INVESTING IN VIETNAM 2022

THE POWER OF UNDERSTANDING
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FOREWORD

It is our great pleasure to introduce the "**Investing in Vietnam**" guide for 2022 published by RSM Vietnam. Vietnam has been continuing to amaze the region and the globe with the depth and speed of economic integration and regulatory changes, which have resulted in a major improvement in the investment climate. Strongly recovering from the COVID-19 pandemic, Vietnam today is still seen as an emerging market belonging to the world's most dynamic economies, offering a variety of attractive business opportunities to both domestic and foreign investors.

INTRODUCTION

Welcome to our guide for investing in Vietnam. Our specialists come from several backgrounds including tax, accounting, and finance working together to share ideas and add value to your business. In this publication, we believe to provide you with information on accounting, tax, and regulatory laws when investing your business in Vietnam.

Vietnam is undergoing significant change as a result of its dynamic environment, which is shown in its young population, expanding affluence, changing consumer attitudes, increased mobility, and urbanization.

With a position in the heart of Southeast Asia and along the coastline of the Pacific Ocean, Vietnam provides significant benefits in terms of access to the world's major trade routes.

Since 2016, we have seen a large growth in foreign direct investments ("FDIs") into Southeast Asia continually. According to the United Nations Conference on Trade and Development ("UNCTAD"), ASEAN was considered as an engine of global FDI with FDI inflows 44% to $175 billion in 2021. Despite the severe impacts of COVID-19 pandemic in 2021, Vietnam is on pace to recover its economy and still seen as an appealing investment. There were 108 countries and territories investing in Vietnam, and into 19/21 sectors in the national economic classification system.

Vietnam's low-cost environment and bright economic prospects make it an appealing investment destination in Southeast Asia. Vietnam is known for having a high mobile commerce penetration rate, which makes it appealing to entrants looking to start digital enterprises in the country. A rising middle class and a deregulated economy bring access to exciting new opportunities including manufacturing.

Vietnam's increasing network of free trade agreements ("FTAs") are enhancing investment opportunities. Regardless of the reasons for entry, identifying the right path into the local market can be challenging without local knowledge and experience.

This guide contains references to some common issues that investors should be aware of when operating in Vietnam, but each case is different and specific advice should always be sought.

RSM remains available to share our considerable local knowledge with you.

1. AN OVERVIEW OF VIETNAM

A watershed moment was Vietnam's entry to the World Trade Organization ("WTO") in 2007, followed by its participation in the ASEAN Economic Community ("AEC") in 2015. Furthermore, Vietnam's successful hosting of APEC in November 2017 has positioned the nation for further investment prospects.

Why Vietnam and why now?

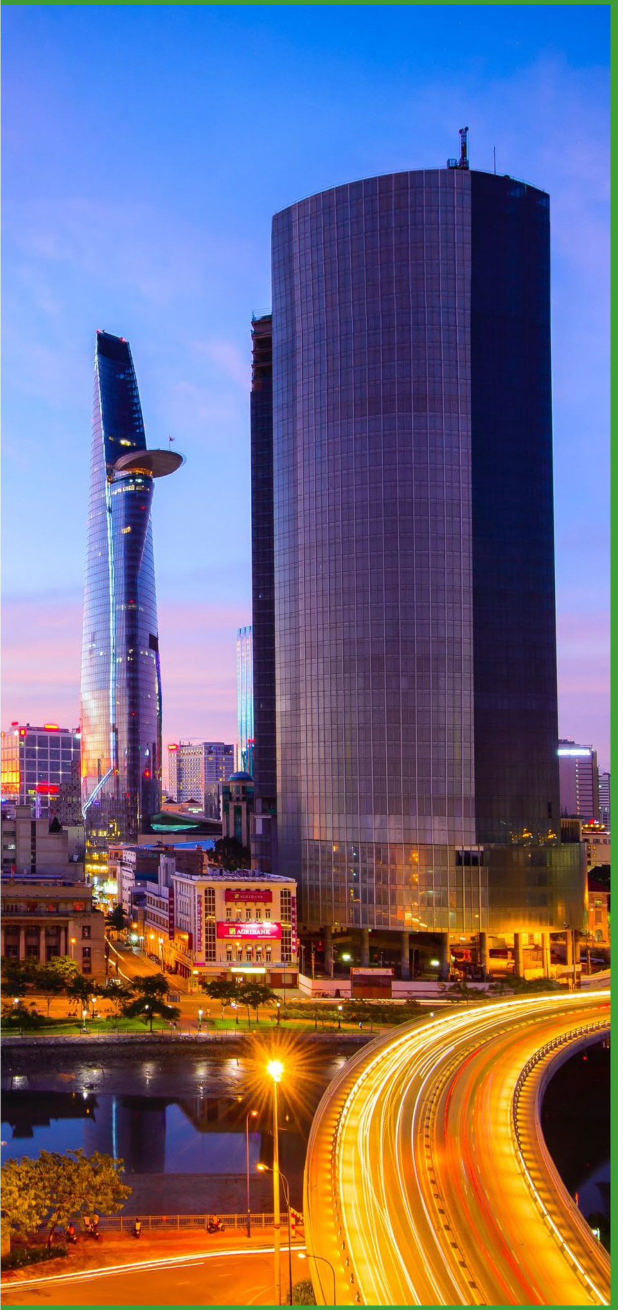
Vietnam is at a tipping point in its economic development led by free trade agreements ("FTAs") such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ("CPTPP"), the EU-Vietnam FTA ("EVFTA") and the UK-Vietnam FTA ("UKFTA") and an increasingly deregulated business environment.

Vietnam got a rough hit by the COVID-19 pandemic in 2021. Although the second half of 2021 saw a prolonged lockdown in Vietnam that had major negative effects on the economy, the nation is one of the few economies to have had two consecutive years of growth (2020 and 2021) since the outbreak began.

Six major growth drivers will enhance opportunities for investors in Vietnam:

1. **New free trade agreements**
   Enhance Vietnam's economic integration into the global economy, including major developed markets in North America, Europe, and Asia
2. **Stable and high-growth economy**
   Vietnam is one of the most dynamic economies in the world. The nation has proven resilient against the pandemic with GDP growing by 2.91% in 2020, 2.58% in 2021 and rebound strongly GDP growth rate in 2022 by 8.02%
3. **Cost competitive production base**
   Labor costs in Vietnam are among the lowest in Asia. An ideal production base for companies thinking of shifting or diversifying out of China.
4. **Improve legal regulations**
   Vietnam has implemented many regulatory amendments to make investing in Vietnam easier and more transparent. Electronic tax procedures and payments are made to enhance business operations. Also, the new labor code will be effective with a lot of content adjusted to benefit both employees and employers.
5. **A young and growing workforce**
   Vietnam has an educated workforce and is now in a period of a golden population structure – where 51.6 million people are in labor force.
6. **Infrastructure development**
   Vietnam is upgrading its infrastructure in recent years. Much progress has been recorded in building the critical hard infrastructure, such as highways, airports, and seaports.

The south has long been a manufacturing and trade center, as well as a major logistics hub. While the northern region has become a more popular destination for foreign manufacturers looking to diversify their manufacturing bases, particularly South Korean and Japanese firms.



Demographic

Vietnam is conveniently located in the center of Southeast Asia and is bordered by China to the north, Laos and Cambodia to the west.

The total area of Vietnam is over 330,900 square kilometers including mountains and plains. Vietnam's population is spread throughout the country

15th
The most populous country in the world

Over 98 million
Population

33.3
Median age

The demographic bonus provides Vietnam with a unique socio-economic development opportunity to take advantage of the young labor force, large consumer market and push its economic growth.

Legal and regulatory government

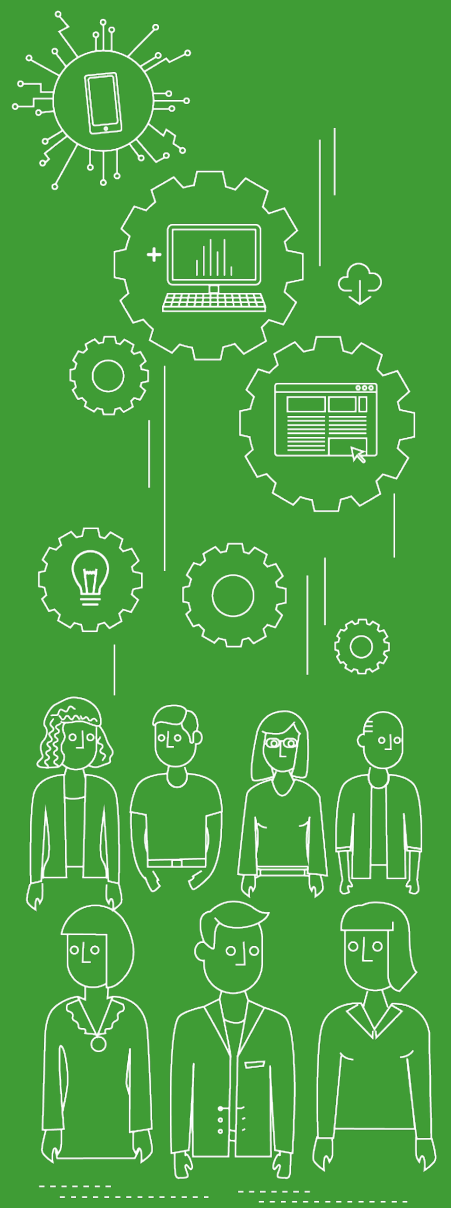
Vietnam is a single-party state. As the only party in the political arena, the Communist Party's role and influence are unique.

As Head of State, the President represents the Socialist Republic of Vietnam in both domestic and international affairs. The Government is the highest administrative state body, and responsible for executing and managing political, economic, cultural, social, national defense, security, and foreign affairs of the country.

Ministries are responsible for the execution of state power in a certain industry or sector. The People's Committee (province, district, and commune) governs management affairs within its administrative location.

The People's Committee manages, directs, and operates the daily operations of local state bodies, as well as enforcing policies issued by the relevant People's Council and higher state bodies.

In Vietnam, there is a regulatory hierarchy, with laws passed by the National Assembly and implementing decrees and circulars issued by the Government and its Ministries, respectively. A plethora of other legal instruments/guidelines are also issued by various other authorities.



Infrastructure

The Vietnamese Government recognizes the importance of an efficient infrastructure for economic development. Recent years witnessed ambitious plans from the Government to expand and upgrade the existing transport infrastructure system.

Road system

In addition to the major national road, Highway No.1A, stretching from the border with China in the north to the Mekong Delta Provinces in the south via Ho Chi Minh City and the Trans-Asia highway, the country is also progressing with the completion of Ho Chi Minh Road (known as Ho Chi Minh Trail during war time).

This 3,167-kilometer road will connect the north and south by running parallel to the existing national Highway No. 1A. Other notable highways linking key economic regions have also been upgraded.

Railway and metro

Vietnam's railway system spans 2,600 kilometers, with 60% of the route located in the country's northern provinces. The rail network connects 35 provinces and cities through 15 main routes and branches, the longest and most important of which is the North-South route. In addition, several railway lines have been proposed for construction in recent years, notably the high-speed North-South Express Railway.

The metro systems which are under construction in Hanoi and Ho Chi Minh City are expected to alleviate pressure on existing road transportation and boost economic growth. Cat Linh – Ha Dong metro line, the first metro line project in Vietnam, has been launched in November 2021.

Airport

In recent years, the country has also seen a substantial expansion in air transportation. As the economy grows both locally and globally, the amount of freight and passengers transported by air has increased dramatically. The government is developing and updating airport infrastructure, most notably with the development of Long Thanh Airport in Dong Nai's southern region. When completed, Long Thanh Airport will become the largest airport in Vietnam accommodating up to 25 million passengers and 1.2 million tons of cargo per year.

Seaport

Sea transportation remains a significant component of the Vietnamese infrastructure system. There are over 100 ports throughout the country, majority of which locates in Hai Phong, Danang and Ho Chi Minh City. In an effort to address the increasing demand of exporters, plans to upgrade and expand the existing capacity are underway, most notably the plan to develop the mega-port Hon Khoai in Ca Mau province. Once completed, the port will accommodate ships with a capacity of up to 250,000DWT.

Ready for the post-pandemic rebound

The latest wave of the COVID-19 pandemic, in 2021, has significantly harmed the economies of numerous nations, resulting in a global economic crisis.

Vietnam is also affected by the COVID-19 pandemic in many aspects, including business and investment activities. However, in 2022, Vietnam's socio-economic development has been back on track in the first quarter when investment and production activities are promoted, and the supply chain progressively opened. Despite being impacted by factors such as the Russia-Ukraine conflict, which caused supply chain disruption and high inflation, the nation is still determined to recover and catch up with the global economy.

Enterprise registration status

According to the General Statistics Office (GSO), in 2022:

148,533 newly established enterprises

59,835 re-operated enterprises

Socio-economic recovery programme

Vietnam's socio-economic recovery programme was designed to support businesses and workers, especially those who have been severely affected by the pandemic.

To the goal of socio-economic recovery, Vietnam is ready to:

- Develop new production and business models
- Restructure businesses involved in digital transformation
- Improve capacity and competitiveness
- "Retain" talents via labor transformation and labor restructuring
- Invest in new technology and effectively apply technology to convert obstacles into opportunities
- Expand markets and participate in the global value chain

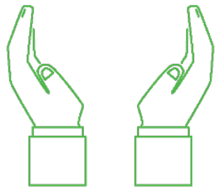
New opportunities for FDI

Despite the severe impacts of COVID-19 pandemic in 2021, Vietnam is on pace to recover its economy and still seen as an appealing investment. As 2022, the total newly registered capital, adjusted and contributed capital to buy shares and buy contributed capital of foreign investors reached more than **27.72 billion USD**, equivalent to 89% over the same period in 2021. In which, **2,036 new projects** were granted investment registration certificates with the total registered capital stood at **12.45 billion USD**.

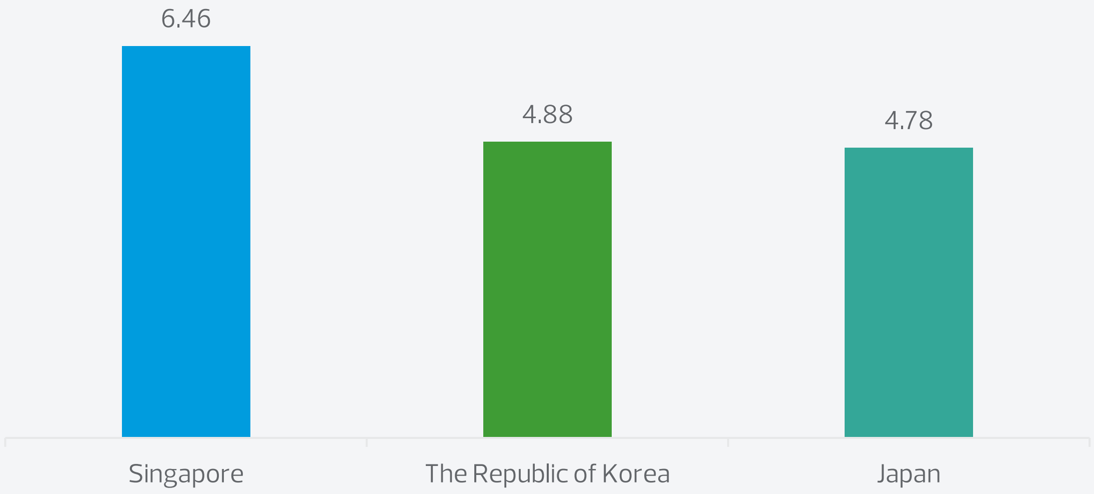
In an effort to make the country more FDI-friendly, the Vietnamese government has gradually simplified legal procedures and streamlined the bureaucratic process related to decision making. Also, the country has issued many resolutions as well as action plans in order to realize the commitment to improve the investment climate and business community for investors.

Countries and territories investing in Vietnam

108



Investment structure of countries/territories in 2022 *(billion USD)*



Economic environment and inflation

Over the last 20 years, GDP growth has averaged at approximately 7%. GDP growth was 6.2% in 2016, down from 6.7% in 2015 and hit 7.1% in 2018.

Due to the negative influence of the COVID-19 pandemic, 2020 was a challenging year for the global economy, particularly in Vietnam. Given its impressive resilience amid the COVID-19 pandemic, Vietnam's economy finished the year 2021 positively with 2.58% GDP growth, standing among the top 50 of the world's highest growth rate in 2021.

Economic forecasts are continually being revised. Vietnam's economic growth prospects are forecast to remain positive in the forthcoming years. The representative of the World Bank in Vietnam forecasts while downside risks have increased, Vietnam's economic fundamentals remain solid, and the country return to pre-pandemic GDP growth rates of 8.02% in 2022.

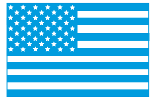
Due to the impacts of the COVID-19 pandemic, overall demands and purchasing power notably dropped down leading CPI in 2021 to increase by 1.84% compared to 2020 which is the lowest rate in the past 5 years. However, domestic petrol and oil prices adjusted to world prices, and rising rents due to high demand from the people are the main reasons for the increase of the average CPI in 2022 by 3.15% over the same period in 2021.

Key sectors and trading partners

Located in the heart of Southeast Asia and along the coastline of the Pacific Ocean, Vietnam offers numerous advantages in providing access to the world's major trade routes.

Natural resources and conditions allow Vietnam to develop the fundamental and seasonal structure of agricultural products and application of different cultivation in regions. However, Vietnam is continuing to diversify away from agriculture with the major percentage of GDP occupied by service sector.

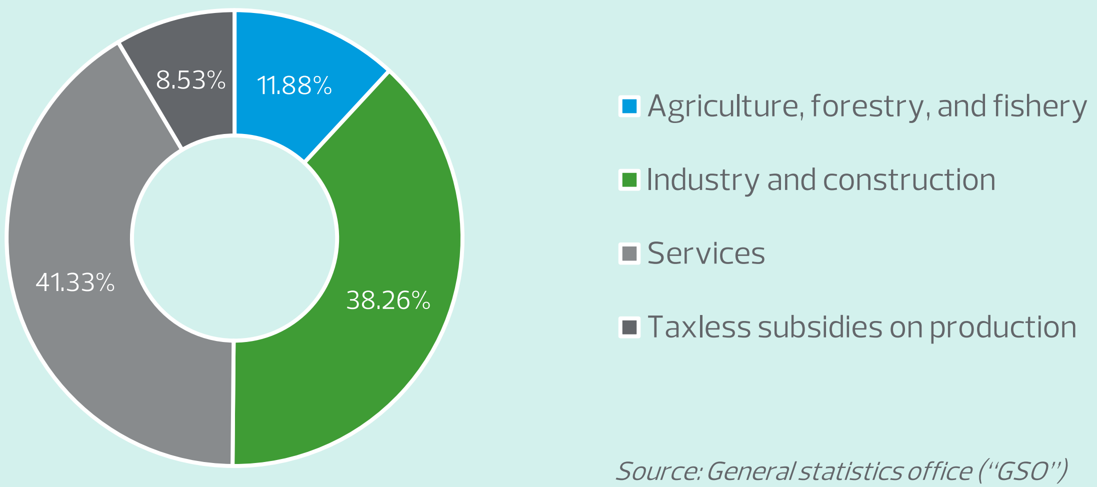
In 2022, total import-export turnover was estimated at 732.5 billion USD, which rose by 9.5% over the same period last year. With these, Vietnam recorded a trade surplus of 11.2 billion USD in the year 2022.



The United States is the largest export market of Vietnam with an estimated turnover of **101.5 billion USD**

China is the largest import market of Vietnam with an estimated turnover of **109.9 billion USD**

GDP contribution by sectors 2022



Source: General statistics office ("GSO")

Foreign direct investment ("FDI")

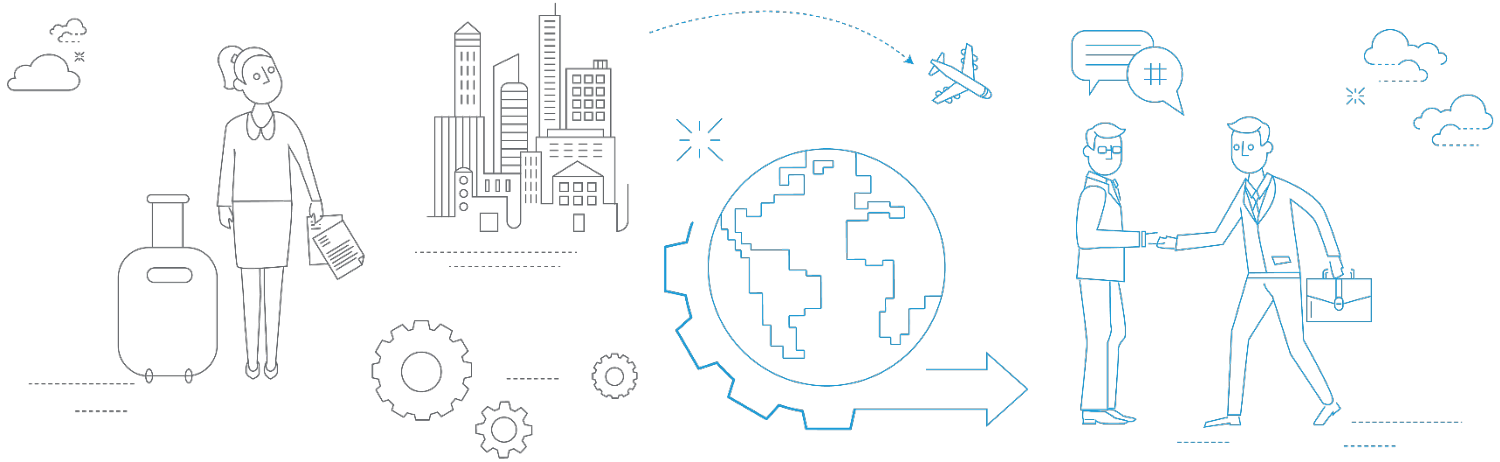
Vietnam attracts a considerable amount of capital each year due to its geographic advantages, natural riches, and economic labor force. Investors doing business in Vietnam may take advantage of a variety of untapped areas as well as a developing consumer market. The macroeconomic situation has significantly improved in recent years, thanks to a stable exchange rate and lower inflation.

Vietnam, therefore, remains one of the most attractive destinations for foreign investors in Southeast Asia.

Even being seriously affected by the COVID-19 pandemic, FDI attraction is still an impressive highlight of Vietnam's economy. Total FDI inflow to Vietnam accounts for US$ 27.72 billion in 2022, equivalent to 89% over the same period in 2021. The capital generated by FDI projects was estimated at 22.4 billion USD, an increase of 13.5% over the same period last year.

The processing and manufacturing industry continued to lead with a total investment of over 16.8 billion USD, accounting for 60.6% of the country's total capital. Regarding localities attracting FDI, Ho Chi Minh City led the way with a total registered investment capital of more than 3.94 billion USD registered, making up 14.1% of the total, Binh Duong ranked second with 3.14 billion USD and Quang Ninh ranked third with 2.37 billion USD.

The role of the private sector and foreign investors in the Vietnamese economy has increasingly been emphasized. "Business forum" meetings and dialogues between the Government and the private sector and foreign investors are frequently held, which provides great opportunities for businesses – especially in the foreign sector – to make themselves heard on important legislative issues.



Free trade agreements ("FTAs")

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

WTO Jan 2007

Vietnam officially became the WTO's 150th member on 11 January 2007. WTO accession has created both opportunities and challenges for Vietnam to become an attractive investment destination.

CPTPP Jan 2019

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) which came into effect since January 2019 also accelerates the integration of Vietnam into the global economy.

EVFTA Aug 2020

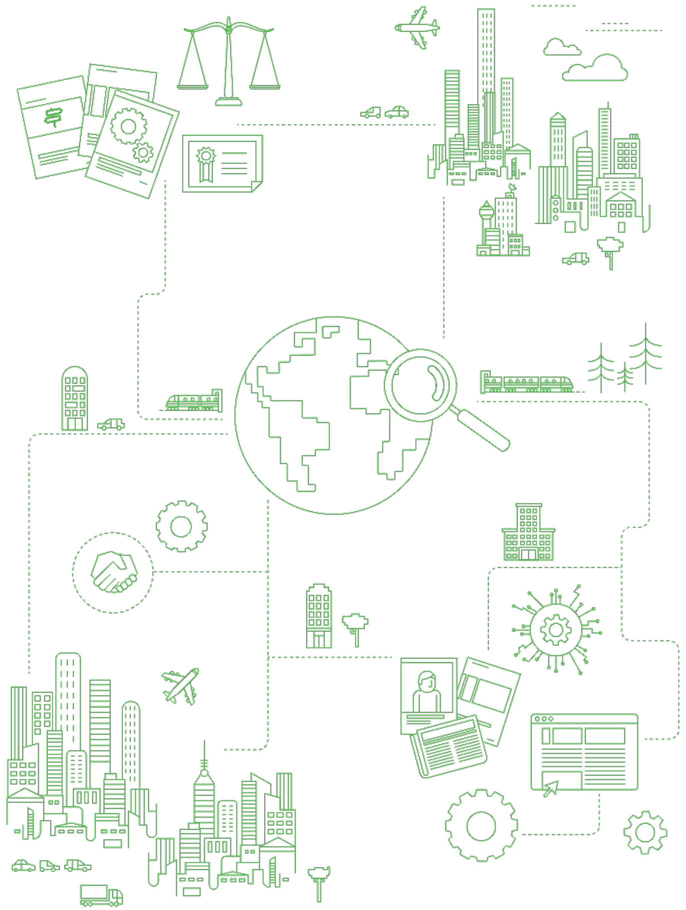
The EU – Vietnam FTA (EVFTA) is expected to be the next major milestone for Vietnam from a trade perspective. Effective for Vietnam by August 2020, EVFTA is expected to liberalize 90% of imports from both sides in a time length of 10-15 years.

UKVFTA May 2021

By the time of full implementation in May 2021, 99% of tariff lines between Vietnam and the UK will be eliminated. For Vietnam exporters, sectors that will enjoy benefits include textiles, footwear and seafood.

RCEP Jan 2022

The Regional Comprehensive Economic Partnership (RCEP) agreement offers an opportunity to boost growth and support recovery from the COVID-19 pandemic. It brings further development and trade opportunities for Vietnam.



Considering these trade deals, Vietnam's Ministry of Planning and Investment forecasts Vietnam's GDP could increase by 1.35 percentage points by 2035 with the EVFTA boosting GDP by 15%.

Law on investment and enterprises

In 2020, the National Assembly passed a new Law on investment ("LOI") and a new Law on enterprises ("LOE"), both of which came into effect on 1 January 2021. These two new laws replaced the former laws which had been in force since 2014. These laws govern the establishment, operation and investment activities of companies in Vietnam.

To provide specific guidance on the new laws, the government issued Decree No. 01/2021/ND-CP on enterprise registration under the 2020 LOE (Decree 1) and Decree No. 31/2021/ND-CP on the implementation of the 2020 LOI (Decree 31), which went into effect on 4 January and 26 March 2021, respectively.

Workforce and cost of living

Work force in 2022

51.7 million

Average annual income per person in 2022

US$ 2,360

Vietnam is famous for its young, hard-working, highly literate and easy-to-train labor force which remains a key competitive advantage to attract foreign investment as well as sustaining future growth.

In 2022, the number of people of working age in employment was estimated at 50.6 million while the unemployment rate of 2.32%, of which the urban area was 2.79%; the rural area was 2.03%.

In comparison with other countries in Asia, the cost of living in Vietnam remains relatively low. According to the worldwide Mercer's survey in 2021, the ranks in cost of living of two major cities – Ho Chi Minh City and Hanoi – are rapidly dropped to 143rd and 139th respectively, as compared to 111th and 116th respectively in 2020.

Business etiquette and culture

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

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

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

Main language:
English, Vietnamese

Ease of doing business

Ranked 70th – By the World Bank

The future

As a member of the WTO, Vietnam must continue to improve its business and investment environment and bolster its legal system to meet WTO requirements. In fact, Vietnam has made significant efforts to ensure that foreign investors are not disadvantaged compared to their local counterparts, including an overhaul of the legal framework governing investments and protection of intellectual property. Furthermore, the Government has taken measures to simplify administrative procedures in areas such as import and export, company establishment and making tax payments. The commitment to market-oriented reforms is strongly boosted by the Government through its ongoing efforts to attract foreign direct investment.

2. INVESTING IN VIETNAM

Forms of business

1. Limited-liability company

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

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

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

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

2. Joint-stock company

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

Under Vietnamese law, this is the only type of company that can issue shares. The charter capital of a joint-stock company is divided into shares and each founding shareholder holds shares corresponding to the amount of capital the shareholder has contributed to the company.

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

The governance of a joint-stock company includes the general meeting of shareholders, the board of management, the chairman of the board of management, the general director, and a board of supervisors (where the joint-stock company has at least 11 shareholders, or if a corporate shareholder holds more than 50% of the shares of the joint-stock company).

A joint-stock company may take the form of either:

- A 100% foreign-owned enterprise
- A joint venture between both foreign & domestic investors

3. Partnership

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

4. Branch

Technically speaking, a branch of a foreign business entity in Vietnam is a dependent unit of the foreign business entity, established and conducting commercial activities in Vietnam in accordance with the law of Vietnam or an international treaty to which Vietnam is a member.

However, this is not a common form of foreign direct investment and is only permitted in a few sectors. A branch is not an independent legal entity. Branches of foreign companies are different from representative offices in that a branch is permitted to conduct commercial activities in Vietnam.

5. Representative office

It is a common form of registered legal presence in Vietnam for foreign organizations looking to invest or to do business in Vietnam, particularly those in the first stage of a market entry strategy. Foreign companies with business relations or investment projects in Vietnam may apply to open representative offices.

The key limitation in the scope of activities of the representative office is that it is not allowed to engage in any "direct profit-making" activities. It is not permitted to conduct commercial or revenue-generating activities (i.e. the execution of contracts, receipt of funds, sale or purchase of goods, or provision of services).

A representative office is only permitted to:

- Act as a liaison office
- Conduct market research
- Promote its parent company's business and investment opportunities

Thus, representative offices can provide a wide range of ancillary supports to their foreign-based parent companies

6. Business cooperation contract ("BCC")

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

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

7. Public and private partnership contract

A public and private partnership ("PPP") contract is an investment form carried out based on a contract between the Government authorities and project companies for infrastructure projects and public services.

PPP contracts include build operate transfer ("BOT"), build transfer ("BT"), build transfer operate ("BTO"), build own operate ("BOO"), build transfer lease ("BTL"), build lease transfer ("BLT") and operate manage ("O&M") contracts.

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

The PPP Law came into effect on 1 January 2021, which is the first of its kind in Vietnam, introducing a new form of local investment engagement. In comparison with Decree 63/2018, the new PPP Law narrows down its investment sectors and focuses on the following five essential areas:

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

Setting up a business

Limited-liability company/ Joint-stock company/ Partnership:

Step 1

Submit the application to the Provincial Department of Planning and Investment

(For the projects located **outside** industrial zones, export processing zones, high-tech zones and economic zones)

OR

The Provincial Industrial Zone/ Economic Zone Management Authority

(For projects located **inside** industrial zones, export processing zones, high tech zones and economic zones)

→ Investment registration certificate ("IRC")

Step 2

Submit the application to the Provincial Department of Planning and Investment → Enterprise registration certificate ("ERC")

Representative office:

Submit the application to the Provincial Department of Industry and Trade

Take 7 working days

Representative office license

Public-private partnership ("PPP") project (such as BOT/BTO/BT project):

The Ministry of Planning and Investment

Investment registration certificate

Investment agreement signed with an authorized state authority

Project contract signed with the relevant state body and the project company set up in the form of a limited liability company or a joint-stock company.

3. TRADE

Vietnam became a member of the World Trade Organization ("WTO") in 2007. Vietnam has opened numerous business sectors to foreign investment as part of its accession pledges, in certain cases in a phased way. These commitments are commonly referenced to when determining whether foreign investment in a certain sector is permitted.

Following Vietnam's accession to the WTO, the market was liberalized in certain areas, including the trading of goods.

Under Vietnamese law, the trading of goods by foreign invested enterprises covers the following areas:

- "Right to import" refers to the right to import goods into Vietnam for sale to business entities that themselves have the right to distribute the goods in Vietnam. The import right does not include the right to organize or participate in the distribution of goods in Vietnam.

- "Right to export" refers to the right to purchase goods in Vietnam for export. The export right does not include the right to organize a network of collecting and purchasing goods in Vietnam for export.

- "Distribution right" means the right to directly undertake activities of distribution, consisting of:

Being an agent for the purchase and sale of goods

Wholesale distribution

Retail distribution

Franchising

Vietnamese businesses are free to conduct trading activities in Vietnam and are authorized to directly export and import any items, with the exception of some prohibited goods, for which a specific business license from the relevant state authorities is required.

Foreign-invested corporations in Vietnam may directly distribute or establish distribution networks to sell the commodities they create in Vietnam, as well as directly export their products. However, certain industries continue to face constraints.

In practice, because the Vietnamese government desires to safeguard native distribution companies, retail distribution by foreign investors in Vietnam remains limited and subject to permission. For more than one retail outlet, the approval must be considered by the licensing authorities based on an Economic Needs Test ("ENT"), which considers the following criteria:

Existing service suppliers in a particular geographic area

Stability of market

Geographic scale

4. TAXATION

General overview

The following taxes apply to the majority of business activity and investments in Vietnam:

- Corporate income tax ("CIT")
- Value added tax ("VAT")
- Personal income tax ("PIT")
- Foreign contractor tax ("FCT")
- Special sales tax ("SST")
- Import and export duties ("IED")

There are various other taxes that may affect certain specific businesses, including:

- Natural resources tax
- Environment protection tax
- Land rental
- Social, unemployment and health insurance contributions

All taxes are levied at the national level and collected locally. In Vietnam, there are no local, state, or provincial taxes.

Tax incentives

Preferential CIT rates of 10% and 17% for 15 years and 10 years are applied, respectively. The preferential rate of 15% will apply for the entire project life in certain cases. Certain sectors as prescribed separately by the Prime Minister will enjoy the 10% rate for entire period of operation of the project.

Tax holidays with a complete exemption from CIT for a certain period generally begin after the enterprise first makes profits, followed by a period where tax is charged at 50% of the applicable rate:

- 4 years of tax exemption and 9 subsequent years of 50% reduction
- 4 years of tax exemption and 5 subsequent years of 50% reduction
- 2 years of tax exemption and 4 subsequent years of 50% reduction

Corporate income tax ("CIT")

The Law on CIT applies to all domestic and foreign entities that invest in Vietnam. The law expands the taxpayer pool to include all foreign enterprises that have income from Vietnam, regardless of whether they have a permanent establishment in Vietnam or not.

In Vietnam, tax year end is generally 31st December, but a corporate-tax payer can either elect to adopt a calendar year, or a fiscal year ending on a quarter of a calendar year.

Tax rates

Currently, the CIT standard rate is 20%. The corporate tax rates are classified into the following certain industries are liable to a higher tax rate:

- Depending on the location and specific project , companies operating in the oil and gas industry are subject to rates ranging from 32% to 50%
- Any companies engaging in prospecting, exploration and exploitation of mineral resources are subject to CIT rates of 40% or 50% depending upon location

CIT may be reduced under investment incentive schemes.

Tax incentives

CIT incentives are available, including a preferential tax rate and tax holidays which are granted to investment projects based on their business activities or their location.

Preferential CIT rate of 10% for 15 years, and 4 years of tax exemption plus subsequent 9 years of 50% reduction will be applied to:

Industry

Certain encouraged sectors, including high technology, environmental protection, scientific research, infrastructural development, software production and renewable energy

Location

Certain qualifying economic and high-tech zones, and especially difficult socioeconomic areas

Other

Qualified large scale manufacturing projects, investment project in manufacturing supportive industrial products prioritized for development (including those started operation before 2015), high-tech enterprises and agricultural enterprises applying high-tech

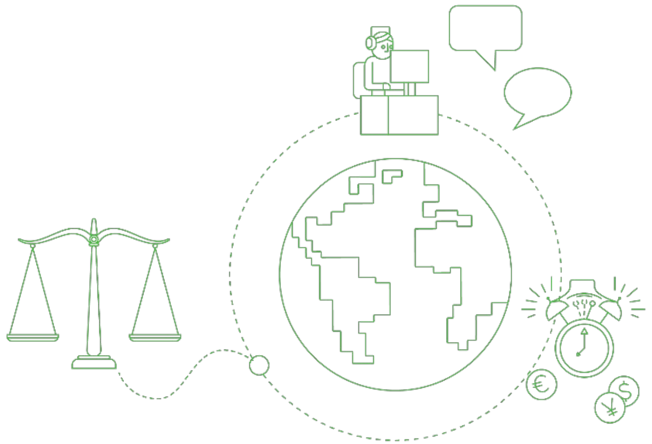
Preferential CIT rate of 17% for 10 years, and 2 years of tax exemption plus subsequent 4 years of 50% reduction will be applied to:

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

Calculation of taxable profits

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

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



Deductible expenses

Expenses shall be treated as deductible expenses for CIT purposes if they fully meet the following conditions:

- Being actual incurred and related to the production and business activities
- Having sufficient legitimate invoices and supporting documents
- Having non-cash payment vouchers for invoices of purchased goods and services from VND 20 million and above
- Not being in the list of non-deductible expenses

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

Losses

Tax losses may be carried forward for a maximum of five (5) consecutive years. Carry-back of losses is not permitted.

Losses incurred as a result of incentivised actions can be offset against profits derived from non-incentivised activities, and vice versa. Losses from real estate transfers and investment project transfers can be adjusted against earnings from other business activities.

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

Profit remittance

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

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

Administration

Taxpayers subject to CIT are obliged to file tax declarations on an annual basis. The provisional CIT payment is on a quarterly basis, based on estimates.

The total provisional CIT payable throughout 4 quarters must be at least 80% of the total CIT due under the yearly tax finalization. This replaces the regulation stating that the total amount of provisional CIT paid in the first 3 quarters of the year will be at least 75% of the payable finalized CIT. Any deficiency will be subject to late payment interest commencing with the quarter 4 provisional CIT liability payment deadline.

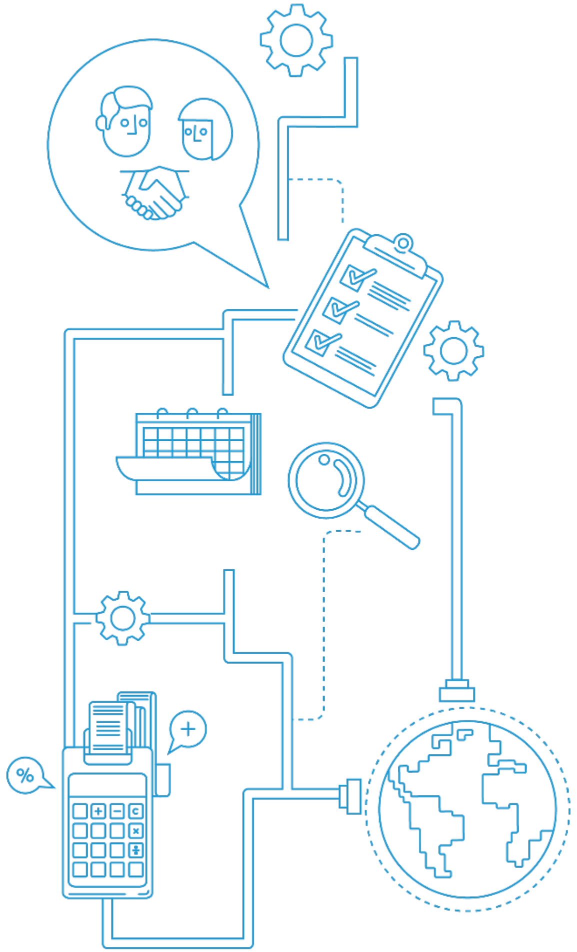
CIT returns are filed annually. The annual CIT return must be filed and submitted not later than 90 days from the fiscal year end (typically 31 December). The outstanding tax payable must be paid at the same time.

The standard tax year is the calendar year. If an enterprise uses a tax year (i.e. fiscal year) different than the calendar year, it is obligated to notify the tax authorities.

Businesses must pay tax in the province where their main head office is located. If a corporation has a "dependent accounting production establishment" in another province or city, the amount of CIT assessable and due will be calculated using a ratio of each manufacturing establishment's costs to the overall spending of the company.

Transfer pricing ("TP")

On 5 November 2020, the Government issued Decree No. 132/2020/ND-CP ("Decree 132"), setting out new rules on transfer pricing in Vietnam. Decree 132 took effect from 20 December 2020 and applies for the CIT tax year of 2020 onwards and replaces Decree 20 and Decree 68.



Decree 132 is broadly based on concepts and principles from the Transfer Pricing Guidelines of the Organisation for Economic Co-operation and Development (OECD) and Base Erosion and Profit Shifting (BEPS) Action Plan. Vietnam's transfer pricing rules also apply to domestic related party transactions.

Related party definition

As compared with the regulations at Decree 20, Decree 132 supplements related party definitions as follows:

- Both enterprises are managed or controlled in terms of their personnel, financial and business activities by individuals, each of whom is in one of the following relationships with the others such as a wife, husband, natural/ foster father, natural/ foster child, natural/ foster older/ younger sibling, brother/ sister-in-law, maternal/ paternal grandfather/ grandmother, maternal/ paternal grandchild, and maternal/ paternal aunt, uncle and nibbling;
- A related enterprise performs the disposition or acquisition transaction in at least 25% of their equity within a tax period; the borrowing or lending transaction in at least 10% of their equity performed at the transaction time falling within a tax period with a person holding the executive office or the controlling interest in the enterprise, or with a person in one of the relationships prescribed in point g of this clause.

TP methodologies

Acceptable methodologies for determining arm's length pricing are analogous to those espoused by OECD in the transfer pricing guidelines for multinational enterprises and tax administrations, i.e. comparable uncontrolled price, resale price, cost plus, profit split and comparable profits method.

TP documentation

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

Similar to Decree 20, Decree 132 still requires a three-tiered TP documentation, specifically Local file, Master file and Country-by-country report. The three-tiered TP documentation has to be prepared before the submission date of annual tax return.

However, Decree 132 requires four appendices of related party transaction disclosure returns, replacing the forms as required by Decree 20.

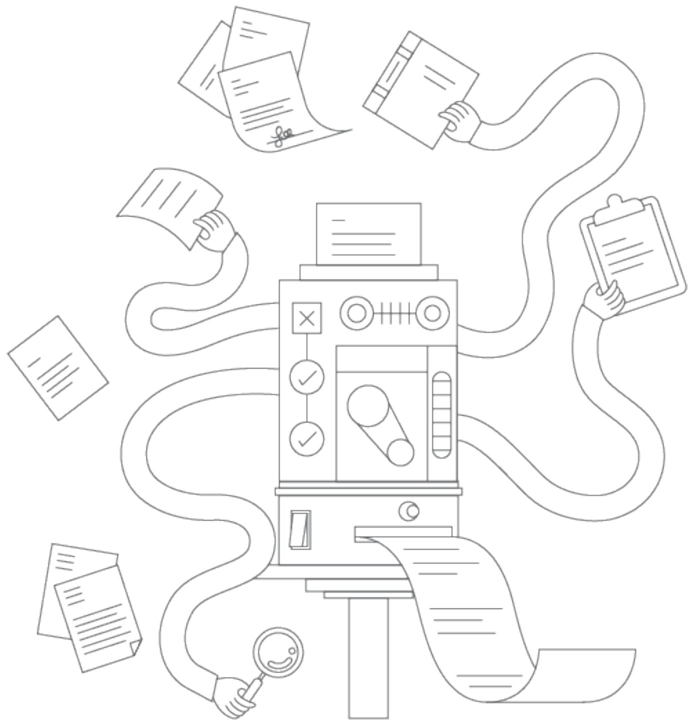
Advance pricing agreement ("APA") opportunity

The Ministry of Finance enacted an APA mechanism in 2013, and Circular 45/2021/TT-BTC ("Circular 45") was issued in 2021 to instruct the APA mechanism. Circular 45, which went into effect on 03 August 2021, clarifies various APA matters in terms of declaration, processing, and authorization procedures, as well as shortens the APA duration to three years from the previous laws' maximum five-year timeframe.

Narrowing the arm's length

Decree 132 narrows down the standard arm's length range. In particular, the arm's length range is a set of values ranging from the 35th percentile to the 75th percentile (tightened from the 25th to the 75th percentile range under Decree 20). As such, the lower-quartile of the threshold is raised by 10%.

Therefore, taxpayers will need to re-assess their transfer pricing positions for financial year 2020 onwards to ensure that their margins fall within this tighter range.



Foreign contractor tax ("FCT")

Foreign organizations and individuals carrying out permitted businesses in Vietnam without a legal entity are subject to FCT comprising VAT and CIT.

Applicable tax rates vary depending on whether a foreign contractor ("FC") registers to use the Vietnamese Accounting System ("VAS") or not. The standard FCT rate is 10% but different rates can apply depending on the transactions and taxpayer's tax filing status.

There are three methods of FCT payment at the FC's selection:

1 Deduction method:

This method allows the FC to declare:

(i) VAT payable is calculated by crediting input VAT against output VAT, and

(ii) CIT based on the declaration of revenue and expense similar to the local enterprises' application.

Of note, FC is required to meet some criteria, including FC's adoption of the VAS

2 Direct method:

Under this method, FC is not required to directly pay FCT to the tax authority since the Vietnamese party is required to withhold and file FCT (VAT and CIT components) from payment(s) made to the FC at the deemed percentage of taxable turn-over.

Various FCT rates are regulated under the nature of activities performed.

3 Hybrid method:

This method is a combination of the two methods. VAT is declared using the credit method (same as Deduction method), while CIT is declared on a deemed basis (same as Direct method).

TP documentation

Because the former FCT regulations primarily enforced compliance through the withholding mechanism, which is only applicable for business-to-business operations (the buyer is a Vietnamese entity), there is no tax collection mechanism for business-to-consumer transactions.

The new procedure was implemented and went into effect on 01 January 2022. Accordingly, overseas suppliers are required to complete their tax registration, declaration, and payment for their revenues in Vietnam through the General Department of Taxation's online portal.

Double taxation agreements ("DTAs")

The CIT element of FCT may be affected by a relevant DTA. Vietnam has concluded more than 80 DTAs with various countries and territories and there are numerous others at various stages of negotiation.

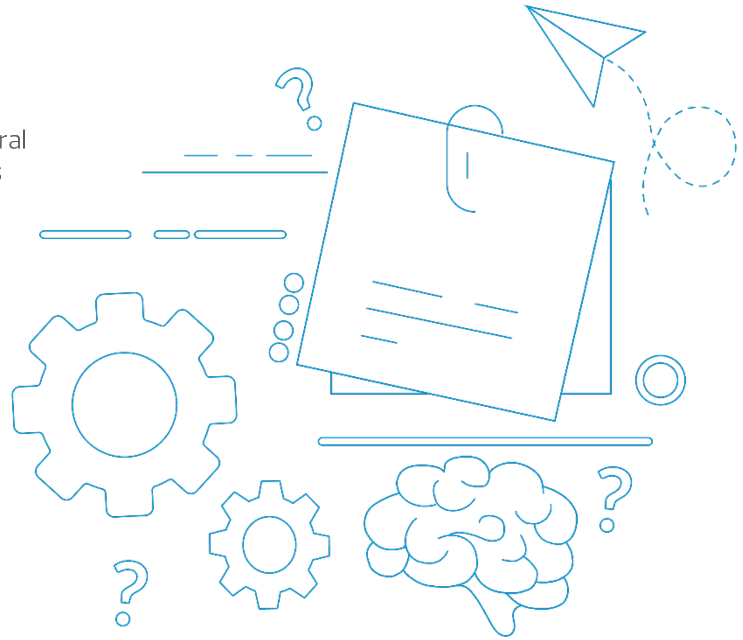
There are various guidelines on the application of DTAs. These include regulations relating to beneficial ownership and general anti-avoidance provisions. DTA application will be denied where the main purpose of an arrangement is to obtain beneficial treatment under the terms of a DTA or where the recipient of the income is not the beneficial owner.

The guidance dictates that a substance over form analysis is required for the beneficial ownership and outlines the factors to be considered, which include:

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

Natural resources tax ("NRT")

NRT is payable by industries exploiting Vietnam's natural resources such as petroleum, minerals, forest products, natural seafood, natural bird's nests, and natural water. The tax rates vary depending on the natural resource being exploited, ranging from 1% to 40%, and are applied to the production output at a specified taxable value per unit.



Land rental

The rental of land use rights by foreign investors (if not contributed as capital) is in effect a form of property tax. The rates are ranging widely depending upon the location, infrastructure and industrial sector in which the business is operating. Additionally, house and apartment owners are required to pay land tax under the law on non-agricultural land use tax which is charged on a square meter basis at progressive rates from 0.03% to 0.15%.

Environment protection tax ("EPT")

Effective from 01 January 2012, Vietnam introduced environment protection tax ("EPT") which is aimed to impose tax on goods that may cause damage to the environment. EPT is in effect an indirect tax applicable to the production and importation of certain goods such as petroleum, coal, plastic bags, and restricted chemicals.

In November 2020, the National Assembly approved a new Law on environmental protection, which will take effect from 01 January 2022. There is no specific change to the above EPT rates in this new law.

Value added tax ("VAT")

VAT applies to goods and services used for production, trading, and consumption in Vietnam. Two methods can be used to calculate VAT payable:

1 CREDIT METHOD

(for taxpayers meeting the requirements)

VAT Payable = Output VAT (VAT collected for sales) — Input VAT (VAT paid on purchases)

2 DIRECT METHOD

(taxpayers that do not qualify for the credit method)

VAT Payable = Value added of goods or services sold X VAT rate

A corporate-tax payer is required to file and pay VAT on monthly basis, or on quarterly basis if relevant conditions are met. Different VAT rates (0%, 5% and 10% - standard rate) or VAT exemptions are applied to different kinds of goods and services.

According to Decree 15/2022/ND-CP, except for certain groups of goods and services such as telecommunications, information technology, financial activities, banking, securities, insurance, real estate trading, metals, goods and services subject to Special Sales Tax, and so on, other goods and services are subject to a reduced VAT rate of 8% from 01 February 2022 to 31 December 2022 due to the Government's incentive program.

Special sales tax ("SST")

SST is a form of excise tax imposed on a selected number of goods and services, either at the stage of production, provision of services or import (except for export products). The tax is calculated based on the selling price at the place of production excluding this tax and VAT.

Taxpayers producing SST goods from SST inputs are entitled to claim a credit on the amount of SST paid on the materials imported or purchased from local suppliers.

Commodities

Include: cigarettes, liquor, beer, automobiles having less than 24 seats, motorcycles, airplanes, boats, petrol, air-conditioners up to 90,000 BTU, playing cards, votive papers

Service activities

Include: discotheques, massage, karaoke, casinos, gambling, lotteries, golf clubs and entertainment with betting

Import and export duties

Most goods imported into Vietnam are subject to import duty except when they meet the conditions for exemption.

Import duty rates vary depending on the nature of goods involved and the origin of the goods. Based on the trading relationship between Vietnam and the exporting country, there are three import duty rates applicable:

- Ordinary
- Preferential
- Especially preferential

Import duty exemptions are applied for:

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

There are various cases where a refund of import duties is possible.

Export duties are charged only on a few items, basically natural resources such as sand, chalk, marble, granite, ore, crude oil, forest products, and scrap metal. Rates range from 0% to 40%.

Social, health and unemployment insurance contributions

From 01 December 2018, social insurance ("SI") contributions are also applicable to foreign individuals working in Vietnam under a work permit or practicing certificate or license and work under a labor contract with an infinite term or a definite term of 1 year or more.

Unemployment insurance ("UI") contributions apply to Vietnamese individuals only and health insurance ("HI") contributions are required for Vietnamese and foreign individuals that are employed under Vietnam labor contracts for at least 3 months.

Both employer and employee are required to pay the statutory insurance with the mandatory contribution rates as follows:

No	Contribution category	By employer	By employee	Capped at (*)
1	SI	17.5%	8%	20 times of base salary
2	HI	3%	1.5%	20 times of base salary
3	UI (local employee only)	1%	1%	20 times of regional minimum salary

(*) The above contribution rates are applied to the total basic salary, certain allowances and other supports as stipulated in the labor contract, but subject to a cap.

Tax audits and penalties

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

Tax audits are carried out regularly and often cover several tax years. Prior to an audit, a written notice from the tax authorities is sent to the taxpayer to specify the timing and scope of the audit inspection.

There are detailed regulations setting out penalties for various tax offences. These range from relatively minor administrative penalties to tax penalties amounting to various multiples of the additional tax assessed.

For discrepancies identified by the tax authorities (e.g. upon audit), a 20% penalty will be imposed on the amount of tax under-declared. Late payment of tax is subject to interest of 0.03% (it was 0.05% prior to 1 July 2016) of the tax liability for each day late.

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

Personal income tax ("PIT")

Both expatriate and Vietnamese individuals working in Vietnam or having Vietnam-source income are subject to PIT. Employment income is taxed on a progressive tax rates basis ranging from 5% to 35%. Other income is taxed at a variety of different rates. For tax nonresidents, flat rate of 20% is applied to the income derived from Vietnam.

In general, a tax resident is a person:

- Present in Vietnam for at least 183 days in a tax year
- With permanent residence in Vietnam, i.e. an individual rents a house in Vietnam according to legislation on housing under a contract that lasts 183 days or longer in the tax year
- Not a tax resident of another country (subject to applicable double tax agreement)

If an individual has a regular place of abode in Vietnam but is only present in Vietnam for less than 183 days in the tax year and fails to prove their residence in any other country, that individual will be considered to be a tax resident of Vietnam.

5. ACCOUNTING AND AUDITING

Accounting framework

Accounting standards

At this time, 26 Vietnamese Accounting Standards ("VAS") were issued from 2001 to 2005. All standards were adopted from and primarily based on the International Accounting Standards ("IAS") and International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board ("IASB") prevailing at the time of issuance. Due to the ongoing revisions and adjustments to IFRS, key differences between IFRS and VAS include terminology, applied valuation methodologies, and disclosure requirements. Vietnam is on the way to close the gap between VAS and IFRS.

Accounting Law and applicable implementation guidance

Accounting Law is the highest accounting law enacted by the National Assembly of Vietnam. Accounting activities are further governed by a system of decisions, decrees, circulars, official letters and VAS.

The accounting framework in Vietnam is majorly rules-based accounting rather than a principles-based one. The Vietnamese Accounting System is seen as the bookkeeping and financial reporting manual which provides a standard chart of accounts, financial statements template, accounting books and voucher templates, as well as detailed guidance on accounting double entries for specific transactions in each individual account.

Industry-specific accounting guidelines are developed for credit institutions, insurance companies, securities companies, fund managers and funds. The accounting guidelines for credit institutions are issued by the State Bank of Vietnam.

Accounting records

Framework: Vietnamese Accounting System

Language: Accounting records are required to be maintained in Vietnamese, however this can be combined with a commonly-used foreign language.

Records retention:

- 5 years for accounting documents
- 10 years for accounting data, accounting books
- Permanently for documents that are significant in terms of economics, national security, and defense

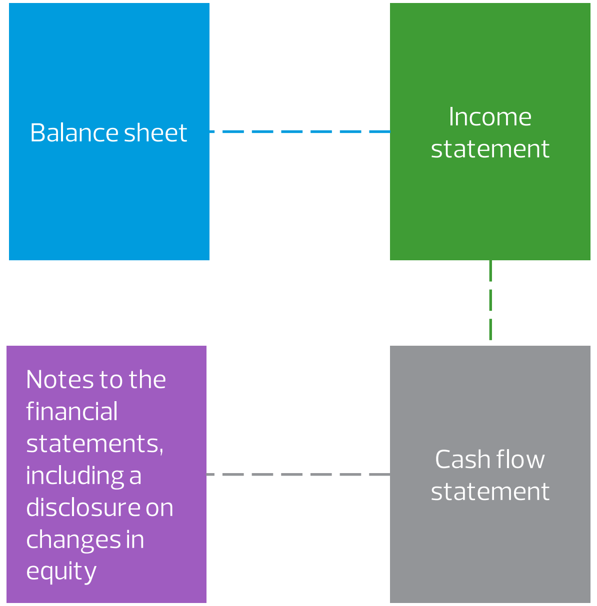
Accounting period: The accounting period is generally 12 months in duration. The first accounting period must not be longer than 15 months from the license date. The last accounting period must also not be longer than 15 months.

Accounting documents: Accounting documents can be stored either in hard or soft copies. For the electronic copies, entities are not required to print out for storage. Nevertheless, entities may be obliged to print off electronic records and have them signed by their legal representatives and chief accountants (or accountants in charge) and stamped (if there is an applicable seal) upon request from competent authorities in relation to testing, inspection, monitoring, and auditing

Currency: Accounting records are generally required to be maintained in Vietnamese Dong ("VND"). Entities that receive and pay mainly in a foreign currency can select that foreign currency to be used in their accounting records and financial statements if they meet all the stipulated requirements. However, for statutory reporting, entities using another currency as their financial currency must convert their financial statements prepared under such other currencies into VND under certain prescribed regulations.

Financial reporting

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



An enterprise is obliged to appoint a chief accountant who must satisfy the criteria and conditions stipulated by the Law on accounting and guiding regulations. The chief accountant and the legal representative must approve the annual financial statements, then a copy of which must be submitted to the local authorities within 90 days of the end of the financial year. For those enterprises operating in export processing zones ("EPZs") or industrial zones ("IZs"), annual financial statements may be required to be filed with the management board of the respective EPZs or IZs.

Audit requirements

Vietnam has developed 47 auditing standards, the most of which are based on International Standards of Auditing with some local modifications. to fit the local circumstances.

All foreign-invested entities must have their annual financial statements audited by an independent auditing firm based in Vietnam. Annual financial statements must be prepared within 90 days of the end of fiscal year. These financial statements must be filed with the relevant licensing organization, the Ministry of Finance, local tax authorities, the Department of Statistics, and other relevant authorities.

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

There is a requirement to rotate audit firms after five consecutive years for credit institutions operating in Vietnam. Signing auditors must be cycled off after three consecutive years for businesses other than credit institutions.

Heading to International Financial Reporting Standards ("IFRS")

Vietnam is expected to align with IFRS in its efforts to enhance comparability and improve transparency.

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

1 **IFRS preparation (from 2020 to 2021)**: The MoF makes necessary preparations for the roadmap implementation in order to support businesses adopting IFRS from 2022 onwards.

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

3 **IFRS compulsory implementation (from 2025 onwards)**: IFRS will be required for all SOEs, listed firms, and major unlisted public enterprises' consolidated financial accounts. Other enterprises that function as parent companies may voluntarily generate IFRS consolidated financial statements. All remaining businesses may voluntarily adopt IFRS for their separate financial accounts, provided that they submit all required information and transparent reports to the authorities concerning their contributions to the State budget.

6. HUMAN RESOURCES AND EMPLOYMENT LAW

Employment law

The Labor Code 2019 (No. 45/2019/QH14) changes some significant focuses identified with contracts, probation, retirement age, additional time, public occasion, completely paid and individual leave, etc. which was authoritatively powerful and replaced the Labor Code 2012 from 1 January 2021.

With this new code, there are clear enforcement statements to assist businesses in complying with the current Labor Code 2019 such as increasing the retirement age is 60 years and 3 months for males and 55 years and 4 months for females. The retirement age then increased to four months per year for women and three months per year for men until 2035.

Trained and skilled workers with degrees and certificates:

26.1% of population **in 2021**

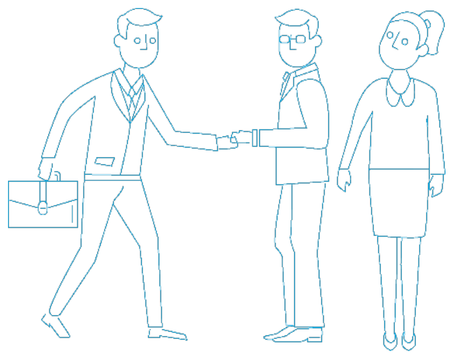
26.3% of population **in 2022**

The labor contract between an employer and an employee must be entered into in one of the following forms:

- Labor contract with an indefinite term;
- Labor contract with a definite term (not exceeding 36 months); and employers may sign up to two definite term labor contracts with employees. After that, if the employee continues to work for the employer, they must sign an indefinite term labor contract.

The employer has the right to arrange hours of work or daily or weekly work as an 8-hour working day and a 48-hour working week. According to Circular 18/2021/TT-BLDTBXH issued in December 2021 by the Ministry of Labour, Invalids and Social Affairs, overtime hours of employees increase from 200 hours to 300 hours per year. This regulation will take effect on 1 February 2022.

In a labor contract with Vietnamese workers, wages and salaries must be set in VND. The wages of employees are subject to minimum rates determined by the Government from time to time. The salary during the probationary period must not be less than 85% of the full-time salary. It is possible to enter a separate probationary contract before entering a labor contract.



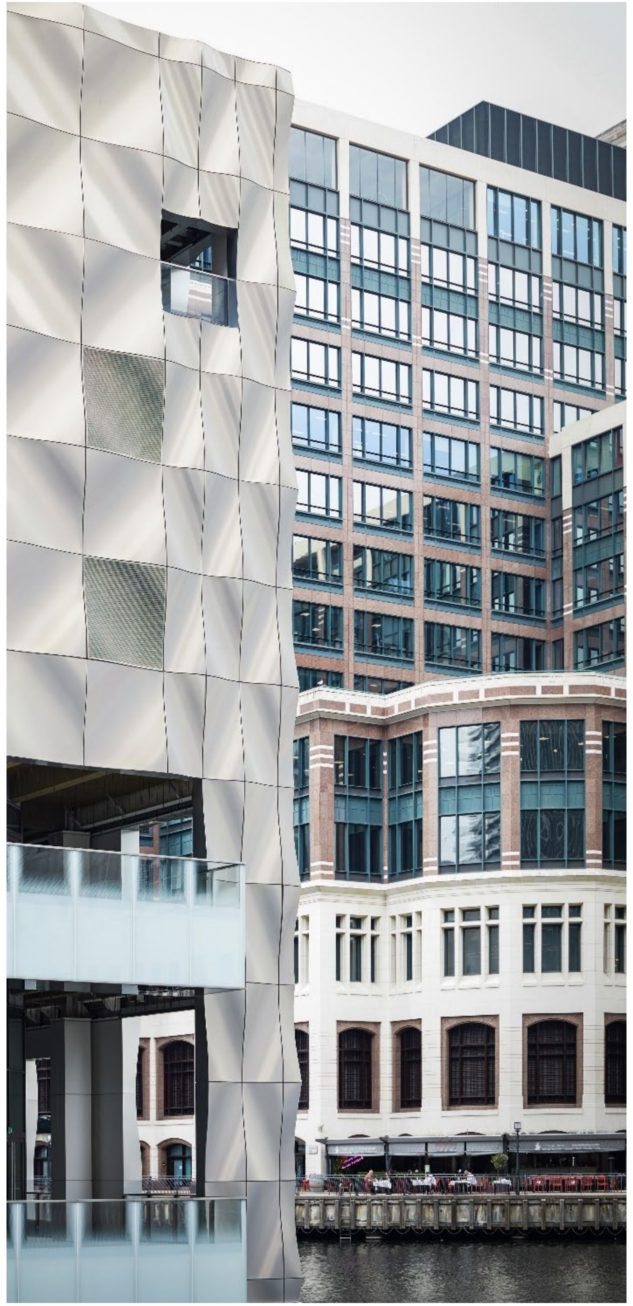
Immigration and work permit

Vietnam's embassy or consulate abroad will be responsible for visas for foreigners to enter Vietnam (except for those from ASEAN countries). According to the time specified in the bilateral treaties signed between Vietnam and some countries, citizens are not required to have a visa to enter Vietnam to stay during this period.

Foreigners working in Vietnam must generally have a work permit issued by the labor management authority. In order to obtain a work permit, foreigners assigned to work in Vietnam are required to show a degree of proprietary knowledge, a special skill or a manager/ executive-level skill not readily available in the domestic labor market. Under the Labor Code, the maximum duration of a work permit is 24 months (which can however be extended subject to certain conditions).

From 2020 to 2021, the immigration of foreigners into Vietnam was restricted by multiple policies due to the emergence of the critical COVID-19 pandemic.

However, in March 2022, Vietnam removed restrictions and restored all entry and exit statutory procedures for foreigners in accordance with the prevailing regulations.



7. BANKING AND FINANCE

Capital management

Minimum legal capital requirement

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

Foreign ownership

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

Basel II

Vietnamese banks have started to apply Basel II since the beginning of 2019. Vietcombank and VIB were the first two banks to fulfil the Basel II standards.

Capital adequacy ratio ("CAR")

Under the guidelines of the State Bank of Vietnam, the CAR must be maintained at the minimum regulatory level of 9%. The current CAR calculation technique is largely based on Basel I in terms of credit risk and does not take other risks into account, such as operational risk and market risk charges.

The SBV adopted a new regulation on CAR in late 2016, which became effective in 2020. According to this new regulation, the CAR must be maintained at a minimum of 8%, and its calculation methodology has been revised to be consistent with Basel II, which takes into consideration not just credit risk but also operational risk and market risk. This new law is seen as a step forward in the banking industry's safety and effectiveness in Vietnam.

Internal controls and internal audit

To comply with the SBV's applicable regulations, credit institutions and foreign banks' branches operating in Vietnam must set up an internal control system and internal audit function. Annually, credit institutions and foreign bank branches must examine and analyze the sufficiency, validity, effectiveness, and efficiency of internal controls.

As a result, a report on the self-assessment of internal controls must be provided, which includes risk updates, a synopsis of the main operations, relevant risks, and checks and controls at the organization-wide, unit, and department levels of credit institutions and foreign bank branches. That report shall be submitted to the key stakeholders of the credit institutions and foreign banks' branches as required and the State Bank of Vietnam within 30 days from the end of the fiscal year.

Independent auditor requirements

An independent auditor is needed to evaluate credit institutions' and foreign banks' branches' annual statutory financial statements as well as the operational performance of their internal control systems. Credit institutions are also required to rotate auditing companies every five years.

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

Foreign exchange control

The Vietnam Dong ("VND") is not freely convertible in foreign currencies, it is under the control of the State Bank of Vietnam ("SBV") and the banking system in general.

The Government has implemented measures to gradually reduce its reliance on the dollar. All monetary transactions in Vietnam must be made in Vietnamese Dong, except for a limited number of transactions allowed by law to be made in foreign currencies as follows:

- Payment and remittance related to import and export and services
- Income generated from direct and indirect investments
- Transfer money when allowed to reduce direct investment capital
- Paying interest, paying the principal of foreign loans in installments
- Payment of salaries, bonuses, and allowances to expatriate employees
- Other similar transactions

The SBV publishes the daily central rate for VND/USD, which will be used by financial institutions licensed to trade foreign currencies with a margin limit of +/- 3% from the beginning of 2016 onwards.

However, to proactively cope with unpredictable developments in the international market and the tightening of monetary policy, on 17 October 2022, the SBV adjusted the spot exchange rate band between the Vietnamese Dong and the US Dollar (USD) from +-3 % to +-5%.

Banking system

Vietnam's banking system was divided into a two-tier structure in 1988 when the SBV assumed the regulatory and supervisory roles for the banking sector, with commercial activities shifting to credit institutions.

The SBV acts as both the Central Bank and as a Government Agency of the Socialist Republic of Vietnam. The SBV operates under the strict direction of the Government and is subject to the approval of the Government or the Prime Minister for critical areas of operation. Vietnam's banking system has significantly developed since its division into two levels.

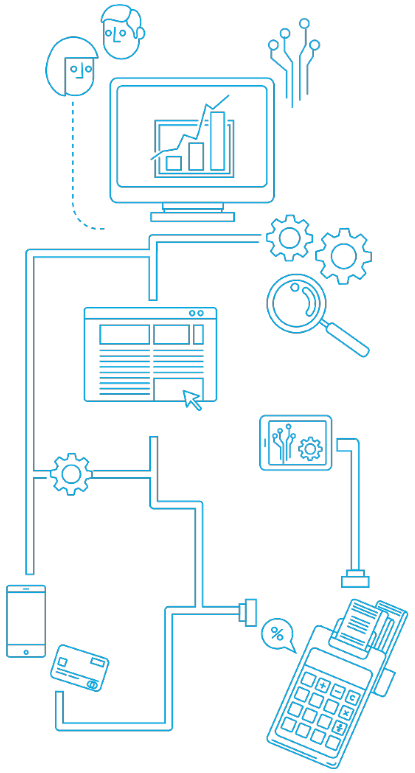
The second phase of bank restructuring process (2016 – 2020) follows the first phase ending in 2015 (2011 – 2015). The merger of several banks and the buying of underperforming banks, banks unable to self – restructure by the State Bank has brought about several achievements including improvement in the performance of banks and reduction of total bad debt ratio of the banking system to 1.9% by end of 2021.

Four SOCBs dominate the domestic banking sector are the Bank for Foreign Trade of Vietnam (Vietcombank), the Vietnam Joint Stock Commercial Bank for Industry and Trade (Vietinbank), the Bank for Investment and Development of Vietnam (BIDV), and the Vietnam Bank for Agriculture and Rural Development (Agribank). The SOCBs currently account for around 40% of total banking system assets; however, the domination of these banks has been on a significant downward trend.

Over the last decades, foreign banks have expanded their presence in Vietnam. There are about 52 foreign bank branches, two joint-venture banks, and nine 100%-foreign owned banks by September 2022.

According to existing regulations, total foreign shareholdings in local Vietnamese banks must not exceed 30%. Within this limit the maximum shareholding permitted to a foreign bank as a strategic partner is 20%, while a nonstrategic investor can own 15%. Individual investors may own no more than 5% of the stock.

While the banking industry developed rapidly, Vietnam is still a largely cash-based society with the fact that only about 31% of Vietnam's population held bank accounts at the end of 2015. However, according to statistics of the SBV in 2020, 70% of adults in Vietnam have a bank account thanks to many facilitations of the Government.



Vietnam's credit institutions comprise:

1. State-owned commercial banks (SOCBs)
2. Joint-stock commercial banks
3. Joint-venture banks
4. Branches of foreign banks
5. Credit cooperatives
6. 100%foreign-owned banks
7. Finance leasing companies
8. Finance companies

8. LAND

In Vietnam, private ownership of land is not allowed. However, although private ownership of land is technically not permitted, legal ownership can in essence be derived through the right to use land (i.e. the land use right ("LUR")).

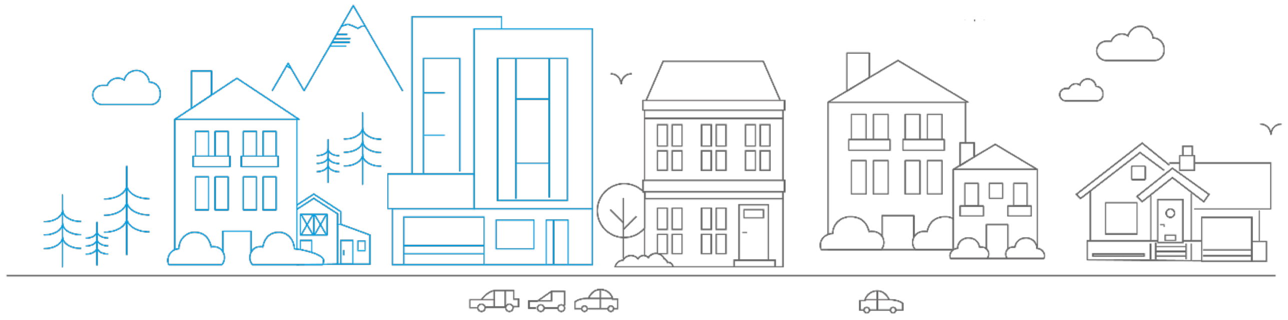
The ownership of LUR and other assets attached to land is evidenced by the Certificate of Land Use Right, Ownership of House and Other Assets Attached to Land (the "LURC"). This LURC sets out fundamental information on the land use, including the term and purpose of the land use, and the assets attached to the land (if any).

There are three main modes for investors to obtain land use rights from the state

Allocation	Recognition	Leasing
The State can only assign LURCs according to administrative decisions to national organizations. The assigned land use rights may or may not be subject to land use levy, depending on the case.	The state can only "recognize" LURCs to national organizations, in which case no fees apply.	The State can lease land use rights to domestic and foreign organizations on a contract basis. Renting LURCs is subject to land rent and is the only form of land ownership available to foreigners. Foreign investors in Vietnam obtain LURCs (a) through a joint venture company to which a local Vietnamese partner contributes the LURC, or (b) by leasing land directly from several authorized lessors such as the Government.

Foreign investors can lease land directly from States after establishing a foreign invested company in Vietnam or sublease land from infrastructure developers. The lease term must be consistent with the approved project's term if it does not exceed 50 years or, in some special cases, 70 years.

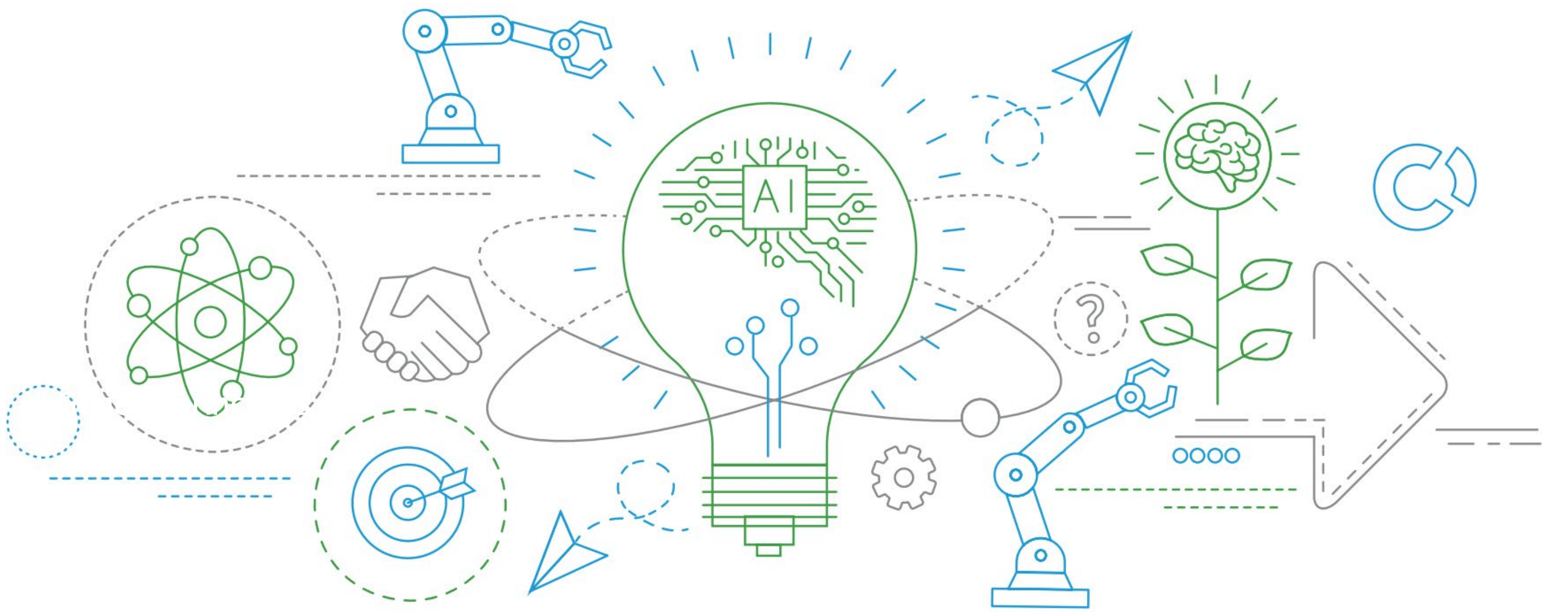
The exemption or reduction of land rent and water surface rent is applied to several investment projects that meet certain conditions such as investment in incentive lines, certain business lines and/or geographical locations. Foreign invested enterprises and foreign parties participating in BCC can be exempted from land rent, water surface rent between 03 years to the whole operation period and reduce land rent and water surface rent in some cases.



9. TECHNOLOGY TRANSFER

Technology transfer in Vietnam is regulated by the Law on technology transfer ("LTT") 2017 which takes effect from 1 July 2018.

The LTT has six chapters with 60 articles, dealing with objects eligible for transfer; technologies encouraged for, restricted to, and prohibited from transfer; technology transfer agreements; technology transfer services (including technology transfer brokerage, appraisal, evaluation, assessment and promotion); measures for encouraging and boosting technology transfers; approval and registration of technology transfers; and handling disputes, claims, denouncements and breaches in technology transfers.



General principles

The LTT defines technology as solutions, processes and know-how, which may or may not be associated with tools and means, to turn resources into products. The phrase "technology transfer" refers to the transfer of the right to possess the technology or the licensing or sublicensing of the right to use it by an individual or a business entity.

Governing law

The parties are allowed to agree on foreign governing law, together with other terms and conditions which are not contrary to Vietnamese law. Article 776 of the Civil Code 2005 provides that technology transfer with a foreign element (i.e., between a Vietnamese entity and foreign entity and technology transfer from any foreign country into Vietnam or from Vietnam to any foreign country) must comply with:

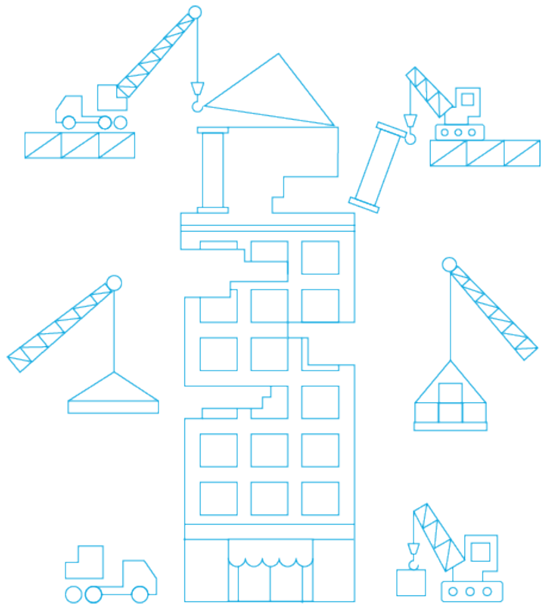
(i) Provisions of the Civil Code 2005 and other legal documents of Vietnam concerning technology transfers;

(ii) International treaties to which Vietnam is a contracting party; or

(iii) Foreign law, if the application of such foreign law or the consequence of its application does not contradict "the basic principles of the law of Vietnam".

Registration

Besides some cases where the technology transfer contracts ("TTCs") are compulsorily required to register with the Government such as TTL from a foreign country to Vietnam and vice versa, the LTT also provides the right of the parties to register on a voluntary basis with respect to "unrestricted" TTCs to set the ground for the parties to enjoy incentives given in this law and other relevant laws". It is therefore suggested that parties register TTCs to enjoy incentives under the LTT and other laws. The LTT requires that "restricted" technology transfers are subject to approval by the technology management authority (the "technology authority") before the TTC is entered into by the parties, and then a permit is issued after the TTC's execution.



Confidentiality

Competent authorities responsible for the issuance of technology transfer permits and certificates of registration of TTCs are obligated to maintain the confidentiality of the technologies and business secrets in application files for issuance of technology transfer permits and registration of technology transfer contracts.

RSM Vietnam is one of the leading mid-tier accounting and advisory firms in Vietnam, which was established in July 2001. RSM Vietnam has become a member of the RSM network since 2012. Under its core purpose of being the firm of choice for growing businesses looking for high quality & personalized services, RSM Vietnam assists clients in achieving their goals through audit, tax, advisory & outsourcing services. RSM Vietnam has more than 400 staff in Vietnam serving mid to large public-listed, multi-national and private companies in various industries. RSM is the 6th largest provider of audit, tax and consulting services worldwide (based on International Accounting Bulletin in March 2022) and the 5th largest supplier in USA. RSM has 830 offices in 120 countries and more than 57,000 people internationally. The network's annual total fee income is US$8 billion for 2022.

RSM Vietnam was founded by a group of certified public auditors ("CPAs") and accredited consultants, who had worked in the field of auditing and consulting since the very first days of this industry in Vietnam. With these advantages, RSM Vietnam has possessed the valuable manpower resources to confidently provide professional services requiring a full understanding of Vietnam's business climate and with international quality standards. *At RSM, our purpose is to instill confidence in a world of change.* Currently, RSM Vietnam has offices in Ho Chi Minh City, Hanoi and Danang encompassing a total of employees of more than 400 people (of which 40 professionals holding CPAs issued by the Ministry of Finance). RSM Vietnam is currently the 6th largest provider of tax services and audit and accounting services in Vietnam based on the ranking of the Ministry of Finance.

INDUSTRY INSIGHTS

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

- E-commerce
- Retail
- Education
- Software
- Real estate
- Livestock
- Renewable energy
- Hospitality
- Financial services
- Private equity
- Manufacturing
- Energy

We also provide customised assistance to certain groups of clients through service packages such as private business services and country desks (including Chinese business services).

OUR SERVICES

RSM Vietnam provides clients with professional and high-quality services including audit, tax, accounting, deal advisory and consulting by bringing solutions in order to truly understand your needs and go to success for your business. We have rich specialist resources from our network, combined with extensive knowledge of the Vietnamese market, which ensures capabilities to provide an unrivaled level of support to our clients in the following services:

- Audit & assurance
- Tax
- Transfer pricing
- Transaction advisory
- Business process solutions
- Risk advisory
- IT advisory
- Corporate advisory

OUR VALUES

As a network, we underpin our brand with the following values that are integral to the way we act with each other and with clients:

Acting responsibly

We build a better future by demonstrating a responsibility to our people, clients, communities and planet.

Excellence in all we do

We continuously focus on quality and strive to be the best in all we do, as individuals and collectively.

Respect and uncompromising integrity

We do the right thing, ensuring our actions speak louder than our words.

Succeeding together

We embrace inclusivity and individuality and collaborate effectively to build strong relationships based on deep understanding.

Impactful innovation

We welcome change and put insight and technology to work, making a real difference for our clients and our people.

CORPORATE RESPONSIBILITY

At RSM Vietnam, we believe that the heart of corporate responsibility ("CR") is a genuine commitment to corporate social responsibility that unites a business, reinforces its reputation, and forges crucial connections with the communities in which it operates.

We recognize that as business leaders, we have a responsibility to not only do the right thing by incorporating excellent social, environmental, and economic practices into our everyday operations but also to serve as a catalyst for change by advocating these ethical and transparent corporate practices to the marketplace.

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The aim of this publication is to provide general information about doing business in Vietnam and every effort has been made to ensure the contents are accurate and current. However, tax rates, legislation and economic conditions referred to in this publication are only accurate at time of writing. Information in this publication is in no way intended to replace or supersede independent or other professional advice. No responsibility for any errors or omissions nor loss occasioned to any person or organisation acting or refraining from acting as a result of any material in this publication can, however, be accepted by the author(s) or RSM International. You should take specific independent advice before making any business or investment decision.

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