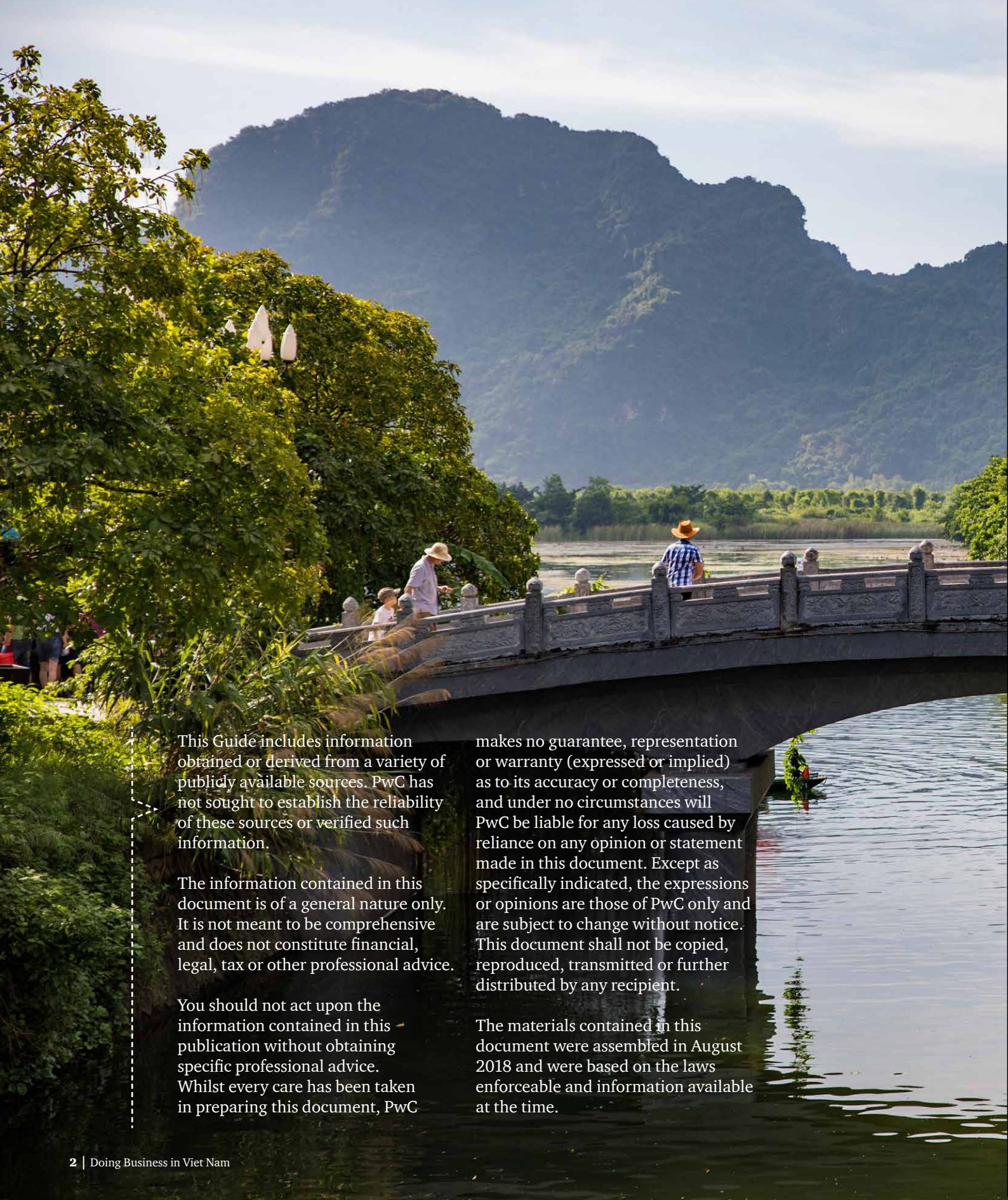


A reference guide for entering the Viet Nam market

Doing Business in Viet Nam



A scenic photograph of a traditional stone bridge with ornate railings crossing a calm lake. In the background, a large, forested mountain rises under a clear sky. Lush green trees and foliage are on the left side of the bridge. Several people are walking across the bridge, including a man in a white shirt and hat, and a person in a blue and white checkered shirt and hat. The water reflects the bridge and the surrounding landscape.

This Guide includes information obtained or derived from a variety of publicly available sources. PwC has not sought to establish the reliability of these sources or verified such information.

The information contained in this document is of a general nature only. It is not meant to be comprehensive and does not constitute financial, legal, tax or other professional advice.

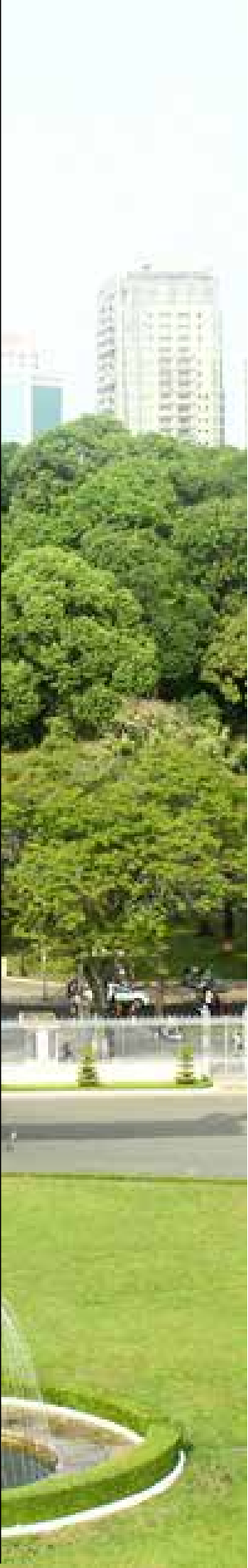
You should not act upon the information contained in this publication without obtaining specific professional advice. Whilst every care has been taken in preparing this document, PwC

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The materials contained in this document were assembled in August 2018 and were based on the laws enforceable and information available at the time.







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Viet Nam: *We mean business*

WELCOME TO VIET NAM
BUSINESS SUMMIT

Knowledge
Partner

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Ernst
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Deloitte





Nguyen Xuan Phuc
Prime Minister of Viet Nam

“ In the context of global economic uncertainties, Viet Nam has always maintained its position among the fastest growing countries in the world. In 2017, Viet Nam recorded a growth of 6.81%, for the first six months of 2018 alone, the economy grew at 7.08% which is the country’s highest growth rate in 10 years since the world economic crisis in 2008. Viet Nam ranked 55th out of 137 countries in the WEF’s Global Competitiveness Index (GCI), 68th among 190 economies in World Bank’s Ease of Doing Business, and 45th out of 127 countries in the Global Innovation Index (GII) of The World Intellectual Property Organisation. The political, social environment and macroeconomic factors in Viet Nam are always considered stable. The country has an abundant work force - the youngest labour force in ASEAN, Viet Nam’s labourers are well-trained, hard-working, skilled and able to learn and quickly absorb new technology advances.

Viet Nam currently has trade relations with more than 200 countries and territories. Viet Nam is a member of WTO, participating in 12 FTAs, including 6 FTAs between ASEAN and major partners such as China, India, Japan and Korea... The CPTPP is being ratified and the next steps will be the completion of the FTA with the EU and the RCEP. These agreements are giving Viet Nam access to more than 50 economies worldwide, and providing opportunities for the country to connect and engage further in the value chains and global production networks.”

Extracts from the Keynote Address by H.E. Prime Minister Nguyen Xuan Phuc at the Viet Nam Business Summit 2018, September 13th, 2018.

Foreword

It gives us great pleasure to introduce the “Doing Business in Viet Nam” guide for 2018 co-published by the Viet Nam Chamber of Commerce and Industry (VCCI) and PwC Vietnam.



Vu Tien Loc
Chairman & President
Viet Nam Chamber of
Commerce and Industry



Dinh Thi Quynh Van
General Director
PwC Vietnam

2018 brings the 7th edition of the “Doing Business in Viet Nam” guide, which provides insights for investors planning to enter or expand their presence in Viet Nam.

The objectives of Doing Business are as clear as they are ambitious: to address the initial establishment of an entity, to implement appropriate legal and tax structures, to ensure ongoing compliance and to resolve operations issues.

2017 saw a number of records for Viet Nam’s economy, such as FDI disbursement reaching \$17.5 billion, a 10-year high. Similar to FDI, import-export turnover reached a record high of over \$400 billion with a trade surplus of nearly \$3 billion.

Coupled with an “enabling Government” and her commitment to support and create the most favourable conditions for foreign businesses, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and EU-Viet Nam Free Trade Agreement (EVFTA) will serve as strong levers to boost the country’s growth.

It is never too late to invest in a country with high potential for return on investment like Viet Nam. Its diversified economy and varied geographical landscape are key drivers shaping the development of promising sectors such as Agriculture, Tourism and Hospitality and Renewable Energy.

These are just a few examples of business and investment opportunities that Viet Nam has to offer. More information can be found in this publication and other PwC reports, e.g. Spotlight on Viet Nam. We hope you will find insightful information in this guide for your future endeavours. Our teams at PwC and VCCI in Viet Nam would be happy to guide you through your journey in this economy.

Introduction

Welcome to our guide to doing business in Viet Nam. In this publication, we provide you with information on the business environment as well as accounting, tax and regulatory laws governing business in Viet Nam.



Viet Nam's economy has experienced strong growth, driven by international trade and foreign investment since the 2000s. Favourable government policies and laws, in combination with Viet Nam's young, educated workforce and other advantages have allowed the country to develop into an attractive place to invest in South East Asia.

In 1987, the National Assembly passed the Law on Foreign Investment and today, the country is reaping the benefits 30 years later. Foreign investors committed to invest \$318 billion by the end of 2017, of which \$172 billion was disbursed.

Vietnamese people are widely regarded as technologically proficient, embracing the mobile internet economy as a standard in their daily lives. As per Statista's data, the number of smartphone users in 2017 was estimated at 29 million, meaning that around 29% of the population currently use a smartphone. This figure is predicted to rise to 40% by 2021. In 2017, Viet Nam had 54 million internet users and this is forecasted to grow to 59 million by 2022. These have been contributing to a dynamic digital economy.

For years, capital has been poured into Viet Nam focusing on assembling facilities and manufacturing factories to take advantage of cheap labour. With positive projections and outlook for the country, Viet Nam will certainly see a wave of new entrants from foreign companies. In the next decade, it is expected that Viet Nam's tech start-ups will attract big-name investors from the region, mostly from within ASEAN and China.

There will be challenges and complexities ahead and foreign companies seeking to enter Viet Nam will need to embrace a mind-set that no economy is the same. Thus, understanding Viet Nam and all the elements that make it a unique market, will help business to develop and adapt a bespoke strategy for the local context.

More importantly, with adequate information and advice provided by professionals, foreign investors will not only effectively enter the market, but also enjoy sustained success in this country.

This guide outlines fundamentals of investing in Viet Nam and highlights some common issues that investors should be aware of when operating in Viet Nam. PwC and VCCI remain available to share our considerable local knowledge.

Viet Nam in 2018 and looking ahead

PwC's economists predict that Viet Nam will become the 20th largest economy by 2050, fueled by sustainable economic reforms, the strengthening of macroeconomic fundamentals, public institutions and crucially, mass education.

Fastest growing economy in ASEAN

7.1% GDP growth in 2018

ADB's Asian Development Outlook, 2018

#68th
in Doing Business index

↑ 14 places from 2016

World Bank's Doing Business Report, 2018

A wave of bank listing

9 commercial banks consider listing in 2018, expected to spur interest in Viet Nam's stock market

Administrative reform

670 Investment and business conditions under the management of the Ministry of Industry and Trade were loosened

Ministry of Industry and Trade, 2017

A key FDI destination

Viet Nam is one of the most frequently recommended investment destinations.

AmCham's ASEAN Business Outlook Survey 2018

2017 total FDI inflows reached US\$36 billion, a record over the past 10 years and is set to look brighter in 2018

Foreign Investment Agency, 2018

>5,000
foreign deals

45.1% increase in foreign capital inflow into Vietnamese businesses compared to 2016

Foreign Investment Agency, 2017

US\$3 billion
trade surplus

while exports topped US\$214 billion, a 21% increase from 2016

General Department of Viet Nam Customs, 2017

Next steps for investing in Viet Nam

Beware of the changing business environment

1

2

Understand the opportunities in Viet Nam

3

See how Viet Nam fits into your strategy

4

Build strategy execution plans

Three major growth engines drive opportunities for investors in Viet Nam



Young and competitive workforce

A growing educated workforce, with an ideal population structure, where 55 million people are aged 15 and above, accounting for 59% of the total population. Viet Nam has a labour market efficiency of around 4% compared to 4.4% for the region.

Manpower's Total Workforce Index, 2017



Competitive economy, beyond low cost

Viet Nam has a cost-competitive, educated and increasingly skilled labour force. This offers greater value and serves as an ideal production base for companies thinking of shifting or diversifying out of larger economies such as China.



Stable government committed to growth

Viet Nam's Prime Minister Nguyen Xuan Phuc is committed to building an enabling, working, and serving government. Several measures and actions taken by his government and local administrations have proven to be effective.

Vietnamese consumers are among the most optimistic, ranked 7th in the world*, riding on the back of a 7% growth in GDP per capita in 2017.

* According to Conference Board Global Consumer Confidence Survey
For more info, read our special report at [pwc.com/vn/spotlight-on-Viet Nam](http://pwc.com/vn/spotlight-on-Viet-Nam)

Invest in Viet Nam's competencies and people

5

6

Invest in relationships

7

Apply international standards

8

Expand the business to support regional growth

9

Share the rewards

1

An Overview of Viet Nam

*This guide, **Doing Business in Viet Nam**, provides a high level overview of the practical aspects of doing business in Viet Nam, including the common types of business entities used by local and foreign investors, and the taxation and regulatory environment in Viet Nam.*

The guide also covers some practical issues faced by investors when entering Viet Nam.



“ Viet Nam’s enabling government, continuous institutional reforms and competitive workforce provide excellent conditions for investors to conduct long-term business.”

Dinh Thi Quynh Van

General Director
PwC Vietnam

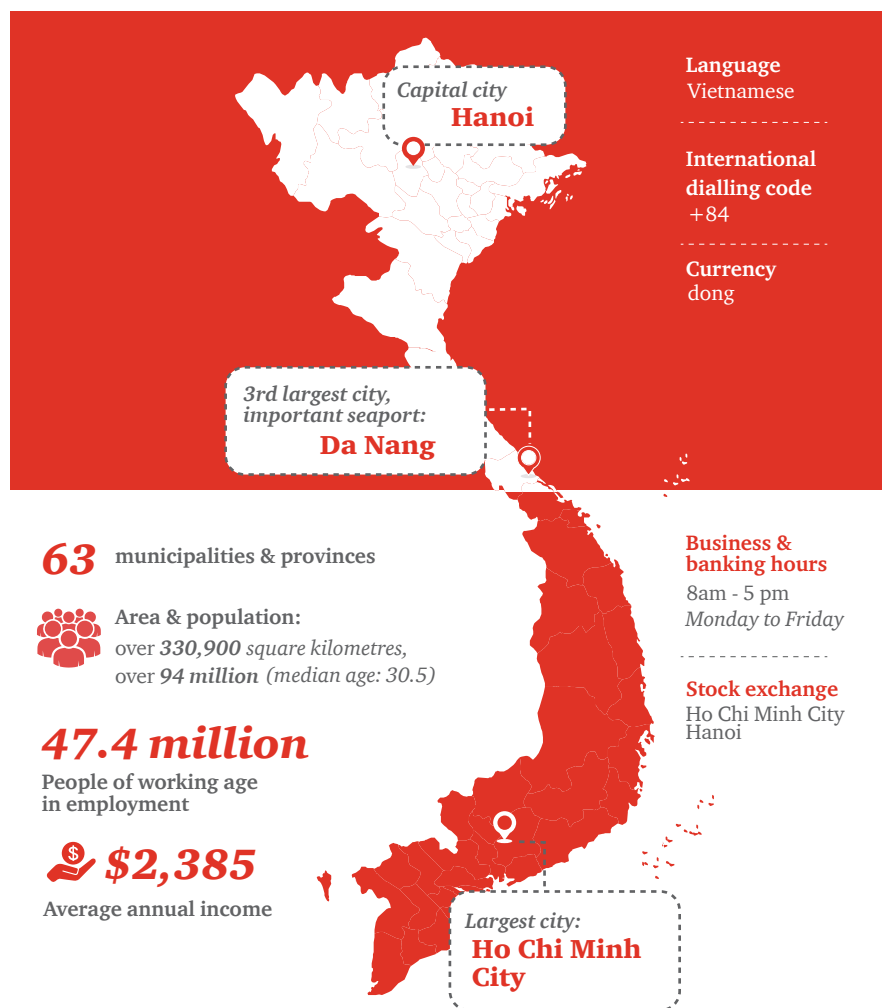
Geography

Viet Nam is conveniently located in the centre of South East Asia and is bordered by China to the north, and Laos and Cambodia to the west.

The total area of Viet Nam is over 330,900 kilometres and its geography includes mountains and plains. Viet Nam’s population is spread throughout the country.

Total population by end of 2017 was estimated at over 94 million people. Viet Nam represents a huge pool of both potential customers and employees for many investors.

Hanoi in the north is the capital of Viet Nam and Ho Chi Minh City in the south is the largest commercial city. Da Nang, in central Viet Nam, is the third largest city and an important seaport.



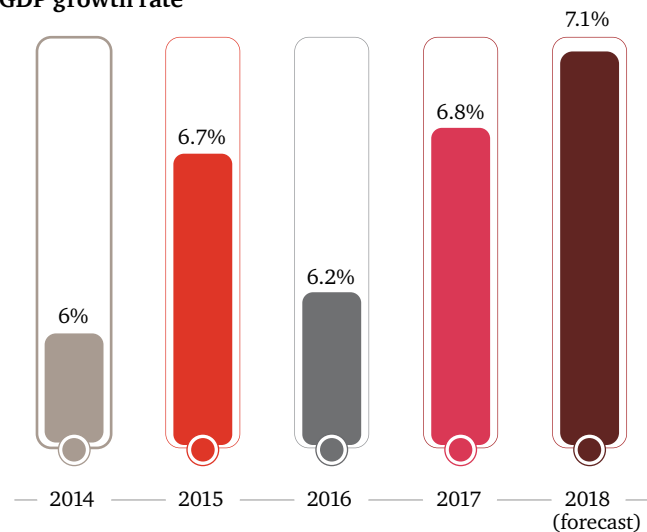
Economic Environment

GDP growth was 6.8% in 2017, an increase from 6.2% in 2016 and is targeted to hit 6.7% in 2018 by the Government.

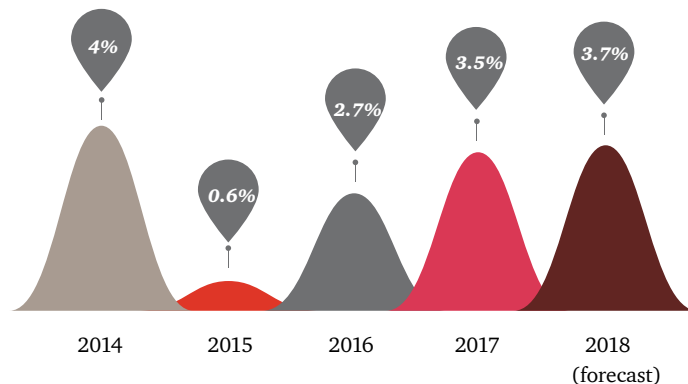
Over the last 20 years from 1997 to 2017, GDP growth has averaged approximately 6.4%. Despite facing numerous challenges, 2017 still marked a successful year for trade with export turnover reaching \$214 billion, up 21% compared to 2016 - the highest ever year-on-year increase. Textiles and garments, electronic components and mobile phones made significant contributions to Viet Nam's export economy. Surprisingly, vegetable and fruit exports were also positive, achieving a 43% year-on-year increase. Foreign invested business achieved a trade surplus of \$29 billion, contributing substantially to the total national trade surplus.

Import activities were well managed which resulted in a trade surplus of nearly \$3 billion. Viet Nam's imports largely comprised raw materials and mechanical spare parts for manufacturing and production purposes as well as for projects in power and energy.

GDP growth rate



Inflation





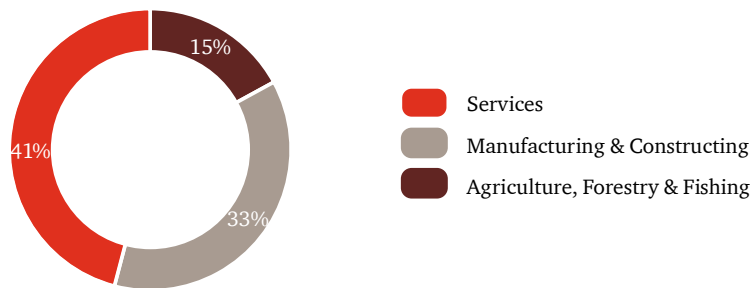
Key Sectors and Trading Partners

In terms of economic structure, services still accounted for the largest part of GDP, approximately 41.3%, followed by manufacturing and construction at 33.3%. The agriculture, forestry and fishing sector made up 15.4% of GDP in 2017.

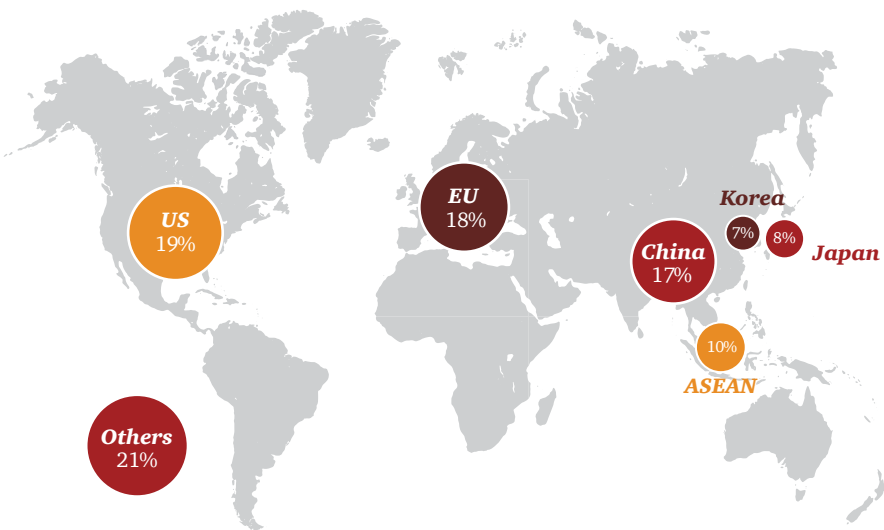
The EU and ASEAN have continually been long-term trading partners of Viet Nam with total import-export turnover in 2017 hitting \$50.4 billion and \$49.5 billion respectively. Four other import markets for Viet Nam, with turnover of over \$14 billion were: USA (\$41.6 billion); China (\$35.5 billion); Japan (\$16.8 billion) and South Korea (\$14.8 billion).

For more information on FTAs and trade statistics, please refer to the ‘Trade’ section of this guide.

GDP by sector



Major export partners



Foreign Direct Investment

For the past 30 years, Viet Nam has opened the door to welcome investors. Viet Nam has become one of the most sought-after investment destinations thanks to its politico-economic stability, stable foreign exchange, inflation and interest rates, and notably, its success in hosting APEC in 2017.

In line with the commitment to create favourable conditions for investors, the Government has made tremendous efforts to accelerate the equitisation and divestment of SOEs, which helps to create more opportunities for foreign investors. For instance, Saigon Beer Alcohol and Beverage Corp (Sabeco) successfully raised \$6 billion from sales of shares last year. Similarly, Jardine C&C acquired 5.5% shares of Viet Nam Dairy JSC (Vinamilk) for \$616 million in cash.

As part of its administrative reform efforts, the Ministry of Planning and Investment (MPI) with support from the World Bank has developed a draft strategy on attracting FDI in 2018-2023 to suit new circumstances. The new draft strategy targets quality rather than quantity, with a focus on high-tech, environmentally friendly, low-energy consuming and renewable energy projects, in addition to enhancing connectivity between FDI businesses and domestic companies.

Viet Nam joined the World Trade Organisation ('WTO') in 2007. Under its accession commitments, Viet Nam opened up various business sectors to foreign investment, in some cases under a phased approach. These commitments are generally referred to when assessing whether foreign investment in a particular sector is allowed.

Similar to previous years, Viet Nam continues to attract foreign investments mostly from Asian countries, where Japan, Korea and Singapore are ranked as top investors. In 2017, among 115 foreign investors in Viet Nam, Japan and Korea account for almost half of the total registered FDI. Most of Japan investments are poured into two BOT thermopower projects in Thanh Hoa and Khanh Hoa, with total value up to US\$ 5.4 billion. In 2017, China surprisingly climbed to the fourth position with investments worth US\$ 2.1 billion.

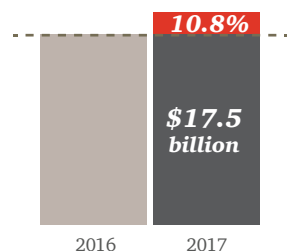
Manufacturing and processing continue to be favourite sectors for foreign investors, reaching US\$15.9 billion in 2017, accounting for 44.2% of the total FDI. Power production and distribution follow with the total investment capital of US\$8.37 billion, accounting for 23.3%. Real estate secured the third place at US\$3.05 billion, or 8.5%.

FDI capital inflow

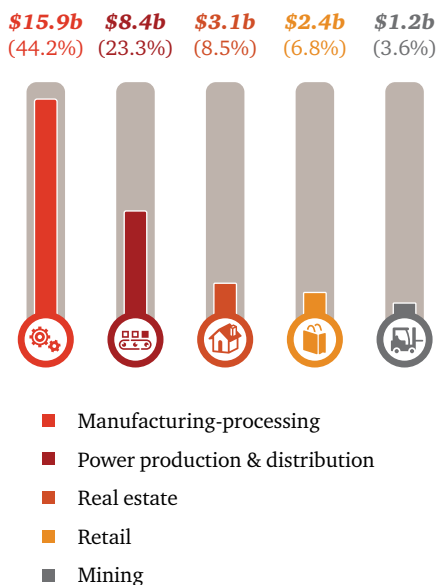


Highest since 2009

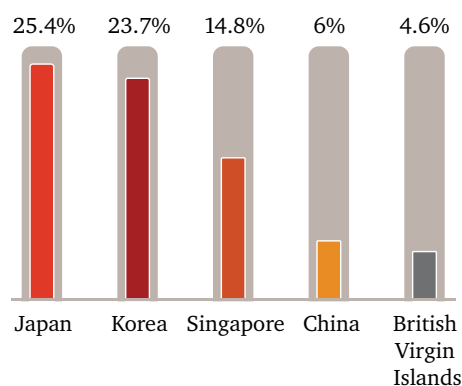
Disbursed FDI



Key FDI sectors 2017



Key FDI sources 2017

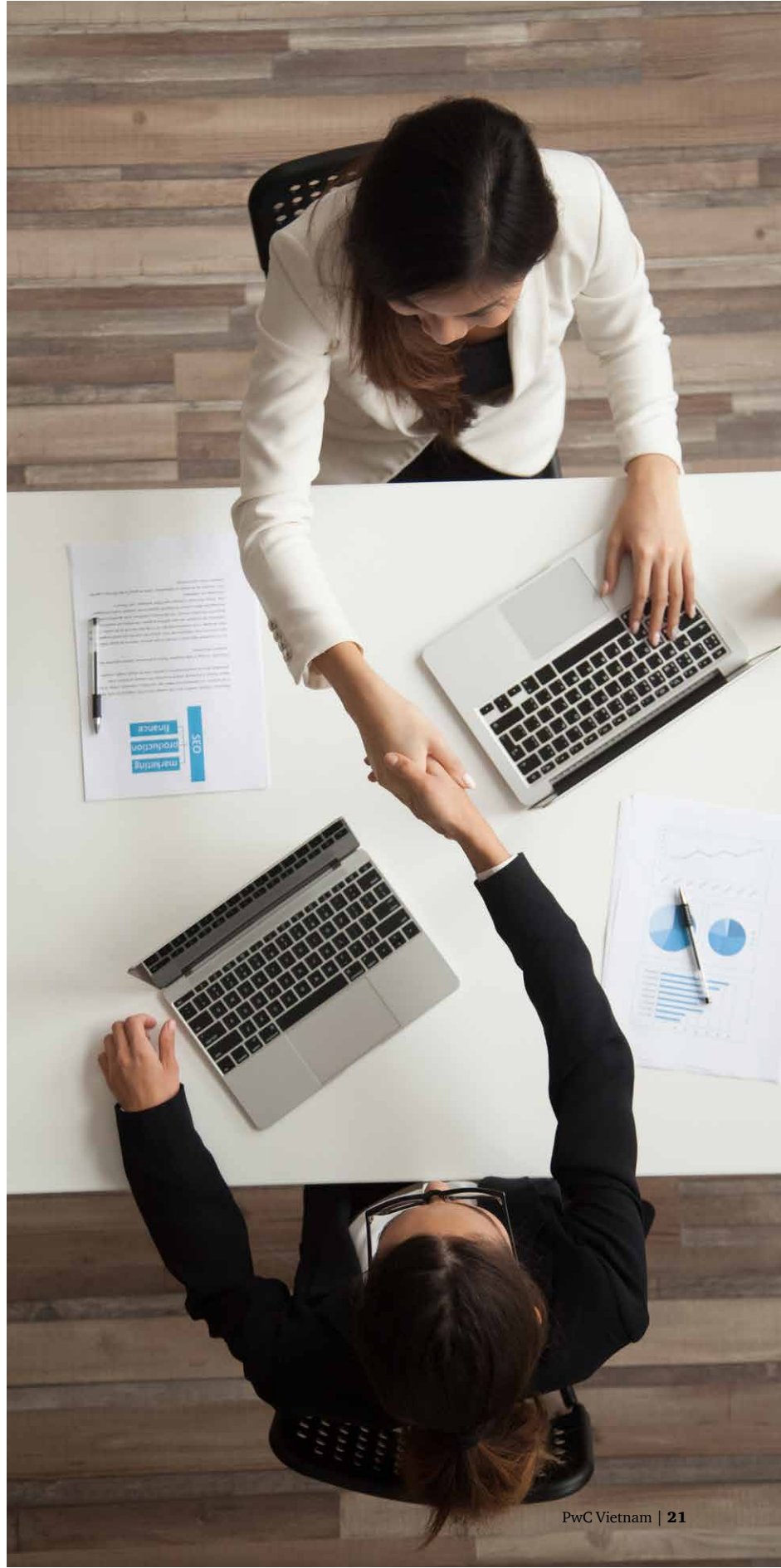


Investment incentives:

Investment incentives are granted to investment projects based on location, sector and other factors such as the size of the project. High technology, software, new energy, waste recycling and education are among business areas eligible for investment incentives. The full list could be retrieved from the Foreign Investment Agency's website. Those incentives are provided in the following forms:

- Lower tax rates for the whole duration of the investment term or part thereof; exemption from and reduction of tax rates;
- Import duty exemption for fixed assets; and
- Reduction/exemption of land rental

Further details on tax incentives could be found under the Corporate Income Tax section of this guide.



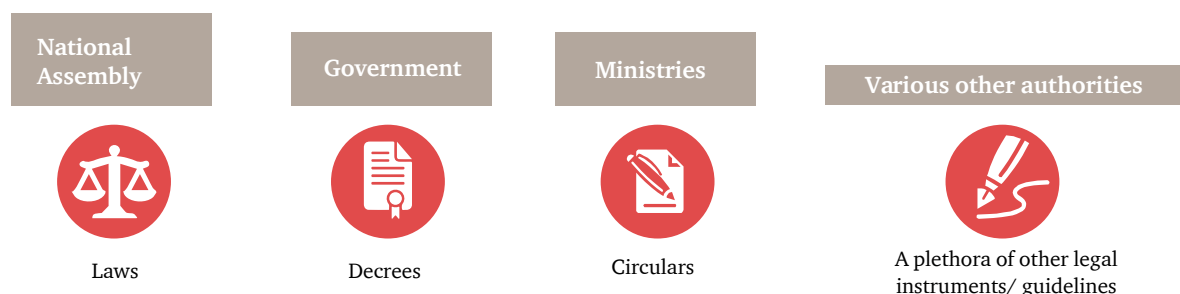
Legal and Regulatory Regime

1/ Political structure:

Viet Nam is a socialist country operating under the single-party leadership of the Communist Party.

A nationwide congress ('National Congress') of the Communist Party of Viet Nam is held every five years, with the most recent being in early 2016, to determine the country's orientation and strategies and adopt its key policies on policies for socio-economic development. The National Congress elects the Central Committee, which in turn elects the Politburo.

2/ Hierarchy of regulations:



As the only party in the political arena, the role and influence of the Communist Party is unique.

Viet Nam's legal powers are centralised in one supreme body, and then delegated to lower bodies located in Viet Nam's 63 municipalities and provinces. The National Assembly is the only body with the power to amend the Constitution and pass laws but the implementation and administration of such laws is decentralised.

It is said that 2018 will be a key milestone to ensure the completion of the 2016–2020 Socio-Economic Development Plan. One of the Government's priorities is to enhance the legal system, which will result in a more business-friendly regulatory environment. Consequently, in 2018, numerous laws are coming into effect, largely focusing on sectors such as banking, technology transfer and trade. Among them, the most significant ones are the Law on Support for Small and Medium - Sized Enterprises, the Law on Amending and Supplementing a Number of Articles of the Law on Credit Institutions, and the Law on Foreign Trade Management.

2018 is going to be a busy year for lawmakers in Viet Nam as the National Assembly plans to pass six draft laws and a dozen draft resolutions, as well as debate nine draft laws. Amongst those, the draft Law on Special Administrative-Economic Zones has received a large amount of public attention since it is expected to greatly contribute to the GDP of the country.

In late 2017, the Government issued a new decree on transformation of SOEs into joint-stock companies. This new Decree aims to remove obstacles to SOE equitisation and boost the restructuring of State corporations.

Law on Investment and Enterprises

In late 2014, the National Assembly passed the Law on Investment (LOI) and Law on Enterprises (LOE), both of which came into effect on 1 July 2015. A series of implementing regulations were issued in late 2015 (including Decree 78/2015/ND-CP guiding enterprise registration, Decree 96/ND-CP guiding the implementation of the LOE, and Decree 118/2015/ND-CP guiding the implementation of the LOI). These laws govern the establishment and operation of companies in Viet Nam.

In 2016, a number of regulations were issued or came into effect in relation to the Law on Investment, including Decree 135/2015/ND-CP on overseas indirect investment, Circular 16/2015/TT-BKHDT on templates for investment registration, Decree 50/2016/ND-CP on administrative fines for violation of planning and investment regulations, and Circular 83/2016/TT-BTC on investment incentives. Decree 50/2016/ND-CP above is also applied for enterprises.

Intellectual Property (“IP”)

As a member of the WTO, Viet Nam must conform with the WTO’s requirements on Intellectual Property. The Law on Intellectual Property Rights (“IPR”) was passed in 2005, which was amended and supplemented in 2009. According to the Law on IPR, three major IP rights are protected in Viet Nam: copyright and related rights; industrial

property rights; and rights in plant varieties. Currently, Viet Nam and the EU are finalising preparations to sign the EU-Viet Nam Free Trade Agreement (EVFTA). Viet Nam’s participation in both the EVFTA and the CPTPP Agreement requires Viet Nam to meet high standards of IPR protection.

Viet Nam has taken steps to improve its IP framework to the same level as other South East Asian countries, according to the sixth annual US Chamber International IP Index, which analyses the IP climate in 50 world economies, released in February 2018 by the US Chamber of Commerce Global Innovation Policy Center (GIPC).

Foreign Exchange Controls

The Vietnamese dong is not freely convertible and cannot be remitted overseas. The Government has been implementing measures to gradually reduce the country’s dependency on the US dollar.

All buying, selling, lending and transfer of foreign currency must be made through banks and other financial institutions authorised by the SBV. As a general rule, all monetary transactions in Viet Nam must be undertaken in Vietnamese dong. Payments, contracts, quotations, etc. within Viet Nam must generally be in Vietnamese dong.

The outflow of foreign currency by transfer is only authorised for certain transactions such as payments for

imports of goods and services from abroad, repayment of loans and the payment of interest accrued thereon, transfers of profits and dividends and for transfer of technology/ royalties.

Foreign investors and foreigners working in Viet Nam are permitted to transfer abroad profits and income earned in Viet Nam, and any remaining invested capital upon the liquidation of an investment project.

Business Etiquette and Culture

Many Vietnamese are more comfortable using their native language rather than English. However, many English speakers can be found in Viet Nam, especially in the larger cities.

Presenting business cards is an important ritual in the Vietnamese business world. Cards are exchanged at the beginning of a meeting using both hands. Translating written materials into Vietnamese shows respect for Vietnamese colleagues and business partners.

Face to face business meetings are important in Viet Nam and an appropriate level of respect must be shown according to rank and seniority.



2

Types of Business Entities

A foreign entity may establish its presence in Viet Nam as a limited-liability company with one or more members, a joint-stock company, a partnership, a branch, a business cooperation contract or a representative office.

Foreign investors may also buy an interest in an existing domestic enterprise, subject in some cases to ownership limitations which vary depending on the industry sector.

The choice of investment vehicle will depend on factors such as the number of investors, industry, size of the project and whether there is any intention to list.



“The government has introduced a range of open policies and clearer guidance supporting investors to establish a commercial presence in Viet Nam. Licensing procedures have become less cumbersome during the recent years.”

Phan Thi Thuy Duong

Director
PwC Legal Vietnam

Forms of business

Limited-liability Company

A limited-liability company is a legal entity established by its “members” (i.e. owners) through capital contributions to the company. The capital contribution of each member is treated as equity (charter capital). The members of a limited-liability company are liable for the financial obligations of the company to the extent of their charter capital contributions.

The management structure of a limited-liability company would normally consist of the “members’ council”, the chairman of the members’ council, the general director and a controller (or board of supervisors where the limited-liability company has more than 11 members).

A limited-liability company established by foreign investors may take the form of either:

- A 100% foreign-owned enterprise (where all members are foreign investors); or
- A foreign-invested joint-venture enterprise between foreign investors and at least one domestic investor.

Joint-stock Company

A joint-stock company is a limited liability legal entity established through a subscription for shares in the company.

Under Vietnamese law, this is the only type of company that can issue shares. The charter capital of a joint-

stock company is divided into shares and each founding shareholder holds shares corresponding to the amount of capital the shareholder has contributed to the company.

A joint-stock company is required to have at least three shareholders. There is no limit on the maximum number of shareholders in such companies.

The governance of a joint-stock company includes the general meeting of shareholders, the board of management, the chairman of the board of management, the general director and a board of supervisors (not compulsory if the joint stock company has less than 11 shareholders, or if a corporate shareholder holds less than 50% of the shares of the joint-stock company).

A joint-stock company may either be 100% foreign-owned or may take the form of a joint venture between both foreign and domestic investors.

Partnership

A partnership is a very rare form of investment. It may be established between two individual general partners. The general partner has unlimited liability for the operations of the partnership.

Branch

This is not a common form of foreign direct investment and is only permitted in a few sectors (e.g. banking and foreign law firms). A branch is not an independent legal entity.



Branches of foreign companies are different from representative offices in that a branch is permitted to conduct commercial activities in Viet Nam.

Representative Office

Foreign companies with business relations or investment projects in Viet Nam may apply to open representative offices in Viet Nam.

A representative office may not conduct commercial or revenue-generating activities (i.e. the execution of contracts, receipt of income, sale or purchase of goods, or provision of services).

A representative office is only permitted to:

- Act as a liaison office;
- Conduct market research; and
- Promote its head office's business and investment opportunities.

This is a very common form of registered legal presence in Viet Nam, particularly for those in the first stage of a market entry strategy.

Business Cooperation Contract (“BCC”)

A BCC is a cooperation agreement between foreign investors and at least one Vietnamese partner in order to carry out specific business activities.

This form of investment does not constitute the creation of a new legal entity. The investors in a BCC generally share the revenues and/or products arising from a BCC and have unlimited liability for the debts of the BCC.

Public and Private Partnership Contract (“PPP”)

A Public and Private Partnership (“PPP”) contract is an investment form carried out based on a contract between the government authorities and project companies for infrastructure projects and public services.

PPP contracts include Build-Operate-Transfer, Build-Transfer,



Build-Transfer-Operate, Build-Own-Operate, Build-Transfer-Lease, Build-Lease-Transfer and Operate-Manage contracts.

Both public and private investors are encouraged to participate in PPP contracts. The rights and obligations of the foreign investor will be regulated by the signed PPP contracts and the applicable regulations governing such contracts. Investment sectors include:

- Transportation infrastructure and relevant services;
- Lighting systems, clean water supply systems, water drainage systems, water/waste collection and treatment systems, social/resettlement houses, cemeteries;
- Power plants and power transmission lines;
- Infrastructure for healthcare, educational and training, cultural, sport and relevant services, offices for government authorities;
- Infrastructure for commerce, science and technology, hydrometeorology, economic zone, industrial zone, high-tech zone, centralised information

technology zone, information technology application;

- Infrastructure for agriculture and rural development, services for enhancing the correlation of agricultural production with processing and consumption of agricultural products; and
- Other sectors according to the Prime Minister's decisions.

Liquidation and Bankruptcy

A company can only be voluntarily liquidated if it is solvent and all creditors can be paid. The process generally takes 12 months or more and requires a final tax audit.

The Bankruptcy Law came into effect on 1 January 2015 setting out, inter alia, which parties can instigate bankruptcy proceeding, procedures for the appointment of a liquidator, organisation of creditors meetings and priority of creditor payments.

Setting Up a Business

Limited-liability company/Joint-stock company/Partnership

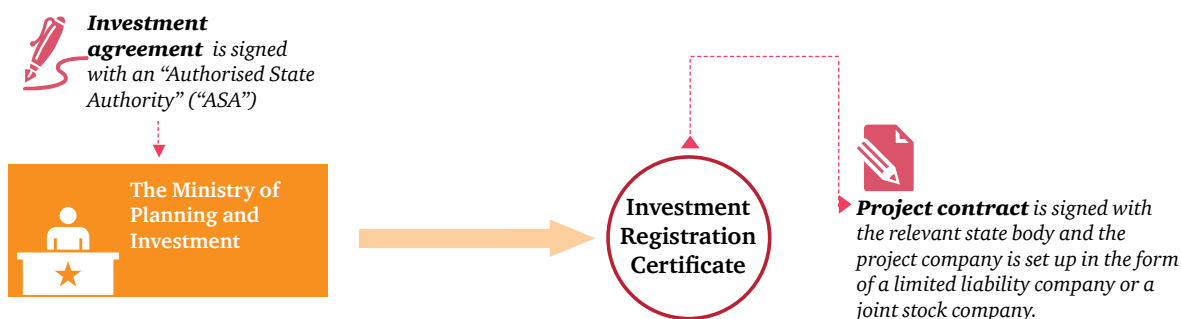


Note: Investment in “conditional” sector activities is subject to more cumbersome licensing procedures. These may require an approval in principle, or the licence application to be reviewed also at the central government ministry level in Hanoi.

Representative office



Public-Private Partnership (PPP) project (such as BOT/BTO/BT project)



3

Trade



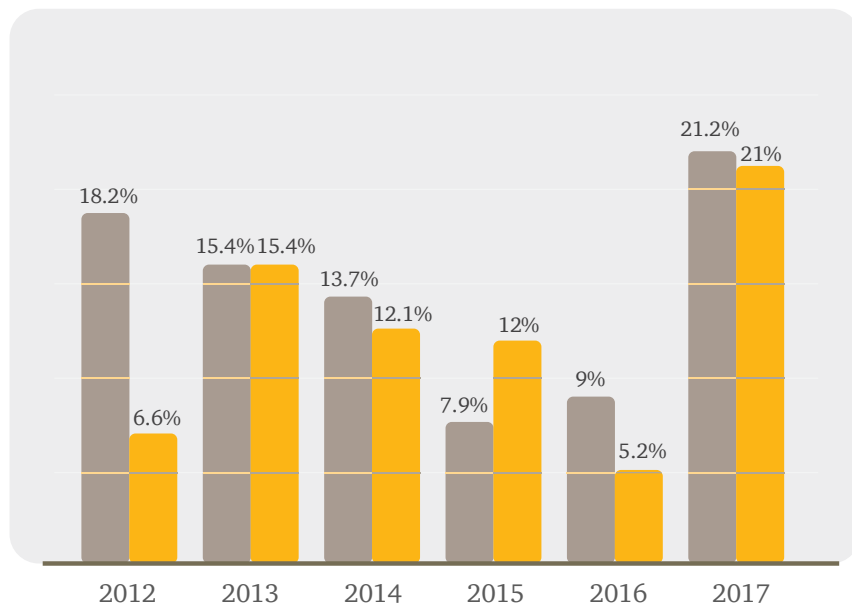
“Viet Nam’s participation in new-generation FTAs like the CPTPP and EVFTA will help diversify trade opportunities and create a more transparent business environment and prepare for Industry 4.0”

Grant Dennis

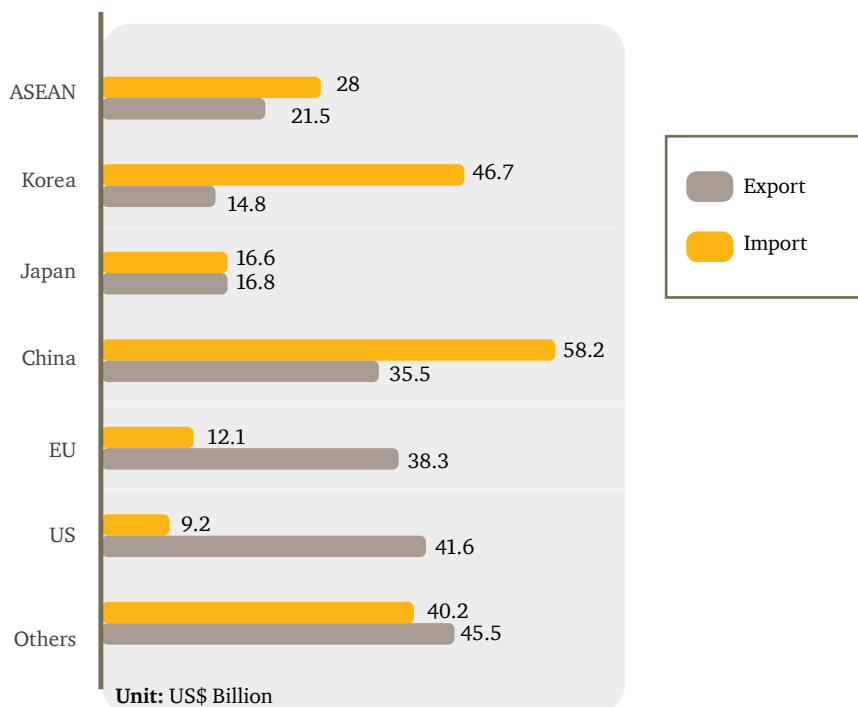
Chairman, Consulting Partner
PwC Vietnam

Trade Statistics

Export & Import Growth (2012 - 2017)



Key traders (2017)



10 Key export commodities

 Phones and their parts \$45.3 billion	 Textiles \$26 billion
 Computers, electrical products \$26 billion	 Footwear \$14.7 billion
 Machinery, instruments, accessories \$12.8 billion	 Seafood \$8.3 billion
 Wood and wooden products \$7.7 billion	 Vehicles and their parts \$7 billion
 Cameras, video cameras and their parts \$3.8 billion	 Textile fiber, fabric & yarn \$3.6 billion

10 Key import commodities

 Machinery, instruments, accessories \$37.7 billion	 Computers, electrical products \$33.7 billion
 Phones and their parts \$16.3 billion	 Textiles, fabrics \$11.4 billion
 Iron, steel \$9 billion	 Plastic materials \$7.3 billion
 Petroleum oil, refined \$7 billion	 Other base metals \$5.4 billion
 Textile, leather and footwear materials \$5.4 billion	 Plastic products \$5.4 billion



Source: GSO, Foreign Investment Agency and Custom Department

Free Trade Agreements

Viet Nam has entered into, or completed, the negotiation of a number of Free Trade Agreements (FTAs), including both collective FTAs, as a member of ASEAN, and bilateral FTAs, (such as FTAs with the EU, Japan, Chile and Eurasian Economic Union).

While the original TPP agreement has been put on hold, instead

being progressed as the CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership), Viet Nam continues to be increasingly integrated into the global economy, through these bilateral and collaborative FTAs. The CPTPP maintains most of the terms of the TPP, allowing the remaining TPP11 to continue implementation of the FTA.

The ASEAN-Hong Kong FTA was signed in late 2017 and will come into force in the first quarter of 2019. The EU - Viet Nam FTA is expected to be the next major milestone for Viet Nam from a trade perspective. It should be effective for Viet Nam by 2018; and this FTA is expected to liberalise 90% of imports from both sides, in a 10 to 15 year time frame.

FTAs

10

Signed and effective



AFTA



ASEAN - China



ASEAN - Korea



ASEAN - India



ASEAN - Japan



ASEAN - Australia/ New Zealand



Viet Nam - Chile



Viet Nam - Japan



Viet Nam - Korea



Viet Nam - Eurasian Economic Union

3

End of negotiation/
Signed but not yet effective



EU - Viet Nam



ASEAN - Hong Kong



TPP - CPTPP

3

Under Negotiation



Regional Comprehensive Economic Partnership (RCEP)



Viet Nam - EFTA



Viet Nam - Israel

Viet Nam has continued on the path of economic liberalisation since its admission to the WTO in 2007.

While conceding some delays, key FTAs have been signed and have progressed. The three main FTAs are:

- **Comprehensive and Progressive Trans-Pacific Partnership (CPTPP)**, – the original TPP has been amended, due to the withdrawal of the USA. However, the remaining 11 TPP signatories have continued to move towards full implementation of the original TPP terms, with some minor modifications. This agreement still includes circa 14% of global GDP and should continue to foster the attractiveness of Viet Nam as an investment destination and bode well for future economic growth. As one of the least-developed economies of the CPTPP group, Viet Nam still needs to continue to make large strides, in order to reach the standards outlined in the agreement, but also stands to achieve some of the largest gains among the group. Viet Nam's agricultural and manufacturing sectors are in an especially good position to take advantage of more open trading terms. In addition to gains in trade, the FTA should also stimulate advancements in regulatory processes, transparency, labour standards, IP, market access, disputes and other issues.

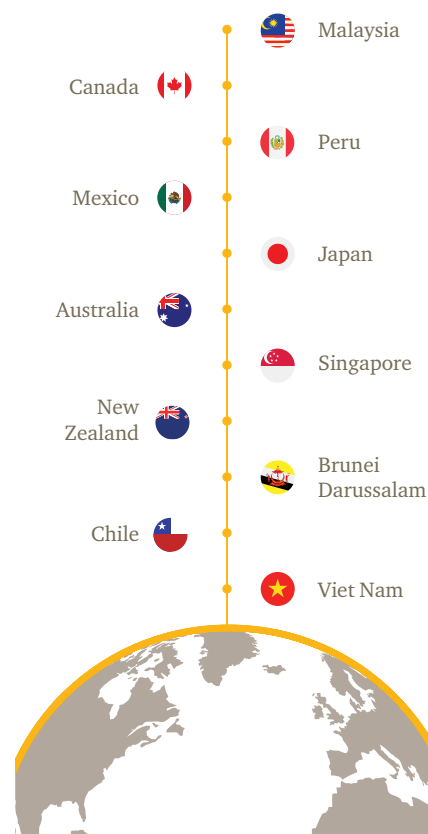
- **EU - Viet Nam FTA (EVFTA)** – This agreement is in the final stages of negotiation and is due to be signed this year. The EU is Viet Nam's second largest export market and this FTA will expand opportunities; notably, for increased investment and trade between Viet Nam and EU member states. Viet Nam has already become a key market in ASEAN for exports to the EU and this trend will continue, pending the approval and implementation of this FTA.
- **ASEAN-Hong Kong FTA (AHKFTA)**– Signed in late 2017, this key FTA will come into force in early 2019. Key benefits of the AHKFTA include: increased ease of investment, ownership and financial transactions between Hong Kong and ASEAN. Viet Nam is Hong Kong's largest export market within ASEAN and tariff reductions, reduced trade restrictions and investment protection should increase the depth of this economic relationship. Additionally, onward investment through Hong Kong to ASEAN will be streamlined.

These three key FTAs as well as other recent liberalisation actions (FTAs, SOE equitisation, market liberalisation policies) show that the Viet Nam Government is committed to expanding market access and opportunities in trade and investment to foreign investors. However, additional regulatory

reforms, continued domestic investment and improvements in manufacturing and labour standards are necessary to fully realise benefits from these and other trade agreements.

11

TPP signatories have continued to move towards full implementation of the original TPP terms.



4

Taxation



“The local tax system is undergoing modernisation to become more in line with international practices, and reduce tax compliance costs and time.”

Nguyen Thanh Trung

Partner
PwC Vietnam

General Overview

Most business activities and investments in Viet Nam will be affected by the following taxes:

- Corporate income tax;
- Various withholding taxes;
- Capital assignment profits tax;
- Value added tax;
- Import duties;
- Personal income tax of Vietnamese and expatriate employees;
- Social insurance, unemployment insurance and health insurance contributions.

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.

All these taxes are imposed at the national level. There are no local, state or provincial taxes.

Tax Rates

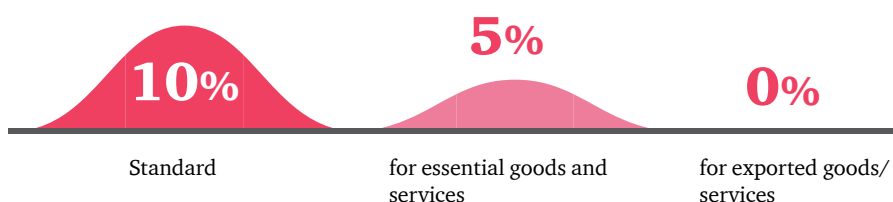
Corporate Income Tax
("CIT")



Capital Assignment
Profits Tax ("CAPT")

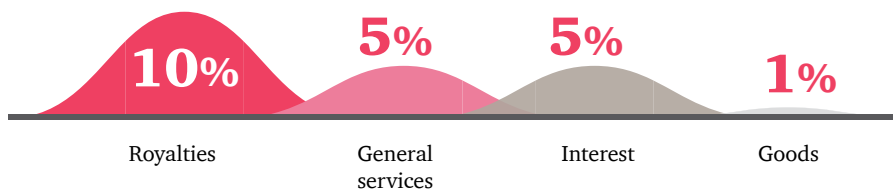


Value added tax
("VAT")



Withholding taxes
(Excluding VAT)

Levied on certain pay-
ments to foreign parties,
rates depend on the
nature of activities, e.g.

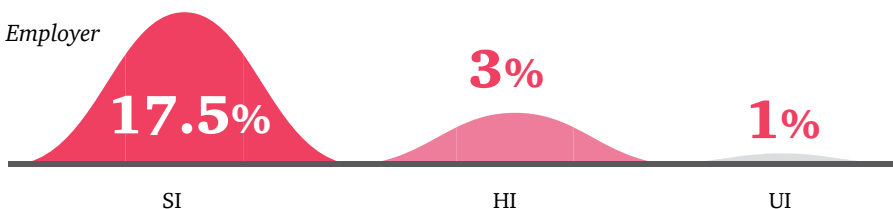


Personal Income Tax
("PIT")

- PIT rates depend on residency status and nature of income.
- Tax residents are taxed on their world-wide taxable income, tax non-residents on their Viet Nam sourced income only.
- Employment income: for residents, progressive tax rates from 5-35% apply, for non-residents, 20% applies on the Viet Nam sourced income.
- Other income: tax rates vary from 0.1% to 10%.

Social insurance
("SI"), Health
insurance ("HI")
and Unemployment
insurance ("UI")

Employer



Employee





Tax incentives

Preferential CIT rates are 10% and 20% for 15 years and 10 years, respectively. From 1 January 2016, enterprises previously entitled to the preferential CIT rate of 20% will enjoy a rate of 17% instead. When the preferential rate expires, the CIT rate reverts to the standard rate. Certain socialised sectors (e.g. education, health) enjoy a 10% rate for the entire life of the project.

Tax holidays with a 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.

based on

applicable for

Sector

Inter alia education, health care, sport/culture, high technology (including in agricultural sector), environmental protection, scientific research, infrastructural development, clean energy and computer software manufacturing.

Location

Inter alia qualifying economic and high-tech zones, certain industrial zones, and difficult socio-economic areas.

Scale

Large manufacturing projects meeting requirements regarding investment capital, minimum revenue, minimum headcount.

Industrial products manufacturing

Manufacturing of industrial products prioritised for development if they meet one of the following conditions:

- The products support the high technology sector; or
- The products support the garment, textile and footwear, IT, automobiles assembly or mechanics sector and are not produced domestically as at 1 January 2015, or if produced domestically, they do not meet the quality standards of the EU or equivalent.



Types of Tax

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Tax year end

The tax year end in Viet Nam is generally 31 December, but financial year end 31 March, 30 June, 30 September are also possible.

Corporate Income Tax (“CIT”)

Tax Rates

Enterprises (generally companies) are subject to the tax rates imposed under the CIT Law. The standard CIT rate is 20%. Companies operating in the oil and gas industry are subject to CIT rates ranging from 32% to 50% (depending on the location and specific project conditions). Companies engaging in prospecting, exploration and exploitation of mineral resources (e.g. silver, gold, gemstones) are subject to CIT rates of 40% or 50%, depending on the project’s location.

Tax Incentives

Tax incentives are granted to new investment projects based on regulated encouraged sectors, encouraged locations and the size of the project. Business expansion projects (including expansion projects licensed or implemented during the period from 2009 to 2013 which were not entitled to any CIT incentives previously) which meet certain conditions are also entitled to CIT incentives. New investment projects and business expansion projects do not include projects established as a result of certain acquisitions or reorganisations.

Sectors which are encouraged include education, health care,

sport/culture, high technology, environmental protection, scientific research and technology development, infrastructural development, processing of agricultural and aquatic products, software production and renewable energy.

New investment or expansion projects engaged in manufacturing industrial products prioritised for development are entitled to CIT incentives if they meet one of the following conditions:

- the products support the high technology sector; or
- the products support the garment, textile, footwear, electronic spare parts, automobile assembly, or mechanical sectors and were not produced domestically as at 1 January 2015, or if produced domestically, they meet the quality standards of the EU or equivalent.

Locations which are encouraged include qualifying economic and high-tech zones, certain industrial zones and difficult socio-economic areas.

Large manufacturing projects (excluding those related to the manufacture of products subject to special sales tax or those exploiting mineral resources):

- Projects with total capital of VND6,000 billion or more, disbursed within 3 years of being licensed, if they meet either of the following criteria:
 1. minimum revenue of VND10,000 billion/annum by the 4th year of operation at the latest; or
 2. head count of more than 3,000 by the 4th year of operation at the latest.

- Projects with total capital of VND12,000 billion or more, disbursed within 5 years of being licensed and using technologies appraised in accordance with relevant laws.

The two common preferential rates of 10% and 20% are available for 15 years and 10 years respectively, starting from the commencement of generating revenue from the incentivised activities. The duration of application of the preferential tax rate can be extended in certain cases. From 1 January 2016, enterprises having projects previously entitled to the preferential CIT rate of 20% now enjoy a rate of 17% instead. When the preferential rate expires, the CIT rate reverts to the standard rate.

The preferential rate of 15% will apply for the entire project life in certain cases. Certain socialised sectors (e.g. education, health) enjoy the 10% rate for the entire life of the project.

Taxpayers may be eligible for tax holidays and reductions. The holidays take the form of an exemption from CIT for a certain period beginning immediately after the enterprise first makes profits from the incentivised activities, followed by a period where tax is charged at 50% of the applicable rate. However, where the enterprise has not derived taxable profits within 3 years of the commencement of generating revenue from the incentivised activities, the tax holiday/tax reduction will start from the fourth year of operation. Criteria for eligibility for these holidays and reductions are set out in the CIT regulations.

Additional tax reductions may be available for companies engaging in manufacturing, construction and transportation activities which employ many female staffs or employ ethnic minorities.

From 1 January 2018, certain incentives, including a lower CIT rate are granted to small and medium enterprises (“SMEs”) (various criteria apply in order to be considered as an SME).

Tax incentives which are available for investment in encouraged sectors do not apply to other income (except for income which directly relates to the incentivised activities such as disposal of scrap), which is broadly defined.

Calculation of Taxable Profits

Taxable profit is calculated as the difference between total revenue, whether domestic or foreign sourced, and deductible expenses, plus other assessable income.

Taxpayers are required to prepare an annual CIT return which includes a section for making adjustments to accounting profit to arrive at taxable profit.

Non-deductible Expenses

Expenses are tax deductible if they relate to the generation of revenue, are properly supported by suitable documentation (including bank transfer vouchers where the invoice value is VND20 million or above) and are not specifically identified as being

non-deductible. Examples of non-deductible expenses include:

- 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 or the company policies;
- Staff welfare (including certain benefits provided to family members of staff) exceeding a cap of one month's average salary. Non-compulsory medical and accident insurance is considered a form of staff welfare;
- Contributions to voluntary pension funds exceeding VND 1 million per month per person;
- Reserves for research and development not made 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 permanent establishment (“PE”) in Viet Nam 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 Viet Nam;
- Certain interest expenses exceeding the cap of 20% of EBITDA;
- Provisions for stock devaluation, bad debts, financial investment losses, product warranties or construction work which are not made in accordance with the prevailing regulations;
- Unrealised foreign exchange losses due to the year-end revaluation of foreign currency items other than account payables;
- Donations except certain donations for education, health care, natural disaster or building charitable homes for the poor;
- Administrative penalties, fines, late payment interest;
- Certain expenses directly related to the issuance, purchase or sale of shares;
- Creditable input value added tax, corporate income tax and personal income tax.
- Service fees paid to related parties that do not meet certain conditions.

For certain businesses such as insurance companies, securities trading and lotteries, the Ministry of Finance provides specific guidance on deductible expenses for CIT purposes.

Business entities in Viet Nam are allowed to set up a tax deductible research and development fund to which they can appropriate up to 10% of annual profits before tax. Various conditions apply.

Losses

Taxpayers may carry forward tax losses fully and consecutively for a

maximum of five years. Losses arising from 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. Carry-back of losses is not permitted. There is no provision for any form of consolidated filing or group loss relief.

Administration

CIT taxpayers are required to make quarterly provisional CIT payments based on estimates. If the provisional quarterly CIT payments account for less than 80% of the final CIT liability, any shortfall in excess of 20% is subject to late payment interest (currently as high as 11% per annum), applying from the deadline for payment of the Quarter 4 CIT liability.

Final CIT returns are filed annually. The annual CIT return must be filed and submitted not later than 90 days from the fiscal year end. The outstanding tax payable must be paid at the same time.

Where a taxpayer has a dependent accounting unit (e.g. branch) in a different province, a single CIT return is required. However, manufacturing companies are required to allocate tax payments to the various provincial tax authorities in the locations where they have dependent manufacturing establishments. The basis for allocation is the proportion of expenditure incurred by each manufacturing establishment over the total expenditure of the company.

The standard tax year is the calendar year. Companies are required to notify the tax authorities in cases where they use a tax year (i.e. fiscal year) other than the calendar year.

Profit Remittance

Foreign investors are permitted to remit their profits annually at the end of the financial year or upon termination of the investment in Viet Nam. Foreign investors are not permitted to remit profits if the investee company has accumulated losses.

The foreign investors or the investee company are required to notify the tax authorities of the plan to remit profits at least 7 working days prior to the scheduled remittance.

the annual CIT return
must be filed and
submitted not later than

90 days

from the fiscal year end



Transfer Pricing (“TP”)

Decree 20/2017/ND-CP (“Decree 20”) dated 24 February 2017 came into effect on 1 May 2017. Guiding Circular 41/2017/TT-BTC dated 28 April 2017 also came into effect on 1 May 2017.

Decree 20 is based loosely on the previous Circular 66/2010/TT-BTC, but extends the interpretation of existing provisions and introduces additional concepts and principles from the Transfer Pricing Guidelines of the Organisation for Economic Cooperation and Development (OECD) and BEPS Action Plan.

Related Party Definition

The ownership threshold required to be a “related party” under Decree 20 is 25%, higher than the previous 20% under Circular 66. In addition, Decree 20 removes from the related party definition of Circular 66 two entities having transactions between them accounting for more than 50% of their sales or purchases. Viet Nam’s transfer pricing rules also apply to domestic related party transactions.

TP Methodologies

The acceptable methodologies for determining arm’s length pricing are analogous to those espoused by OECD in the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations,

i.e. comparable uncontrolled price, resale price, cost plus, profit split and comparable profits methods.

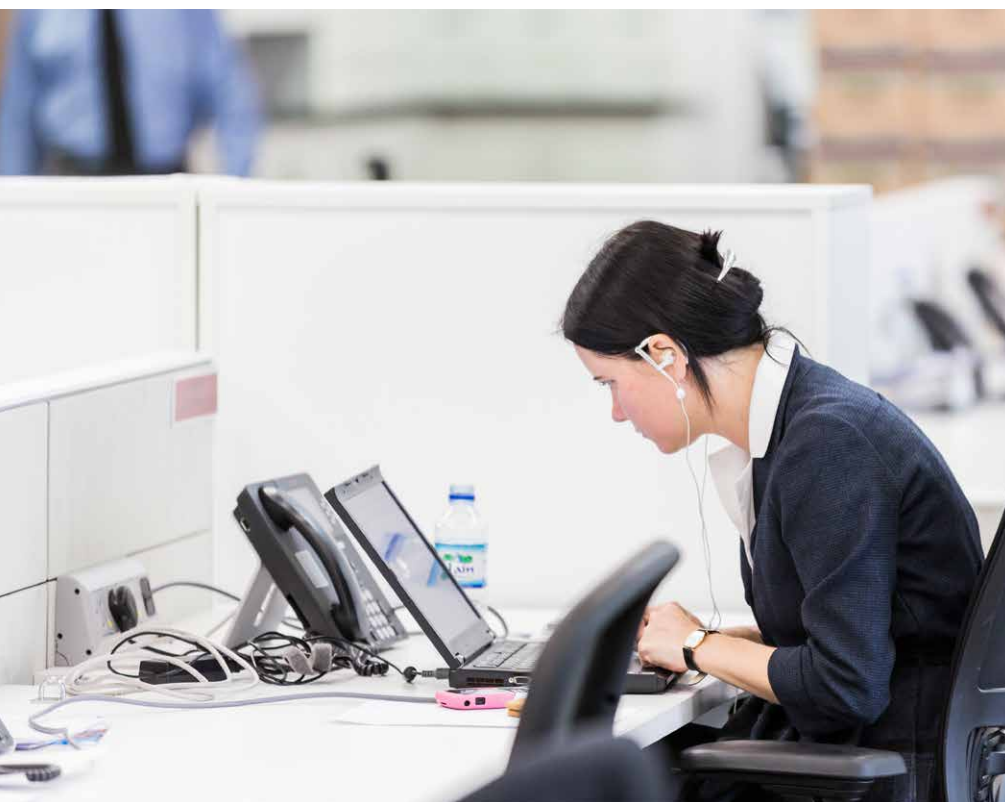
TP Documentation

Compliance requirements include an annual declaration of related party transactions and transfer pricing methodologies used, and a taxpayer confirmation of the arm’s length value of their transactions (or otherwise the making of voluntary adjustments), which is required to be filed together with the annual CIT return.

Decree 20 requires that the TP method applied must ensure that there is no loss of tax revenue to the state budget, which could imply that no downward adjustments are allowed. Decree 20 also introduced a new TP declaration form which requires disclosure of more detailed information, including segmentation of profit and loss by related party and third party transactions.

Decree 20 gives the tax authorities the power to use internal databases for TP assessment purposes in cases where a taxpayer is deemed noncompliant with the requirements of the Decree.

Taxpayers engaged in related party transactions solely with domestic related parties could be exempt from the requirements to disclose information on such transactions in the new TP declaration form, where both parties have the same tax rate and neither party enjoys tax incentives.



Companies which have related party transactions must also prepare and maintain contemporaneous transfer pricing documentation. Decree 20 introduces a three-tiered TP documentation approach to collect more tax-related information on multinational companies' business operations, specifically, master file, a local file and country-by-country reporting. The three-tiered TP documentation has to be prepared before the submission date of the annual tax return, which gives taxpayers just 90 days (from the fiscal year end date) to complete the year's TP documentation.

A taxpayer is exempt from preparing TP documentation (but not all other aspects of the Decree) if one of the following conditions is met:

- has revenue below VND 50 billion and total value of related party transactions below VND 30 billion in a tax period; or
- concludes APA and submits annual APA report(s); or
- has revenue below VND 200 billion, performs simple functions and achieves at least the following ratios of earnings before interest and tax to revenue on the following business: distribution (5%), manufacturing (10%), processing (15%).

2015 to 2017 saw significant developments in transfer pricing initiated by the tax authorities. In July 2015, a Transfer Pricing Audit Department was established within the General Department of Taxation ("GDT"). Soon afterwards,

in November 2015, local Transfer Pricing Audit departments were also established in the Hanoi, Binh Duong, Dong Nai, and Ho Chi Minh City tax authorities. In July 2016, the GDT announced the establishment of a BEPS Working Group which is responsible for preparing action plans to implement the OECD BEPS Initiatives and overseeing the implementation process.

As of early 2018, the GDT is in negotiations with the competent authorities ("CA") of various overseas tax jurisdictions to conclude the first Bilateral APAs for several taxpayers.

Substance over form principle

Decree 20 emphasises the need for closer scrutiny of all related party transactions to ensure that value creation is actually generated from intra-group transactions. The substance over form principle is especially relevant to CIT deductibility and transfer pricing documentation must support for such related party transactions.

Interest cap

Decree 20 introduces a 20% EBITDA cap on the tax deductibility of total interest expenses. Whilst Decree 20 is the guiding tax regulation applicable to associated enterprises, it appears that the 20% EBITDA cap could be applied to both related party and third party loans.

Foreign Contractor Tax ("FCT")

Scope of Application

Foreign contractor tax is levied on payments to foreign organisations and individuals undertaking businesses or earning income sourced from Viet Nam. FCT is not a separate tax and is merely a collection mechanism for VAT and CIT, or PIT for income of foreign individuals. Payments subject to FCT include interest, royalties, service fees, leases, insurance, transportation, transfers of securities, and goods supplied within Viet Nam or associated with services rendered in Viet Nam.

The application of FCT is subject to the application of a relevant Double Tax Agreement.

Certain distribution arrangements where foreign entities are directly or indirectly involved in the distribution of goods or provision of services in Viet Nam are subject to FCT - e.g. where the foreign entity retains ownership of the goods, bears distribution, advertising or marketing costs, is responsible for the quality of goods or services, making pricing decisions, or authorises/hires Vietnamese entities to carry out part of the distribution of goods/provision of services in Viet Nam.

Cases where FCT is exempt include pure supply of goods (i.e. where the responsibility, cost and risk relating to the goods passes at or before the border gate of Viet Nam and there are no associated services performed in Viet Nam), services performed and consumed outside Viet Nam and various other services performed wholly outside Viet Nam (e.g. certain repairs, training, advertising, promotion, etc.).

Dividends

No withholding or remittance tax is imposed on profits paid to foreign corporate shareholders.

Interest

A withholding tax of 5% CIT applies to interest paid on loans from foreign entities. Offshore loans provided by certain government or semi - government institutions may obtain an exemption from interest withholding tax where a relevant double taxation agreement or inter-governmental agreement applies.

Interest paid on bonds (except for tax exempt bonds) and certificates of deposit issued to foreign entities is subject to 5% withholding tax.

Interest deductibility is subject to a 20% cap based on EBITA.

Royalties

FCT applies to payments to a foreign entity for the right to use or for the transfer of intellectual property (including copyrights and industrial properties), transfer of technology or software.

FCT Payment Methods

Foreign contractors can choose between three methods for tax payment - the deduction method, the direct method and the hybrid method.

Method One – Deduction Method

This entails the foreign contractor registering for VAT purposes and filing CIT and VAT returns in the same way as a local entity. Foreign contractors can apply the deduction method if they meet all of the requirements below:

- They have a PE or are tax resident in Viet Nam;
- The duration of the project in Viet Nam is more than 182 days; and
- They adopt the full Viet Nam Accounting System (“VAS”), complete a tax registration and are granted a tax code.

The Vietnamese customer is required to notify the tax office that the foreign contractor will pay tax under the deduction method within 20 working days from the date of signing the contract.

If the foreign contractor carries out multiple projects in Viet Nam and qualifies for application of the deduction method for one project, the contractor is required to apply the deduction method for its other projects as well. The foreign contractor will pay CIT at 20% on its net profits.

Method Two – Direct Method

Foreign contractors adopting the direct (or withholding) method do not register for VAT purposes or file CIT or VAT returns. Instead CIT and VAT are withheld by the Vietnamese customer at prescribed rates from the payments made to the foreign contractor. Various rates are specified according to the nature of the activities performed. The VAT withheld by the Vietnamese customer is generally an allowable input credit in its VAT return.

Separate requirements for FCT declarations under this method are provided for foreign contractors providing goods and services for exploration, development and production of oil and gas.

Method Three – Hybrid Method

The hybrid method allows foreign contractors to register for VAT and accordingly pay VAT based on the deduction method (i.e. output VAT less input VAT), but with CIT being paid under the direct method rates on gross turnover.

Foreign contractors wishing to adopt the hybrid method must:

- Have a PE in Viet Nam or be tax resident in Viet Nam;
- Operate in Viet Nam under a contract with a term of more than 182 days; and
- Maintain accounting records in accordance with the accounting regulations and guidance of the Ministry of Finance.

The FCT rates under the direct method are summarised as follows:

FCT Rates

Industry	Deemed VAT rate ⁽³⁾	Deemed CIT rate
Supply of goods in Viet Nam or associated with services rendered in Viet Nam (including in-country export-import and import, distribution of goods in Viet Nam or delivery of goods under Incoterms where the seller bears risk relating to the goods in Viet Nam).	Exempt ⁽¹⁾	1%
Services	5%	5%
Services together with supply of machinery and equipment ⁽²⁾	3%	2%
Restaurant, hotel and casino management services	5%	10%
Construction, installation without supply of materials, machinery or equipment.	5%	2%
Construction, installation with supply of materials, machinery or equipment.	3%	2%
Leasing of machinery and equipment	5%	5%
Leasing of aircraft and vessels	Exempt ⁽⁴⁾	2%
Transportation	3% ⁽⁵⁾	2%
Interest	Exempt	5%
Royalties	Exempt ⁽⁶⁾	10%
Insurance	Exempt/5% ⁽⁷⁾	5%
Re-insurance, commission for re-insurance	Exempt	0.1%
Transfer of securities	Exempt	0.1%
Financial derivatives	Exempt	2%
Other activities	2%	2%

(1) VAT will not be payable where goods are exempt from VAT or where import VAT is paid upon importation

(2) Where the contract does not separate the value of goods and services

(3) The supply of goods and/or services to the oil and gas industry are subject to the standard 10% VAT rate. Certain goods or services may be VAT exempt or subject to 5% VAT.

(4) Where aircraft and vessels cannot be manufactured in Viet Nam

(5) International transportation is subject to 0% VAT

(6) Software licenses, transfers of technology and intellectual property rights (including copyrights and industrial properties) are VAT exempt. Other royalties may attract VAT.

(7) Certain types of insurance are exempt from VAT (see "Exempt Goods and Services" in VAT section).



Double Taxation Agreements (“DTAs”)

The application of CIT (including via FCT rules) may be affected by a relevant DTA. For example, the 5% CIT withholding on services supplied by a foreign contractor may be eliminated under a DTA if the foreign contractor does not have profits attributable to a PE in Viet Nam.

Viet Nam has signed more than 70 DTAs and there are a number of others at various stages of negotiation. Please see the summary at Appendix I – list of DTAs. Notable is the signed DTA with the United States of America, although this is not yet in force as at April 2018.

There are various guidelines on the application of DTAs. These include regulations relating to beneficial ownership and general anti-avoidance provisions. DTA entitlements will be denied where the main purpose of an arrangement is to obtain beneficial treatment under the terms of a DTA (treaty shopping) or where the recipient of the income is not the beneficial owner. The guidance dictates that a substance over form analysis is required for the beneficial ownership and outlines the factors to be considered, which include:

- Where the recipient is obligated to distribute more than 50% of the income to an entity in a third country within 12 months;
- Where the recipient has little or no substantive business activities;
- Where the recipient has little or no control over or risk in relation to the income received;
- Back to back arrangements;
- Where the recipient is resident in a country with a low tax rate;
- Where the recipient is an intermediary or agent.

Capital Assignment Profits Tax (“CAPT”)

Gains derived from the sale of interest / shares in a Viet Nam non-public company are subject to 20% CIT. This is generally referred to as capital assignment profits tax (CAPT) although it is not a separate tax as such. The taxable gain is determined as the excess of the sale proceeds less cost (or the initial value of contributed charter capital for the first transfer) less transfer expenses.

Where the vendor is a foreign entity, a Vietnamese purchaser is required to withhold the tax due from the payment to the vendor and account for this to the tax authorities. Where the purchaser is also a foreign entity, the Vietnamese target (in which the interest is transferred) is responsible for the CAPT administration including the payment of any CAPT. The CAPT declaration and payment is required within 10 days from the date of official approval of the sale by a competent body or, where approval is not required, 10 days from the date the parties reach agreement on the sale in the contract.

The tax authorities have the right to adjust the transfer price for CAPT purposes where the price is not consistent with the market price or where the price is not stipulated in the transfer agreement.

Recently there has been a move to tax not only transfers of a Vietnamese entity, but also the transfers of an overseas parent (direct or indirect) of a Vietnamese company.

Transfers of securities (bonds, shares of public joint stock companies, etc.) by a foreign entity are subject to CIT on a deemed basis at 0.1% of the total sales proceeds. Gains derived by a resident entity from the transfer of securities are however taxed at 20%.

Amendments to the current law are currently being drafted which suggest deemed tax rates to be applied to all capital and securities transfers.

Value Added Tax (“VAT”)

Scope of Application

VAT applies to goods and services used for production, trading and consumption in Viet Nam (including goods and services purchased from non-residents). A domestic business must charge VAT on the value of goods or services supplied.

In addition, VAT applies on the dutiable value of imported goods. The importer must pay VAT to the customs authorities at the same time they pay import duties. For imported services, VAT is levied via the FCT mechanism.

VAT payable is calculated as the output VAT charged to customers less the input VAT suffered on purchases of goods and services. For input VAT to be creditable, the taxpayer must obtain a proper VAT invoice from the supplier. For VAT paid on imports, the supporting document is the tax payment voucher, and for VAT collected via the FCT mechanism, the supporting document is the FCT payment voucher.

Goods or Services where VAT declaration and payment are not required

For these supplies, no output VAT has to be charged but input VAT paid on related purchases may be credited.

These supplies include:

- Compensation, bonuses and subsidies, except those provided in exchange for certain services;
- Transfers of emission rights and various financial revenues;
- Certain services rendered by a foreign organisation which does not have a PE in Viet Nam where the services are rendered outside of Viet Nam, including repairs to means of transport, machinery or equipment, advertising, marketing, promotion of investment and trade to overseas brokerage activities for the sale of goods and services overseas, training, certain international telecommunication services;
- Sales of assets by non-business organisations or individuals not registered for VAT;



- Transfer of investment projects for production of or trade in goods and services subject to VAT;
- Sale of agricultural products that have not been processed into other products or which have only 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;
- Commissions from the sale of

- exempt goods/services;
- Lending or return of machinery, equipment, goods;
- Goods exported and then re-imported back to Viet Nam due to sales returns by overseas customers.

Exempt Goods and Services

There are stipulated categories of VAT exemption, including:

- Certain agricultural products;
- Goods/services provided by individuals having annual revenue of VND 100 million or below;
- Imported or leased drilling rigs, aero planes and ships of a type which cannot be produced in Viet Nam;
- Transfer of land use rights (subject to limitations);
- Financial derivatives and credit services (including credit card issuance, finance leasing and factoring); sale of VAT able mortgaged assets by the 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; elderly/disabled people care services;
- Teaching and training;
- Printing and publishing of newspapers, magazines and certain types of books;
- Passenger transport by public buses;
- 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 jewellery;
- Exported natural resources which are unprocessed or processed with at least 51% of their costs being natural resources and energy;
- Imports of machinery, equipment and materials which cannot be produced in Viet Nam 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 Viet Nam for prospecting, exploration and development of oil and gas fields;
- Goods imported in the following

Tax Rates

There are three VAT rates as follows:

0% *This rate applies to exported goods/services including goods/services sold to overseas/non-tariff areas and consumed outside Viet Nam/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.*

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; husbandry feed; various agricultural products and services; technical/scientific services; rubber latex; sugar and its by-products; certain cultural, artistic, sport services/products and social housing.*

10% *This “standard” rate applies to activities not specified as not-subject to VAT, exempt or subject to 0% or 5%.*

When a supply cannot be readily classified based on the tax tariff, VAT must be calculated based on the highest rate applicable for the particular range of goods which the business supplies.

Amendments to the current law are currently being drafted which suggest an increase in the current VAT rates.

cases: international non-refundable aid, including from Official Development Aid, foreign donations to government bodies and to individuals (subject to limitations);

- Fertiliser, feed for livestock, poultry, seafood and other animals, machinery and equipment specifically used for agriculture.

Exported Goods and Services

Services directly rendered and goods sold to foreign companies, including companies in non-tariff areas, are subject to 0% VAT if they are consumed outside Viet Nam or in non-tariff areas.

Various supporting documents are required in order to apply 0% VAT to exported goods and services (except for international transportation services): e.g. contracts, evidence of non-cash payment and customs declarations (for exported goods).

There are a number of services specified in the VAT regulations which do not qualify for 0% VAT, in particular advertising, hotel services, training, entertainment, tourism provided in Viet Nam to foreign customers; and various services provided to non-tariff areas (including leasing of houses, transport services for employees to and from their work place, certain catering services) and services in relation to trading or distribution of goods in Viet Nam.

VAT Calculation Methods

There are two VAT calculation methods, the deduction method and the direct calculation method.

1/ Method one - Deduction method

This method applies to business establishments maintaining full books of accounts, invoices and documents in accordance with the relevant regulations, including:

- Business establishments with annual revenue subject to VAT of VND1 billion or more;
- Certain cases voluntarily registering for VAT declaration under the deduction method.

- Determination of VAT payable

VAT payable = Output VAT - Input VAT

- Calculation of output VAT

The output VAT to be charged is calculated by multiplying the taxable price (net of tax) by the applicable VAT rate. With respect to imported goods, VAT is calculated on the import dutiable value plus import duty plus special sales tax (if applicable) plus environment protection fee (if applicable). For goods sold on an instalment basis (except for real estate), VAT is calculated on the total price without interest, rather than the instalments actually received.

- Input VAT

For domestic purchases, input VAT is based on VAT invoices. For imports, as there is no VAT invoice, input VAT credits are based on the tax payment voucher. VAT invoices can be declared and claimed any time before the company receives notice of a tax audit by the tax authorities. Input VAT credits on payments of VND20 million or more can only be claimed where evidence of payment by bank is available. Input VAT withheld from payments to overseas suppliers (i.e. under the foreign contractor tax system) can also be claimed where the taxpayer makes VAT able supplies.

If a business sells exempt goods or services it cannot recover any input VAT paid on its purchases. This contrasts with supplies entitled to 0% VAT or with no VAT required, where the input VAT can be recovered. Where a business generates both VAT able and VAT exempt sales, it can only claim an input VAT credit for the portion of inputs used in the VAT able activity.

2/ Method two - Direct method

This method applies to:

- Business establishments with annual revenue subject to VAT of less than VND1 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;

- Business establishments engaging in trading in gold, silver and precious stones.

- Determination of VAT payable

VAT payable = value added of goods or services sold x VAT rate

Where there is a negative value added from the trading in gold, silver or precious stones in a period, it can be offset against any positive value added of those activities in the same period. Any remaining negative balance can be carried forward to a subsequent period in the same calendar year but cannot be carried over to the next year.

Once selected, the VAT declaration method must be maintained for 2 consecutive years.

Discounts and Promotions

Price discounts generally reduce the value on which VAT applies. However, certain types of discounts may not be permitted as a reduction before the calculation of VAT and various rules and conditions apply.

Goods and Services for internal consumption

Goods or services for internal use are no longer subject to output VAT, provided that they relate to the business of the company.

Administration

All organisations and individuals producing or trading VAT able goods and services in Viet Nam must register for VAT. In certain cases, branches of an enterprise must register separately and declare VAT on their own activities.

Taxpayers must file VAT returns on a monthly basis by the 20th day of the subsequent month, or on a quarterly basis by the 30th day of the subsequent quarter (for companies with prior year annual revenue of VND 50 billion or less).

Refunds

From 1 July 2016, VAT refunds are only granted in the following cases:

- Exporters having excess input VAT credits over VND300 million. The refunds are provided on a monthly or quarterly basis, in line with the VAT declaration period of taxpayers. The amount of input VAT relating to export sales (meeting the criteria for VAT refunds) that can be refunded to a taxpayer must not exceed 10% of its export revenue. VAT refunds are not available to companies which import goods and then export them without further processing;
- New projects of companies adopting VAT deduction method which are in the pre-operation investment phase and have accumulated VAT credits over

VND300 million. Exceptions include conditional investment projects which do not satisfy the regulated investment conditions, or investment projects of companies whose charter capital has not yet been contributed as regulated;

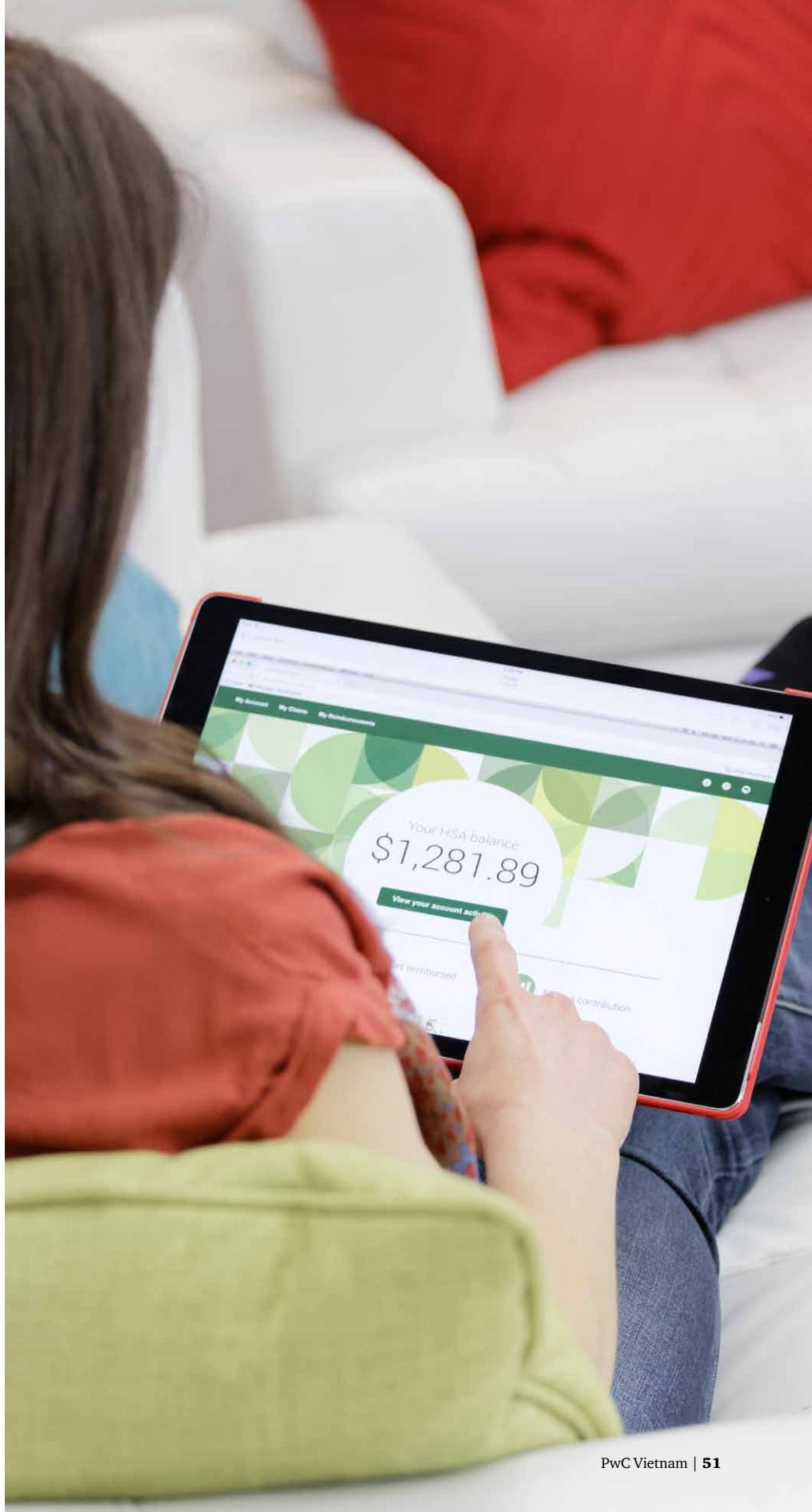
- Liquidation, bankruptcy, changes in the ownership of the companies, changes in the company form, merger, consolidation, demerger, division;
- Certain ODA projects, diplomatic exemption, foreigners buying goods in Viet Nam for consumption overseas.

In other cases where a taxpayer's input VAT for a period exceeds its output VAT, it will have to carry the excess forward to offset future output VAT.

Tax Invoices

Entities in Viet Nam can use pre-printed invoices, self-printed invoices or electronic invoices. The tax invoice template must contain stipulated items and be registered with or notified to the local tax authorities. For exported goods commercial invoices are used instead of domestic tax invoices.

A decree is currently being drafted to shift towards the usage of electronic invoices.



Special Sales Tax (“SST”)

SST is a form of excise tax that applies to the production or import of certain goods and the provision of certain services.

Imported goods (except for various types of petrol) are subject to SST at both the import and selling stages.

Taxable Price

The taxable price of domestically produced goods sold by a manufacturer/imported goods sold by an importer is the selling price exclusive of SST and environment protection fee. Where the selling price is not considered as in line with the ordinary market price, the tax authorities may seek to deem the tax. The taxable price of imported goods upon importation is the dutiable price plus import duties.

Where manufactured or imported goods are subsequently sold by a trading entity which has the following relationship with the manufacturer or importer: (i) parent – subsidiary; (ii) same parent; or (iii) related party (one owns directly or indirectly at least 20% of the other), the SST taxable price must not be less than 93% of the average selling price charged by the dependent/related trading entity selling to independent/non-related trading entities or customers. This is applicable to both single level and multi-level dependent/related trading entities.

Tax Credits

Taxpayers producing SST liable goods from SST liable raw materials are entitled to claim a credit for the SST amount paid on raw materials imported or purchased from domestic manufacturers.

Where taxpayers pay SST at both the import and selling stages, the SST paid at importation will be creditable against SST paid at the selling stage.

Tax Rates

The Law on SST classifies objects subject to SST into two groups:

- Commodities - cigarettes, liquor, beer, automobiles having less than 24 seats, motorcycles, airplanes, boats, petrol, air-conditioners up to 90,000 BTU, playing cards, votive papers; and
- Service activities - discotheques, massage, karaoke, casinos, gambling, lotteries, golf clubs and entertainment with betting.

Amendments to the current law are currently being drafted which would inter alia, bring new supplies/ products within the scope of the SST, and amend applicable rates.

The SST rates are as follows:

SST Rates

Products / services	Tax rate (%)
Cigar/Cigarettes	
- From 1 January 2016 to 31 December 2018	70
- From 1 January 2019	75
Spirit/Wine	
a) Spirit/Wine with ABV $\geq 20^{\circ}$	65
-From 1 January 2018	
b) Spirit/Wine with ABV $< 20^{\circ}$	35
- From 1 January 2018	
Beer	
- From 1 January 2018	65
Automobiles having less than 24 seats	10 - 150
- From 1 January 2018	
Motorcycles with cylinder capacity above 125cm ³	20
Airplanes	30
Boats	30
Petrol	7 - 10
Air-conditioner (not more than 90,000 BTU)	10
Playing cards	40
Votive papers	70
Discotheques	40
Massage, karaoke	30
Casinos, jackpot games	35
Entertainment with betting	30
Golf	20
Lotteries	15

Natural Resources Tax (“NRT”)

Natural resources tax is payable by industries exploiting Viet Nam’s natural resources including petroleum, minerals, natural gas, forest products, natural seafood, natural bird’s nests, and natural water. Natural water used for agriculture, forestry, fisheries, salt industries and sea water for cooling purposes may be exempt from NRT provided that certain conditions are satisfied.

The tax rates vary depending on the natural resource being exploited, ranging from 1% to 40%, and are applied to the production output at a specified taxable value per unit. Various methods are available for the calculation of the taxable value of the resources, including cases where the commercial value of the resources cannot be determined.

Crude oil, natural gas and coal gas are taxed at progressive tax rates depending on the daily average production output.

Property Tax

Foreign investors generally pay rental fees for land use rights. The range of rates is wide depending upon the location, infrastructure and the industrial sector in which the business is operating.

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%.

Environment Protection Tax

Environment protection tax is applicable to the production and importation of certain goods deemed detrimental to the environment, the most significant of which are petroleum and coal. The rates are as follows:

No.	Goods	Unit	Tax rate (VND)
1	Petrol, diesel, grease, etc.	litre/kg	300 - 3,000
2	Coal	ton	10,000 - 20,000
3	HCFCs	kg	4,000
4	Plastic bags (*)	kg	40,000
5	Restricted use chemicals	kg	500 - 1,000

* Excludes plastic bags used for packaging or which are “environmentally friendly”





Import and Export Duties

Rates

Import and export duty rates are subject to frequent changes and it is always prudent to check the latest position.

Import duty rates are classified into 3 categories: ordinary rates, preferential rates and special preferential rates. Preferential rates are applicable to imported goods from countries that have Most Favoured Nation (MFN, also known as Normal Trade Relations) status with Viet Nam. The MFN rates are in accordance with Viet Nam's WTO commitments and are applicable to goods imported from other member countries of the WTO.

Special preferential rates are applicable to imported goods from countries that have a special preferential trade agreement with Viet Nam.

To be eligible for preferential rates or special preferential rates, the imported goods must be accompanied by an appropriate Certificate of Origin. When goods are sourced from non-preferential treatment/non-favoured countries, the ordinary rate (being the MFN rate with a 50% surcharge) is imposed.

For more information on free trade agreements, please refer to the 'Trade' section of this publication.

Calculations

In principle, Viet Nam follows the WTO Valuation Agreement with certain variations. The dutiable value of imported goods is typically based on the transaction value (i.e. the price paid or payable for the imported goods, and where appropriate, adjusted for certain dutiable or non-dutiable elements). Where the transaction value is not applied, alternative methodologies for the calculation of the dutiable value will be used.

SST and Environment Protection Tax apply to some products in addition to import duties. VAT will also be applied on imported goods (unless exempt under the VAT regulations).

Exemptions

Import duty exemptions are provided for projects which are classified as encouraged sectors and other goods imported in certain circumstances.

Categories of import duty exemption include:

- Machinery & equipment, specialised means of transportation and construction materials (which cannot be produced in Viet Nam) comprising the fixed assets of encouraged investment projects;
- Machinery, equipment, specialised means of transportation, materials (which cannot be produced in Viet Nam), office equipment imported for use in oil and gas activities;
- Materials, supplies and components imported for the production of exported goods;
- Raw materials, supplies, components imported for processing of exports;
- Goods manufactured, processed, recycled, assembled in a free trade zone without using imported raw materials or components when they are imported into the domestic market;
- Materials, supplies and components which cannot be domestically produced and which are imported for the production of certain encouraged projects;
- Goods temporarily imported or exported for the purpose of warranty, repair, and replacement.

Refunds

There are various cases where a refund of import duties is possible, including for:

- Goods for which import duties have been paid but which are not actually physically imported;
- Imported raw materials that are not used and which must be re-exported;
- Imported raw materials that were imported for the production of products for the domestic market but are later used for the processing of goods for export under processing contracts with foreign parties.

SST and Environment Protection Tax apply to some products in addition to import duties. VAT will also be applied on imported goods (unless exempt under the VAT regulations).





Export Duties

Export duties are charged only on a few items, basically natural resources such as sand, chalk, marble, granite, ore, crude oil, forest products, and scrap metal. Rates range from 0% to 40%. The tax base for computation of export duties is the FOB /Delivered At Frontier price, i.e. the selling price at the port of departure as stated in the contract, excluding freight and insurance costs.

Customs audit

The customs office may perform post-custom audits either at their offices or at the customs declarants' premises. These inspections normally focus on issues including HS code classification, valuation, compliance with export/toll manufacturing exemption schemes and certificates of origin.

Personal Income Tax (“PIT”)

Tax Residency

Residents are those individuals meeting one of the following criteria:

- Residing in Viet Nam for 183 days or more in either the calendar year or the period of 12 consecutive months from the date of first arrival;
- Having a permanent residence in Viet Nam (including a registered residence which is recorded on the permanent / temporary residence card or a rented house in Viet Nam with a lease term of 183 days or more in a tax year in case of foreigners) and unable to prove tax residence in another country.

Tax residents are subject to Vietnamese PIT on their worldwide taxable income. Employment income is taxed on a progressive tax rates basis. Other income is taxed at a variety of different rates.

Individuals not meeting the conditions for being tax resident are considered tax non-residents. Tax non-residents are subject to PIT at a flat tax rate of 20% on their Viet Nam related employment income, and at various other rates on their non-employment income. However, this will need to be considered in light of the provisions of any DTA that might apply.

Tax Year

The Vietnamese tax year is the calendar year. However, where in the calendar year of first arrival an individual is present in Viet Nam for less than 183 days, his / her first tax year is the 12 month period from the date of arrival. Subsequently, the tax year is the calendar year.

Employment Income

The definition of taxable employment income is broad and includes all cash remuneration and various benefits-in-kind. However, the following items are not subject to tax:

- Payments for business trips;
- Payments for telephone charges /stationery costs;
- Office clothes (subject to a cap if the office clothes are provided in cash);
- Overtime premium (i.e. the additional payment above the normal wage, not the full amount of the overtime / nightshift payment);
- One-off allowance for relocation
 - from Viet Nam for Vietnamese working overseas
 - to Viet Nam for expatriates working in Viet Nam
 - to Viet Nam for Vietnamese residing overseas on a long term basis and returning to Viet Nam to work;
- Transportation to and from work;
- Once per year home leave round trip airfare for expatriate employees and Vietnamese working overseas;
- School fees up to high school in Viet Nam / overseas for children of expatriates / Vietnamese working overseas;
- Training;
- Mid-shift meals (subject to a cap if the meals are provided in cash);

- Certain benefits in kind provided on a collective basis (e.g. membership fee, entertainment, healthcare);
- Airfares for employees working on a rotation basis in a number of industries (e.g. petroleum, mining);
- Employer's contributions to certain local and overseas non-mandatory insurance schemes without payout of accumulated premiums to the employees (e.g. medical insurance, accident insurance); and
- Allowances / benefits for wedding, funeral (subject to a cap).

There are a range of conditions and restrictions applicable to the above exemptions.

Non-employment Income

Taxable non-employment income includes:

- Business income (including rental income in excess of VND100 million/year);
- Investment income (e.g. interest, dividends);
- Gains on sale of shares;
- Gains on sale of real estate;
- Inheritances in excess of VND10 million;
- Winning prizes/gifts in excess of VND10 million (excluding income from winnings at casinos);

- Income from copyright / franchising / royalties / receiving gifts in excess of VND10 million.

Non Taxable Income

Non taxable non-employment income includes:

- Interest earned on deposits with credit institutions / banks and on life insurance policies;
- Compensation paid under life / non-life insurance policies;
- Retirement pensions paid under the Social Insurance law (or the foreign equivalent);
- Income from transfer of properties between various direct family members;
- Inheritances / gifts between various direct family members;
- Monthly retirement pensions paid under voluntary insurance schemes;
- Income of Vietnamese vessel crew members working for foreign shipping companies or Viet Nam international transportation companies;
- Income from winnings at casinos.

Foreign Tax Credits

In respect of tax residents who have overseas income, PIT paid in a foreign country on the foreign income is creditable.

Tax Deductions

Tax deductions include:

1. Employee contributions to mandatory social, health and unemployment insurance schemes;
2. Employee contributions to local voluntary pension schemes (subject to a cap);
3. Employee contributions to certain approved charities;
4. Tax allowances:
 - Personal allowance: VND9 million/month;
 - Dependent allowance: VND3.6 million/month/dependent. The dependent allowance is not automatically granted, and the taxpayer needs to register qualifying dependents and provide supporting documents to the tax authority.

PIT Rates

Residents - employment income

Annual Taxable Income (million VND)	Monthly Taxable Income (million VND)	Tax Rate
0 - 60	0 - 5	5%
60 - 120	5 - 10	10%
120 - 216	10 - 18	15%
216 - 384	18 - 32	20%
384 - 624	32 - 52	25%
624 - 960	52 - 80	30%
More than 960	More than 80	35%

Residents – other income

Type of taxable income	Tax Rate
Business income	0.5% - 5% (based on the type of business income)
Interest (but not bank interest) / dividends	5%
Sale of shares	0.1% of the sales proceeds
Capital assignment	20% of the net gain
Sale of real estate	2% of the sales proceeds
Income from copyright	5%
Income from franchising / royalties	5%
Income from winning prizes	10%
Income from inheritances / gifts	10%

Non-residents

Type of taxable income	Tax rate
Employment income	20%
Business income	1% - 5% (based on the type of business income)
Interest / dividends	5%
Sale of shares/ Capital assignment	0.1% of the sales proceeds
Sale of real estate	2% of the sales proceeds
Income from royalties / franchising	5%
Income from inheritance / gifts / winning prizes	10%

Administration

Tax codes

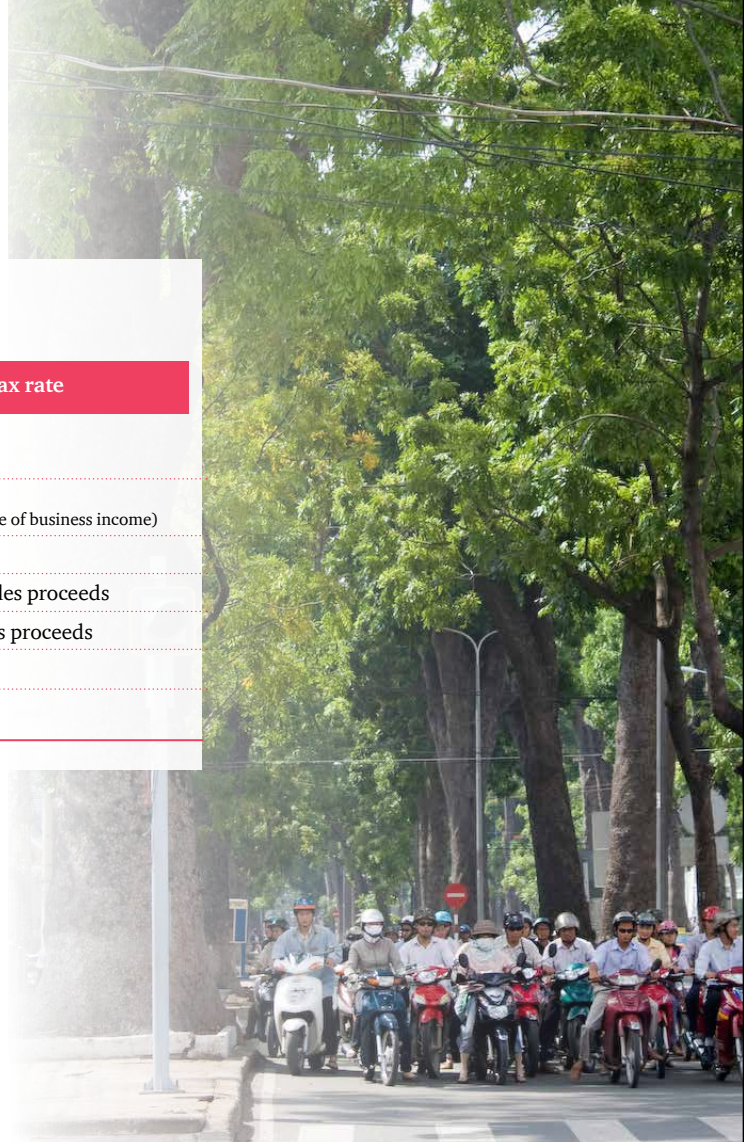
Individuals who have taxable income are required to obtain a tax code. Those who have taxable employment income must submit the tax registration file to their employer who will subsequently submit this to the local tax office. Those who have other items of taxable income are required to submit their tax registration file to the district tax office of the locality where they reside.

Tax declarations and payment

For employment income, tax has to be declared and paid provisionally on a monthly or quarterly basis by the 20th day of the following month or by the 30th day of the month following the reporting quarter, respectively. The amounts paid are reconciled to the total tax liability at the year-end. An annual final tax

return must be submitted and any additional tax must be paid within 90 days of the year end. Expatriate employees are also required to carry out a PIT finalisation on termination of their Viet Nam assignment. Tax refunds are only available to those who have a tax code.

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 receipts basis.



Social, Health and Unemployment Insurance Contributions

Social insurance (“SI”) and Unemployment insurance (“UI”) contributions are applicable to Vietnamese individuals only. Health insurance (“HI”) contributions are required for Vietnamese and foreign individuals that are employed under Viet Nam labour contracts. Effective from 1 January 2018, SI contributions are also applicable to foreign individuals working in Viet Nam under a work permit or practicing certificate or license. However, further guidelines in this regard have not been released.

SI/HI/UI contribution rates are as follows:

	SI	HI	UI	Total
Employee	8%	1.5%	1%	10.5%
Employer	17.5 %	3%	1%	21.5%

From 1 January 2018, the income subject to SI / HI / UI contributions includes the salary, certain allowances and other regular payments according to labour laws but this is capped at 20 times the minimum salary for SI / HI contributions and 20 times the minimum regional salary for UI contribution (Effective from 1 July 2018, the minimum salary is increased from VND1,300,000/month to VND1,390,000/month. Effective from 1 January 2018 the minimum regional salary varies from VND2,760,000 to VND3,980,000/month - these minimum salaries are subject to change each year).

Statutory employer contributions do not constitute a taxable benefit to the employee. The employee contributions are deductible for PIT purposes.

Employees and employers are also encouraged to participate in voluntary pension schemes. Tax deductions for the contributions are allowed for both employees (for PIT purposes) and employers (for CIT purposes), subject to a cap.

Other Taxes

Numerous other fees and taxes can apply in Viet Nam, including business licence tax and registration fees (akin to stamp duty) on the transfer of certain registerable assets.

Tax Audits and Penalties

Tax returns are filed on a self-assessment basis and are subject to tax audit at a later point in time.

Tax audits are carried out regularly and often cover a number of tax years. Prior to an audit, the tax authorities send the taxpayer a written notice specifying the timing and scope of the audit inspection.

There are detailed regulations setting out penalties for various tax offences. These range from relatively minor administrative penalties through to tax penalties amounting to various multiples of the additional tax assessed. For discrepancies identified by the tax authorities (e.g. upon audit), a 20% penalty will be imposed on the amount of tax under-declared. Interest of 0.03% per day applies for late payment of tax .

The general statute of limitations for imposing tax and late payment interest is 10 years (effective 1 July 2013) and for penalties is up to 5 years. Where the taxpayer did not register for tax, there is no statute of limitation for imposing tax and late payment interest.

A 20% penalty will be imposed on the amount of tax under-declared. Interest of 0.03% per day applies for late payment of tax .



Appendix I - Double Taxation Agreements

A summary of withholding tax rates is presented below:

No.	Recipient	Interest (%)	Royalties (%)	Notes
1	Algeria	15	15	1, 2
2	Australia	10	10	-
3	Austria	10	7.5/10	2
4	Azerbaijan	10	10	2
5	Bangladesh	15	15	2
6	Belarus	10	15	2
7	Belgium	10	5/10/15	2
8	Brunei Darussalam	10	10	2
9	Bulgaria	10	15	2
10	Canada	10	7.5/10	2
11	China	10	10	2
12	Cuba	10	10	-
13	Czech Republic	10	10	2
14	Denmark	10	5/15	2
15	Egypt	15	15	1
16	Estonia	10	7.5/10	-
17	Finland	10	10	2
18	France	Nil	10	-
19	Germany	10	7.5/10	2
20	Hong Kong	10	7/10	2
21	Hungary	10	10	-
22	Iceland	10	10	2
23	India	10	10	2
24	Indonesia	15	15	2
25	Iran	10	10	2
26	Ireland	10	5/10/15	2
27	Israel	10	5/7.5/15	2
28	Italy	10	7.5/10	2
29	Japan	10	10	2
30	Kazakhstan	10	10	2
31	Korea (South)	10	5/15	2
32	Korea (North)	10	10	2
33	Kuwait	15	20	1, 2
34	Laos	10	10	-
35	Luxembourg	10	10	-
36	Macedonia	10	10	1
37	Malaysia	10	10	2
38	Manta	10	5/10/15	2
39	Mongolia	10	10	2
40	Morocco	10	10	2

No.	Recipient	Interest (%)	Royalties (%)	Notes
41	Mozambique	10	10	-
42	Myanmar	10	10	2
43	Netherlands	10	5/10/15	2
44	New Zealand	10	10	-
45	Norway	10	10	2
46	Oman	10	10	2
47	Pakistan	15	15	2
48	Panama	10	10	-
49	Palestine	10	10	-
50	Philippines	15	15	2
51	Poland	10	10/15	-
52	Portugal	10	7.5/10	2
53	Qatar	10	5/10	2
54	Romania	10	15	2
55	Russia	10	15	-
56	San Marino	10/15	10/15	-
57	Saudi Arabia	10	7.5/10	2
58	Serbia	10	10	2
59	Seychelles	10	10	-
60	Singapore	10	5/10	2
61	Slovakia	10	5/10/15	2
62	Spain	10	10	2
63	Sri Lanka	10	15	2
64	Sweden	10	5/15	2
65	Switzerland	10	10	-
66	Taiwan	10	15	-
67	Thailand	10/15	15	2
68	Tunisia	10	10	2
69	Turkey	10	10	2
70	UAE	10	10	2
71	Ukraine	10	10	2
72	United Kingdom	10	10	2
73	United States	10	5/10	1, 2
74	Uruguay	10	10	-
75	Uzbekistan	10	15	2
76	Venezuela	10	10	2

Notes:

1. Not in force yet

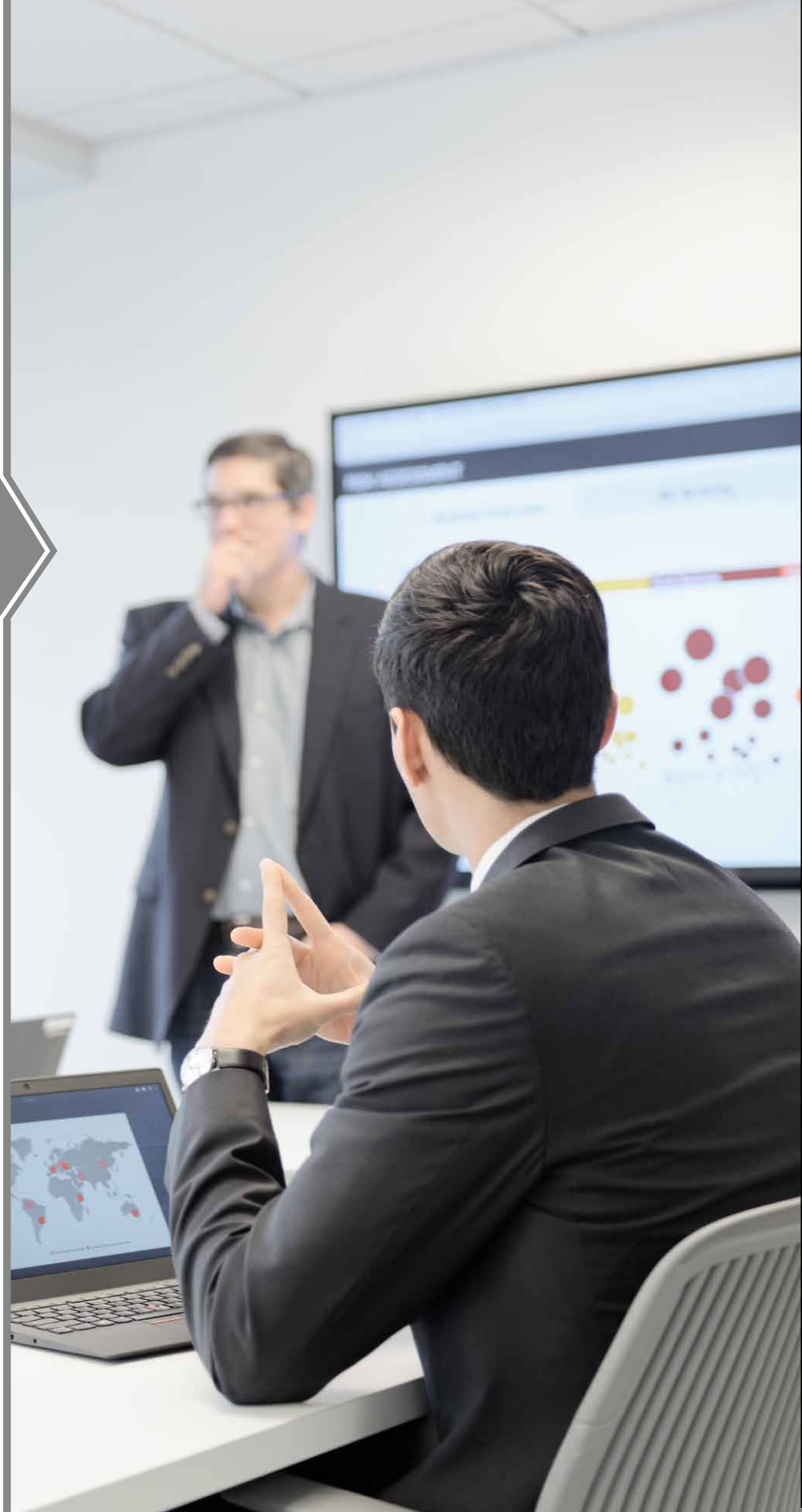
2. Interest derived by certain government bodies is exempt from withholding tax.

In most cases the limits set by the DTA are higher than the present withholding rates under domestic law; therefore the domestic rates will apply

3. The content of these new DTAs is not available at the time this booklet was published.

5

Accounting & Auditing



“The accounting and auditing framework is converging towards international standards in order to ensure transparency and improved risk management.”

Richard Peters

Partner
PwC Vietnam

Accounting framework

Vietnamese Accounting Standards

There are currently 26 Vietnamese Accounting Standards (“VAS”). All of these standards were issued from 2001 to 2005 and were primarily based on the old versions of the respective International Accounting Standards at that time with certain customisations to fit Viet Nam’s circumstances. It should be noted that some key accounting standards, such as for financial instruments and impairment of assets have not been issued yet in Viet Nam.

Accounting Law and applicable implementation guidance

In Viet Nam, the Accounting Law is the highest accounting regulation issued by the National Assembly. Accounting activities are further governed by a system of decisions, decrees, circulars, official letters and the Vietnamese Accounting Standards.

The accounting framework in Viet Nam is mainly rules-based accounting rather than a principles-based one. The Vietnamese Accounting System is seen as the book keeping and financial reporting manual that provides a standard chart of accounts, financial statements template, accounting books and voucher templates, as well as detailed guidance on accounting double entries for specific

transactions in each individual account.

There are industry-specific accounting guidelines for credit institutions, insurance companies, securities companies, fund managers and funds. Out of these sectors, the accounting guidelines for credit institutions are issued by the State Bank of Viet Nam.

Accounting records

- *Framework:* Vietnamese Accounting System
- *Language:* Accounting records are required to be maintained in the Vietnamese language, but this can be combined with a commonly used foreign language.
- *Accounting period:* The accounting period is generally 12 months in duration. The first accounting period must not be longer than 15 months from the license date for a newly setup company. The last accounting period must also not be longer than 15 months.
- *Currency:* Accounting records are generally required to be maintained in Vietnamese dong (“VND”). Entities that receive and pay mainly in foreign currency can select a foreign currency to be used for their accounting records and financial statements provided that they meet all the stipulated



requirements. However, for statutory reporting, entities using another currency as their accounting currency must convert their financial statements prepared under that accounting currency into VND under certain prescribed regulations.

- *Accounting documents:* Accounting vouchers and accounting books can be stored either in the form of hard documents or electronic media. Those entities that use electronic media are not required to print out the accounting vouchers and accounting books for storage purposes. Upon request of the competent authorities to cater for testing, inspection, monitoring and auditing, these entities have responsibilities to print out the accounting documents stored on electronic media and have them signed by the legal representative and the chief accountant (or accountant in charge) and stamped (if there is an applicable seal).
- *Seal:* Enterprises are permitted to actively decide the form, quantity and contents of their seal. The management, use and retention of the seal shall comply with the entity's charter. The seal shall be used in the cases prescribed by law or agreed by the parties.
- *Retention:* Five years for those documents used for management or operation of the enterprise; ten years for accounting data, accounting books; and permanently for documents that are important in terms of the economy, national security and defense.

Accounting records are seen as a basis for assessing VAS non-compliance. The tax authorities treat VAS non-compliance as a basis for tax reassessment and imposition of penalties, including withdrawal of CIT incentives, disallowance of expenses for CIT purposes and denial of input VAT credits/refunds.

Financial reporting

The basic set of financial statements prepared under VAS comprises the following:

- Balance sheet;
- Income statement;
- Cash flow statement;
- Notes to the financial statements, including a disclosure on changes in equity.

An enterprise is required to appoint a Chief Accountant who must satisfy the criteria and conditions stipulated by the Law on Accounting and guiding regulations. The annual financial statements must be approved by the Chief Accountant and the Legal Representative and a copy of the financial statements must be submitted to the local authorities within 90 days of the end of the financial year.

Audit requirements

Viet Nam has issued 47 auditing standards which are primarily based on international standards of auditing with certain customisations to fit Viet Nam's circumstances.

The annual financial statements of all foreign-invested entities must be audited by an independent auditing

company operating in Viet Nam. Audited annual financial statements must be completed within 90 days of the end of the financial year. These financial statements should be filed with the applicable licensing body, Ministry of Finance, local tax authorities, Department of Statistics and other relevant authorities.

Audit contracts should be signed with independent auditing companies no later than 30 days before the end of the enterprise's fiscal year. The enterprise is legally responsible for providing timely and sufficient information, as well as explanations to the auditor.

There is a requirement to rotate audit firms after five consecutive years for credit institutions. For entities other than credit institutions, the signing auditors are required to be rotated off after three consecutive years.

Heading to International Financial Reporting Standards ("IFRS")

There are certain key differences between IFRS and VAS, mainly including terminology, accounting treatment and presentation and disclosure requirements. It should be noted that IFRS has been changing continuously with a number of revisions and amendments made to date. There are still a number of key accounting standards such as regarding financial instruments and impairment of assets that have not been issued yet in Viet Nam.

It should be noted that the Accounting Law 2015 introduces the concept of Fair Value for the first time, with further specific guidance expected to be issued by the MoF in the near future.

The application of IFRS normally attracts significant attention especially in markets where decision making on it is approaching such as Viet Nam. While there is not yet a clear roadmap for IFRS adoption in Viet Nam, preparation for readiness should be well planned in order to overcome key challenges along the way. Businesses should put in place accounting-auditing human resources as well as upgrading technologies, systems and processes which are all decisive factors in successfully adopting IFRS.

A copy of the financial statements must be submitted to the local authorities within

90 days

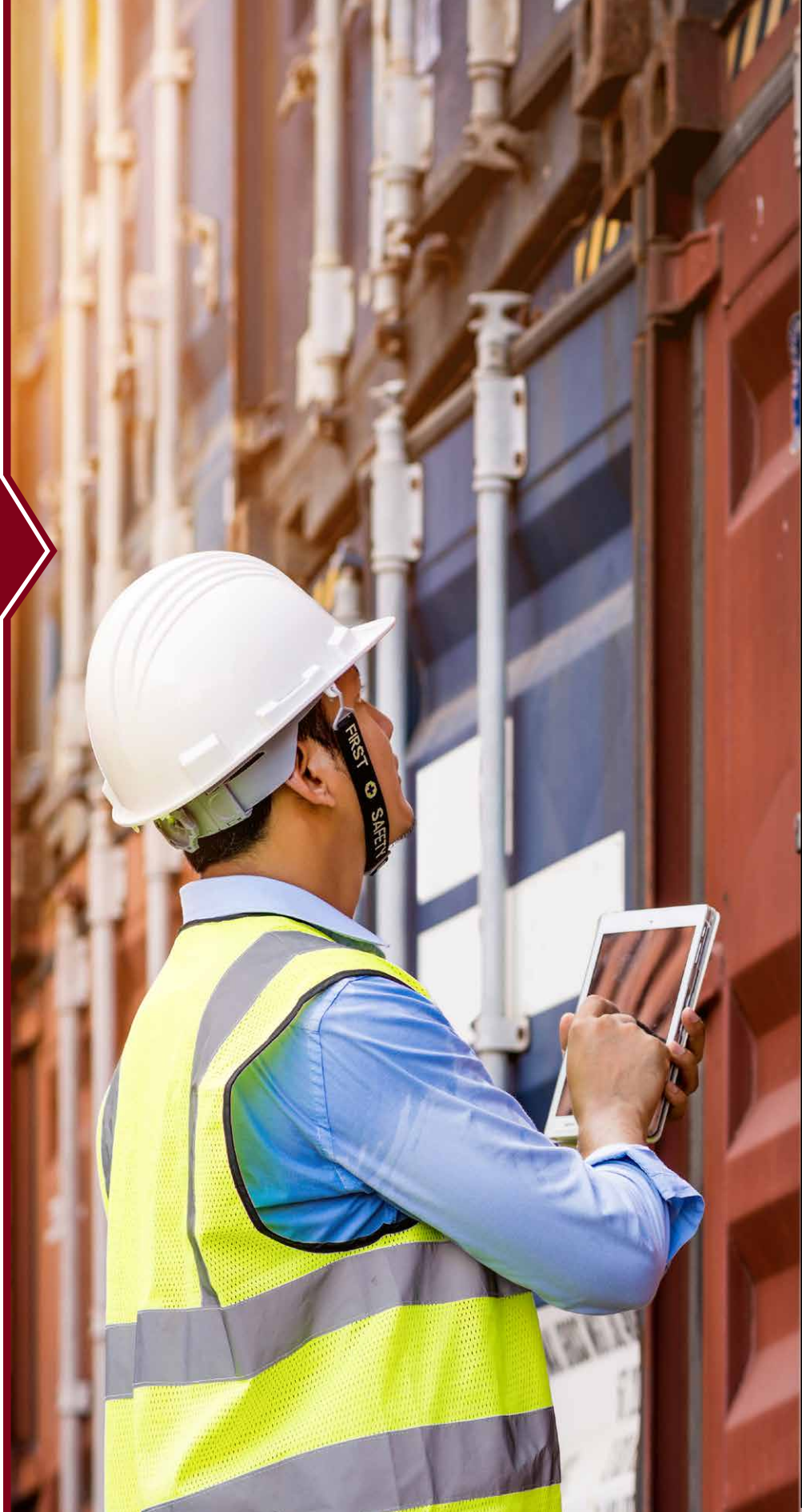
Viet Nam has issued

47
auditing standards



6

Human Resources and Employment Law



“To meet the increasing demand for high-quality human resources, the government has commenced partnering with the private educational sector to develop and implement strategies for training and upskilling of the workforce.”

Phan Thi Thuy Duong

Director
PwC Legal Vietnam

Employment Law

Viet Nam’s population is over 94 million and is expected to grow at an annual rate of 1.3%. Around 52% of the population is in working age (for males: 15 – 59 years old and for females: 15 – 54 years old). Approximately 22% of the labour force is considered trained or skilled (with diplomas/certificates).

The new Labour Code, which became effective on 1 May 2013, creates a legal framework that sets out, inter alia, the rights and obligations of employers and employees with respect to working hours, labour agreements, payment of social insurance, overtime, strikes, and termination of employment contracts. In addition, there are some new implementing decrees guiding the provisions of the Labour Code, for example decrees on labour contracts and disputes.

The law provides a maximum 8-hour working day and a 48-hour working week. An employer and an employee may agree that an employee works overtime, provided that the total

overtime worked does not exceed 200 hours per year. In special circumstances and with notification to the relevant authorities, the maximum overtime can be increased to 300 hours per year.

In a labour contract with Vietnamese workers, wages and salaries must be set in Vietnamese dong. The wages of employees are subject to minimum rates determined by the Government from time to time.

Foreigners working in Viet Nam must generally have a work permit issued by the labour management authority. In order to obtain a work permit, foreigners assigned to work in Viet Nam are required to show a degree of knowledge, a special skill or a manager/ executive-level skill not readily available in the domestic labour market.

Under the Labour Code, the maximum duration of a work permit is 24 months (which, however can be extended subject to certain conditions).



Immigration

Foreigners coming to Viet Nam must obtain a visa (with certain exceptions under treaties or other reciprocal agreements) from the Vietnamese Immigration Department or Vietnamese embassies/consulate offices in foreign countries.

A business visa is issued to foreign individuals who conduct business in Viet Nam.

Other HR issues

There are some other important points employers need to pay attention to:

- Registering internal working regulations with the provincial labour department;
- Setting up grass-roots trade unions if they have more than ten employees, and contributing union funds to the upper level trade union;
- Ensuring union organisation operates in a cooperative manner;
- Dealing with poor performance is a difficult process;
- Definite-term labour contracts can only be used twice after which indefinite-term contract must be used.

High skilled employees

The country has a young and dynamic growing workforce with a median age of 30.5 years, a relatively young population compared to China's median age of 37.4 years.

Vietnamese employees are often praised for being hard-working and skilful. However there is still a need for professional development to ensure the workforce remains competitive. In some areas of the economy, talents are scarce and in high demand. To deal with this talent issue, both local and foreign companies are investing heavily in local talent development programs. This involves in-house training, aggressive talent acquisition, and talent retention programs.

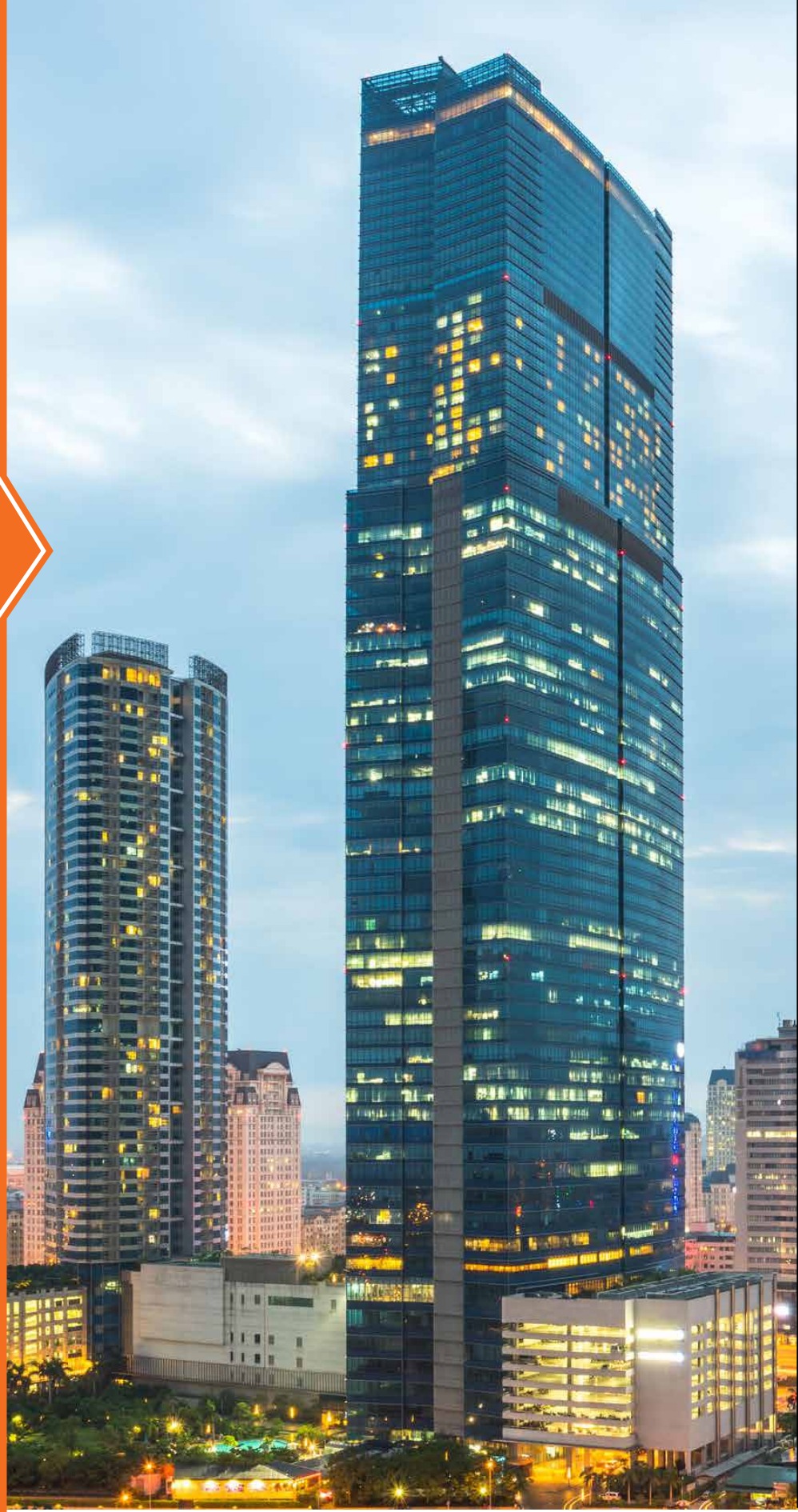
The government, in acknowledgement of the importance of productivity improvement, is determined to increase labour productivity and regards this as one of the three pillars for achieving a new growth model for the country, alongside growth quality and increased competitiveness.



7

Focus Industries

- *Banking and Capital Markets*
- *Real Estate*



“The financial system is becoming more resilient thanks to systematic efforts to restructure banks, resolve bad debts and adopt international risk frameworks.”

Nguyen Hoang Nam

Partner
PwC Vietnam

Banking and Capital Markets

Capital markets overview

Viet Nam capital markets include primary and secondary markets which are under supervision by the State Securities Commission. They are expected to grow fast in the next few years due to the current relatively small percentage of stock market capitalisation versus GDP. The bond market has also experienced a high growth rate but is still relatively small, which provides room for future growth. The Government has loosened regulations on foreign ownership limits to attract foreign investments.

Banking

Viet Nam's banking and financial services sector is under-developed but boasts high growth potential. Within this sector, growth is expected in retail banking, in particular payment cards and wealth management services. Demand for a range of retail banking products is set to grow due to the huge untapped market. There is also opportunity to modernise Viet Nam's cash-based society where 90% of payment transactions are still in cash and the market for payment cards is relatively untapped.

Generally, all foreign investors with an established presence in Viet Nam will need to open a bank account in order to conduct their business in Viet Nam.

Foreign investors in Viet Nam may open accounts denominated in Vietnamese dong, and may also open accounts denominated in US Dollars and other



Operating in Viet Nam
as at 31 December 2017

04

State-owned banks

16

finance companies

31

joint stock banks

11

leasing companies

49

foreign bank
branches

foreign currencies. Banks include domestic joint stock commercial banks, state-owned commercial banks, 100% foreign-owned subsidiary banks, joint-venture banks and foreign bank branches.

Other credit institutions include finance companies and leasing companies. As at 31 December 2017, there were 31 joint stock banks, four state-owned banks, 9 foreign owned banks, 49 foreign bank branches, 16 finance companies and 11 leasing companies operating in Viet Nam.

The Law on Credit Institutions allows commercial banks to provide a wide range of products and services, from traditional financial products to fund management and securities business.

In recent years, the Viet Nam banking system has gone through a big wave of restructuring where smaller and

weak banks were acquired by or merged with bigger banks or came under supervision by the State Bank of Viet Nam (“SBV”).

In 2017, the Government issued guidance on a resolution for resolving long outstanding bad debts, which for the first time provides a clearer legal framework for selling collateral assets and bad debts.

Effective from January 2018, the amendment to the Law on Credit Institutions introduced for the first time procedures for the liquidation of banks. It also provides further guidance on determining cross ownership and direction on future restructuring of banks.

Minimum legal capital requirement

A minimum legal capital requirement applies for credit institutions operating in Viet Nam. Minimum legal capital levels for commercial banks, foreign banks’ branches, finance companies and financial leasing companies are VND3,000 billion, US\$15 million, VND500 billion and VND150 billion, respectively.

Foreign ownership

Total foreign ownership in a local bank is capped at 30%. Subject to approval by the Prime Minister on a case by case basis, foreign investors can however own more than 30% of a local bank.

Capital adequacy ratio (“CAR”)

CAR under the SBV’s guidance is required to be maintained at a minimum level of 9%.

The existing CAR calculation methodology is based closely on Basel I with respect to credit risk and does not take into account other risks, such as operational risk and market risk charges.

In late 2016, the SBV issued a new regulation on CAR which will be effective from 2020. In accordance with this new regulation, CAR is required to be maintained at 8% and its calculation methodology will change to be aligned with Basel II, which not only takes into account credit risk but also operational risk and market risk. This new regulation is considered a step forward in the safety and effectiveness of Viet Nam’s banking sector.

Basel II

The SBV has issued a regulation which requires the top ten domestic commercial banks to comply with Basel II Standardised Approach in calculating regulatory capital by 2015 and Advanced Approach by 2018. At the end of 2016, an official circular on the CAR calculation following standardised approach was issued by the SBV which requires commercial banks to maintain a minimum CAR of 8% from January 2020. The SBV plans to issue a new regulation on Internal Capital Adequacy Assessment Process (ICAAP) in 2018 which requires

a bank to have in place internal procedures and processes to ensure that it possesses adequate capital resources in the long term to cover all of its material risks.

Internal controls and internal audit

Credit institutions and foreign banks’ branches operating in Viet Nam are required to set up an internal control system and internal audit function to comply with the SBV’s regulations.

Every year, credit institutions and foreign banks’ branches must review and assess the adequacy, validity, effectiveness and efficiency of internal controls. Accordingly, a report on the self-assessment of internal controls containing risk updates, a summary of the main operations, relevant risks and checks and controls at an organisation wide level, unit level and department level of the credit institutions and foreign banks’ branches must be prepared. This report must be submitted to the key stakeholders and to the SBV within 30 days from the end of the fiscal year.

Similarly, an independent assessment by internal auditors of credit institutions and foreign banks’ branches is required on an annual basis. The contents of this assessment include review, assessment and reporting on the adequacy, validity, and effectiveness and efficiency of the internal controls in connection with the operations and fields audited through identification and assessment of risks, identification of existing problems with internal controls and

indication of the necessary changes to the internal controls for rectification. Internal audit results must be reported in a timely manner to the key stakeholders and to the SBV within one month from the date of completion of each audit.

The SBV is currently drafting a circular providing guidance on internal control systems. The draft circular provides detailed guidance on internal control systems and the roles and responsibilities of the internal audit. This guidance is expected to be more aligned with the international framework and to provide a platform for Basel II implementation.

Independent audit requirements

The annual statutory financial statements and operating effectiveness of the internal control system of credit institutions and foreign banks' branches are required to be audited by an independent auditor. Credit institutions are also required to rotate auditing companies every five years.

Before the end of each fiscal year, credit institutions and foreign banks' branches must select an independent auditing company from the List of Authorised Auditing Companies published by the SBV to audit their financial statements and operation of the internal controls for the subsequent fiscal year.

Fintechs and Financial Inclusion in an era of Digitalisation

Growing Internet penetration and the proliferation of affordable smartphones, supported by lower data costs and increasing speed of transactions has been creating favorable conditions for enhancing financial inclusion within Viet Nam.

The significant part of the under-banked population suggests that there is plenty of room for further financial inclusion and customer-base expansion for Vietnamese banks. According to the World Bank, only 30.9% of Vietnamese people above 15 years old has account(s) at financial institution(s) in 2015, one of the lowest rate in the region (compared to a regional average of 61.7%). One way for Viet Nam to enable financial inclusion is to diversify providers of digital financial services and strengthen knowledge-sharing surrounding financial inclusion initiatives.

Technological innovation within the financial sector, commonly known as Fintech, as such, is perhaps seen as the most promising way to advance financial inclusion. This is proven by the record of \$4.4 billion invested in Viet Nam fintech market in 2017, which is expected to reach \$7.8 billion by 2020.

To enable digitalisation initiatives, State Bank of Viet Nam Steering Committee on Fintech was set up in 2017. The Steering Committee brings together the State Bank, representatives from departments within the central bank, and the

National Payment Corporation of Viet Nam to encourage the development of fintechs. The central bank also sets ambitious target to reach 70% banking penetration by 2020 (pursuant to the Decision 1276), with hope to further accelerate the fintech market, where startups are ready to provide to the market solutions such as lifestyle banking services, mobile wallet and digital payments services.

Foreign enterprises have been pouring hundreds of millions of dollars into Vietnamese fintech firms, and more and more bank-fintech cooperation agreements have been signed recently. According to the State Bank of Viet Nam (SBV), There are 40 operational fintech firms in Viet Nam providing diversified financial services, from payments, remittances, capital mobilization to financial management. Cooperation between banks and fintech companies is the most popularly seen operations method in Viet Nam, mostly by providing payment intermediary services. So far, SBV has granted licenses to 25 non-bank organisations to provide such kind of services.

In coming years, there is a positive outlook for digital and consumer banking services in Viet Nam, which is supported by the robust economic growth of the country, favorable demographics, and rising internet and smartphone penetration. With a rising affluence and tech-savviness among the young population, Viet Nam is considered as an attractive and potential investment destination for fintech in Asia. Fintech solutions will bring about new financial services besides traditional banking products, and thereby reshaping the competitive environment among financial services providers in the country.

“ Viet Nam remains a property market of high interest in the Asia Pacific region and there is a general view that the key markets will see further growth across many segments thanks to a strong outlook for Viet Nam’s economic fundamentals.”

Glenn Andrew Hughes

Director
PwC Vietnam

Real Estate Market

2017 performance summary

Viet Nam remains very much a development story. As per the report **Emerging Trends in Real Estate – Asia Pacific 2018** published by PwC, while bureaucracy remains an issue, the regulatory environment is becoming slowly less restrictive which helps to offer a better market access than other South East Asian developing economies. According to official statistics, real estate business ranked third in terms of attracting foreign direct investment (FDI) in 2017, with a total registered capital of US\$3 billion, accounting for 8.5% of total registered FDI for the year.

Given the small amounts of investable stock, many investors that are focused on the commercial property sectors have also been looking at investing in projects during their development phase, usually by way of joint ventures with local developers, who are often willing to take on partners to obtain better access to foreign capital and technical expertise.

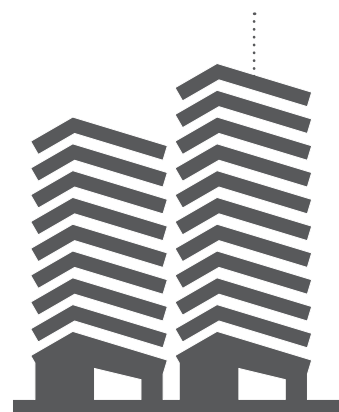
Generally, very little new prime office stock has been built in recent years, meaning very few stabilised assets of the highest quality are available to buy. That leaves the residential sector as the default play for most investors, usually in conjunction with a local joint venture partner. In 2017, the resort real estate market also continued to boom with a series of large projects and diversified

products. Nha Trang and Da Nang continue to show a dominant focus on the supply of condotel style properties, while Phu Quoc leads in resort villas.

Significant M&A deals in real estate were completed during 2017. According to Jones Lang LaSalle (JLL), the total transaction value in 2017 was around US\$1.5 billion, including notable transactions by foreign investors such as Warburg Pincus & VinaCapital, Vinasquare, CapitalLand, Keppel Land.

8.5%

of total registered FDI
capital for the year.



US\$3 billion

2018 outlook

With GDP growth continuing its strong trend, the structural undersupply of office space in Ho Chi Minh City (HCMC) is now a focus of investor attention. It is predicted by JLL that there will be no new Grade A offices and limited supply until 2020. The overall demand for office space in HCMC continues to be mainly driven by relocation and expansion of existing tenant businesses, while new set-ups are also increasing.

According to the report *Emerging Trends in Real Estate – Asia Pacific 2018* published by PwC, in reality, the acute shortage of investable stock in Viet Nam makes development the more readily available investment option, though even here options are not abundant. Local developers remain open to partnering with foreign capital, and there is also scope for providing loans to Vietnamese developers who as a group are generally looking to diversify sources of capital.

Given the relative shortage of existing commercial assets in Viet Nam, foreign investors are expected again to look at the residential sector, where demand continues to be both strong and growing. The first foreign investors that entered the market as long as ten years ago have endured a tough period but are now likely to reap solid rewards if they move to exit their positions.

This tells the story of needing a long-term view and resilience in the

face of the historic bust-to-boom dynamics of the market in Viet Nam (and, indeed, developing markets generally). Greater stability and sustainable growth is however the emerging expectation of many investors – and this confidence is reflected in the fact that new launches of apartment projects in 2018 will be at a similar pace to 2017 (with the focus still around affordable and mid-end sectors).

In the retail sector, HCMC tops the rankings in Asia Pacific as a potential investment location. However, while the steep growth trajectory of Vietnamese consumer spending is likely to continue (official statistics show retail sales growth of 11% year-on-year in the first nine months of 2017), both Viet Nam in general and HCMC in particular have an oversupply of retail assets, with the latter more than doubling the floor area of shopping centre space in 2015–2016, according to CBRE. A huge pipeline of incoming supply – some 500,000 square metres – is also set to arrive over the next three years, once again more than doubling existing supply. Major investment opportunities in the retail space have tended to be dominated by the large integrated developers from Singapore and Hong Kong.

Despite the relatively small amount of capital invested in the hotel sector (completed assets) throughout all of Viet Nam in the first half of 2017 (around US\$20 million, according to CBRE), foreign investor interest has been strong, and yields are generally high.



Ho Chi Minh City tops the rankings in Asia Pacific as a potential investment location

Relevant laws and regulations potentially affecting the market

The National Assembly is considering issuing a Law on Special Administrative-Economic Zones. Based on the draft law, foreigners would be allowed to buy houses, transfer real estate and other rights to real estate similar to those enjoyed by Vietnamese citizens.

Decree 139/2017/ND-CP published on 27 November 2017 imposes penalties for administrative violations in sectors including investment and construction, real estate business, housing development, etc.





PwC Vietnam

At PwC Vietnam, our purpose is to build trust in society and solve important problems.

We're a member of the PwC network of firms, which operates in 158 countries around the world and employs more than 250,000 people. Our people throughout the network are committed to delivering the highest standards of quality in relation to the assurance, legal, taxation and advisory services we deliver.

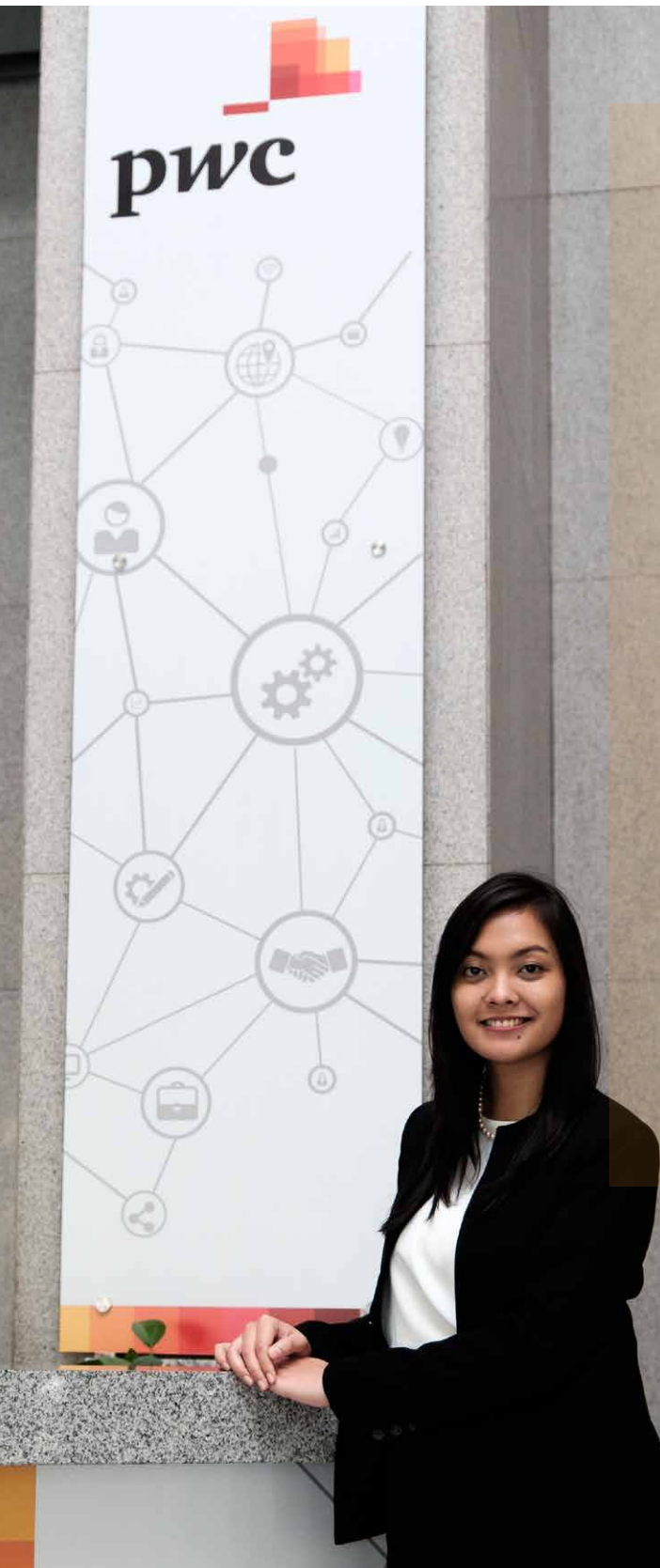
PwC Vietnam established offices in Hanoi and Ho Chi Minh City in 1994. Our team of around 1,000 local and expatriate staff have a thorough understanding of the economy in which they work and have an in-depth knowledge of Viet Nam's policies and procedures covering areas such as investment, legal, taxation and regulatory matters, accounting and mergers/acquisitions.

We have built strong relationships with key ministries, financial institutions, state-owned enterprises, private companies, commercial organisations and the ODA (Official Development Assistance) community in Viet Nam.

Industry Insights

Our teams are organised by business area to provide focused support on issues specific to any given industry. We have expertise in the following industries, amongst others:

- Banking and capital markets
- Engineering and construction
- Financial services
- Industrial products
- Oil and gas
- Pharmaceuticals and healthcare
- Real estate
- Retail and consumer
- Technology
- Telecommunications



Our recent awards



- **International Tax Review's Tax Controversy Leaders, 2013-2018**

International Tax Review

- **Recommended Law firm, 2018**

The Legal 500

- **Leader in the IDC MarketScape: Asia/Pacific Business Consulting Services 2018 Vendor Assessment, 2018**

IDC Market Scope

- **No.1 Professional Services Brand, 2018**

Brand Finance's annual Global 500

Our Services

PwC Vietnam provides clients with high-quality and industry-focused services, by developing and cultivating strong interpersonal relationships in order to truly understand your business and your needs. We can draw upon rich specialist resources from our regional and global network, combined with deep experience of the Vietnamese market. Our multi-disciplinary practice allows us to provide an unrivalled level of support to our clients.

Discover the benefits we can bring to you – whatever the size of your organisation – in the following areas: Legal, Audit and Assurance, Consulting, Deals and Tax.

We also provide tailored support to specific groups of clients with service packages such as:

- Private Business Services
- European Business Services
- Japanese Business Services
- Korean Business Services
- Chinese and Taiwanese Business Services

Legal

- Mergers and Acquisitions
- Banking and Financial Services
- Employment and Human Resources
- General Corporate and Commercial Services
- Inward Investor Services
- Legal Compliance/Company Secretarial Services
- Legal Health Checks
- Real Estate

Audit and Assurance

- Audit of Financial Statements
- Review of Financial Information
- Custom Business Procedures
- IFRS and Accounting Consulting Services
- Cyber Security Assurance
- Risk Assurance
- Capital Markets Services

Consulting

- Financial Risk Management
- Forensics
- Finance
- Performance Management
- Cyber Security Consulting
- Operations
- Technology
- People and Organisation
- Digital and Customer Strategy

Deals

- Transactions
- Corporate Finance
- Valuation
- Business Restructuring
- Real Estate & Capital Projects
- Infrastructure, Government & Utilities
- Strategy
- Working Capital Management

Tax

- Tax Consulting and Compliance
- Tax Health Checks
- Government Liaison, Tax Risk Management and Dispute Resolution
- Transfer Pricing
- Tax Due Diligence and Structuring
- Personal Income Tax / International Assignment Services
- Payroll Outsourcing
- Immigration Services
- Tax Audit Assistance

Corporate Responsibility

At PwC Vietnam, Corporate Responsibility is about integrating social, environmental and economic integrity into our values, culture and decision-making. We understand that we all have an obligation as business leaders, not only to do the right thing by embedding good social, environmental and economic practices into our everyday business, but also to be a catalyst for change by promoting these ethical and transparent business practices to the marketplace as well.

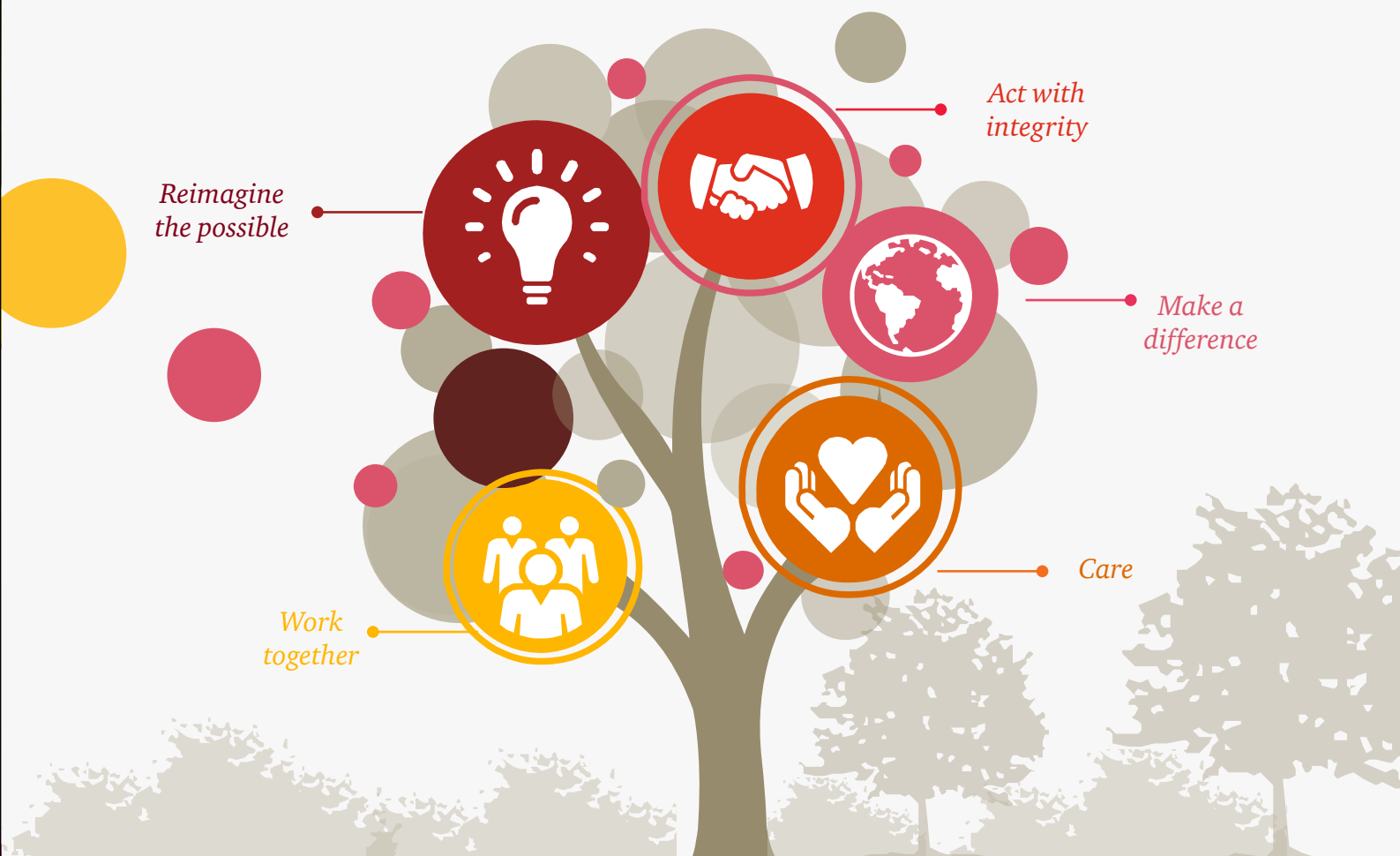
Our Corporate Responsibility strategy focuses our time, efforts and commitments into four areas: diversity & inclusion, community engagement, environmental stewardship, and responsible business, community engagement, environmental stewardship, and responsible business.



Our Values

At PwC, our purpose is to build trust in society and solve important problems. We take pride in creating differentiated value through a network of technology-enabled innovators, who are committed to delivering client services from strategy through execution and improve the transparency, trust, and integrity of business practices.

Our five core values below help us achieve our purpose and deliver high-impact support to our clients.







Viet Nam Chamber of Commerce and Industry (VCCI)

Founded in 1963 in Hanoi, the Viet Nam Chamber of Commerce and Industry (VCCI) is a nationwide organisation that brings together and represents the business community, employers and business associations in Viet Nam. It is devoted to accelerating the socio-economic development of the country and promoting commercial, economic, scientific and technological cooperation between Viet Nam and other economies in the world. VCCI is an independent, non-governmental, non-profit organisation, which has the status of a legal entity and operates with financial autonomy.

Through its activities both in Viet Nam and abroad, VCCI has been actively contributing to the renovation of the country, improvement of the business environment, development of mutually beneficial public-private partnerships, stimulation of economic growth and Viet Nam's integration in the regional and international economy.

VCCI has its headquarters in Hanoi and nine branches and representative offices stationed in key economic areas of the country.

Our Key Activities

- **Government - Business Dialogue** is hosted annually with the Prime Minister and high-ranking officials from Ministries. This serves as a high-level communication channel between the business community and the Vietnamese Government on various topics regarding the improvement of the business environment.
 - **Provincial Competitiveness Index (PCI)** is a joint project of VCCI and the United States Agency for International Development (USAID), which started in 2005 to survey, research and reflect businesses' opinions on an annual basis in order to rank the economic governance quality of provincial authorities in creating a favourable business environment.
Website: www.pcivietnam.org
 - **Bilateral Business Forums** are organised each year, both domestically and globally on the occasion of high-level official visits between Viet Nam and other countries. These facilitate the connections between Viet Nam and business communities abroad.
 - **WTO and Economic Integration Centre** is our biggest information source on international trade policies for businesses in Viet Nam as well as the largest focal point for businesses in taking advocacy actions relating to WTO, FTAs and other trade commitments of Viet Nam.
Website: wtocenter.vn
 - **Small and Medium Enterprise (SME) support projects** such as Start and Improve Your Business (SIYB) are carried out frequently, providing tremendous support to business start-ups in Viet Nam.
 - **Viet Nam Business Annual Report** is an important publication for policymakers, businesses and people seeking to learn about business development in Viet Nam since 2006.
Website: vbis.vn
- and many more...



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