



**PrimeGlobal**

*An Association of  
Independent Accounting Firms*

# DOING BUSINESS IN VIETNAM





# COMPANY FORMATION IN VIETNAM

## MAIN FORMS OF COMPANY/BUSINESS IN VIETNAM

You may choose one of the following forms when contemplating setting up a business in Vietnam:

### Representative Office

A Representative Office of a foreign company in Vietnam is an affiliate of the foreign company. It is established under the provisions of Vietnamese law for exploring market opportunities and undertaking some trade promotional activities allowed by Vietnamese law. A Representative Office must not engage in any profit making activities in Vietnam. It can only act as a liaison office, study market, promote investment and business opportunities of the represented foreign company.

### Branch Office

A foreign company branch in Vietnam is an affiliate of the foreign company. It is set up and operates in Vietnam in accordance with Vietnamese law or international treaties to which the Socialist Republic of Vietnam is a signatory.

### Establishing an economic organization

Foreign investors may establish an economic organization with 100% foreign-owned capital or a joint venture between foreign investors and Vietnamese investors in form of a limited liability company, joint stock company, partnership, private enterprise in accordance with the provisions of the Enterprise Law and other related laws.

## SPECIFIC TAX CONCERNS RELATED TO ESTABLISHING A COMPANY

Vietnamese taxation system is applied uniformly across the country, irrespective of the type of enterprise. Up to now, Vietnam has signed Agreements for the avoidance of double taxation with over 70 countries and territories. Here are some typical tax types in Vietnam:

### 1. Corporate Income Tax

The general tax rate is 20%. The incentive tax rates are 10%, 15% if the following conditions are satisfied:

- Fields of investment: Including scientific research and technological development; application of high technology; production of software products; production of composite materials, light building materials, rare materials; production of renewable energy, clean energy, energy from waste destruction; biotechnology development and some spearhead economic sectors.
- Investment areas: Including geographical area with difficult socio-economic conditions or with extremely difficult socio-economic conditions, economic zones, and hi-tech parks.
- Scale of investment capital and employees.

The enterprises which meet the conditions for investment incentives, apart from being entitled to the incentive tax rate, shall be entitled to a maximum tax exemption period of 4 years, a maximum tax reduction period of 9 subsequent years. The tax exemption or reduction duration shall be counted consecutively from the first year an enterprise has taxable income from a new investment project eligible for tax incentives.

Enterprises that suffer a loss after making tax finalization may carry forward loss for not more than 5 consecutive years, counting from the year following the year the losses arise.

Foreign investors may transfer profits abroad after fulfilling tax obligations without paying tax on transfer of profits abroad.

### 2. Value Added Tax

VAT is an indirect-collected tax. Goods and services used for production, trading or consumption in Vietnam are subject to VAT (including all goods and services bought from foreign entities or individuals), except those not subject to VAT.



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There are three brands of VAT that apply to different goods and services:

- 0% applies to exported goods & services.
- 5% applies to essential goods & services as well as goods & services used as input for agriculture.
- 10% applies to other goods & services.

Companies having 100% products exported can operate as export-processing companies. An export-processing company is exempted from VAT and import duty and doesn't have to declare VAT.

### 3. Personal Income Tax

Taxpayers are residents and non-residents.

Taxable incomes earned by residents are the incomes earned within or outside Vietnam's territory, regardless of locations or payment and receipt. Taxable incomes earned by non-residents are the incomes earned within Vietnam's territory, regardless of the location of payment and receipt.

A resident is a person (not a Vietnamese) satisfying one of the following conditions:

- The person has been present in Vietnam for 183 days or longer in a calendar year, or for 12 consecutive months from the day on which that person arrives at Vietnam. The date of arrival and date of departure depends on the certification of the immigration agency on the passport (or laissez-passers) when that person enters and leaves Vietnam.
- The person has a regular residence in Vietnam.

Income of residents is eligible to personal deduction, deduction for dependents and other deductions when calculating PIT. PIT amount will be calculated by using a partially progressive tariff, including 7 bands from 5% to 35%, depending on the amount of taxable income.

Income of non-residents is not eligible to deductions when calculating PIT. PIT amount will be determined based on the total income of individual with tax rate of 20%.

### 4. Foreign Contractor Withholding Tax

In Vietnam, tax withheld from the payment to foreign contractor and paid directly to the State is called foreign contractor withholding tax. Foreign organizations, individuals doing business in Vietnam or earning incomes in Vietnam under contracts, agreements or commitments between them and Vietnamese organizations and individuals are subject to foreign contractor withholding tax.

In cases where a Vietnamese company signs a contract with a foreign company and this contract is subject to withholding tax, then before making payment to the foreign company, the Vietnamese company must withhold the foreign contractor withholding tax and pay it directly to the State on behalf of the foreign company.

Foreign contractor withholding tax comprises 2 types of tax: Corporate income tax and Value added tax. Tax rates vary according to the form. Foreign companies must pay foreign contractor withholding tax regardless of whether they have permanent establishment in Vietnam or not.

### 5. Other taxes

- 5.1) Import-export duty: applicable to goods exported, imported through Vietnam's border gates or border; goods brought from the domestic market into non-tariff zones or vice versa; on-spot imports and exports; exported and imported goods of enterprises exercising import, export and distribution rights.
- 5.2) Environmental protection tax: collected on products and goods when used to cause negative environmental impacts.
- 5.3) Excise Tax: levied on some kinds of special goods and services which are not encouraged for consumption.
- 5.4) Natural resources tax, fees and charges.



## LEGAL ISSUES RELATED TO ESTABLISHING A COMPANY

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1. Foreign investors wishing to establish a business organization in Vietnam are required to perform the following procedures:

- Before establishing a business organization, the foreign investor must have an investment project and apply for a Certificate of investment registration;
- After receiving the Certificate of investment registration, the investor conducts procedures for establishment of the business organization in accordance with the Business Registration Certificate to implement the investment project and business activities.

2. Timing for granting the Certificate:

2.1) Certificate of investment registration:

- For Investment Certificates which do not need approval of investment policies: within 15 working days as from the date of submitting valid documents;
- Fore cases which need approval of the Ministry of Industry and Trade: after having approval of the Ministry of Industry and Trade.

2.2) Business Registration Certificate: within 3 working days.

2.3) The regulatory body competent to issue Certificates of investment registration: the Department of Planning and Investment or the Authority of industrial zones, export-processing zones, high-technology zones and economic zones with respect to investment project in industrial zones, export-processing zones, high-technology zones and economic zones.



# PERMANENT ESTABLISHMENT IN VIETNAM: BRANCH OR SUBSIDIARY?

## DEFINITION OF A PERMANENT ESTABLISHMENT

Permanent establishments are production and business establishments through which foreign enterprises conduct some or all income-generating production and business activities in Vietnam, including:

- Branches, executive offices, factories, workshops, means of transport, mines, oil and gas fields, or other places of extraction of natural resources in Vietnam;
- Construction sites, construction works, installation and assembly projects;
- Establishments providing services, including consultancy services through employees or other organizations or individuals;
- Agents for foreign enterprises;
- Vietnam-based representatives, in case of representatives which are competent to conclude contracts in the name of foreign enterprises or representatives which are incompetent to conclude contracts in the name of foreign enterprises but regularly deliver goods or provide services in Vietnam.

## DEFINITION AND MAIN DIFFERENCES BETWEEN A BRANCH AND A SUBSIDIARY

A foreign company branch in Vietnam is an affiliate of the foreign company. It is set up and operates in Vietnam in accordance with Vietnamese law or international treaties to which the Socialist Republic of Vietnam is a signatory.

A foreign company subsidiary in Vietnam is an independent legal entity, has its own name, assets, office, and is registered in accordance with law to do business.

## TAX AND ACCOUNTING OBLIGATIONS

Branches of foreign companies in Vietnam are not entitled to tax incentives and can choose to pay tax under direct method, mixed method or declaration method.

Subsidiaries of foreign companies in Vietnam are entitled to tax incentives if they meet the conditions for investment incentives. They pay Corporate Income Tax under declaration method, pay Value Added Tax under direct method or credit-invoice method.

Branches of foreign companies in Vietnam are not required to either apply the Vietnamese Accounting System or be audited annually. Unlike branches, subsidiaries of foreign companies in Vietnam are required to apply the Vietnamese Accounting System and be audited annually.

## REGISTRATION FORMALITIES

Foreign companies shall be granted Licenses for Establishment of branches if they satisfy the requirement that they has come into operation for at least 05 year from the date of establishment or registration. License for establishment of branches shall have a valid term of five years, which must, however, not exceed the remaining valid term of such foreign companies' business registrations or papers of equivalent value in case foreign laws specify valid terms of business registrations of foreign companies.



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In order to establish a subsidiary, foreign companies must have investment project and conduct procedures to apply for a Certificate of investment registration. After receiving the Certificate of investment registration, the foreign companies conducts procedures for establishment of the business organization in accordance with the Business Registration Certificate to implement the investment project and business activities.

### STANDARD LEGAL OBLIGATIONS AND FORMALITIES FOR A BRANCH

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Branches of foreign companies in Vietnam must be granted the License for establishment. The licensing agency is the Ministry of Industry and Trade (MOIT). The time for licensing is within 7 working days as from the date of receipt of valid application dossiers.

By January 30th of each year, the branch shall submit reports on its operations in the previous year using the form set out by the Ministry of Industry and Trade to the licensing agency by post.





# HOW TO HIRE MY FIRST EMPLOYEE IN VIETNAM

## MAIN LEGAL STEPS TO FOLLOW TO HIRE A FIRST EMPLOYEE

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The Vietnamese State policy is to guarantee the rights and legitimate interests of employees. The employer has the rights to recruit, arrange and manage employees according to the requirements of production and business. When hiring employees, an enterprise must perform the labor contracts, collective labor agreement and other agreements with employees. The enterprise must declare the use of labor within 30 days from the date of commencement of operation, and report periodically on changes in the labor in the process of operation to the local state management agency of labor. The payment for an employee who is untrained and performs the simplest job in normal working conditions must not lower than the region-based minimum wage level. The enterprise operating in a certain area shall apply the region-based minimum wage level of such area.

Employees who have passed the probationary period shall be entitled to participation in compulsory insurance policy including social insurance, health insurance and unemployment insurance.

## DESIGN AND CONTENTS OF AN EMPLOYMENT CONTRACT

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A labor contract must have the following principal contents:

- Name and address of the employer
- Full name, date of birth, gender, residence address, identity card number or other lawful documents of the employee
- Job and workplace
- Term of the labor contract
- Wage, form of wage payment, deadline for wage payment, wage-based allowances and other additional payments
- Regimes for promotion and wage raise
- Working time, rest time
- Labor protection equipment for the employee
- Social insurance, unemployment insurance and health insurance
- Training, retraining and occupational skill improvement
- Other contents relating to the contract agreed by two parties

## CAN SOMEBODY DO BUSINESS FOR ME AND NOT BE AN EMPLOYEE?

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Foreign companies can engage the services of a local individual/professional firm as "Consultant" or "Outsourcing" (external service providers). These external service providers are not employees of the foreign entities.



## DOING BUSINESS IN VIETNAM

# HOW TO READ FINANCIAL STATEMENTS IN VIETNAM

The basic Vietnamese financial statements consist of:

- Balance sheet
- Income statement
- Statement of cash flows
- Notes to the financial statements

Following are a sample balance sheet and income statement.





Reporting entity:.....

Address:.....

**Form B 01 - DN**

(Issued under Circular No. 200/2014/TT - BTC  
dated 22/12/2014 by the Ministry of Finance)

**BALANCE SHEET**  
*As at 31 December 2015*

*In: VND*

TÀI SẢN	ASSETS	Code	Note	31 Dec 2015	01 Jan 2015
1	1	2	3	4	5
<b>a - tài sản ngắn hạn</b>	<b>A - CURRENT ASSETS</b>	<b>100</b>			
<b>I. Tiền và các khoản tương đương tiền</b>	<b>I. Cash and cash equivalents</b>	<b>110</b>			
1. Tiền	1. Cash	111			
2. Các khoản tương đương tiền	2. Cash equivalents	112			
<b>II. Đầu tư tài chính ngắn hạn</b>	<b>II. Short-term financial investments</b>	<b>120</b>			
1. Chứng khoán kinh doanh	1. Trading securities	121			
2. Dự phòng giảm giá chứng khoán kinh doanh	2. Provision for diminution in value of trading securities	122		(...)	(...)
3. Đầu tư nắm giữ đến ngày đáo hạn	3. Held-to-maturity investments	123			
<b>III. Các khoản phải thu ngắn hạn</b>	<b>III. Short-term receivables</b>	<b>130</b>			
1. Phải thu ngắn hạn của khách hàng	1. Short-term trade receivables	131			
2. Trả trước cho người bán ngắn hạn	2. Short-term prepayments to suppliers	132			
3. Phải thu nội bộ ngắn hạn	3. Intercompany receivables	133			
4. Phải thu theo tiến độ kế hoạch hợp đồng xây dựng	4. Receivables according to construction contracts progress	134			
5. Phải thu về cho vay ngắn hạn	5. Short-term loan receivables	135			
6. Phải thu ngắn hạn khác	6. Other short-term receivables	136			
7. Dự phòng phải thu ngắn hạn khó đòi	7. Provision for doubtful debts	137			
8. Tài sản thiếu chờ xử lý	8. Shortage of assets pending resolution	139			
<b>IV. Hàng tồn kho</b>	<b>IV. Inventories</b>	<b>140</b>			
1. Hàng tồn kho	1. Inventories	141			
2. Dự phòng giảm giá hàng tồn kho	2. Provision for obsolete inventories	149		(...)	(...)
<b>V. Tài sản ngắn hạn khác</b>	<b>V. Other current assets</b>	<b>150</b>			
1. Chi phí trả trước ngắn hạn	1. Short-term prepaid expenses	151			



2. Thuế GTGT được khấu trừ	2. Deductible VAT	152		
3. Thuế và các khoản khác phải thu Nhà nước	3. Taxes and amounts recoverable from the State	153		
4. Giao dịch mua bán lại trái phiếu Chính phủ	4. Sales and repurchase of Government bonds	154		
5. Tài sản ngắn hạn khác	5. Other current assets	155		
<b>B - TÀI SẢN DÀI HẠN</b>	<b>B - NON-CURRENT ASSETS</b>	<b>200</b>		
<b>I. Các khoản phải thu dài hạn</b>	<b>I. Long-term receivables</b>	<b>210</b>		
1. Phải thu dài hạn của khách hàng	1. Long-term trade receivables	211		
2. Trả trước cho người bán dài hạn	2. Long-term prepayments to suppliers	212		
3. Vốn kinh doanh ở đơn vị trực thuộc	3. Capital at dependent entities	213		
4. Phải thu nội bộ dài hạn	4. Intercompany receivables	214		
5. Phải thu về cho vay dài hạn	5. Long-term loan receivables	215		
6. Phải thu dài hạn khác	6. Other long-term receivables	216		
7. Dự phòng phải thu dài hạn khó đòi	7. Provision for doubtful debts	219	(...)	(...)
<b>II. Tài sản cố định</b>	<b>II. Fixed assets</b>	<b>220</b>		
1. Tài sản cố định hữu hình	1. Tangible fixed assets	221		
- Nguyên giá	- Cost	222		
- Giá trị hao mòn lũy kế	- Accumulated depreciation	223	(...)	(...)
2. Tài sản cố định thuê tài chính	2. Finance lease fixed asset	224		
- Nguyên giá	- Cost	225		
- Giá trị hao mòn lũy kế	- Accumulated depreciation	226	(...)	(...)
3. Tài sản cố định vô hình	3. Intangible fixed assets	227		
- Nguyên giá	- Cost	228		
- Giá trị hao mòn lũy kế	- Accumulated amortisation	229	(...)	(...)
<b>III. Bất động sản đầu tư</b>	<b>III. Investment property</b>	<b>230</b>		
- Nguyên giá	- Cost	231		
- Giá trị hao mòn lũy kế	- Accumulated depreciation	232	(...)	(...)
<b>IV. Tài sản dở dang dài hạn</b>	<b>IV. Non-current assets in progress</b>	<b>240</b>		
1. Chi phí sản xuất, kinh doanh dở dang dài hạn	1. Long-term work in progress	241		
2. Chi phí xây dựng cơ bản dở dang	2. Construction in progress	242		
<b>V. Đầu tư tài chính dài hạn</b>	<b>V. Long-term financial investments</b>	<b>250</b>		
1. Đầu tư vào công ty con	1. Investments in subsidiaries	251		
2. Đầu tư vào công ty liên doanh, liên kết	2. Investments in associates and joint ventures	252		
3. Đầu tư góp vốn vào đơn vị khác	3. Investments in other entities	253		
4. Dự phòng đầu tư tài chính dài hạn	4. Provisions for long-term financial investments	254		
5. Đầu tư nắm giữ đến ngày đáo hạn	5. Held-to-maturity investments	255	(...)	(...)
<b>VI. Tài sản dài hạn khác</b>	<b>VI. Other non-current assets</b>	<b>260</b>		
1. Chi phí trả trước dài hạn	1. Long-term prepaid expenses	261		



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2. Tài sản thuế thu nhập hoãn lại	2. Deferred income tax assets	262			
3. Thiết bị, vật tư, phụ tùng thay thế dài hạn	3. Long-term spare parts	263			
4. Tài sản dài hạn khác	4. Other non-current assets	268			
<b>tăng công cụ s[on] (270 = 100 + 200)</b>	<b>TOTAL ASSETS (270 = 100 + 200)</b>	<b>270</b>			
<b>C - n[hi] p[h]i tr[uy]</b>	<b>C - LIABILITIES</b>	<b>300</b>			
<b>I. Nợ ngắn hạn</b>	<b>I. Short-term liabilities</b>	<b>310</b>			
1. Phải trả người bán ngắn hạn	1. Short-term trade payables	311			
2. Người mua trả tiền trước ngắn hạn	2. Short-term advances from customers	312			
3. Thuế và các khoản phải nộp Nhà nước	3. Taxes and amounts payable to the State budget	313			
4. Phải trả người lao động	4. Payables to employees	314			
5. Chi phí phải trả ngắn hạn	5. Short-term accrued expenses	315			
6. Phải trả nội bộ ngắn hạn	6. Short-term intercompany payables	316			
7. Phải trả theo tiến độ kế hoạch hợp đồng xây dựng	7. Payables according to construction contract progress	317			
8. Doanh thu chưa thực hiện ngắn hạn	8. Short-term unearned revenue	318			
9. Phải trả ngắn hạn khác	9. Other short-term payables	319			
10. Vay và nợ thuê tài chính ngắn hạn	10. Short-term loans and finance lease liabilities	320			
11. Dự phòng phải trả ngắn hạn	11. Provision for short-term payables	321			
12. Quỹ khen thưởng, phúc lợi	12. Reward and welfare fund	322			
13. Quỹ bình ổn giá	13. Price stabilization fund	323			
14. Giao dịch mua bán lại trái phiếu Chính phủ	14. Sales and repurchase of Government bonds	324			
<b>II. Nợ dài hạn</b>	<b>II. Long-term liabilities</b>	<b>330</b>			
1. Phải trả người bán dài hạn	1. Long-term trade payables	331			
2. Người mua trả tiền trước dài hạn	2. Long-term advances from customers	332			
3. Chi phí phải trả dài hạn	3. Long-term accrued expenses	333			
4. Phải trả nội bộ về vốn kinh doanh	4. Intercompany payables on working capital	334			
5. Phải trả nội bộ dài hạn	5. Long-term intercompany payables	335			
6. Doanh thu chưa thực hiện dài hạn	6. Long-term unearned revenue	336			
7. Phải trả dài hạn khác	7. Other long-term payables	337			
8. Vay và nợ thuê tài chính dài hạn	8. Long-term loans and finance lease liabilities	338			
9. Trái phiếu chuyển đổi	9. Convertible bonds	339			
10. Cổ phiếu ưu đãi	10. Preference shares	340			
11. Thuế thu nhập hoãn lại phải trả	11. Deferred tax liabilities	341			
12. Dự phòng phải trả dài hạn	12. Provisions for long-term payables	342			



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13. Quỹ phát triển khoa học và công nghệ	13. Technology and Science Development Fund	343		
<b>D - VỐN CHỦ SỞ HỮU</b>	<b>D - OWNER'S EQUITY</b>	<b>400</b>		
<b>I. Vốn chủ sở hữu</b>	<b>I. Equity</b>	<b>410</b>		
1. Vốn góp của chủ sở hữu	1. Paid-in capital	411		
- Cổ phiếu phổ thông có quyền biểu quyết	- Common shares with voting rights	411a		
- Cổ phiếu ưu đãi	- Preferred shares	411b		
2. Thặng dư vốn cổ phần	2. Share premium	412		
3. Quyền chọn chuyển đổi trái phiếu	3. Options for convertible bonds	413		
4. Vốn khác của chủ sở hữu	4. Other owner's capital	414		
5. Cổ phiếu quỹ	5. Treasury shares	415	(...)	(...)
6. Chênh lệch đánh giá lại tài sản	6. Differences upon asset revaluation	416		
7. Chênh lệch tỷ giá hối đoái	7. Foreign exchange differences	417		
8. Quỹ đầu tư phát triển	8. Development investment fund	418		
9. Quỹ hỗ trợ sắp xếp doanh nghiệp	9. Assistance fund for enterprise restructuring	419		
10. Quỹ khác thuộc vốn chủ sở hữu	10. Other equity funds	420		
11. Lợi nhuận sau thuế chưa phân phối	11. Undistributed profit	421		
- LNST chưa phân phối lũy kế đến cuối kỳ trước	- Undistributed profit up to the end of prior period	421a		
- LNST chưa phân phối kỳ này	- Undistributed profit current period	421b		
12. Nguồn vốn đầu tư XDCB	12. Capital construction fund	422		
<b>II. Nguồn kinh phí và quỹ khác</b>	<b>II. Other resources and funds</b>	<b>430</b>		
1. Nguồn kinh phí	1. Budget resources	431		
2. Nguồn kinh phí đã hình thành TSCĐ	2. Resources financing fixed assets	432		
<b>Tăng cément nguồn vèn (440 = 300 + 400)</b>	<b>TOTAL RESOURCES (440 = 300 + 400)</b>	<b>440</b>		



Reporting entity: .....

Address:.....

Form B 02 - DN

(Issued under Circular No. 200/2014/TT - BTC  
dated 22/12/2014 by the Ministry of Finance)

**INCOME STATEMENT**

For the year ended 31 December 2015

In: VND

CHỈ TIÊU	ITEMS	Code	Note	Year 2015	Year 2014
1	1	2	3	4	5
1. Doanh thu bán hàng và cung cấp dịch vụ	1. Revenue from sales and service provision	01			
2. Các khoản giảm trừ doanh thu	2. Less: deductions	02			
3. Doanh thu thuần về bán hàng và cung cấp dịch vụ (10= 01-02)	3. Net revenue from sales and service provision (10= 01-02)	10			
4. Giá vốn hàng bán	4. Cost of goods sold	11			
5. Lợi nhuận gộp về bán hàng và cung cấp dịch vụ (20=10 - 11)	5. Gross profit from sales and service provision (20=10 - 11)	20			
6. Doanh thu hoạt động tài chính	6. Financial income	21			
7. Chi phí tài chính	7. Financial expenses	22			
- Trong đó: Chi phí lãi vay	- Including: Interest expense	23			
8. Chi phí bán hàng	8. Selling expenses	25			
9. Chi phí quản lý doanh nghiệp	9. Administrative expenses	26			
10. Lợi nhuận thuần từ hoạt động kinh doanh	10. Operating profit	30			
{30 = 20 + (21 - 22) - (25 + 26)}	{30 = 20 + (21 - 22) - (25 + 26)}				
11. Thu nhập khác	11. Other income	31			
12. Chi phí khác	12. Other expenses	32			
13. Lợi nhuận khác (40 = 31 - 32)	13. Other profit (40 = 31 - 32)	40			
14. Tổng lợi nhuận kế toán trước thuế (50 = 30 + 40)	14. Accounting profit before tax (50 = 30 + 40)	50			
15. Chi phí thuế TNDN hiện hành	15. Current corporate income tax expense	51			
16. Chi phí thuế TNDN hoãn lại	16. Deferred corporate income tax expense	52			
17. Lợi nhuận sau thuế thu nhập doanh nghiệp (60=50 - 51 - 52)	17. Profit after corporate income tax (60=50 - 51 - 52)	60			
18. Lãi cơ bản trên cổ phiếu	18. Basic earnings per share	70			
19. Lãi suy giảm trên cổ phiếu	19. Diluted earnings per share	71			