



Doing Business in Viet Nam

A reference guide to entering the Viet Nam market



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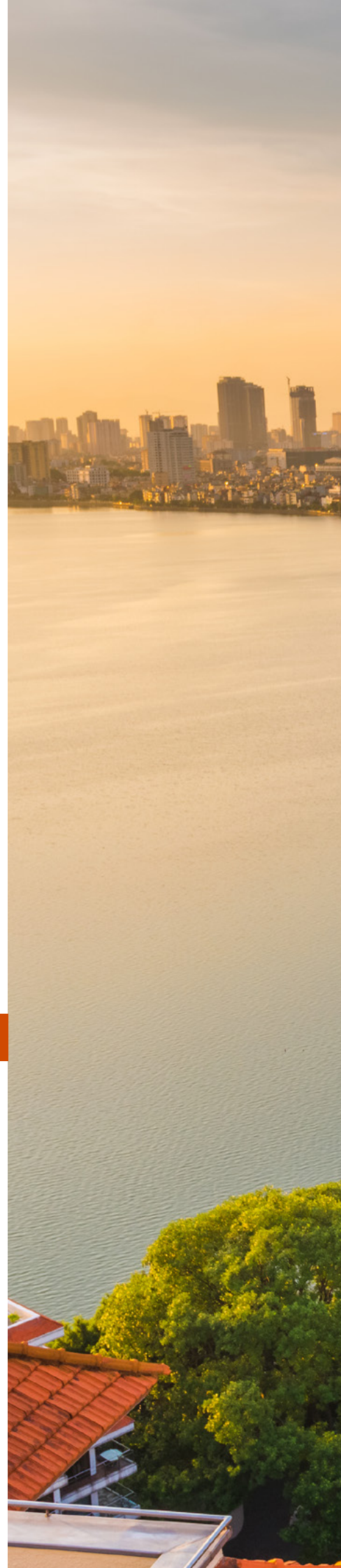
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The materials contained in this document were assembled in January 2023 and were based on the laws enforceable and information available at the time.



Glossary

A

ADB - Asian Development Bank
AEC - ASEAN Economic Community
APEC - Asia-Pacific Economic Cooperation
ASEAN - Association of Southeast Asian Nations
ASLN - ASEAN Smart Logistics Network

C

CPTPP - Comprehensive and Progressive Agreement for Trans-Pacific Partnership

E

EU - European Unions
EVFTA - EU - Viet Nam Free Trade Agreement
EVIPA - EU - Viet Nam Investment Protection Agreement

F

FDI - Foreign Direct Investment
FTA - Free Trade Agreement

G

GDP - Gross Domestic Product
GSO - General Statistic Office

I

ICT - Information and Communications Technology
IMF - International Monetary Fund

M

MPI - Ministry of Planning and Investment

R

RCEP - Regional Comprehensive Economic Partnership

S

SBV - State Bank of Viet Nam

U

UKVFTA - UK-Viet Nam Free Trade Agreement

V

VCCI - Viet Nam Chamber of Commerce and Industry
VJEPA - Viet Nam and Japan Economic Partnership Agreement

W

WTO - World Trade Organisation



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Foreword



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Viet Nam - Looking forward



H.E. Pham Minh Chinh
Prime Minister of Viet Nam

Challenges should also be seen as a robust driver for reform and further development, thereby affirming our mettle and stature.

“While the path ahead remains arduous, we are fully confident of a brighter future. The 35-year journey of Doi Moi and international integration, as well as navigating economic headwinds has provided Viet Nam with invaluable lessons. One of those is to transform “risks” into “opportunities.” And challenges should also be seen as a robust driver for reform and further development, thereby reaffirming our resolve to learn and grow.

Over the past two years, with political will, support from our citizens and assistance from friends, partners and the business community at home and overseas, Viet Nam has managed to overcome the Covid pandemic. We have gained confidence in adapting to the new normal and transitioning from pandemic to endemic.

We have been able to resume production and supply chains, ensuring trade and macroeconomic stability. This has become our springboard for rapid and sustainable future development. We also remain steadfast to the whole-of-people approach, with

the people and businesses serving as goals, subjects and actors in containing the pandemic and fostering socio-economic recovery.

In the long run, we strive towards a strong and prosperous Viet Nam. We aim to become a modern and industrialized country by 2030, and a high-income developed country by 2045.

In this process, we reiterate our commitment and resolve to provide international businesses and investors with favorable conditions to contribute to and share the fruits of the Vietnamese economy. Your success is also Viet Nam’s success”.

Quoted speech of the Prime Minister at the Viet Nam-WEF Country Strategy Dialogue 2021 (October 2021)¹



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Viet Nam - Resilient in face of Change



Pham Tan Cong
Chairman & President
Viet Nam Chamber
Commerce & Industry



Dinh Thi Quynh Van
General Director
PwC Viet Nam

Welcome to the 11th edition of the Doing Business Guide in Viet Nam - an annual publication prepared by PwC Viet Nam and VCCI. The purpose of this publication is to provide insights into the overall economic outlook and act as a helpful start for any business plans in Viet Nam.

2022 is truly a “new normal” and the beginning of a new period. The pandemic has been kept under control, and the nation is now focused on recovery amidst turbulent global headwinds. However, despite a challenging global outlook, Viet Nam’s growth at 8.02% bucks the trend.

While there are uncertainties in the coming times, the vision ahead remains the same. The country is determined to maintain a strong and sustainable economy, grow the manufacturing and digital economy, to become a developed economy by 2045 and have a net-zero carbon economy by 2050.

These ambitious goals are supported by multiple policies and continuous reforms. The government has also laid out plans for a greener economy to help achieve Viet Nam’s commitment to tackling climate change.

The path towards a sustainable future will be a long journey. Viet Nam will not embark on this journey alone and will require the support of partners domestically and internationally. The country welcomes collaboration in both technical and financial aspects to achieve national goals and become a vital member of the international community.

Viet Nam’s resilience has been proven in 2021 and 2022 through all uncertainties and disruptions. The country shall thrive and prosper in moving forward.



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The integration journey milestones

1986

Doi Moi (Renovation)

More than 30 years ago, economic reforms collectively known as “Đổi mới” were initiated in Viet Nam with a goal of creating a “socialist-oriented market economy”. The country started to open up to foreign investment and trade.

1993

Partnership with World Bank, IMF, etc.

Partnerships with the World Bank, the IMF and other international organisations begun in 1993. These have made important contributions to Viet Nam’s remarkable socio-economic development over the past few decades.

1995

ASEAN membership and normalisation of US–Viet Nam relations

Since becoming the seventh member of ASEAN in 1995, Viet Nam has forged new bilateral and multilateral relations within ASEAN, and has actively engaged in the regional economy. In the same year, Viet Nam and the US announced the formal normalisation of their diplomatic ties, followed by booming trade volumes between the two countries in the years that followed.

1998

APEC membership

Viet Nam joined APEC, which was a big step forward in Viet Nam’s efforts in multilateralisation and international economic integration. Becoming an APEC member has had a positive impact on Viet Nam’s development and reforms.

2007

WTO accession

The accession to the WTO in 2007 marked an important turning point in the process of Viet Nam’s global economic integration. The implementation of the WTO regulatory framework has strongly promoted reforms in institutions and the business environment of Viet Nam, and significantly increased trade and foreign investment in Viet Nam. The WTO also laid a foundation for Viet Nam to join later bilateral and regional FTAs.



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2008

Viet Nam-Japan Economic Partnership Agreement (VJEPA)

The VJEPA, signed in 2008, was the very first bilateral FTA for Viet Nam after the country joined the WTO. The VJEPA has had positive economic consequences for both Viet Nam and Japan.

2015

Establishment of the ASEAN Economic Community (AEC)

The official establishment of the AEC has been a landmark for ASEAN in changing from a less developed area to being a much more prosperous and dynamic region. Deeper integration into the AEC in the coming period is expected to bring new opportunities for Viet Nam.

2018

CPTPP signed

The CPTPP was signed in March 2018 by 11 signatories across the Asia-Pacific region, representing 495 million people, and with a combined GDP of US\$13.5 trillion. The agreement will open up new opportunities for trade and create more motivation for Viet Nam to reform its economic institutions and business environment.

2019

EVFTA signed

The EVFTA and the EVIPA were signed in June 2019 in Hanoi. These agreements introduce a new era for both sides to further bilateral trade and investment cooperation. This agreement is expected to play a critical part in bringing new opportunities for market diversification and help Viet Nam to reduce its reliance on certain trade partners.

2020

RCEP and UKVFTA signed

On 15th November 2020, the RCEP was signed by 10 ASEAN member states and five non-ASEAN members (Australia, China, Japan, Republic of Korea and New Zealand), making it the largest trade agreement in the world, covering a market of 2.2 billion people, with a combined size of US\$26.2 trillion or 30% of the world's GDP.

On 11th December, the UK-Viet Nam Free Trade Agreement was signed in order to ensure continuity with the trading benefits already introduced.

To date

Global integration

Viet Nam has signed 15 FTAs and is negotiating two others² (EFTA - Sweden, Norway, Iceland, Liechtenstein; and Israel). In addition, Viet Nam is in an ongoing negotiation between the US and 13 Asian countries, i.e., the Indo-Pacific Economic Framework for Prosperity (IPEF).

As of 2022, RCEP has come into effect for the majority of the signatories.



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Viet Nam's continued commitment to free trade

To date, Viet Nam has signed 15 FTAs and is negotiating two others. The latest agreements are RCEP (in effect from 1 January 2022) and UKVFTA (in effect from 1 May 2021).

RCEP: An open door to prosperity

Signed in November 2020, RCEP brings together 10 ASEAN member states, along with China, Japan, the Republic of Korea, Australia and New Zealand, covering 30% of global GDP worth US\$26.2 trillion³. Joining RCEP will further help Viet Nam reduce trade barriers⁴ and improve market access for its products.

The World Bank estimates⁵ that, in the most optimistic scenario, Viet Nam will benefit more than any other RCEP member between 2020 and 2035, particularly in the following ways:

Increased trade flow
(Exports by 11.4%, imports by 9.2%)

Higher incomes
(increase by 4.9%)

Sectors to see growth: vehicles

Updates on UKVFTA⁶

Despite the impact of the COVID-19 pandemic, trade between Viet Nam and the UK picked up considerably after the UKVFTA came into effect in early 2021.

- By 2021, trade between Viet Nam and the UK reached US\$6.6 billion, an increase of 17% YoY and equivalent to the pre-pandemic period.
- Vietnamese export to the UK in 2021 rose 16.4% YoY to US\$5.7 billion, while the UK's exports to Viet Nam also increased by 23.6% YoY to nearly US\$850 million.
- Trade between Viet Nam and the UK also continued to see growth in 2022 as total trade has reached US\$6.83 billion, up 3% YoY. Export to the UK grew 6% YoY while imports fell 9% YoY.⁷

Viet Nam's economy



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Viet Nam: Resilient amidst volatility

8.02%

Viet Nam's 2022 GDP growth reported by the GSO.

This is higher than the global average (3.2%) and the Asia Pacific average (4%)

The economy has proven resilient over the past two years, starting with the pandemic in early 2020. Looking back, Viet Nam was one of the few countries to post GDP growth in 2020. Then, the emergence of the Delta variant and the resultant lockdowns lowered the country's growth down to 2.58%⁸ in 2021, compared to the world and regional growth.

Viet Nam's GDP for 2022 growth, as reported by the GSO, is 8.02%. This is still much higher than the initial government targets of 6.5%¹¹ as well as the global and regional growth projections. The key drivers to achieve this growth are the momentum of economic recovery in the key sectors post lockdown, plus the continuing economic support and reforms made to achieve development goals.

Looking into 2023, Viet Nam has set its GDP growth target at 6.5%¹². Meanwhile, the other international financial institutions such as ADB¹³, UOB¹⁴, Standard Chartered¹⁵, IMF, etc., provide forecasts for Viet Nam's GDP growth ranging from 6.3% up to 7.2%.

Figure 01: GDP growth of Viet Nam vs. Asia Pacific and world averages (%)*

Source: International Monetary Fund, 2022

* Note: 2023 forwards are forecast

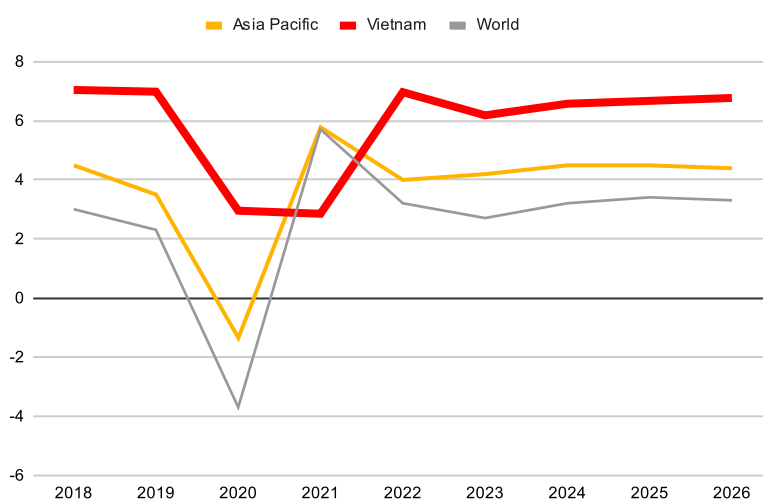
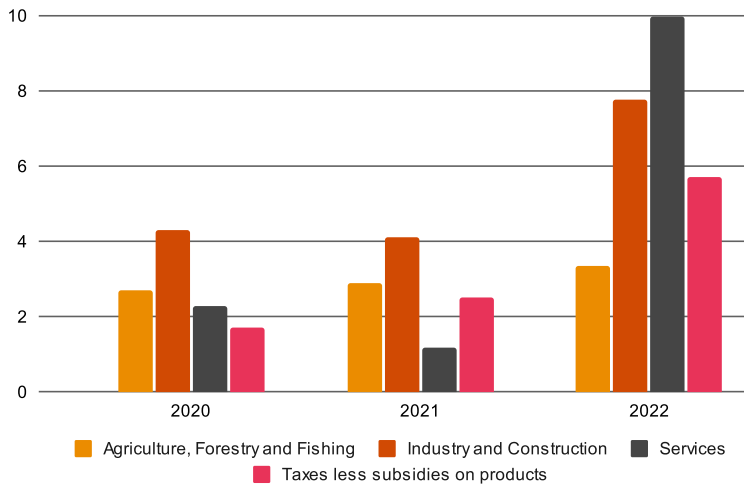


Figure 02: GDP growth YoY by sector (%)

Source: General Statistics Office, 2022



Sectoral growth highlights the strength of Viet Nam’s industrial sector and the recovery of the services sector. Industry and construction output grew 7.8%, and services grew 10%, contributing 38.2% and 56.6%, respectively, to the growth rate of the economy.

Heightened inflation and global economic risks

The Consumer Price Index (CPI) for 2022 has increased by 3.15%⁹ YoY with core inflation increasing by 2.59% YoY. This has primarily been driven by increased transportation costs, which increased by 11% YoY, stemming from the increased volatility of global oil and gas prices.

While the current inflation rate is below the 4% target set out by the government, there are still risks due to international factors such as volatility in global energy prices¹⁶, the strengthening of the dollar¹⁷ due to the US combating inflation and lingering impact on the global supply chain from Covid; all of which can impact input prices and drive further inflation.

In order to hedge against inflation risks, there have been active policies to address potential sources of inflation, from efforts to stabilise the VND¹⁸, reducing tariffs and taxes on petrol products¹⁹ and regulating credit limits²⁰ for banks.

3.15%

Inflation reported by the GSO for 2022



Growing trade facing global headwinds

Viet Nam's trading turnover for 2022 was at US\$732.5 billion, up 9.49% YoY, with a surplus of US\$11.2 billion. Overall total trade value experienced growth YoY, with export growth at 10.6% and import growth at 8.4%.

However, there are signs of contraction due to drags on the global economy as export growth has slowed. This is attributed to the weakening global demand from the US, EU and China. Viet Nam's export value in December 2022 was down by 14% YoY, and the overall level of export in Q4 was also down by 6.1% YoY.

Import growth has also slowed down, with Q4 imports down 5.8% compared to Q3 and down 3.9% YoY. This is tied to reduced export growth as Viet Nam has imported less machinery, equipment and components, which are needed for production of goods for export.

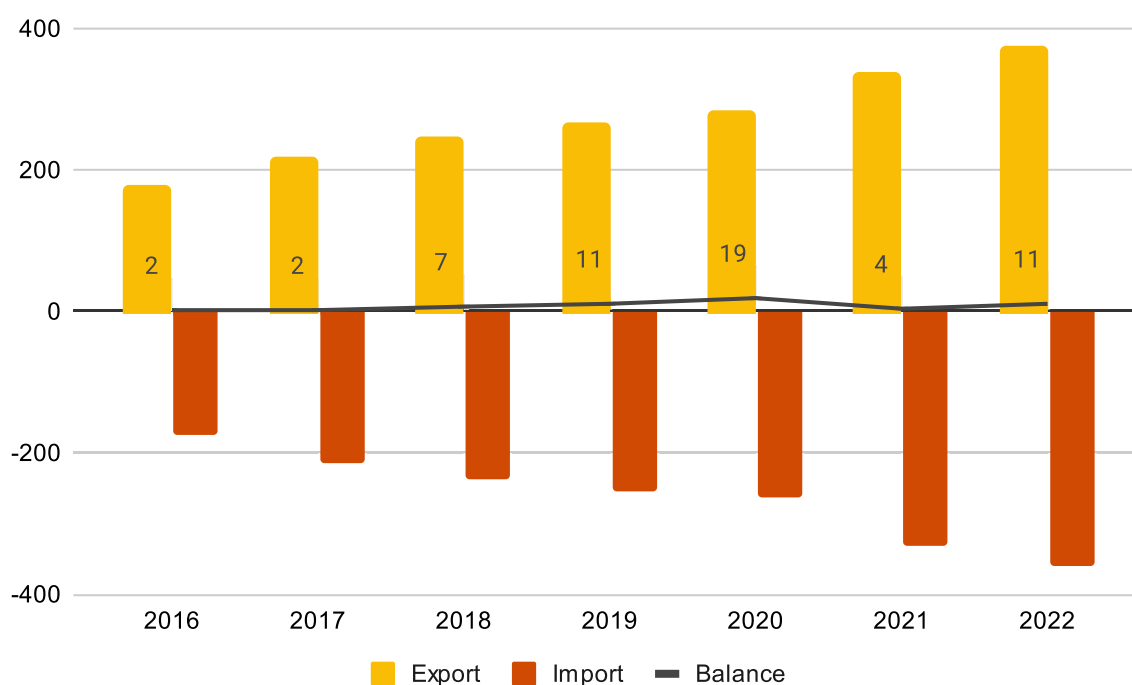
11.2

US\$ billion

Goods trade surplus value
in 2022 (GSO)

Figure 03: Aggregate trade balance in goods (USD billion)

Source: General Statistics Office



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Uncertain outlook in the global market

The United States (US) remained Viet Nam's largest export market in 2022 and continues to see growth with exports reaching US\$109.4 billion, up 14% YoY. Meanwhile, China is Viet Nam's largest import market, with imports reaching US\$117.9 billion, up 7% YoY.

Viet Nam is one of the destinations that benefited from the shift of supply chains moving out of China in response to global tensions and disruptions posed by the previous China's zero-COVID policies. Therefore, the country's trade deficit with China and surplus with the US will continue to increase.

Manufactured goods accounted for a large proportion of total goods exported (89%), was slightly down 0.1% from 2021⁹. Of this, the most valuable exported products were consumer electronics such as phones and computers, accounting for about one third of the total value. This strong manufacturing pattern allowed the industry sector continue to recover and grow in 2022.

Looking forward, there are still several challenges for Vietnamese enterprises to navigate in the near future, such as the increasing risks of inflation, exchange rate and interest rate, plus the weakening global demand in major export markets of Viet Nam.

Figure 04:
Key trade partners 2022
ranked by export
(USD billion)

Source: General Statistics Office

■ Export
■ Import

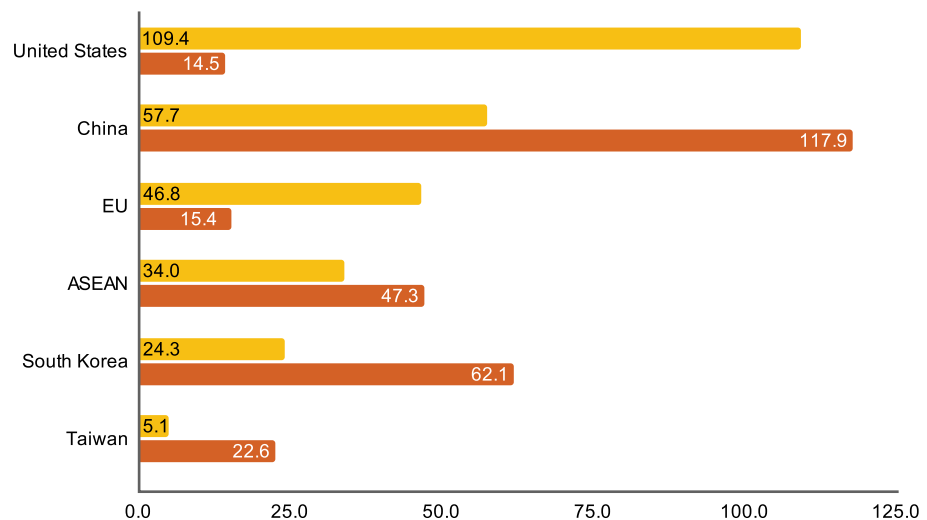
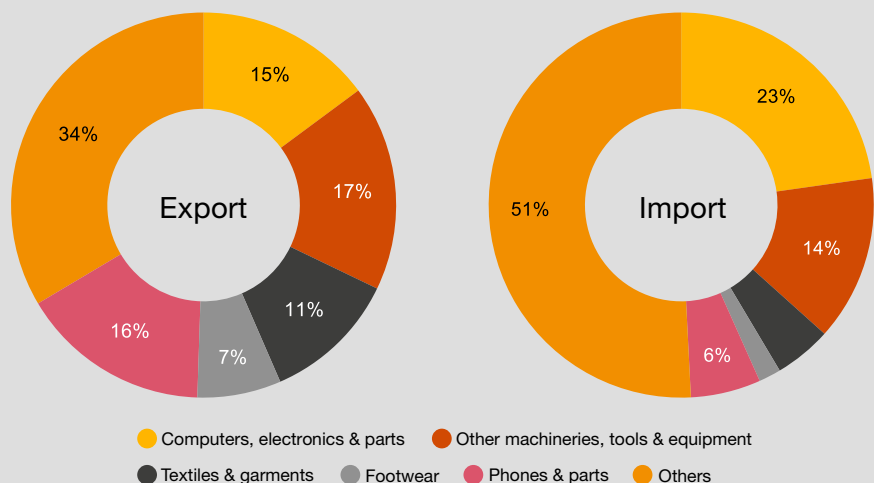


Figure 05:
Top trade products in 2022

Source: General Statistics Office



FDI is gradually climbing the recovery ladder

As the economy needed a boost to dampen the effects of COVID-19, the Government has actively taken reforms to boost the implementation and disbursement of public investment capital as well as FDI capital disbursement by the end of 2021, which shows the positive impact in 2022.

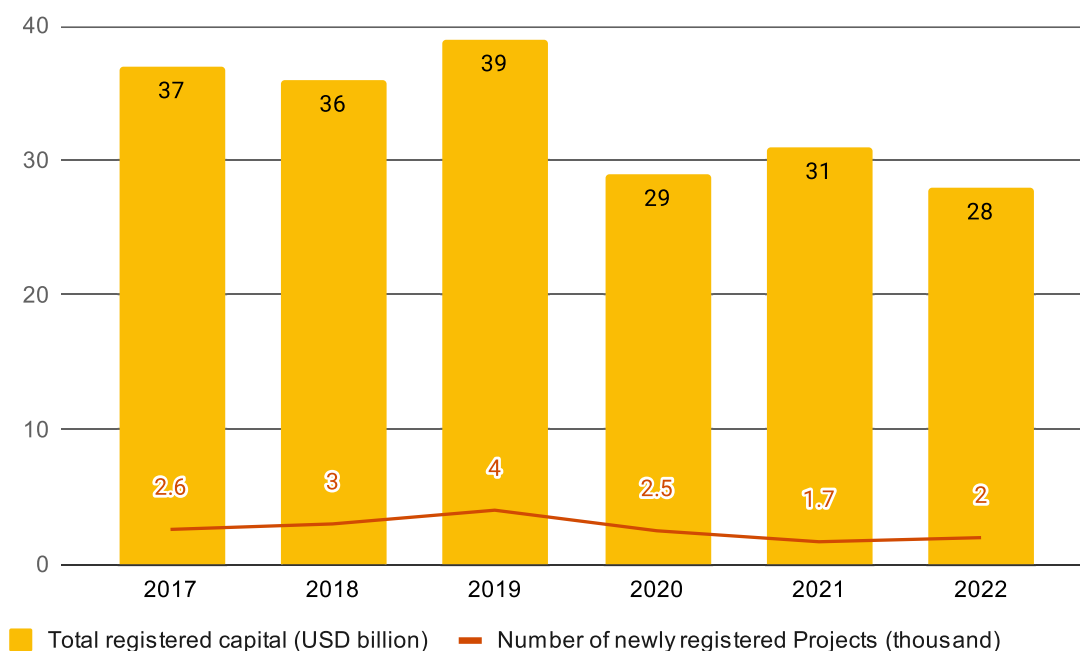
So, while total FDI registered in Viet Nam reached US\$27 billion in 2022, down 11% YoY²¹, FDI capital disbursement was estimated at US\$22.4 billion, up 13.5% YoY, providing a steady flow of capital to maintain economic growth.

In addition, while the value of newly registered FDI has gone down 18.4% YoY, the number of new projects registered reached 2,036 projects, up 17.1%, showing that there is still real interest in Viet Nam as an investment destination.

The government has also issued Decision No. 667/ QD-TTg²² approving a national strategy for foreign investment cooperation for the 2021-2030 period, seeking to chart out areas of investment focus and further reforms in order to improve the process of investing and disbursing capital in Viet Nam to maintain Viet Nam's competitiveness.

Figure 06: Foreign investment capital inflow

Source: Ministry of Planning and Investment - Foreign Investment Agency (FIA)



■ Total registered capital (USD billion) — Number of newly registered Projects (thousand)

Asian investors remained Viet Nam's top source of capital inflows in 2022. Singapore was the largest investor, with a total registered capital of more than US\$6.46 billion (contributing 23.3%), followed by Korea and Japan with about US\$4.88 billion and US\$4.78 billion respectively, each contributing about 17%. In terms of key invested sectors, manufacturing and processing led with an investment capital of over US\$16.8 billion, accounting for nearly 60% of total investment. A notable investment in the sector was a US\$1.3 billion project from Lego Group to build a carbon-neutral factory in Binh Duong²³.

Real estate was the second most important sector with US\$4.5 billion, accounting for 16% of invested capital. The largest project in this sector was the US\$900 million investment by Lotte group for the Lotte Eco Smart City Project in Thu Thiem, Ho Chi Minh City²⁴. The third largest sector for FDI then is the energy sector with US\$2.3 billion in investment capital, accounting for 8.1% of total investment. A lot of notable projects in this sector has been investment in renewable energy, such as the US\$388 million investment by BayWa r.e. into wind power projects in Lang Son²⁵ and a US\$200 million investment into a solar Joint Venture in Viet Nam by SK Ecoplant²⁶.

Figure 07: Top 5 key FDI sources in 2022 by registered capital / Number of projects

Source: General Statistics Office

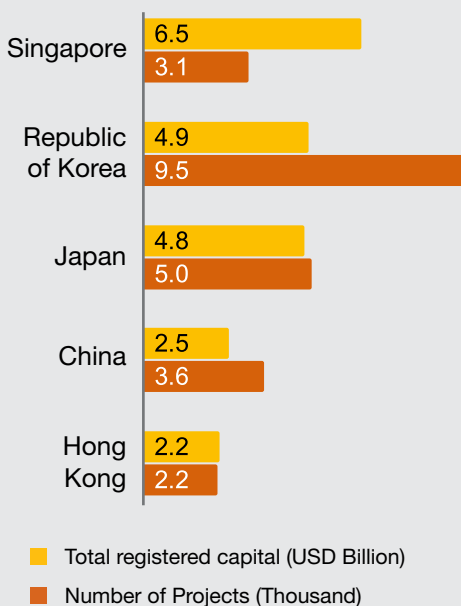
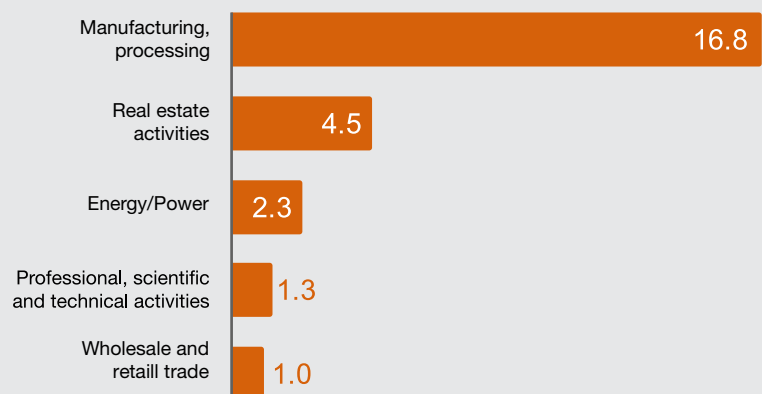


Figure 08: Top 5 key FDI sectors in 2022 by total registered capital (USD billion)

Source: General Statistics Office





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Looking ahead



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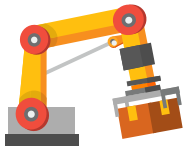


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Foundations for the future

The identified five growth pillars for Viet Nam²⁷ are a strong framework for the country to develop the path to a resilient future:

1



Supply Chain

Transform regional supply chains to rebuild **trust and resilience**

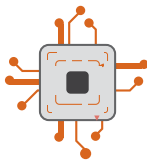
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Regional Enterprise Growth

Take a capabilities-driven lens on acquisitions to **create value**

3



Digital Economy

Embrace digitalisation to drive insights, reduce risk and **stay relevant**

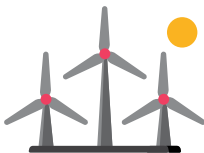
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Workforce

Rethink upskilling, embrace flexibility and deliver on purpose-driven work to **build trust**

5



Environmental, Social and Governance (ESG)

Accelerate progression of ESG priorities to differentiate in the market for capital and talent

This publication will highlight the key developments of two of these areas: the **digital transformation** and the **net-zero** journey.



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Viet Nam's embracing digital transformation

Digital transformation is the national priority

Although it poses a tough challenge to the economy, the pandemic has been serving as a good catalyst for digital transformation in the past year. The government has set the long-term goals in digital transformation and innovation. Several policies, guidelines and initiatives in order to achieve these goals have been rolled out:

- **Resolution No. 52-NQ/TW²⁸**, published in 2019 sets out guidelines and policies in Viet Nam's pursuit and participation of the Fourth Industrial Revolution
- **National E-government portal²⁹** to centralise and streamline public-facing services was rolled out in late 2019
- Ministry of Information and Communication - **National Programme for digital transformation³⁰** by 2025 targeting sectors like agriculture, education, finance and logistics
- Ministry of Science and Technology and Ministry of Education and Training - **National Programme 844³¹ and 1665³²** to help the development of digital and technological startups
- Ministry of Planning and Investment - National Strategy for the Fourth Industrial Revolution³³
 - Decision No. 127 / QD-TTg³⁴ of the Prime Minister: Promulgating the National Strategy on Artificial Intelligence Research, Development and Application by 2030
 - Resolution No. 100/NQ-CP³¹ on Fintech
 - Regulatory sandbox³⁵
 - Developing legal framework for digital assets^{36,37,38,39}



Viet Nam's embracing digital transformation (con't)

Digital economy

Viet Nam's digital economy is the fastest-growing market in Southeast Asia. The country's digital economy in 2022 was estimated in 2022 to be at US\$23 billion⁴⁰, increased by 28%, underpinned by growth in e-commerce and the reopening of

the travel market. Looking at 2025, the country's digital economy is expected to continue booming up to US\$50 billion.

Viet Nam's ICT sector, a core component that underpins the internet sector, has also seen 7.65% growth up to Q3 of 2022 and also contributed 3.56% to Viet Nam's GDP as of Q3 2022.

Cyber security

As the importance of digital services and access to Viet Nam's economic

future increases, cybersecurity is of great importance, and Viet Nam aims to be one of Asia's leading cyber safety hubs by 2030.

The recently signed Decision No. 964/QĐ-TTg⁴² signals greater investment and focus into the sector and great potential for investments which would both secure Viet Nam's digital economy and boost economic growth.

In addition, the government is also considering personal data protection regulations⁴³. It will impact every company that processes personal data in Viet Nam and abroad if a foreign entity processes personal data of Vietnamese residents.

e-Government

As of August 2022, the National Public Service Portal has integrated 3,552 online public services⁴¹, creating favourable conditions for people and businesses.

In the first quarter of this year, the portal registered more than 167,000 accounts, synchronised over 14 million records, and clocked 163,000 online payment transactions worth US\$15.9 million.

Further, earlier this year, the country deployed a nationwide electronic invoice system, and digital training is being provided to civil servants nationwide.

Innovation ecosystem

After one year of slowdown, Viet Nam's innovation and startup scene has rebounded and reached new heights. In 2021, US\$1.4 billion⁴⁴ was invested in Vietnamese startups. This is a new record number which grew 1.5x compared to the prior record of US\$874 million set in 2019.

The country has set a legal basis, Decree No. 38/2018/ND-CP⁴⁵, for the establishment of organisations supporting Vietnamese startups. It helped lay the groundwork for the capital market development for innovative startups.



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Viet Nam's journey toward the Net-Zero and sustainable development

Businesses are operating in an environment full of uncertainty and constant change.

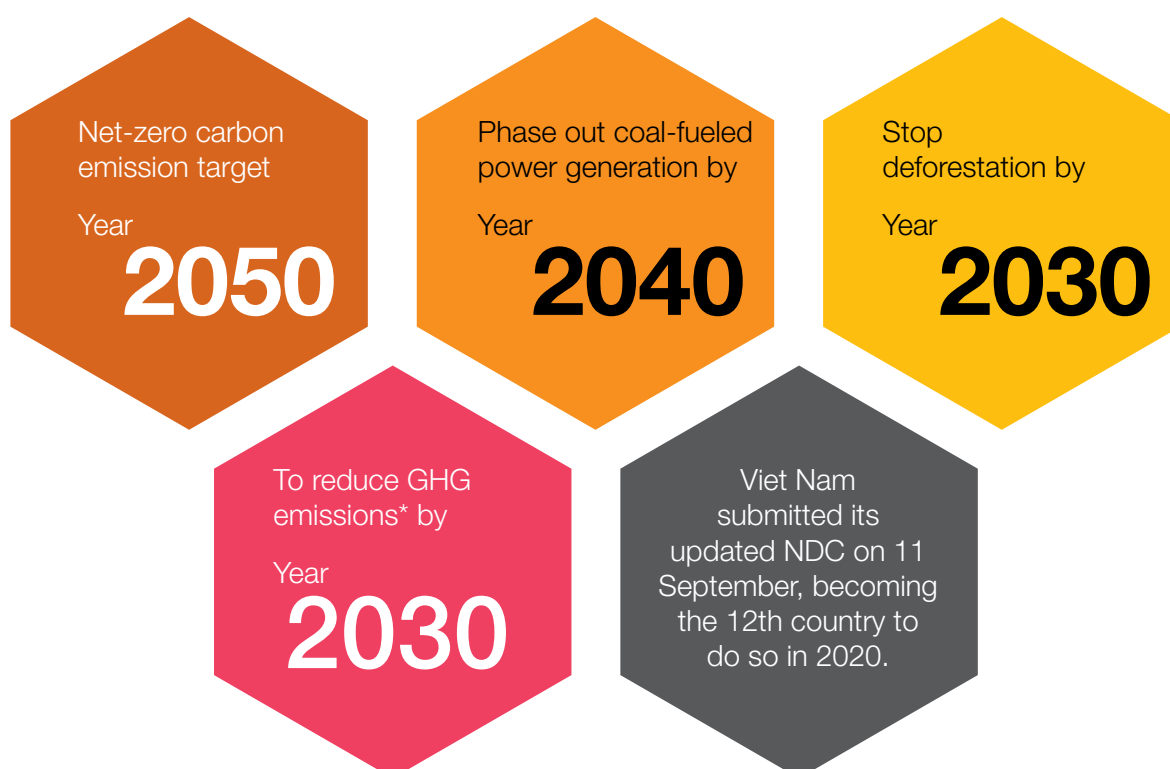
While the economic impact of the pandemic may vary by industry and by the situation, many of the trends we've seen accelerate in consumer behaviour or the importance of ESG performance are here to stay. Moving towards growth, businesses now must balance profit with purpose to stay ahead.

Climate change is a significant issue of our time and we are at a defining moment. The World Bank⁴⁶ estimates that the impact of climate change has cost Viet Nam 3% of its GDP in 2020 and will cost the country 12-13% of GDP by 2050. This makes tackling

climate change imperative for Viet Nam's economic future.

At the 2021 United Nations Climate Change Conference (COP26), the Prime Minister of Viet Nam, announced a series of climate-action commitments⁴⁷. These commitments were once again reaffirmed by Viet Nam at the recent COP27 in November 2022. They will have a significant impact on the transition to carbon neutrality and will require a rewiring of the entire economy. Viet Nam is seeking to put these agreed commitments and mechanisms into practice and move forward in green, digital and energy transformation with the help of local stakeholder and international partners.

Viet Nam's commitments to tackle climate change



*Between 9% (with domestic resources) and up to 27% (with international support)

Source: UNFCCC, MONRE

Translating commitments into actions

Green energy

Currently, Viet Nam is the ninth-largest coal power-generating country in the world. Viet Nam's draft power plan (PDP8) as of April 2022 sets out a fossil fuel phase-out pathway for the near future by removing⁴⁸ 14GW

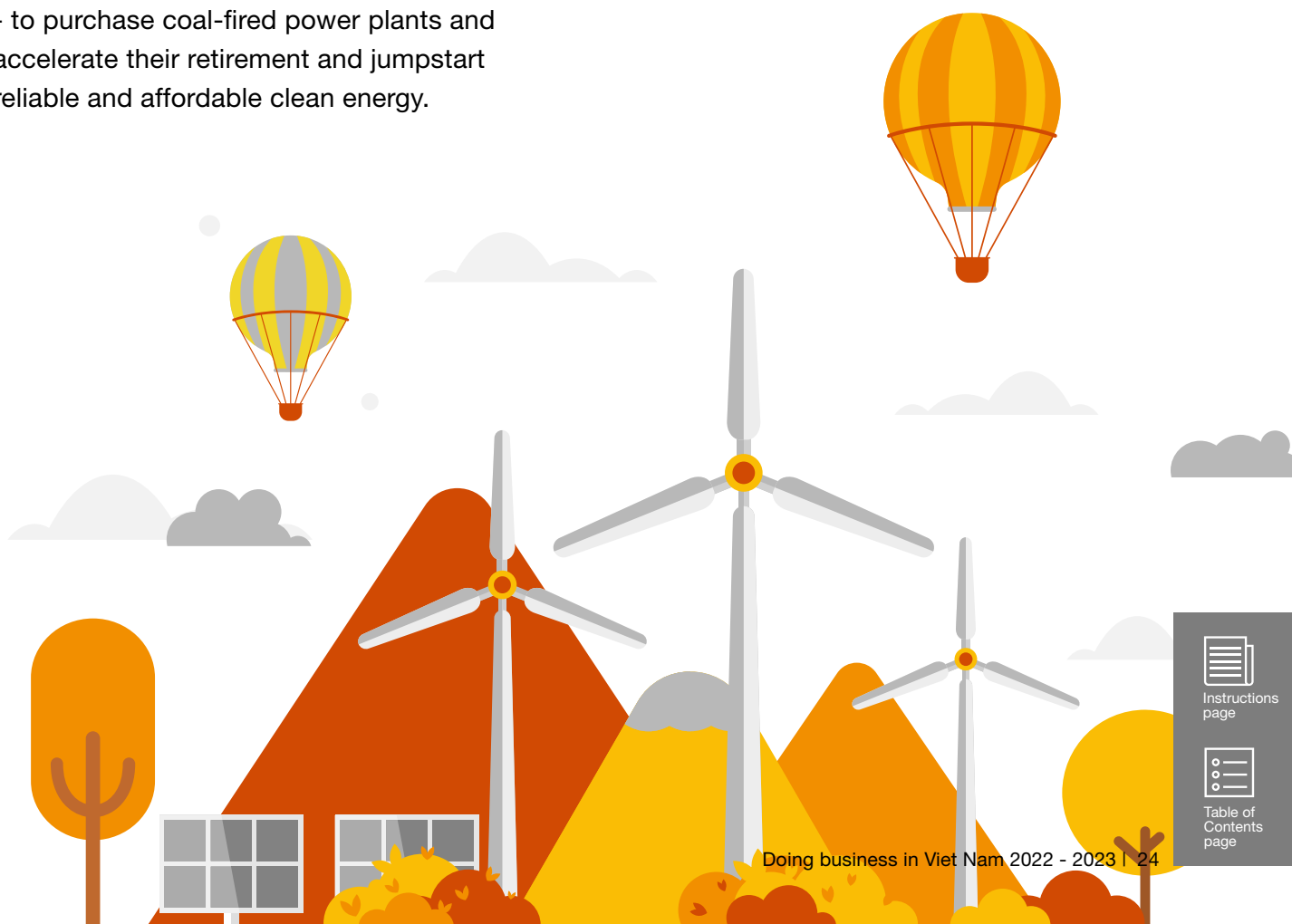
of planned power plants while increasing solar capacity by 2.4GW. However, coal will still play an important role, making up 50% with an installed capacity of 39.7GW of the total 126,000 MW capacity plan for 2030; renewables (excluding hydro) will account for about a quarter of the energy mix.

Viet Nam is part of the 'Energy Transition Mechanism' - powered by the ADB - a program comprising public, private, and philanthropic financing designed to pilot the formation of a facility in each country - to purchase coal-fired power plants and accelerate their retirement and jumpstart reliable and affordable clean energy.

Carbon pricing

The revised Law on Environment Protection⁴⁹ to be effective as of January 1, 2022 legalises the establishment of carbon pricing in the form of an Emissions Trading Scheme (ETS) for greenhouse gases. A carbon tax could also be developed under the overall framework provided by this law.

This will be important to reach the targets of the National Green Growth⁵⁰ to reduce total GHG emissions by at least 1% per year without and 2% with international support for the 2021-2030 period.



Green innovation

In the Law on Investment⁵¹, the government has implemented policies and incentives for high-technology, scientific research and technology development firms that invest in areas including renewable energy and environmental protection. This includes preferential tax rates of 10% tax, and a discount against the baseline 25% tax rate, for the first 15 years, which may be extended for larger projects.

Such projects also may enjoy an import duty exemption for imported goods to create fixed assets that cannot be procured locally.

Electric vehicle support

Targets for EVs and policies or incentives for the EV industry are still in ongoing development. According to Decision No. 876/QĐ-TTg⁵³, Viet Nam targets full electrification of vehicles by 2050. The most recent policy is the reduction in Excise tax for EVs to 1-3% from 1/3/2022⁵⁴.

In addition, the government seeks to attract investments to EV production as well as important supporting industries by developing policies to attract FDI projects and investors with taxes, fees, and supportive environmental policies. The development of charging infrastructure is also part of the plan to help encourage the adoption of electric vehicles.

Circular economy

Decision 687⁵² on a circular economy development project in Viet Nam seeks to reduce the impact of Viet Nam's economic development on the environment and assets. Targets include:



reuse, recycle
and treat 85%
of generated plastic waste



100%
of urban organic waste



70% of rural
organic waste
will be recycled by 2030.



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Viet Nam overview

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.



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Geography

Viet Nam is conveniently located in the centre of Southeast 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 square kilometres and its geography includes mountains and plains. Viet Nam's population is spread throughout the country.

The total population of Viet Nam by the end of 2022 was estimated at over 99.46 million people⁹. 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.

63

municipalities
& provinces



100 million

Approximate
population

330,900+

square kilometres



38th

Largest economy
in the world⁵⁵

Hanoi

capital city



20th

Largest exporter
in the world⁵⁶

Da Nang

third largest city,
important seaport



US\$3,835

average annual
income

Ho Chi Minh

largest city



US\$438 Billion

accumulated FDI value
from 139 countries

Legal and regulatory regime

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 to determine the country's orientation and strategies and adopt its key policies for socio-economic development. The National Congress elects the Central Committee, which in turn elects the Politburo. 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 are decentralised.

One of the Government's priorities is to enhance the legal system, which will result in a more business friendly regulatory environment.

For example, in 2021 some laws came into effect, such as the Law on Investment (LOI), the Law on Enterprises (LOE), and the Law on Public Private Partnership Investment.

Law on investment and enterprises

In 2020, the National Assembly passed the LOI and LOE, both of which came into effect on 1 January 2021. These laws govern the establishment, operation and investment activities of companies in Viet Nam.

To implement the LOI and LOE, the Government has issued a number of decrees such as Decree 01/2021 guiding the enterprise registrations, Decree 31/2021 guiding certain articles of the LOI, and Decree 29/2021 guiding the appraisal of nationally significant investment projects.

National
Assembly



Laws

Government



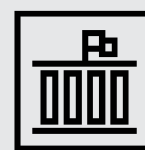
Decrees

Ministries



Circulars

Various other
authorities



A plethora of other legal
instruments/ guidelines



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Intellectual property (“IP”)

As a member of the World Trade Organization (“WTO”), Viet Nam must conform to the WTO’s requirements on IP. The Law on Intellectual Property Rights (“IPR”) was passed in 2005, which was amended and supplemented in 2009, 2019 and 2022. 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.

Viet Nam’s participation in both the EU-Viet Nam Free Trade Agreement (“EVFTA”) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (“CPTPP”) Agreement requires Viet Nam to meet high standards of IPR protection.

Business etiquette and culture

Many Vietnamese people 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.

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 transferring of foreign currency must be made through banks and other financial institutions authorised by the State Bank of Viet Nam. 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 or 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.



Scan here for PwC’s legal newsbrief



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 representative office or a business cooperation contract.

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

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



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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 and the (general) director.

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

A 100% foreign-owned enterprise (where all members are foreign investors).

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.



Scan here for PwC's legal newsbrief



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.

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.

Representative office

Foreign companies with business relations or investment projects in Viet Nam may apply to open representative offices. A representative office may not conduct commercial or revenue-generating activities (i.e. the execution of contracts, receipt of income, sale of purchase of goods, or provision of services).

A representative office is only permitted to carry out the following activities:

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

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



Public and private partnership contract (“PPP”)

A 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- 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 for PPP contracts include:

- Transportation
- Power grid, power plant (except hydroelectric plants and some other cases)
- Irrigation, clean water supply, drainage, wastewater treatment, waste treatment
- Health care, education and training
- IT infrastructure

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 proceedings, procedures for the appointment of a liquidator, organisation of creditors meetings and priority of creditor payments.



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Setting Up a Business

Limited-liability company/ Joint-stock company

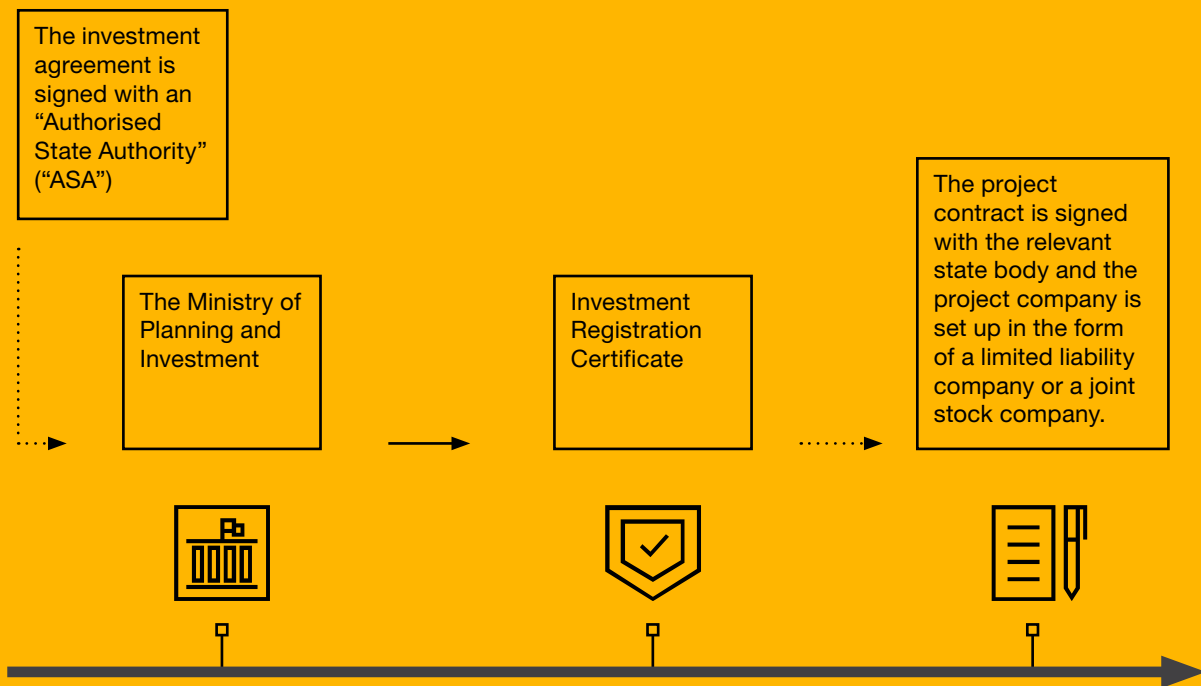


Note: Investment in "conditional" sector activities is subject to more cumbersome licensing procedures. These may require an approval in principle, or the licence application to be reviewed also at the central government ministry level in Hanoi.

Representative office



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



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FAQs for investing in Viet Nam



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Viet Nam in general



FAQs (samples)

- What are the demographics of Viet Nam?
- Which business areas are the Vietnamese Government encouraging foreign investors to engage in?
- How lucrative is Viet Nam compared to rest of Southeast Asian economies?
- How does Viet Nam rank in international rankings for ease of doing business?
- What is the legal institution in Viet Nam and what is the highest-level representative body of the people?
- Which international agreements that Viet Nam is committed to?

Market entry strategy



- Size and growth of the addressable market? What's driving demand?
- What go-to-market strategy to quickly set-up and build my business in Viet Nam?
- Is my business sufficiently differentiated? How much should I localise?
- How does local Viet Nam legal and regulatory regime impact my identified industry?
- What do supply chains / distribution channels look like?
- Who would be suitable business partners for my business?
- How does the local Viet Nam legal and regulatory regime impact my identified industry?

Market entry plan



- Has my plan considered the local tax and legal implications?
- Do I need advice on local accounting standards / requirements?
- What HR laws/regulations do I need to take into account?
- Is my HR plan sufficient to establish core competencies and skills? Do I need plans for talent localisation?

Think about...

- Market assessment
- Background check
- References from current investors

- M&A strategy
- Legal and regulatory review
- Strategy (Market entry, Background check etc)
- Working capital management
- Purchase price allocation
- Business valuation

- Tax structuring advice
- Negotiation support and SPA review
- Working capital management
- Business integration (Operational, Human Resource, Technology, Risk advisory etc)
- Regulatory compliance (Legal, Tax, Accounting)

Taxation



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General overview

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

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

All these taxes are imposed at the national level.

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.
- Land rental fee.



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Pocket Tax Book 2022



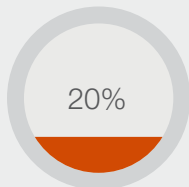
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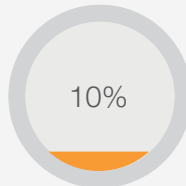
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Tax rates

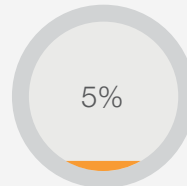
Corporate Income Tax ("CIT")



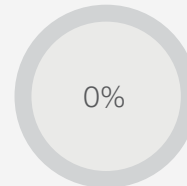
Value added tax ("VAT")



Standard



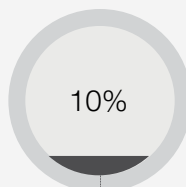
For essential goods and services



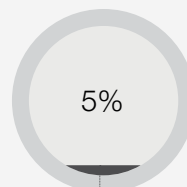
For exported goods/services

Foreign contractor taxes (Excluding VAT)

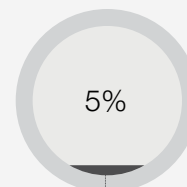
Levied on certain payments to foreign parties, rates depend on the nature of activities, e.g



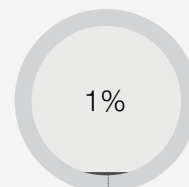
Royalties



General services



Interest



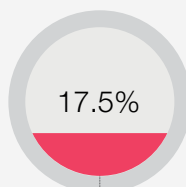
Goods

Personal Income Tax ("PIT")

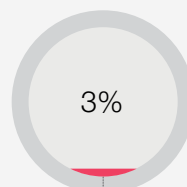
- PIT rates depend on residency status and nature of income.
- Tax residents are taxed on their world-wide taxable income, tax non-residents are taxed on their Viet Nam sourced income only.
- Employment income: for residents, progressive tax rates from 5 to 35% apply, for non-residents, a flat rate of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

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

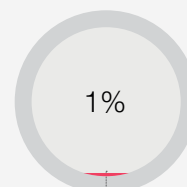
Employer



SI

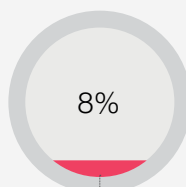


HI

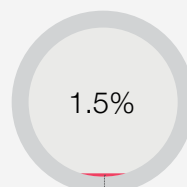


UI

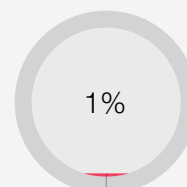
Employee



SI



HI



UI



Tax incentives

- 10% preferential CIT rate for 15 years; and
- 4 years of tax exemption plus subsequent 9 years of 50% reduction

Based on	Applicable for
Sector	Certain encouraged sectors, including high technology, environmental protection, scientific research, infrastructural development, software production and renewable energy.
Location	Certain qualifying economic and high-tech zones, and especially difficult socio-economic areas.
Other	Qualified large scale manufacturing projects, investment project in manufacturing supportive industrial products prioritised for development (including those started operation before 2015), high-tech enterprises (*) and agricultural enterprises applying high-tech.

- 17% preferential CIT rate for 10 years; and
- 2 years of tax exemption plus subsequent 4 years of 50% reduction

Based on	Applicable for
Sector	Certain encouraged sectors, including manufacturing of high quality steel, equipment for agricultural activities; development of traditional crafts.
Location	Difficult socio-economic areas.

Tax incentives have played an important role in attracting investment into Viet Nam.

Recent years have seen a shift in the tax incentive focus with more high-value activities being incentivised.

- 10% preferential CIT rate for entire life and
- 4 years of tax exemption plus subsequent 5 to 9 years of 50% reduction

Based on	Applicable for
Sector and Location	Certain public sector fields such as education, healthcare, culture, sports and located in regions with especially difficult or difficult socio-economic conditions.

- 20% preferential CIT rate for the entire life

Based on	Applicable for
Location	Qualified people's credit funds, cooperative banks and micro-finance institutions.

- 2 years of tax exemption plus subsequent 4 years of 50% reduction

Based on	Applicable for
Location	New investment project in qualified industrial zones.

(*) Please refer to this link for the latest criteria for high-tech enterprises.

Corporate income tax (“CIT”)

Tax year end

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

Tax rates

The standard CIT rate is 20%.

Companies operating in the oil and gas industry are subject to CIT rates ranging from 32% to 50%.

Companies engaging in prospecting, exploration and exploitation of mineral resources are subject to CIT rates of 40% or 50%.

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 actually incur and relate to the generation of revenue, are properly supported by suitable documentation (including

bank payment evidence where the invoice value is VND20 million or above) and are not specifically identified as being non-deductible.

Losses

Taxpayers may carry forward tax losses fully and consecutively for a maximum of five years.

Losses arising from certain activities are allowed to offset against each other. Carry back of losses is not permitted.

There is no provision for any form of consolidated filing or group loss relief.

Administration

Companies are required to make quarterly provisional CIT payments based on estimates. The provisional CIT payments made in the 4 quarters must not account for less than 80% of the final CIT liability for the year.

Final CIT returns are filed annually. The outstanding tax payable must be paid at the same time.



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

the last day of the 3rd month after the fiscal year end.

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.

Tax incentives

Preferential CIT rates apply 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.

The tax 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.

Where an 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.



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Capital gains tax (“CGT”)

Gains derived from the sale of a Viet Nam company are in many cases subject to 20% CIT. This is generally referred to as CGT although it is not a separate tax.



(Please refer to our 2023 Pocket Tax Book for more details on determination of CGT liability, filing obligation)

Transfer pricing (“TP”)

On 5 November 2020, the Government issued Decree 132/2020/ND-CP (“Decree 132”), setting out new rules on transfer pricing in Viet Nam. Decree 132 took effect from 20 December 2020 and applies for the financial year 2020 onwards. Decree 132 is broadly based on concepts and principles from the Transfer Pricing Guidelines of the Organisation for Economic Co-operation and Development (OECD) and Base Erosion and Profit Shifting (BEPS) Action Plan. Viet Nam’s transfer pricing rules also apply to domestic related party transactions.

Related party definition

The ownership threshold required to be a ‘related party’ under Decree 132 is still 25%. Under Decree 132, a new related party definition (Item I, Point 2, Article 5 of Decree 132) was introduced. An enterprise and certain individuals are considered related parties if they have the following transactions in a tax period:

- the individual transfers or receives at least 25% of the enterprise; or
- the individual borrows or lends an amount equal to at least 10% of the contributed capital of the enterprise.

TP methodologies

The acceptable methodologies for determining arm’s length pricing are analogous to those espoused by the 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.

Tightening of the acceptable arm’s length range under Decree 132

The acceptable arm’s length range is narrowed to span the 35th percentile to the 75th percentile (tightened from the 25th to the 75th percentile range under Decree 20). As such, the lower quartile of the threshold is raised by 10%.

Expansion of the scope for selection of comparables

Under Decree 132, taxpayers must first look for comparables in the same local market or region, and the



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broaden to other countries in the region which have similar industry circumstances and economic development level.

TP declaration forms

Compliance requirements include an annual declaration of related party transactions and TP methodologies used, and a taxpayer confirmation of the arm's length value of their transactions (or otherwise the making of voluntary adjustments). The TP declaration forms must be submitted together with the annual CIT return within 90 days from the fiscal year end date.

TP documentation

Companies which have related party transactions must also prepare and maintain contemporaneous three-tiered TP documentation including master file, local file and country-by-country report. The three-tiered TP documentation has to be prepared before the submission date of the annual tax return. A taxpayer may be exempt from preparing TP documentation if certain conditions are met.

30% of EBITDA cap on total interest expenses

Under Decree 132, the cap on tax deductibility of interest increases from 20% to 30% of EBITDA. The cap applies to net interest expense (i.e., after offsetting with interest income from loans and deposits). Non-deductible interest expenses can be carried forward to the subsequent five years. Certain types of financing are excluded from the cap, including interest on official development assistance (ODA) loans, various preferential loans made by the government, and loans made for implementing national programs and state social benefit policies. The provisions relating to the change in interest calculation and the deductibility cap apply retrospectively to 2017 and 2018 with certain conditions.

Intercompany service charges

Decree 132 still provides various criteria for the tax deductibility of intercompany service charges, which are similar to those regulated under the previous regulations (i.e. Decree 20). Notably, a taxpayer needs to demonstrate that the services provide commercial, financial and economic value, and provide evidence of the reasonableness of the service charge calculation method.

A tax deduction will not be allowed for intercompany service charges where the direct benefit or additional value to the taxpayer cannot be determined, such as duplicated services, shareholder costs.

TP audits

There has been a marked increase in the number of TP audits performed in recent years, with these adopting an increasingly sophisticated approach, often challenging the validity of comparables cited in the TP documentation. Most general tax audits will now include a review of the taxpayer's transfer pricing position.

Advance Pricing Agreement (“APA”)

On 18 June 2021, the Ministry of Finance issued Circular 45/2021/TT-BTC, setting out new rules on Advance Pricing Agreements in Viet Nam. Circular 45 takes effect from 3 August 2021, and replaces the existing APA Circular 201 issued in 2013. Taxpayers have the option to enter into unilateral, bilateral or multilateral APAs with the tax authorities. The General Department of Taxation has been in negotiations with the competent authorities of various overseas jurisdictions to conclude the first bilateral APAs for several taxpayers.



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Foreign contractor tax (“FCT”)

Scope of application

FCT is applied to foreign organisations and individuals undertaking business or earning income sourced from Viet Nam on the basis of agreements with Vietnamese parties (including foreign owned companies).

FCT is not a separate tax, and comprises a combination of Value Added Tax (“VAT”) and CIT, or Personal Income Tax (“PIT”) for income of foreign individuals.

Payments subject to FCT include interest, royalties, service fees, leases rentals, insurance premiums, transportation fees, income from transfers of securities, and from goods supplied within Viet Nam or associated with services rendered in Viet Nam. The applicable tax rates vary depending on the payment method and the nature of the transactions. Certain distribution arrangements where foreign entities are directly or indirectly involved in the distribution of goods or provision of services in Viet Nam are also subject to FCT.

FCT exemption is provided for certain cases, such as pure supply of goods, services performed and consumed outside Viet Nam and various other services performed wholly outside Viet Nam.

There are three methods for FCT payment and declaration:

Deduction
method

Direct method

Hybrid
method

Double taxation agreements

The CIT element of FCT may be affected by a relevant Double Taxation Agreements (DTA) provided that certain conditions are met.

Viet Nam has signed around 80 DTAs and there are a number of others at various stages of negotiation.



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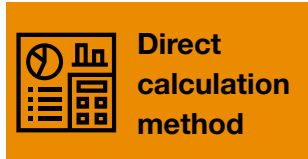


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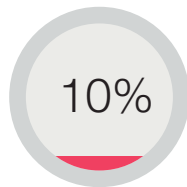
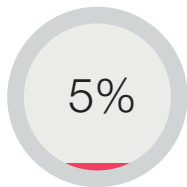
Value added tax (“VAT”)

VAT applies to goods and services used for production, trading and consumption in Viet Nam. In addition, VAT applies on the dutiable value of imported goods. For imported services, VAT is levied via the FCT mechanism.

There are two VAT calculation methods:



There are three VAT rates:



VAT exemption is provided for certain goods and services. VAT refunds are only granted in certain cases. 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.

Invoicing

There are two types of e-invoices:

E-invoices with verification code

“High tax risk companies” are required to use e-invoices with verification codes from the tax authorities for 12 months.

E-invoices without verification code

Companies allowed to use e-invoices without verification codes from the tax authorities will be those in certain economic sectors

From

1 July 2022

e-invoices will be compulsory for all enterprises



Scan here for PwC’s Pocket Tax Book 2023 and read more about e-invoices



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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.

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 to be 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 to entities which are not third parties, an anti-avoidance provision may impose a minimum taxable price in certain cases.

The SST amount paid on material imported or purchased from domestic suppliers is creditable provided certain conditions are met.

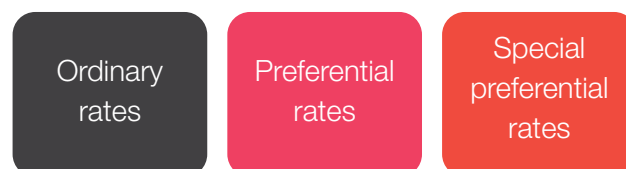


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Pocket Tax Book 2023

Import and export duties

Rates

Import and export duty rates are subject to frequent changes. Import duty rates are classified into 3 categories:



To be eligible for preferential rates or special preferential rates, the imported goods must be accompanied by an appropriate Certificate of Origin.

Calculation

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. Where the transaction value is not applied, alternative methodologies for the determination of the customs value will be used.

Exemptions and refunds

Import duty exemptions are provided for:

- Materials imported for manufacturing of finished goods for export;
- Machinery and equipment imported to form fixed assets of projects which are classified as in encouraged sectors/locations;
- Other goods imported for specific purposes

Import duty refunds are also possible for various cases.

Export duties

Export duties are charged only on a few items, basically natural resources with rates ranging from 0% to 40%.

Personal income tax (“PIT”)

Tax residency

Individuals earning income from Viet Nam are subject to PIT, depending on their residency status. Residents are those individuals meeting one of the following criteria:

- Residing in Viet Nam for 183 days or more in a tax year;
- 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 rates

Tax residents are subject to Vietnamese PIT on their worldwide taxable income. Employment income is taxed on a progressive tax rates basis ranging from 5% to 35%. Other income is taxed at a variety of different rates.

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.

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

Social, Health and Unemployment insurance contributions

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 for at least 3 months.

From 1 December 2018, Social Insurance (“SI”) contributions are payable by both Vietnamese and foreign individuals working in Viet Nam under employment contracts with an indefinite term or a definite term of 1 year or more.



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COVID-19 Pandemic

Following the previous years' COVID-19 initiatives, some new initiatives were released in 2022 to help address difficulties faced by both businesses and individuals due to the COVID-19 outbreak.

The Government released a decree providing an extension of deadlines for payment of taxes and land rental fee applicable for the 2022 tax year for certain industries (with some exceptions).

On 30 January, the Government issued Resolution 11/NQ-CP on socio-economic recovery measures and implementation of Resolution 43/2022/QH15 on fiscal and monetary policies.

Some notable tax measures include:

1. 2% VAT reduction for goods and services which are currently subject to 10% VAT (with certain exceptions) for the period from 1 February to 31 December 2022.
2. Extension of the deadline for payment of CIT, PIT, VAT, SST and land rental in 2022.
3. 30% reduction of land rental for 2022 which is applicable to tenants that meet both of the following conditions:
 - The tenants lease land directly from the Government under a decision, or contract, or certificate of land use right and make annual land rental payments; and
 - The tenants suffer business suspension due to COVID-19.

In 2021, the Government also provided a similar 30% reduction in land rental. However, the scope of application in 2021 was broader i.e., it included all those impacted by COVID-19, without any requirement that tenants have to prove that they are impacted by COVID-19. The conditions in 2022 are stricter, i.e. they require tenants to suffer a business suspension due to COVID-19.

Resolution 11 does not provide guidance on how a business suspension would be determined or how long the suspension must be in order for tenants to be entitled to the reduction.

4. Tax deduction of certain expenses for COVID-19 prevention.
5. 50% reduction of the registration fee for automobiles manufactured or assembled locally.
6. 50% reduction of environmental protection fee for aviation fuel.
7. Apply export and import duty rates under Decree 101/2021, which supplements items subject to the preferential import tax rate of 0% and adjusts import, export tax rates for several commodity items.
8. Consider a reduction of electricity and water usage fee for corporate and individual customers.
9. Consider amending the rules on the usage of the Science and Technology Development Fund to enable companies to renew technology, etc.



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Accounting & Auditing



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Accounting framework

Vietnamese accounting standards

From 2001 to 2005 the MoF issued 26 Vietnamese Accounting Standards based on the old versions of the respective International Accounting Standards with certain adaptations to fit Viet Nam's circumstances. In comparison to International Financial Reporting Standards ("IFRS"), up to now, accounting standards related to financial instruments, impairment of assets, fair value, etc. have not been issued yet.

One of the areas that the MoF has focused on is promoting IFRS adoption in Viet Nam. On 16 March 2020, the MoF issued Decision No. 345/QD-BTC approving the scheme for application of IFRS in Viet Nam. The IFRS implementation roadmap has three stages: stage 1 – IFRS preparation (from 2020 to 2021); stage 2 – IFRS pilot implementation (from 2022 to 2025); and stage 3 – IFRS compulsory implementation (from 2025).

IFRS is expected to bring benefits to businesses including better transparency and comparability in financial reporting which should better facilitate the provision of financial information to relevant stakeholders and attract more foreign investment.

Accounting law and applicable implementation guidance

In Viet Nam, the Accounting Law is the highest accounting regulation issued by the National Assembly. Accounting issues are further guided and governed by various decisions, decrees, circulars, official letters and Vietnamese Accounting Standards.

The Vietnamese accounting framework consists of Vietnamese Accounting Standards, Vietnamese Accounting System and various guidance applicable for accounting (collectively referred to as "VAS"). The Vietnamese Accounting System is a common accounting source to be referred to in accounting practice, which 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. Accordingly, the Vietnamese Accounting System is mainly rules-based rather than principles-based.

There are industry-specific accounting guidelines for credit institutions, insurance companies, securities companies, fund management, investment funds, and oil and gas operators. The accounting guidelines for credit institutions are issued by the State Bank of Viet Nam, others are issued by the MoF.

12 months

is a **common** duration of the accounting period

“Accounting records are generally required to be maintained in Vietnamese Dong (“VND”)”



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Accounting records

Framework

Vietnamese Accounting System, Vietnamese Accounting Standards and applicable regulations.

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

Financial year is 12 months in length. The first accounting period of the newly established entities must not exceed 15 months from the Enterprise registration certificate date. Similarly, the last accounting period must not be longer than 15 months.

Currency

The currency used in accounting is Vietnamese Dong (“VND”). Entities that receive and make payments mainly in foreign currencies can select that foreign currency to be used as their accounting currency and to prepare 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 in that currency into VND pursuant to certain prescribed regulations.

Accounting documents

Accounting documents can be stored either in hard copies or electronic files. Entities that use electronic documents are not required to print them out

for storage purposes. If the relevant authorities request copies for testing, inspection, monitoring and auditing, these entities have to print out electronic accounting documents and have them signed by their legal representatives or chief accountants.

Seal

Companies are permitted to decide the form, quantity and contents of their official seals. The management, use and storage of an entity's seal must comply with its charter.

Retention

Five years for documents used for management or operation of the company; ten years for documents directly used to record accounting books and prepare financial statements, accounting books and annual financial statements.

Lack of accounting records is a basis for assessing non-compliance with VAS. The tax authorities can treat non-compliance with VAS as a basis for tax reassessment and imposition of penalties, including withdrawal of CIT incentives, disallowance of expenses and denial of input VAT credits/refunds.



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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 entity is required to appoint a chief accountant who must satisfy the criteria and conditions stipulated by the Accounting Law and guiding regulations. The annual financial statements must be approved by the chief accountant and legal representative and a copy of the financial statements must be submitted to local authorities within 90 days of the end of the financial year. Additionally, listed entities and public interest entities must prepare and submit interim financial statements.



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Audit requirements

Internal audit

Decree No. 05/2019/ND-CP provides a legal framework for the establishment and implementation of an internal audit function, as well as the roles and responsibilities of the internal audit function and other stakeholders. The objective of the decree is for entities to adopt international best practices in internal audit, enhancing the transparency of information in the marketplace and the efficiency and effectiveness of corporate governance. On 25 January 2021, the MoF also issued Circular No. 8/2021/TT-BTC on Vietnamese internal audit standards and principles of professional ethics for internal audit, which became effective from 1 April 2021. This circular provides more detailed guidance on the operation and basis for evaluating the performance of internal audit as well as the necessary professional ethics.

Target groups of the decree:



Entities including: listed entities; entities with more than 50% of their charter capital held by the State, which are parent companies operating in a parent-subsidary business model; and State entities which are parent companies operating in a parent-subsidary business model.



Organisations and individuals conducting internal audit activities.



State-owned public service units satisfying certain requirements.
Other governmental agencies required by the decree.



Other governmental agencies required by the decree.



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Vietnamese Standards on Auditing

Audit requirements

The MoF issued 47 Vietnamese Standards on Auditing (“VSA”) based on International Standards on Auditing (“ISA”) and which are fairly comparable to ISA at the date of issuance. The MoF is in the process to issue new VSA or amend existing VSA to be comparable to the prevailing ISA standards. In addition, Viet Nam self-developed a VSA No. 1000 on the audit of Investment Completion Audit.

The annual financial statements of the following companies must be audited by an independent auditing company operating in Viet Nam:

- Foreign-invested entities;
- Credit institutions; financial organizations, insurance companies, reinsurance companies, insurance brokerage companies, branches of foreign non-life insurance companies;
- Public interest entities, issuers and securities trading organizations; companies which are 20% or more owned by listed entities, issuers and securities trading organizations; and
- State-owned companies; companies implementing important national projects, group-A projects using state funds.

The deadline for submitting audited annual financial statements can vary from type of business to business, but generally be completed within 90 days of the end of the financial year and reviewed interim financial statements must be completed within 45 days of the end of the first six months of the financial year. These financial statements should be filed with the applicable licensing body, the MoF, 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 company’s financial year.

In accordance with the general auditor rotation requirements, signing auditors are required to be rotated off after three consecutive years. Apart from this requirement for the signing auditors, practising auditors for public interest entities are required to be rotated after four consecutive years. Audit firms for credit institutions are required to be rotated after five consecutive years.



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Moving to International Financial Reporting Standards (“IFRS”)

One of the areas that the MoF has focused on is promoting IFRS adoption in Viet Nam. On 16 March 2020, the MoF issued Decision No. 345/QD-BTC approving the scheme for application of IFRS in Viet Nam. The roadmap divides the IFRS implementation into 3 stages:

Stage 1

IFRS preparation (from 2020 to 2021): The MoF makes necessary preparations for the roadmap implementation in order to support businesses adopting IFRS from 2022 onwards. These preparations include: publishing a Vietnamese translation of IFRS standards, training, building guidelines for IFRS implementation, etc.

Stage 2

IFRS pilot implementation (from 2022 to 2025): Those entities that have the need and resources may inform the MoF of voluntary adoption to prepare consolidated financial statements, including parent companies of state-owned groups, listed entities that are parents within a group of entities and large unlisted public entities and other parent companies. FDI companies may adopt IFRS for their separate financial statements on a voluntary basis, provided that they supply all required information and transparent reports to the authorities about their contributions to the State budget.

Stage 3

IFRS implementation (after 2025 onwards): IFRS will be compulsory for consolidated financial statements of all SOEs, listed entities and large unlisted public entities.

Other businesses that operate as parent companies may prepare IFRS consolidated financial statements on a voluntary basis. All remaining businesses may adopt IFRS for their separate financial statements on a voluntary basis, provided that they supply all required information and transparent reports to the authorities about their contributions to the State budget. IFRS is expected to bring benefits to businesses including better information transparency and comparability in financial reporting which would then translate into easily providing useful financial information to relevant stakeholders and attracting foreign capital flows.



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The impact of COVID-19 on financial statements for annual and interim periods

COVID-19 was declared a global emergency by the World Health Organisation (“WHO”) on 31 January 2020. Under the current accounting regulations and standards in Viet Nam, for fiscal years ended in 2022, entities need to determine the impact that COVID-19 has caused on their financial position and performance for sufficient disclosure. There also should be an assessment of COVID-19 related items presentation, not only on the category in the income statements, but also on the identified impacts towards other commitments of the entities, then to decide which presentation is most appropriate in the circumstance.

In addition, entities should look at how the pandemic will continue to impact their ability to maintain the business as a going concern as well as the recognition and measurement of their assets and liabilities. They should also consider the need for sufficient disclosure in their financial statements.



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About us



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PwC's The New Equation

The world has forever changed after the pandemic. Building trust and delivering sustained outcomes has never been more important in a world faced with disruptions such as technological revolution, climate change and social tensions.

Our global strategy, The New Equation, is our commitment to co-create solutions to help our clients overcome new challenges in this rapidly changing world by bringing together unique combinations of people and technology to meet complex needs. It is our purpose, which empowers our people to deliver real change for clients, stakeholders and society.

Not only do we strive to deliver quality assurance, advisory and tax services but we are also continuing to attract diverse talent and upskilling our people to meet the needs of today and tomorrow.



PwC Viet Nam

At PwC Viet Nam, 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 152 countries around the world and employs over 327,000 people. Our people throughout the network are committed to delivering the highest standards of quality in relation to the assurance, advisory, tax and legal services we deliver

PwC Viet Nam 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 and 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.

152

countries

We're a member of the PwC network of firms

327,000

People



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Over the past 28 years of operations, PwC Viet Nam has committed to driving sustainable growth within our company and the wider business community. With the strong industry knowledge that our clients require at a local level, we bring a breadth of skills and depth of resources to our clients wherever they do business, throughout Asia and across the world.

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:

Our services

PwC Viet Nam 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: Audit & Assurance, Consulting, Deals, Tax and Legal.

1994

is when PwC Viet Nam established offices in Hanoi and Ho Chi Minh City

1,100

Local and expatriate staff in Viet Nam



Banking and capital markets



Engineering and construction



Financial services



Industrial products



Retail and consumer



Oil and gas



Pharmaceuticals and healthcare



Real estate



Technology



Tele-communications



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- ESG Reporting
- Capital Markets Services

- Market entry
- General corporate & commercial services
- Mergers & Acquisition
- Real estate
- Intellectual property & technology transfer
- Employment & human resources
- Banking & financial services

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

For the full suite of PwC Viet Nam's services, visit our website <https://www.pwc.com/vn>

- Strategy
- Cost and Performance Management
- Risk and Governance
- Forensic Services
- Information Technology
- People & Organization
- Operations and Supply Chain Management
- Finance Function Effectiveness
- Banking
- Data Analytic

- Transaction Services
- Corporate Finance
- Valuation
- Deals Strategy
- Capital Projects and Infrastructure
- Business Restructuring Services
- Working capital management

- Transfer pricing
- Tax dispute resolutions
- Corporate income tax compliance & reporting
- Personal tax & payroll services
- Restructuring & value chain transformation
- Acquisitions, disposals & reorganisations
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- Withholding taxes – foreign contractors
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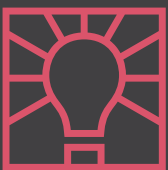
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Our values

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.



Reimagine the possible



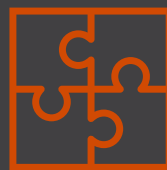
Make a difference



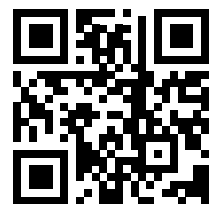
Act with integrity



Care



Work together



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APEC BUSINESS ADVISORY COUNCIL

THIRD MEETING 2022

HA LONG, VIET NAM | JULY 26-29, 2022



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.



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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 established close cooperative relations with nearly 200 international partnership organisations to support enterprises in reaching out to the global market. VCCI is an active

member of the International Chamber of Commerce (ICC), the Confederation of Asia-Pacific Chambers of Commerce and Industry (CACCI) and international and regional employer federations.

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



Our Key Activities

Government - Business Dialogues

are hosted annually with the Prime Minister and high-ranking officials from Ministries. They serve as a high-level communication channel between the business communities and the Vietnamese Government on various topics regarding the improvement of the business environment. Among them, VCCI is the co-chair of Vietnam Business Forum (VBF) Management Board, representing the private sector and has been one of the most effective ongoing policy dialogue channels since 1997.

Website: <https://vbf.org.vn>

Bilateral Business Forums

are organized each year, both domestically and globally on the occasion of high-level official visits between Viet Nam and other countries. Bilateral business councils, including Viet Nam - EU Business Council, Viet Nam - Australia Business Council, Viet Nam - Korea Business Forum, Viet Nam - India Business Forum, Viet Nam - Belarus Business Council, Viet Nam - Latin America Business Council, Viet Nam - Singapore Business Council among others, have effectively facilitated the connections between Viet Nam and business communities abroad.

Bureau for employers' activities

protects the interests of employers in Viet Nam and promotes the development of activities relating to labour relations in Viet Nam.

Website:

<http://beavccvietnam.com.vn>

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.vn

Policy advocacy activities

to build and disseminate laws and policies related to the business environment is one of VCCI's key missions and VCCI by law must be consulted as representative of the private sector on legal drafts affecting businesses. As the Vice Chair of the Advisory Council for Administrative Procedure Reform of the Prime Minister, VCCI's many proposals have been received to improve the business environment. VCCI has developed the portal drafting and commenting on business-related laws and regulations.

Website:

<http://vibonline.com.vn>

Center for WTO and International Trade (CWIT)

is one of the biggest information sources on international trade issues for businesses in Viet Nam as well as an important focal point for businesses to take advocacy actions relating to WTO, FTAs and other trade commitments of Viet Nam.

Website: wtocenter.vn

Small and Medium Enterprises Promotion Centre (SME PC)

performs the micro and SMEs development policy consultation function, supports on enhancing overall capacity for SMEs, strengthens business linkages and promotes SMEs participate in the Global Value Chain, supports digital transformation for SMEs.

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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