Vietnam: New registration rules for Vietnamese participating in employee share schemes

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In brief

Vietnamese individuals are permitted to participate in overseas share schemes. Previously, there was a limitation on remitting funds outside of Vietnam for share purchases, but this requirement has been lifted as long as the Vietnam entity registers and obtains approval from the State Bank of Vietnam (SBV) for the implementation of the share schemes.

In detail

Background

Previously, there was some uncertainty and lack of regulation in relation to multinational companies allowing their Vietnamese employees to participate in share schemes. Decree 58/2012/ND-CP dated July 20, 2012 allowed Vietnamese employees to participate in overseas share schemes provided there was compliance with the foreign exchange regulations.

The foreign exchange regulations however, limit the ability of Vietnamese individuals to remit funds outside the country for share purchases. It was then understood that Vietnamese individuals could participate in overseas share schemes as long as no outward remittance of funds was required.

Recent development

In late June, the SBV issued Circular 10/2016/TT-NHNN (hereinafter Circular 10) effectively confirming this understanding.

Two key points in Circular 10 that have a significant impact on Vietnam entities and employees include the following:

• the Vietnam entities must register and obtain approval from the SBV for the implementation of the share scheme; and
• all inward/outward remittance of funds must be performed through a bank account opened by the Vietnam entity.

Circular 10 clarifies the administrative requirements for Vietnam entities with respect to granting share awards to Vietnamese employees.

Under Circular 10, a list of Vietnamese employees who are eligible to participate in the share scheme is required to be submitted. There is no such requirement for foreign employees.
The takeaway

It appears that the focus remains on the restriction on remittance of funds overseas by Vietnamese persons, rather than the actual holding of investments. Foreign nationals can freely remit their employment income outside Vietnam after fulfilling their tax obligations.

It is not clear at this time whether share schemes that do not involve the transfer of cash abroad require an application and whether for example an application is required for phantom /cashless schemes.

Hopefully the SBV will provide clarity on the application requirement as there is an increasing trend of Vietnamese employees participating in overseas share schemes.

Let’s talk

For a deeper discussion on this issue, please contact your regular Global Mobility Services engagement team or the following professionals from PwC Vietnam:

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