

# Doing Business in Vietnam

2024



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# Foreword

In 2023, the global economy was confronted with significant challenges, marked by a hike in global inflation, geopolitical conflicts and an intensified global divide. As an economy highly integrated with the global market, Vietnam felt the impacts profoundly. In response, the country put forward a series of strategic monetary and fiscal policies, to mitigate the difficulties. By the end of the year, Vietnam achieved a GDP growth of 5.05%, surpassing the global average by 1.5 times and ranking second among the ASEAN-6 countries. While Vietnam saw mixed economic developments in early 2024, the outlook for the rest of the year appears promising for Vietnam, with the country's great efforts to overcome hurdles and moderate signs of global recovery.

Amidst the turbulent headwinds, Vietnam continues to be regarded as an attractive destination on the global investment map. The country's macroeconomic stability, combined with a burgeoning population of over 100 million young and skilled individuals, enhances its appeal. Ongoing expansion of free-trade agreements, alongside supportive government policies, further fortifies Vietnam's investment potential. Additionally, continuous improvements in the business environment underscore Vietnam's commitment to fostering a competitive and dynamic economic climate.

As Vietnam is increasingly becoming a favoured destination for foreign investment, Grant Thornton Vietnam prepared our publication 'Doing Business in Vietnam 2024' to provide investors with a comprehensive overview of the country's business landscape. We trust that this guide will serve as a valuable compass for navigating the business environment in Vietnam.

NOTE: This guide herein is of a general nature and is not intended to address the specific 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 still accurate as of the date this guide is received or will continue to be accurate in the future. When specific problems occur in practice, it will often be necessary to refer to the laws and regulations of Vietnam and to obtain appropriate professional advice. Should you require additional professional guidance, we are more than willing to provide consultancy and ascertain where we can be of assistance.



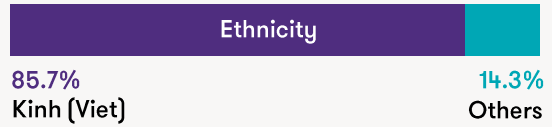
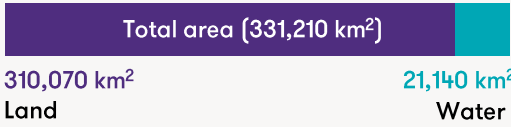
**Nguyen Chi Trung**  
CEO and Managing Partner



# Country Profile

# Key Statistics and Facts

Vietnam has a young population, stable macroeconomic environment, significant Foreign Direct Investment (“FDI”) inflows, and strong commitment to sustainable growth.



## Location

On the Indochina peninsula in Southeast Asia, bordering China to the North, Laos and Cambodia to the West, and the East Sea to the East



## Climate

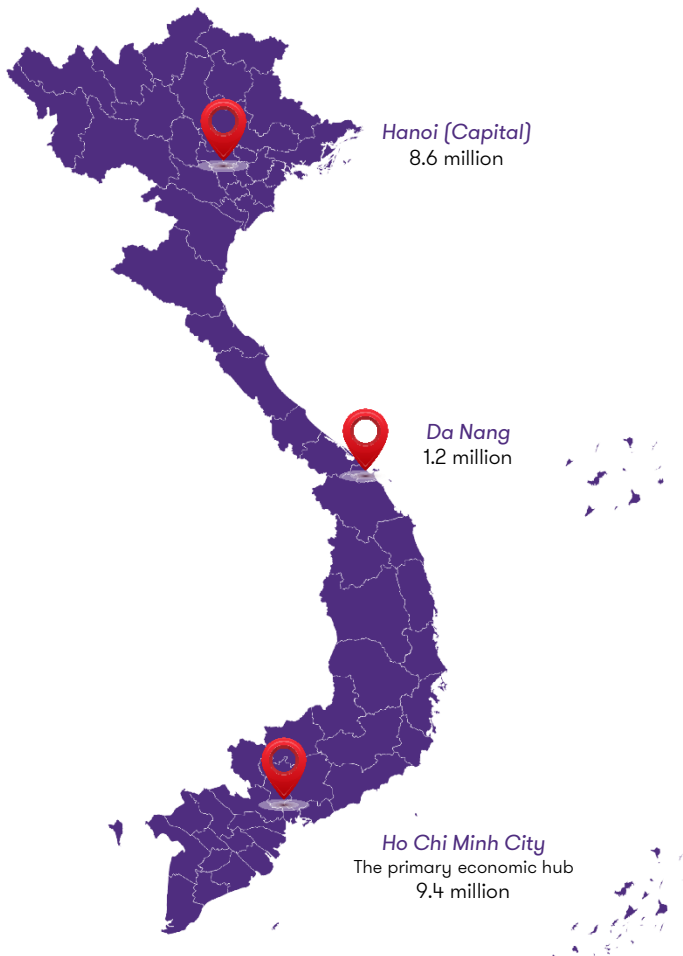
Tropical in South, Monsoonal in North with hot rainy season (May to September), and warm, dry season (October to March)



## Time zone

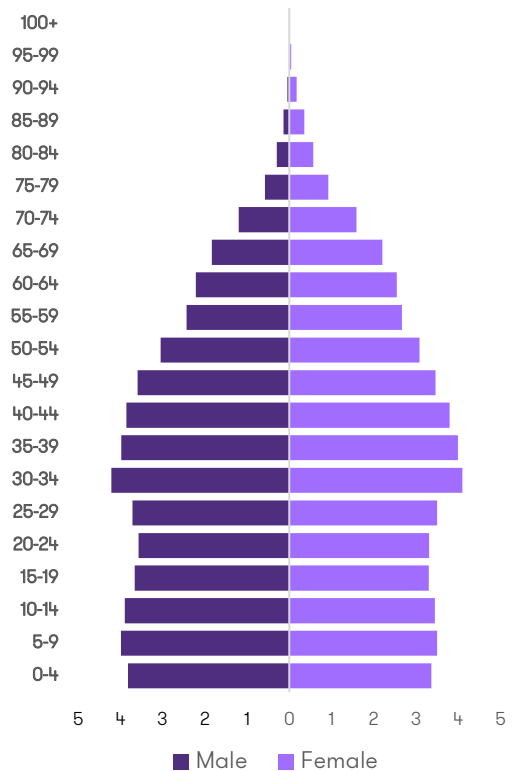
GMT+07

## Population estimation - Major urban area



## Population estimation 100.3 million

Vietnam’s population ranks 16<sup>th</sup> in the world and 3<sup>rd</sup> in Southeast Asia



[Source: General Statistics Office (“GSO”), World Population Review, PopulationPyramid.net - 2024]

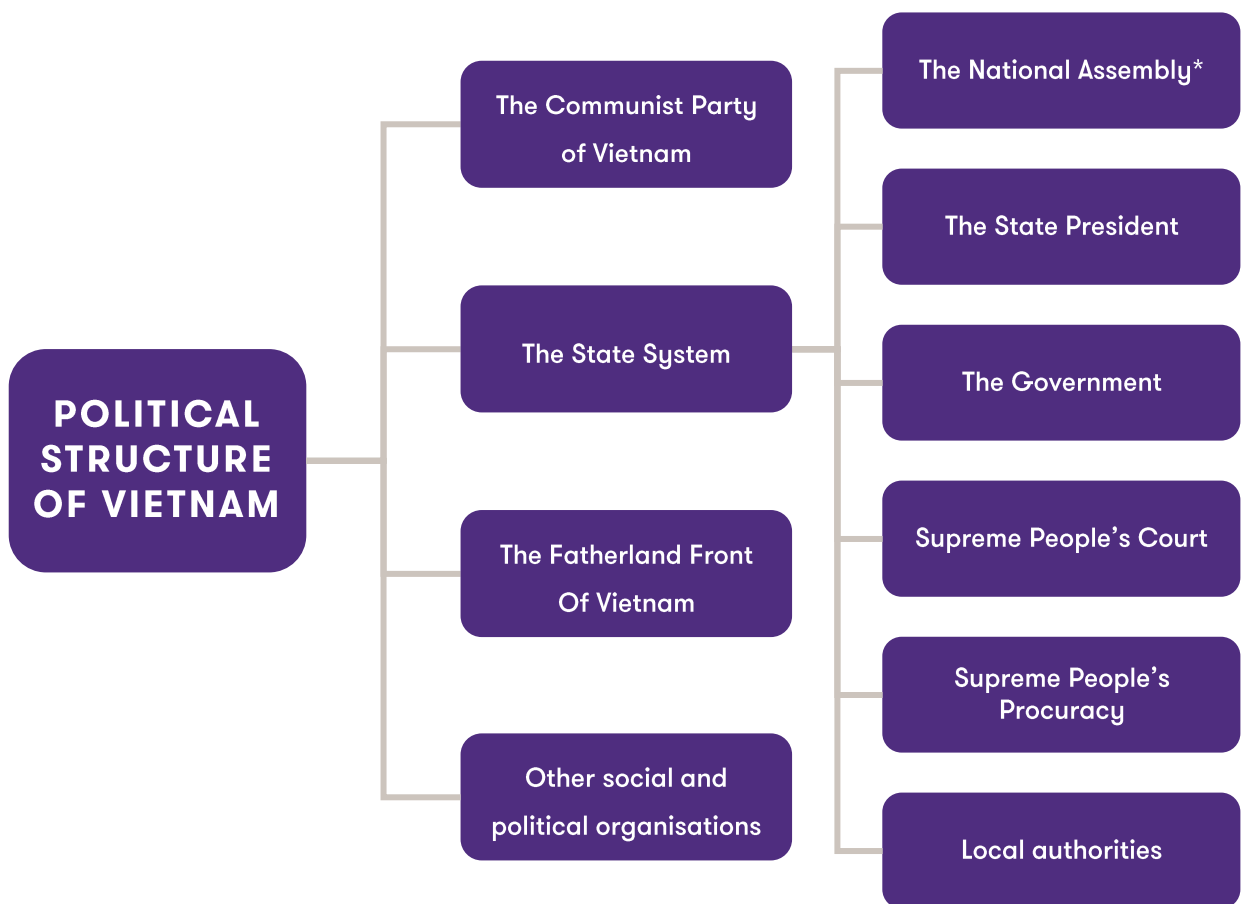
# Politics



## Form of Government

Socialist State

Vietnam is a socialist country under the leadership of the Vietnam Communist Party. Vietnam's political system comprises four key components: the Communist Party of Vietnam (“CPV”), the State System, the Fatherland Front of Vietnam, and other social and political organisations. The CPV leads the political system and is a member of the system. The Party leads, respects and promotes the role of the State, the Viet Nam Fatherland Front and other socio-political organisations.



\*The National Assembly is the highest representative organ of the people; the highest organ of state power of the Socialist Republic of Viet Nam, the sole organ that has the constitutional and legislative rights. The body has three key functions: (1) Make laws; (2) Make decisions on important issues of the nation; (3) Monitor at the supreme level of all activities of the State.

[Source: Vietnam Government Portal]

# Economy

## Macroeconomic Overview



### Income Status

Lower-middle income



### GDP Growth (2023)

**5.05%**



### GDP Growth of Key Economic Sectors

- Agriculture, Forestry and Fisheries + 3.83%
- Industry and Construction + 3.74%
- Service + 6.82%



### GDP per capita (2023)

USD 4,284.5

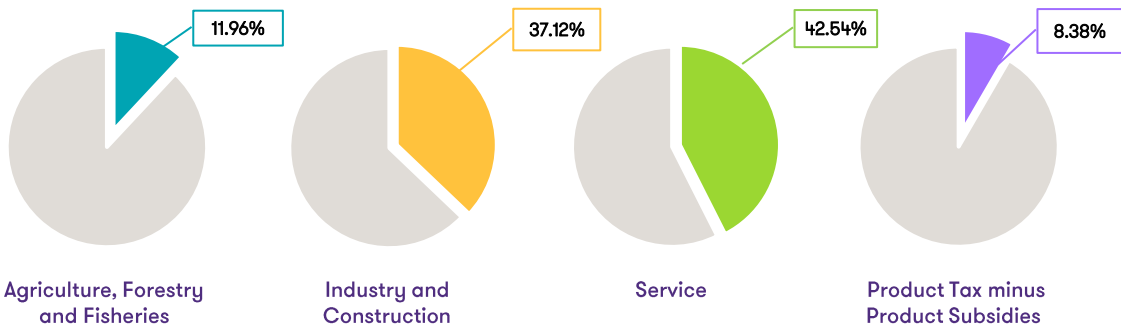


### CPI Growth (2023)

3.25%

Core inflation: 4.16%

## Economic Structure



## Foreign Direct Investment [accumulated from 1988 to 2023]

**144 countries**  
Invested in Vietnam

**USD 468.9 billion**  
Total registered capital

**39,140 projects**  
currently active

### Top Invested Countries 2023



Singapore



Republic of Korea



Hong Kong



China



Japan



Taiwan

### Top Invested Sectors 2023



#### Manufacturing and processing

USD 283,026 million  
+ USD 23,504 million (2023)



#### Real estate

USD 68,045 million  
+ USD 4,665 million (2023)



#### Production & distribution of electricity

USD 40,671 million  
+ USD 2,373 million (2023)

[Source: GSO, Ministry of Planning and Investment ("MPI")]

# Economy (cont.)

## International Trade



**Trade Surplus (2023)**  
**USD 28.0 billion**



**Free Trade Agreements**  
**16 FTAs in effect**

### Exports

**USD 355.5 Billion**  
**Key export markets**



US China EU ASEAN

### Imports

**USD 327.5 Billion**  
**Key import markets**

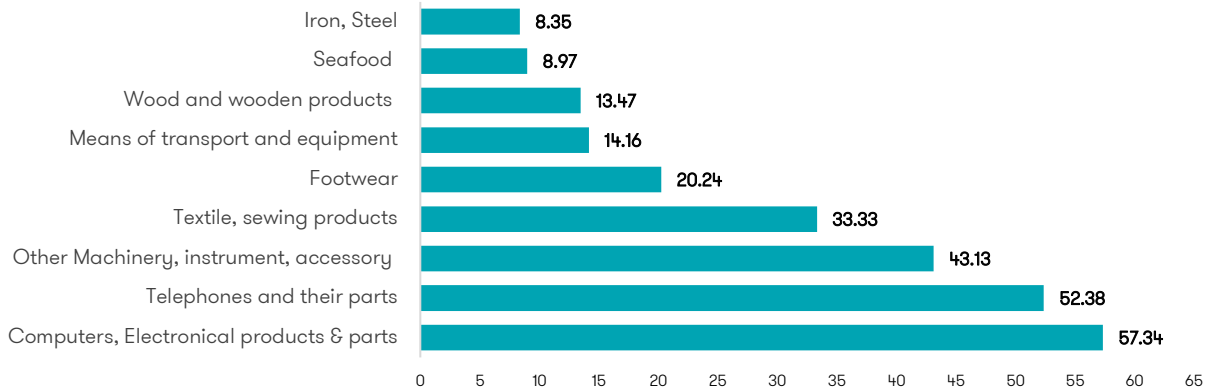


China Republic of Korea ASEAN Japan

Vietnam has a diverse and dynamic import-export landscape. In 2023, Vietnam's exports to the US amounted to USD 97 billion, with Other machinery, instruments, accessories accounting the largest proportion - 18.7%. China remains Vietnam's largest import partner, with imports over USD 110 billion. Computers, electronic products, and parts hold the largest portion, at 21.1%, of the total imports from China.

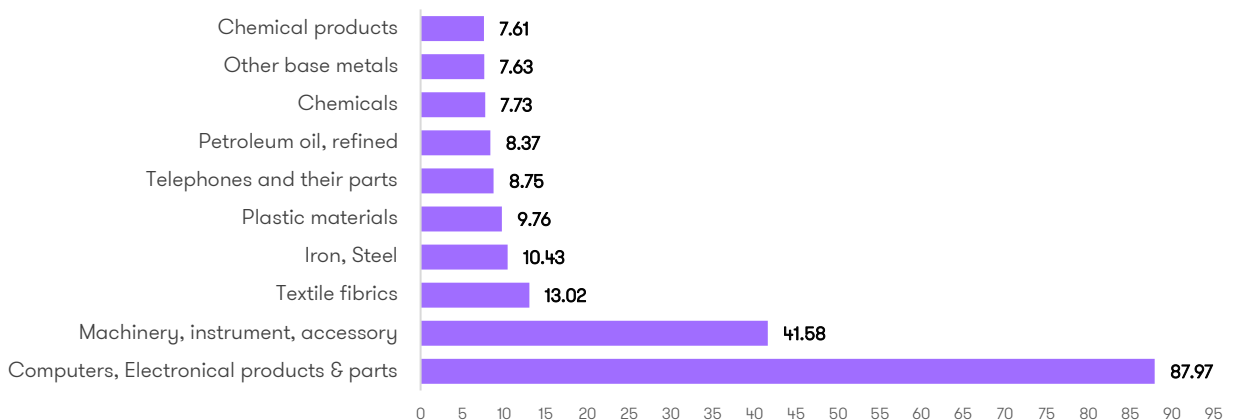
### Top Export Products of Vietnam in 2023

Unit: USD billion



### Top Import Products of Vietnam in 2023

Unit: USD billion



(Source: GSO)



# Society

## Labour and employment

The labour and employment situation in the first quarter of 2024 has returned to the normal development trend, as before the Covid-19 pandemic.



**52.4 Mil**  
Working-age population



**2.28%**  
Unemployment rate  
(▼0.06% from 2022)



**VND 7.6 Mil**  
Avg. monthly earnings of wage workers

As Vietnam is currently in the golden population phase (which started in 2007 and is expected to last for 30-35 years), the proportion and number of people of working age, in Vietnam, has been steadily increasing, maintaining a level above 52 million people in 2023.

## Labour skills

According to the Ministry of Labour, Invalids and Social Affairs (“MOLISA”), 69% of Vietnam's labour are targeted to be trained by the end of 2024. Meanwhile, 28% of the labour are aimed to become trained workers with degrees and certificates.

The primary focus will be on high-quality human resources training, to meet market demand. Efforts will be made to enhance workplace productivity, with a special attention to emerging industries such as chips and semiconductors.

At the start of 2023, the Government approved Decision 73/QĐ-TTg, outlining a plan for vocational education institutions from 2021 to 2030, with a vision for 2045. The goal is to reshape the vocational education landscape, shifting dominance from public to private and foreign-invested institutions to better meet the demand for skilled human resources.

Year	Public institutions	Private & foreign-invested institutions	Total institutions
2023	1,202	684	1,886
2025	980	820	1,800
2030	850	850	1,700

[Source: GSO, MOLISA, Vietnam Government Portal]



# Society (Cont.)

## Living Standard

Top 5 provinces with highest spatial cost of living in Vietnam in 2023 (Ha Noi=100%)

**1** Ha Noi  
100%

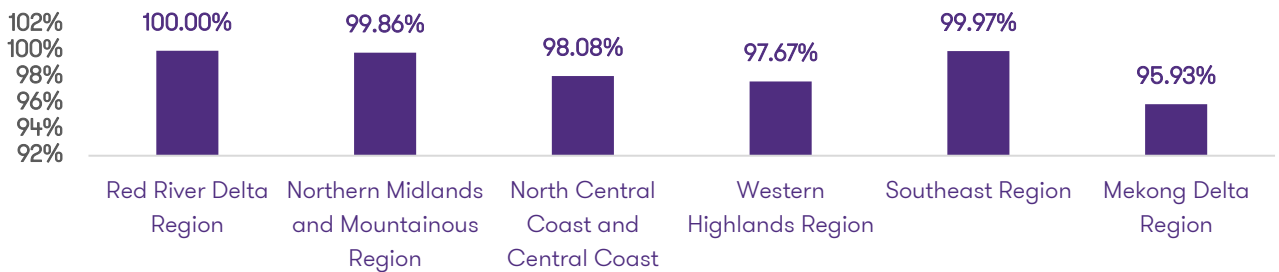
**3** Quang Ninh  
97.94%

**5** Lam Dong  
94.65%

**2** Ho Chi Minh City  
98.44%

**4** Hai Phong  
96.07%

Spatial Cost of Living in Vietnam by Region 2023 (Red River Delta Region=100%) - Unit: %



Hanoi and the Red River Delta Region continue to have the highest cost of living, compared to other regions and provinces in Vietnam. In contrast, the province with the lowest cost of living, Ben Tre, is only equivalent to 85.93% of that in Hanoi. The Mekong Delta Region is also the region with lowest cost of living.

## Cost of living for international employees ranking 2023

Compared to the majority of countries, Vietnam in general has a low cost of living. Out of the 227 cities examined in the Mercer Cost of Living City Ranking 2023, Hanoi ranked 156<sup>th</sup> (6 lower than 2022) while Ho Chi Minh City ranked 164<sup>th</sup> (1 lower than 2022). These two cities are costlier than Kuala Lumpur (ranked 180<sup>th</sup>), but still less expensive than Bangkok and Phnom Penh (ranked 105<sup>th</sup> and 132<sup>nd</sup>).

 **156<sup>th</sup>** /227 cities  
Hanoi

 **164<sup>th</sup>** /227 cities  
Ho Chi Minh City

## Human development index (“HDI”): High group

According to the United Nations Development Program (“UNDP”), the HDI of Vietnam in 2022 is 0.726, belonging to the high group. Vietnam's HDI ranking among the world's nations and territories is 107<sup>th</sup> out of 193 (8 ranks higher than the previous year). From 1990 to 2022, Vietnam's HDI value changed from 0.492 to 0.726, an increase of nearly 50%.

[Source: GSO, UNDP, Mercer LLC]

# Society (Cont.)

## Business Etiquette

### Greetings

To greet and say goodbye to Vietnamese business partners, it is customary to shake using both hands with the left hand on top of the right wrist and bow slightly.

### Business meetings

In Vietnam, face-to-face meetings are considered highly formal, particularly when engaging with government agencies and state-owned enterprises. Typically, these meetings are confirmed around 1-2 weeks in advance. When initiating a business conversation, it is customary to exchange business cards with partners using both hands, a gesture that underscores respect and courtesy. To show proper respect to your conversation partner, it is essential to give their business card careful attention rather than swiftly tucking it away. Another important aspect of Vietnamese business culture are post-meeting gatherings, often hosted by business counterparts. Lunches or dinners provide invaluable opportunities to engage in informal discussions for deeper understandings and trust, ultimately paving the way for successful collaborations and ventures.

### Addressing Vietnamese

Vietnamese names are written "backwards" compared to Western convention, typically consisting of three or four parts. The surname (family name) comes first, followed by the middle name, and then the given name (first name). If relevant, a professional title can be included. Given the commonality of surnames, it is customary to use the given name when addressing individuals to avoid confusion.

### Souvenirs and gift giving

Gift-giving in business is a common practice throughout Vietnam, often seen during special occasions and business meetings to express appreciation or respect towards business partners. These gifts and souvenirs need not be expensive, as their significance lies in the gesture and the sentiment of goodwill they represent.

### Business attire

In Vietnam, business attire typically strikes a balance between traditional values and modern professionalism. For men, this often means shirts with trousers or suits for formal occasions. Women opt for modest yet stylish attire such as blouses with trousers or skirts and dresses. The key is to dress neatly and respectfully, considering the occasion and local climate.



## 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.



# Technology

## Internet Resources



**78.59% population**





Use Internet in daily life  
Rank 13<sup>th</sup> worldwide



**99.85% population**

covered by 3G/4G mobile network

### Vietnam Internet Speed in April 2024

Fixed internet speed – Rank 43 <sup>rd</sup>		Mobile internet speed – Rank 58 <sup>th</sup>	
 Download (Mbps)	 Upload (Mbps)	 Download (Mbps)	 Upload (Mbps)
<b>120.32</b>	<b>111.60</b>	<b>50.88</b>	<b>20.02</b>



**National domain name: “.VN”**



**10<sup>th</sup>**  
place in the  
Asia-Pacific region



**5%**  
Avg. annual growth in  
the last 5 years



**607,758**  
“.vn” domain names



**2<sup>nd</sup>**  
place in ASEAN



**43<sup>rd</sup>**  
worldwide

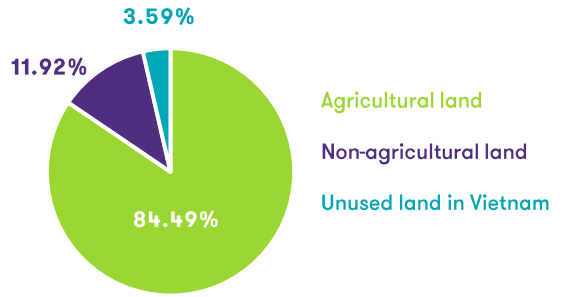


(Source: Ministry of Information and Communications (MIC), Vietnam Internet Network Information Center (VINIC))

# Environment

Most of Vietnam’s land is used for agriculture, however, Vietnam also has diverse and rich mineral resources within its non-agricultural areas. With over 5,000 mines and ore deposits containing 60 different types of minerals, Vietnam possesses several minerals of considerable reserve scale, which holds strategic significance and serves as valuable resources for the country's development.

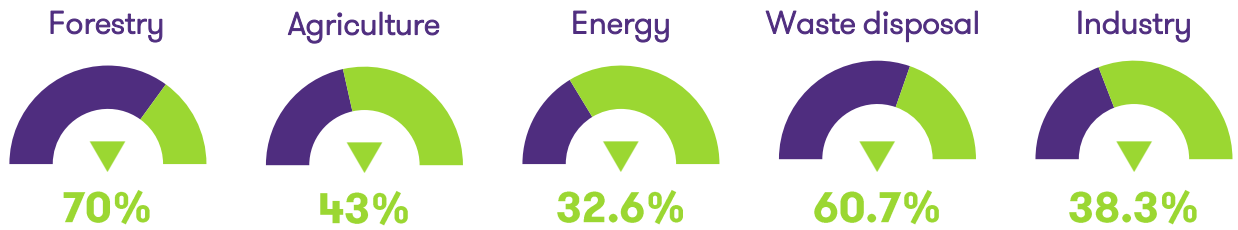
## Land use in Vietnam



## Vietnam’s Commitment to Net Zero by 2050

### Reducing greenhouse gas emissions - key goals in 2030:

According to the National Strategy on Climate Change for 2050, the process to reduce greenhouse gas emissions will be divided into two phases with sector-specific targets. By the year 2030, the national target for total greenhouse gas emissions will be reduced by 43.5%, particularly:



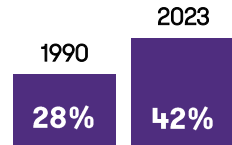
## Vietnam’s Forest and Carbon credits

### USD 51.5 Million

was earned from the first forest carbon credit sale in 2023

### Above 42%

Forest cover rate



### USD 200 Million

estimated annual revenue that Vietnam can earn from carbon credit sales

## Official Carbon Exchange

### By 2028

A draft project “Development of a carbon market in Vietnam” by The Ministry of Natural Resources and Environment (“MONRE”) stated that a carbon exchange is set to commence operations by 2028.

[Source: MONRE, Ministry of Agriculture and Rural Development (“MARD”)]





# Vietnam's Economy

# Recent economic landscape

## GDP shows steady growth amidst challenges

In 2023, Vietnam's economy recorded a 5.05% growth compared to the previous year. The figure, while falling slightly short of the initial target of 6.5%, still represents a commendable result. The country's GDP growth in 2023 was 1.5 times higher than the global average, which stands at 2.9%. In the ASEAN-6 region, Vietnam's figure also stands strong, securing the second position, alongside Indonesia at 5.05% while the Philippines took the lead, growing by 5.6%.

Regarding GDP size, Vietnam's economy was reported to have reached over USD 430 billion by the end of 2023, making it the 35<sup>th</sup> largest globally. The country's GDP per capita increased to USD 4,284.5, up by USD 160 from 2022.



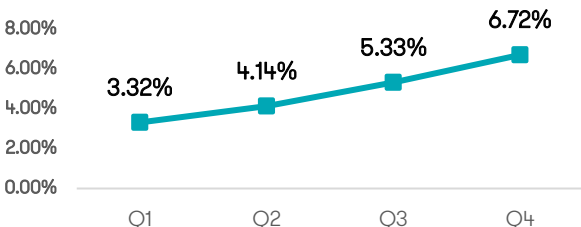
### 35<sup>th</sup>

Largest economy in the world

Throughout 2023, the global economy faced significant challenges, impacting macroeconomic conditions and Vietnam's growth prospects. Despite the difficulties, the country demonstrated resilience and put forward proactive measures to stabilise its economy. The Government primarily focused on implementing fiscal policies, such as tax reductions, to stimulate domestic demand and support businesses. Additionally, monetary policies, which involve adjustments in interest rates, were carefully managed to ensure price stability and provide businesses with more access to financing. Furthermore, efforts to diversify export markets and strengthen trade partnerships were intensified to mitigate external risks. These combined efforts led to noticeable progress throughout 2023, with GDP growth in each quarter consistently surpassing the previous one.

### GDP growth by quarter in 2023

Unit: %



(Source: GSO, IMF, World Bank ("WB"), Asian Development Bank ("ADB"), United Nations ("UN"), ASEAN+3 Macroeconomic Research Office ("AMRO"))

### Highlights of Vietnam's 2023 economic growth

Exceeding the global average by 1.5 times

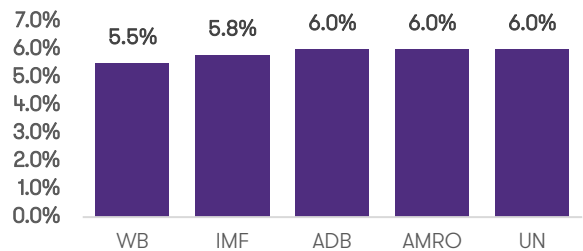
Holding the second highest figure among ASEAN-6

Showing consistent increase by quarter

In 2024, the world economy is forecast to maintain recovery. According to the International Monetary Fund ("IMF"), the global economy has been showing unexpected strength, which is particularly favourable for the export-driven economy of Vietnam. The organisation anticipates Vietnam to achieve a growth rate of 5.8% this year, placing it among the world's top 20 fastest-growing nations. Several other international organisations also have expressed optimism for Vietnam's 2024 economic outlook, with most forecasting a 6.0% growth rate.

### Vietnam's 2024 GDP growth forecasts by selected world organisations

Unit: %



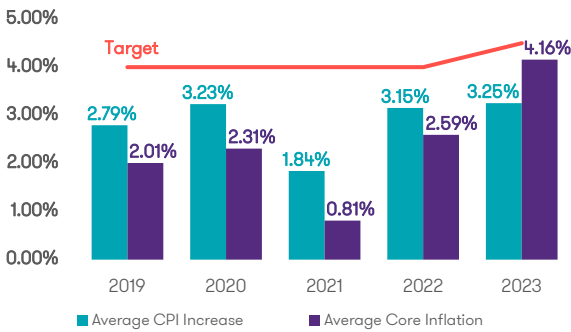
The Vietnamese Government aims for 6.0-6.5% economic growth this year, showing determination to revitalise the economy. The first quarter of 2024 witnessed promising developments, with GDP expanding by 5.66% and trade recording a surplus of USD 8.08 billion. The first quarter is historically the lowest because of the Lunar New Year Holidays, where factories are closed for 2 weeks on average. However, uncertainties persist, including global geopolitical tensions and inflation risks. Nonetheless, the country is determined to confront these hurdles, emphasizing public investment as a key driver of growth. The extension of the value-added tax ("VAT") reduction policy until the end of 2024's second quarter aims to sustain momentum, while efforts to diversify export markets continue. Interest rate reductions also remain under consideration. Overall, with proactive measures in place, a steady economic recovery is highly expected for Vietnam in 2024.

# Inflation control efforts prove effective

Vietnam has sustained its success in controlling inflation, evidenced by the country's 3.25% growth in average CPI last year, achieving the target set by the National Assembly of keeping the figure below 4.5%. Meanwhile, core inflation (inflation calculated after excluding the prices of state-regulated items and short-term volatile commodities such as fresh food and energy) rose by 4.16%.

## Vietnam's Average CPI Increase and Core Inflation (2019-2023)

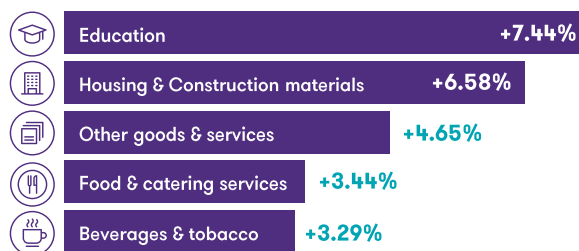
Unit: %



The close coordination among monetary, fiscal and other macroeconomic policies played a key role in Vietnam's success in controlling inflation in 2023. Notably, policies to lower interest rates and boost credit growth were implemented to aid economic recovery, despite exerting upward pressure on inflation. To address this challenge, the Government introduced a range of measures to ease financial burdens for businesses. Additionally, price management strategies, including the use of the Petroleum Price Stabilisation Fund, were deployed to maintain stable domestic prices and prevent market manipulation. The country's harmonious efforts aimed at promoting economic growth while mitigating inflationary pressures ultimately lead to successfully keeping inflation under control.

## Average CPI Increase by Commodity Groups in 2023

Unit: %



[Source: GSO]

In 2024, the Government aims to control the CPI growth rate in the range of 4.0-4.5%. This year, Vietnam is still confronted with inflationary pressures stemming from both global and domestic forces. Internationally, continuous geopolitical conflicts, coupled with the lurking risks in food and energy prices, contribute to uncertainties in global inflation trends. Domestically, the situation is further complicated by various factors, such as potential price adjustments in energy and service fees, as well as the upcoming wage reforms in July.



# 4.0-4.5%

## 2024 Inflation Control Target

Nevertheless, analysts have expressed optimism, suggesting that inflation control this year will encounter manageable pressures, and efforts are underway to alleviate pressure on prices, including the reduction of environmental taxes on gasoline and VAT. In the first quarter of 2024, Vietnam observed a modest rise in the average CPI growth with a figure of 3.77% compared to the same period last year, while core inflation rose by 2.81%. Both figures are below the set target.

For the upcoming period, it is expected that Vietnam will continue to closely monitor both local and global price trends. This involves ensuring the availability of essential goods and making decisions about when and how much to adjust prices for state-regulated items. In addition, the Government will carefully manage stimulus measures aimed at boosting growth, ensuring they do not adversely impact inflation control efforts.

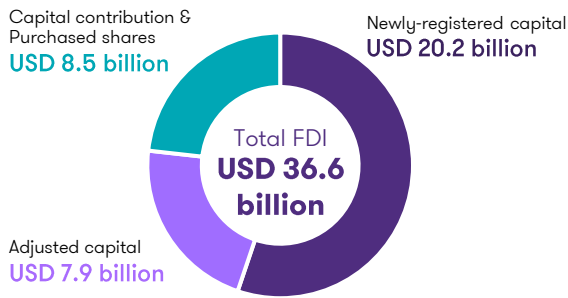


# Foreign investment is the leading growth driver

In recent years, Vietnam has solidified its position as a rising star in the global supply chain. Despite the headwinds in global trade and investment in 2023, Vietnam's ability to draw foreign direct investment ("FDI") remained robust. According to the Ministry of Planning and Investment ("MPI"), in 2023, Vietnam recorded USD 36.6 billion in total foreign investment capital, marking a 32.1% increase from the previous year. Of the total registered capital, newly registered capital recorded nearly USD 20.2 billion, a surge of 62.2% over the previous year. Meanwhile, adjusted capital went down 22.1% compared to 2022 with around USD 7.9 billion. Purchased shares and contributed capital had a figure of more than USD 8.5 billion, up 65.7% year-over-year. Besides, disbursed capital stood at approximately USD 23.2 billion, reflecting a 3.5% rise compared to 2022. Notably, this is a record-high FDI disbursement level. These impressive growth figures in 2023 continued to underscore Vietnam's favourable business environment for foreign investors.

## 2023 Registered FDI Capital Composition

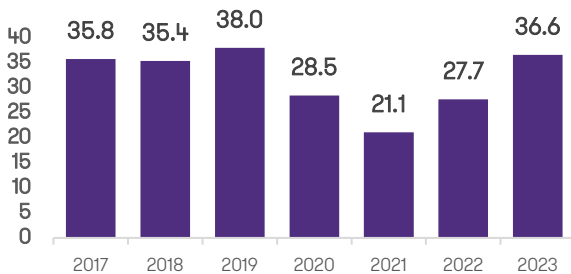
Unit: USD billion



Total FDI inflows to Vietnam in 2023 rebounded to match pre-Covid-19 levels, reflecting a promising trend. This resurgence clearly signaled investors' trust in Vietnam's resilience amidst global challenges, positioning the country as a beacon for secure and lucrative investment opportunities.

## Total registered FDI capital in Vietnam (2017-2023)

Unit: USD billion



[Source: GSO, MPI, Vietnam Government Portal]

# 111

## Nations and Territories

invested in Vietnam in 2023

Singapore leads in registered capital with

### USD 6.8 billion

---

China leads in project counts with

### 707 projects

Vietnam's appeal to investors has been on the rise thanks to its strategic location, stable economy, participation in many free trade agreements, and a cost-effective labour force. Emerging global trends further enhance its attractiveness. Following the Covid-19 pandemic, there was a notable shift towards supply chain diversification, with Vietnam emerging as a top choice for expansion. Additionally, the "China Plus One" strategy, driven by the US-China trade tensions, positions Vietnam as a leading alternative manufacturing hub. With Vietnam's growing recognition, 2024 holds promising prospects for continued growth in FDI inflows.

In 2019, Vietnam's Politburo set forth Resolution 50-NQ/TW, aiming to refine foreign investment policies until 2030. Since then, a noticeable shift towards quality over quantity, in FDI, has emerged in the country. Moving into 2024, this emphasis on quality will continue, with a heightened focus on FDI projects that align with environmental protection standards and demonstrate technological advancements. Additionally, as Vietnam's relations with the US, Japan and Australia were recently upgraded to comprehensive strategic partnerships, a new wave of high-quality FDI influx from both countries is anticipated for Vietnam, in the future.

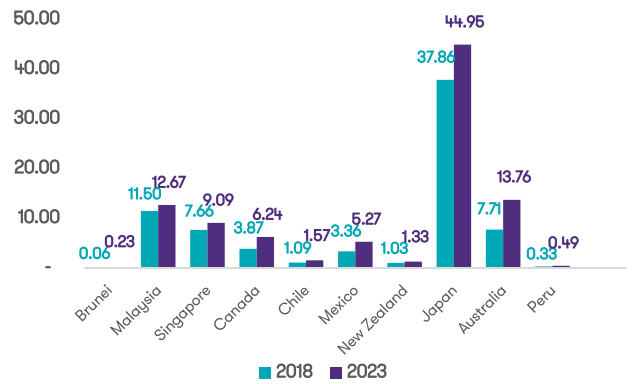
On the other hand, Vietnam is expected to accelerate efforts to improve its business environment with plans underway to improve infrastructure, labour productivity and skills, and administrative procedures. This is especially propelled by the adoption of the Organisation for Economic Co-operation and Development ("OECD")'s global minimum tax rate of 15% since January 2024, which motivates Vietnam to reduce reliance on tax incentives and focus on enhancing internal capabilities.

# Trade Agreements are actively utilised

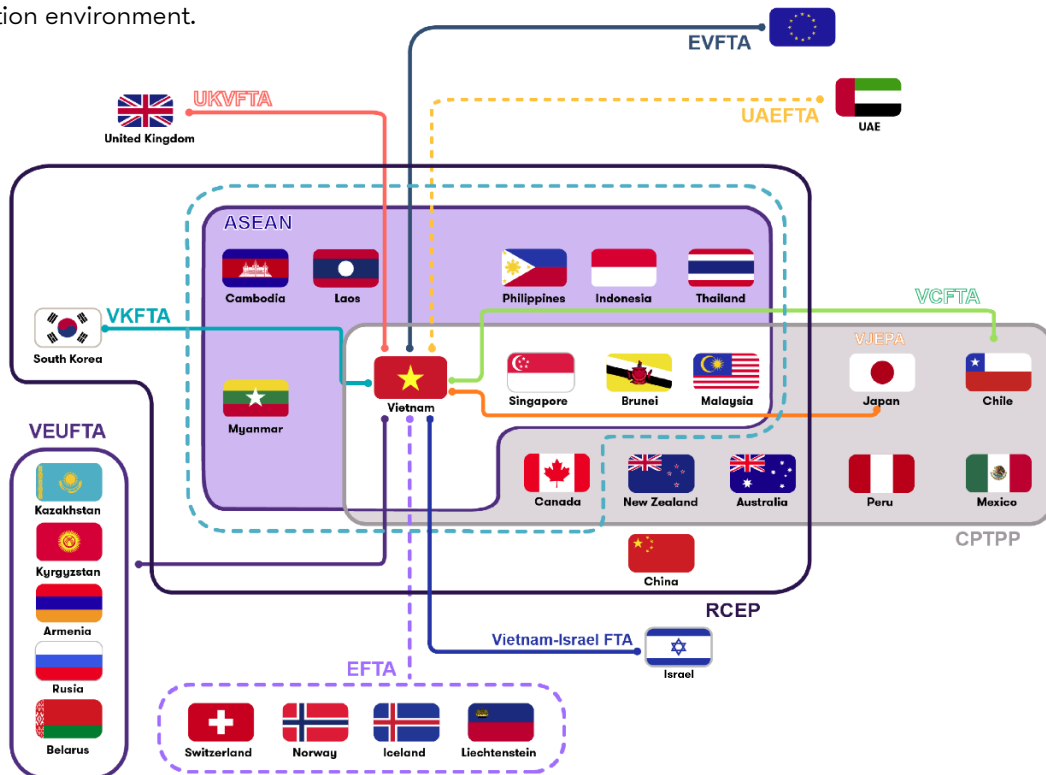
Vietnam's active effort to expand its Free Trade Agreement (“FTA”) network stands as a critical pillar of its economic strategy, driving growth and fostering deeper integration into the global economy. After more than 7 years of negotiations, on 25 July 2023, Vietnam officially signed an FTA with Israel. Therefore, up to now, Vietnam has been a party to a total of 16 FTAs, including 7 FTAs signed as an ASEAN member and 5 FTAs signed as an independent party. The country also has 3 FTAs under negotiation. The FTAs have significantly contributed to Vietnam's competitiveness by enhancing diversification of export destinations and FDI attraction.

Currently, Vietnam is actively implementing the new-generation FTAs, including the CPTPP, EVFTA, and UKVFTA. While still in the initial stages of leveraging these agreements, Vietnam has already observed significant positive shifts. Importantly, the trade deals have facilitated Vietnamese exports' penetration, in previously uncharted markets, such as Canada, Mexico, and various EU nations. On the other hand, these agreements also present challenges for Vietnam, particularly in terms of ensuring compliance with quality and standards to access preferential tariff rates, which prompts Vietnam to upgrade its production environment.

Positive shifts in bilateral trade between Vietnam and member countries in CPTPP (effective since 2019)  
Unit: USD million



In efforts to diversify its trade partnerships, Vietnam currently has several FTAs under negotiation, including agreements with the European Free Trade Association (Norway, Switzerland, Iceland, and Liechtenstein) and the UAE, as well as the ASEAN - Canada trade deal. Moreover, it is pursuing talks to commence an FTA with the Southern Common Market (“MERCOSUR”), aiming to unlock new opportunities in the vibrant markets of South America.



[Source: Center for WTO and International Trade - VCCI, Ministry of Industry and Trade (“MoIT”)]

## Current FTAs in Vietnam

No.	FTA	Status	Parties
<b>FTAs in effect</b>			
1	AFTA	Effective since 1993	ASEAN
2	ACFTA	Effective since 2003	ASEAN, China
3	AKFTA	Effective since 2007	ASEAN, Republic of Korea
4	AJCEP	Effective since 2008	ASEAN, Japan
5	VJEPA	Effective since 2009	Vietnam, Japan
6	AIFTA	Effective since 2010	ASEAN, India
7	AANZFTA	Effective since 2010	ASEAN, Australia, New Zealand
8	VCFTA	Effective since 2014	Vietnam, Chile
9	VKFTA	Effective since 2015	Vietnam, Republic of Korea
10	VN – EAEU FTA	Effective since 2016	Vietnam, Russia, Belarus, Armenia, Kazakhstan, Kyrgyzstan
11	CPTPP (previously known as TPP)	Effective since 30/12/2018, came into effect in Vietnam since 14/01/2019	Vietnam, Canada, Mexico, Peru, Chile, New Zealand, Australia, Japan, Singapore, Brunei, Malaysia
12	AHKFTA	Effective in Hong Kong (China), Laos, Myanmar, Thailand, Singapore and Vietnam since 11/06/2019  Effective in all member countries since 12/02/2021	ASEAN, Hong Kong (China)
13	EVFTA	Effective since 01/08/2020	Vietnam, EU (27 members)
14	UKVFTA	Effective temporarily from 01/01/2021, officially effective since 01/05/2021	Vietnam, The UK
15	RCEP	Official effective since 1/1/2022	ASEAN, China, Korea, Japan, Australia, New Zealand
16	Vietnam - Israel FTA	Negotiations commenced in 12/2015, completed in 04/2023  Officially effective since 25/07/2023	Vietnam, Israel
<b>FTAs under negotiation</b>			
17	Vietnam - EFTA	Negotiations commenced in 05/2012	Vietnam, EFTA (Switzerland, Norway, Iceland, Liechtenstein)
18	ASEAN - Canada FTA	Negotiations commenced in 11/2021	ASEAN, Canada
19	Vietnam - UAE FTA	In the process of initiating negotiations	Vietnam, United Arab Emirates (UAE)

[Source: Center for WTO and International Trade – VCCI]

# Why Invest in Vietnam?

## STABLE ECONOMY

Vietnam's macroeconomy has shown stability across various indicators, evident through the country's solid GDP growth, controlled inflation and unemployment rates, and a sustained trade surplus.



CPI Growth

**3-4%**



Unemployment rate

**~ 2%**



Trade Surplus

**8 years**

## LARGE AND YOUNG POPULATION

Vietnam's population, which stands at 100.3 million in 2024, is currently in its golden phase and largely composed of young individuals. This youthful demographic contributes to the nation's abundant labour force.



**100.3 million**  
people

● **62.2% aged 15-59**

● **52.4M labour force**

## ECONOMIC INTEGRATION

Vietnam has been actively engaging in trade liberalisation. The country now has 16 FTAs in effect and 3 FTAs in negotiation, representing huge opportunities for investors to capitalise on preferential tariff benefits.

## GOVERNMENT'S SUPPORT

The Vietnamese Government offers investment incentives based on sectors, regions, and investment scales. The top incentivised sectors include hi-tech manufacturing, renewable energy, infrastructure, and information technology. It is also aiming to improve the legal framework and streamline administrative procedures.

## GEOGRAPHIC LOCATION

Vietnam's strategic location, adjacent to major markets like China and the ASEAN region, amplifies trade opportunities and enhances supply chain efficiency, providing investors access to numerous markets.

# ESG Practices:

## Inevitable evolution in Vietnam’s business landscape

ESG (Environmental, Social, and Governance) practices have gained significant popularity among Vietnamese enterprises in recent years, driven by the pursuit of sustainability and responsible business. Many companies release annual ESG reports to showcase their effective management of ESG issues, while others have made commitments or have plans to adopt ESG practices. This is not merely a transient phenomenon, but an inevitable evolution in the Vietnamese business landscape. Sooner or later, ESG practices will become one of the main criteria used to evaluate a business, alongside traditional indicators.

### Current Status

There is a growing number of Vietnamese public businesses issuing separate ESG reports alongside their regular annual reports. Although the rate of such businesses is still relatively low, it is a positive sign that companies are gradually becoming more responsible and aware of their impact on the environment and society.

For a country that is in the process of development, like Vietnam, maintaining a high growth rate while still achieving sustainable development is a considerable challenge. However, in recent years, the business community, in general, has taken noteworthy actions to contribute to the goal of green growth, such as:

- using clean energy and environmentally friendly raw materials;
- investing in modern, high-tech production lines that use fewer resources and energy, and reduce emissions;
- implementing ESG practices.

(Source: Ministry of Natural Resources and Environment, VBF, Ministry of Finance (“MoF”), MPI)

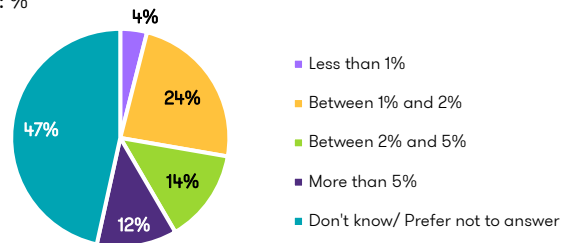
Notably, a recent research conducted by the Vietnam Business Forum (“VBF”) on FDI firms\* reveals that 80% of businesses have already established an ESG strategy, with 34% actively implementing these ESG strategies. The remaining companies are either monitoring their progress or in the planning phase.



**80% FDI businesses**  
have already established an ESG strategy

The research also found that approximately 60% of businesses have allocated budgets for ESG initiatives. Out of this, only 19% have clear expenditure budgets, while the remaining companies do not have specific plans for these initiatives. The majority of clear budget allocations for ESG initiatives are seen among large businesses. Among those companies with allocated budgets for ESG, 50% allocate more than 1% of their total budget specifically to such initiatives.

**Budget allocation for ESG initiatives of FDI businesses**  
Unit: %



\*VBF survey respondents are FDI businesses (about 500 businesses surveyed in February 2024), and the insights drawn may not be representative of the entire business community in Vietnam, especially private enterprises.



## Recent action of the Government towards ESG practices in business

Efforts towards integrating ESG practices across multiple business sectors are not solely made by enterprises. The Vietnamese Government has actively implemented policies and regulations that significantly impact the adoption of ESG practices by businesses.

Notably, in the Circular No. 96/2020/TT-BTC on guiding the disclosure of information on the securities market (2020), the Ministry of Finance (“MoF”) had added ESG report as a complimentary part of Public companies’ annual report.

As a leading force, the Government plays a crucial role in promoting sustainable development and fulfilling Vietnam's commitments to the global community. Many major projects aimed at fostering a sustainable future and creating a foundation for ESG practices in businesses have been initiated and implemented, for example:

- 📄 National Strategy on Climate Change for 2050 (2022)
- 📄 National Action Plan on Green Growth for the 2021-2030 period (2021)
- 📄 Action Plan for Methane Emissions Reduction by 2030 (2022)
- 📄 National Power Development Plan 8 for the 2021-2030 period, with a vision to 2050 (2023)
- 📄 Program on Sustainable Forestry Development for the 2021-2025 period (2022)
- 📄 Scheme for the Implementation of the Political Declaration on Establishing the Just Energy Transition Partnership (2023)
- 📄 Action Program for Transition to Green Energy and Mitigation of Carbon Dioxide and Methane Emissions from Transportation (2022)

## The need for governmental support

Overall, businesses in Vietnam have demonstrated a notable awareness of ESG practices over the last few years. Besides, there have been governmental actions in formulating plans on environmental, economic, and social issues. However, businesses indicate that they require more assistance and incentives from the Government to embark on this ESG journey, particularly in terms of tax incentives and financial support. Additionally, certain sectors such as agriculture emphasise the need for clear government schemes to ensure the effective pursuit of green growth.

To address these needs, there needs to be a comprehensive program that includes enhancing the capacity of businesses to better understand and implement ESG practices, providing support for businesses to access ESG investors and understand the impact of ESG, and developing a clear legal framework for businesses and financial institutions. At the same time, there is also a need to raise awareness about the importance of implementing ESG the right way, with a focus on the scientific basis and actual impact.

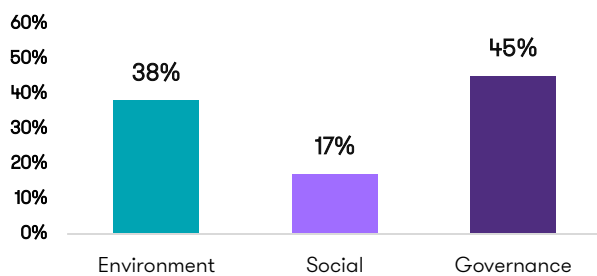
## Growing trends

### Governance Takes Top Priority

While the Vietnamese Government is making significant efforts to enhance the environmental aspect, businesses are demonstrating different interests. According to the VBF's study, nearly half of the businesses prioritise governance practices in their operations. Focusing on stability, risk reduction, and ethical operation of the organisation is vital for FDI businesses in Vietnam. On the other hand, small-scale businesses place more emphasis on the social aspect, putting in additional effort in the area.

### ESG Priority Ranking (Top Priority)

Unit: %



### Green Energy

In terms of energy sources, the VBF revealed that 35% of surveyed businesses in Vietnam have set their energy targets towards green and clean energy.



### 35% FDI businesses

have set green energy target for their operation

Moreover, over 40% of manufacturing businesses in Vietnam have established targets related to green energy for their current operations as well as for the future maintenance and expansion of their operations. These targets hold significant importance, particularly considering that 8% of businesses responded that their operations in Vietnam would be severely affected and unable to continue without achieving their clean energy targets.

This trend aligns with and reflects the Government's aim about energy source mix by 2030, showcasing the driving force behind the Government's commitment to a sustainable future.



### 30,9 - 39,2%

### Renewable Energy rate in 2030

According to the "National Power Development Plan for the 2021-2030 period, with a vision to 2050" (2023)

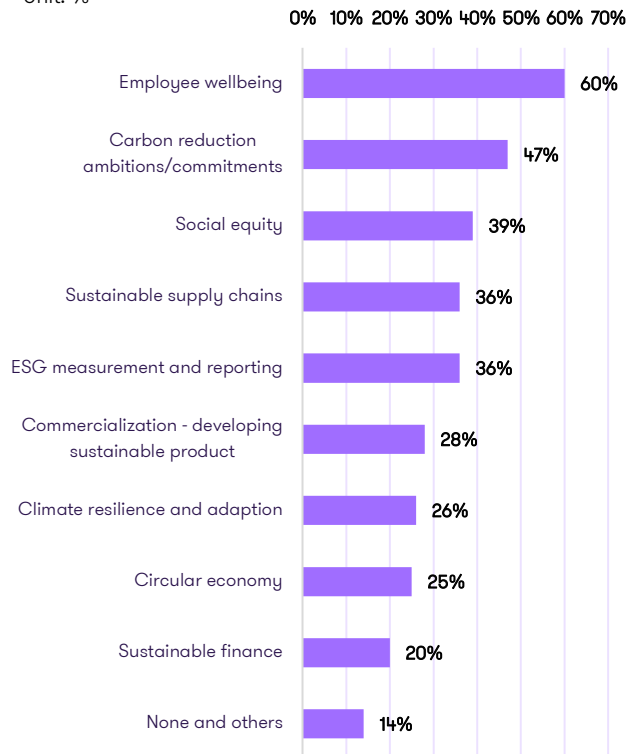
[Source: VBF, MONRE]

### ESG initiatives in other aspects

In addition to the current focus on the governance aspect, corporations are signalling a shift in their efforts towards the environmental and social aspects of ESG. Employee wellbeing is emerging as one of the top initiatives, followed by carbon reduction. The increased attention from both businesses and the Government regarding carbon emissions in 2023 demonstrates a bright future for ESG practices in Vietnam. This is particularly evident with the Net Zero commitment by 2050 and the draft plan for the development of a carbon market in Vietnam, which provide a solid and promising foundation for businesses to take action. The research also indicates a growing focus on greener and more sustainable operations and products, with businesses actively developing initiatives in these areas.

### Businesses' ESG Practices

Unit: %



# Capital Markets and M&A Market

## Capital Market

Vietnam's stock market, currently classified as a frontier market by Morgan Stanley Capital International ("MSCI") and other international rating agencies, is aiming for an upgrade to emerging market status within the next 2-3 years, seeking to attract more investment capital.

VNINDEX for the period from January 2023 to May 2024



The VN-Index concluded 2023 at 1129.93 points, marking a noteworthy 12.2% increase compared to the end of 2022. This achievement is particularly notable considering the prevailing negative market sentiment stemming from rising interest rates, tighter monetary policies, and investor apprehension due to the ongoing fraud investigation in real estate sector.

By the year's end, the capitalisation of Vietnam's stock market reached approximately VND 6.0 quadrillion [equivalent to USD 246.7 billion], marking a 9.5% increase from the previous year. This value represents about 62% of the country's GDP in 2023. Notably, the number of new domestic securities trading accounts surged by over 350 thousand accounts, totaling 7.4 million accounts, which represents about 7.5% of the nation's population. Conversely, the number of foreign securities trading accounts experienced a modest increase, totaling 42,711 accounts by the end of 2023, up by 253 accounts compared to the previous year.

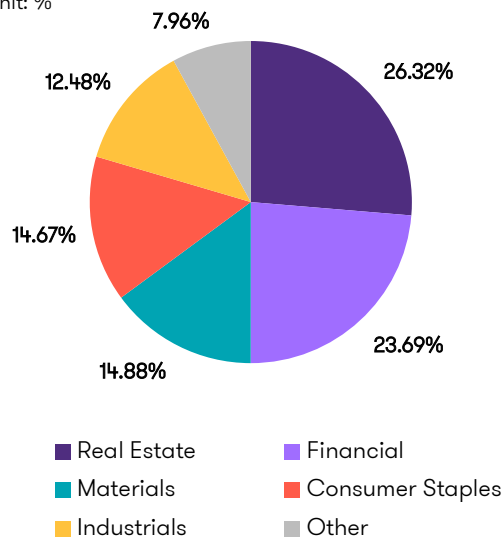
In the midst of these developments, the derivatives stock market remained stable, with an average of nearly 237,000 contracts traded per session.



**USD 246.7 billion**  
Vietnam's stock market reached

VN-Index Composition

Unit: %



**Notes:**

- Real Estate is down from 31% in 2022 due to recent scandals
- Top 5 industries make up about 92% of the VN-Index

(Source: MSCI, VN-Index)



## Government Initiative

On 29 December 2023, Deputy Prime Minister Le Minh Khai signed Decision No. 1726/QĐ-TTg approving the Securities Market Development Strategy until 2030.

The primary objective of Decision No. 1726/QĐ-TTg is to elevate Vietnam's stock market from a frontier to an emerging market status by 2025, with a clear aim of accomplishing this transition by 2030. In addition to this primary goal, there are other overarching objectives outlined as follows:

Decision No. 1726/QĐ-TTg	2025	2030
<b>Primary objective</b>	<b>Elevating Vietnam's stock market from a frontier to an emerging market status</b>	
Stock market capitalisation	100% of GDP	120% of GDP
Bond market	47% of GDP	58% of GDP
Corporate bonds	20% of GDP	25% of GDP
Government bonds held by non-banking investors	55%	60%
No. of securities trading accounts	9 million	11 million
Derivatives market's average annual growth rate	20% - 30%	

## Barriers to Vietnam's Market Classification Upgrade

**1. Language Barrier in Information Disclosure:** Currently, Vietnam mandates information disclosure only in Vietnamese, presenting a significant hurdle for foreign investors who need thorough access to information to accurately evaluate the Vietnamese market's potential. Nevertheless, the Government is proactively addressing this obstacle, particularly with the plan to adopt the International Financial Reporting Standards ("IFRS") for publicly listed companies in Vietnam in the near future, requiring annual reports to be published in both English and Vietnamese.

**2. Foreign Ownership Limit ("FOL"):** The relaxation of the government's foreign ownership limit in 2015 enabled about half of Vietnam's listed companies to determine their own FOL. However, the following sectors remain subject to government-imposed restrictions on foreign ownership stakes:

Restricted sectors	Banking	Airline	Real estate	Oil & Gas	Construction materials
<b>Foreign ownership limit</b>	30%	34%	50%	50%	50%

**3. Pre-transaction Margin:** Governed by Circular 120/2020/TT-BTC, mandates that foreign investors maintain adequate funds and shares in their trading accounts before executing buy or sell orders for securities. This regulation aims to prevent short selling and ensure order fulfilment. However, compliance poses challenges for foreign investors with substantial capital as they must possess the required funds or shares when placing orders, despite settlement and withdrawal being feasible only three days later (T+3). Consequently, if the purchase and sale of securities are not completed and funds need to be withdrawn, foreign investors will incur significant fees. This is particularly burdensome for investors with large capital investments, as money transfers entail substantial fees, both into and out of Vietnam. Therefore, ensuring the completion of securities transactions is crucial to avoid incurring additional costs.

# M&A Market

The negative impacts of geopolitical tensions and higher FED fund rates have resulted in a less dynamic M&A market in. Despite Vietnam's well-controlled inflation and a GDP growth rate of 5.05% in 2023, the country was not immune to the global slowdown in M&A activity.

Vietnam's M&A market reported a decline by 18% in deal value for the year of 2023 compared to 2022. This decrease coincided with a reduction in number of the successful deals compared to previous years. Specifically, the M&A market recorded 280 deals during this period, down from 328 deals in the same period of the previous year. Nevertheless, the average transaction value surged to over USD 40 million, a significant increase from the previous year's average of approximately USD 17 million. This increase indicates a proactive pursuit of strategic deals by investors, signaling a shift towards strategic investments that require substantial financial resources.

Key deals completed in 2023 worth more than USD 100 million:

Investors' countries	Investor	Target company	Sector	Amount (USD million)
Singapore	United Overseas Bank	Citigroup	Banking	3,710
Japan	Sumimoto Mitsui Banking Corporation	VP Bank	Banking	1,450
HongKong	Swire Pacific	Coca-Cola Vietnam & Cambodia	Food & Retail services	1,020
HongKong	ESR	BW Industrial Development	Industrial real estate	450
Singapore	Thomson Medical Group	FV Hospital	Healthcare	381
USA	Bain Capital	Masan Group (MSN)	Consumer goods	250
Singapore	Growthem Capital Partners	International Dairy Product (IDP)	Food & Beverage	100

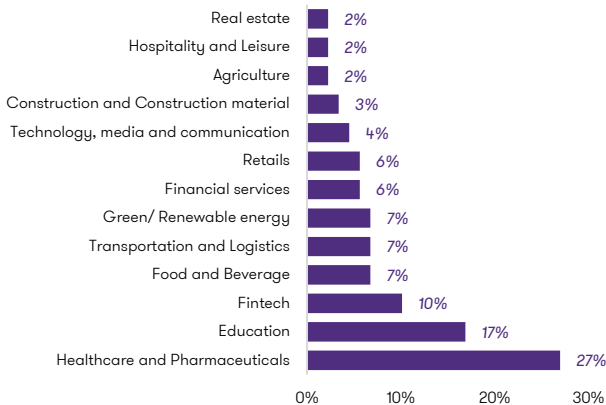
In 2024 and beyond, Vietnam M&A market is anticipated to continue its growth. Despite the turbulent global investment climate, Vietnam remains an attractive destination for investors due to its resilient economy. Favourable macroeconomic factors, coupled with the redirection of investment capital from China and government support policies such as tax incentives have made Vietnam an appealing M&A market.

## M&A Market - Prime grounds for PE endeavors

In reference to Grant Thornton Vietnam's Private Equity ("PE") Survey in Vietnam 2023, titled "Steering through Challenges," the findings pinpointed Healthcare & Pharmaceuticals, Education, and Fintech as the top three sectors ripe for private equity investment, based on responses from our PE respondents. Moving to 2024, these sectors have shown remarkable resilience and sustained activity levels in M&A investments. Despite not ranking highest in deal value, according to the M&A Forum hosted by the MPI, education and fintech deals have continued to attract significant interest and momentum. Renowned funds such as Ruangguru, Sweef Capital, and PBU are actively pursuing opportunities in the thriving edtech segment within the education sector, driven by the impacts of Covid-19. Sweef Capital's USD 5 million minority investment in Teky Alpha in 2023 underscores this growing interest. In the fintech sector, the e-payment market is poised for consolidation through M&A activities, given its booming yet fragmented landscape.

### Most attractive sectors for private equity investment

Unit: %



### Healthcare and Pharmaceuticals

The healthcare sector's growth is driven by factors like an aging population, increased healthcare awareness post-Covid-19, rising disposable incomes, and government initiatives to improve healthcare accessibility. Challenges like limited infrastructure and research funding in the sector have created attractive investment opportunities.

### Education

According to Bain & Company, Vietnamese families allocate around 20% of their disposable income to children's education, ranking among the highest globally. In 2023, the revenue of Vietnam's e-learning market is valued at about USD 3 billion, a notable CAGR of 20.2% during the period from 2019 to 2023.

### Fintech

Vietnam's Fintech market size in terms of transaction value is expected to grow to USD 63.8 billion by 2028, at a CAGR of 13.11%. The growth is partially supported by the awareness of the importance of digital banking transformation and the government's supportive regulations, and government policies that are in progress.

(Source: Grant Thornton Vietnam, M&A Forum Vietnam 2023, Source of Asia, Bain & Company)

# Vietnam Mid-market Dynamics: Grant Thornton's Survey

## Rising Business Optimism in Vietnam

Mid-market firms typically refers to companies that are larger than small enterprises but smaller than large corporations. These firms have significant impact on the economy while retaining the agility and entrepreneurial spirit of smaller companies.

The challenges of navigating the global economy have been highlighted in Grant Thornton's latest International Business Report ("IBR"), a leading global survey for mid-market businesses. Compared to the results released in October last year, the percentage of firms that are optimistic about the outlook for their economies over the next 12 months increased modestly from 65% to 66%. The slight increase indicates a recovery in the global economy, although at a slow pace.

**66%** of mid-market firms are optimistic about the economy in the next 12 months

In Vietnam, on the other hand, optimism saw a significant increase among the mid-market sector, with the number of businesses having feeling hopeful about the economy in the next year increasing from 68% to 76%.

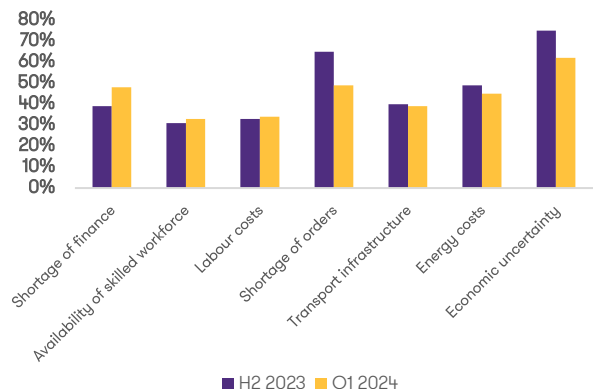
This growing optimism has been reflected in the expectations for revenue and profitability of mid-market enterprises in Vietnam. Accordingly, the percentage of firms expecting growth in revenue over the next 12 months saw an uptick from 83% to 87%, while the anticipation for profit growth rose from 83% to 86%. These upward trends are directly influenced by recent improvement signals in both the domestic and global economy, significantly elevating business sentiment among Vietnamese firms.

The survey also sheds light on the perceptions of business constraints for mid-market businesses in Vietnam. Accordingly, there is a remarkable drop in the proportion of firms indicating economic uncertainty as a primary challenge in the next 12 months, from 75% in the previous survey to 62%. In addition, businesses have shown less concern about the lack of orders, with the percentage of firms citing reduced demand as a major constraint decreasing by 16 points. These results reaffirm the uptick in optimism about the economic outlook for the coming time in Vietnam's mid-market sector.

Conversely, concerns about the shortage of finance have increased. This is understandable given the prolonged economic headwinds, which have escalated financial pressures on many businesses, amplifying concerns about their ability to maintain sufficient cash flow to fund operations and meet financial obligations.

### Business constraints for mid-market firms in Vietnam over the next 12 months

Unit: %



■ H2 2023 ■ Q1 2024

(Source: Grant Thornton IBR)

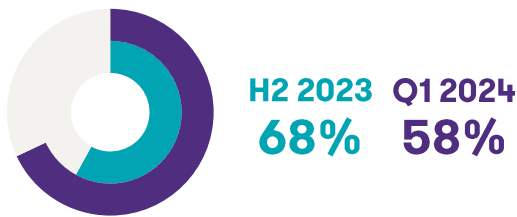
# Export remains challenging

Despite the burgeoning optimism surrounding the economic outlook, mid-market businesses in Vietnam exhibit a degree of reluctance towards bolstering their export endeavors. Recent findings from Grant Thornton IBR indicated that the number of firms expecting to increase export activities next year decreased to 63%, down 2 percentage points compared to the previous survey in the second half of 2023. This is propelled by a thirteen-point decline (down to 53%) in the number of surveyed businesses anticipating an expansion in the countries they sell to, alongside a decrease by 10 percentage points (now at 58%) in those projecting an increase in revenue from non-domestic markets.

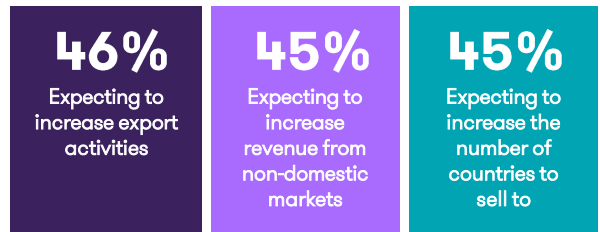
The survey results underscore the persistent challenges posed by the global economy for cross-border trade. Despite a cooling down of inflation and a resurgence in demand, the moderate pace of recovery worldwide is anticipated to sustain its impact on Vietnam's deeply interconnected economy.

Despite experiencing a downturn, the data gathered in Vietnam reveals that all metrics surpassed the 50% mark, affirming the prevailing confidence of mid-market businesses in the Vietnamese market regarding the resurgence. Moreover, these figures still stand above the global averages, which indicates a degree of resilience in Vietnam's mid-market sector amidst prevailing economic uncertainties.

% of mid-market firms in Vietnam expecting an increase in revenue from non-domestic markets



Worldwide mid-market firms' perception on exports in the next 12 months

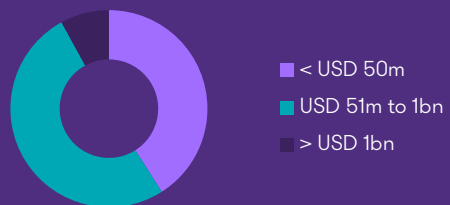


## International Business Report

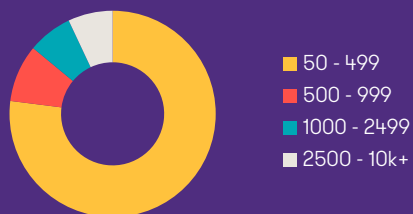
The Grant Thornton International Business Report ("IBR") is the world's leading mid-market business survey, interviewing the C-suite exclusively in listed and privately held companies all over the world on a quarterly basis.

Launched in 1992 in nine European countries, the survey now interviews approximately 14,000 senior executives at mid-market companies across 31 economies every year, providing insights into health and issues affecting both listed and private businesses globally. The majority of the companies participating in the survey record an annual turnover between USD 51 million and USD 1 billion and have a headcount of approximately 50-499 employees.

Annual turnover



Number of employees



(Source: Grant Thornton IBR)



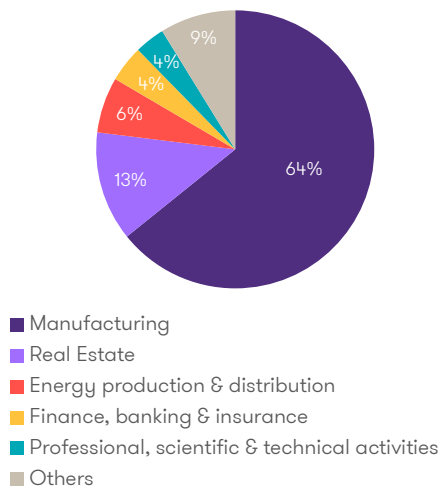
# Key Sectors for Investment in Vietnam

# Manufacturing

Manufacturing plays a critical role in driving Vietnam's economic growth, standing out among the four basic industrial sectors and other sectors in the country's economic structure. It contributed the highest proportion to Vietnam's GDP, accounting for nearly 30% of the total GDP in 2023. However, the industry faced numerous challenges and difficulties during the year due to the decline in global aggregate demand. According to the GSO, the manufacturing sector's added value only grew by 3.62%, marking the lowest increase within the 2011-2023 period. Nonetheless, this growth still contributed 0.93% points to the overall growth rate of the economy's total added value. In terms of FDI, the manufacturing sector remained the most attractive, with registered capital exceeding USD 23 billion in 2023, equivalent to nearly 80% of the total new investment capital. Overall, the manufacturing sector remained the leading force driving Vietnam's economy in 2023.

## Total registered FDI capital by sectors as of December 2023

Unit: %

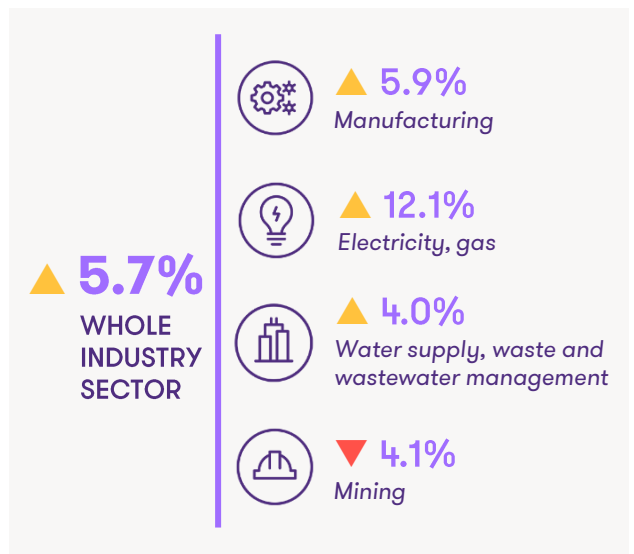


Despite the ongoing challenges and difficulties in the global economy in 2023, the manufacturing sector in Vietnam has shown brighter and more positive signals in the first quarter of 2024. The sector witnessed a growth rate of 6.98%, contributing 1.73 percentage points to the overall economic growth. With such promising trends, it is expected that the manufacturing industry and industrial production will experience a rebound in the latter half of this year.

This reflects the signs of recovery in the global economy. Even in the early months of the year, businesses have received numerous orders, and production has been ramped up to meet domestic consumption as well as export demands. This led to the rise in the index of industrial production ("IIP") of various sub-sectors in manufacturing, nine of which experiencing a double-digit growth.

## Index of industrial production ("IIP") in Q1 2024

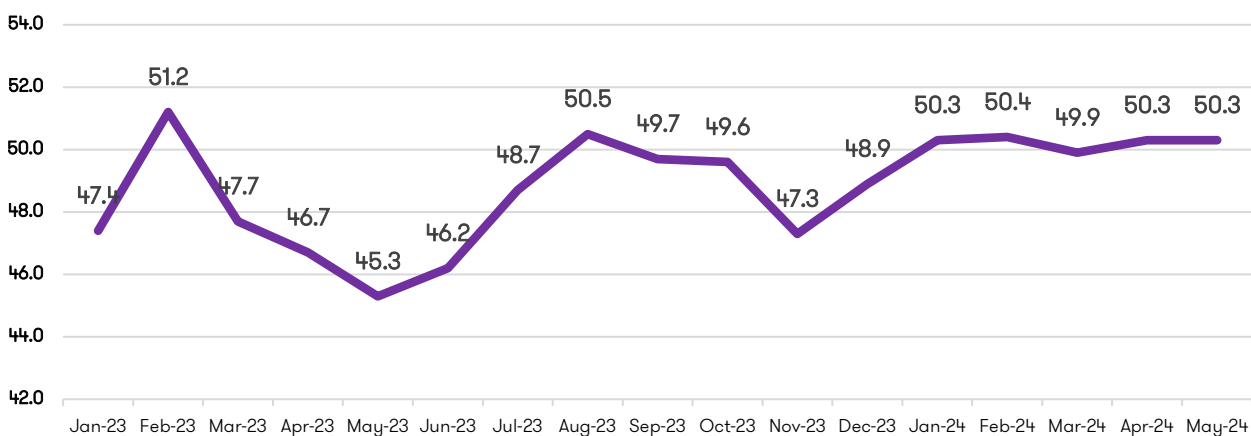
IIP growth rate over the same period last year



The Purchasing Managers' Index ("PMI") also reveals the state of Vietnam's manufacturing in recent times. The PMI showed that Vietnam's manufacturing sector concluded 2023 with a downward trend with only 48.9 in December, signalling weak demand in the result of a decrease in new orders and production. Although the PMI recovered to over the 50.0 threshold in the first 2 months of 2024, it dropped below the threshold again in March. This outcome marked the end of a two-month period of improved business conditions at the start of 2024. However, manufacturers remained increasingly optimistic about the industry's growth prospects in the coming months, displaying the strongest business confidence in the previous 18 months. This has led manufacturers to increase hiring activities at a faster pace, in addition to planning to launch new products to stimulate production, while hoping that improving market demand will contribute to an increase in new orders. As a result, PMI experienced an increase in April, surpassing the benchmark of 50.0 by a small margin, and remained the same in May.

[Source: MPI, GSO, MoIT, S&P Global]

## Vietnam's Purchasing Managers' Index (PMI)



Overall, both the manufacturing sector and the overall economy of Vietnam faced numerous difficulties and challenges in 2023. However, Vietnam is expected to experience more favourable conditions in 2024 compared to 2023. In the early months of 2024, Vietnam's key export markets such as the US, the EU, and China have started to experience significant growth. The recovery of these major export markets is expected to provide positive momentum for Vietnam's manufacturing sector. In the first quarter of 2024, the export turnover of processed industrial goods increased by 14.5% compared to the same period in 2023 and accounted for 85% of the total export turnover. As a clear result, the IIP in May 2024 is recorded to have increased by 3.9% compared to the previous month and 8.9% compared to the same period last year.

The Government has implemented financial support policies during the 2023-2024 period, aiming to strengthen domestic industrial products. On 29 November 2023, the National Assembly agreed to continue reducing VAT by 2% from 01 January 2024, to 30 June 2024. This reduction is considered a powerful solution to stimulate industrial production, consumer demand, and manufacturing. However, policies need to have a long-term perspective to yield tangible benefits for businesses. Additionally, the MoIT, according to their plan, will prioritise key solutions, including addressing the challenges faced by businesses to promote production development. These solutions will be based on the actual production situation of industries, sectors, and key industrial areas.

## Index of Industrial Production ("IIP") of some industrial products in the first quarter of 2024



▲ 28.4%

Chemicals and chemical products



▲ 25.8%

Rubber and plastics products



▲ 21.7%

Coke and refined petroleum products



▲ 24.8%

Electrical equipment



▼ 2.7%

Beverage manufacturing



▼ 4.7%

Other non-metallic mineral products

# Semiconductor sector

## Rapid Development in Manufacturing sector

Vietnam is an emerging destination in the global semiconductor supply chain, attracting the attention and presence of leading global giants. Billions of dollars have been invested in constructing factories, expanding production, and assembling projects in the country. Vietnam is ambitious and actively working towards becoming a new global semiconductor hub.

### Talent Pool in Semiconductor Industry



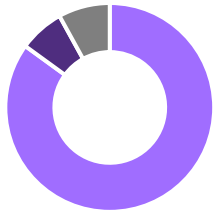
**5,000 engineers**

Specialised in integrated circuit design



**3<sup>rd</sup> largest Asian supplier**

of semiconductor chips to the United States



**Ho Chi Minh City - 85%**

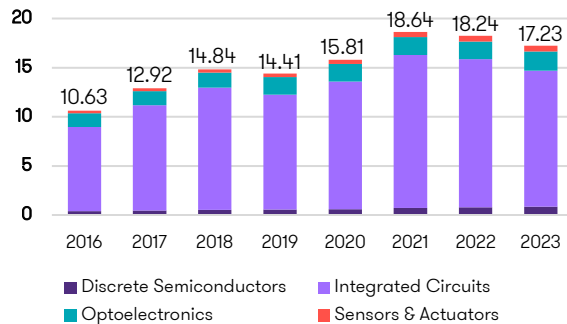
**Da Nang - 7%**

**Ha Noi - 8%**

Vietnam currently has 5,000 skilled engineers specializing in integrated circuit design working in the industry, with a majority employed by FDI companies. Moreover, there are 11 educational institutions that provide training closely aligned with the semiconductor and integrated circuit sector, while 35 others offer training programs with majors related to semiconductors and integrated circuits.

### Revenue by segment of the semiconductor industry

Unit: USD billion



The industry earned a revenue of over USD 17 billion in 2023, with the majority coming from integrated circuits. Currently, the focus of Vietnam's semiconductor industry is on the final stage of the chip production process, which involves assembling, testing, and packaging by 40 international companies operating in this sector. Majorities of these companies come from: the USA, Republic of Korea, Japan, Taiwan, and the Netherlands.

### 40 international companies



Noticeably, in 2023, Vietnam is the third largest Asian supplier of chips to the US after Malaysia and Taiwan.

### Impacts from the Vietnam-US Comprehensive Strategic Partnership

In November 2023, the Vietnam-US relationship was upgraded into a comprehensive strategic partnership. This milestone not only signifies a significant achievement in Vietnam's foreign affairs but also opens up numerous opportunities for collaboration and facilitates the development of the semiconductor industry. Notably, the US recognises Vietnam's potential to play a critical role in building resilient semiconductor supply chains, and further develop Vietnam's current semiconductor ecosystem, regulatory framework, and workforce and infrastructure needs.

### Government's initiatives and strategic directions

In October 2023, the Vietnamese Government set the goal of training a high-quality workforce for the semiconductor manufacturing industry, with a target of 50,000 to 100,000 skilled engineers by 2030. Concurrently, the Government is formulating a strategy for developing the country's semiconductor industry up to 2030, and actively establishing advanced infrastructure, such as the National Innovation Centre ("NIC"), and dedicated IT parks. The Government is making effort to create important premises and favourable opportunities for the country to participate in the semiconductor industry. The further development of the industry is being oriented as follows:

Expand current capabilities in assembling, testing, and packaging

Focus on higher value-added stages, especially designing and producing

[Source: MPI, Statista]



# Industrial Real Estate

Despite the challenges encountered by Vietnam's real estate market since 2022, the industrial park ("IP") sector has emerged as a standout performer. Data from the Vietnam Association of Realtors ("VARs") reveals robust demand for industrial properties nationwide in 2023, with an average occupancy rate of around 73% and a significant increase in rental prices of approximately 20%.

According to experts, several factors contribute to the outstanding performance of Vietnam's industrial real estate market. Firstly, the stable flow of FDI into Vietnam's manufacturing sector, mostly propelled by the supply chain relocation strategies, has kept demand for IPs high throughout 2023. Moreover, Vietnam's IPs offer competitive rental prices while maintaining high standards of quality and accessibility, making them an attractive option for business. Besides, the Government's proactive efforts to support investors further bolster the success of the sector.



**413 industrial parks**

Total area: 87,700 hectares

In operation: 295 IPs

Under construction: 119 IPs



**73% (Approx.)**

Occupancy rate

The outlook for the industrial property market in 2024 is optimistic as the positive momentum of FDI is expected to continue, especially since Vietnam successfully upgraded economic relations with various countries in 2023. On the other hand, anticipated high demand is expected to push rental prices up in the coming years. At the same time, the sector will see a steady IPs supply, driven by the attractiveness of investment opportunities.

## Northern region

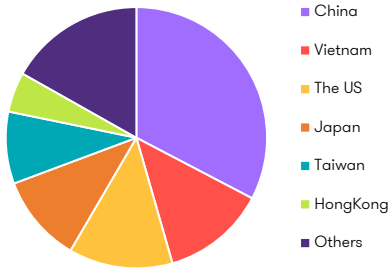


Occupancy rate  
**80% (approx.)**



Average rental  
**USD 135**  
m<sup>2</sup>/remaining term

Countries Seeking Industrial Park Rentals in 2023



## Southern region

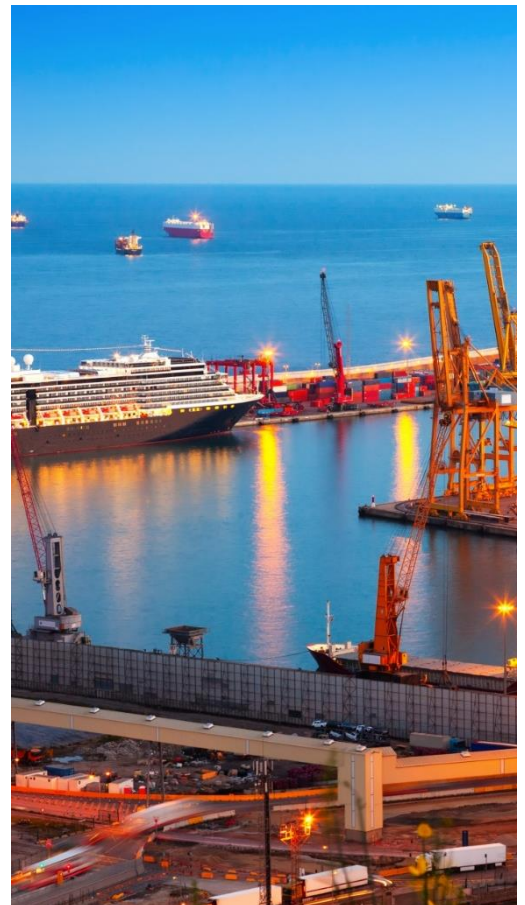
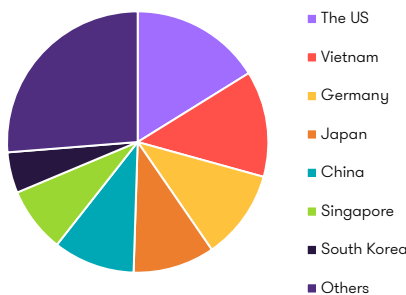


Occupancy rate  
**90% (approx.)**



Average rental  
**USD 188**  
m<sup>2</sup>/remaining term

Countries Seeking Industrial Park Rentals in 2023



[Source: Ministry of Construction, VARs, CBRE]

# Benefits of IPs for Investors

Investing in Vietnam's IPs often comes with various governmental incentives, commonly including:

- **Tax incentives:** The Vietnamese Government offers preferential tax rates, tax holidays, and tax exemptions for businesses operating within IPs. These incentives can significantly reduce the tax burden for investors.
- **Land lease incentives:** Investors in IPs may benefit from favourable land lease terms, including long-term leases at competitive rates or even free land allocation for certain industries or projects.
- **Customs incentives:** Businesses in IPs may enjoy simplified customs procedures, duty exemptions or reductions, and other incentives to facilitate international trade and export-oriented activities.
- **Investment support services:** The Government provides various support services to assist investors in setting up and operating their businesses within IPs. This includes assistance with licensing, permits, regulatory compliance, and administrative procedures.
- **Infrastructure support:** The Government invests in infrastructure development surrounding IPs, including road networks, utilities, and telecommunications, to provide a conducive environment for business operations.
- **Access to skilled labour:** IPs often benefit from proximity to educational institutions and vocational training centers, providing a skilled workforce for businesses. The Government may also offer incentives to attract and train local labour for employment within IPs.

## Categories of IPs

Industrial parks in Vietnam include general industrial parks and industrial parks specifically designed for certain activities. Investors can choose to invest in these separate parks to access more advantages in terms of resources and incentives.

### Export processing zones

An export processing zone (“EPZ”) is a concentrated industrial park specializing in the production of export goods, the provision of services for export goods production, and export activities. Vietnam currently has 4 EPZs, all of which are located in the south. Businesses established in an EPZ are categorised as export processing enterprises (“EPEs”). Setting up facilities in EPZs is a beneficial investment for foreign companies seeking to locate production in Vietnam as this option provides greater incentives in terms of tax and policy.

	Export processing zones	Industrial parks
<b>Definition</b>	An industrial park specializing in the production of export goods, providing services for export production and export activities.	An area with a defined geographical boundary, specialised in manufacturing industrial goods and providing services for industrial production.
<b>Goal</b>	Attract foreign businesses	Attract domestic and foreign businesses
<b>Incentives</b>	<ul style="list-style-type: none"> <li>• Incentives applied in normal IPs</li> <li>• Exemption and reduction of some additional taxes such as VAT, import and export duties</li> <li>• Unlimited quantities of raw materials imported</li> <li>• Support for quick customs procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Exemption and reduction of corporate income tax (the extent of application depends on scale, sector, and location)</li> <li>• Exemption and reduction of land lease tax (the extent of application depends on the size, sector, and location)</li> </ul>
<b>Industry</b>	Industries and goods for export such as food, textiles, footwear, etc.	Most industries with diverse goods and services

[Source: 2020 Investment Law, Vietnam Government Portal]

## Hi-tech parks

Vietnam has been actively promoting investments into hi-tech parks, which focus on the research, development, and production of hi-tech products. This model aims to attract both domestic and foreign hi-tech companies, thereby helping the country increase its technology capacity and accelerate digital transformation. At present, Vietnam has three hi-tech parks established by the Government. Some localities are also applying for authorisation to develop new hi-tech parks.

### Three Hi-tech Parks of Vietnam

#### Hoa Lac Hi-tech Park

- Location: Hanoi
- Established Year: 1998

#### Saigon Hi-tech Park

- Location: Ho Chi Minh City
- Established Year: 2002

#### Danang Hi-tech Park

- Location: Danang
- Established Year: 2010

Over the years, hi-tech parks have successfully attracted numerous domestic and international investors. As of now, Saigon Hi-tech Park has recorded a total of 164 projects, amounting to an investment capital of USD 12.4 billion, with FDI projects constituting 32.3%. Meanwhile, Hoa Lac hi-tech park boasts 109 projects. Among the notable investors are Intel, Samsung, Schneider, TTI, Nidec, and Nissan. The hi-tech parks serve as more than just spaces for business, they are ecosystems hosting numerous institutions and cutting-edge facilities, including laboratories and research centres affiliate.

## Eco-industrial parks

Eco-industrial parks (“EIPs”) in Vietnam represent a notable stride towards sustainability, blending industrial activities with environmental protection initiatives. These parks are designed to minimise environmental impact, optimise resource efficiency, and foster economic growth. The IEP model plays a crucial role in the nation’s plan to achieve the net zero emission target by 2050. Several cities and provinces, including Ho Chi Minh City, Danang, Hai Phong, Dong Nai, and Can Tho, have been selected for piloting EIP construction and conversion of traditional IPs into the new model.

Investments in EIPs in Vietnam are encouraged through a range of incentives, including tax breaks, land rent exemption and reduction, streamlined administrative procedures, and access to modern infrastructure. Additionally, businesses can benefit from shared resources and services, enhancing operational efficiency and market access. Most importantly, EIPs are prioritised by the Government to attract investment, thus projects in these parks are entitled to grants, subsidies, and preferential credit loans.

Presently, the MPI is undergoing consultations on a draft Circular that provides guidance for implementing Decree 35/2022/ND-CP. This circular is particularly focused on guiding the trial application of 23 indicators specific to Vietnam's EIPs, with 12 of these indicators referencing international EIP frameworks. The ongoing adjustment of Vietnam's legal framework to meet international standards signifies a pivotal step in closing the gap and is expected to propel the future development of EIPs within the country.

## Guidelines for Land Leasing in Industrial Parks for Investment

1

Conducting site assessment and selecting the land plot location

2

Negotiating and executing land lease principle agreements

3

Obtaining the Investment Registration Certificate (“IRC”) and Enterprise Registration Certificate (“ERC”)

4

Formalizing the land lease contract and completing land transfer procedures

5

Establishing Utility Connection Agreements (water, electricity, and wastewater drainage)

6

Drafting construction plans, obtaining construction permits, and securing approvals for the Environmental Impact Assessment (“EIA”) and fire prevention plans

7







Commencing construction activities and installations of equipment and machinery

8

Applying for the Land Use Right Certificate (“LURC”) to formalise land tenure rights.

# Renewable Energy

By 2030, the renewable energy sector is expected to grow at an average CAGR of 9%, accounting for around 30% of total energy output, driven by the upcoming adoption of the Direct Power Purchase Agreement (“DPPA”) mechanism, expansion of transmission gridlines, approval of Power Development Plan 8 (“PDP8”) and the Government’s commitment to COP28.

Vietnamese Renewable Energy Q1 2024 Highlights		Energy Source	Acc. installed capacity Q1 2024	Vision 2030 (Approved PDP8)
	86,372.10 MW of total installed capacity	 Solar	16,920 MW <small>(incl. 7,765 MW of rooftop solar)</small>	12,836 MW <small>(excl. rooftop solar)</small>
	5,817 MW increase from EOY 2023	 Wind	6,115 MW	27,880 MW
	27.3% of total energy mix attributable to renewable energy sources (23,557 MW utilised)	 Biomass	523 MW	2,270 MW

## Transmission Gridlines

Electricity Vietnam’s (“EVN”) investment plan, aligned with PDP8, outlines an average annual allocation of approximately USD 2 billion between 2021 and 2030 for transmission lines and power grid enhancements.

However, in recent years, notably 2023 and 2024, actual investment has been seen to surpass this average due to electricity outages caused by power congestion.

The majority of these investment funds will be directed towards significant development and construction projects, including the Quang Trach – Phoi Noi 500kV, Nam Dinh I - Thanh Hoa 500kV, and Quang Trach - Quynh Luu 500kV lines. These endeavors are designed to enable the efficient transmission of power from the growing energy hub in the central region to the electrically underserved northern region. By doing so, the burden on existing 500kV transmission lines will be eased, thus enhancing the overall stability of the power supply between these regions.

Power Grid Projects	Actual Reported Data in 2023	Planned for Completion in 2024
<b>Completed</b>	163 projects	190 projects
<b>Total annual investment</b>	VND 90 trillion (approx. USD 3.6 billion)	VND 102 trillion (approx. USD 4.0 billion)

## DPPA Current Status

Vietnam is committed to adopting two types of DPPA:

- Private-wire DPPA:** Consumers purchase electricity at the retail price regulated by the State from the retail electricity supplier for their entire electricity demand.
- Synthetic DPPA model:** Consumers buy electricity from power corporations at retail prices and engage in forward contracts (“CfD”) with generators to determine future electricity prices and output.

The Government Office issued Official Letters No. 112/TB-VPCP and No. 1942/VPCP-CN on 25 March 2024, tasking the MoIT with drafting a Decree on these DPPA mechanisms. The draft Decree is expected to undergo review by the Government and Prime Minister in May 2024, followed by pilot scheme approval in July 2024, and full implementation starting from late 2025.

[Source: Vietnam Government Portal]



# Project Financing

## Key Issues

Investors venturing into renewable energy projects in Vietnam are confronted with a number of challenges. These hurdles range from grappling with the accessibility of long-term financing options to navigating the intricate and time-consuming licensing procedures linked to fire and explosion prevention measures. Moreover, ensuring the establishment of secure rights over mortgage collateral is also another obstacle for prospective investors seeking to penetrate the renewable energy sector in Vietnam.

### Accessibility

The State Bank of Vietnam (“SBV”) directive to restrict lending to overheating sectors (e.g. rooftop solar), aimed at curbing the growth of bad debts in credit institutions, has prompted many banks to scale back their long-term credit offerings to renewable energy projects. Consequently, renewable energy developers are increasingly resorting to issuing corporate bonds as an alternative source of funding for their projects. These corporate bonds typically carry high-interest rates ranging from 9.5% to 12% per annum, as reported by Hanoi Stock Exchange (“HNX”).

Given the combination of high funding costs and the tendency for many renewable energy projects to become over-leveraged due to their substantial capital requirements and prolonged payback periods, it is predictable that nearly 11% of current outstanding energy bonds have defaulted.

Regarding the challenges in securing long-term financing domestically, established developers with a proven track record in the sector will explore alternative funding sources overseas or participate in the government's green bond initiative program to maintain competitiveness and profitability in the long term. However, given the current absence of mechanisms and legal frameworks surrounding green bonds, borrowing from foreign banks is expected to be the primary option. With Vietnam's credit rating score from credit rating agencies ranging at Ba2 or BB+, borrowing rates from foreign banks are estimated to range between 6-8%.

### Licensing

Obtaining the relevant permits required to develop a renewable energy project involves a substantial amount of work, especially fire and explosion prevention and land clearance documents. A project cannot be built or operated until all permits, approvals and consents relevant to the construction or operation (as applicable) have been obtained. The process of obtaining these licenses, including any necessary amendments, is burdensome and time-consuming, leading to delays and increased costs for businesses.

### Mortgage Land Use

Under current regulations, project companies can only mortgage land use rights to lenders if they pay the rent to the authority on a one-off lump-sum basis. However, projects exempt from rent payments or paying rent annually, which is likely the case for renewable energy projects, cannot mortgage their land use rights. Moreover, the mortgage of land use rights and property attached to land is restricted to onshore licensed credit institutions, prohibiting foreign lenders from taking security over land as a collateral asset in Vietnam.

Given the importance of security over assets, this limitation poses a challenge for foreign commercial lenders in financing projects. Although a common alternative is a mortgage in favour of foreign lenders via an onshore security agency arrangement, there is uncertainty about the enforceability of this structure in Vietnamese court.

# Finalised PDP Changes

## PDP8 Implementation

Decision No.500/QĐ-TTg has been approved by the Prime Minister with some minor adjustments under Decision No. 262/QĐ-TTg dated 01 April 2024. PDP8 is in direct alignment with Vietnam’s net zero pledges made at COP28 in 2023.

<b>Revised pricing methodology</b>	<ul style="list-style-type: none"> <li>Official Circular No.19/2023/TT-BCT for establishing annual electricity generation prices for standard ground-mounted solar, floating solar, onshore, and offshore wind power plants (excluding transitional renewable energy projects and those already in operation under a Power Purchase Agreement (“PPA”) with EVN* with effective feed-in tariff (“FiT”) rates.</li> </ul> <p>*EVN: Vietnam Electricity – largest state-owned power company in Vietnam</p>
<b>Renewable energy allocation</b>	<ul style="list-style-type: none"> <li>The solar energy section outlined in the approved PDP8, as of 2030, will focus solely on solar farms (10,236 MW) and self-consumed solar (2,600 MW), omitting rooftop solar installations.</li> </ul>
<b>Definition of offshore wind power</b>	<p>All its wind turbines are required to:</p> <ol style="list-style-type: none"> <li>Be positioned outside a marine territory spanning six nautical miles, with details on the marine territory baseline clarification to be determined at a later date.</li> <li>Be situated within areas of significant sea depth based on actual survey data, with the current defining depth for offshore wind power plants set at 20 meters, subject to potential adjustment.</li> </ol>
<b>Electricity trading</b>	<ul style="list-style-type: none"> <li>The MoIT is crafting a proposal to authorise organisations generating self-consumed solar power to engage in electricity trading, on the condition that both the generators and consumers remain disconnected from the national grid.</li> </ul>
<b>Energy battery storage</b>	<ul style="list-style-type: none"> <li>By 2030, pumped storage hydropower (“PSH”) plants with capacity of about 2,400 MW will be developed to regulate the load, reserve capacity, and support the integration of large-scale renewable energy sources.</li> <li>By 2050, the capacity of PSH and storage batteries is oriented to reach 30,650 - 45,550 MW in alignment with the high proportion of renewable energy.</li> </ul>

## Renewable Energy M&A

### Market Expectations

Transitional project developers, with weaker financing and facing lower FiT rates, may opt to accept the temporarily low purchase prices to mitigate potential losses. Looking ahead, these transitional projects with lower IRRs (internal rate of return) are expected to emerge as prime targets for M&A activity as sellers could gain by enhancing their financing structures, while buyers with robust financial backing and comparatively higher IRRs can effectively sustain these projects until they achieve profitability. M&A in renewable energy will continue to be extremely active in the coming years.

### Highlighted M&A deals within the renewable energy sector over the last 3 years

M&A Year	Investors’ countries	Investor	Target company	Amount (USD million)
2023	Philippines	AC Energy (Acen)	Solar NT Holdings Pte. Ltd	165
2023	Singapore	BRE Singapore Pte	Hoanh Son Group	24
2023	Taiwan	Shinfox Energy Co., Ltd	GIO Thanh Energy JSC	5
2023	Taiwan	Shinfox Energy Co., Ltd	Vietnam Renewable Energy JSC	6
2022	Spain	EDPR	Xuan Thien Group	284
2022	Singapore	Leader Energy Pte. Ltd	Clean Energy Vision Development JSC	44
2022	Singapore	BRE Singapore Pte	Solar Esco JSC	15
2022	United Kingdom	Asian Energy Impact Trust Plc	Viet Solar System Company Limited	5
2021	Vietnam	Lizen JSC	Licogi 16 Gia Lai Investment Renewable Energy JSC	202
2021	Thailand	Super Energy Corporation	Asia Energy Limited	5

[Source: Vietnam Government Portal]

# Information Technology

## Vietnam ICT Industry

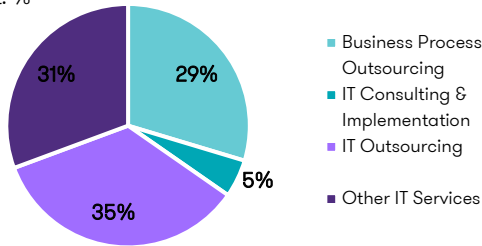
The Information & Communication Technology (“ICT”) Industry has been on a recovery trend after a slow start at the beginning of 2023. The Ministry of Information and Communications (“MIC”) reported the year 2023 saw a 1.4% small increase in the revenue of the sector amidst the rising tension of the Russia-Ukraine conflict and the post-Covid economic landscape. While the sector has been able to pull through the difficulties and achieve a revenue increase of around USD 2 billion, the vulnerability and overdependence of the sector on the export of electrical hardware highlight the need to shift the focus of the industry from manufacturing to innovations and growth in software and IT services.

### Software and IT services

According to Statista Market Insights, in 2024, Business Process Outsourcing and IT Outsourcing will be two of the most important markets in terms of value for the segment due to how enterprises can allocate company-owned resources and utilise external firms with expertise to assist with IT-related services. Vietnam's IT outsourcing services have significantly advanced due to the high competitiveness of Vietnamese developers. The workforce consists of young, talented developers and engineers who are highly accessible because numerous enterprises offer IT outsourcing services at relatively low costs compared to the region.

#### IT Services segment value in 2023

Unit: %

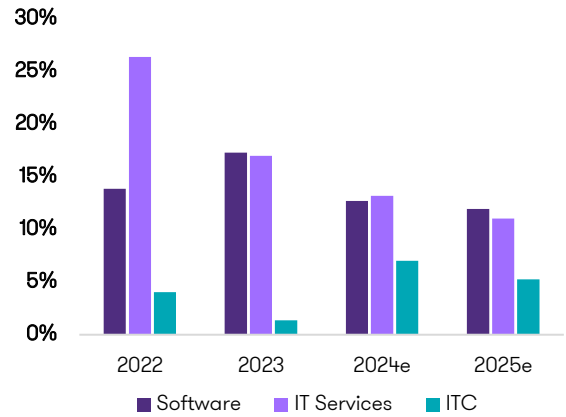


Further commitments have been made by the Government to support the sector. Vietnam has strengthened its relationship with strategic partners such as Japan to introduce domestic firms to more opportunities. On 23 June 2023, the passing of the new Law on E-Transactions and the amended Telecommunications Law provides a safe and comprehensive business landscape for the future development of the sub-industry.

[Source: MIC, Statista Market Insights]

#### Vietnam’s ICT sector growth rate

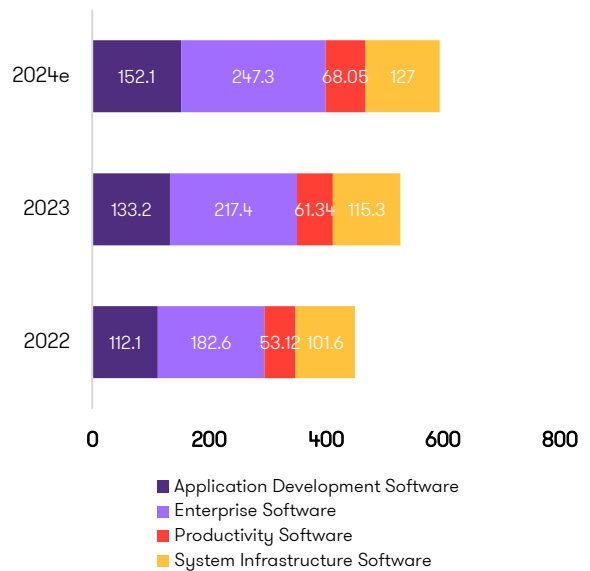
Unit: %



The Software sector, especially Software export, was the pinnacle of the ICT industry in 2023 and is expected to maintain its exponential growth in the following years. The rising need for digital transformation for business process streamlining or efficiency improvement from enterprises of all sizes creates the foundation for the Enterprise Software segment to attain the peak growth rate of 19.08% in 2023 and is forecast to continue its double-digit growth rate until 2027. Overall, promising growth awaits the sector in 2024 with a rising demand and a favourable policy landscape, despite uncertainties in the global politics and the economy.

#### Revenue by segment of Vietnam Software sector,

Unit: USD Million



## Foreign Direct Investment in IT sector

The main appeal of Vietnam to foreign investors is still centered on the manufacturing sector with over USD 23 billion of inward investment in 2023, while the IT and telecommunications sector only received over USD 400 million, ranking it 8<sup>th</sup> among all sectors, according to the MPI.



**Ranked 8<sup>th</sup>**

Total FDI Value



**USD 416.55 Million**

Registered FDI Capital



**▲ 291**

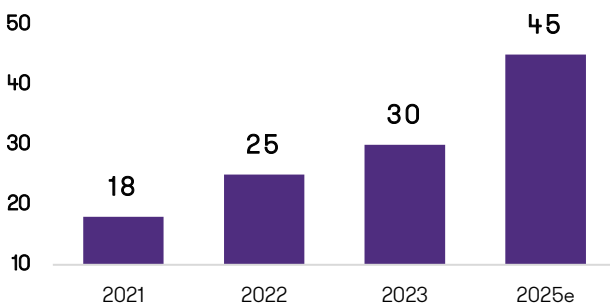
New projects registered in 2023

## Opportunities

The importance of the ICT industry requires the Government to adopt appropriate strategies to incentivise the development of domestic firms and further boost foreign investments. The National Digital Transformation Program to 2025, with an orientation towards 2030, is one of such socio-economic initiatives aiming to fortify the foundation for future digitalisation of businesses, administration, and production activities. The industry is poised to see further support from the Government as it is highlighted as one of the four pillars of digital economy development in 2024 by the MIC.

## Vietnam Digital Economy Gross Merchandise Value

Unit: USD Billion



[Source: MPI, e-Conomy SEA 2023 report, TopDev]

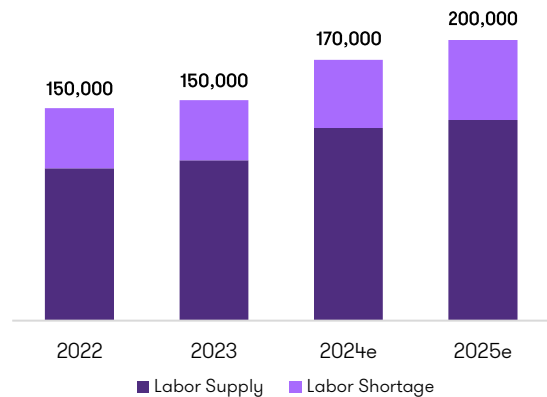
Efforts have been made to invigorate FDI inflows to the Software and IT services sector. The establishment of the Vietnam Software & IT Services Association (“VINASA”) has been the facilitator between the authorities and enterprises and supported members with legal advisory services, networking events, and participation in the policy construction.

## Challenges

Concerns over labour shortages are rising with an estimate of 150,000 to 200,000 headcounts needed between 2022 and 2025. There is also a mismatch between employers’ expectations and employees’ skills regarding communication. Despite the shift in demand for a higher level of English, the “Vietnam IT Market Report 2023 - Vietnam Tech Talents Report” from TopDev stressed that only 5% of the workforce is proficient in English.

### Vietnam’s Software Labour market

Unit: people



Vietnam’s strict regulations for cybersecurity are also seen as a challenge for foreign investors, such as mandates for domestic and foreign service providers to store specific types of data in Vietnam for a minimum period of 24 months in Decree No. 53/2022/ND-CP, or requirements for foreign cloud services providers to establish domestic representative offices. In addition, Decree No. 13/2023/ND-CP about Personal Data Protection, effective from July 2023, is the first regulation providing a comprehensive legal framework in Vietnam. This Decree applies to Vietnamese authorities, organisations, and individuals in Vietnam as well as those operating in foreign countries.



# Dynamic Digital transformation

## Artificial Intelligence (“AI”)

AI applications are set to be implemented by government agencies this year, and model applications will be released in the second quarter. Many domestic ICT companies such as FPT, Viettel, and VNPT are setting up branches solely focusing on AI development, and international players like Meta are set to launch AI products for their applications in Vietnam, helping to transform the country to become the “Dragon of the AI Industry”.

### Highlights of AI Market in Vietnam

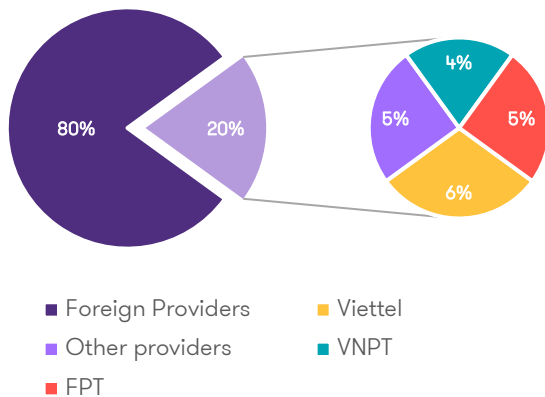


## Cloud Computing

Cloud computing is the on-demand availability of computing resources, including storage, infrastructure, analysis, etc., over the Internet, which helps to reduce the cost of investing and operating in-house physical infrastructure. Cloud computing, as the backbone of many technologies like AI, Data Analytics, Metaverse, and Internet-of-things, is set to surpass USD 1 billion in revenue in 2027. While the sector is dominated by foreign enterprises, domestic firms such as Viettel aim to differentiate their services based on factors of environmental, social, and governance (ESG) framework.

### Structure of Cloud providers in Vietnam

Unit: %



## Twin Transition

Acceleration in digitalisation requires further attention for environmental protection as the ICT industry has sizable contributions to global greenhouse gas emissions and electricity consumption. Twin Transition thus has been rising in importance to join the two separate processes of digital transformation and green transformation. The trend has been mainly adopted in Europe, but Vietnam has begun to integrate green transformation into the digitalisation and industrialisation of the economy, shown through the two “National Green Growth Strategy for 2021- 2030, vision towards 2050” and “National Action Plan on Green Growth for the 2021-2030 period”.



Reducing the greenhouse gas emissions intensity per unit of GDP



Transform the growth model with an orientation towards greening economic sectors



Greening people’s lifestyles and promoting sustainable consumption



Greening the transformation process based on the principles of equality, inclusivity, and raising resilience

(Source: FPT Digital, Statista Market Insights)



# Establishing in Vietnam

# Business Setup Requirements

The current Law on Enterprises was passed by Vietnam's National Assembly on 17 June 2020 and took effect on 01 January 2021. The laws provide for four types of legal forms of incorporation for business entities, comprising:

- Limited liability company (“LLC”)
- Joint-stock company (“JSC”)
- Sole proprietorship
- Partnership
- Branch
- Representative Office (“RO”)
- Business Co-operation Contract (“BCC”)

The law on Public Private Partnership came into effect on 01 January 2021. Forms of investment under PPP contracts will be made on the basis of a contract between a regulatory agency and an investor.

The National Assembly adopted the Law on Investment 2020 on 17 June 2020, which appears to be structurally more permissive of foreign investment. However, it also introduces a “negative list”, meaning that foreign entities are allowed to invest in any business in Vietnam, except in those sectors explicitly set out in the List of Restricted Sectors. Investment in certain sectors may be subject to certain conditions. Conditional investment rules apply to foreign investors, with additional potential restrictions including:

- (i) Percentage ownership limits;
- (ii) Restrictions on the form of investment;
- (iii) Restrictions on the scope of business and investment activities;
- (iv) Financial capacity of the investors and partners and;
- (v) Other conditions under international treaties and Vietnamese law

Foreign investors who wish to establish an entity in Vietnam, for the purpose of conducting their business 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 for investment activities, in a specific area and for a specified duration of time. Documents must also be supplied and attested to the legal status of the investor. In addition, a report on the financial capacity, and a proposal for preferential treatment (if any) must also be provided.

An Investment Registration Certificate (“IRC”) will be issued within working 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 Enterprise Registration Certificate (“ERC”) which will be issued within 3 working days from the receipt of a complete dossier, 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.

## 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 VND 3,000 billion (equivalent to USD 129 million) is required for a commercial bank.

## Company Charter

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

## Filing requirements

All companies established in Vietnam must adhere to the Vietnamese Accounting Standards (“VAS”) and System of Accounts as regulated by the Ministry of Finance (“MoF”). Financial statements must be submitted within 30 days for sole proprietorships and partnerships, and within 90 days for other types of enterprises, from the fiscal year end. Additionally, third-party audited financial statements are mandatory for foreign-invested companies, public companies, securities firms, credit institutions, financial institutions, insurance enterprises and brokers, state-owned companies (except those operating in fields involving state secrets), companies undertaking nationally important projects, companies and organisations with state-contributed capital, and projects funded by other state capital as prescribed by the Government.

## Limited Liability Company

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 can have more than 01 legal representative.

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 certain circumstances in accordance with the law.

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

- Announcing the establishment of information on the National Business Registration Portal
- Carving the Company's seal(s)
- Opening bank accounts (i.e. Direct Investment Capital Account and operating account)
- Registering to join the social insurance scheme with social insurance department
- Registering and paying Business License Fee to the competent tax authorities
- E-invoice registration
- Others

A foreign entity may establish its presence in Vietnam as a:

- Limited liability company ("LLC");
- Joint stock company ("JSC");
- Partnership;
- Branch;
- Representative office ("RO"); or
- Business cooperation contract ("BCC")

Foreign investors can also buy capital/shares in existing domestic enterprises, subject to certain ownership restrictions, which vary depending on the sector.

## Joint-Stock Company

A joint stock company ("JSC") is a company whose charter capital is divided into shares, held by three or more organisations or individuals. A JSC can have more than 1 legal representative. JSC 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 to 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 for 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 allowed to be held by government authorised organisations and founding shareholders

- Dividend preference shares
- Redeemable preference shares
- Other types of preference share are 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.

## Business Cooperation Contract

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 Contract (“PPP”)

Public and Private Partnership (“PPP”) contract is a contractual arrangement entered into by the Government with the private sector for infrastructure projects and public services. They include 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. According to the law on PPP, it is focused on five essential areas: (1) Transportation (2) Power grid, power plant (except hydroelectric plants and some other cases) (3) Irrigation, clean water supply, drainage, wastewater treatment, waste treatment (4) Health care, education and training (5) IT infrastructure

## Partnership

Partnerships can be established in Vietnam provided 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.

## Representative Office

In accordance with Commercial Law, foreign investors can set up a resident Representative Office (“RO”) in Vietnam. The following regulations are in place regarding the RO:

- Foreign businesses shall not be allowed to establish more than 1 RO that has the same name within a province or a centrally-affiliated city.
- The foreign parent company must have been in operation for at least 1 year to be allowed to establish an RO in Vietnam, and its incorporation certificate (or equivalent documents) must be valid for at least 1 year from the date of submission of the application;
- Licenses for an RO will be valid for 5 years but may be extended or re-issued upon expiration;
- RO is not allowed to conduct revenue-generating activities (e.g. concluding contracts, selling goods or services). The RO is only permitted to act as a liaison office, conduct market research and promote the parent company’s business and investment opportunities;
- RO is required to submit an annual report on activities to the local Department of Industry and Trade.

## Branch

A branch is not a common form of foreign direct investment and is only applicable in certain sectors (e.g. banks or law firms). A branch is not an independent legal entity.

- Foreign businesses shall not be allowed to establish more than 01 branch that has the same name within a province or a centrally-affiliated city.
- 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 05 years.
- A branch of a foreign company is permitted to conduct commercial activities, in Vietnam whereas an RO is not permitted to conduct such activities.
- Branches are required to report annually to the MoIT, on the operational and financial position of the business.



# Accounting and Audit

# Accounting system

Foreign-invested business entities are generally required to adopt the Vietnamese Accounting System (“VAS”). VAS is mainly governed by the following Circulars:

## Circular 200

Circular No 200/2014/TT-BTC dated 22 December 2014 (“Circular 200”) for all types of enterprises in Vietnam

## Circular 133

Circular No 133/2016/TT-BTC (“Circular 133”) for Small and Medium-sized Enterprises

## Circular 132

Circular No 132/2018/TT-BTC (“Circular 132”) which provides guidance on VAS for microenterprises

## Circular 210

All securities companies in Vietnam are required to adopt the Circular No 210/2014/TT-BTC (“Circular 210”)

### Circular 200

**Circular 200** replaces Decision 15/2006/QĐ-BTC, provides guidance for VAS - the application of adoption of accounting standards to all types of enterprises in Vietnam.

### Circular 133

**Circular 133** provides guidance on VAS for Small and Medium-sized Enterprises (“SMEs”) and replaces the contents applied to SMEs in both the Decision No 48/2006/QĐ-BTC dated 14 September 2006 and the Circular No 138/2011/TT-BTC dated 04 October 2011. SMEs are authorised to proactively design and construct their accounting systems in line with SMEs’ respective industries, management and decision-making purposes. SMEs can decide to apply the accounting system under the 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.

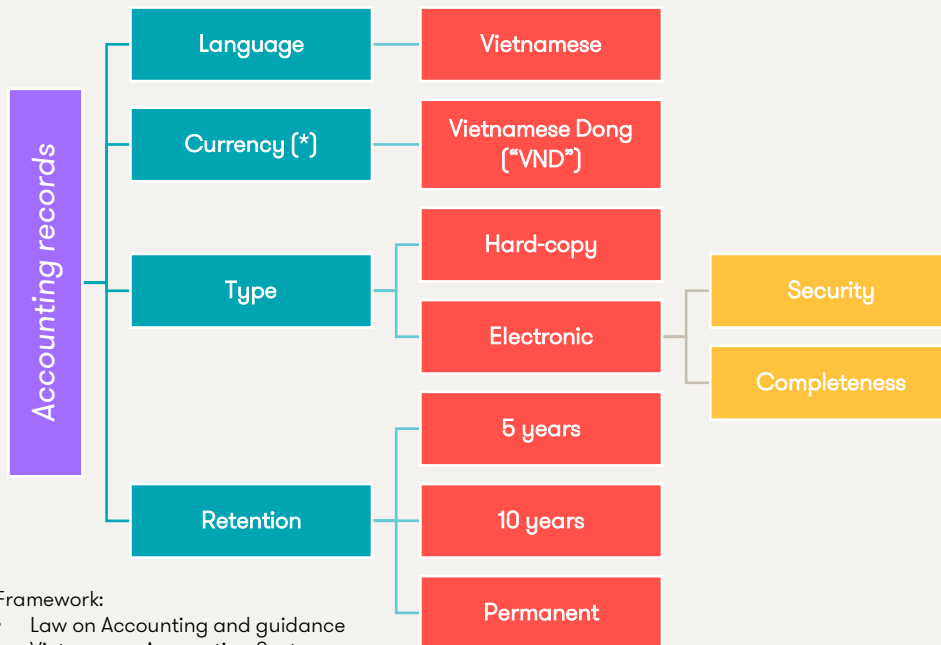
### Circular 132

**Circular No 132** provides guidance on VAS for microenterprises. The Circular 132 took effect for fiscal years commencing on or after 01 April 2019. Accordingly, a microenterprise shall not be required to appoint a chief accountant, if available, it is entitled to engage in chief accountant services. In addition, a microenterprise that pays 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 to apply either the Circular 132 or the Circular 133 on accounting regulations for SME’s.

### Circular 210

**Circular 210** provides 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, methods of preparation, and presentation of financial statements applicable to securities companies, which have been established and are operating under the provisions of the Vietnamese Securities Law. Circular 210 is applied to securities companies from financial year starting from 01 January 2016 onwards.

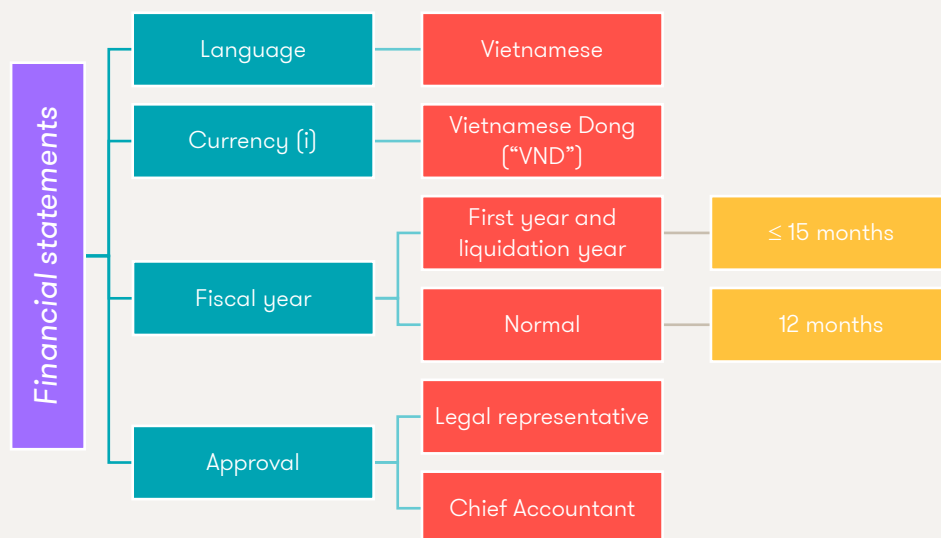
# Accounting records



- Framework:
- Law on Accounting and guidance
  - Vietnamese Accounting System

(\*) 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 a functional currency, must convert their financial statements prepared under such other currencies into VND, as prescribed regulations.

# Financial statements



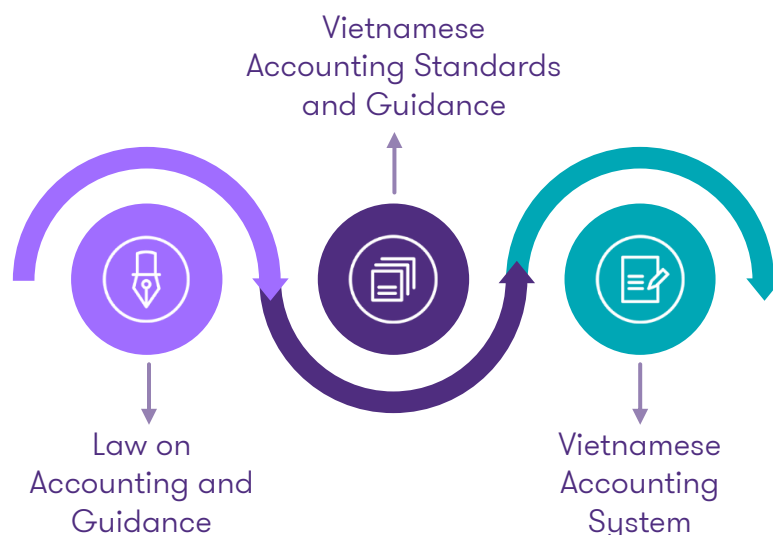
- Framework:
- Law on Accounting and guidance
  - Vietnamese Accounting Standards and System

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

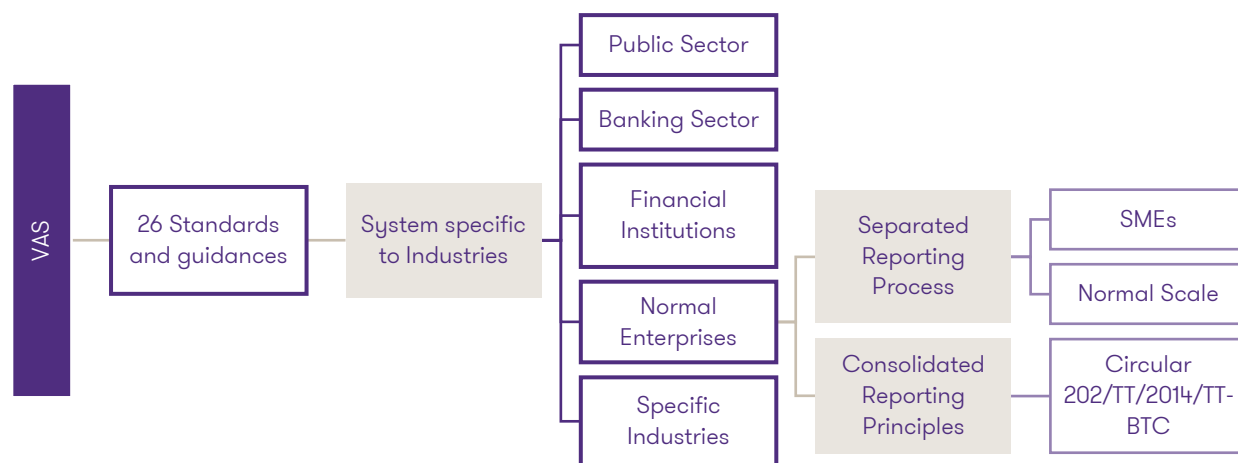
(ii) VAS specifies some requirements for financial statements of change in the fiscal year.



# Accounting regulations



## Vietnamese Accounting Standards and System (“VAS”)

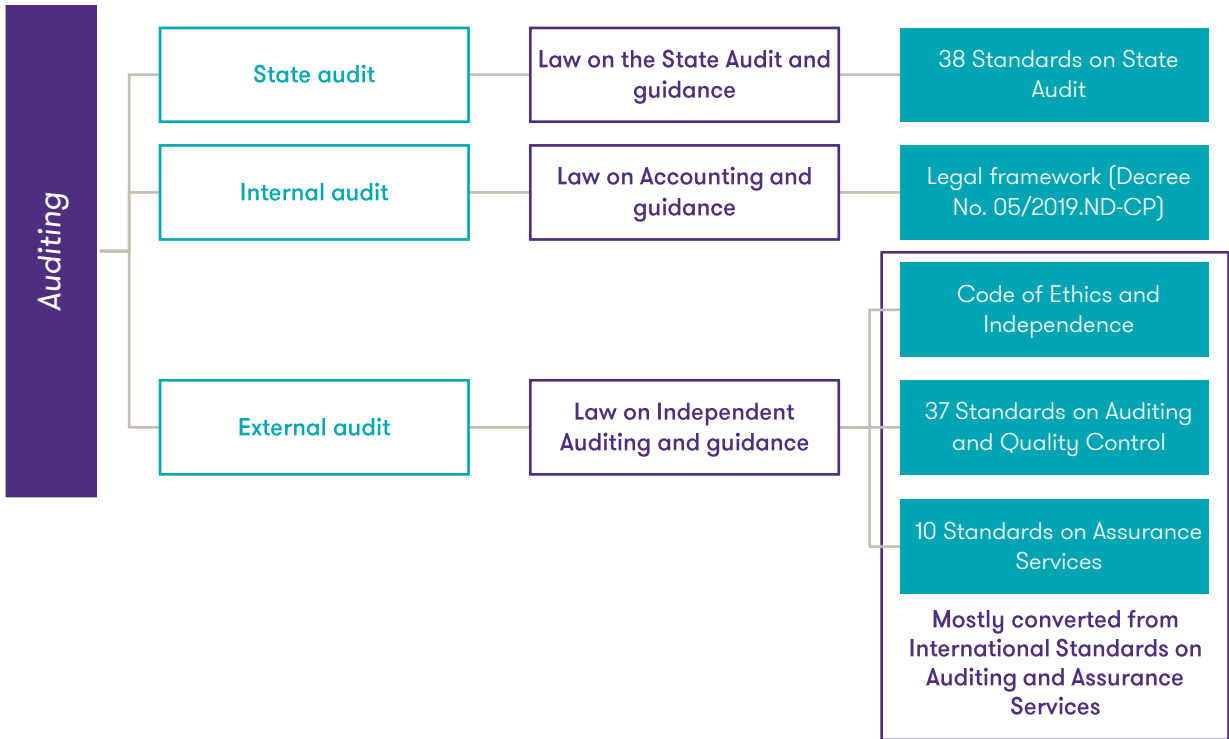
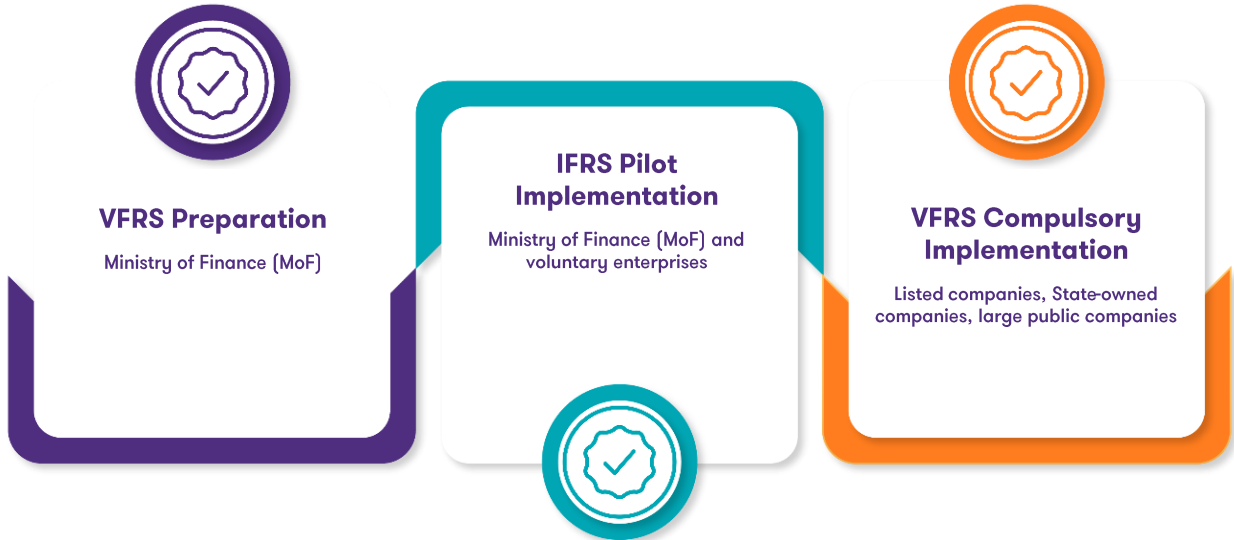


### Main characteristics of VAS:

- The Vietnamese Accounting Standards for normal enterprises were issued from 2000 to 2005. They have been 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 IFRS and VAS include terminology, applied valuation methods and disclosure requirements, due to the continuing changes and amendments to IFRS.
- Accountants usually refer to the detailed guidance of Vietnamese Accounting System, instead of Vietnamese Accounting Standards, which clearly guides standardised financial statements, accounting treatments, accounts mapping, accounting ledgers/vouchers, etc.

# Vietnamese Financial Reporting Standards (“VFRS”)

On 16 March 2020, the Ministry of Finance issued Decision No. 345/QĐ-BTC which approved the proposal to apply Financial Reporting Standards in Vietnam with the following phases:





## Vietnam IFRS Adoption

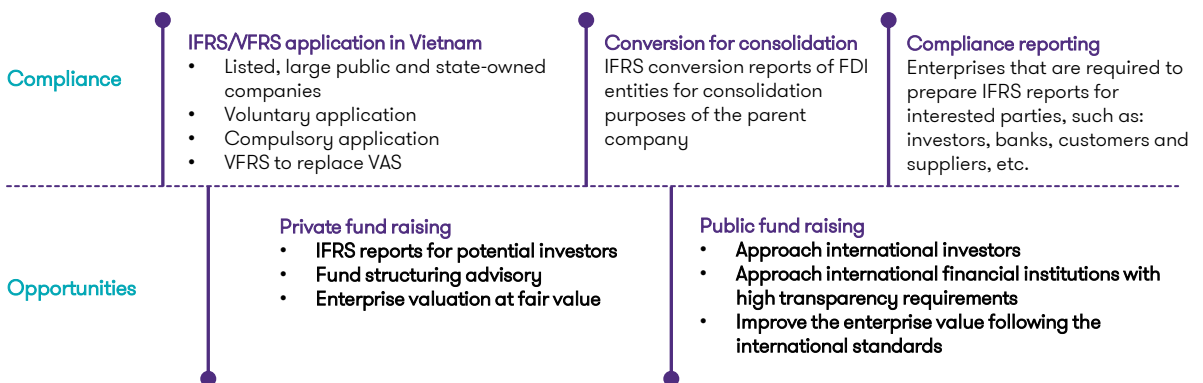
Vietnam is actively implementing the plan to transition from the VAS to the Vietnamese Financial Reporting Standards (“VFRS”), which have been developed based on the requirements of the International Financial Reporting Standards (“IFRS”). However, the official date of this compulsory adoption is subject to the Decision to be issued by the MoF in the future. The transitioning process is divided in 2 phases:

- Phase I - Voluntary application period from 2022 to 2025 (tentatively): Entities with demand and sufficient resources would apply IFRS in preparation of consolidated financial statements such as: parent company of large-scale state-owned groups, listed or non-listed parent company, and large public parent company. FDI entities would also apply IFRS in preparation of their statutory (separate) financial statements if they have demands and sufficient resources.
- Phase II - Compulsory application: Based on the implementation results of Phase I, the MoF will evaluate and decide the time for mandatory adoption.

After the pilot implementation phase, the adoption of VFRS will be required for all entities, except for those already adopting IFRS or VAS for microenterprises (as per Circular 132/2018/TT-BTC). There will be specific guidance(s) from the MoF on the accounting practice for micro-enterprises, that have neither the need nor sufficient resources to adopt IFRS and VFRS.

The (voluntary) implementation of IFRS has several benefits for entities, as IFRS is one of the most popular accounting systems in the world (applied in over 140 countries and jurisdictions) which is encouraged to be applied by financial management authorities in developed countries. The application of IFRS is expected to strengthen the transparency and comparativeness of financial information among countries. Furthermore, IFRS also aims to support enterprises, customers, suppliers to approach the capital markets more effectively, efficiently and economically.

By applying IFRS for reporting, enterprises in Vietnam might have the following benefits:



# Key audit requirements

## Compulsory annual audit

Public interest entities: are required to submit “reviewed” semi-annual financial statements and “audited” annual financial statements. There are 28 audit firms in the list of firms who are approved and authorised by the MoF in 2024.

-  Listed companies
-  State-owned enterprises
-  Financial institutions
-  Securities companies
-  Banks
-  Insurance firms

Foreign direct investment enterprises are subject to statutory audit. There are 220 audit firms in the list of firms that were approved and authorised by the MoF in 2024 (updated on 08 April 2024).

Any other entities involved in special circumstances such as mergers and acquisitions, changes in ownership, dissolution, and bankruptcy must be audited.



## Audit contract deadline

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 01 January 2012.

## Audit report and rotation

Certain entities such as banks, non-banking credit institutions, and branches of foreign banks have to rotate or replace their audit firm with another audit firm after five consecutive years. There is no similar requirements for rotation of audit firms and auditors for other business entities.

For public interest entities (“PIE”), the involvement of all senior personnel (engagement partner, engagement quality control reviewer or other audit partner) shall not be more than 4 consecutive years.

An Audit opinion is required to sign off by two CPA holders including 1 legal representative of the audit firm and 1 auditor.

Sign-off CPA holders are required to rotate after 3 consecutive years with 1 cooling off year.

## Internal audit

Compulsory internal audit is required for some specific cases such as listed companies, State-owned companies, securities companies, etc.

## Audit report deadline

Audited annual financial statements must be completed and submitted or filed with the Department of Finance in the province or under the jurisdiction of the central government where such enterprise’s head office is located, the local tax authority, and department of statistics by the last day of the third month after the end of the fiscal year. For enterprises located in an EPZ or IP, financial statements will be filed with the EPZ or IP Management Board, as required.

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



# Taxation



Most business activities and investments in Vietnam are likely to be subject to all or some of the following taxes:

- Corporate Income Tax (Annual filing);
- Value-Added Tax (Monthly or quarterly filing);
- Personal income Tax (Monthly or quarterly filing and year end finalisation);
- Foreign Contractor Withholding Tax (Monthly filing or when incurred)

There are various other taxes that may affect certain specific activities, including:

- Special sales tax;
- Natural resources tax;
- Property taxes;
- Export duties;
- Environment protection tax.



### *Corporate Income Tax*



### *Value Added Tax*



### *Personal income Tax*

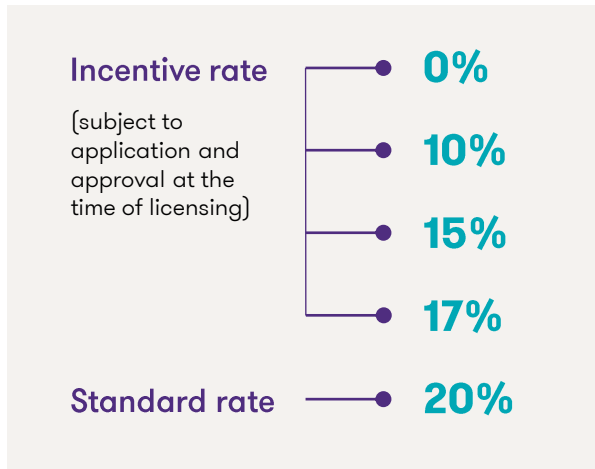


### *Foreign Contractor Withholding Tax*



### *Others (Special sales tax; Natural resources tax; Property taxes; Export duties; Environment protection tax)*

# Corporate Income Tax (“CIT”)



## 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.

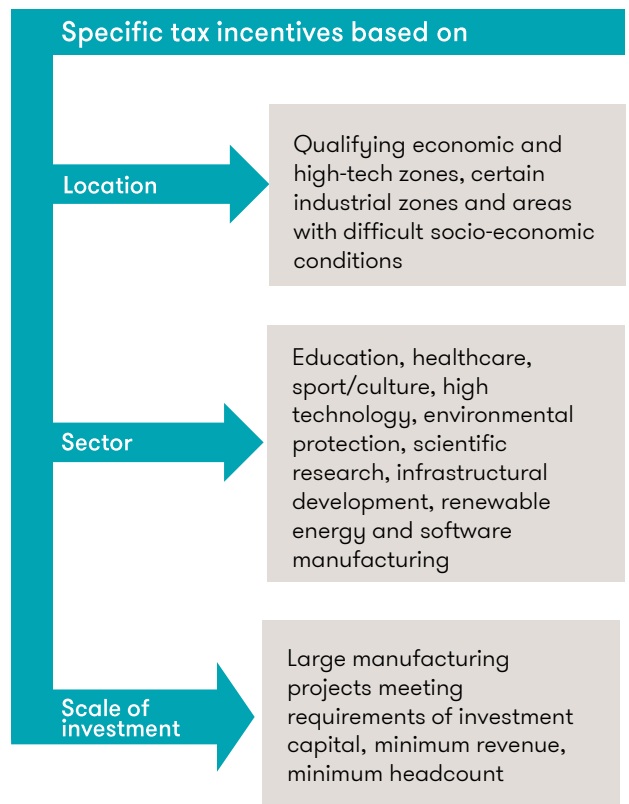
## Tax incentives

### Preferential CIT rates:

- 10% and 17% (effective from 01 Jan 2016) for 15 years and 10 years, respectively
- Certain socialised sectors (e.g. education, health) enjoy a 10% rate for the entire life of the project.

### Tax holidays

- Complete exemption from CIT for a certain period generally beginning after the enterprise first makes profits
- Followed by a period where tax is charged at 50% of the applicable rate:
  - 4 years of tax exemption and 9 subsequent years of 50% reduction,
  - 4 years of tax exemption and 5 subsequent years of 50% reduction,
  - 2 years of tax exemption and 4 subsequent years of 50% reduction.





## Deductible vs Non-deductible expenses

### Deductible expenses

Expenses are deductible, if they meet the following requirements:

- Relevant to business activities;
- Supported by sufficient legitimate documents (invoices, non-cash payment evidence for transactions from VND 20 million and above, etc.); 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/ collective labour agreement/ policies or similar documents
- 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 organisations exceeding 1.5 times the interest rate set by the State Bank of Vietnam ("SBV");
- Certain net interest expenses exceeding the cap of 30% 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;
- Administrative penalties, fines, late payment interest;
- Contributions to voluntary pension funds, life insurance premiums, the purchase of voluntary pension, and life insurance premiums for employees exceeding VND 3 million per month per person (effective from 01 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 the case of gross income).



## 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 schedule for making adjustments to accounting profit to arrive at taxable profit.

## Losses

Businesses that incur losses after tax finalisation are permitted to carry forward those losses to offset against the assessable income of future years, for a maximum of 5 consecutive years.

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.

## Dividend Income

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

## Thin capitalisation rules

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

## Profit Repatriation

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

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

## Administration

CIT filing is on an annual basis.

The provisional tax payment is on a quarterly basis, based on estimates, and on an annual basis based on the finalisation.

The quarterly CIT shall be paid no later than the last day of the first month of the following quarter. The timeline for both filing the annual CIT finalisation returns and paying taxes is no later than the last day of the third month from the end of the fiscal year.

Pursuant to Decree 91/2020/ND-CP taking effect from 30 October 2022, the total amount of provisional CIT payment for 4 quarters must not be less than 80% of total annual CIT payable upon year-end CIT finalisation (i.e. 80% rule). Otherwise, interest for late tax payment at the rate of 0.03% per day would be applied on the outstanding amount counting from the following day after the deadline of the fourth quarter tax payment (i.e. by 30 January of the following fiscal year).

For fiscal year 2021, if the taxpayers have the provisional CIT payment for the first 3 quarters as of 30 October 2022 which is less than 75% of the annual tax payable, the above 80% rule will be applied. Otherwise, if the provisional CIT payment for the first 3 quarters as of 30 October 2022 is equal or more than 75% of the annual tax payable, the above 80% rule would not be applied. In this case, the shortfall is subject to interest for late tax payment (i.e. 0.03% per day on the shortage amount) counting from the following day after the deadline of the third quarter tax payment (i.e. 30 October).

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.

## Summary of Incentives Tax Tariff

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 high tech zones	Up to 15 years	4 years	9 years
	(2) Income from new investment projects in: <ul style="list-style-type: none"> <li>Scientific research and technology development; investment in the development of specially crucial infrastructure works as prescribed and software production</li> <li>Manufacturing composite materials, light construction materials, precious and rare materials; manufacturing reproduction energy, clean energy, energy from destroying waste; developing bio-technology</li> <li>Environmental protection</li> </ul>	For the newly invested projects in items (2), the applicable period might be extended for an additional 15 years maximum, subject to the Government's decision		
	(3) Income of high 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 VND 6 trillion and being disbursed in under 3 years from the date of investment certificate, and <ul style="list-style-type: none"> <li>Having total minimum revenue of VND 10 trillion/year no later than 3 years from the first year of generating revenue; or</li> <li>Employing more than 3,000 fulltime employees no later than 3 years from the first year of generating revenue</li> </ul>			
10%	Income of enterprises from social activities in the sectors of education and training, vocational training, culture, medical health, sports, the 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

## Tax Incentives applicable for R&D and mega projects

On 06 October 2021, the Government issued Decision 29/2021/QĐ-TTg on special investment incentives for R&D and mega projects in special preferential sectors. The detailed incentives schemes could be summarised as below:

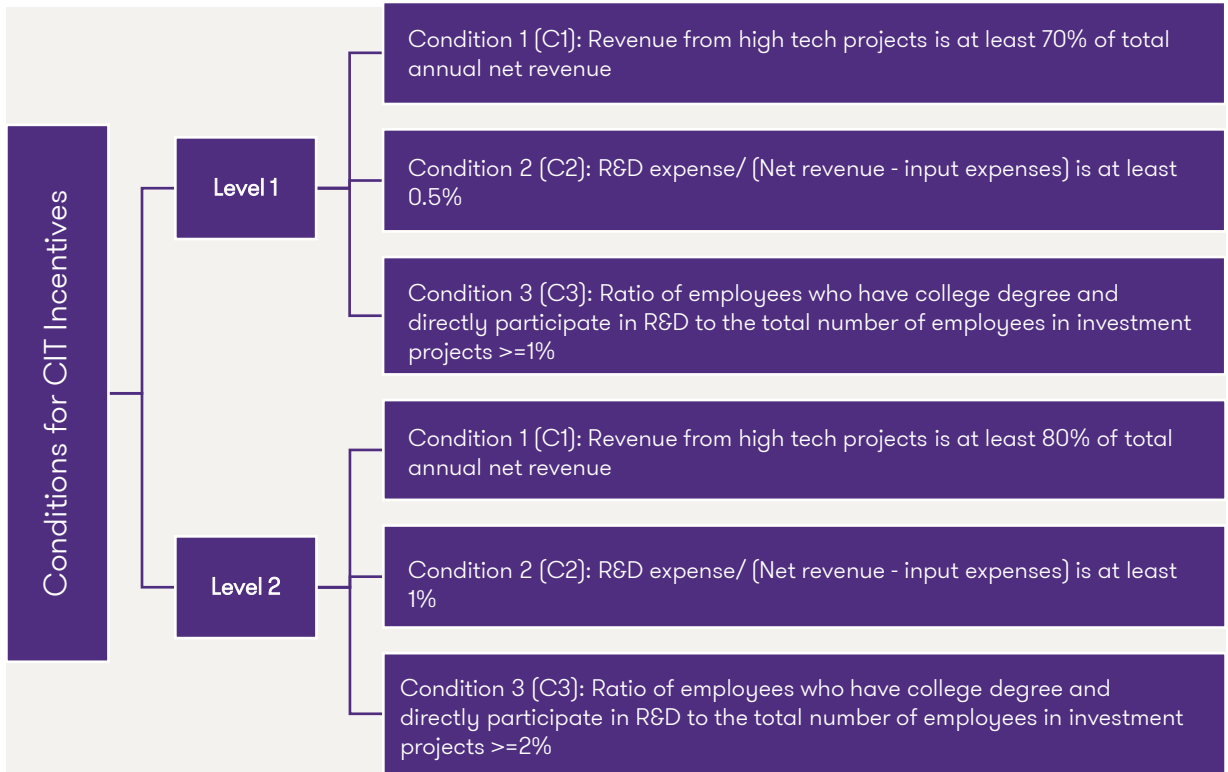
Applicable projects	Conditions on eligibility of special investment incentives
Group A	Newly-established innovation centre, research and development centre that meet the following conditions: <ol style="list-style-type: none"> <li>i. A total investment capital of at least VND 3 trillion</li> <li>ii. At least VND 1 trillion of capital disbursed within three years from the issuance date of the Investment Registration Certificate or the approval of investment</li> </ol>
Group B	Mega investment projects specializing in special preferential sectors that meet the following conditions: <ol style="list-style-type: none"> <li>i. A total investment capital of at least VND 30 trillion</li> <li>ii. At least VND 10 trillion of capital disbursed within three years from the issuance date of the Investment Registration Certificate or the approval date of investment</li> </ol>

Under the guidance of the Decision, the special incentives would be applicable to both new and expansion investment project. Below is the summary of CIT incentives scheme which is applied to eligible projects.

CIT rate	Conditions on eligibility of special investment incentives	Applicable period	CIT Exemption	CIT Reduction
9%	Applied to profits generating from Group B projects	30 years	5 years	10 years
7%	Applied to profits generating from the projects that fall into the following categories <ul style="list-style-type: none"> <li>• Group A projects</li> <li>• Group B projects that meet one of the following criteria:               <ol style="list-style-type: none"> <li>i. Being assessed as a level 1 high tech project</li> <li>ii. Having Vietnamese enterprises engaging in the value chain at level 1</li> <li>iii. Having added value (i.e. the total cost of products minus the expenses paid to overseas such as imported materials, machinery, royalty fees, etc.) accounting for over 30% to 40% of the total cost of products</li> <li>iv. Satisfying the condition of technology transfer of level 1</li> </ol> </li> </ul>	33 years	6 years	12 years
5%	Applied to profits generating from the projects that fall into the following categories <ul style="list-style-type: none"> <li>• Innovation centres established under a Decision of the Prime Minister</li> <li>• Group B projects that meet one of the following criteria:               <ol style="list-style-type: none"> <li>i. Being assessed as a level 2 high tech project</li> <li>ii. Having Vietnamese enterprises engaging in the value chain at level 2</li> <li>iii. Having added value accounting for over 40% of the total costs of products; or</li> <li>iv. Satisfying the condition of technology transfer of level 2</li> </ol> </li> </ul>	37 years	6 years	13 years

## Corporate Income Tax Incentives applicable for R&D and mega projects (Cont.)

The level 1 or level 2 high tech projects are stipulated as follows:



### CIT Incentives applicable for Supporting Industry products

In addition, on 04 June 2021, the Government already issued Decree No. 57/2021/ND-CP (“Decree 57”) to supplement Decree No. 218/2013/ND-CP on CIT incentives for projects manufacturing Supporting Industry products. Decree 57 came into force from 04 June 2021 and is applied retroactively.

The preferential policies in this sector means that in addition to CIT incentives at the highest level (tax exemption for 4 years, reduction of 50% of tax payable for the following 9 years and a preferential tax rate of 10% within 15 years), the enterprises are entitled to CIT incentives for the fiscal year when they are granted the incentive certificate of projects for manufacturing of supporting products from the statutory authorities (i.e. Department/ Ministry of Industry and Trade).

For enterprises that have been or are enjoying CIT incentives under other conditions (besides the conditions on Supporting Industries), the “remaining incentive period” is determined by the CIT incentive period under the conditions of the projects manufacturing Supporting Industry products, minus the number of years where they have already enjoyed tax exemption, tax reduction or preferential tax rate under other incentive conditions.



# Transfer Pricing (“TP”)

The Vietnamese Government has been enforcing Transfer Pricing (“TP”) since 2005 as an integral part of the Corporate Income Tax regime. In this respect, Vietnamese taxpayers are required to identify related party and associated related party transaction(s) as well as disclose and document compliant evidences for related party transaction inline with the prevailing TP regulations, i.e. Decree 132/2020/ND-CP taking effects from tax year 2020 onward.

In general, taxpayer engaging in related party transaction(s) is required to prepare the following compliant documents:

- TP Disclosure Forms: these forms require disclosure of related party transaction, testing method for pricing policies as well as brief checklists for TP Documentation reports. TP Disclosure Forms are considered appendices to Corporate Income Tax finalisation returns with similar annual due date.
- TP Documentation reports: such reports consist of Local Files to analyse related party transaction(s) of Vietnamese taxpayer and Master Files to provide information of the Group. TP Documentation reports shall be available in Vietnamese and submitted to the tax authority upon request.

For simplification of declaration, Vietnamese TP regulations also provide a threshold for TP filing, in which qualified small and medium taxpayer could be exempted from the preparation of TP Documentation reports.

Advance Pricing Agreement (“APA”) is also applicable in Vietnam in both single-lateral and multi-lateral mechanisms. The prevailing legal guidance for APA matter is Circular 45/2021/TT-BTC, taking effect from 03 August 2021 onward. Qualified APA shall be allowed for a 3-year duration upon approval from the General Department of Taxation.





TP regulations would apply to any transactions between related parties (or controlled entities), which is identified via the following conditions:

- One party participates directly or indirectly in the management, control or equity of the other, or puts investment in the other;
- Two or more parties participate directly or indirectly in the common management, control, or via the capital investment to or from other parties.

The Vietnamese TP regime is established in accordance with the Transfer Pricing guidelines and the Base Erosion and Profit Shifting (“BEPS”) action plan issued by the Organisation for Economic Co-operation and Development (“OECD”). Additional interpretations from Vietnamese lawmakers were applied under Decree 132/2020/ND-CP, resulting in a divergence between Vietnamese TP regulations and OECD guideline. As a result, such interpretations would make the preparation of Vietnamese TP compliant documents unique, as it seems to be impossible to apply either OECD guidelines or Group’s home jurisdiction toward Vietnamese TP practice without local review and advice.



# Value-Added Tax (“VAT”)

 Not subject to VAT	 0%	 5%	 10%
Certain farming products, breeding, and aquaculture not yet processed, breeds of livestock, transfer of land use rights, medical services, public telecommunications services, education, public transport, technology transfer, credit and securities services, etc.	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), international transport etc.	Essential goods and services, such as clean water, animal feeds, teaching aids, books, medicine and medical equipment, various agricultural products and services, art performance, showing films, exhibition, technological/ scientific services, social housing, etc.	Standard VAT rate

## VAT rates

### VAT rate: 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.

### VAT rate: 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 rate: 10%

The 10% 'standard' rate applies to activities not specified as not subject to VAT, exempt, or subject to the 0% or 5% rate.

On 28 December 2023, the Government issued Decree 94/2023/ND-CP regarding 2% VAT reduction for goods and services that are currently subject to 10% VAT (with certain exceptions) for the period from 01 January 2024 to 30 June 2024 to support business and stimulate market demand.

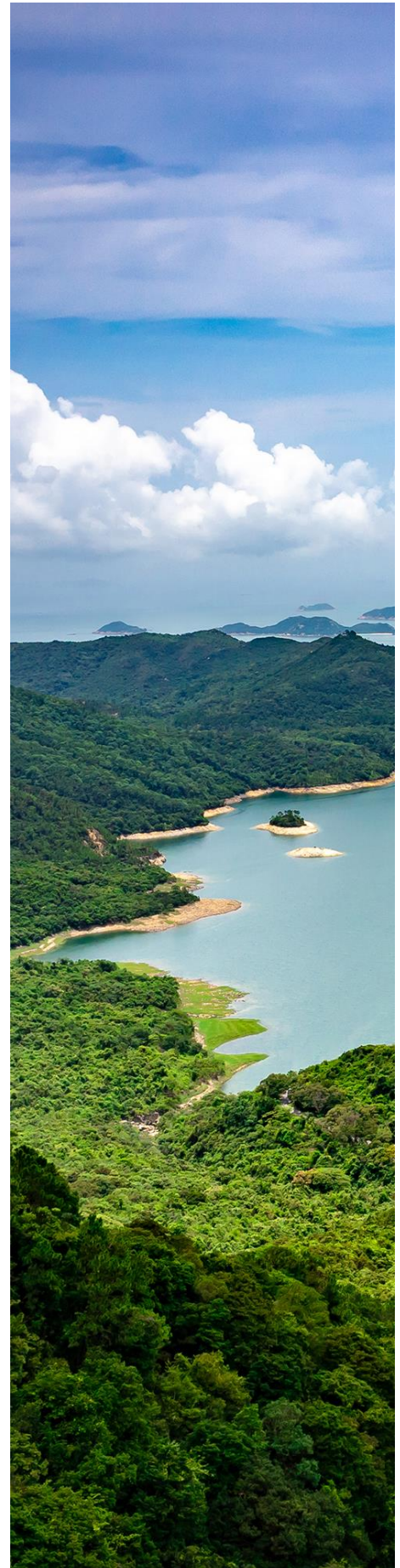
In addition, business establishments, including business households and business individuals, using the turnover-based VAT calculation method, are entitled to a 20% reduction in the percentage rate for calculating VAT, when issuing invoices for eligible goods and services subject to VAT reduction.

The policy applies to goods and services subject to the 10% rate, except certain sectors (i.e. telecommunications, information technology, finance, banking, securities, insurance, real estate, and a few types of industrial products.) Despite the impact on the state budget, the Government believes this trade-off is necessary for the economy and citizens' well-being, as it is expected to lower prices and boost domestic demand.

## VAT exemption

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

- Unprocessed or preprocessed products from farming, breeding, and aquaculture;
- Breeds of livestock, plant varieties, including eggs, breeds, seeds;
- Goods/services provided by individuals having an 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;
- Financial derivatives and credit services (including credit card issuance, finance leasing and factoring); sales of VAT payable mortgaged assets by a borrower under the lender's authorisation, 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;
- Export 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 is equal to 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, specialised 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 nonrefundable aid, including from official development aid, foreign donations to government bodies and to individuals (subject to limitations).



## No VAT declaration and payment

- 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 organisation, which does not have a Permanent Establishment 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 overseas; brokerage activities for the sales of goods and services overseas, training, certain international telecommunication services;
- Sales of assets by non-business organisations or individuals who are not registered for VAT;
- Transfer of investment projects;
- Sales 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

## VAT calculation methods

### Credit method

This 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 VND 1 billion or more, and (ii) Certain cases voluntarily registering for VAT declaration under the deduction method.

$$\text{VAT payable} = \text{Output VAT} - \text{Input VAT}$$

Input VAT is creditable if it meets the requirements of:

- Relevant to business activities;
- Having sufficient legitimate invoices and vouchers;
- Settlement via forms of non-cash payment for transaction more than VND 20 million; and
- Paying through a bank account

### Direct method

This method applies to:

- Business establishments with annual revenue subject to VAT of less than VND 1 billion;
- Individuals and business households;
- Business establishments which do not maintain proper books of account and foreign organisations 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.

$$\text{VAT payable} = \text{Revenue} \times \text{Deemed VAT rate}$$

The 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% this ratio 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.

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

## Invoices and payment vouchers

From 01 July 2022 onwards, according to Decree 123/2020/ND-CP dated 19 October 2020 prescribing electronic invoices for the sale of goods and provision of services, e-invoices will now be mandatory for all businesses, economic organisations, business households, and individuals paying tax under the declaration method.

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, medical, e-commerce, supermarkets, trading, etc., and other companies that meet certain conditions regarding technology infrastructure.
- E-invoices with a verification code from the tax authorities are applicable for enterprises other than the above and the individuals/enterprises in the high tax risk category.



## VAT refund

From 01 July 2016, VAT refund is only allowed for the following cases:

- For exporters, where excess input creditable VAT exceeds VND 300 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.
- Pursuant to Decree No. 49/2022/ND-CP, business establishments satisfy the following conditions are entitled for VAT refund:
  - being registered for business and VAT payment according to the tax credit method;
  - have new investment projects (including investment projects divided into several investment phases or investment categories) except some certain circumstances OR projects on prospecting and projects to search, prospect, and develop oil and gas fields, that are in the investment phase;
  - have input VAT for goods and services, incurred during the cumulative investment phase that have not been fully deducted of at least VND 300 million.
- Especially, the enterprises having conditional business lines shall be eligible for VAT refund for investment projects that fall into the following cases:
  - Investment projects in the investment phase and have been granted licenses for conditional business lines by competent state agencies, such as licenses, certificates, or documents on verification and approval;
  - Investment projects in the investment phase that have yet to be required to apply for licenses for the conditional business lines;
  - Investment projects that are not subject to licenses to engage in conditional business lines as stipulated by laws.

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 the 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”)



## Residency status

### Tax resident

- Physical presence in Vietnam  $\geq$  183 days in calendar year or consecutive 12 months; or
- Having “regular residence” in Vietnam.

### Non-tax resident

Do not meet the conditions for being tax resident.

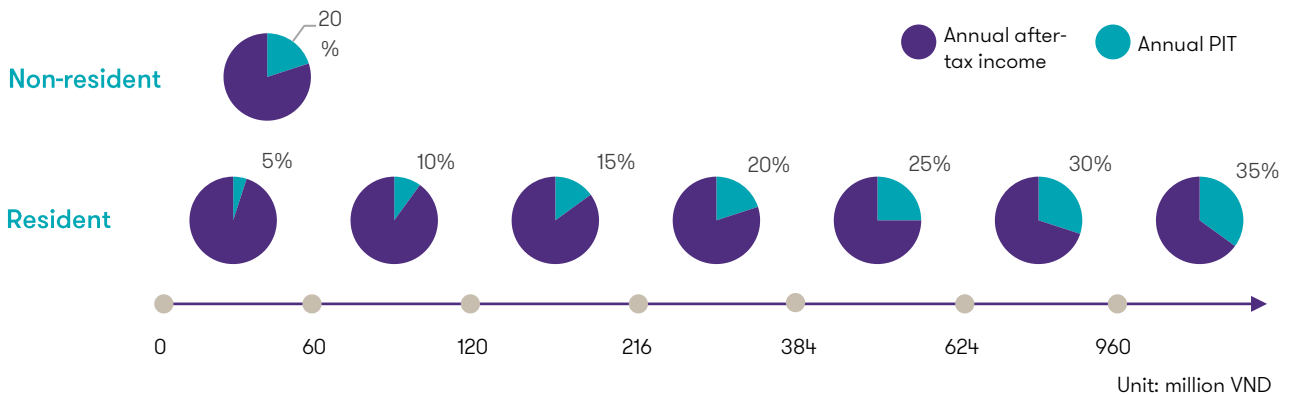


Tax residents are taxed on world-wide income, whereas non-tax residents are taxed on Vietnam-sourced income.



Depends on the nature of income and tax residency status

## Employment income



## Business income



### 0.5%

Goods distribution / Supply



### 5%

Asset lease, insurance brokerage, lottery brokerage, multi-level marketing brokerage, compensation



### 2%

Service, construction exclusive of building material



### 1.5%

Manufacturing, transportation, service associated with goods, construction inclusive of building material



### 1%

Other business activities

# Deductions for Tax residents



## Tax relief

- Personal relief: VND 11 million/month
- Family relief: VND 4.4 million/month/ qualified tax dependent



## Compulsory insurance contribution

Social Insurance (“SI”), Health Insurance (“HI”) and Unemployment Insurance (“UI”)<sup>(\*)</sup>

<sup>(\*)</sup> From 01 December 2018, in addition to HI, the expatriate under employment contract is entitled to SI contribution

# Taxable income and Non-Taxable income

## 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.

## Non-Taxable Income

### Non-employment Income

- 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 the 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.

## Employment Income

- One-off relocation allowances for: (i) foreigners moving to work in Vietnam, and (iii) Vietnamese working overseas;
- Once per year home leave round trip airfare for expatriates and Vietnamese working overseas (but not including family members);
- Employee training fees paid to training centers;
- School tuition fees from kindergarten 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% of the employee’s gross taxable income (excluding taxable housing benefit);
- 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;
- Severance allowance paid according to the regulations; and
- Income of Vietnamese vessel crew members working for foreign shipping companies or Vietnamese international transportation companies.

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

# 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. Every individual with taxable non-employment income, must submit their tax registration files 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 insurance contributions on a monthly basis, with a timeline no later than the 20<sup>th</sup> of the following month or on a quarterly basis by the last day of the first month following the reporting quarter. The total PIT withheld must be finalised no later than the last day of the third month after the end of the western calendar year.

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

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

### For non-employment income

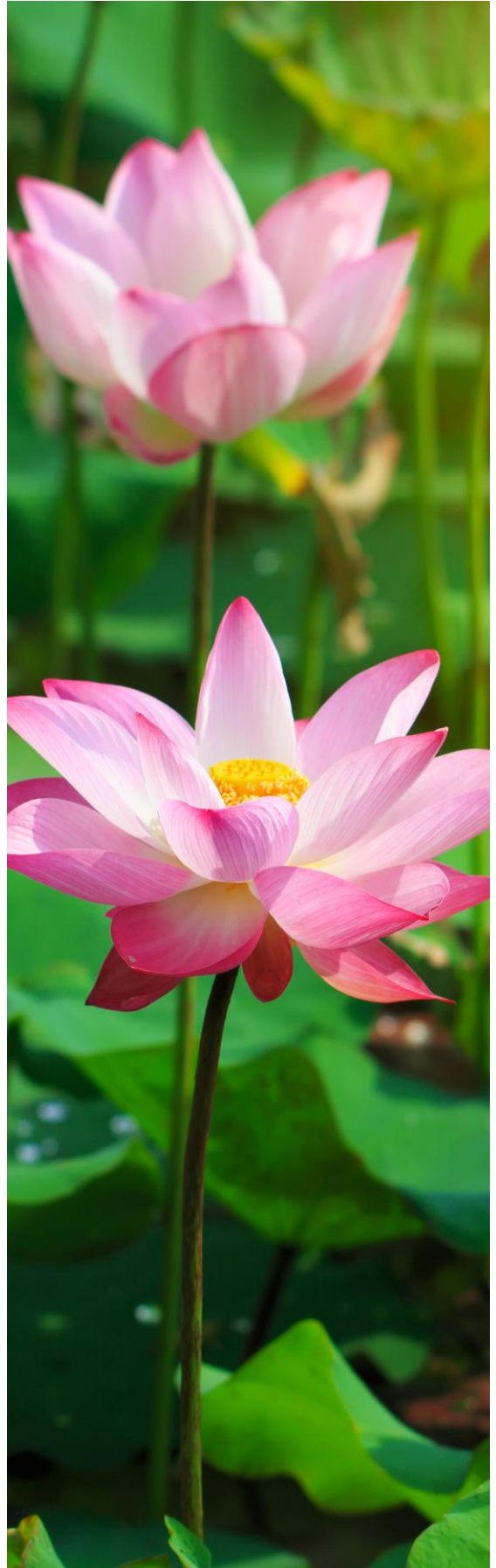
The individual is required to declare and pay PIT in relation to each type of taxable non-employment income. The PIT regulations require income to be declared and tax paid on a regular basis, often each time income is received.

### 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 a 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 taxpayer resides for 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.



## Brief of PIT rates and bands

No.	Type of taxable 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 sales proceeds	
6	Real property transfer	2% on sales proceeds	
7	Royalties/ Technology transfer/ Franchising	5% on amount over VND 10 million	
8	Winnings/ Prizes/ Inheritance/ Gifts	10% on amount over VND 10 million	

### Employment Income

Non-tax residents are subject to PIT at a flat tax rate of 20% on Vietnam-sourced employment income whereas tax residents are subject to PIT under the below progressive tax rates on worldwide employment income irrespective of where the income is paid.

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



# Capital Gains Tax

Vietnam does not operate a separate Capital Gains Tax (“CGT”) regime.

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

For foreign corporate sellers, the tax treatment on capital gains earned by a foreign seller depends on the corporate form of the target. In particular, the transfer of contributed capital in a Vietnamese limited liability company (“LLC”) is subject to CGT at 20% on gains whereas the transfer of securities (bonds, shares of public joint stock company (“JSC”)) is subject to CIT at 0.1% on the transfer price.

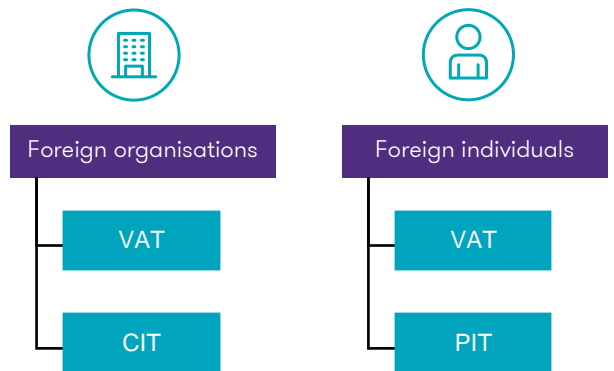
However, for individual investors, the Vietnamese tax resident’s income earned is subject to PIT at 20% on gains for capital transfer in LLC or 0.1% on sales proceed for securities transfer (bonds, shares of public and non-public JSC) whereas the non-tax resident’s income derived from the transfer of capital/ securities is subject to PIT at 0.1% on the sales proceed.

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.

# Foreign Contractor Tax (“FCT”)

FCT imposed on foreign business individuals and foreign organisations earning Vietnam-sourced income (hereinafter referred to as “foreign contractor” or “FC”), except: (i) “pure supply of goods” under INCOTERMS., 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.

The FCT is not a separate tax. FCT comprises VAT and CIT or PIT.



## FCT Payment Methods

### Deduction method

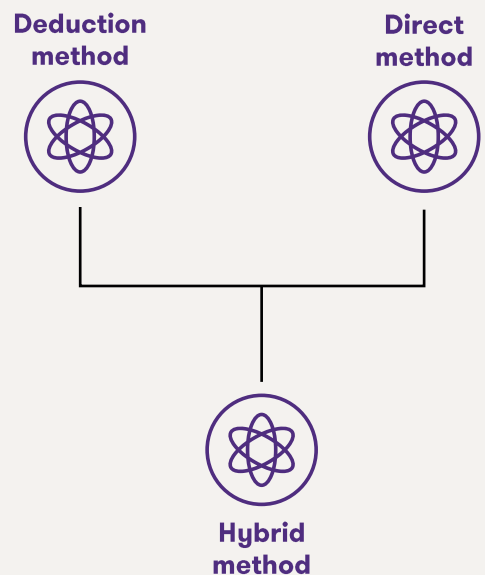
This method allows the FC declaring: (i) VAT under the approach of crediting the input VAT against the output VAT, and (ii) CIT based on the declaration of revenue and expense similar to the local enterprises’ application. Of note, FC is required to meet some criteria, including FC’s adoption of the 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 see the below table briefing the FCT rates for each activities).

### Hybrid method

This method is a mix between the deduction method and direct method, i.e. allows the FC to declare VAT based on the creditable approach and CIT at direct method.



## FCT rates

Deemed CIT and VAT rates under the direct method in common cases as below:

Ratio for FCT (%)			
	Type of business activities	Deemed VAT-FCT rate (%)	Deemed CIT-FCT rate (%)
<b>Trades</b>	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
<b>Services</b>	Services	5	5
	Restaurant/ hotel/ casino management services	5	10
	Service associated with goods supply (if the contract does not separate the value of goods and service)	3	2
<b>Insurance</b>	Insurance	5/Exempt	5
	Re-insurance abroad, commission of the re-insurance transfer	Exempt	0.1
<b>Leasing</b>	Leasing machinery and equipment	5	5
	Leasing aircraft, airplane engines/ spare parts, vessels (for aircraft and vessel cannot be produced in Vietnam)	Exempt	2
<b>Banking</b>	Derivative financial services	Exempt	2
	Loan interest	Exempt	5
<b>Capital Investment</b>	Transferring securities/ deposit certificates	Exempt	0.1
<b>Construction</b>	Construction, installation including supply of materials, machinery, equipment	3	2
	Construction, installation excluding supply of materials, machinery, equipment	5	2
<b>Transportation</b>	Transport (including the transport by seaway, by airway)	3/0	2
<b>Royalty</b>	Royalty/ License fee (*): Software licenses, transfer of technology, transfer of intellectual property rights are VAT exempt	Exempt (*)	10
<b>Others</b>	Other production	3	2
	Other Business activities	2	2



# Taxation on cross-border e-commerce and digital transactions in Vietnam

## Tax mechanism on foreign e-commerce business

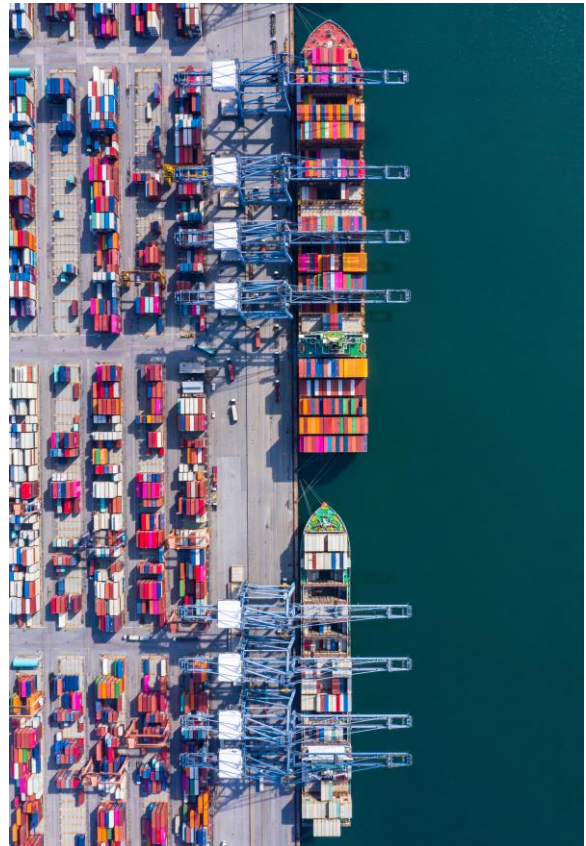
Circular 80/2021/TT-BTC dated 29 September 2021, effective as of 01 January 2022, provides a mechanism for a tax declaration for foreign e-commerce companies doing business in Vietnam.

Foreign companies having such business activities will be granted a tax code and are required to make an online tax declaration, using a portal of the General Department of Taxation (“GDT”) on a quarterly basis. In case of deriving no income in a tax period, a quarterly blank tax return is mandatory to be submitted.

Of note, the foreign contractor is able to pay tax via bank transfer in convertible foreign currencies.

In case such foreign companies do not apply for tax code registration as well as declare and pay tax in Vietnam, relevant Vietnamese entities would be under the following obligation:

- (i) Vietnamese companies are required to withhold and declare tax on behalf of foreign companies (this mechanism is similar to that of foreign contractor tax);
- (ii) If the Vietnamese customers are individuals, the Vietnamese commercial intermediary banks or payment service providers involved in the transaction are required to withhold, declare, and pay taxes on a monthly basis. GDT will provide the names and websites of such offshore suppliers to the banks and/or payment intermediaries for tax withholding.
- (iii) If the Vietnamese customers use payment methods where the banks and intermediary payment service providers cannot withhold tax, the banks or the payment service providers are required to report payments made to the offshore suppliers to Vietnamese tax authorities on a monthly basis.



## Applicable tax rates

Foreign companies are subject to Vietnamese VAT and CIT on a deemed percentage of the revenue earned in Vietnam. The rate of VAT and CIT would variously depend on the nature of goods or services provided by the foreign companies.

The VAT and CIT rates are provided under Decree 209/2013/ND-CP and Decree 218/2013/ND-CP, respectively.

Revenue derived in Vietnam for tax assessment purposes will be based on payment information (credit card or bank account information), residency status (i.e., billing, delivery or home address) and access information (e.g., mobile phone country code, IP address, and landline address or similar information).

# Avoidance of Double Taxation Agreement (“DTA”)

Vietnam has entered into DTAs with approximately **80 countries**.

The CIT/PIT portion of the withholding tax may be exempted/reduced under a DTA, if foreign contractors/individuals do not create a PE/ tax residency status in Vietnam.

The qualified foreign contractors/individuals will need to submit the DTA application to the tax authority in order to enjoy the tax exemption/ reduction in Vietnam. Following the submission of the DTA application by the foreign contractor, the tax authority is required to issue a decision whether the foreign contractor is qualified for tax reduction/exemption under the applicable DTA.

Although the DTAs follow the OECD and the UN models with similar provisions, there are some treaties with more beneficial conditions as compared to others.

# Other Taxations

## 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, groups of countries or territories that grant most-favoured-nation treatment in trade relations to 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 MoF.

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% 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 an 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")

An SST 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 includes cigarettes, cigars and other products processed from tobacco; spirits and beer; certain passenger vehicles; two-wheel motor vehicles with a cylinder capacity above 125cm<sup>3</sup>; 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, karaoke parlours, casinos, slot machines and other similar types of machines, betting businesses, golf and lotteries.

Manufacturers of SST liable goods which are purchased or imported. SST liable raw materials are permitted to credit the 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 by the SST rate.

## Environmental protection tax

An 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 taxes.

## 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 organisations, which are allocated land by the state to develop infrastructure for sale or for lease and who are subject to the payment of a 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.
- The 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%.



## 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 on land, islands, internal waters, sea territory, exclusive economic zones (including maritime areas common to both Vietnam and a neighboring 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.

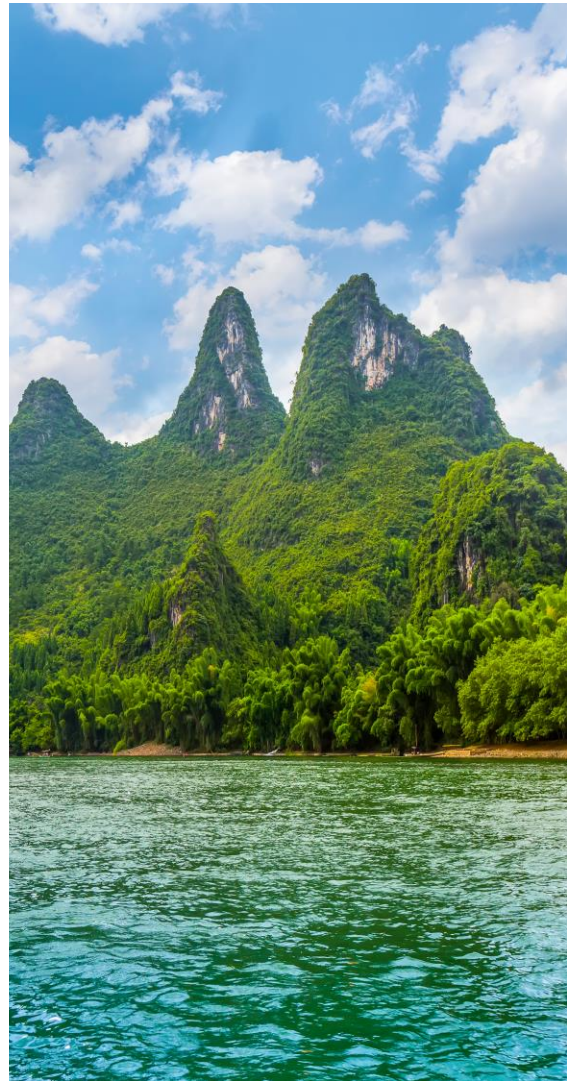
The taxable value of a resource is the selling price of each item or unit of resource at the place of mining in accordance with the principle of market price. The royalty rates vary from 1% to 40%, whilst petroleum, natural gas and coal gas are taxed at progressive tax rates depending on the daily average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

## Anti-avoidance measures

While Vietnam does not have any specific anti-avoidance rules, the tax authorities have the power to carry out tax inspections of any taxpayer. Tax inspections can be conducted on a regular basis but no more than once a year. Tax inspection duration 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 statutory deadline has to pay the full tax amount plus interest calculated at 0.03% per day on the additional tax amount. Taxpayers who make incorrect declarations, thereby reducing tax payable or increasing refundable tax amounts, will have to pay the full amount of the undeclared tax or return the excess refund. Additionally, these taxpayers will also have to pay a fine equal to 20% of the under-declared or excess refunded tax amounts, together with interest 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 taxes is 10 years and for penalties is 5 years.



## Global Minimum Tax (GMT)

GMT is enforced in Vietnam from tax year 2024 onward as a part of the Global Anti-Base Erosion model (“GloBE”). GMT will be applied to multinational enterprises with consolidated revenue of over EUR 750 million. Under GMT application, a minimum top-up tax rate is regulated at 15% and impacted taxpayers are required to comply with the following applications:

- Qualified Domestic Minimum Top-up Tax (“QDMTT”): QDMTT is applied toward constituent entity/entities (“CEs”) operating in Vietnam. National-based effective tax rate from all Vietnamese CEs shall be calculated and top-up tax to meet the 15% minimum rate shall be contributed to the Vietnamese State Budget.

- Income Inclusion Rules (“IIR”): IIR is applied toward ultimate parents operating in Vietnam. IIR requires the calculation of national-based effective tax rate in each operating country/region, as any addition top-up tax to meet the 15% minimum rates (if not contributed to the respective jurisdiction) shall be calculated and contributed to the Vietnamese State Budget.

Impacted taxpayers are required to submit additional paperwork for GMT declaration within 12 months from financial year end. In addition, certain de minimis rules and thresholds are also introduced to support qualified taxpayers.



# Labour

## Employment contracts

The terms and conditions of employment contracts can be freely negotiated between employers and employees, as long as they are not less favourable than the basic provisions prescribed under the Vietnam Labour Code and other laws.

An employment contract shall be concluded in one of the following types:

- Indefinite-term employment contract
- Definite-term employment contract - the duration of which is defined by the two parties but does not exceed 36 months from the date of its conclusion.
- Contracts with a definite term can only be extended twice and on the third time default to indefinite term contracts.

Locally hired foreigners will, in practice, always have a maximum of 24 months for contracts, which cannot exceed the duration of work permit, due to work permit regulations.

## Probation period

The length of a probationary period is dependent on the required skills and qualifications for the position and it can vary from 6 to 180 days. The wage for an employee during the probation period must be agreed upon in writing and cannot be less than 85% of the full-time salary for the position.

## Payroll

In Vietnam, the payroll cycle is monthly and is most commonly paid at the end of the month, or as agreed within the employment contract.

A 13th-month is not mandatory in Vietnam, but most employers provide a 13<sup>th</sup> month bonus as an annual bonus. It is common to pay this bonus at the end of the year or during the Tet (Lunar New Year) holiday.

Salaries paid to Vietnamese employees must be paid in Vietnamese Dong (VND). Foreign employees are permitted to receive salaries, bonuses and allowances in a foreign currency.

## Apprenticeship period

Enterprises are allowed to accept students who are recruited and to practice doing their work by the employer in order to work for the employer. The maximum duration of an apprenticeship is 3 months.

Upon the expiry of the apprenticeship or traineeship period, both parties must enter into an employment contract if the conditions stipulated in the Labour Code are satisfied.

### Forms of employment contract



Written labour contracts including electronic form



Verbal labour contracts are applicable for some cases with less than 1 month term



Indefinite-term labour contract



Definite-term labour contract

### Types of employment contract

# Normal working hours, overtime and leave

## Normal working hours

Under the Vietnam Labour Code, normal working hours should not exceed 8 hours per day or 48 hours per week. The employer has the right to determine the daily or weekly working hours as long as the working hours shall not exceed 10 hours per day and not exceed 48 hours per week where a weekly basis is applied.

## Overtime and work at night

Employers can request employees to work overtime with the condition that the employer obtains the employee's consent. Employees who work overtime are entitled to an additional wage. Overtime hours cannot exceed 50% of the total hours worked per day. In case of weekly basis working hours, the total normal working hours plus overtime working hours shall not exceed 12 hours in 1 day, and 40 hours in 1 month. Employers must ensure that the number of Overtime hours of an employee does not exceed 200 hours in 1 year, except for those cases specified.

The compensation rates over and above the normal hourly pay are:

- Weekdays, daytime: 150% of the regular salary rate
- Weekends, daytime: 200% of the regular salary rate
- Public holidays and paid leave days: 300% of the regular salary rate

Employees working at night shall be paid at least 130% of the normal hourly pay.

Employees who work overtime at night, beside above additional overtime wages, will be paid an additional 20% of salary calculated according to the job performed during the hours of a normal working day or of a weekly holiday or of a public holiday.

## Paid Time Off

Paid leave in Vietnam is set in the employment contract at a minimum of 12 days paid leave a year, exclusive of public holidays. This increases by one additional day for every five years of employment.

## Sick Leave

All employees are entitled to up to 30 days of paid sick leave per year, increasing to 60 days in exceptional circumstances. Sick leave is paid by the Social Insurance Authority, not by the employer, and applies to both Vietnamese and foreign employees. Employees entitled to sick pay are entitled to 75% of their salary or remuneration on which social insurance premiums were based, in the month preceding their leave.

## Maternity Leave

Female employees are entitled to 6 months of maternity leave, potentially up to 7 months for complicated/multiple births.

The maternity payment is paid by the Social Insurance Authority at a rate of 100% of the salary of the average salary during six-months prior to maternity leave. The female employee can return to work after at least four months of maternity leave.

## Other Leave

Paternity leave is also stipulated to be 5 - 14 working days, depending on the number of children born and the circumstances of the birth. This leave is paid by the Social Insurance Authority.

Parental leave in Vietnam is available for childcare and entitles employees to up to 20 days of parental leave per year until the child reaches the age of 3 and thereafter up to 15 days per year until the child reaches the age of 7. The childcare leave is paid by the Social Insurance Authority.

Bereavement leave: employees are entitled to 1 - 3 days of paid leave for the death of a family member.

Marriage leave: Employees are entitled to up to 3 days in the case of marriage and 1 day for a child's marriage.



## Minimum wages in 2024

On 20 December 2023, The National Wage Council has sent a recommendation report to the Government on considering the regional minimum wage increase in 2024 proposed by the Council by 6%, corresponding to an increase of VND 200,000 - 280,000 depending on the region, effective from 01 July 2024. The minimum wage are as listed by the following zones:

Zone	Current		As recommended plan from 01 July 2024	
	VND/month	VND/hour	VND/month	VND/hour
Zone 1	4,680,000	22,500	4,960,000	23,800
Zone 2	4,160,000	20,000	4,410,000	21,000
Zone 3	3,364,000	17,500	3,860,000	18,600
Zone 4	3,250,000	15,600	3,450,000	16,600

## Contributions

There are three types of statutory social security in Vietnam that must be covered by the company for employees working under employment contracts with some other applicable conditions:

- Social insurance (“SI”);
- Health insurance (“HI”); and
- Unemployment insurance (“UI”).

Social insurance covers employee benefits including sick leave, maternity leave, allowances for work-related accidents and occupational diseases, retirement allowance, and mortality allowance.

	SI				HI	UI	Total
	Sickness, maternity fund	Occupational disease and accident fund	Retirement and mortally fund	Total SI			
<b>For local employees</b>							
Employee			8%	8%	1.5%	1%	10.5%
Employer	3%	0.5%	14%	17.5%	3.0%	1%	21.5%
<b>For foreign employees</b>							
Employee			8%	8%	1.5%		9.5%
Employer	3%	0.5%	14%	17.5%	3.0%		20.5%

Contributions are determined based on employees’ monthly salary as stipulated in the employment contract (capped at 20 times the common minimum wage for social insurance/ health insurance and 20 times the minimum regional wage for unemployment insurance).

## Base salary in 2024

Up to now, the base salary in 2024 will still be applied according to the provisions of Decree 24/2023/ND-CP, accordingly the base salary in 2024 will be VND 1,800,000 a month.

From 01 July 2024, implement the overall salary policy reform according to Resolution 27-NQ/TW, remove statutory pay rate; adjust pensions, social insurance benefits, monthly allowances, preferential benefits for meritorious people and some social security policies that are tied to the statutory pay rate.

Health insurance entitles employees to a medical examination and inpatient/outpatient treatments at authorised medical establishments.

Unemployment insurance is paid out to employees depending on the period of time during which they contributed.

Both employer and employee are required to pay the statutory insurances. The mandatory contribution rates are as follows:

The contribution rate to trade union funds is set at 2% of the salary fund for Social Insurance contributions for employees. This fee must be paid into trade union funds once per month.

Additionally, if the company establishes the internal organisation trade union, there will be a trade union fee of 1% of the salary fund for social insurance contributions to be contributed by members.

## Termination

The termination of a labour contract in Vietnam can be quite complex and is based on the Labour Code requirements. It can differ depending on the reason of termination and the type of employment contract. This affects the legal requirements, notice period, and possible severance payments.

The employer is also responsible for paying the rest of the salary within 14 working days from the date of termination of the employment contract. This period may be extended but it shall not exceed 30 days.

### Severance payments

In Vietnam, the employer is responsible for offering a severance allowance (if applicable) to the employee who has worked on a regular basis for a period of at least 12 months. Each year of work will be compensated at half a month's salary.

The qualified period of work as the basis for the calculation of severance allowance is by year (full 12 months); in the case of months less than or equal to 6 months, it is equal to a half year, over 6 months is counted as 1 working year. The qualified 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 the period over which the employee participated in the unemployment insurance, in accordance with unemployment insurance laws and the period for which severance allowance or redundancy allowance has been paid by the employer.

### Notice period

Employers are obligated to give prior notice before unilateral termination based on the type of contract:

- 3 working days for the labour contracts of under 12 months
- 30 days for a definite employment contract with period from 12 to 36 months
- 45 days for an indefinite employment contract.

## Work permit for foreigners

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 for work permit.

On 18 September 2023, the Government issued Decree No.70/2023/ND-CP, which introduced significant changes to regulations governing work permits and work permit exemption certificates. Some major changes are detailed below:

- Employers will now only need to report and explain to the Ministry of Labour, Invalids, and Social Affairs (“MOLISA”) that the position cannot be filled by a local worker 15 days in advance of the commencement of work of a foreign worker. Previously the ministry had to be notified 30 days in advance.
- Employer is not required to determine the demand for employing foreign workers in some exemption cases.
- Moreover, from 01 January 2024, positions for which an organisation wishes to employ a foreign worker will need to be advertised on the Electronic Information Portal of the Department of Employment under the MOLISA or the Electronic Information Portal of the Employment Service Center. This must include the job position and job title, job description, quantity of positions to be filled, qualification requirements, experience needed, salary, working time, and location.
- If a foreign worker is required to work in multiple locations, these must all be listed on the application.
- If they work in different provinces, the application should be submitted to the MOLISA.
- Work permits or work permit exemption certificates issued in the past can serve as evidence of foreign labour's working experience.
- Economic and industrial park authorities no longer issue work permits or work permit exemptions; these responsibilities are now handled by the MOLISA and provincial departments.

# Grant Thornton (Vietnam) Limited

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## Key figures and facts



**31 years**  
Established in Vietnam



**02**  
offices in Hanoi and Ho Chi Minh City



**13**  
partners



**350+**  
employees

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## Korea Desk

Our Korea Desk in Vietnam has been established since 2019 to serve the Korean clients. Our Korean team consisting of Director and staff will work with our member firm, Grant Thornton Korea (DaeJoo), if necessary, to provide the distinctive and differential client experience service.



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With our rich industry knowledge, experience in tax, audit and advisory services, our dedicated team of bilingual specialists and the global Grant Thornton network, we can provide advice to guide you through your market strategy. We help to navigate the challenges faced when operating in Vietnam and therefore help you succeed.



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