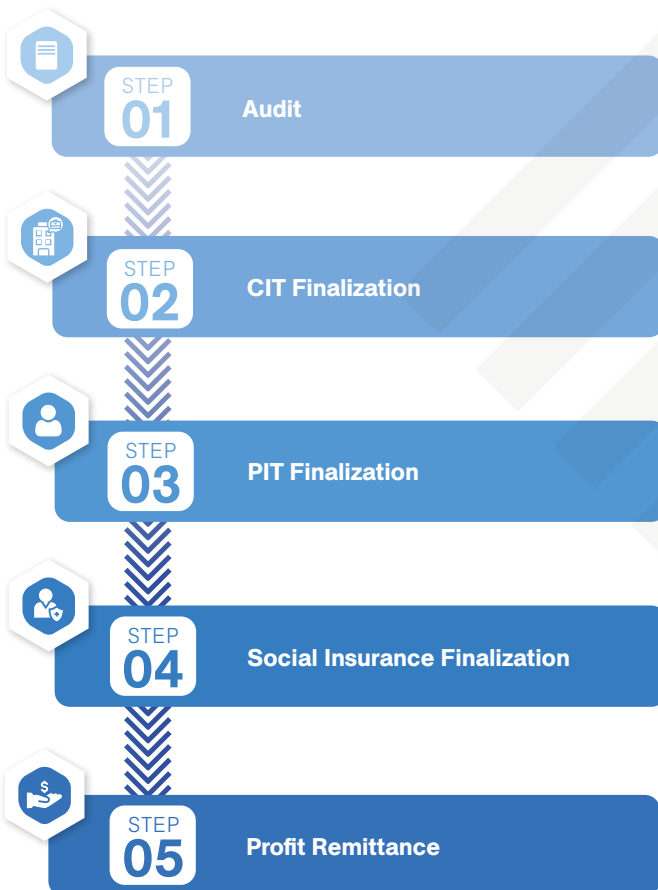


Transactions must be in Vietnam Dong (VND)



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

### Accounting and Compliance Finalization 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 organizations to foreign contractors

# 7. HR and Payroll Compliance and Procedures

## Employment Contracts

- Indefinite term**  
Term and time for contract termination are not determined
- Definite term**  
12 to 36-month term and time for contract termination are determined
- Specific work or seasonal term**  
Less than 12-month term

## 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 over three months
- Members of LLCs with two or more members
- Owners of LLCs with only one member
- Members of the board of JSCs
- Coming to Vietnam to market products & services
- Lawyers granted professional permits in Vietnam

## 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%
<b>Total</b>	<b>21.5%</b>	<b>10.5%</b>

### For Foreign Employees

SHUI	Employer	Employee
Social (SI)	3.5%	-
Health (HI)	3%	1.5%
Unemployment (UI)	-	-
<b>Total</b>	<b>6.5%</b>	<b>1.5%</b>

### 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 that amount to more than 15% of their total taxable income
- 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.



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