

# **The E-Book on East Asia Investment Practice**

**-Vietnam**

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## Preface

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Vietnam is a developing country with good economic development in Southeast Asia, and its development in the past 30 years has been remarkable. Since the implementation of reform and opening up in 1986, Vietnam's domestic political situation and macro-economy have remained stable, and the economic growth has accelerated as well as the economic volume has expanded. The tertiary industry structure has become more coordinated, and significant improvement has been made in opening up to the outside world. In 2020, the National Assembly of Vietnam approved the *Law on Investment (2020) (LOI2020)*, which specifies detailed regulations on industries in which investment is encouraged and preferential investment policies, laying a solid foundation for further optimizing the business environment.

In this E-book, Chapter I briefs on Vietnam's national features like geography, politics, social governance, and cultural environment; Chapter II describes the overall business environment in Vietnam ; Chapter III gives an introduction about Vietnam's economic and trade policies; Chapter IV describes the industrial development and the foreign investment situation in Vietnam; Chapter V outlines the relevant procedures and regulations of starting a business; Chapter VI presents the relevant laws and regulations on enterprise operation; Chapter VII sums up the solutions and approaches of settling economic and trade disputes; Chapter VIII introduces the multilateral and bilateral free trade agreements, including *Regional Comprehensive Economic Partnership*; Chapter IX reviews the economic guarantee measures and revitalization initiatives taken in Vietnam since the COVID-19 outbreak; Chapter X introduces the government sectors, trade associations and intermediaries in relation to enterprise investment as well as their contact details.

We hope that the basic information of Vietnam's economy and trade displayed in this E-book

can provide valuable guidance for enterprises and investors, contributing to the investment facilitation and healthy development of economic globalization.

Time constraints and competence deficiency might lead to inaccuracies in this E-book. We sincerely hope that you can put forward your valuable comments and suggestions so that we can improve them.



# General Information

## 1.1 Geography

### Geological Location

The Socialist Republic of Vietnam (hereinafter referred to as Vietnam) is located in the eastern part of the Indo-China Peninsula, bordering China to the north, Laos and Cambodia to the west, and the South China Sea to the east and southeast. The land area is 329,000 km<sup>2</sup>, and the terrain is long and narrow with an S shape. The longest point from north to south is about 1,640 km, the widest point from east to west is about 600 km, and the narrowest point is only 50 km.<sup>①</sup>

### Natural Resources

Vietnam is rich in mineral resources. More than 5,000 deposits and more than 60 kinds of minerals have been discovered so far. There are mainly coal, iron, titanium, manganese, chromium, aluminum, tin, phosphorus etc., among which coal, iron and aluminum reserves are relatively large. The marine resources are rich, with 6,845 species of marine life, including 2,000 species of fish, 300 species of crab, 300 species of shellfish, and 75 species of shrimp. The forest area is about 10 million hectares.

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<sup>①</sup> Foreign Investment Agency of the Ministry of Planning and Investment of Vietnam: <https://fia.mpi.gov.vn/en/Single/MenuID/56022762-455c-4b7d-8738-12a5b7959858>

## **Climate**

Vietnam is located south of the Tropic of Cancer and belongs to a tropical monsoon climate zone. The 4 seasons in the north are distinct, and the average annual temperature in most areas is 23°C-25°C. In the southern part, there is dry season (October to April) and rainy season (May to September). The average annual temperature in most areas is 26°C-27°C. The air is humid and the rainfall is sufficient. The average annual rainfall in the country is 1,500 to 2,000 mm.

## **Administrative Division**

Vietnam has 5 municipalities (Hanoi, Ho Chi Minh City, Haiphong, Da Nang and Can Tho) and 58 provinces, which are divided into 8 major regions.

Hanoi City is the capital of Vietnam and the political and cultural center of Vietnam; Ho Chi Minh City is the country's largest port transportation center and commercial base.

## **1.2 Politics**

### **Constitution**

Vietnam's current constitution is the 5th constitution, which was passed at the 6th session of the 13th National Assembly in November 2013. The Constitution stipulates that the state power of the Socialist Republic of Vietnam belongs to the people, and the Communist Party of Vietnam takes Marxism-Leninism and Ho Chi Minh Thought as its guiding ideology to develop a "socialist-oriented" market economy.

### **Parliament**

The National Assembly is the highest organ of state power in Vietnam, and it usually holds 2 regular meetings a year. The National Assembly has 498 deputies voted by the people for a 4-year

term. The current chairman of the National Assembly is Vuong Dinh Hue.

## Chief of State

The president of Vietnam is the head of state of Vietnam. On January 31, 2021, the 13th Central Committee of the Communist Party of Vietnam held its 1st meeting to elect a new leadership group. Nguyen Phu Trong was re-elected as General Secretary of the Central Committee of the Communist Party of Vietnam. On April 5, 2021, the 11th session of the 14th National Assembly of Vietnam elected Nguyen Xuan Phuc as the country's president.

## Government

The current Vietnamese government was formed in April 2021. The current prime minister is Phạm Minh Chính, and the 5 deputy prime ministers respectively are: Truong Hoa Binh (executive), Pham Binh Minh, Le Minh Khai, Vu Duc Dam, and Le Van Thanh. Compared with the previous 2 terms, the deputy prime minister's autonomy has been enhanced and he has the right to replace the prime minister to implement designated tasks in his own division of labor. The Vietnamese government has 22 departments, mainly including: the Ministry of National Defense, the Ministry of Public Security, the Ministry of Industry and Trade, and the State Bank of Vietnam.<sup>①</sup>

## Political Parties

The Communist Party of Vietnam is the only legal political party in Vietnam and was established on February 3, 1930. The Vietnam Fatherland Front is a united front and political consultation organization in Vietnam. It is an important member of the Vietnamese political system, second only to the Communist Party of Vietnam, the government and the National Assembly.

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<sup>①</sup> The Central Government of Vietnam: <http://cn.news.chinhphu.vn/>



## 1.3 Economy

### Macro Economy

In 2020, despite the impact of the COVID-19 and natural disasters, Vietnam's macro-economy was stable and major economic indicators improved. The real gross domestic product (GDP) maintained a growth rate of 2.91%, making it one of the few economies in the world to maintain positive growth.<sup>①</sup>

**Table 1-1 Main economy data of Vietnam, 2016–2020<sup>②</sup>**

Index	2016	2017	2018	2019	2020
Nominal GDP (US\$ billion )	205.28	223.78	245.21	261.92	269.54
Per capita GDP(US\$)	1,752.53	1,852.96	1,964.48	2,082.24	2,779
Growth rate of real GDP (%)	6.21	6.81	7.08	7.02	2.91

### Trade Scale

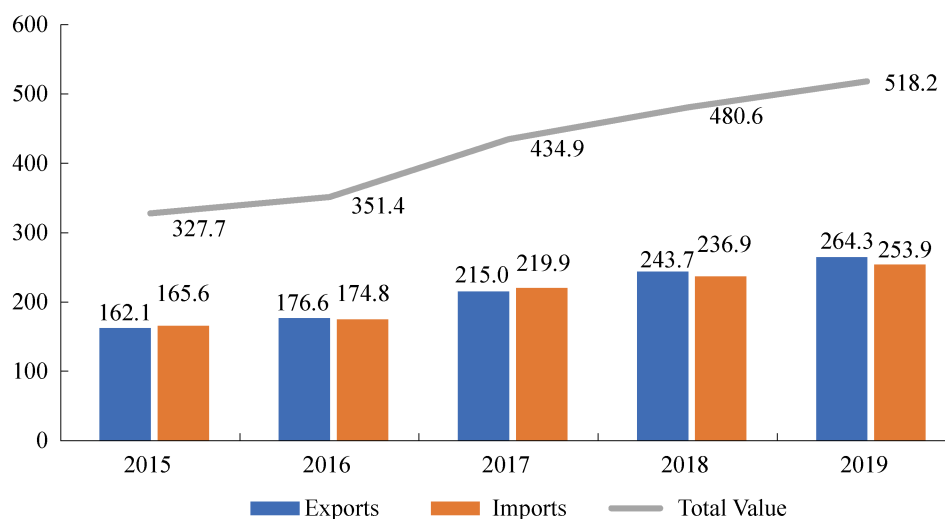
Commodity Trade. From 2015 to 2019, Vietnam's total merchandise trade showed a steady growth trend. In 2020, Vietnam's merchandise trade totaled approximately US\$ 543.9 billion, a year-on-year increase of 5.1%. Among them, the total exports were US\$ 281.5 billion, a year-on-year increase of 6.5%; the total imports were US\$ 262.4 billion, a year-on-year increase of 3.6%; the trade surplus was US\$ 19.1 billion.

The main export commodities are: telephones and parts, computers and electronic parts, textiles, mechanical equipment, footwear, wood and wood products, etc. The main import commodities are: computer and electronic parts, mechanical equipment and parts, automobiles, various types of coal, crude oil, fabrics, steel, plastics, etc.

The main export markets are: the United States, the European Union, China, ASEAN, Japan, South Korea, etc. The main import markets are: China, South Korea, ASEAN, Japan, the European Union, Taiwan, China, the United States, etc.

① Vietnam News Agency: <https://zh.vietnamplus.vn>

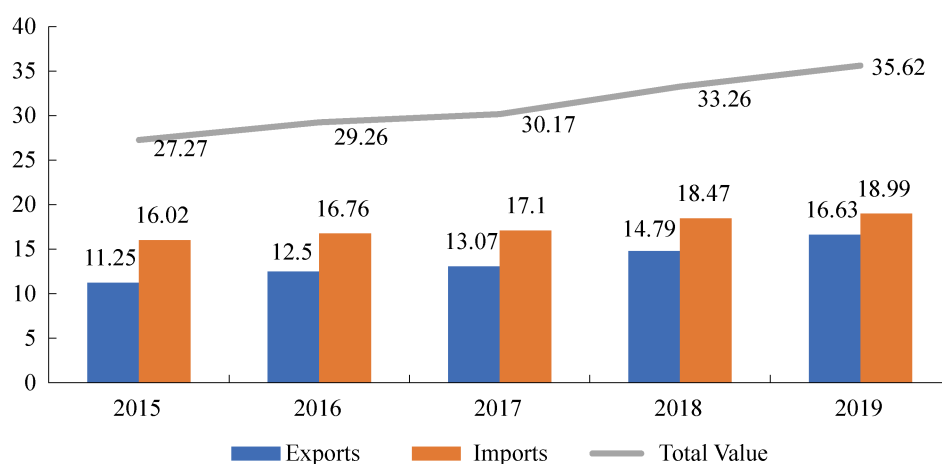
② World Bank: <https://data.worldbank.org.cn>; General Statistics Office of Vietnam: <https://www.gso.gov.vn>



**Figure 1-1 Vietnam's commodity trade volume, 2015–2020 (Unit: US\$ billion)<sup>①</sup>**

Service Trade: From 2015 to 2019, the total value of Vietnam's service trade import and export had shown an upward trend. Among them, the total value of Vietnam's service trade import in 2019 was US\$ 18.99 billion, a year-on-year increase of 2.8%; the value of service trade export was US\$ 16.63 billion, a year-on-year increase of 12.4%; the trade deficit was US\$ 2.27 billion.

The main export service category is tourism services. The main import service categories are maritime logistics, commodity insurance, etc.



**Figure 1-2 Vietnam's trade in service, 2015–2019 (Unit: US\$ billion)<sup>②</sup>**

① World Bank: <https://data.worldbank.org/>

② World Bank: <https://data.worldbank.org/>

## Local Market

**Total Sales Value.** In 2019, the retail sales of goods and services in Vietnam amounted to VND 4,940.4 trillion (approximately US\$ 210.6 billion), a year-on-year increase of 11.8%. In 2020, sales in the Vietnamese retail market reached US\$ 172 billion, the highest sales record in all years.

**Living Expenditure.** In recent years, housing, food and transportation have accounted for 80% to 90% of the total living expenses of Vietnamese residents. According to the report of Nielsen market monitoring and data analysis company, Vietnam's consumer confidence index scored 125 points in the 4th quarter of 2019, ranking 3rd in the world.

**Price Level.** According to statistics from the General Statistics Office of Vietnam, in 2020, the Consumer Price Index (CPI) of Vietnam increased by 2.31% year-on-year.

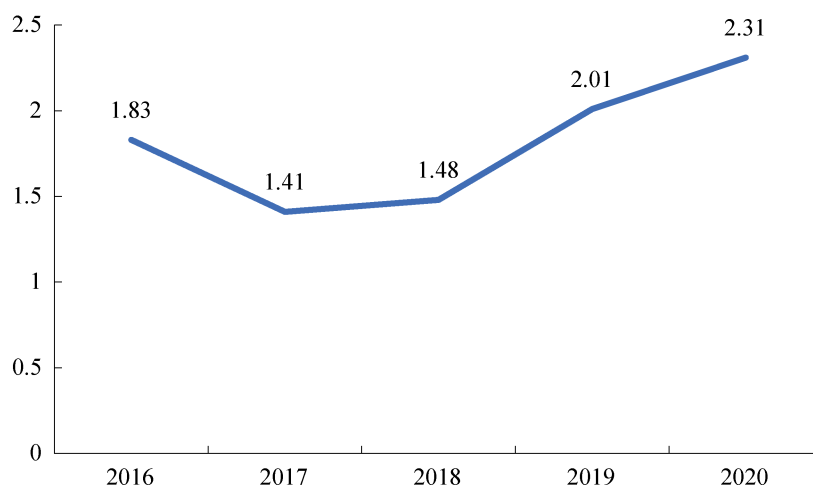


Figure 1-3 Vietnam's CPI trend, 2016–2020 (Unit: %)<sup>①</sup>

## 1.4 Society and Culture

### Population

According to statistics from the General Statistics Office of Vietnam, as of 2020, the

<sup>①</sup> General Statistics Office of Vietnam: <https://www.gso.gov.vn/en/data-and-statistics/2021/01/infographic-price-index-in-2020/>

population of Vietnam was approximately 97.58 million.<sup>①</sup> Vietnam is a multi-ethnic country with 54 ethnic groups. Kinh account for 86% of the total population. The population of Tay, Dai, Muong, Hoa, and Nung are all over 500,000.<sup>②</sup>

## Language

Vietnamese is the official language, as well as the common language and the main national language. Some residents can speak English.

## Religion

Buddhism is dominant in Vietnam, with nearly 11 million followers. Other major religions are: Catholicism (about 6.2 million followers), Cao Dai (more than 4.4 million followers), Protestantism (about 1.4 million followers), and Hoa Hao (approximately 1.3 million followers) and Islam (approximately 75,000 followers).

## Festivals and Holidays

Vietnam implements a five-day working week, with Saturdays and Sundays as public holidays.

Statutory holidays are 9 days throughout the year, including: New Year's Day (January 1), Tet (first day of the first month of the lunar calendar), Hung Kings Commemoration Day (March 10 of the lunar calendar), Reunification Day (April 30), and Labor Day (May 1), Tet Trung Thu (August 15 of the lunar calendar), and National Day (September 2).

## Public Security

In Vietnam, private ownership of guns is not allowed, residents' lives are stable, and the overall social security situation is generally good.

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① General Statistics Office of Vietnam: <https://www.gso.gov.vn/en/data-and-statistics/2021/01/infographic-population-labour-and-employment-in-2020/>

② The Ministry of Foreign Affairs of the People's Republic of China: [https://www.fmprc.gov.cn/web/gjhdq\\_676201/gj\\_676203/yz\\_676205/1206\\_677292/1206x0\\_677294/](https://www.fmprc.gov.cn/web/gjhdq_676201/gj_676203/yz_676205/1206_677292/1206x0_677294/)



## Business Environment

### 2.1 Overall Evaluation

#### World Bank Evaluation<sup>①</sup>

*The Doing Business Report* released by the World Bank examines the regulatory rules in 190 economies that promote or restrict the business life cycle in 11 areas. According to the *Business Environment Report 2020*, Vietnam ranks 70<sup>th</sup> in terms of ease of doing business, with the following detailed rankings: starting a business (115), dealing with construction permits (25), getting electricity (27), registering property (64), getting credit (25), protecting minority investors (57), paying taxes (109), trading across borders (57), enforcing contracts (68), resolving insolvency (122).

#### World Economic Forum Evaluation<sup>②</sup>

The World Economic Forum has released the *Global Competitiveness Report* through evaluation on the performance of 141 economies in terms of 12 areas and 98 indexes. According to the *Global Competitiveness Report 2019*, Vietnam ranks 67<sup>th</sup> and 7<sup>th</sup> among the 10 ASEAN countries.

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① The World Bank, Business Environment 2020.

② The World Economic Forum, Global Competitiveness Report 2019.

## World Intellectual Property Organization Evaluation<sup>①</sup>

*The Global Innovation Index Report* issued by the World Intellectual Property Organization in conjunction with Cornell University in the United States and the European Institute of Business Administration evaluates more than 130 economies around the world with 2 indicators: innovation input and innovation output. According to the *Global Innovation Index 2020*, Vietnam ranked 42<sup>nd</sup> for the second consecutive year.

## Heritage Foundation Evaluation<sup>②</sup>

*The Global Economic Freedom Index Report* released by the American Heritage Foundation using 4 guidelines and 12 indicators calculates the economic freedom index of various countries. According to the *2021 Index of Economic Freedom World Rankings*, Vietnam's economic freedom score was 61.7, ranking 90<sup>th</sup>.

## 2.2 Infrastructure

### Highway

Road transportation is the main mode of transportation in Vietnam, and national highways, provincial highways and expressways constitute the main road transportation network. As of the end of 2019, the total mileage of the above 3 types of highways that have been put into use is about 47,000 km, including 17,300 km of national highways, 27,700 km of provincial highways, and 2,000 km of expressways. In 2019, Vietnam's highway system transported approximately 5.14 billion passengers, a year-on-year increase of 11.2% and transported about 1.684 billion tons of goods, a year-on-year increase of 9.7%. Vietnam highways connect China, Laos and Cambodia.<sup>③</sup>

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① The World Intellectual Property Organization, *Global Innovation Index 2020*.

② The Heritage Foundation, *Global Economic Freedom Index Report 2021*.

③ Ministry of Commerce of China, *Guide on Cooperation with Foreign Countries for Investors-Vietnam (2020)*.

## Railway<sup>①</sup>

According to information from the General Statistics Office of Vietnam, Vietnam's railway network is distributed over 7 main railway lines with a total length of 3,162.9 km. Vietnam's railway infrastructure is outdated. The 1,000 mm gauge line still accounts for 84% of the total railway length (2,656.2 km), while most countries in the world no longer use the 1,000 mm gauge line; the 1,435 mm gauge line accounts for 190.5 km, accounting for 6%; the rest are mixed specification lengths (1,435 mm and 1,000 mm). Vietnam's railway freight speed is only about 50 to 60 km/h, and passenger train speed is 80 to 90 km/h.

On January 14, 2020, the Prime Minister of Vietnam issued Decision No. 82/QĐ-TTg, approving the formulation of the railway network planning tasks from 2021 to 2030, which emphasized the goal: “to study the national railway network development plan by 2050, formulate an investment roadmap suitable for the traffic and transportation needs, ensure industrial interconnection, and contribute to the protection of national defense security and the control of environmental pollution” and “strengthen the integration of economy and environment” to “enhance the market-oriented ability and focus on the development of transportation corridors closely connected with urban economic corridors and rural areas based on the construction of a modern railway network”.

## Aviation

There are 22 airports in Vietnam, including 10 international airports, with a total operating capacity of 95 million passengers per year. Noi Bai Airport in Hanoi and Tan Son Nhat Airport in Ho Chi Minh City are the 2 largest hub airports, both meeting the 4E standard of ICAO. Vietnam has 5 domestic airlines (Bamboo Airways, Vietnam Airlines, Vietnam Jet Air, Jetstar Pacific Airlines and Vie), which carried approximately 55.3 million passengers in 2019, a year-on-year

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① General Statistics Office of Vietnam: <https://www.gso.gov.vn/en/data-and-statistics/2021/04/after-140-years-what-does-viet-nams-railway-get-to-compete/>

increase of 11.3%. The flight punctuality rate is 86.9%, which is higher than the world average.<sup>①</sup>

## Water Transport

The total length of waterways in the inland of Vietnam is 19,000 km, of which 6,700 km are national-level internal transportation lines. The freight volume and passenger volume of inland water transportation are second only to road transportation. There are 131 inland waterway ports, 13 of which can call foreign ships. The main ports are in Ho Chi Minh, Hanoi, Ha Bac, Viet Tri, Ninh Binh, and Hoa Binh provinces and cities.

Vietnam's marine transportation has developed rapidly. There are 49 seaports, including 17 first-class ports, 23 second-class ports, 9 third-class ports, and a total of 272 berthing ports. It is divided into 6 port clusters, of which the throughput is mainly concentrated in the northern and southern port clusters, accounting for about 80% of the total throughput. The designed throughput capacity of national seaports is about 400 million tons. There is no international transit port yet. Import and export goods need to be transited through Singapore, Hong Kong, China and other places.<sup>②</sup>

## Information and Communication<sup>③</sup>

According to DATAREPORTAL data, as of January 2020, Vietnam has 68.17 million Internet users, a year-on-year increase of 10%. The Internet penetration rate is 70%. Vietnam has 65 million social media users. Between April 2019 and January 2020, the number of social media users in Vietnam increased by 5.7 million (+9.6%). The social media penetration rate is 67%. Vietnam has 145.8 million mobile terminal users, a year-on-year increase of 2.7 million.

## Electricity

Vietnam's power demand has grown rapidly, but power supply has been in short supply for a

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① Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-Vietnam (2020).

② Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-Vietnam (2020).

③ DATAREPORTAL: <https://datareportal.com/reports/digital-2020-vietnam>



long time, and power restrictions have occurred from time to time. The Ministry of Industry and Trade is the authority in charge of electric power, and the state-owned Electricity of Vietnam (EVN) is a central electric power enterprise that integrates electric power production, supply, distribution and dispatch. In 2019, the EVN produced and purchased 231.1 billion kilowatt-hours of electricity, a year-on-year increase of 8.85%; the sales of commercial electricity reached 209.42 billion kilowatt-hours, a year-on-year increase of 8.87%, basically meeting the electricity demand for production and operation activities and people's daily life. In order to adapt to the trend of clean energy development and reduce environmental pollution, the Vietnamese government encourages investment in clean energy fields such as solar and wind energy. According to the revised 7th overall plan for power development in Vietnam, new energy power generation will account for 10.7% by 2030.<sup>①</sup>

## 2.3 Production Cost

### Electricity Price

According to the electricity price decision issued by the government, the average retail price of commercial electricity in Vietnam from March 20, 2019 is VND 1,864.44 (approximately US\$ 0.08)/kWh. The price of electricity varies greatly due to the time period, industry, voltage, and nature of the electricity users. The domestic electricity price is VND 1,678 to 2,927 (about US\$ 0.072 to 0.126)/kWh, and the industrial electricity price is VND 970 to 4,587 (about US\$ 0.042 to 0.197)/kWh.<sup>②</sup>

Investors can log on to the website of the Foreign Investment Bureau of the Ministry of Planning and Investment to view the latest electricity price information.<sup>③</sup>

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① Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-Vietnam (2020).

② Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-Vietnam (2020).

③ Foreign Investment Agency of the Ministry of Planning and Investment of Vietnam: <https://fia.mpi.gov.vn>

## Water Price

The price of clean water in Vietnam varies greatly due to factors such as regions and the water users. The governments of provinces and municipalities have the right to determine water prices. Vietnam generally implements tiered pricing for water consumption, with the more the consumption, the higher the price. Taking Hanoi as an example, the basic price range for residential water and industrial and commercial water at the end of 2019 is between VND 6,000 and 19,000 (US\$ 0.26 to 0.81)/m<sup>3</sup>.<sup>①</sup>

Investors can log on to the website of the Foreign Investment Bureau of the Ministry of Planning and Investment to view the latest water price information.<sup>②</sup>

## Natural Gas Price

The price of LNG in Vietnam fluctuates with market factors. On January 1, 2020, the price of domestic gas is VND 372.000 to 401.000 (approximately US\$ 15.92 to 17.17)/cylinder (12 kg); industrial and commercial gas prices are slightly higher.<sup>③</sup>

## Manpower Supply and Wages

Vietnam has relatively low labor wages and strong cost advantages, but it also has problems such as insufficient technical level and capacity, and low labor efficiency. As of the end of 2019, Vietnam's workforce over the age of 15 was 55.8 million, a year-on-year increase of 417,100. The working-age population was 49.1 million, a year-on-year increase of 527,700. Among them, the labor population in the primary industry accounted for 34.7%, the labor population in the secondary industry accounted for 29.4%, and the labor population in the tertiary industry accounted for 35.9%. From 2011 to 2021, the average unemployment rate in Vietnam was 2.21%,

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① Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-Vietnam (2020).

② Foreign Investment Agency of the Ministry of Planning and Investment of Vietnam: <https://fia.mpi.gov.vn>

③ Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-Vietnam (2020).

while the highest and lowest values were 2.82% and 1.80%, respectively.

In 2019, the average wage in Vietnam was about VND 7.8 million/month, a year-on-year increase of 6.8%. Some industries have higher incomes, such as mining, smelting, power, finance and telecommunications, with a per capita monthly income of more than VND 10 million (about US\$ 443).

Investors can log on to the website of the Foreign Investment Bureau of the Ministry of Planning and Investment to check the wage level of Vietnamese labor.<sup>①</sup>

**Table 2-1 Average income of Vietnam's on-the-job labor force in the 1st quarter of 2020<sup>②</sup>**

Types of enterprises	Average monthly wage (VND)	Year-on-year growth rate %
Department of State-owned Enterprises	10.5 million	10.5
State controlled joint stock enterprise	9.1 million	13.8
Private enterprise	6.9 million	1.5
Foreign enterprise	7.5 million	2.7

## Land and Housing Price

**Land Price.** According to Hanoi municipal government's Decision No. 30/2019 and Ho Chi Minh municipal government's Decision No. 02/2020, commercial land in Hanoi City and Ho Chi Minh City was sold at US\$ 356 to 5,229/m<sup>2</sup> and US\$ 946 to 6,937/m<sup>2</sup>. In principle, industrial land is provided in a centralized manner, that is, several industrial parks are set up by the state, and enterprises lease land from the industrial parks. The longest lease term is generally 50 years, and the price varies greatly depending on the region and location. Industrial land price is highest in Ho Chi Minh City in the south and Hanoi City in the north. In 2019, the average land transfer price in the industrial areas of the 25 northern provinces and cities was nearly US\$ 121.5/m<sup>2</sup>, that in the 21 provinces and cities in the central region was about US\$ 27-42/m<sup>2</sup>, and that in the 17 provinces and cities in the south was nearly US\$ 123/m<sup>2</sup>.<sup>③</sup>

**Housing Rent.** With Hanoi City, Ho Chi Minh City, and Da Nang City as examples, the rents

① Foreign Investment Agency of the Ministry of Planning and Investment of Vietnam: <https://fia.mpi.gov.vn>

② Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-Vietnam (2020).

③ Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-Vietnam (2020).

for office and industrial land are shown in the table below.

**Table 2-2 Office and industrial land lease expense (unit: US\$)<sup>①</sup>**

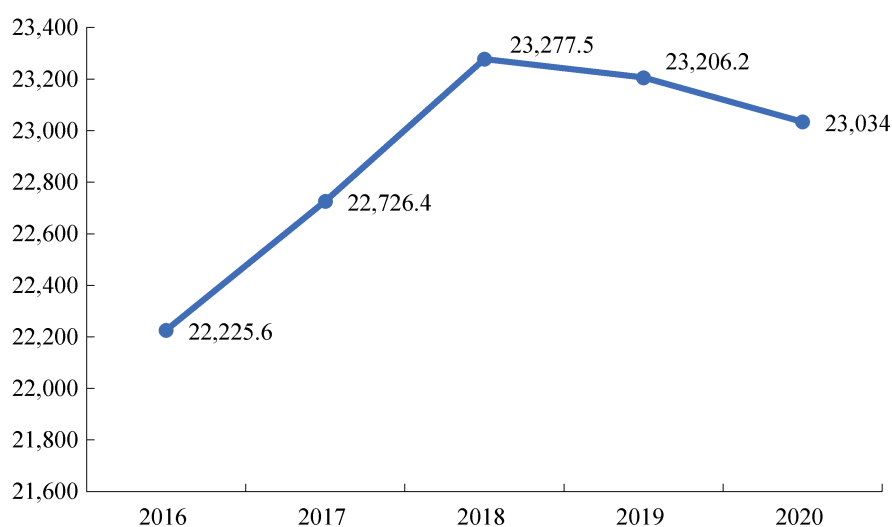
Leasing cost		Hanoi City	Ho Chi Minh City	Da Nang City
Office (m <sup>2</sup> /month)	A level	39-43	30-35	18
	B level	2-6	17-20	12
	C level	9-15	9-15	8-12
Industrial land (m <sup>2</sup> /month)	–	0.13-0.19	0.26-0.42	0.09-0.11

Housing Price. In the first quarter of 2020, the average price in the real estate market in Vietnam was US\$ 2,300/m<sup>2</sup>. Specifically, the price of luxury high-end commercial housing was about US\$ 7,166/m<sup>2</sup>; the price of mid-range commercial housing was about US\$ 2,200-3,500/m<sup>2</sup>; the price of ordinary commercial housing was US\$ 1,200/m<sup>2</sup>.

## 2.4 Financial Services

### Currency and Exchange Rate

Vietnam's currency is VND, which is not freely convertible. With reference to the 2020 exchange rate, the reference midpoint for the exchange rate between US\$ and VND is VND 23,034 per US\$.



**Figure 2-1 Exchange rate between VND and US\$, 2016–2020**

<sup>①</sup> Foreign Investment Agency of the Ministry of Planning and Investment of Vietnam: <https://fia.mpi.gov.vn/en/Single/MenuID/0dadab51-6b02-4d82-9e45-c2b4ec6fa34b>

## Foreign Exchange Management

Foreign investors can open VND or foreign exchange accounts in Vietnamese financial institutions in accordance with Vietnam's foreign exchange management regulations. Resident organizations need to obtain approval from the State Bank of Vietnam in order to open an account in a foreign bank. Foreign investors can purchase foreign exchange from financial institutions engaged in foreign exchange operations to meet the needs of project transactions, capital transactions and other transactions. Investment transactions in which foreign currency is remitted into Vietnam and transactions in which funds, profits, interests and other legitimate income are remitted out of Vietnam must be conducted through foreign exchange accounts opened by authorized credit institutions. Foreign currency must be converted into VND through authorized credit institutions to perform investments in VND.

Vietnam Customs stipulates that if those who bring cash of US\$ 5,000 or in other equivalent foreign currencies, VND 15 million or more, more than 300 grams of gold, etc. must declare when entering and leaving the country. Otherwise, the excess will be punished in accordance with the relevant regulations of Vietnam Customs.

## Financial Institutions

Financial Regulators. The financial industry in Vietnam is subject to separate regulation. The State Bank of Vietnam as the central bank regulates the banking industry<sup>①</sup>; the Ministry of Finance regulates the insurance and securities industries.<sup>②</sup> Specifically, the State Securities Commission under the Ministry of Finance is responsible for approval of companies' listing, regulating securities business activities and services, and penalizing violations.<sup>③</sup>

Bank. Vietnam has 4 wholly state-owned or partially state-owned banks (Investment and Development Bank of Vietnam, Joint-stock Commercial Bank for Foreign Trade of Vietnam,

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① The State Bank of Vietnam: <https://www.sbv.gov.vn>

② The Ministry of Finance of Vietnam: <https://www.mof.gov.vn>

③ The State Securities Commission of Vietnam: <https://www.ssc.gov.vn>

Industrial and Commercial Bank of Vietnam, and Agricultural and Rural Development Bank of Vietnam), 31 joint-stock commercial banks, 16 financial companies, and 10 financial leasing companies.<sup>①</sup> According to statistics from the Central Bank of Vietnam, as of June 30, 2019, there were 58 foreign banks in Vietnam, including 9 foreign wholly-owned subsidiaries and 49 foreign-funded branches.<sup>②</sup>

Insurance. According to STATISTA data, as of 2019, there were 67 insurance companies in Vietnam, 31 of which were non-life insurance companies. In 2019, the total premium of non-life insurance was VND 53.37 trillion. Specifically, fire and explosion insurance, aviation insurance, health insurance, credit and financial insurance, auto insurance and other insurance types saw the highest year-on-year growth rate. For example, the total premium of auto insurance was about VND 16.31 trillion. From 2013 to 2019, the penetration rate of life insurance in Vietnam increased steadily year by year, reaching 1.77% in 2019.<sup>③</sup>

Securities. In February 2019, the Prime Minister Nguyen Xuan Phuc of the Vietnamese government approved the proposal to establish the Vietnam Stock Exchange by reorganizing the Ho Chi Minh City Stock Exchange (HOSE) and the Hanoi Stock Exchange (NHX). The establishment of the Vietnam Stock Exchange is divided into 2 phases: from 2019 to 2020, the 2 stock exchanges continue to operate and the establishment Vietnam Stock Exchange is underway; from 2020 to 2023, the market information system will be launched on the 2 stock exchanges; after 2023, the establishment of the Vietnam Stock Exchange will be completed.

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① CCPIT, Guide on the Business Environment of Foreign Countries for Investors-Vietnam (2020).

② The State Bank of Vietnam: <https://www.sbv.gov.vn/>

③ STATISTA base: <https://www.statista.com/statistics/985186/vietnam-number-insurance-enterprises-type/>



## Economy and Trade Policies

### 3.1 Market Access

#### Competent Authorities

The government department in charge of investment in Vietnam is the Ministry of Planning and Investment, which is mainly responsible for the management of the national “plan and investment”; provides comprehensive reference for the formulation of national economic and social development plans and economic management policies; manages domestic and foreign investment and construction of industrial zones and export processing zones; takes the lead in the management of the use of official development assistance (ODA), etc.

#### Prohibited/Restricted Sectors

In order to further improve the investment and business environment, on June 17, 2020, the National Assembly of Vietnam approved the *Law on Investment (2020)* (“LOI2020”), which would take effect on January 1, 2021.<sup>①</sup>

Foreign Investment Negative List (FINL). Vietnam implements a negative list management system for foreign investment. According to Article 6 of the *Law on Investment (2020)*, investment in the following projects is prohibited: commercial debt collection services; trading of

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<sup>①</sup> *The Law on Investment (2020)*(“LOI2020”): <https://english.luatvietnam.vn/aw-on-investment-no-61-2020-qh14-dated-june-17-2020-of-the-national-assembly-186270-Doc1.html>

hallucinogenic drugs; trading of chemicals and minerals; specifically designated wildlife groups; engaging in prostitution; transactions related to humans, human tissues, organs, and bodies; any business related to human cloning; pyrotechnics transactions.

**Industries Restricting Foreign Investment.** According to Article 7 of the *Law on Investment (2020)*, for reasons such as national defense security, social security, social ethics and public health, Annex IV of the *Law on Investment (2020)* lists 227 restricted investment projects.<sup>①</sup> Investors need to meet certain conditions to invest in restricted investment projects. Restricted investment projects mainly include the following 9 aspects: projects that have an impact on national defense, national security, and social order; financial and monetary projects; projects that affect public health; culture, communications, newspaper, and publishing projects; entertainment projects; real estate projects; natural resources survey, search, prospecting, mining and ecological environment projects; education and training projects; other projects required by law.

The conditions for investing in restricted investment projects are stipulated by the laws and resolutions of the Congress, the regulations and resolutions of the Standing Committee of the Congress, government decrees and international agreements. According to Article 7 of the *Law on Investment (2020)*, operating investment conditions mainly include investment entities, investment forms, investment industries, licenses or written approvals, etc. The corresponding conditions for restricted investment projects will be announced on the national business registration portal ([dangkykinhdoanh.gov.vn](http://dangkykinhdoanh.gov.vn))<sup>②</sup>. According to Article 9 of the *Law on Investment (2020)*, for restricted investment projects, the market access conditions applicable to foreign investors are the same as those applicable to domestic investors. Market access conditions for foreign investors include: the proportion of foreign investors' registered capital in commercial entities; investment mode; investment scope; investors' capabilities; partners involved in

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① *The Law on Investment (2020)* (“LOI2020”): <https://english.luatvietnam.vn/aw-on-investment-no-61-2020-qh14-dated-june-17-2020-of-the-national-assembly-186270-Doc1.html>

② National business registration portal website: <https://dangkykinhdoanh.gov.vn/vn/Pages/Trangchu.aspx>



investment activities; laws and resolutions of the Congress, regulations and resolutions of the Standing Committee of the Congress, government decrees and other conditions stipulated in international agreements signed by the Socialist Republic of Vietnam.<sup>①</sup>

## 3.2 Foreign Investment Incentives

### Industry Encouragement Policy

According to Article 16 of the *Law on Investment (2020)*, industries encouraged for investment mainly include:<sup>②</sup>

(1) High-tech activities, high-tech supporting products, research, manufacture and development of high-tech products conducted under *the Law on Science and Technology*;

(2) New materials, new energy, clean energy, and renewable energy manufacturing; manufacturing products with an added value of 30% or more; energy-saving products;

(3) Manufacturing of key electronics, mechanical products, agricultural machinery, automobiles, and auto parts; shipbuilding;

(4) Produce products (IT products, software products, digital content manufacturing) listed in the priority supporting product list;

(5) Cultivation, planting and processing of agricultural products, forest products and aquatic products; afforestation and forest protection; salt production; fishery and fishery logistics services; production of plant species, animal species and biotechnology products;

(6) Collection, processing, recycling or reuse of waste;

(7) Investment in the development, operation and management of infrastructure projects; development of urban public transportation;

(8) Preschool education, general education, vocational education, higher education;

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① *The Law on Investment (2020)* (“LOI2020”): <https://english.luatvietnam.vn/aw-on-investment-no-61-2020-qh14-dated-june-17-2020-of-the-national-assembly-186270-Doc1.html>

② *The Law on Investment (2020)* (“LOI2020”): <https://english.luatvietnam.vn/aw-on-investment-no-61-2020-qh14-dated-june-17-2020-of-the-national-assembly-186270-Doc1.html>

(9) Medical examination and treatment; production of medicines and medicinal materials, medicine storage; scientific research of preparation technology and biotechnology for new medicine innovation; medical equipment manufacturing;

(10) Investment in sports facilities for the disabled or professional athletes; protection and promotion of the value of cultural heritage;

(11) Investment in elderly centers and mental health centers to treat Agent Orange patients; care centers for the elderly, the disabled, orphans, and street children;

(12) People's credit funds, microfinance institutions;

(13) Manufacture of goods and provision of services to create or participate in value chains and industrial clusters.

Areas encouraged for investment include: impoverished areas and extremely impoverished areas; industrial parks, export processing zones, high-tech zones and economic zones.

According to Article 15 of the *Law on Investment (2020)*, enterprises that invest in industries encouraged for investment can enjoy corresponding preferential policies.<sup>①</sup>

Incentive Measures. Such measures mainly include the following 4 aspects:

(1) Preferential policies concerning enterprise income tax. Such policies include lower corporate income tax rates, corporate income tax exemptions and other benefits provided for in the Law on Enterprise Income Tax within a certain period of time or during the entire investment project implementation period.

(2) Exemption of import tax on imported goods forming fixed assets. It mainly includes raw materials, materials and parts produced under import and export tax laws;

(3) Exemption and reduction of tax levied on land and land rent;

(4) Accelerated depreciation; increase in deductible expenses during the calculation of taxable income.

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<sup>①</sup> *The Law on Investment (2020)* (“LOI2020”): <https://english.luatvietnam.vn/aw-on-investment-no-61-2020-qh14-dated-june-17-2020-of-the-national-assembly-186270-Doc1.html>

#### Conditions for Enjoying Incentive Policy.

- (1) Investment in industries where investment is encouraged;
- (2) Investment in areas where investment is encouraged;
- (3) Investment projects with investment funds not less than VND 6 trillion within 3 years from the date of the issuance of the *Investment Registration Certificate*. Within 3 years since the revenue year, the enterprise's total annual revenue should be at least VND1 trillion per year or it has more than 3,000 project employees;
- (4) Investment in a social housing construction project; a rural investment project with more than 500 employees; a project that employs disabled persons in accordance with the laws and regulations for the disabled;
- (5) High-tech enterprises, scientific and technological enterprises and scientific and technological organizations; in accordance with the provisions of the *Law on Technology Transfer*, the *Law on High Technology* and the *Law on Science and Technology* on technology business incubators, the project is a technology transfer project included in the *Technology Transfer List*; enterprises produce and provide technologies, equipment, products and services that meet the environmental protection requirements of the Law on Environmental Protection;
- (6) Entrepreneurship projects, national innovation centers, R&D centers;
- (7) Investment in the distribution channels of small and medium-sized enterprises' products; investment in technical institutions and small and medium-sized enterprises incubators that support small and medium-sized enterprises; investment in joint office spaces and start-ups that serve small and medium-sized enterprises under the Small and Medium Enterprises Act.



#### Special Reminder:

- (1) The above conditions for enjoying incentive measures (2) (3) (4) do not apply to: mining projects; according to the *Law on Special Excise Tax*, the manufacture/sale of goods/services

subject to consumption tax excluding projects for the manufacture of automobiles, airplanes and yachts; commercial housing construction projects stipulated by the *Law on Housing*.

(2) Investment incentives have a fixed period and are based on the results of project implementation. During the period of enjoying investment incentives, every investor must meet the investment incentive conditions in accordance with the law.

## **Investment Assistance**

According to Article 18 of the *Law on Investment (2020)*, investors can obtain investment assistance.

The forms of investment assistance mainly include: (1) Assistance in the construction of domestic and foreign technical infrastructure and social infrastructure for investment projects; (2) Assistance in the training and development of human resources; (3) Credit assistance; (4) Assistance in the relocation of enterprises according to the decision of the management agency; (5) Assistance in science, technology and technology transfer; (6) Assistance in market development and provide information; (7) Assistance in research and development.

## **Special Investment Incentives and Assistance**

Article 20 of the *Law on Investment (2020)* stipulates that certain investment projects with significant socio-economic effects can obtain special investment incentives and assistance policies.

Subjects that can enjoy special investment incentives and assistance include:

(1) The total investment capital of the innovation center and R&D center of the project organization is at least VND 3 trillion; within 3 years from the date of issuance of the Investment Registration Certificate, at least VND 1 trillion shall be paid; or it is the construction of a national innovation center.

(2) Within 3 years from the date of the issuance of the Investment Registration Certificate,

investment projects in business areas with investment capital of not less than VND 3 trillion and expenditures of not less than VND 1 trillion meet the special investment incentive conditions.

### 3.3 Special Economic Zones

Vietnam's special economic zones mainly include industrial zones (including export processing zones), port economic zones, bonded zones, and high-tech zones.<sup>①</sup>

According to information from the Vietnam News Agency, as of the end of May 2021, the total number of foreign investment projects in various industrial parks and economic development zones in Vietnam has exceeded 10,850, with a registered capital of US\$ 228.4 billion. The Ministry of Planning and Investment of Vietnam released information that in the first 5 months 2021, various industrial parks and economic development zones had introduced about 291 foreign investment projects, with a total of about US\$ 6.02 billion of new registration and capital increase, an increase of about 10.3% year-on-year; about 271 domestic-funded projects had been attracted. The total amount of new registrations and capital increase was approximately VND 53.2 trillion (approximately US\$ 2.32 billion). As of the end of May 2021, the country's industrial parks and economic development zones had attracted a total of 10,853 foreign investment projects with a registered capital of approximately US\$ 228.4 billion, of which 69.6% were in place; approximately 10,186 domestic-funded projects were introduced with a registered capital of US\$ 2.53 billion, of which funds in place accounted for about 45.4%.<sup>②</sup>

#### **Industrial Zones (Including Export Processing Zones)**

Vietnam's industrial zones are mainly distributed in the northern, central and southern regions.

(1) The northern region is concentrated in the provinces and municipalities of Hanoi, Bac

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① CCPIT, Guide on the Business Environment of Foreign Countries for Investors-Vietnam (2020).

② Vietnam News Agency: <https://zh.vietnamplus.vn/>

Ninh, and Bac Giang. The industrial parks mainly include Que Vo I Industrial Park in Bac Ninh Province, Thach That Industrial Park in Hanoi City, and Gwangju Industrial Zone in Bac Giang Province. The rental price of land in the northern industrial zone is US\$ 55-120/m<sup>2</sup>, mainly for the development of electronic information, machinery manufacturing, home appliances, automobiles, etc.

(2) The central region is mainly centered on Da Nang, including the provinces and municipalities of Hue, Quang Nam, Quang Ngai and Binh Tan. The main industrial areas include Heqing Industrial Zone in Da Nang City and Vung Ang Economic Zone in Ha Tinh Province. The rental price of land in the central industrial zones is US\$ 22.5-55.5/m<sup>2</sup>, mainly for the development of food processing, paper products, metal products, and plastic products.

(3) The southern region is mainly centered on Ho Chi Minh City, including Binh Duong, Dong Nai, Long An, Ba Ria-Vung Tau, Tay Ninh and Tien Giang provinces and municipalities. Among them, the surrounding area of Ho Chi Minh City is the most active economic area in Vietnam, which is known as the industrial center. The main industrial parks include Tan Tao IZ HCM, Tan Phu Trung IZ, Nhon Trach 5 IZ, Bien Hoa 2 IZ, XUAN LOC IZ, Vietnam Singapore 2 IZ in Binh Duong Province, My Phuoc 5 IZ, Thuan Dao IZ in Long An and My Xuan A2 IZ in Ba Ria Vung Tau. The rental price of land in the southern industrial zone is US\$33-150/m<sup>2</sup>, mainly for the development of manufacturing industries such as machinery and equipment, textiles and clothing, metal products, rubber and plastic products, chemicals and products, and food processing.

The investment encouragement policies in the industrial zone mainly include: production enterprises and service enterprises are exempted from export tax; production enterprises encouraged for investment are exempted from importing various machinery and equipment, special transport vehicles, and are exempted from import taxes; materials used for the production of export commodities, raw materials, spare parts and other raw materials may not pay import tax

for the time being; when enterprises export finished products, they shall pay import duties in accordance with the import and export tax laws; service enterprises shall pay taxes in accordance with the import tax law. Infrastructure construction projects in the industrial zone are exempted from land rent for 15 years and are not required to pay rent for the land area of public facilities. Infrastructure construction projects in industrial zones and export processing zones can obtain state investment credit and export credit support.

In terms of value-added tax, zero tax rate applies to export goods/services, pharmaceutical products, etc. of enterprises in the park; 1% tax rate applies to imported products such as food, raw materials, machinery and equipment supplied to the Vietnamese market; 5% tax rate applies to semi-processed food, fertilizers, scientific and technological services, agricultural machinery and equipment, etc. and construction and installation that do not provide materials and machinery and equipment, etc.; 10% tax rate applies to other goods/services. Meanwhile, depending on the nature of the goods and services provided, enterprises enjoy a sales tax rate of 10%-70%.

Investment Incentive Policies for Export Processing Zones Mainly include: production enterprises and service enterprises are exempted from export tax; production enterprises and service enterprises importing all kinds of machinery and equipment, special transportation vehicles and various materials and raw materials are exempted from import taxes; income tax preference is the same as that in industrial zones. In addition, according to the type of goods, enterprises enjoy special sales tax treatment.

### **Port Economic Zones**

Vietnam's port economic zones mainly include Quang Ninh Port in Quang Ninh, Tong Deng in Lang Son, Narong in Cao Bang, Ching Shui in Ha Giang Province, Lao Cai District in Lao Cai Province, Malutong in Lai Chau Province, Saisho in Dien Bien, and Son La Province, Hanging Bridge in Ha Tinh Province, Chalo in Quang Binh Province, Lao Bao in Quang Tri Province, Azhe in Hue Province, Nam Giang in Quang Nam Province, Boyi in Kon Tum Province, Highway 19 in

Gia Lai Province, Hualu in Binh Phuoc Province, Moc Bai in Tay Ninh, Long An Province, Dong Thap Province, An Giang Province, and Ha Tien Port Economic Zone in Kien Giang Province.

Port economic zones are led by the Ministry of Planning and Investment of Vietnam, and the central government allocates financial funds for the infrastructure construction of the port economic zones every year.

Investment Incentive Policies for Port Economic Zones Mainly Include: all enterprises are exempted from fixed asset import tax, and from import tax in the first 5 years on production raw materials, materials, and parts that cannot be produced in the country and serve the project; enjoy 10% corporate income tax (for a period of 15 years), and income tax preference of exemption from tax on part of the operating revenue based on “4-year exemption and 9-year halved tax (tax exemption in the first 4 years, and a reduction by 50% in the following 9 years)”; personal income tax is also levied by half.

## **Bonded Zone**

Vietnam has set up a bonded zone in the port economic zone, and set up a separate customs inspection station to supervise the import and export of goods. In the bonded zone, enterprises can carry out businesses such as import and export, transit transportation of goods, bonded warehouses, duty-free shops, product display, and the production and processing of imported and exported commodities. Goods, equipment, means of transportation, materials, luggage, foreign exchanges, etc. entering the bonded zone from abroad are subject to customs supervision and inspection in accordance with current laws and regulations.

Bonded zones and port economic zones enjoy the same preferential policies.

## **High-Tech Zone<sup>①</sup>**

Vietnam has 4 high-tech zones, namely Hanoi High-tech Zone, Da Nang High-tech Zone,

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<sup>①</sup> Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-Vietnam (2020).



Ho Chi Minh High-tech Zone and Ho Chi Minh Guangzhong Software Technology Park, which mainly attract foreign high-tech investment projects.

Enterprises entering the high-tech park should meet the following conditions: sales of high-tech products account for more than 70% of the operating income; production technology needs to be advanced; products can be exported or substituted for similar imported products; product quality reaches ISO9000 standards; per capita output value reaches more than US\$ 40,000 and so on. In order to speed up personnel training, Vietnam also stipulates that at least 40% of the employees in an enterprise should have advanced academic qualifications and receive business training in foreign research institutions or modern production lines; 100% of middle-level cadres and workers should receive business and technical training, at least 5% of which need to receive the operation training of foreign modern production lines; the expenditure for scientific research should not be less than 2% of the annual operating income; for the project with a legal capital of more than US\$ 10 million, the scientific research and training funds should be at least US\$ 200,000 per year, and the per capita operating income should reach US\$ 70,000 (except for enterprises with more than US\$ 30 million of legal capital and more than 1,000 employees ), etc.

The following preferential policies are provided for such investment projects:

(1) For foreign investment in high-tech industries, a long-term corporate income tax rate of 10% can be applied (15% for high-tech projects outside the park, and 20% to 25% for general production projects), and enjoy the preferential policies of 4-year tax exemption and halved tax in the following 9 years from the moment of profitability.

(2) Vietnamese employees and foreign employees working in high-tech enterprises should be subject to the same taxation standards in terms of personal income tax.

(3) Foreign investors and domestic investors are subject to uniform land lease prices; investors can use the value of land use rights and properties associated with the land use area as collateral to obtain loans from financial institutions operating in Vietnam in accordance with the

law; R&D and high-tech personnel training projects can be exempted from land use rent according to government regulations.

(4) In terms of entry, exit and residence, foreign employees and their families can apply for multiple-entry visas equal to their working period; the Vietnamese government provides conveniences for foreign employees in terms of residence, renting, housing purchases, etc. in accordance with relevant laws and regulations.

(5) High-tech projects: Investors enjoy the highest preferential policy treatment in accordance with the provisions of other preferential investment policies and regulations documents.

### **Biotech Zone**

Currently, Vietnam has 2 biotech zones, located in Cammei County, Dong Nai Province and Cilian District, Hanoi City. With a total area of over 400 hectares, they have the functions of research, cultivation, development, transfer, and application of high-tech biotechnology. At the same time, they can also carry out human resources training in the high-tech field and production and operation of bio-high-tech products, provide bio-high-tech services, etc.



## Industrial Development

### 4.1 Development planning

#### **Resolution No. 01/NQ-CP of the Vietnamese Government<sup>①</sup>**

In January 2021, the Vietnamese government issued Resolution No. 01/NQ-CP on the main tasks and measures to achieve economic and social development and the national budget plan for 2021.

Core Development Direction. To exceed the tasks and goals of the economic and social development and the national financial plan in 2021, and to lay a solid foundation for the implementation of the five-year economic and social development plan (2021–2025), the Vietnamese government has determined the 2021 action policy as “unity, self-discipline, renovation, innovation and development ambition”.

(1) The government continues to take strong measures under the new normal to achieve the dual goals of protection of people’s lives and health by epidemic prevention, and economic and social recovery and development.

(2) The government continues to improve and enhance the quality of the socialist market economy system; improve the quality and efficiency of legislation, strengthen the awareness of compliance with laws and regulations; promote the modernization of national governance reform;

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① Vietnam News Agency: <https://zh.vietnamplus.vn>

improve the efficiency of anti-corruption and anti-waste work, etc.

(3) The government vigorously implements administrative reforms, with the focus on reforming the administrative examination and approval system, which will ensure the combination of efficiency and substantiality of the reform of the administrative examination and approval system with promotion of the country's digital transformation.

(4) The government vigorously promotes the cultural and intellectual values of the Vietnamese people; basically, and comprehensively carries out reforms in the field of educational training and improves its quality; attaches importance to ensuring and improving people's livelihood and improving people's lives; strengthens natural resource management and environmental protection, natural disaster prevention and adaptation to climate change.

(5) At the same time, the government continues to improve the synchronized and modern economic and social infrastructure system, vigorously develop, and realize the integration of digital infrastructure, and lay a foundation for the development of digital economy and digital society.

(6) Strengthen national defense security, promote foreign activities and integrate into the international community, resolutely defend national independence, sovereignty, and territorial integrity, maintain a peaceful and stable environment, and enhance Vietnam's status and prestige on the international stage.

The Goals Proposed by the Government in 2021. Mainly include: the growth rate of GDP reaches 6.5% (about 6% of growth rate of GDP in the plan proposed by the Vietnamese National Assembly); the per capita GDP reaches about US\$ 3,700; the consumer price index (CPI) reaches about 4%; total factor productivity (TFP) contributes 45% to 47% to the GDP growth; increase social labor productivity by about 4.8%; the labor force receiving vocational skills training accounts for 66%, and the participation rate of basic medical insurance reaches 91%; the poverty incidence rate is reduced to 1% to 1.5%; the forest coverage rate reaches about 42%, etc.

## 2021–2030 Phase, Long-Term Outlook to 2050 National Green Growth Strategy<sup>①</sup>

In June 2021, the Ministry of Planning and Investment of Vietnam stated that it is working with various ministries, industries, and local governments to formulate a draft of the 2021–2030 Phase, Long-Term Outlook to 2050 National Green Growth Strategy.

The 2021–2030 Phase, Long-Term Outlook to 2050 National Green Growth Strategy puts forward comprehensive and specific goals from the perspective of green growth, such as reducing greenhouse gas emissions, greening the economy, greening lifestyles, promoting sustainable consumption and achieving inclusive growth during the transition process.

### 4.2 Key Industries

#### Agriculture, Forestry and Fishery

Although Vietnam's economy and labor structure have undergone significant changes, so far, nearly 70% of Vietnam's population has lived in rural areas, and agriculture has still been an important industry in Vietnam. According to data from the World Bank, agriculture accounted for 14% of Vietnam's GDP and employees 36% of Vietnam's total labor force in 2020. Vietnam's main crops are rice, coffee, cashew nuts, corn, pepper, sweet potatoes, peanuts, cotton, rubber, tea, and aquaculture. As the world's largest pepper exporter, the second largest coffee and rice exporter, and the third largest cashew nut exporter, it has played an important role in exporting agricultural products to the world market<sup>②</sup>. In 2019, Vietnam produced 43.45 million tons of rice when the planting area decreased by 102,200 hectares, a year-on-year decrease of nearly 600,000 tons. Other main products included 4.76 million tons of corn, 1.4 million tons of sweet potatoes, 15.27 million tons of sugarcane, and 10.11 million tons of cassava, 438,800 tons of peanuts,

<sup>①</sup> Vietnam News Agency: <https://zh.vietnamplus.vn>

<sup>②</sup> Foreign Investment Agency of the Ministry of Planning and Investment of Vietnam: <https://fia.mpi.gov.vn/en/Single/MenuID/a7a0c4d5-388d-47c4-815d-f560bd7fff84>

75,900 tons of soybeans, 1.795 million tons of various vegetables, and 161,900 tons of various beans. Vietnam concentrated afforestation of 273,600 hectares and fell 16.1 million m<sup>3</sup> of timber. The total amount of aquatic products was 8.2 million tons, a year-on-year increase of 5.6%, of which there were 5.925 million tons of fish and 1.035 million tons of shrimp.

Vietnam, regarded as the world's basket of food, has many advantages in food processing, with a wide variety of products, from rice, vegetables, coffee, peppers to cashews, tropical fruits, seafood, etc. Vietnam's food processing industry has grown steadily in the past few years. From 2013 to 2017, the food processing industry production index (IIP) increased by 6.82% annually. Despite the impact of the COVID-19 epidemic, the industry's IIP in 2020 still increased by 5.3% compared with that in 2019. The top 5 cities/provinces with the most food processing enterprises are Ho Chi Minh City, Hanoi, Binh Phuoc, Tien Giang and Long An. The number of food processing enterprises in these 5 cities/provinces accounts for nearly 50% of the total number of food processors in the country.<sup>①</sup>

## Automotive Industry

As of the end of 2019, there were 358 automobile-related production enterprises in Vietnam, including 50 automobile assembly enterprises, 45 chassis, body, and trunk manufacturers, 214 automobile parts production enterprises and other related enterprises. Currently, Vietnam's automobile consumption is less than 300,000 per year. Vietnamese automotive enterprises mainly assemble imported parts, and the localization rate is low, only 5% to 10%. In 2019, foreign enterprises increased their investment in Vietnam's automobile production and assembly and related supporting industries, with an investment amount of approximately US\$ 7.91 billion.

## Electronic Industry

In 2019, Vietnam's industries of electronics, computers and optical products increased the

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① B&Company: <http://b-company.jp/food-processing-a-promising-sector-for-fdi-inflows-to-vietnam-in-2021/>

production by 6.6%, and the export value of electronics, computers and parts was approximately US\$ 14.9 billion. Samsung, LG, Microsoft, Foxconn, and other large enterprises have invested in Vietnam to set up factories, of which Samsung invested nearly US\$ 17 billion. In 2019, Samsung's revenue was VND 160 trillion (approximately US\$ 68.25 billion) and the value of exports was US\$ 51.3 billion, accounting for about 21% of Vietnam's total value of exports.

According to data from the Foreign Investment Agency of the Ministry of Planning and Investment, Vietnam's information and communications industry now has advantages and potential. Due to the recent government's policy of opening markets and attracting foreign investment, more and more multinational information, and communication technology (ICT) companies around the world are investing in the information and communication industry in Vietnam, which not only effectively utilizes the labor market, but also contributes significantly to the income generation of the ICT sector.

## Oil and Gas Industry

Since offshore oil exploration in 1970, Vietnam has become a net exporter of crude oil.<sup>①</sup> Vietnam's crude oil reserves are about 4.4 billion barrels, ranking 28<sup>th</sup> in the world; its natural gas reserves are 1 trillion m<sup>3</sup>. Vietnam's crude oil production scale ranks 36<sup>th</sup> in the world, and its oil exports rank 4<sup>th</sup> in Southeast Asia. In 2019, Vietnam extracted 13.08 million tons of crude oil and 10.22 billion m<sup>3</sup> of natural gas; exported 4.1 million tons of crude oil, a year-on-year increase of 3.6%, and the export value was approximately US\$ 2.03 billion, a year-on-year decrease of 7.8%. Thailand, China, Japan, and Australia are the main buyers of Vietnamese oil. Vietnam's first oil refinery, Rongju Oil Refinery, was officially put into operation on May 30, 2010, with a total investment of more than US\$ 3 billion and an annual processing amount of 6.5 million tons of crude oil, which can meet 40% of Vietnam's demand for refined oil.

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① Foreign Investment Agency of the Ministry of Planning and Investment of Vietnam: <https://fia.mpi.gov.vn/en/Single/MenuID/a7a0c4d5-388d-47c4-815d-f560bd7fff84>

### 4.3 Foreign Investment

According to data from the Ministry of Planning and Investment of Vietnam, in 2020, Vietnam's total foreign direct investment was approximately US\$ 28.53 billion, which was nearly US\$ 10 billion less than the registered foreign direct investment capital in 2019.<sup>①</sup>

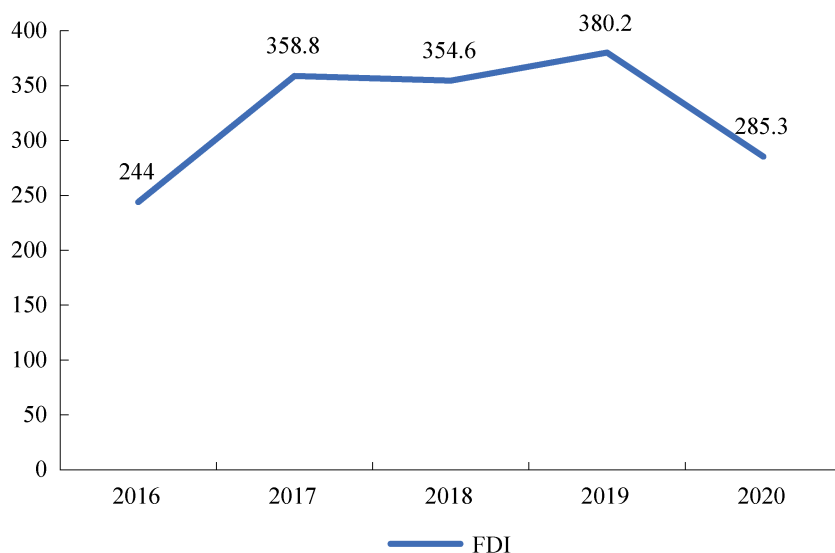


Figure 4-1 FDI in Vietnam, 2016–2020 (Unit: US\$ billion)

#### Foreign Capital Source

In the first 4 months of 2021, a total of 67 countries and regions invested in Vietnam. Singapore ranked first with more than US\$ 4.8 billion in investment funds, accounting for 39.6% of the total investment funds in Vietnam; Japan ranked second with more than US\$ 2.5 billion of investment funds, accounting for 20.5% of the total investment funds. Singapore and Japan's investment funds were mainly new investments, accounting for 91.1% and 71.5% of the total investment funds of subsequent countries, respectively. South Korea ranked third with a registered investment capital of nearly US\$ 1.5 billion, accounting for 12.1% of the total investment capital, followed by China, Hong Kong, China, the United States and so on.<sup>②</sup>

<sup>①</sup> Ministry of Planning and Investment of Vietnam: <http://www.mpi.gov.vn>

<sup>②</sup> Ministry of Planning and Investment of Vietnam: <http://www.mpi.gov.vn/en/Pages/tinbai.aspx?idTin=48523&idcm=289>



## Industry Distribution of Foreign Investment

According to data released by the Ministry of Planning and Investment of Vietnam, in the first quarter of 2021, foreign investors invested in 17 industries in Vietnam, of which processing, and manufacturing are the main ones, with a total investment of nearly US\$ 5.2 billion, accounting for 42.2% of the total registered investment. Electricity production and distribution ranked second, with an investment capital of approximately US\$ 5.1 billion, accounting for 41.3% of the total registered investment capital. Real estate business and wholesale and retail business ranked third, with the total registered capital of about US\$ 0.778 billion and US\$ 0.464 billion, respectively.<sup>①</sup>

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<sup>①</sup> Ministry of Planning and Investment of Vietnam: <http://www.mpi.gov.vn/en/Pages/tinbai.aspx?idTin=48523&idcm=289>

# 5

## Starting a Business

### 5.1 Registering a Business

#### Competent Authorities

Since the Vietnamese government has delegated almost all foreign-invested project approval powers to provincial departments, Vietnamese enterprises are mainly registered in the provincial and municipal planning and investment departments.

However, the following projects need to be approved by relevant ministries and commissions: cross-provincial BOT projects are approved by the Ministry of Planning and Investment; oil and gas projects are approved by the Ministry of Industry and Trade; financial institutions such as banks are approved by the State Bank; insurance projects are approved by the Ministry of Finance; for major national projects, the Congress decides on the project's investment approval and project standards, and the government is responsible for formulating project approval procedures and issuing investment licenses.<sup>①</sup>



#### Special Reminder:

Investors can visit the Foreign Investment Procedures Portal of the Foreign Investment Agency of the Ministry of Planning and Investment ([vietnam.eregulations.org](http://vietnam.eregulations.org)) to view a

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<sup>①</sup> Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-Vietnam (2020).

step-by-step guide to the investment procedures of Binh Dinh, Da Nang, Hai Duong, Hanoi, Ho Chi Minh City, Phu and Yong Phuoc in Vietnam. Investors can obtain information about the institutions involved in each procedure, expected results, requirements, average duration, and legal basis. For each step, investors can see the contact information of the responsible civil servants, forms and requirements, fees, deadlines, and laws.<sup>①</sup>

## Entity Types<sup>②</sup>

The forms of investment and establishment of enterprises in Vietnam include:

**Limited Liability Company (LLC):** ALLC is a business entity with 1 to 50 members (single-person LLC or multiple-person LLC) registered under the *Company Law*, and its liability is limited to share capital. It is not a prerequisite for residents of Vietnam to be shareholders. If the director is a foreigner, he must provide a work permit and have a year of management experience certificate. The main requirements for establishing a LLC include: having a place of registration in Vietnam; providing proof of bank cash accounts opened in Vietnam; such business entities must obtain licenses for the departments in which they conduct business activities; and there must be a legal representative residing in Vietnam.

**Joint-Stock Company (JSC):** A JSC is established by subscribing for company shares. One major difference from an LLC is that a JSC can issue shares to the public and be listed on a stock exchange. The registered capital of a stock company is divided into shares, and the shares owned by each shareholder correspond to the amount of capital invested in the company. Similar to a LLC, a JSC can also be wholly or partly owned by a foreign individual or company. The minimum number of shareholders is 3 and there is no upper limit. For such entities, shareholders are allowed to freely transfer their shares, except in certain circumstances

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<sup>①</sup> The Foreign Investment Procedures Portal of the Foreign Investment Agency of the Ministry of Planning and Investment of Vietnam: <https://vietnam.eregulations.org/>

<sup>②</sup> Baker McKenzie (Vietnam) Ltd., *Forms of Doing Business in Vietnam 2019*

prohibited by law.



### Special Reminder:

The law allows LLCs and JSCs to have only foreign shareholders, and such companies are wholly foreign-owned enterprises.

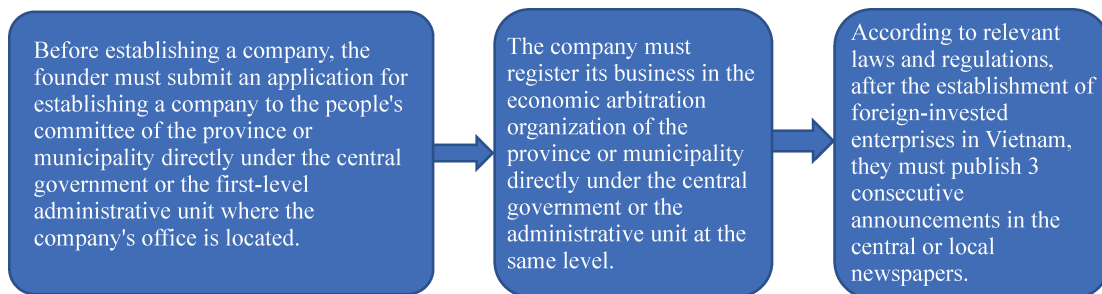
**Branch:** This form is not common in Vietnam and can only be established in certain specific areas. According to relevant laws, although branches do not have independent legal personality, they can carry out commercial activities after authorization.

**Representative Office (RO):** A foreign company that has established a RO in Vietnam has at least its foreign parent company established for 1 year or more.

**Business Cooperation Contract (BCC):** A BCC is a contractual relationship like a partnership. It does not create a new legal entity but is permitted to engage in business activities for a specific project in Vietnam. BCCs are most used in the petroleum industry, where product sharing contracts have traditionally been regarded as business cooperation contracts, as well as telecommunications and advertising projects.

## Registration Procedure

### Process of Setting up a Wholly Foreign-Owned Enterprise<sup>①</sup>



**Figure 5-1 Main procedures for setting up a wholly foreign-owned enterprise**

<sup>①</sup> Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-Vietnam (2020).

## The process of setting up a RO<sup>①</sup>

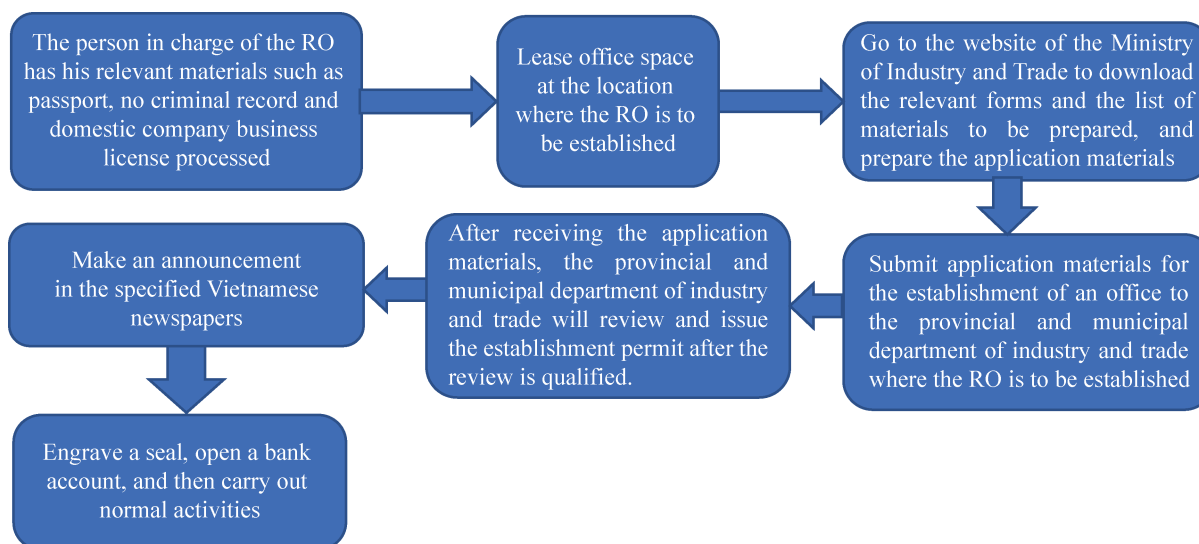


Figure 5-2 Main procedures for setting up a RO



### Special Reminder:

(1) After the company registration is approved, the shareholders must complete the capital contribution within 90 days from the date of receipt of the business registration certificate. Some industries need to apply for industry access permits or sub-certificates.

(2) Branches established by foreign companies in Vietnam can no longer set up ROs.

## 5.2 Project Contracting

### Acquiring Information

The Bidding Management Agency of the Ministry of Planning and Investment of Vietnam publishes nationwide project bidding information through newspapers, websites and other channels.

### Bidding

According to the Vietnamese *Bidding Law*, the bid invitation methods for international

<sup>①</sup> Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-Vietnam (2020).

engineering projects are divided into competitive bid invitation and non-competitive bid invitation. Competitive bid invitation includes: first, open bid invitation, where the owner publishes bid invitation information through influential media in Vietnam such as newspapers, television, and radio, without restricting the nationality of bidders, and choosing the best bidder; the second is restricted bid invitation, where the owner selectively invites several contractors to participate in the bidding. Non-competitive bid invitation is the designated bid (negotiated bid invitation). The contractor is not determined in an open manner. According to the specific requirements of the project and the contractor's credit and technical status, the owner selectively negotiates with a few contractors until an agreement is reached. Bid invitation for large-scale projects in Vietnam takes a long time in approval. Self-financing projects can be carried out through bid negotiation.

Vietnam adopts hierarchical management methods for project approval:

(1) For projects approved by the Prime Minister: The Prime Minister approves the bidding plan; approves or entrusts the approval of the contractor selection results; approves or entrusts the approval of relevant circumstances arising during the bidding process and handles illegal acts.

(2) For projects that are state secrets, projects that are urgently implemented for national interests, and projects that involve energy security: The Prime Minister approves or entrusts the approval of the bidding plan and contractor selection results.

(3) For projects approved by ministers, leaders of ministerial-level agencies, leaders of other central agencies, and chairpersons of provincial and municipal people's committees directly under the central government: The executive head of the department is responsible for approving the bidding plan; approving or entrusting the approval of bid invitation documents and contractor selection results.

(4) For projects approved by the administrative heads of local governments at and below the provincial level: The administrative head of the department is responsible for reviewing the

content of bid invitation and bidding within the scope of authorization; for projects within the scope of approval of the department, the administrative head of the department is responsible for approving the project bid invitation and bidding plan, approve or authorize the approval of the bid documents, contractor selection results, etc.

## Licensing Procedures

According to the Vietnamese *Bidding Law*, contractors must meet the following conditions to participate in the bidding: Having a business license issued by the functional department of the country; having independent economic accounting qualifications; and having a healthy financial status.

### 5.3 House Leasing

The cost of renting office and accommodation in Hanoi and Ho Chi Minh City is relatively high, while rents in other underdeveloped provinces and municipalities are relatively low. In Vietnam, office and accommodation houses are mainly rented through rental intermediaries.

**Fig. 5-2 Some of the intermediary platforms for renting houses in Vietnam**

Agent Name	Contact Information
IQI	Tel: +84 911856998 Website: <a href="http://www.iqiglobal.com/vn">www.iqiglobal.com/vn</a> Address: 67 Xa Lo Ha Noi Street, An Phu, Dist 2, Ho Chi Minh City
VIProperty JSC and VIProperty Management	Tel: +86 18251887969 Website: <a href="http://viproperty.vn/">viproperty.vn/</a> Address: C1-SH09 Vinhomes Central Park, 720A Nguyen Huu Canh Street, Binh Thanh District, HCMC
VIETNAM HOUSE -Real Estate Agency in Ho Chi Minh City-	Tel: +84 28 3911 2100 Website: <a href="http://vietnamhouse.jp/en">vietnamhouse.jp/en</a> Address: 9 Hoàng Sa, Đa Kao, Quận 1, Thành phố Hồ Chí Minh, Vietnam
VIREX (Vietnam Real Estate Exchange)	Tel: +84 93 635 31 02 Website: <a href="http://kingpalace-108nguyentraiviet.com/">kingpalace-108nguyentraiviet.com/</a> Address: 33A Bà Triệu, Hàng Bài, Hoàn Kiếm, Hà Nội 100000, Vietnam

### 5.4 Opening a Bank Account

Capital Account. To open a capital account in a local bank, the minimum registered capital is

US\$ 10,000. Some special industries may require higher registered capital. The registered capital must be in place within 12 months after the establishment of the company.

**Other Company Accounts.** After the company is successfully registered, a certain amount of deposit is required. Different banks in Vietnam require a minimum deposit for each company account opened. For example, the State Bank of Vietnam requires a company to open an account with a book deposit of not less than VND 1 million and US\$ 300. The Asia Commercial Bank requires the company to open an account with a book deposit of not less than VND 1 million and US\$ 100.

**Information for Opening an Account.** The application form issued by the bank, the company's business registration certificate, the authorization of the board of directors, shareholder certificates and copies, and address proof.

## 5.5 Employee Recruitment

The recruitment channels for Vietnamese employees can be roughly divided into 4 categories: online recruitment, fresh graduate recruitment, headhunting, and recommended recruitment.

**Table 5-3 Vietnam's employee recruitment channels**

Channels	Company/university	Website
Online recruitment	Vietnamworks.com	www.vietnamworks.com/
	Ybox.vn	ybox.vn/
	Topcv.vn	www.topcv.vn/
Fresh graduate recruitment	Vietnam National University, Hanoi	vnu.edu.vn/eng/
	Hanoi University of Science and Technology	en.hust.edu.vn/
	Ho Chi Minh City University of Technology	www.hcmut.edu.vn/en
Headhunting	NIC Human Resources Consulting Joint Stock Company	nicvn.com/
	Vietgroupvn.vn	vietgroupvn.vn/
	Manpower Vietnam	manpower.com.vn/

## 5.6 Financing

### Bank Loans

In terms of financing, foreign-funded enterprises shall enjoy the same treatment as local



enterprises. The financial institution shall determine the loan amount according to the customer's loan demand, repayment ability, and capital ability. The financing amount of a financial institution for a single customer shall not exceed 15% of the registered capital of the financial institution, and the financing amount of group affiliates for a single customer shall not exceed 25% of the registered capital of the financial institution. If the total amount of loans to a customer exceeds 15% of the financial institution's own funds or the customer has multiple financing needs, each financial institution shall issue syndicated loans in accordance with the regulations of State Bank of Vietnam.

Regarding US\$ loans, Vietnam has strict restrictions, stipulating that the US\$ loans applied by enterprises shall be used to pay for goods or labor imports and have the ability to use their own foreign exchange earnings to pay repayment.

### **Bond Issuance<sup>①</sup>**

To promote the further development of the Vietnamese corporate bond market, the Vietnamese government successively promulgated Decree No. 163/2018/ND-CP and Decree No. 81/2020/ND-CP in 2018 and 2020, aiming to create more favorable conditions for funds raised for enterprises through the issuance of bonds, develop the corporate bond market, and make it easier for the public to participate in the bond market, while continuing to provide investors with protection.

(1) Issuer requirements: The issuer only needs to obtain the financial statements of the year before the issuance year approved by the auditor.

(2) Restrictions on secondary bond sales: Private placement bonds are limited to 100 investors in the first year after issuance. After the one-year sales restriction period, the bonds can be freely traded and are available for unlimited purchase by the public.

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<sup>①</sup> Bloomberg Tax: <https://news.bloombergtax.com/daily-tax-report-international/insight-vietnams-corporate-bond-market>

(3) Bond depository: within 10 working days after the bond issuance, the issuer shall register its bonds with the Vietnam Securities Depository (VSD).

(4) There is no minimum paid-in capital requirement.

### **Listing on the Exchange<sup>①</sup>**

In Vietnam, the processes of public offering and listing are different, although the 2 can be carried out at the same time. The IPO shall be conducted before or at the same time as any listing application. It is an offer to sell stocks, bonds or fund certificates to at least 100 investors (not including institutional investors) through the mass media. The public sale shall be:

(1) Approved by State Securities Commission;

(2) Prepared in the form of a prospectus, which is registered with State Securities Commission as part of the approval process.

Securities sold in the public offering shall be valued in VND.

Listing is the process of private organizations (including enterprises that have previously conducted public offerings or state-owned enterprises that are in the process of equity ownership) that provide their securities to the public for exchange through stock exchanges. There are different requirements for listing in Ho Chi Minh City Stock Exchange or that in Hanoi Stock Exchange, and Ho Chi Minh City Stock Exchange usually applies more stringent conditions.

## **5.7 Applying for Patents and Registering Trademarks**

### **Application for Patents**

The departments responsible for patent applications are Intellectual Property Office of Vietnam and its branches. After the approval is passed, the Intellectual Property Office of Vietnam will publish relevant information in the “Industrial Property Bulletin” and conduct a substantive examination 12 months from the date of publication. The patent examination period is 18 months.

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① Allens, Legal guide to investment in Vietnam,2017

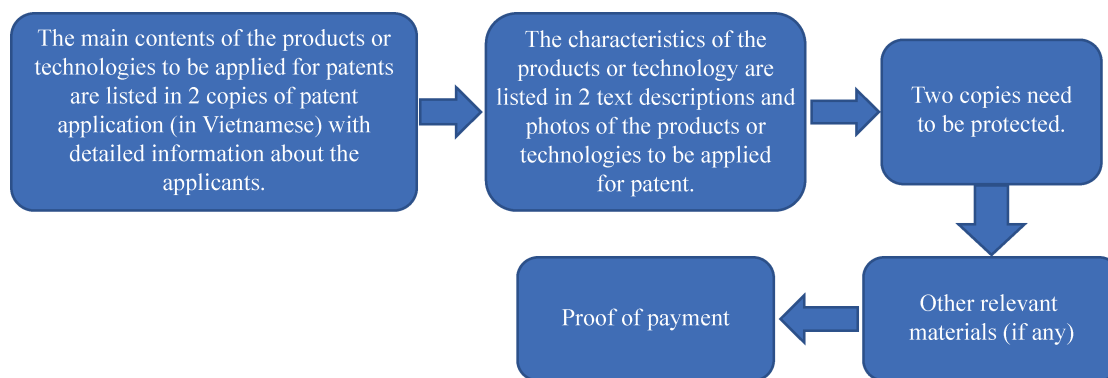


Figure 5-4 Patent application process in Vietnam

## Registration for Trademarks

Natural persons or legal persons apply directly to Intellectual Property Office of Vietnam, allowing multiple types of applications. Goods are divided into 45 categories according to Nice Agreement. The right to exclusive use of a trademark shall be counted from the date of application and shall be valid for 10 years. The renewal of registration is applied for 6 months before the expiration date, and the validity period for each renewal of registration is 10 years.

Registered trademarks must be used. If a registered trademark has not been used for 5 consecutive years after registration, it may be applied for being revoked. Trademark applications or registered trademarks can be transferred. The transfer of a registered trademark shall be registered to have legal effect. The assignment of a trademark application can only be registered after registration. Only registered trademarks can be licensed. Licensed contracts shall be registered.

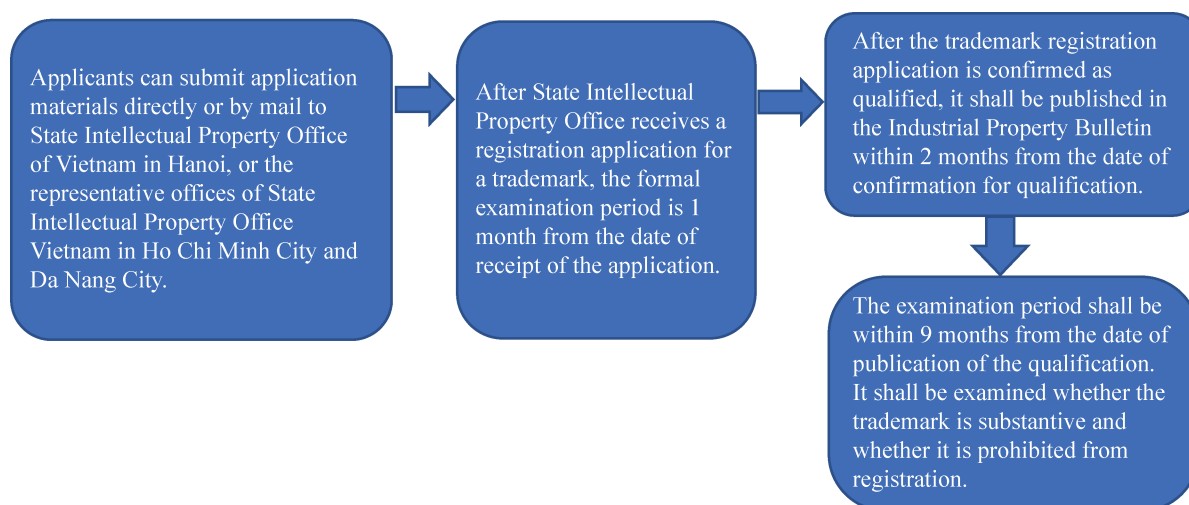


Figure 5-5 Application process for trademark registration in Vietnam



### Investment Practice:

#### **Bank of China provided financing services in Vietnam to facilitate the common development of the enterprises from both countries.<sup>①</sup>**

With the implementation of the “Belt and Road” initiative, the commercial cooperation between China and Vietnam has continued to deepen, and some Chinese financial institutions have also begun to carry out business in Vietnam, alleviating financing problems arising from the process of enterprise development and project docking. It is understood that after entering Vietnam, Bank of China has closely combined with the actual situation in Vietnam to open a path of syndicated financing of “agent-led and common development”. It is specifically embodied in the cooperation with other Chinese-funded financial institutions to provide financial guarantees for Chinese and Vietnamese enterprises.

Under this financing model, Ho Chi Minh City Branch of Bank of China successively provided US\$ 200 million in financing for the Coastal No. 3 Power Plant Project in Tra Vinh Province, Vietnam, and provided US\$ 80 million in loans and agency services for the Phase I Project of Vinh Tan Power Plant in Binh Thuan Province, Vietnam. It also leads local Vietnamese banks and foreign-funded banks in Vietnam to provide syndicated services to help Vietnam’s industrialization and modernization.

**Comment:** At present, the development prospects of the Vietnamese market are quite impressive. Not only production costs but also labor prices are relatively low. These favorable conditions have attracted more and more foreign enterprises to set up factories or subsidiaries in Vietnam. Some Chinese financial institutions have also begun to provide financing services in Vietnam. It is recommended that enterprises not only obtain financing from the Vietnamese side, but also consider obtaining financing provided by Chinese financial institutions in various ways before investing in Vietnam.

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① It was adapted from Sina Finance website news.

## 5.8 Tax Payment

### Tax Declaration

The tax calculation year for foreign-funded enterprises is from January 1 to December 31 of Gregorian calendar. It can also be recommended that the Ministry of Finance of Vietnam approve the adoption of its 12-month fiscal year system. Corporate taxpayers can choose to use a calendar year or a fiscal year ending in a quarter of the calendar year as the basis for the tax year.

### Tax Declaration Channels

Enterprises can choose to declare their taxes to the local tax bureaus by themselves or through a local accounting firm to declare on their behalf or have their taxes withheld by owners.

### Tax Declaration Procedures

The tax declaration procedures are relatively simple. The enterprises fill out the tax declaration forms and provide the tax declaration materials according to the regulations. After the taxes are paid, the local tax bureaus will issue a tax payment certificate. Enterprises can also choose to declare taxes through electronic tax filing.

### Documents for Tax Declaration

Tax statements, corporate tax number documents, tax returns, etc.



## Legal Provisions

### 6.1 Land

#### Competent Authorities and Relevant Laws

Vietnam's land management system is divided into 4 levels: the National Assembly, as the highest organ of state authority, decides the nation's land use planning and exercises the highest power of supervision; the central government, as the highest administrative agency, determines the land use planning of provinces and municipalities directly under the central government, as well as national defense and security land use planning, and allocates land resources. The organ that performs land management responsibilities is the General Administration of Land Management under the Ministry of Natural Resources and Environment; the people's committees of provinces, municipalities directly under the central government, and counties exercise their land management rights, and the organs that perform land management responsibilities are natural resources and environmental management departments subordinate to the people's committees at all levels, and towns and villages set up land offices to handle land administration affairs. Enterprises, farmers, and individuals can obtain land use rights through leases, acceptance of transfers, and participation in land auctions.<sup>①</sup>

On December 29, 1987, Vietnam promulgated the first *Land Law*, which established the

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<sup>①</sup> CCPIT, Guide on the Business Environment of Foreign Countries for Investors-Vietnam (2020).

principle that land is owned by the whole people and uniformly distributed and managed by the state. Vietnam's land legal system is revised once every 5 years on average, resulting in poor adaptability of enterprises to the new land law. So far, the law has been revised 4 times.

### **Land Classification**

Land ownership belongs to the state, and private ownership of land is not accepted, but collectives and individuals can be entitled to use state-owned land. For land with a limited period of use, the period of use is divided into 5 years, 20 years, 50 years, 70 years, and 90 years.

### **Provisions on Acquisition of Land by Foreign-funded Enterprise**

Foreign investors cannot purchase land in Vietnam. They can lease land and be entitled to use land. The term of use is generally 50 years. Under special circumstances, it can be applied for extension, but the maximum period is not more than 70 years. The lease term of forest land is generally 55 years.

Foreign-funded enterprises can obtain land use rights in the following ways. The state allocates land and levies land use tax. For land leased directly from the state, the land is leased out every year or is all least once. According to the current law, land is allowed to be leased by landlords or is allowed to be sub-leased.<sup>①</sup>

The *Land Law* stipulates that foreign-funded enterprises shall apply to relevant departments for land use and can only lease land from relevant departments. If foreign investors apply for procedures and files for land allocation and land lease, they should submit 2 files to the land management departments of the local provinces or municipalities directly under the central government. The submitted land files should include: an application for lease of land; investment projects organized in accordance with the provisions of the Investment Law; and a copy of the

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<sup>①</sup> Foreign Investment Agency of the Ministry of Planning and Investment of Vietnam: <https://fia.mpi.gov.vn/en/Single/MenuID/345629e5-6f35-4a23-801c-7a234436d2af>

investment permit notarized by the state notary agency in accordance with the Land Law.

## 6.2 Tax

### Competent Authorities and Relevant Laws

General Department of Taxation and Vietnam Customs are departments under the Ministry of Finance, and responsible for tax collection. Vietnam's tax system includes General Department of Taxation, provincial (municipalities directly under the central government) taxation bureaus, town (county) taxation bureaus, and taxation branches. Vietnam Customs includes General Department of Vietnam Customs, Customs Bureaus and Customs Branches. There is no distinction between central taxes and local taxes. All tax revenues are uniformly adjusted based on the fiscal budget by General Department of Taxation or local taxation bureaus. General Department of Taxation is mainly responsible for the national tax administration. Relevant tax laws include *Tax Administration Law*, *Individual Income Tax Law*, *Corporate Income Tax Law*, *Value Added Tax Law*, and *Special Consumption Tax Law*.

### Tax System

The legislative framework of Vietnam's tax law was reviewed and approved by the National Assembly of the Socialist Republic of Vietnam, and consists of decrees, circulars and official letters formulated by the Ministry of Finance, General Department of Taxation, and provincial and local tax authorities (including customs authorities). Vietnam's tax law covers a wide range of taxes, including assets, capital incomes, turnover, profits, or incomes. In many cases, withholding taxes are also levied. As a supplement to Vietnam's tax law, Tax Collection and Management Law regulates the elements of Vietnam's tax system management. Taxes in Vietnam include value-added tax, import and export tax, special sales tax, corporate income tax, personal income tax, value-added tax, stamp tax, etc.<sup>①</sup>

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<sup>①</sup> Foreign Investment Agency of the Ministry of Planning and Investment of Vietnam: <https://fia.mpi.gov.vn/en/Single/MenuID/793a43ff-0059-4504-b747-934193322015>



Corporate Income Tax. For foreign-funded enterprises, domestic enterprises, branches of foreign enterprises, and foreign contractors that are not governed by the *Investment Law*, the standard corporate income tax rate is 20% (Executed on January 1, 2018). The benchmark tax rate for BOT enterprises is 10%.

The benchmark tax rate for domestic and foreign enterprises for exploring and mining oil, natural gas, and precious resources (platinum, gold, silver, tin, tungsten, antimony, gems, rare earth) is 50% (40% in poor areas), and their minimum preferential tax rate is 32%. The profits obtained by foreign investors from transferring the rights and interests of enterprises registered in Vietnam shall be taxed at a tax rate of 25%.

Individual Income Tax. Non-resident foreigners only pay taxes on income derived from Vietnam. The tax rate of 25% is applied for the first year, and the tax rate applicable to foreign residents is applied for each subsequent year.

**Table 6-1 Tax rate of personal taxable income from employment of Vietnamese tax residents, June 2019<sup>①</sup>**

Taxable income from employment (VND million)	US\$ (Estimated equivalent amount based on US\$1: VND23,000)	Tax rate
0-60	0-2,600	5%
60-120	2,600-5,200	10%
120-216	5,200-9,400	15%
216-384	9,400-16,700	20%
384-624	16,700-27,100	25%
624-960	27,100-41,700	30%
>960	>41,700	35%

Starting from September 31, 2019, personal taxable income from employment of Vietnamese tax non-residents was levied at a single tax rate of 20%.

**Table 6-2 Individual income tax rate for other income (non-employment) income of Vietnam tax residents and non-tax residents, from September 30, 2019<sup>②</sup>**

Types of taxable income	Tax rate
Securities sales (listed shares)	0.1% of sales income

① KPMG: <https://home.kpmg/vn/en/home/insights/2020/03/tax-and-legal-handbook.html>

② KPMG: <https://home.kpmg/vn/en/home/insights/2020/03/tax-and-legal-handbook.html>

Continued

Types of taxable income	Tax rate
Trade income	0.5%-5%
Real estate transaction income	2% of sales income
Interests, dividends, privileges	5%
Gifts, prizes, lottery prizes and inheritance	10%
Capital transfer (unlisted shares)	20% of Capital Gains

Value-Added Tax. Since January 1, 2004, depending on the types of goods and services, 2 tax rates of 5% and 10% (standard tax rate) are applicable to value-added tax.

Income Tax When earning interests, dividend income, and other incomes, in principle, 15% of national tax and 5% of local tax are withheld and paid for interests on bank deposits in Japan banks.

Stamp Duty. The annual fees for various types of enterprises shall be based on the registered capital of the enterprise.

Registration Tax Vietnam does not levy stamp tax on property transfers, but imposes a registration tax on the purchase of specific assets, such as land use rights (LURs), motor vehicles, ships, and aircrafts. After persons or other legal entities have registered the ownership of this tax, it shall be declared and paid to the provincial tax authority where the individual resides or the legal entity is registered. Generally speaking, the taxable amount of assets is equal to the relevant tax rate multiplied by the asset purchase price and paid at the time of purchase, but land use rights are not included.

**Table 6-3 Registration tax rates for different asset classes<sup>①</sup>**

Assets	Tax rate
Real estate (land use rights)-calculated based on the value set by the People's Committee rather than the actual purchase price. The land use right registration fee is capped at 500 million VND	0.5%
Water motor vehicles, yachts, motorboats, tugboats, speedboats and airplanes	1%
Hunting, training and sports firearms. Motor vehicles and motorcycles purchased in non-central cities. A trailer or semi-trailer towed by a car or similar vehicle (except for applicable exchange rate of 10% in special circumstances)	2%
Motor vehicles and motorcycles purchased in central cities	5%

① KPMG: <https://home.kpmg/vn/en/home/insights/2020/03/tax-and-legal-handbook.html>



### Investment Practice:

#### **Coca-Cola Vietnam was fined a hefty fine for tax evasion**

In December 2019, Coca-Cola Vietnam Company was subject to a tax investigation by General Department of Taxation for suspected tax evasion. Previously, General Department of Taxation of Vietnam had notified Coca-Cola Vietnam to make a supplementary payment of 471 billion VND in taxes, including over 60 billion VND in value-added tax, over 359 billion VND in corporate income tax, and approximately 52 billion VND of taxes payable by foreign contractors. At the same time, Coca-Cola Vietnam was also suspected of delayed tax payment of VND 288.6 billion. General Department of Taxation of Vietnam required Coca-Cola Vietnam to pay taxes as soon as possible after calculating the delayed tax payment by itself. In addition, Coca-Cola Vietnam would also be subject to administrative penalties of VND 61.6 billion. According to the statements of General Department of Taxation of Vietnam, if Coca-Cola Vietnam did not pay the full fines within 10 days of receiving the penalty, the fines would be enforced.

**Comment:** Vietnam had severe penalties for tax avoidance and tax evasion. According to Article 21.2 and Article 21.3 of the *Law of the Socialist Republic of Vietnam on the Collection of Income Taxes on High-income People* in Vietnam, if an individual or organization has concealed or evaded taxes, in addition to paying taxes in full according to regulations, A fine of 1 to 3 times the amount of tax evaded shall be imposed. If the circumstances are serious, the first tax evasion may also be imposed a fine of 2 to 3 times the amount of tax evaded. If an individual or organization fails to pay taxes and penalties within the prescribed time limit, in addition to paying taxes and penalties within the specified time limit, a 0.5% late payment fee shall be charged from the date of late payment daily. It is recommended that enterprises understand Vietnam's relevant tax laws and regulations before investing in Vietnam, to avoid tax avoidance and tax evasion, which may affect business operations.

### **Tax Incentives**

Vietnam's tax reduction and exemption are self-checking and self-exempting, and year-end

liquidation. Enterprises that enjoy tax deductions in Vietnam do not need to report to the tax authorities. They only need to check tax laws. If they comply with tax deductions and exemptions, they shall calculate their tax deductions and exemptions. When the tax authorities shall conduct annual tax inspections at the end of the year, the tax reduction and exemption were reviewed together. If the company is found to be inconsistent with the tax reduction and exemption regulations, it shall be required to pay a late fee at the same time as the company is required to pay tax, in addition to a fine of more than 1 and 5 times the tax for non-payment or underpayment.

## 6.3 Employment

### Competent Authorities and Relevant Laws

The department in charge of processing labor permits in Vietnam is the Ministry of Labor and Wounded Soldiers of the Vietnam as well as Offices of Labor and Wounded Soldiers of each province and municipality directly under the central government. The *Labor Code* deals with most labor-related issues, such as recruitment, labor contracts, working hours, rest periods, discipline, and dispute resolution.

### Main Clause

Labor Contract. The employer and the worker shall sign a labor contract in written form, in duplicate, with each party holding 1 copy. The labor contract should include the type of work, working hours, workplace, rest time, salary, contract duration, labor safety, labor health, social insurance, etc.

The Probationary Period The probationary period for jobs requiring employees with higher or above professional and technical knowledge should not exceed 60 days. The probationary period for jobs requiring employees with general technical and professional knowledge should not exceed 30 days, and the probationary period for other types of jobs should not exceed 6 days. The salary during the probationary period shall not be less than 85% of the official salary. During

the probationary period, both parties can modify and supplement the contract.

**Social Insurance.** Compulsory social insurance shall be applied for working hours exceeding 3 months and indefinite contracts. The employer shall pay medical expenses for workers who are injured and disabled at work. If they are not insured, they shall also pay compensation in accordance with social insurance conditions. According to Notice No. 595/QD-BHXH of Social Insurance Bureau of Vietnam, the latest social insurance payment standards would be implemented from June 1, 2017. For the social insurance items, the payment standards for employers and employees are equivalent to 17.5% and 8% of the employee's monthly basic salary. And medical insurance is 3% and 1.5%, respectively; unemployment insurance is 1%.

**Termination of the Contract.** When an employer unilaterally terminates a labor contract, it should notify the employee in advance. The notification time requirements are as follows: for an unlimited contract, 45 days in advance; for a contract of 1 to 3 years, 30 days in advance; for a contract with a period of less than 1 year, 3 days in advance. When dismissing a worker, the employer shall pay compensation based on half a month's salary and bonus every year.



### **Investment Practice:**

#### **Large-scale strikes in Vietnam occurred frequently during the COVID-19 pandemic, which have affected business operations<sup>①</sup>**

In September 2020, a strike occurred at the factory of China Luxshare ICT Co., Ltd. located in Bac Giang Province, Vietnam. Initially, about 5,000 people participated in the strike. However, during the strike, other workers were also affected and began to participate. The number of strikers increased to about 7,000.

According to the organizer of the strike, "The strike is to express their wishes and demands to the company." Other workers expressed dissatisfaction with the company's employee welfare and living facilities, demanding increases in salary, overtime payment, bonuses and various

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① It was adapted from Sohu News.

subsidies, and improving the subsidy system.

After a three-day strike, the vice chairman of the People's Committee of Bac Giang Province, Vietnam stated that Luxshare ICT had responded to some of the employees' suggestions and reached an agreement with workers and employees. After the strike ended, all the company staff resumed their jobs.

**Comment:** Vietnamese workers generally have higher requirements for wages and various welfare policies, and they are not suitable for the overtime system. It is recommended that if enterprises invest in Vietnam, they should take measures to suit local conditions and follow the local conditions based on the local labor laws. At the same time, during COVID-19 epidemic, it is recommended that enterprises formulate corresponding countermeasures to avoid excessive strikes that affect their normal operations.

## Hiring Foreign Employees

Work Permit System. Foreign laborers who have worked in Vietnam for more than 3 months shall apply for a labor permit issued by the Department of Labor, Invalids and Social Affairs of Vietnam's provinces (municipalities directly under the Central Government). The validity period of the labor permit is determined by the contract period, but not more than 2 years. It can properly extend the time limit based on the needs of employers.

Working Conditions for Foreigners in Vietnam. (1) At least 18 years old; (2) The physical condition meets the work requirements, and the health certificate is provided; (3) high technical level, and rich experience in industry and management shall be provided. The technical level, management experience and other qualifications of such personnel shall have a certificate issued by the competent authority of the country where the person is located; (4) They shall have no criminal record, and a certificate issued by the local public security department of the country where the person is located; (5) they have a work permit for more than 1 month issued by the Vietnamese functional department.

Those Who Do Not Need to Apply for a Labor Permit. (1) The working period is less than 3 months; (2) The company's board of directors, general manager, deputy general managers, managers, and deputy managers; (3) Representatives of representative offices in Vietnam, and branch leaders; (4) Lawyers licensed by Ministry of Justice of Vietnam.

## 6.4 Protection of Intellectual Property Rights

### Competent Authorities and Relevant Laws

The administrative department in charge of intellectual property in Vietnam is relatively scattered. The Intellectual Property Office under the Ministry of Science and Technology of Vietnam is responsible for the protection of industrial property rights (including patents and trademarks). The Copyright Office under the Ministry of Culture, Sports and Tourism is responsible for copyright protection, and the Ministry of Agriculture and Rural Development is responsible protection of plant diversity.

Vietnam's intellectual property legislation is mainly the *Intellectual Property Law*, *Trade Law and Civil Code*. In addition, Vietnam's *Competition Law*, *Civil Procedure Law and Criminal Procedure Law* and other laws also involve the protection of intellectual property.

### Applying for Patents and Registering Trademarks

Applying for Patent. Patents refer to a technical solution in the form of a product or process that aims to solve a problem by applying the laws of nature. The patents shall be protected for 20 years from the date of filing the application, but the term of protection shall not be extended.

Registering Trademark. Trademark titles refer to the names of organizations or individuals used in business activities to distinguish business entities with trademark names from other business entities in the same business department and geographic area. Industrial name trademark rights are established based on the customary use of business areas and regions, and registration procedures are not required. The trademark name is protected during the use of the trademark name.

## Punishment Measures

For intellectual property infringements, the patentees can choose judicial relief or administrative relief. The patentees can file a civil lawsuit to protect intellectual property, request the termination of the infringement, public apology or correction, compensation for losses, and destruction of the infringing product, or request for use only for non-commercial purposes. In order to prevent the damage from expanding, the patentees may apply to the court for a pre-litigation injunction and demand compensation for the corresponding losses.

If the import or transfer of goods that infringe intellectual property, and counterfeit and inferior goods constitute a crime, the judicial organ is entitled to take judicial measures, and the offender or criminal shall bear criminal responsibility. Regarding specific imported infringing products, the judicial organ is entitled to require the infringer to return to the country or directly destroy the infringing product.



### Investment Practice:

#### **O.S GmbH, a German lighting product manufacturer, regained the domain name registration rights preempted by natural persons in Vietnam<sup>①</sup>**

In 2019, a German lighting product manufacturer of O.S GmbH brought a Vietnamese natural person to court. O.S GmbH claimed that the Vietnamese had infringed on the registration and use rights of the company's 2 country code top-level domains (osram.com.vn and osram.vn). At that time, the natural person was still advertising and selling products with the trademark "OSRAM" (owned by O.S GmbH) on the cybersquatting website. This behavior seriously damaged the power and economic benefits of O.S GmbH.

In early 2019, OS GmbH filed a lawsuit with the People's Court of Hanoi, Vietnam, requesting to revoke the disputed domain name, order the Vietnamese natural person to compensate OS GmbH for losses of VND 500 million (property loss, decline in income and

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<sup>①</sup> It was adapted based on IPcoaster website news.



profits, and loss of business opportunities), order the Vietnamese natural person to pay the attorney fee of VND 200 million to OS GmbH, and order the Vietnamese natural person to publish a public apology in local newspapers.

In July of the same year, the court made the following ruling based on the facts of the case: the domain names of osram.com.vn and osram.vn were revoked, and the domain name registration priority belonged to OS GmbH; the Vietnamese natural person should pay OS GmbH VND 204 million, which mainly is the lawyer's fee. The Vietnamese natural person should publish a public apology in the local newspapers. In terms of court costs, the Vietnamese natural person paid VND 10.198 million, but the Vietnamese court rejected O.S GmbH's request for VND 500 million of substantive damages.

**Comment:** At present, the phenomenon of domain name cybersquatting occurs frequently in Vietnam, and the types of domain name cybersquatting cases are also diversified, mainly including: (1) Some well-known corporate trademarks are copied and registered; (2) Some personnel in Vietnam or the organization continues to illegally hold and use the ended or terminated domain name after terminating its commercial relationship with a certain company; (3) The domain name of some enterprises may be maliciously registered as derogatory URLs, affecting the company's reputation (4) After maliciously registering the trademarks of some well-known enterprises, certain natural persons extort high fees from all enterprises of the brand trademarks or domain names in exchange for the ownership and use rights of the trademarks in Vietnam. It is suggested that if the trademark or domain name of a company is maliciously registered in Vietnam, it can solve the problem by negotiating with the trademark registrant, arbitrating, and initiating a civil lawsuit in the court.

## 6.5 Import and Export Management

### Competent Authorities and Relevant Laws

The department in charge of trade in Vietnam is Ministry of Industry and Trade, has 36

departments and research institutes, and is responsible for national industrial production (including machinery, metallurgy, electric power, energy, oil and gas, minerals and food, daily consumer goods and other industries), domestic trade, foreign trade, WTO affairs, free trade zone negotiations, etc. Each province and municipality directly under the central government has an industry and trade department, which is responsible for the industrial and trade in the area.

Relevant laws mainly include *Customs Law, Trade Law, Import and Export Tax Law, the Investment Law, Enterprise Law, Competition Law*, and other laws and regulations.

### **Import and Export Licensing Procedures**

There is no requirement in Vietnam to apply for an import and export license when a trading company is set up. However, foreign investors shall register with the Ministry of Planning and Investment before they can import or export goods.

According to Decree No. 34/2013/TT-BCT, certain commodities are not allowed to be exported by foreign-funded enterprises or imported into Vietnam. The prohibited goods include petroleum. The goods that are banned from being imported into the country include cigars, tobacco, oil, newspapers and magazines, and airplanes.

According to Appendix II of Decree No. 187/2013/ND-CP, the import and export of the following commodities need to obtain import and export permits from the government. Including:

- (1) Commodities restricted for export in international treaties to which Vietnam is a contracting party;
- (2) Commodities for which export quotas are set by foreign countries;
- (3) Commodities restricted to be imported in international treaties to which Vietnam is a contracting party;
- (4) Chemicals, explosive precursor substances and industrial explosives.

All imports and exports shall comply with relevant quarantine, food safety and quality standards, and inspections by relevant government agencies shall be completed before customs

clearance.

Importers shall also submit customs files, which include a customs declaration form in accordance with Annex II of Decree No. 38/2015/TT-BTC. The customs declaration form is submitted electronically on the customs website.

## **Inspection and Quarantine**

The inspection and quarantine of Vietnam's import and export commodities are handled by different departments according to different types of commodities. Food and drug inspections are handled by Ministry of Health, and inspections of animals, plants and other agricultural products are handled by Ministry of Agriculture and Rural Development. Specific regulations can be found online.

## **Import Tariff**

Vietnam's current tariff system includes 4 tax rates: ordinary tax rate, most-favored nation tax rate, ASEAN free trade area tax rate and China-ASEAN free trade area preferential tax rate. According to the HS codes of different commodities and the preferential tax rate arrangements of different free trade agreements, the specific tariffs can be inquired on the website of Vietnam Customs.<sup>①</sup>

## **6.6 Environmental Protection**

### **Competent Authorities and Relevant Laws**

Vietnam's environmental protection authorities are divided into 4 levels from the central to the local levels, including the Ministry of Resources and Environment, the Department of Resources and Environment of the provinces and municipalities directly under the central government, county resources and environment offices, and town resources and environment

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① The website of Vietnam Customs: <https://customs.gov.vn/SitePages/Tariff.aspx>

offices. The relevant environmental protection laws and regulations are *Environmental Protection Law* (promulgated in April 1999 and revised in December 2005), *Land Law* and so on.

## Regulations on Environmental Assessment

Environmental Assessment Agency. The National Environmental Protection Administration of Vietnam examines and approves general environmental assessment reports. Specialized administration organs examine special facilities for national defense and security; and National Assembly of Vietnam examines environmental assessment reports that have a significant impact on the environment.

The Vietnamese government requires domestic and foreign enterprises to submit environmental impact assessment reports before their establishment. In 1998, the Vietnamese government issued Notice No.490/1998/TT-BKHCMNT, etc.,<sup>①</sup> which set out detailed regulations on the form and contents of the environmental impact assessment report and the specific procedures for submitting the report.

Investment or Engineering Projects for Which Environmental Reports are Required. National-level key construction projects; projects that use part of the land in nature reserves, national parks, historical and cultural relics, and tourist attractions; projects that may have adverse effects on inland river basins, coastal areas, and ecological protection zones; construction projects of industrial zones, economic zones, high-tech zones technology zones and export processing zones; construction projects of new cities and residential areas; projects of large-scale development and utilization of groundwater and natural resources; projects with large potential adverse effects on the environment.

Main Contents of Environmental Reports. The enterprises shall list the specific construction details of the projects, the overall evaluation of the environmental conditions where the project is

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<sup>①</sup> No.490/1998/TT-BKHCMNT: <https://english.luatvietnam.vn/circular-no-490-1998-tt-bkhenmt-dated-april-29-1998-of-the-ministry-of-science-technology-and-environment-guiding-the-making-and-evaluation-of-repo-5728-Doc1.html>

located, the possible impact on the environment after the project is completed, and specific response plans, and promise to take environmental protection measures during the construction and operation of the projects, and opinions of the local township people's committee and resident representatives, etc. The time for the competent authority to approve the environmental report is 15 working days.

**Approval Time.** The approval time of the environment report of projects approved by Ministry of Resources and Environment shall not exceed 45 days; the approval time of the environment report of other projects shall not exceed 30 days.



### **Investment Practice:**

#### **Lionas Metals Co., Ltd. was fined VND 335 million for violating the environmental protection law**

In March 2021, the Environmental Department of Thanh Hoa Province of Vietnam conducted a series of environmental surveys on Lionas Metals, a subsidiary of Lionas Fund of Japan. According to investigations, Lionas Metals had seriously violated the Vietnam Environmental Protection Law, illegally burying and dumping domestic garbage and general industrial solid waste of 79.7 tons. At the same time, this company had illegally discharged domestic sewage of 15 m<sup>3</sup> every day without the permission of the relevant Vietnamese authorities, and about 15-20 m<sup>3</sup> of water is used illegally every day. After a decision issued by the Thanh Hoa Provincial People's Committee, Lionas Metals Co., Ltd. not only had to pay a fine of VND 335 million, but also needs to repair the damaged environment and pay for identification, testing, and measurement.

**Comment:** Although Vietnam is still a developing country, the awareness of environmental protection of both Vietnamese peoples and the Vietnamese government is gradually strengthening, and relevant laws and regulations related to environmental protection are constantly being supplemented and revised. It is recommended that when investing in Vietnam,

enterprises should comply with relevant laws and regulations while conducting business, and should also follow up the supplements and amendments to various environmental protection laws and regulations timely, so as to avoid being fined for damaging the ecological environment of Vietnam.

## 6.7 Anti-Commercial Bribery

### Competent Authorities and Related Policies

Vietnam’s anti-corruption supervision and punishment departments include Central and Local Supervisory Committees of the Communist Party of Vietnam, National Supervisory Administration and its provincial agencies, Anti-Corruption Police Department, Central Anti-Corruption Steering Committee, audit departments at all levels, procuratorates and courts. The supervision and punishment of the above-mentioned departments are supervised by the Standing Committee of the National Assembly and its provincial branches.

*Regulations on the Recognition of Corruption Situation and Evaluation of Anti-corruption* clarify the determination method of the degree of corruption through quantitative provisions, and divide it into “huge damage”, “major damage”, “general damage” and “no damage” according to the scoring results.

*Law of Prevention and Fight against Corruption* restricts persons with authority to use their positions for personal gain, including public officials, professional soldiers and military officers of the Vietnamese People’s Army, police officers of the public security system, managers of state-owned enterprises, managers or representatives of state-owned assets of enterprises, and personnel who are performing official duties and tasks and have certain authority.<sup>①</sup>

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<sup>①</sup> Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-Vietnam (2020).

## Related Behavior Classification<sup>①</sup>

Corruption. Embezzlement of property, acceptance of bribes, abuse of power to embezzle property, use of power for personal gain in the performance of official duties, use of power to influence others for personal gain, use of power to use state property in violation of regulations for personal gain, etc.

Commercial Bribery According to the circumstances and consequences, it is divided into 2 types: violation of disciplines and laws, and crime. Violation of disciplines and laws refers to commercial bribery that is illegal, but whose circumstances and consequences have not yet constituted a crime, is not within the scope of penalties under the criminal law and is punished in accordance with relevant administrative regulations and departmental rules. Commercial bribery has violated the relevant provisions of the Criminal Law. The amount of bribery reaches a “large amount” or “a huge amount”, and the consequences reach a serious degree. It constitutes a crime and will be punished in accordance with the relevant provisions of the Criminal Law. The object of the crime of commercial bribery is property interests. For other interests other than property interests, such as the provision of pornographic services and high-standard receptions, they are generally not converted into cash. Providing or accepting the above-mentioned interests is not a giving or receiving of property. It is generally not considered to constitute a crime of commercial bribery and will be dealt with as a violation of discipline.

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<sup>①</sup> Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-Vietnam (2020).



# Dispute Resolution

## 7.1 Judicial System

Vietnam has a two-tier court system (the court of first instance and the court of appeal). The court system consists of the Supreme Court, the Provincial People's Court and the District People's Court. The Supreme Court and the Provincial People's Court have specialized courts, including criminal courts, civil courts, economic courts, administrative courts and labor courts.

## 7.2 Dispute Resolution

There are 3 main ways to resolve economic and trade disputes in Vietnam: litigation, arbitration, and negotiation and mediation. Vietnam recognizes international arbitration or foreign courts' arbitration. According to Article 14 of Vietnam's *Investment Law* (2020), if a Vietnamese investor and a foreign-funded enterprise have an investment dispute in Vietnam, they shall resolve the dispute through a Vietnamese arbitration institution or court, except foreign-owned holding enterprises (including joint ventures where foreign investors hold 50% or more of the shares, or established by foreign investors and foreign-owned holding enterprises, etc.). For investment disputes arising from foreign holding enterprises, one of the following methods can be selected: Vietnamese courts, Vietnamese arbitration institutions, foreign arbitration institutions, international arbitration institutions, etc. Disputes between foreign investors and Vietnamese



regulatory agencies shall be resolved by Vietnamese arbitration institutions or Vietnamese courts, unless otherwise agreed with the regulatory agency or international conventions to which Vietnam participates.<sup>①</sup>

## Litigation<sup>②</sup>

If the parties are unwilling to negotiate or mediate, judicial litigation will become a necessary way to resolve economic and trade disputes. According to the 2015 Civil Procedure Law, the procedures for civil cases (civil, trade, commercial, family and labor cases) are as follows:

Step 1: Submitting a Petition for Litigation. Organizations and individuals submit litigation applications to the competent court.

Step 2: Receiving and Processing Litigation Petitions. Within 3 working days from the date of receipt of the petition, the chief judge of the court shall appoint a judge to review the petition.

Within 5 working days from the appointment, the judge shall review the petition and make one of the following decisions:

- (1) Amending and/or supplementing litigation request;
- (2) For cases resolved in accordance with simplified procedures, the case acceptance procedures shall be handled in accordance with normal procedures or simplified procedures;
- (3) If the case is under the jurisdiction of other courts, the litigation request shall be transferred to the court with jurisdiction and the litigant shall be notified;
- (4) If such cases do not fall within the jurisdiction of other courts, the complaint shall be returned to the litigant.

Within 3 working days from the date of acceptance of the case, the chief judge of the court shall appoint a judge to resolve the case.

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<sup>①</sup> *The Law on Investment* (2020) ("LOI2020") : <https://english.luatvietnam.vn/aw-on-investment-no-61-2020-qh14-dated-june-17-2020-of-the-national-assembly-186270-Doc1.html>

<sup>②</sup> ASEAN Chief Justice Council (CACJ): <https://cacj-ajp.org/web/vietnam/judicial-proceedings-in-vietnam>

Step 3: Preparing the First Instance. During the preparation for the first instance, the judge convenes a meeting to examine the transfer, acquisition and disclosure of evidences, and mediation between the parties. Based on the outcome of the meeting, the judge shall decide whether to stop or suspend the case, or submit the case to trial. Performing the meeting of the first instance court

Step 4: The First Instance Begins. Court sessions, trial procedures, oral arguments in court, deliberation and announcement of judgments, and summary of judgments.

Step 5: Appealing and Making a Judgement. Appeals, protests against the first-instance judgment, notice of advance payment of the court of appeal, preparation for the appeal trial, opening of the court of appeal, and announcement of the appeal judgment.

Step 6: Reviewing the Appeals Applying for cassation review with an effective judgment or decision; applying for the review from the highest court of appeal; responding to cassation review applications that do not meet the public cassation review procedure; making a protest based on the appeal procedure for the decision or judgment; requesting the court trial by the highest court of appeal; issuing an appealing decision.



### **Special Reminder:**

Foreign-funded enterprises often encounter problems such as language barriers, unfamiliarity with Vietnamese laws and regulations, and insufficient understanding of Vietnamese national conditions. These problems will have a great impact on the litigation process and the outcome of the litigation. In order to avoid disputes arising from the above-mentioned issues as much as possible, enterprises should abide by Vietnamese laws and regulations in the process of investing, building, cooperating, and operating in Vietnam, and earnestly perform the contract in accordance with the signed contract. The contract should be specific and clear, and the contract should be specified when signing the contract Relief measures should be set up in advance for disputes that

may arise in the process of future performance of the contract, and solutions and plans for disputes should be agreed in advance in the contract.

In the event of disputes during the performance of the contract, the enterprise shall seek help from a lawyer timely according to the nature and scale of the dispute. Since lawsuits mostly involve debt matters, it is recommended to evaluate the relevant situation before litigation, especially to investigate the solvency of the other party, and request the judge to seize assets.

## Arbitration

Arbitration indicates that both parties voluntarily submit their disputes to a third-party arbitration institution for trial and adjudication. Internationally, arbitration is the most important way to resolve international trade disputes. When economic and trade disputes occur, they should be resolved through negotiation or through third-party mediation as far as possible. If the parties are unwilling to negotiate or mediate, or the negotiation or mediation fails, they can submit it to the Vietnamese arbitration institution or other international arbitration institution for arbitration in accordance with the arbitration clause in the economic and trade contract or the written arbitration agreement reached afterwards.

The Vietnam International Arbitration Center (VIAC) is the largest arbitration center in Vietnam and was established on April 28, 1993. The Vietnam International Arbitration Center is an independent, non-profit, non-governmental organization. It aims to promote the development of a fair, convenient and timely method of resolving disputes through arbitration or other commercial dispute resolution methods (ADR-Alternative Dispute Resolution) prescribed by law.<sup>①</sup>

Arbitration Process According to the arbitration rules of the Vietnam International Arbitration Center, the arbitration process is as follows:

- (1) The arbitration procedure shall begin on the date when the Vietnam International

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<sup>①</sup> Vietnam International Arbitration Center (VIAC): <https://www.viac.vn/>

Arbitration Center receives the applicant's arbitration application.

(2) Unless the parties agree otherwise on the time limit, the Vietnam International Arbitration Center shall, within 10 days of receiving the arbitration application, arbitration agreement, other relevant documents and arbitration fees, send notice, arbitration application, and arbitration agreement and other related documents.

(3) Unless otherwise agreed by the parties, the respondent shall submit a statement of defense to the Vietnam International Arbitration Center within 30 days from the date of receipt of the notice, arbitration application, arbitration agreement and other relevant documents.

(4) The respondent is entitled to file a counterclaim against the applicant. The counterclaim shall be based on the arbitration agreement on which the claimant submits the arbitration request to the respondent. The counterclaim should be made in a separate document; and submitted to the Vietnam International Arbitration Center at the same time as the statement of defense.

(5) Disputes shall be resolved by an arbitration tribunal composed of 3 arbitrators or a sole arbitrator. The respondent shall select 1 arbitrator or 1 arbitrator appointed by the application center and shall notify the Vietnam International Arbitration Center within 30 days from the date of receipt of the notice, arbitration application, arbitration agreement and other relevant documents.

#### Expedited Procedure.

(1) If the parties agree, an expedited procedure can be used to resolve the dispute.

(2) The following provisions apply to the expedited procedure: the arbitration tribunal shall be composed of a sole arbitrator, unless otherwise agreed by the parties. The center or the arbitration tribunal may shorten any time limit specified in these rules. Unless any party has an objection, the arbitration tribunal may be handled based on the existing documents and evidence in the absence of the parties. The arbitration tribunal may also conduct the hearing by telephone conference, video conference or any other appropriate methods, unless any party has an

objection.

## Negotiation and Mediation<sup>①</sup>

Negotiation and mediation are based on the understanding and mutual accommodation of both parties, with flexible and diverse methods, low cost, and short time. It can resolve disputes without harming the emotions and trust of both parties. It is the first choice for resolving bilateral trade disputes. Negotiation and mediation usually have 2 methods: both parties negotiate and settle themselves or through third-party mediation.

The Parties Negotiate a Settlement by Themselves. The parties' self-negotiation and settlement is a method in which the parties directly negotiate on the disputes on a voluntary basis and in accordance with relevant laws, policies, and contract terms to make certain concessions and reach an agreement themselves. Negotiation and reconciliation are carried out under the circumstance of voluntary mutual understanding between the parties, without the intervention of a third party.

Mediation by the Third Party. The mediation by the third party is to educate the parties by a third party and based on finding out the facts and distinguishing right from wrong, prompt the parties to voluntarily negotiate and understand each other. Alternatively, a third party provides targeted mediation opinions for the parties' reference or choice, and both parties finally reach a mediation agreement. In the past, the mediation of Sino-Vietnamese economic and trade disputes was mainly conducted by trade intermediaries and courts. The trade intermediary has a certain understanding of the parties, and most of the parties are willing to accept the mediation opinions provided by the intermediary to resolve the dispute for the next step of trade cooperation. If there is no intermediary or the intermediary is unwilling to participate in the mediation, the parties can seek the support of the court. In the past, for Sino-Vietnamese economic and trade disputes, the

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<sup>①</sup> CCPIT, Guide on the Business Environment of Foreign Countries for Investors-Vietnam (2020).

mediation presided over by the court has also achieved good results.

## 7.3 The International Commercial Dispute Prevention and Settlement Organization

### Organization and Scope of Business

The International Commercial Dispute Prevention and Settlement Organization (hereinafter referred to as “ICDPASO” ) is an international non-governmental and non-profit organization jointly initiated and established by China Council for the Promotion of International Trade (CCPIT) and China Chamber of International Commerce. In accordance with the concept of “Consultation, Contribution and Shared Benefits”, ICDPASO is composed of commercial institutions, trade associations, legal service providers as well as other entities in the field of international commerce around the world on the voluntary basis. On October 15, 2020, the Inauguration Ceremony of ICDPASO was successfully held in Beijing. At present, the secretariat of ICDPASO is officially operational.

ICDPASO is committed to providing the diversified services covering the international commercial dispute prevention and settlement, protecting the legitimate right of the parties, creating the business environment with high efficiency, fairness and justification, and facilitating the construction of a more justifiable and equitable international economic order. The headquarter of ICDPASO shall be located in Beijing, the People’s Republic of China.

The main organizational structures of ICDPASO include (1) the General Assembly of Members; (2) the Council; (3) Secretariat; (4) Advisory Committee; (5) the Committee of Supervision; (6) the business departments which include publicity and training, compliance construction, bankruptcy reorganization, proof of foreign law, commercial arbitration, commercial mediation, investment disputes and other departments etc..

In accordance with the Charter approved by the First General Assembly, the Scope of

business of ICDPASO including: To provide the service of international commercial dispute prevention and settlement subject to the relevant laws, including but not limited to the following activities: publicity and training, dialogue and consultation, construction of compliance of laws and regulations, pre-caution measures, promotion of the standard contract and multi-mechanism of dispute settlement including arbitration and mediation, ect.; To organize international conferences and seminars, to build up the platform for sharing and communicating the information and sources; To collect the opinions, suggestions and interest requests concerning the international commercial dispute prevention and settlement, and to participate in the international events relating to the deliberation, adoption and modification of international rules under the auspices of relevant international institutions or organizations; To make the publication of the statistical data and survey report concerning the international dispute prevention and settlement, to strengthen the capability of managing the information and analyzing the Big Data with respect to the international commercial cases; To cultivate legal talents with international vision, to promote the sharing of experiences and business cooperation among commercial organizations, dispute resolution institutes, academic institutions and think tanks around the world, and to jointly maintain a fair and stable international business transaction environment. ICDPASO is committed to resolving disputes in advance through dispute prevention on the one hand, and providing one-stop dispute resolution services for parties through diversified dispute resolution methods on the other.

### **Suggestions for Dispute Prevention and Settlement**

(1) Any differences or controversies arising out of or in connection with in a commercial contract shall be eliminated by the dispute prevention services provided by the International Commercial Dispute Prevention and Settlement Organization ( “ICDPASO” ), including amicable consultation, early intervention, conflict avoidance panels and early neutral evaluation.

(2) All disputes arising out of or in connection with the contract, shall be referred to

mediation administered by the International Commercial Dispute Prevention and Settlement Organization ( “ICDPASO” ) in accordance with the Mediation Rules of ICDPASO in force at the time of filling application.

Any settlement reached in the course of the mediation shall be made a settlement agreement on agreed terms, all parties shall earnestly implement and comply with the award.

In case of failure of the mediation process, the disputes shall be referred to arbitration administered by ICDPASO in accordance with the Arbitration Rules of ICDPASO in force at the time of filling application. The arbitral award is final and binding upon all parties.

(3) All disputes arising out of or in connection with the contract, shall be referred to and finally resolved by arbitration administered by the International Commercial Dispute Prevention and Settlement Organization ( “ICDPASO” ) in accordance with the Arbitration Rules of ICDPASO in force at the time of filling application.





## Free Trade Agreements

### 8.1 Bilateral Free Trade Agreements

Vietnam has signed bilateral free trade agreements with Japan (2008), South Korea (2015), Chile (2014) and other countries, and established strategic partnerships through signing agreements.

### 8.2 Multilateral Free Trade Agreements

Vietnam joined the World Trade Organization (WTO) in November 2006, and began to fulfill its WTO commitments in January 2007, gradually reducing tariffs, opening service areas, and improving the business environment. Vietnam is a member of ASEAN, and as a member of ASEAN, it has signed free trade agreements with China, South Korea, Japan, India, Australia and New Zealand, and Hong Kong, China. On November 15, 2020, the 10 ASEAN members as well as China, Japan, South Korea, Australia and New Zealand signed the *Regional Comprehensive Economic Partnership (RCEP)*.

**Table 8-1 Multilateral and bilateral free trade agreements signed by Vietnam<sup>①</sup>**

Bilateral Free Trade Agreements	Multilateral Free Trade Agreements
Chile-Vietnam Free Trade Agreement	ASEAN-Australia & New Zealand Free Trade Agreement
Korea - Vietnam Free Trade Agreement	ASEAN-China Free Trade Area Agreement
Japan-Vietnam Free Trade Agreement	ASEAN-Hong Kong, China Free Trade Agreement

① Asian Development Bank: <https://aric.adb.org/fta-country>

Continued

Bilateral Free Trade Agreements	Multilateral Free Trade Agreements
EU-Vietnam Free Trade Agreement	ASEAN-India Free Trade Area Agreement; <a href="https://www.enterprisesg.gov.sg/non-financial-assistance/for-singapore-companies/free-trade-agreements/ftas/singapore-ftas/aifta">https://www.enterprisesg.gov.sg/non-financial-assistance/for-singapore-companies/free-trade-agreements/ftas/singapore-ftas/aifta</a> <a href="https://www.enterprisesg.gov.sg/non-financial-assistance/for-singapore-companies/free-trade-agreements/ftas/singapore-ftas/aifta">https://www.enterprisesg.gov.sg/non-financial-assistance/for-singapore-companies/free-trade-agreements/ftas/singapore-ftas/aifta</a>
EAEU-Vietnam Free Trade Agreement	ASEAN-Japan Comprehensive Economic Partnership
–	ASEAN-South Korea Free Trade Area Agreement; <a href="https://www.enterprisesg.gov.sg/non-financial-assistance/for-singapore-companies/free-trade-agreements/ftas/singapore-ftas/akfta">https://www.enterprisesg.gov.sg/non-financial-assistance/for-singapore-companies/free-trade-agreements/ftas/singapore-ftas/akfta</a>
–	ASEAN Free Trade Area Agreement; <a href="https://www.enterprisesg.gov.sg/non-financial-assistance/for-singapore-companies/free-trade-agreements/ftas/singapore-ftas/afta">https://www.enterprisesg.gov.sg/non-financial-assistance/for-singapore-companies/free-trade-agreements/ftas/singapore-ftas/afta</a> <a href="https://www.enterprisesg.gov.sg/non-financial-assistance/for-singapore-companies/free-trade-agreements/ftas/singapore-ftas/afta">https://www.enterprisesg.gov.sg/non-financial-assistance/for-singapore-companies/free-trade-agreements/ftas/singapore-ftas/afta</a>
–	Trans-Pacific Partnership

### 8.3 Regional Comprehensive Economic Partnership (RCEP)

Among the multilateral and bilateral free trade agreements signed by Korea, the *Regional Comprehensive Economic Partnership (RCEP)* is one of the most important.

#### Overview of RCEP

Sunday, November 15, 2020, the *Regional Comprehensive Economic Partnership Agreement (RCEP)* was signed by 10 ASEAN countries as well as China, Japan, South Korea, Australia and New Zealand. This is the most important achievement made in the construction of East Asian economic integration program in the past 20 years, marking the official launch of the free trade zone with the largest population, the largest size of economy and trade, and the most potential for development in the world. Currently, the total population, total GDP and total exports of the 15 member states of RCEP account for about 30% of the global total respectively.

The RCEP agreement consists of a preamble, 20 chapters (including: Initial Provisions and General Definitions; Trade in Goods; Rules of Origin; Customs Procedures and Trade Facilitation; Sanitary and Phytosanitary Measures; Standards, Technical Regulations, and Conformity Assessment Procedures; Trade Remedies; Trade in Services; Temporary Movement

of Natural Persons; Investment; Intellectual Property; Electronic Commerce; Competition; Small and Medium Enterprises; Economic and Technical Cooperation; Government Procurement; General Provisions and Exceptions; Institutional Provisions; Dispute Settlement; Final Provisions), and 4 annexes of market access commitment forms (including: Schedules of Tariff Commitments; Schedules of Specific Commitments for Services; Schedules of Reservations and Non-Conforming Measures for Services and Investment; Schedules of Specific Commitments on Temporary Movement of Natural Persons).

RCEP realizes a high-quality and inclusive unity. The total number of tariff-free products will exceed 90% for trade in goods, and the overall level of opening for trade in services and investment has been greatly improved. Meanwhile, RCEP also considers the national conditions of different countries and gives special and differential treatment to the least developed countries, which will promote the inclusive and balanced development in the region, so that all parties can fully share the achievements of RCEP, and the integration level of East-Asian economy is significantly enhanced.

RCEP will promote the merge of regional industrial chain, supply chain and value chain, to foster the regional economic growth. The economic structures of RCEP members are highly complementary, with a complete range of capital elements, technology elements and labor force elements within RCEP. RCEP further loosens the market access criteria for goods, services and investment among member states, gradually unifies the rules of origin, customs procedures, inspection and quarantine, technical standards, significantly improves the overall business environment within RCEP, greatly reduces the enterprise institutional costs, strengthens the division of labor and production cooperation among members, promotes the free flow of economic elements within RCEP, further enhances the trade creation effect brought by the free trade agreements, and fosters the expansion and upgrading of consumer markets within RCEP. According to the estimates of internationally renowned think tanks, by 2025, RCEP is expected to

boost the member states' exports, outbound investment stock and GDP to increase by 10.4%, 2.6% and 1.8% respectively from the baseline.

### Vietnam's commitment to RCEP:

**SCHEDULE OF TARIFF COMMITMENTS.** This Schedule is composed of six Sections applicable respectively for Member States of ASEAN, Australia, China, Japan, Korea, and New Zealand. Vietnam shall, from the date of entry into force of this agreement, reduce tariffs on originating goods under this agreement.

Tariff lines indicated with “Tariff Rate Quota (TRQ)” in each stage of reduction in this Schedule shall be in accordance with Viet Nam’s WTO commitments relating to tariff quotas under GATT 1994. And tariff lines indicated with “U” in each stage of reduction in this Schedule shall be excluded from any commitment of tariff reduction or elimination.

**SCHEDULE OF SPECIFIC COMMITMENTS FOR SERVICES.** The *Schedule of Specific Commitments for Services* of Vietnam adopts a positive list to make commitments to trade in services,”and a “negative list” to make commitments to non-service industry investments (manufacturing, agriculture, forestry, fishing, and mining), listing relevant national treatment. It sets out specific commitments concerning national treatment, most-favored-nation treatment, prohibition of performance requirements, senior management and board appointments.

Modes of Supply: 1) Cross-border Supply; 2) Consumption abroad; 3) Commercial presence; 4) Presence of natural person

**Table 8-2 Schedule of Specific Commitments for Service of Vietnam**

Sector or Subsector	Limitations on Market Access	Limitations on National Treatment	Additional Commitment
I. Horizontal commitment			
All sectors included in this Schedule	(3) Unless otherwise specified in each specific sector or subsector of this Schedule, foreign enterprises are allowed to establish commercial presence in Viet Nam in the form of business cooperation contract <sup>1</sup> , joint venture enterprise, 100 per cent foreign-invested enterprise.	–	–

Continued

Sector or Subsector	Limitations on Market Access	Limitations on National Treatment	Additional Commitment
All sectors included in this Schedule	<p>Representative offices of foreign service suppliers are permitted to be established in Vietnam, but they shall not engage in any direct profit-making activities.</p> <p>Unless otherwise indicated in each specific sector or subsector of this Schedule, the establishment of branches is unbound. .</p> <p>The conditions of ownership, operation and juridical form, and scope of activities as set out in the respective licences or other form of approval establishing or authorising the operation or supply of services by an existing foreign service supplier shall not be made more restrictive than they exist as of the date of entry into force of this Agreement.</p> <p>Depending on land use purpose for implementing investment projects that foreign-invested enterprise shall be permitted by Viet Nam to allocate land with land use fee, to lease land with full one-off rental payment for the entire lease period or an annual land rental payment. Term of land use is determined by the duration of the investment projects and stated in the investment licence; at the expiry of the term, if the foreign-invested enterprises are still in need of using land, Vietnam will consider an extension in accordance with the permitted extension duration of implementing the investment projects.</p> <p>Foreign service suppliers are permitted to make capital contribution in the form of buying shares of Vietnam's enterprises. In case of capital contribution in the form of buying shares of joint-stock commercial banks and for the sectors not committed in this Schedule, the total equity held by foreign investors in each enterprise may not exceed 30 per cent of the enterprise's chartered capital unless otherwise provided by Vietnam's laws or authorised by Vietnam's competent authority.</p> <p>For the other sectors and subsectors committed in this Schedule, the level of equity held by foreign investors in acquisition of Vietnamese enterprises shall be corresponding to the limitations on foreign capital participation set forth therein, if any, including the limitations in the form of transitional periods, where applicable.</p>	<p>(3) Eligibility for subsidies may be limited to Vietnamese service suppliers, i.e. to juridical persons established within the territory of Viet Nam, or a part thereof. The granting of onetime subsidisation to promote and facilitate the process of equitisation is not in breach of this commitment. Unbound for subsidies for Research and Development. Unbound for subsidies in the Health, Education and Audio-visual sectors. Unbound for subsidies aimed at promoting the welfare and employment of ethnic minorities.</p>	-
-	(4) Unbound, except as indicated in Vietnam's Schedule in Annex IV ( <i>Schedules of Specific Commitments on Temporary Movement of Natural Persons</i> ).	(4) Unbound, except as indicated in Vietnam's Schedule in Annex IV ( <i>Schedules of Specific Commitments on Temporary Movement of Natural Persons</i> ).	-

SCHEDULE OF SPECIFIC COMMITMENTS FOR INVESTMENT. The *Schedule of Reservations and Non-conforming Measures for Investment* of Vietnam sets out with respect to

Myanmar's national treatment, most-favored-nation treatment, prohibition of performance requirements, senior management and board appointments. This list sets out, pursuant to the *Reservations and Non-conforming Measures*, Vietnam's existing measures that are not subject to some or all of the obligation under the *Article 10* of RCEP.

(1) Except through the establishment of joint ventures or the purchase of corporate shares, Vietnam does not allow foreigners to invest in aircraft manufacturing. The foreign share capital shall not exceed 49% of the total share capital of the joint venture or enterprise.

(2) Except through the establishment of joint ventures or the purchase of corporate shares, Vietnam does not allow foreign investors to manufacture railway vehicles, spare parts and carriages. The foreign share capital shall not exceed 49% of the total share capital of the joint venture or enterprise.

(3) National treatment, performance requirements, senior management and board appointments do not apply to the conditions specified in the investment license, permit or qualification certificate issued before the effective date of this agreement.

Rights Reserved or Maintained by Vietnam:

(1) Vietnam reserves or maintains the right to take any measures in matters related to securities investment.

(2) Vietnam reserves or maintains the right to take any measures in matters related to investment procedures, such as investment registration certification procedures and foreign exchange management procedures for investment projects.

(3) Vietnam reserves or maintains the right to take any measures in matters related to the supervision and management of investment by state-owned enterprises and state funds. Such matters include, but are not limited to, privatization, securitization, or divestiture of assets through the transfer or disposal of equity or assets of state-owned enterprises.

(4) The content of national treatment, performance requirements, appointments of senior

managers and the board of directors does not apply to those activities that were originally limited to designated enterprises but have now been relaxed beyond designated enterprises; or does not apply to designated enterprises that no longer conduct non-commercial operations.

(5) Vietnam retains or maintains the right to take any measures on matters related to land, property and natural resources attached to the land (including but not limited to land acquisition, land ownership, land allocation, land lease, land use policy, land planning, land use term, and land user's rights and obligations).

(6) Vietnam reserves or maintains the right to take any measures in matters related to the granting of special preferential treatment or treatment to SMEs.

(7) Vietnam reserves or maintains the right to take any measures on matters related to maintaining food security.

(8) Vietnam reserves or maintains the right to take any measures on matters related to oil and gas.

(9) Vietnam reserves or maintains the right to take any measures on matters related to mining and quarrying, including but not limited to the following sub-sectors: mineral survey, exploration and mining operations; rare and precious ores, rare metals, and raw materials mining and processing operations; development business for the production of clay for building materials; development business for the production of high-quality sand for buildings and technical glass; mineral activities related to special, toxic, rare and precious minerals, including basic geological survey, exploration, mining and processing; exploration, mining and processing of important minerals, including but not limited to marine minerals.

(10) Vietnam retains or maintains its sovereignty over Vietnam as defined in the *United Nations Convention on the Law of the Sea (UNCLOS)* signed in Montego Bay on December 10, 1982, and the right to take any measures on matters related to fisheries and aquaculture operations in its jurisdiction.

(11) Vietnam reserves or maintains the right to take any measures on matters related to the forestry and hunting industries.

(12) Vietnam reserves or maintains the right to take any measures on matters related to the following sub-sectors:

Cultivating, producing, or processing rare plants, raising and breeding rare wild animals, and processing these rare wild animals and plants (including living animals and processed materials extracted from animals).

(13) Vietnam reserves or maintains the right to take any measures on matters related to power development.

(14) Other relevant provisions.

SCHEDULE OF SPECIFIC COMMITMENTS ON TEMPORARY MOVEMENT OF NATURAL PERSONS. This Schedule sets out Myanmar's commitments in relation to the temporary entry and temporary stay of natural persons of another Party. The stay of service sales persons is limited to a 90-day period. The stay of persons responsible for setting up a commercial presence is limited to a 90-day period. Intra-Corporate Transferees shall be granted entry and a stay permit for an initial period of three years which may be extended subject to the term of operation of those entities in Vietnam.





## Support Measures against COVID-19

### 9.1 Economic Security Policies

#### Credit Support and Exchange Rate Management

Since the outbreak of the epidemic, the State Bank of Vietnam has issued a series of credit support policies, including reducing the refinancing interest rate, rediscount interest rate and other interest rates by 0.5-1 %, and reducing the time deposit interest rate by 0.25-0.3 %. From April 1 to December 31, the inter-bank electronic payment transaction fee would be reduced by 50%; all commercial banks would lower the new and old loan interest rates by up to 2% in accordance with the requirements of Central Bank.

Credit institutions reorganized and deferred loans of nearly VND 130 trillion (approximately US\$ 5.57 billion) for more than 215,000 customers; reduced the loan interest rate of approximately VND 1,080 trillion (approximately US\$ 46.2 billion) for 260,000 customers. Since January 23, VND 630 trillion (approximately US\$ 27 billion) loans had been provided to 182,000 customers, and the loan interest rate had been reduced by 0.5-2.5% compared with those before the epidemic. The exchange rate and the foreign exchange market are basically stable. In more than 4 months, the exchange rate fluctuated in the range of 1.3-1.5%, and legal foreign exchange demand could be fully met in a timely manner.

## **Financial Policy**

Ministry of Finance of Vietnam has submitted to the government the draft Resolution No. 41 on allowing people affected by the epidemic to postpone the payment of taxes and land rents, delaying the taxation period of value-added tax and income tax for enterprises, production and business entities and self-employed individuals by 5 months. At the same time, the land rent payment period for enterprises and individuals has also been postponed by 5 months. According to the draft resolution, about 740,000 enterprises (98% of the current operating enterprises) will benefit from the program, involving an amount of approximately VND 180 trillion (approximately US\$ 7.7 billion). Ministry of Finance also exempted the import tax on medical equipment and materials used to prevent and control the epidemic. It is recommended that the government modify the import and export tax rate to help enterprises in the fields of footwear, textiles, agricultural products processing, machinery, agriculture, and automobile industries overcome difficulties. The import and export taxes to be borne is reduced by about VND 6 trillion (about US\$ 260 million).

In addition, Ministry of Finance submitted a plan to increase the personal income tax threshold to the National Assembly Standing Committee. It is estimated that the tax threshold will be increased from VND 9 million to VND 11 million per month. According to this plan, about 6.8 million people will benefit from it, of which about 1 million people will not be required to pay personal income tax. The amount involved is about VND 10.3 trillion (about US\$ 440 million).

## **9.2 Economy Revitalization Measures**

### **Import Policy Reform**

Decision No. 38 issued by the Vietnamese government on January 12, 2021 approved a substantial reform of 7 items related to “the form of food safety and quality inspection of imported goods.” Ministry of Finance will take the lead in drafting a reform plan for the specific

contents of the “Management System, Methods, and Procedures for Food Safety and Quality Inspection of Imported Goods” starting from March 18. Inspection procedures are simplified. To maximize the role of the information system, the inspection of related procedures is realized through the national single window platform managed by the customs department, and the inspection method is determined by the system. Various types of inspection methods are unified, such as thorough inspection (inspection of documents and sampling), standard inspection type (inspection documents), and random inspection (the rate of random inspection documents is less than 5%). The inspection methods for goods with the same information as product name, uses, HS code, trademark, place of origin, manufacturer, etc. are changed. Relevant information is provided in an open and transparent form for enterprises and consumers to consult. Relevant information includes goods exempt from inspection, goods that have changed inspection methods, goods that have obtained compliance certificates, publish compliance results, publish compliance results, and inspection results, information interconnection and sharing, unified data system, centralized review and sharing, networking with other management departments and third-party evaluation agencies during inspection. Inspection methods are timely changed to ensure national management of imported goods. The rights of imported goods owners are increased. Importers can choose inspection agencies (for goods that do not have a compliance certificate and require thorough inspection). Goods in the first-release-after-inspection catalog can be selected for inspection according to regulations. Identification and visa agencies can be selected. Cargo information can be inquired on the national single window platform.<sup>①</sup>

## Financial Policy

Ministry of Finance recommended to the National Assembly that a new income tax policy for small and micro enterprises be implemented from July 1, 2020. This new policy would determine the 15-17% tax rate based on turnover and the number of employees and would be

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① Ministry of Commerce of China the People’s Republic of China: <http://vn.mofcom.gov.cn/article/jmxw/>

exempted from corporate income tax for 2 consecutive years from the date of revenue. This policy would benefit 700,000 enterprises, accounting for about 93% of the total number of operating enterprises in the country and reduce the taxes that these enterprises needed to pay in 2020 by VND 7.8 trillion (approximately US\$ 330 million).

### **Reduction and Exemption of Production and Operating Expenses**

Ministry of Industry and Trade has formulated a power support plan of VND 8 trillion (about US\$ 340 million), which has reduced the electricity price for production and manufacturing by about 10%. Ministry of Transportation has instructed the Vietnam Airport Corporation to reduce and exempt all the service fees of all airlines From March 1 to the end of August. Vietnam would not increase the price of raw materials required to produce state-priced enterprises in the first and second quarters. The procedures for handling administrative procedures at levels 3 and 4 are linked to the national public service portal to save costs of enterprises, significantly reduce the costs of enterprise registration fees, corporate information disclosure fees, and postal permit evaluation fees. Ministry of Finance has verified and revised the related costs of resources and environment, transportation, construction, cultural tourism and other industries. Import taxes are exempted for anti-epidemic materials. Control measures are taken to keep inflation below 4%. Prices of daily necessities such as gasoline, agricultural products, and food that have a greater impact on CPI are strictly regulated.



## Contact Information of Relevant Departments and Institutions

### 10.1 Contact Information of Government Departments and Related Institutions

All government department websites, department settings, and contact information of major staff can be queried from Vietnam Central Government Portal website<sup>①</sup> ([news.chinhphu.vn](http://news.chinhphu.vn)).

**Table 10-1 Contact information of some government departments and relevant institutions in Vietnam**

Department/agency	Telephone	Website
Ministry of Foreign Affairs	+84-24-37992220	<a href="http://www.mofa.gov.vn">www.mofa.gov.vn</a>
The Ministry of Justice	+84-24-62739718	<a href="http://www.moj.gov.vn">www.moj.gov.vn</a>
Department of Finance	+84-24-22202828	<a href="http://www.mof.gov.vn">www.mof.gov.vn</a>
Ministry of Industry and Trade	+84-24-22202210	<a href="http://www.moit.gov.vn">www.moit.gov.vn</a>
Ministry of Labor, Invalids and Social Affairs	+84-24-38269557	<a href="http://www.molisa.gov.vn">www.molisa.gov.vn</a>
Ministry of Transportation	+84-24-39424015, 39413201	<a href="http://www.mt.gov.vn">www.mt.gov.vn</a>
Ministry of Construction	+84-24-38215137, 39760271	<a href="http://www.xaydung.gov.vn">www.xaydung.gov.vn</a>
Ministry of Communications and Media	+84-24-39435602	<a href="http://www.mic.gov.vn">www.mic.gov.vn</a>
Ministry of Agriculture and Rural Development	+84-24-34592999	<a href="http://www.agroviet.gov.vn">www.agroviet.gov.vn</a>
Ministry of Planning and Investment	+84-24-38455298	<a href="http://www.mpi.gov.vn">www.mpi.gov.vn</a>
Department of Health	+84-24-32732273	<a href="http://www.moh.gov.vn">www.moh.gov.vn</a>
Ministry of Science and Technology	+84-24-39438970	<a href="http://www.most.gov.vn">www.most.gov.vn</a>
Ministry of Environment and Resources	+84-24-37956868	<a href="http://www.monre.gov.vn">www.monre.gov.vn</a>
Central Bank	+84-24-38254845	<a href="http://www.sbv.gov.vn">www.sbv.gov.vn</a>
Vietnam Government Office	+84-24-08043162	<a href="http://vpcp.chinhphu.vn">vpcp.chinhphu.vn</a>

① Vietnam Central Government Portal Website: <http://news.chinhphu.vn/>

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Department/agency	Telephone	Website
General Statistics Office of Vietnam:	+84-24-73046666 转 8668	www.gso.gov.vn
The State Securities Commission of Vietnam	+84-24-39340750	www.ssc.gov.vn

## 10.2 Contact Information of Business Association and Service Provider

**Table 10-2 Contact information of some chambers of commerce, association and service providers in Vietnam**

Name	Telephone
Vietnam Foreign Investment Enterprise Association	+84-4-38437925
Vietnam Association of Small and Medium Enterprises	+84-4-35564499
Vietnam Securities Dealers Association	+84-4-39362794
Vietnam Chamber of Commerce and Industry	+84-4-35742022
Vietnam Tax Advisory Association	+84-4-39726442
Vietnam Intellectual Property Association	+84-4-37912814
Vietnam Marketing Association	+84-4-36649668
Vietnam Automobile Transportation Association	+84-4-38572766
Vietnam Electronic Commerce Association	+84-4-22205188
Vietnam Advertising Association	+84-8-39365794



## Frequently Asked Questions

### 1. What are the categories of work visas in Vietnam?

To engage in business in Vietnam, you need to apply for business visas, labor visas, investment visas, representative office visas and other types of visas.<sup>①</sup>

**Table 11-1 Vietnam visa categories**

Type of visa	Issuing objects	Valid period
Business visa (DN)	Issuing objects are foreigners who have connections with Vietnamese enterprises. The valid period is divided into three-month single and multiple visas	Maximum period of 12 months
Employment visa (LD)	Issuing objects are foreigners with a labor permit issued by the Department of Labor, Invalids and Social Affairs of Vietnam's provinces and municipalities directly under the central government.	Maximum period of 2 years
Investment Visa (DT)	The issuing objects are foreign investors who need to hold shares in the investment company.	Maximum period of 5 years
Representative Office Visa (NN2)	Persons in charge of foreign representative offices or branches, persons in charge of foreign economic and cultural and other organizations	Maximum period of 12 months
Temporary card	Foreign investors (shareholders) who have registered enterprises in Vietnam and foreign workers who hold labor permits and work in Vietnam	The period is divided into 1 year, 2 years, 3 years, and 5 years.

### 2. How is Vietnam's education system ?

Vietnam has a relatively complete education system, which is mainly divided into 3 stages: pre-school education, basic education, and higher education. Among them, pre-school education is for children under 6 years old. Basic education is divided into five-level school system for

<sup>①</sup> Ministry of Foreign Affairs of Vietnam: <https://visa.mofa.gov.vn/NewsDetail.aspx?id=29#sec3>

elementary school, four-level school system for junior high school, and three-level school system for high school. Higher education is divided into a college or undergraduate degree with 4 to 6 school system, a master with 2-year school system, and a doctor with 4-year school system. Famous institutions of higher learning include Vietnam National University, Hanoi, Hanoi University of Technology and Vietnam National University, Ho Chi Minh City. The diploma system in Vietnam is divided into primary school graduation certificate, junior high school graduation certificate (secondary school graduation certificate), high school graduation certificate, university graduation certificate, master, and doctoral diplomas. The degree system includes 4 levels: Scholar (graduated from high school), provincial graduate (bachelor), master, and metropolitan graduate (doctorate).<sup>①</sup>

### **3. How is Vietnam’s medical and healthcare quality?**

There are 3 types of hospitals in Vietnam: public hospitals, private hospitals, and hospitals dedicated to foreigners. In terms of tiers, there are central-level hospitals, provincial-level hospitals, and county-level hospitals. Public hospitals have relatively poor conditions. There are many patients but the fees are cheap. Private hospitals have better conditions and higher fees. Hospitals for foreigners have good conditions, but the fees are expensive.<sup>②</sup>

### **4. What are the main public transportations in Vietnam?**

Open Tour. Open Tour is a very convenient bus ticket for the development of tourism in Vietnam. The starting point is Hanoi and Ho Chi Minh City, passing through Hue, Hoi An, Da Nang, Nha Trang, Da Lat and other major cities in Vietnam. The total ticket price is US\$ 25-35, depending on the company of Open Tour.

Vietnam Domestic Trains. The ordinary train line running through the north and south of

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<sup>①</sup> Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-Vietnam (2020).

<sup>②</sup> CCPIT, Guide on the Business Environment of Foreign Countries for Investors-Vietnam (2020).



Vietnam is only the Hanoi-Ho Chi Minh City line, which goes along with important cities such as Hue and Da Nang. Ho Chi Minh City also has the Phan Thiet City (Mui Ne) line, and Hanoi-Lao Cai, Hanoi-Nanning, China, and other lines to the north. The train carriages are divided into 5 levels: hard seat, soft seat, hard sleeper, ordinary soft sleeper and air-conditioned soft sleeper. Tickets can be purchased at the station window, and only VND is accepted. Hotels and travel enterprises can also purchase the tickets on their behalf, but a small handling fee is required.

**Taxi.** Regular taxi enterprises pay strictly according to the schedule. The starting fare of taxi is generally VND 12,000, and the fare is VND 10,000 or VND 15,000 after 1 km. If you take a taxi, you can make a call on the car rental company's reservation phone number, and the phone number is in taxi.

**Buses.** Vietnam buses adopt a single ticket system, and the fare varies according to different cities or routes. The fare is generally about VND 5,000.

**Motorcycles and Human Tricycles.** Motorcycles are a relatively common means of transportation in Vietnam, and the city's short-distance trips of the motorcycles are generally US\$ 1-2. In both methods, you shall negotiate the price with the driver before getting on the bus to avoid unnecessary disputes.

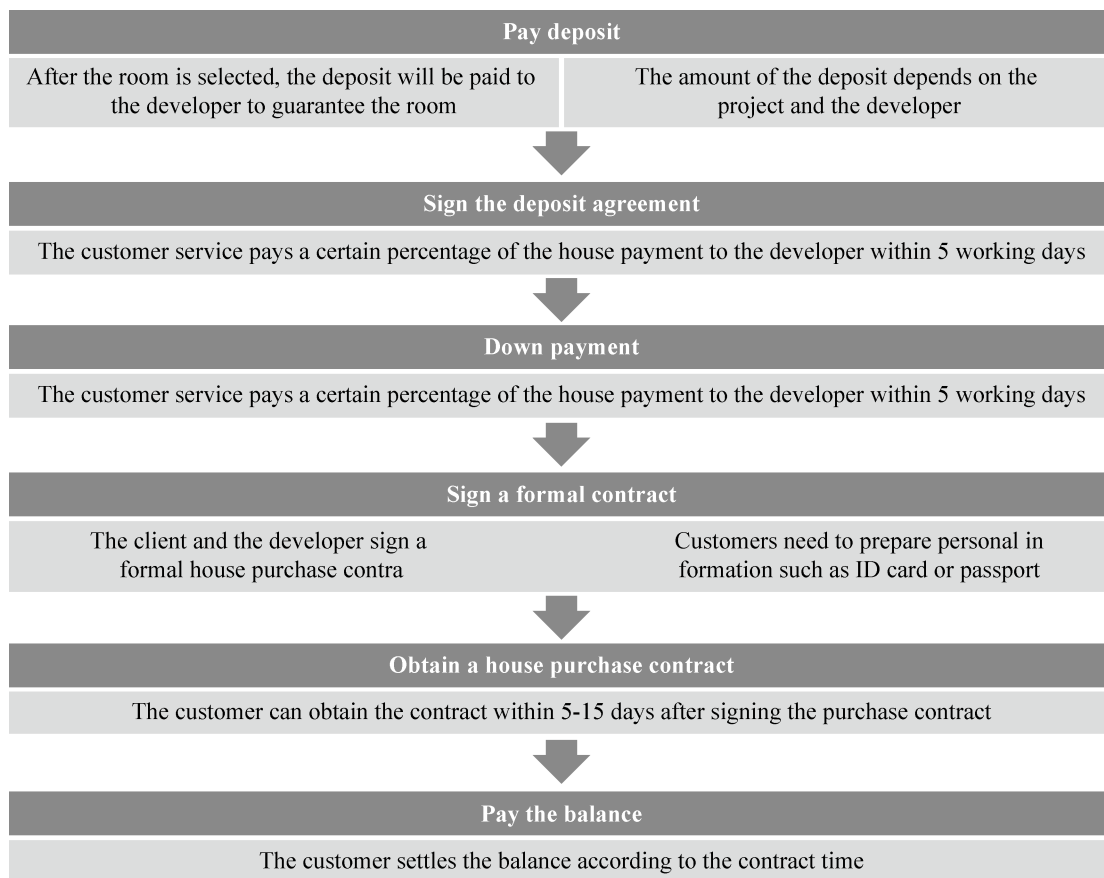
## **5. How to buy a car in Vietnam?**

In Vietnam, foreigners who meet the conditions for buying a car mainly include foreigners who work in various Vietnamese diplomatic agencies, consular agencies, and international organizations, and foreigners who live and reside (resident or temporary) in Vietnam for more than 1 year. After purchasing a vehicle, registration procedures shall be completed at the public security and transportation department of the province or municipality directly under the central government where the applicant is located. The required materials include vehicle registration certificate, vehicle ownership certificate, vehicle transaction certificate (vehicle transaction contract, vehicle sales invoice, etc.). Registrants working in various diplomatic agencies, consular

agencies, and representative offices of international organizations shall present a diplomatic certificate or official certificate (the certificate shall be within the validity period) and a letter of introduction from State Administration of Foreign Affairs or relevant departments. Foreigners living and working in Vietnam shall present their passports (passports shall be within the validity period) or other certificates equivalent to the passports, permanent residence certificates and temporary residence certificates valid for more than 1 year, labor permits and letter of introduction provided by the relevant Vietnamese authorities and organization.<sup>①</sup>

## 6. How to invest in real estate in Vietnam?

Foreigners can invest in Vietnamese real estate. The purchase process is mainly as follows:



**Figure 11-1 Process of buying a house in Vietnam**

<sup>①</sup> CCPIT, Guide on the Business Environment of Foreign Countries for Investors-Vietnam (2020).