

# What to Keep in Mind

This section examines some key considerations that foreign investors should be aware of when investing or conducting business in Vietnam.

 by Herman, Henry & Dominic



# Vietnam's Taxation System



# Corporate Income Tax (CIT)



## Standard CIT Rate

The standard Corporate Income Tax (CIT) rate in Vietnam is 20%, applicable to most businesses across various sectors, including both local and foreign enterprises.



## Higher Rates for Specific Industries

Specific industries such as oil, gas, and mineral extraction are subject to higher CIT rates, ranging from 25% to 50% depending on the nature and profitability of the activity.

# Value-Added Tax (VAT)

## Standard VAT Rates

VAT is levied on the sale of goods and services in Vietnam, with standard rates of 0%, 5%, and 10%. The 10% rate applies to most items, while 5% is for essential goods like healthcare and education.

## VAT Reduction

As of January 1, 2024, the standard VAT rate was reduced from 10% to 8% for most goods and services. This temporary reduction aims to support economic recovery and stimulate consumption.



# Tax on Foreign Entities



## Foreign Contractor Tax

Foreign entities earning income in Vietnam without a permanent establishment are subject to Foreign Contractor Tax (FCT), which combines CIT and VAT components.



## Withholding Rates

FCT withholding rates vary between 5% and 10% depending on the nature of the service provided, and is typically withheld by the Vietnamese contracting party.

# Transfer Pricing Regulations

## Arm's Length Principle

Vietnam requires related-party transactions to be conducted at arm's length to prevent base erosion and profit shifting (BEPS).

## Annual Documentation

Enterprises must submit annual transfer pricing documentation to demonstrate compliance with regulations.

## OECD Guidelines

Vietnam follows the OECD's guidelines on transfer pricing and has adopted the global minimum tax regime under BEPS 2.0.





# Tax Incentives

## 1 Attractive Rates

Enterprises investing in high-tech zones or economically disadvantaged areas may enjoy a CIT rate as low as 10% for up to 15 years.

## 2 Tax Holidays

Qualifying enterprises can receive a four-year tax exemption and a 50% tax reduction for the subsequent nine years.

## 3 Targeted Sectors

Tax incentives are particularly focused on high-tech, agriculture, renewable energy, economic zones, and regions with difficult socio-economic conditions.

# Other Relevant Taxes

## **Personal Income Tax (PIT)**

Applied to individuals' income at progressive rates from 5% to 35%.

Foreign individuals are subject to PIT based on their tax residency status.

## **Special Consumption Tax (SCT)**

Levied on the production or importation of specific goods such as tobacco, alcohol, and automobiles.

## **Import and Export Duties**

These duties apply to goods entering or leaving Vietnam, with specific exemptions for goods in transit, items in non-tariff zones, and goods exported from non-tariff areas to foreign countries.





# Compliance and Reporting

## 1 Rigorous Tax Filings

Businesses must adhere to monthly, quarterly, and annual tax filing requirements in Vietnam.

## 2 Varying Deadlines

Tax submission deadlines vary based on the type of tax and the enterprise's fiscal year.

# Intellectual Property Law in Vietnam



# Definition and Scope of Intellectual Property

## Trademarks

Any sign used to distinguish goods or services of different organizations or individuals, including collective marks, certification marks, well-known marks, and integrated marks.

## Copyrights

Protect literary, artistic, and scientific works, including moral and economic rights.

## Trade Secrets

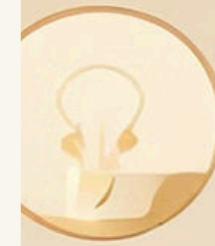
Information from financial or intellectual investment that remains undisclosed and can be used in business.

## Patents

Cover inventions, useful solutions to technical problems, and industrial designs, including partial designs as per the latest amendment.

## Geographical Indications

Signs identifying products as originating from specific regions, known for certain qualities or reputation.





# Trade Secrets Vietnam's Participation in International Conventions



## Global Standards

Vietnam is a member of several major international IP conventions.



## Cooperative Agreements

These memberships include: Paris Convention for the Protection of Industrial Property; Berne Convention for the Protection of Literary and Artistic Works; Rome Convention; Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement; World Intellectual Property Organization (WIPO); Patent Cooperation Treaty (PCT); Madrid Protocol; and Hague Agreement.



## Legal Framework

Vietnam's IP laws are consistent with these international agreements, providing a robust legal framework.

# IP Registration Procedures

1

## Copyrights

Copyrights in Vietnam are automatically protected under the Berne Convention, but registering with the National Copyright Office can strengthen your legal position.

2

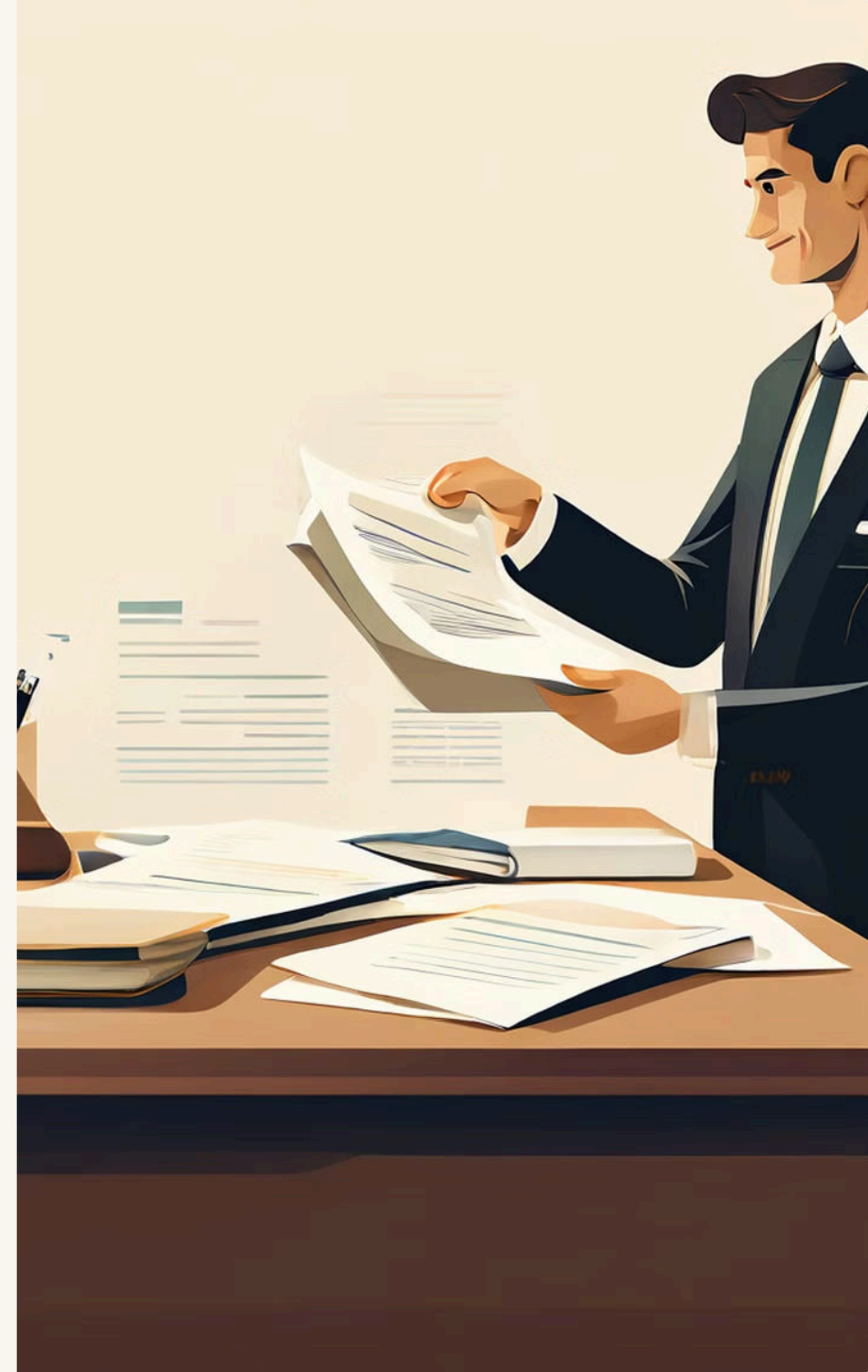
## Patents

Vietnam operates on a "first to file" system. Invention patents are protected for up to 20 years, utility solution patents for up to 10 years, and industrial designs for an initial 5-year period, renewable for two 5-year periods.

3

## Trademarks

Trademarks in Vietnam cover symbols, 3D objects, colors, and other visual devices. They are valid for 10 years and can be renewed indefinitely. Registration through NOIP can take up to 15 months.



# Enforcement of IP Rights



## Administrative Action

Government agencies can issue warnings, fines, and order the seizure or destruction of counterfeit goods.



## Civil Court Action

IP holders can seek damages and injunctive relief through the court system.



## Criminal Prosecution

Severe IP infringement can lead to criminal penalties, including imprisonment.

# Practical Strategies for Protecting IP

## 1 Employment Contracts

Ensure that contracts include clear IP-related clauses to prevent unauthorized use of IP by employees.

## 2 Monitoring and Auditing

Regularly monitor production processes to detect any signs of overproduction that might indicate counterfeiting.

## 3 Registering IP

Proactively register all forms of IP to ensure legal protection and facilitate enforcement actions.



# Vietnam's Labor Law





# Vietnam's Labor Law



## Employment Contracts

Vietnamese labor law requires written employment contracts for all employment relationships, either indefinite-term or fixed-term (up to 36 months, renewable once).



## Contract Duration

If a fixed-term contract is not renewed within 30 days after expiry, it automatically converts to an indefinite-term contract.



## Contractual Obligations

Employment contracts outline the rights and responsibilities of both the employer and employee under Vietnamese labor law.



# Working Hours and Overtime

## Standard Workweek

The standard workweek in Vietnam is capped at 48 hours, with a maximum of eight hours per day.

## Overtime Regulations

Overtime is permissible but regulated, not to exceed 200 hours per year generally, and 300 hours for specific industries.

## Mutual Agreement

Employers and employees can mutually agree on overtime, but it must comply with legal limitations.



# Minimum Wage and Social Insurance

## Minimum Wage Varies

The minimum wage, which is set by the government and varies by region. For example, the minimum monthly wage in the urban areas of Hanoi and Ho Chi Minh City (Region I) is approximately 5 million VND, whereas in rural areas (Region IV), it is about 3.5 million VND

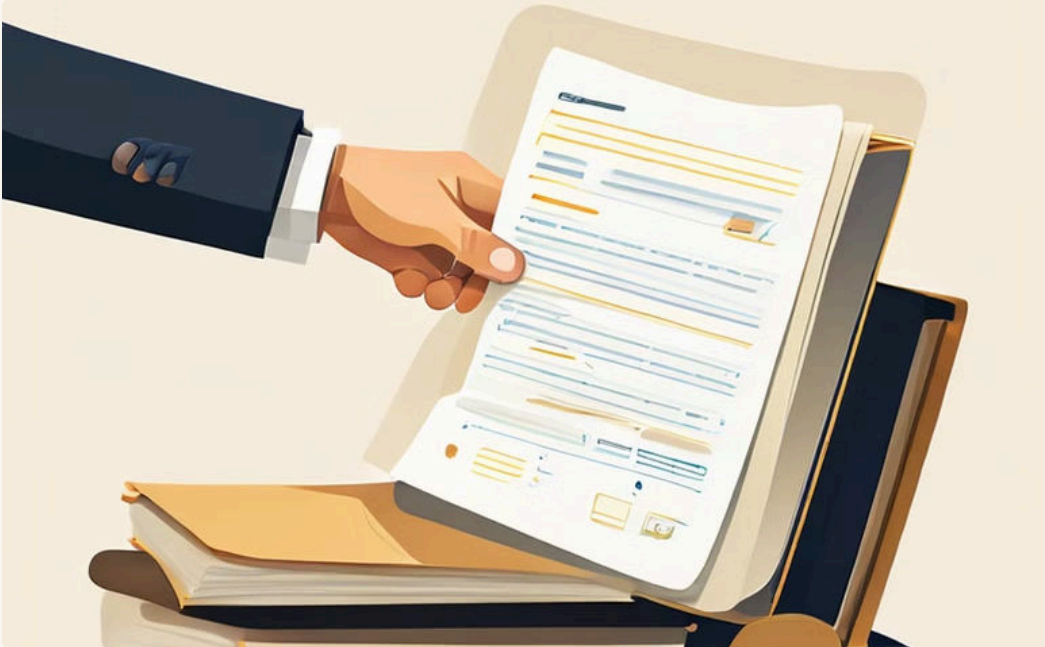
## Average Salary

On average, a person working in Vietnam earns around 17,300,000 VND per month, which includes various benefits such as housing and transport

## Employee Contributions

Employers are required to contribute approximately 17.5% of the employee's salary towards social insurance, health insurance, and unemployment insurance. Meanwhile, employees will be responsible for an 8% contribution rate.

# Hiring Foreign Employees



## Work Permits

Foreign employees must obtain work permits, with the employer demonstrating the position cannot be filled locally.



## Qualification Requirements

Strict definitions for "experts" and "technical workers" apply, such as a university degree and at least 3 years of relevant experience.



# Philosophy of Labor Law in Vietnam



## Employee Protection

Vietnam's labor law is designed to protect the rights of workers, with strict protocols for termination and comprehensive employee benefits.



## Balancing Interests

Unlike other countries, Vietnam's labor laws prioritize job security over employer flexibility, reflecting the country's socio-political framework.



## Regulatory Oversight

Employers must follow detailed procedures, including consulting trade unions, when terminating employment contracts in Vietnam.

# Foreign Investment in Vietnam's Real Estate Sector



# Land Ownership and Use Rights

## State Ownership

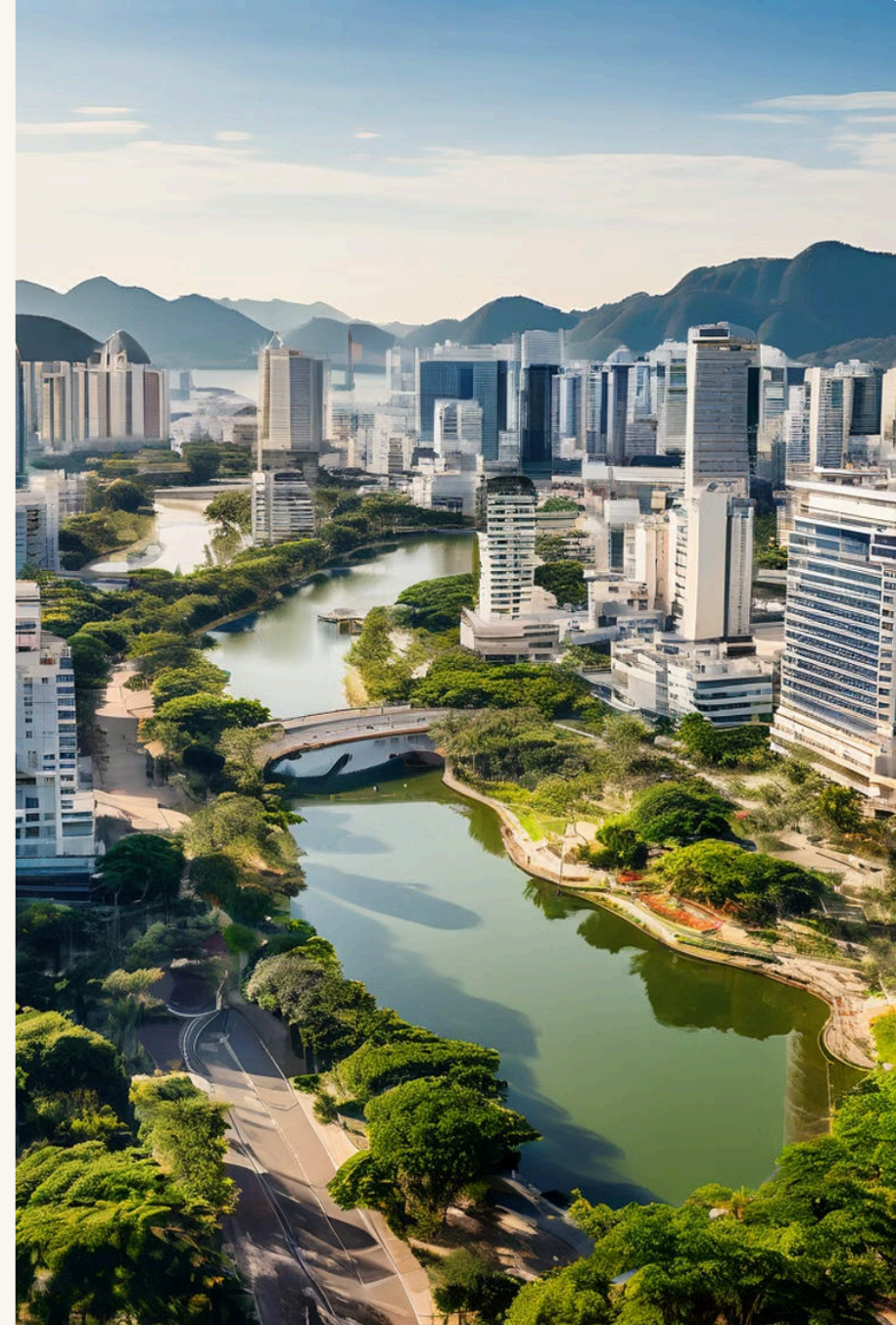
In Vietnam, land is collectively owned by the state, and individuals or entities, including foreign investors, can only acquire land use rights (LURs).

## Leased, Not Owned

These rights are typically granted through leases rather than outright purchases.

## Governing Laws

The primary laws governing land use and real estate transactions for foreign investors include the Land Law, the Law on Real Estate Business, and the Housing Law.



# Investment Opportunities By Sector

Vietnam offers a diverse range of investment opportunities across various sectors, from industrial parks to hotels and tourism. Investors can capitalize on the country's rapid economic growth and favorable business environment.





# Industrial Parks



## Strategic Locations

Vietnam's industrial parks are strategically located in economic zones, offering significant opportunities for manufacturing and logistics investments.

## Key Hubs

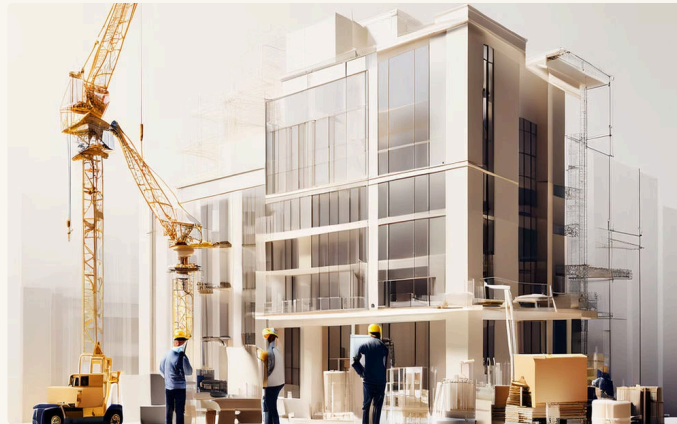
The Northern Economic Zone, including Hanoi and Hai Phong, is a key hub for manufacturing and infrastructure development. The Southern Economic Zone, encompassing Ho Chi Minh City, is a major commercial center attracting substantial foreign investment.

# Hotels and Tourism



## Prime Locations

Popular tourist destinations like Da Nang, Nha Trang, and Phu Quoc offer higher returns due to steady tourist inflows.



## Regulatory Compliance

Adhering to zoning laws and obtaining necessary permits is crucial for hotel projects in Vietnam.



## Booming Tourism

The tourism sector in Vietnam is thriving, attracting foreign investors to hotel and resort projects.



# Office Buildings

## 1 High Demand

Ho Chi Minh City and Hanoi are the primary locations for office buildings, catering to the growing demand from multinational corporations and local businesses.

## 2 Investment Opportunities

Foreign investors can purchase office spaces within these buildings or lease land to develop commercial properties.

## 3 Legal Considerations

Investors must navigate complex legal procedures to secure land use rights and construction permits.

# Condominiums



## Ownership Limits

Foreign investors can own up to 30% of the total units in a condominium project in Vietnam.



## Certification

Obtaining a certificate of land use rights and ownership (Pink Book) is essential for foreign condominium buyers in Vietnam.



## Attractive Market

The condominium market in Vietnam is attractive due to rapid urbanization and a growing middle-class population.

# Profiting from Businesses in Vietnam



# Profiting Through Dividends

1

## Eligibility and Declaration

Foreign investors can receive dividends from Vietnamese companies with positive retained earnings. Financial statements must be audited and all taxes paid before dividends can be declared.

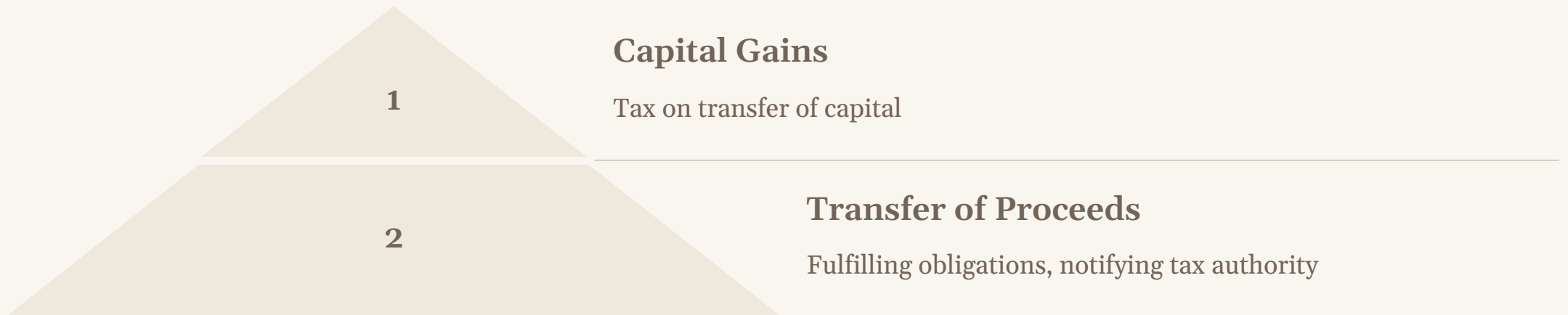
2

## Payment Process

Dividend payments must be made through a DICA or IICA account. The local tax authority has 7 days to object before payment can proceed. Proper documentation is required for currency conversion.



# Profiting Through Business Sales



Foreign investors can profit by selling their stakes in Vietnamese businesses. A new draft CIT law proposes to tax the transfer of capital at 2% on gross sales proceeds. Upon selling their business, investors can transfer the proceeds abroad after fulfilling all financial obligations and notifying the tax authority.

# Challenges of Transferring Profits Abroad

## Stringent Regulations

Transferring money abroad from Vietnam is a complex and tightly regulated process, reflecting the government's stringent foreign exchange control policies.

## Navigational Challenges

While the laws theoretically allow for certain types of remittances, in practice, navigating these regulations can be daunting.



# The Process of Profit Transfer

1

## Financial Review

Audit financials, pay taxes

---

2

## Profit Allocation

Board approval of profit to remit

---

3

## Notification & Approval

Notify tax authority, 7-day wait

---

4

## Banking Procedures

Convert VND to foreign currency, 30-day transfer

To transfer profits out of Vietnam, companies must first ensure their financials are in order, allocate the profits to be remitted, notify the tax authority, and then complete the banking procedures within the required timelines.