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Hawksford

A Guide to Doing Business in Vietnam

Vietnam Business Expansion

Our guide explains how to expand your business into Vietnam.

Given its deep integration with the global economy, Vietnam has been hit by the ongoing COVID-19 pandemic but has shown outstanding resilience. GDP grew by 2.9 percent in 2020 and the economy is set to grow 6.6 percent in 2021 on the back of successful control of COVID-19 infections, strong performance by export-oriented manufacturing and robust recovery in domestic demand.

Read our guide as we look at the key considerations when planning your business expansion into Vietnam.

Our guide covers the following

- Business incorporation & set-up in Vietnam
- Steps to incorporating your company in Vietnam
- Legal entity comparison
- Vietnam's intellectual property landscape
- Tax exemptions and incentives available for Vietnamese companies
- Double taxation agreements (DTAs)

1. Business incorporation & set-up in Vietnam

It takes approximately 2 to 3 months to set up a business in Vietnam as local government procedures can be quite laborious. If the company needs additional licenses, such as for trading or tourism activities, the timeline of the process can stretch to four to five months.

General requirements of business incorporation in Vietnam:

Allowed foreign ownership:

Vietnam allows 100% of foreign ownership in most sectors (e.g., trading, IT, manufacturing, and education). Some business lines such as advertising and tourism require a Vietnamese joint venture partner. In Vietnam, the World Trade Organization (WTO) agreements regulate the allowed foreign ownership in different business lines.

Minimum capital requirement:

In general, there is no minimum capital requirement in Vietnam, apart from certain business lines. However, the capital you contribute should reflect the activities of the company. The most common amount of minimum capital in Vietnam is USD $10,000.

Registered Address:

Service-based businesses can use a virtual office for the registration purposes. Manufacturing companies or companies which require a retail or business space for conducting their activities, on the other hand, need a physical business location in Vietnam. In some cases, the Department of Planning and Investment will check it before the incorporation. It is sufficient to present a memorandum of understanding (MOU) or an offer letter stating that the founder will use the premises for conducting the company's activities once it is set up.

Resident Directors:

All companies in Vietnam require at least one resident director. The appointed director does not have to have residency status at the time of incorporation. However, they need a residential address in Vietnam. If the director is also a founder, he or she will not require a work permit. If the director is not a founder and is a foreign national, he or she will need a work permit in Vietnam

2. Steps to incorporating your company in Vietnam

Step 1: Investment License

The first step of any foreign-owned company registration in Vietnam is to obtain an Investment Registration Certificate (IRC) from the Department of Planning and Investment (DPI). In general, it takes up to fifteen days to receive it. However, if your business line does not fall under any WTO commitments or no local laws regulate foreign investment in that business line, the timeline will be significantly longer since the DPI will have to ask for a Ministry-level approval.

Step 2: Business registration certificate

The second step is to acquire a Business Registration Certificate (BRC), also known as the Enterprise Registration Certificate (ERC). Generally, the ERC is ready three days from the date all the documents required are submitted.

Step 3: Tax registration and payment of the business license tax

The following step is completing tax registration at the local tax department. In Vietnam, businesses also need to pay an annual business license tax that is USD $90. The company has 30 days from receiving the BRC/ERC to complete the tax registration and pay the business license tax.

Step 4: Capital contribution

Once received the BRC/ERC, you have 90 days to make the initial capital contribution. To transfer capital into Vietnam, foreign investors must open a capital bank account in a legally licensed bank.

Step 5: Apply for sub-licenses, if applicable

Some business lines such as manufacturing, lodging, and trading require additional licenses that will extend the process.

Step 6: Follow-up activities

The last step of company registration in Vietnam after other permits are in place is to complete the follow-up activities. For example, trading companies may need to complete product registration, which can take from 10 days to 4 months.

Expanding into unknown markets like Vietnam can be time-consuming, risky, and complex. Hawksford provides efficient end-to-end corporate, accounting, business expansion, and operational compliance solutions, that enables some of the world's most distinguished and commercially trading businesses to grow and expand into new markets.

Email us now to learn about our business expansion solutions on Expansion@hawksford.com

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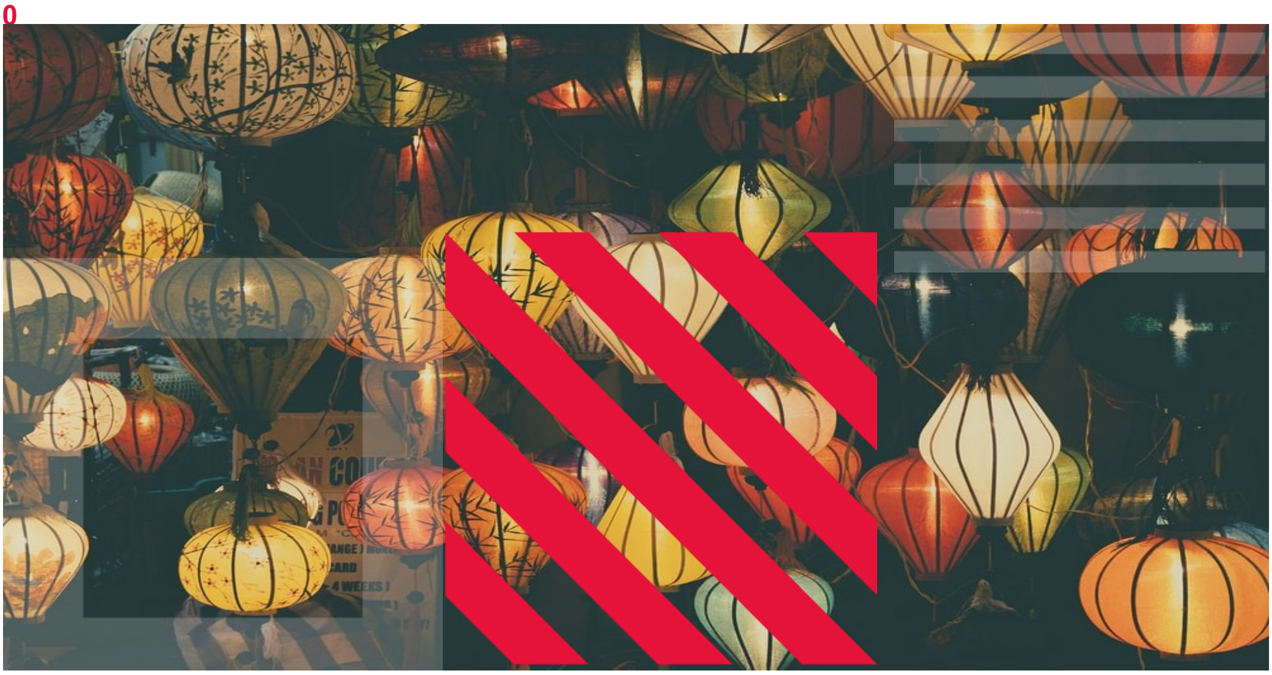

3. Legal entity comparison

There are five different legal entity types available to foreign investors planning to do business in Vietnam – they are a Branch Office, Representative Office (RO), Limited Liability Company (LLC), Joint-Stock Company (JSC), Partnership Company.

Read on as we do a comparison between the five main legal entity types available to foreign investors planning to do business in Vietnam.

Corporate structuring options in Vietnam

Legal entity	Common purpose(s)	Pros	Cons
Branch office	▪ Non-separate legal entity ▪ Commercial activities within the parent company's scope	▪ Can carry out commercial activities within the parent company's scope	▪ Business scope limited to that of the overseas parent company ▪ Parent company bears liability
Representative office (RO)	▪ Non-separate legal entity ▪ Market research activities, liaison with overseas parent company, supporting activities, find investment opportunities	▪ Easy registration procedure (no minimum number of shareholders required) ▪ Not subject to tax in Vietnam	▪ Cannot conduct profit-making activities ▪ Parent company bears liability
Limited liability company (LLC)	▪ Separate legal entity ▪ Needs at least 1 founder ▪ Small-medium sized business	▪ Liability limited to capital contribution ▪ No restrictions on the scope of business	▪ Cannot issue shares ▪ Maximum 50 shareholders
Joint-stock company (JSC)	▪ Separate legal entity ▪ Needs at least 3 founders ▪ Medium-large sized business	▪ Liability limited to capital contribution ▪ No restrictions on the scope of business ▪ Can issue shares and go public ▪ No limitation on the maximum number of shareholders	▪ Three or more shareholders required ▪ Supervisory board required for most JSCs, depending upon the number and type of investors
Partnership company	▪ "Half-separate" legal entity ▪ Generally used for professional services offered by individuals (e.g., architects)	▪ One of the partners can be excluded from unlimited liability	▪ Requires at least two general partners, individually liable for the partnership debts without limit

4. Vietnam's intellectual property landscape

Domestic protection

Vietnam's National Assembly passed the Law on Intellectual Property Rights (IPRs) in 2005, laying the foundation for IP protection within the Vietnamese legislation. To strengthen the protection of IPRs, Vietnam entered into a Bilateral Trade Agreement (BTA) with the US in September 2010 and became part of the World Trade Organization (WTO) in October 2013. The Government issued stricter administrative sanctions for violations of industrial property rights, as well as important changes to IPR regulations in Vietnam. The National Office of Intellectual Property of Vietnam (NOIP) is the agency, established under the Ministry of Science and Technology, that oversees exercising state management and providing services in the field of IP. Its roles include administrating the registration of industrial designs, trademarks, brand names and other IPRs and conducting legal appraisals to settle IP disputes.

International protection

Aside from domestic IP protection, Vietnam also participates in international IPR conventions such as the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, the Rome Convention, the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement, the World Intellectual Property Organization (WIPO), the Patent Cooperation Treaty, and the Madrid Protocol.

In addition, Vietnam has recently signed on to several ambitious trade agreements, including the Transpacific Partnership (TPP) and the European Union Vietnam Free Trade Agreement (EVFTA). The above-mentioned agreements are projected to provide great assistance to Vietnam, aligning its national IP protection with international best practice.

For more guidance around IP protection in Vietnam, please speak to our APAC Business Expansion experts on Expansion@hawksford.com

Client success story

Shaping the future of digital business in Europe, Singapore, and Hong Kong and Vietnam

An established and publicly listed \multinational company from Europe which provides innovative IT services had a tight APAC expansion timeline to meet growing demand. We took care of the administrative aspects of their business set-up such as incorporation, business bank account opening, and immigration requirements, to alleviate the stress of expanding their business internationally.

5. Tax exemptions and incentives available for Vietnamese companies

Corporate income tax applies to all domestic and foreign entities that invest in Vietnam − i.e., companies incorporated under Vietnamese laws and those which are incorporated under foreign laws and carry on a business in Vietnam.

Enterprises are subject to the tax rates imposed under the CIT Law. The standard CIT rate is 20% and calculated based on the income of the entity (revenues minus expenses).

Companies operating in the oil and gas industry are subject to CIT rates ranging from 32% to 50% depending on the location and specific project conditions and companies which engage in prospecting, exploration and exploitation of certain mineral resources are subject to CIT rates of 40% or 50%, depending on the project's location.

There are however some tax incentives to leverage if you qualify. These include:

Incentives for new investment projects

Tax incentives are granted to new investment projects based on regulated encouraged sectors, encouraged locations and the size of the project. Business expansion projects which meet certain conditions are also entitled to CIT incentives from 2015.

Encouraged sectors

The sectors which are encouraged by the Vietnamese Government include education, health care, sport/culture, high technology, environmental protection, scientific research and technology development, infrastructural development, processing of agricultural and aquatic products, software production and renewable energy.
Encouraged locations
Locations which are encouraged include qualifying economic and high-tech zones, certain industrial zones, and difficult socio-economic areas.

Common tax rates
The two common preferential rates of 10% and 20% are available for 15 years and 10 years respectively, starting from the commencement of generating revenue from the incentivised activities. The duration of application of the preferential tax rate can be extended in certain cases.

Tax holiday

Tax holidays take the form of an exemption from CIT for a certain period beginning immediately after the enterprise first makes profits from the incentivised activities, followed by a period where tax is charged at 50% of the applicable rate. However, where an enterprise has not derived taxable profits within 3 years of the commencement of generating revenue from the incentivised activities, the tax holiday/tax reduction will start from the fourth year of operation. Criteria for eligibility for these holidays and reductions are set out in the CIT regulations.

SMEs

From 1 January 2018, certain incentives, including a lower CIT rate are granted to small and medium enterprises ("SMEs") (various criteria apply to be considered an SME).

For more information on the tax exemptions which your company may be eligible for, please speak to our APAC Business Expansion experts on Expansion@hawksford.com

6. Double taxation agreements (DTAs)

Vietnam has also signed around 80 DTAs and there are several others at various stages of negotiation. The signed DTA with the US is not yet in force.

The CIT withholding taxes may be affected by a relevant DTA. For example, the 5% CIT withholding on services supplied by a foreign contractor may be eliminated under a DTA if the foreign contractor does not have profits attributable to a PE in Vietnam.

Looking for more information on Vietnam market entry and establishment? Hawksford can help. Hawksford is an established facilitator of market entry and business expansion into Vietnam and the wider Asia-Pacific region. Our experts enable you to enter, establish and structure your business in new and diverse markets, through our alliance of vetted partner firms. Whether you are testing a market, or expanding at a rapid pace through joint ventures, investment projects or M&A, we help you manage the risks & complexities of business expansion.

How can Hawksford help?

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Through a combination of offices in major financial hubs and an extensive network of partners in established and emerging APAC locations, as well as complimentary jurisdictions, we can assist at many points of your business expansion, from ensuring compliance set-up, operational management, and guidance on hiring at the point of entry, to payroll management operations and supplier chain management as you scale and grow.

Contact us

The information highlighted in this guide provides a brief overview of doing business in Vietnam. For more information, please get in touch with any of the expansion experts below

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Dario is the Managing Director for Southeast Asia whilst managing a strategic portfolio of clients in China and Hong Kong.

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Thinking beyond tomorrow

We help clients to make the most of their business decisions and wealth.

We take on the burden of regulatory, financial and tax compliance, and corporate governance to enable our clients to focus on managing their business interests and creating wealth.

We've helped families to take care of their wealth, entrepreneurs to succeed, multinational companies to transact and operate, and funds to maximise their returns.

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