

— .

ESTABLISHING AND OPERATING IN VIETNAM: LEGAL, TAX AND HR ISSUES

2022



CONTENTS

PART 01

WHY VIETNAM?

PART 02

HOW TO SET UP COMPANY IN VIETNAM

PART 03

TAXATION

PART 04

HUMAN RESOURCES

WHY VIETNAM?

* 2022:

➤ Vietnam's strategic geographical position

➤ US\$413.81 Billion Economy (Source: IMF)

➤ One of the world's best economic growths:
8.02% GDP growth in 2022

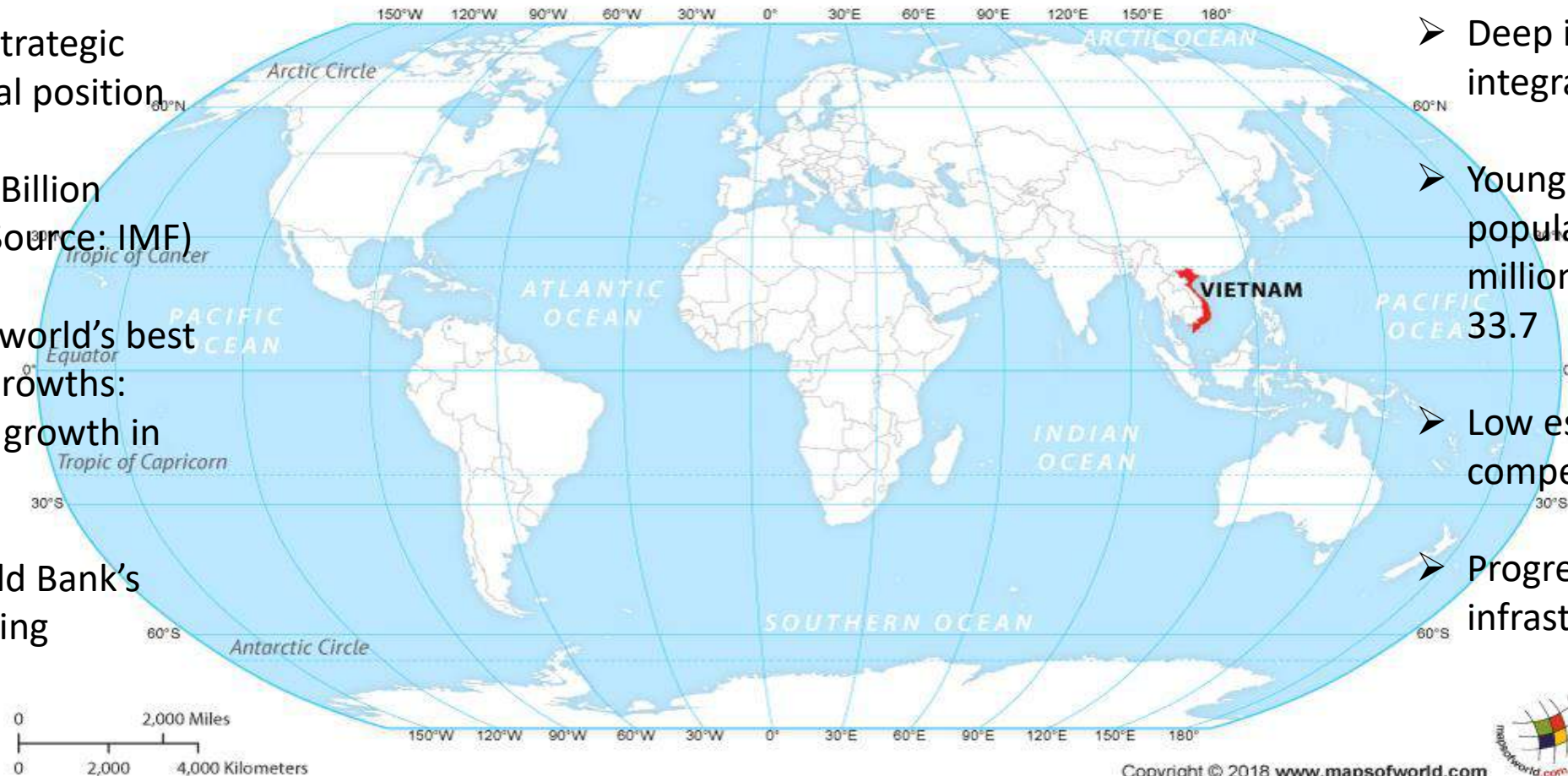
➤ 70th in World Bank's "Ease of doing business"

➤ Deep international integration: WTO & FTAs

➤ Young and dynamic population of 99.3 millions; average age of 33.7

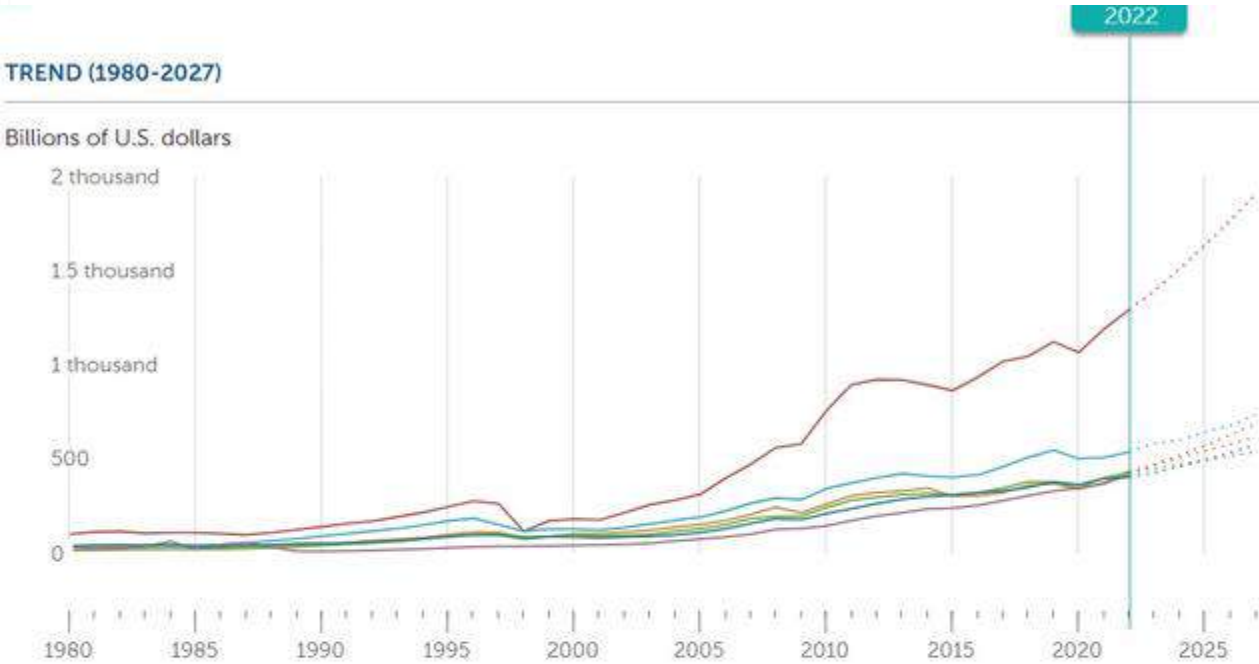
➤ Low establishing cost and competitive labor cost

➤ Progressing infrastructure



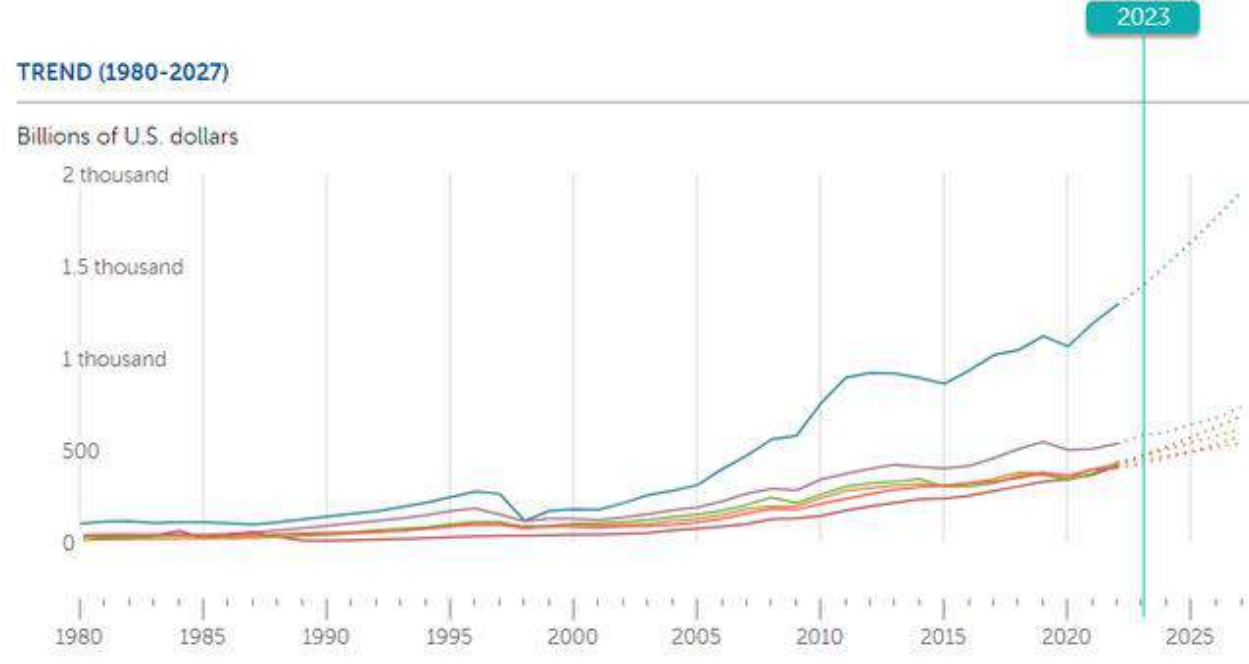
WHY VIETNAM?

GDP comparison



SELECTION (2022)

Indonesia	1.29 thousand
Thailand	534.76
Malaysia	434.06
Singapore	423.63
Vietnam	413.81
Philippines	401.66



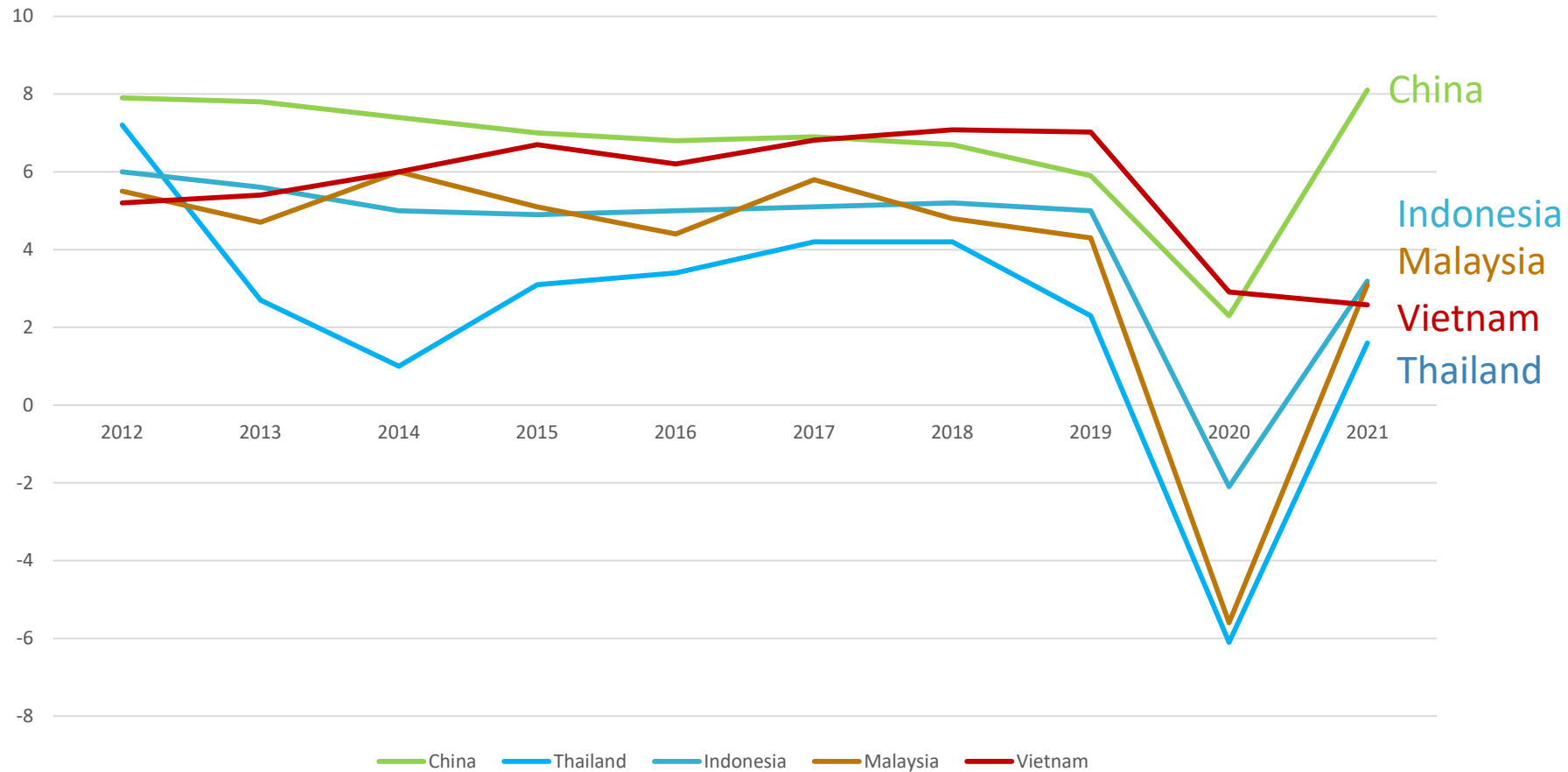
SELECTION (2023)

Indonesia	1.39 thousand
Thailand	580.69
Vietnam	469.62
Malaysia	467.46
Singapore	447.16
Philippines	425.66

Source: IMF

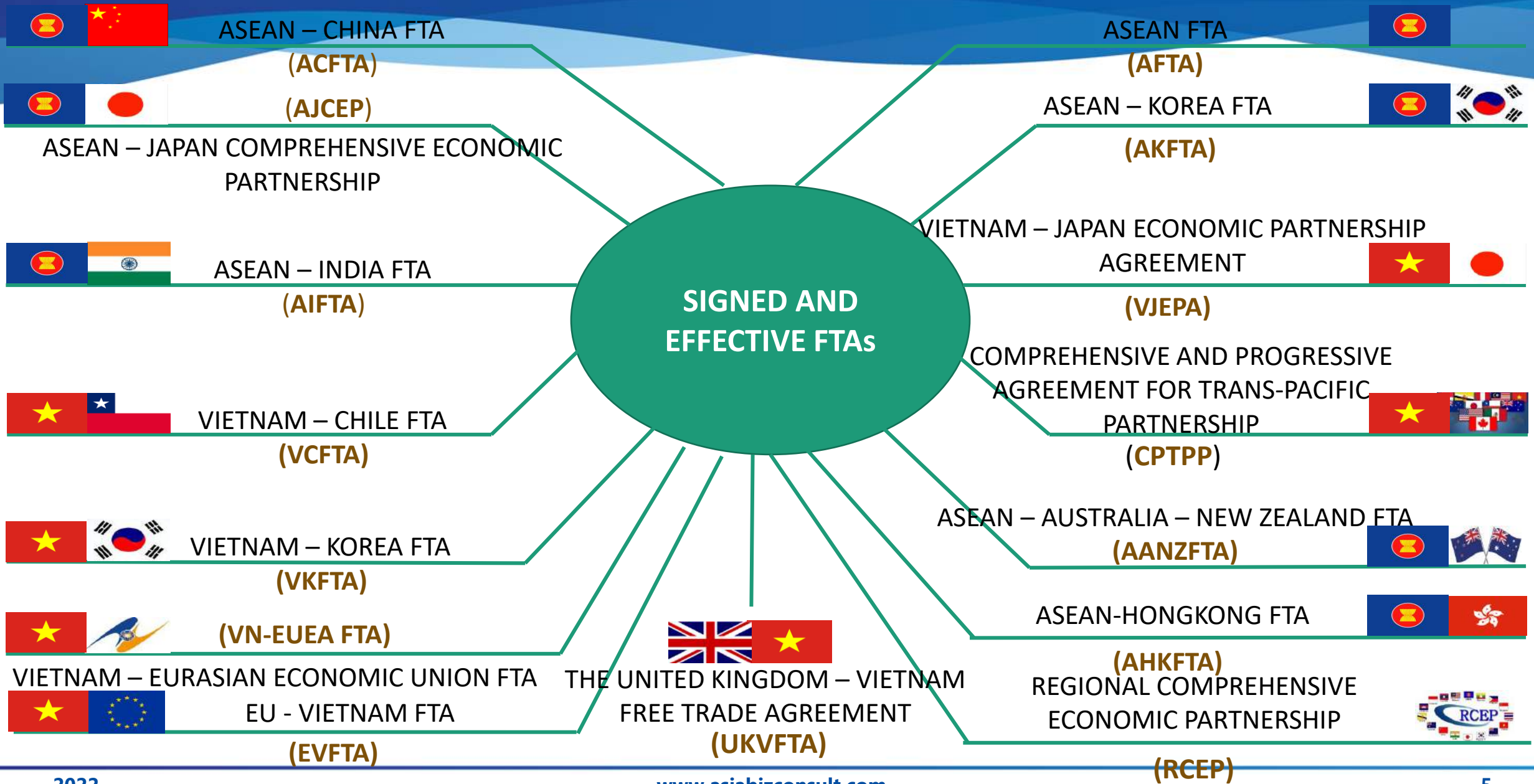
WHY VIETNAM?

GDP growth rate comparison



Source: The World Bank

17 FREE TRADE AGREEMENTS (FTA) IN VIETNAM



17 FREE TRADE AGREEMENTS (FTA) IN VIETNAM



WHY VIETNAM?

-
- ✓ The US - China trade war
 - ✓ The supply chain is moving across boundaries
 - ✓ There are important tariff advantages, compared to other countries, in exporting Vietnamese-originating products to U.S and more than 60 countries and territories in the world, including big markets such as EU, Canada, Japan, South Korea, etc
 - ✓ Vietnam could become the “hub” of Foreign Direct Investment for exporting to the world
 - ✓ Multinational companies such as Intel, Microsoft, Jabil, Microchip, IBM, P&G, Coca-Cola, PepsiCo, Ford, General Electric, Samsung, Piaggio, etc are already in Vietnam. **WHO'S NEXT?**

FOREIGN DIRECT INVESTMENT (FDI) IN VIETNAM

FDI growth

Foreign direct investment in the period of 1988-2019.
Unit: Million USD



Source: Vietnam Statistics Department

FOREIGN DIRECT INVESTMENT (FDI) IN VIETNAM

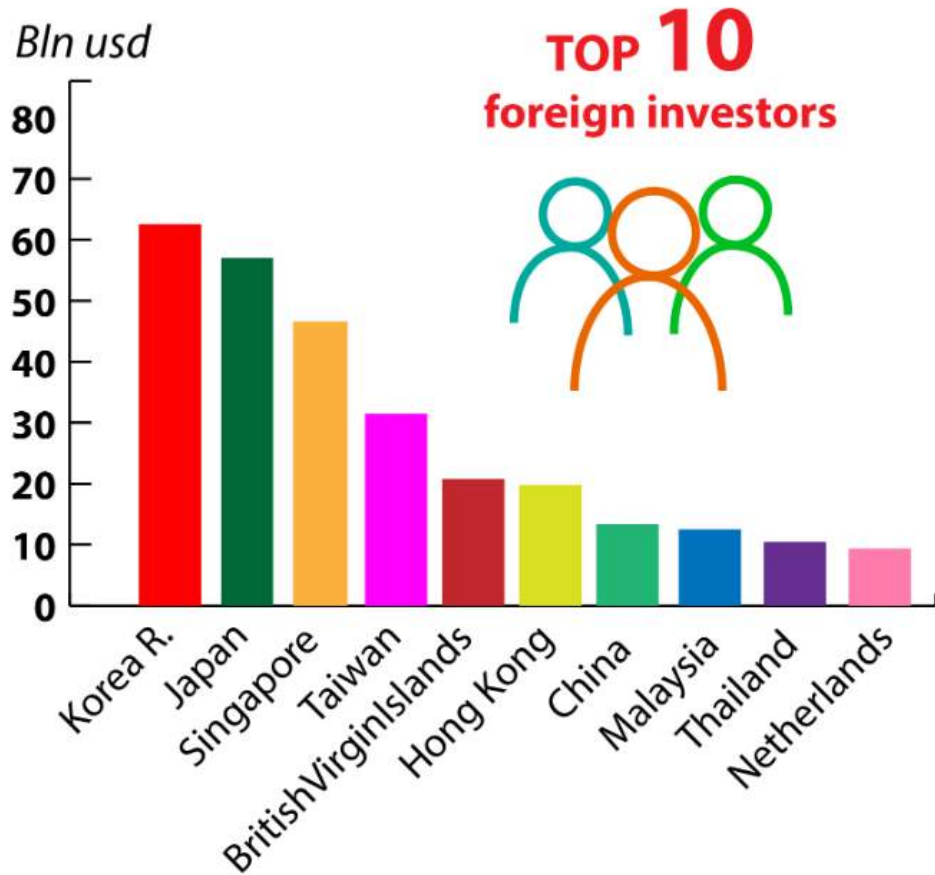
FDI growth

FDI Disbursement in Vietnam (US\$ Billion)
From 2012 to 2021

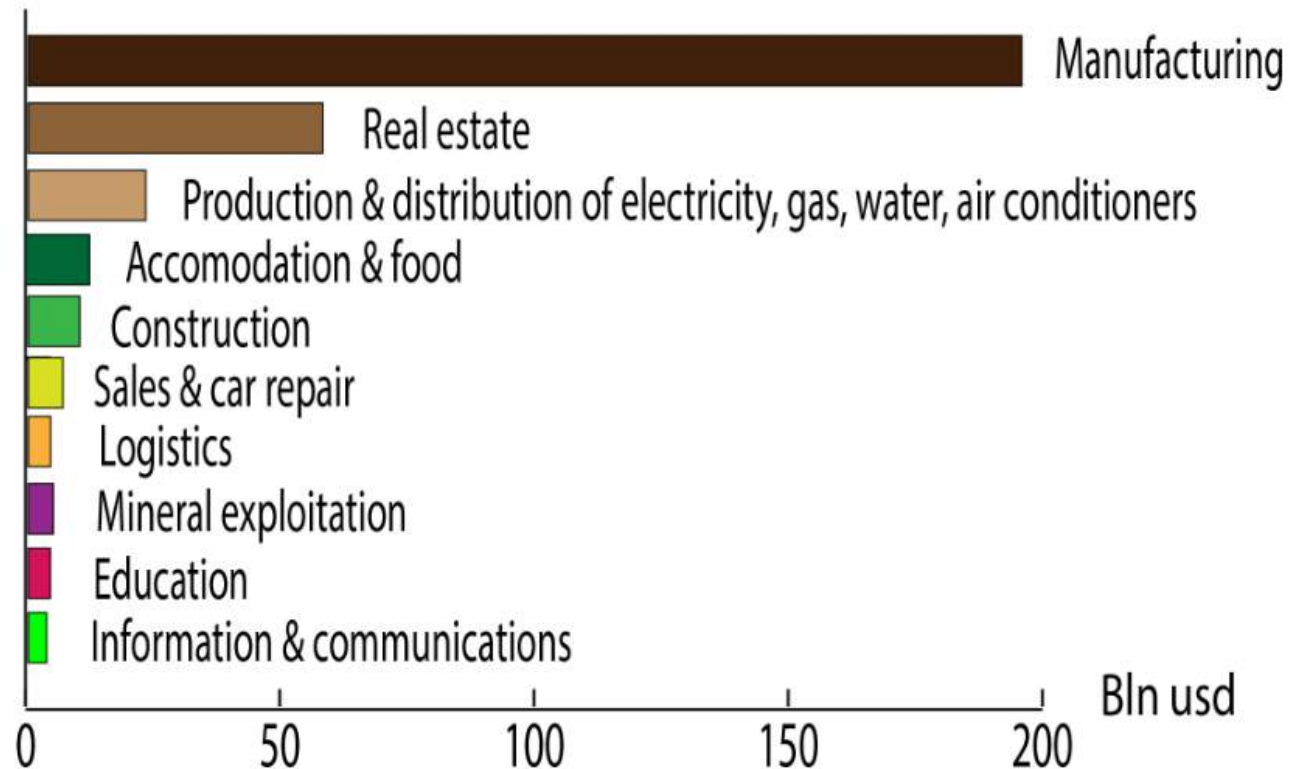


Source: Ministry of Planning and Investment

FDI IN VIETNAM



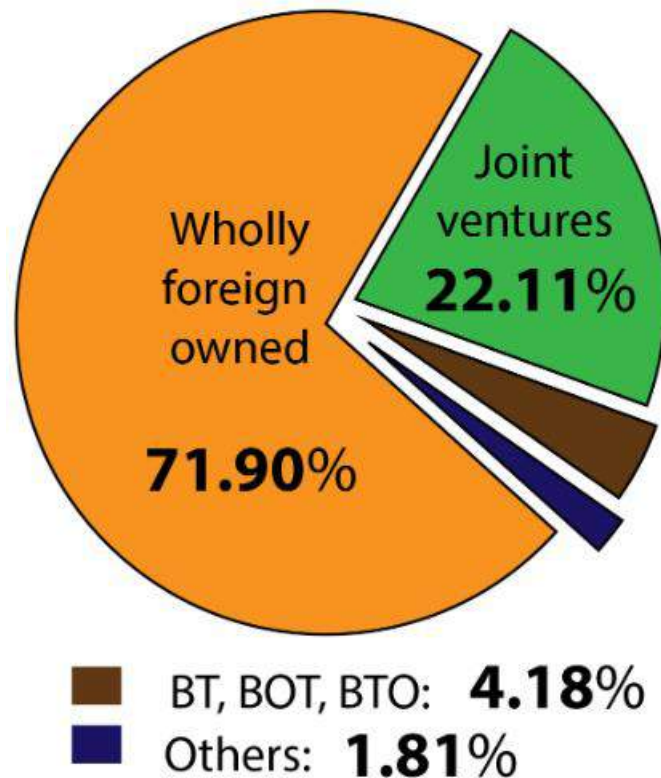
TOP 10 SECTORS FOR FOREIGN INVESTMENT



Source: Graphics by VGP

HOW TO SET UP COMPANY IN VIETNAM

FDIs investment form in Vietnam in 2021



Source: Graphics by VGP 2021

What foreign investors mostly use?

The Law on Enterprise specifies the nature of entity:

Limited Liability Company (LLC)

Joint-stock Company (JSC)

Partnership Company

Private enterprise (sole trader)

The Law on Investment specifies the type of entity:

Wholly foreign-owned enterprises (WFOE)

Joint ventures (JV)

Various contractual forms : BCC, BOT, BTO, BT.

The Commercial Law also provides for:

Representative Office (RO)

Branch Office (BO)

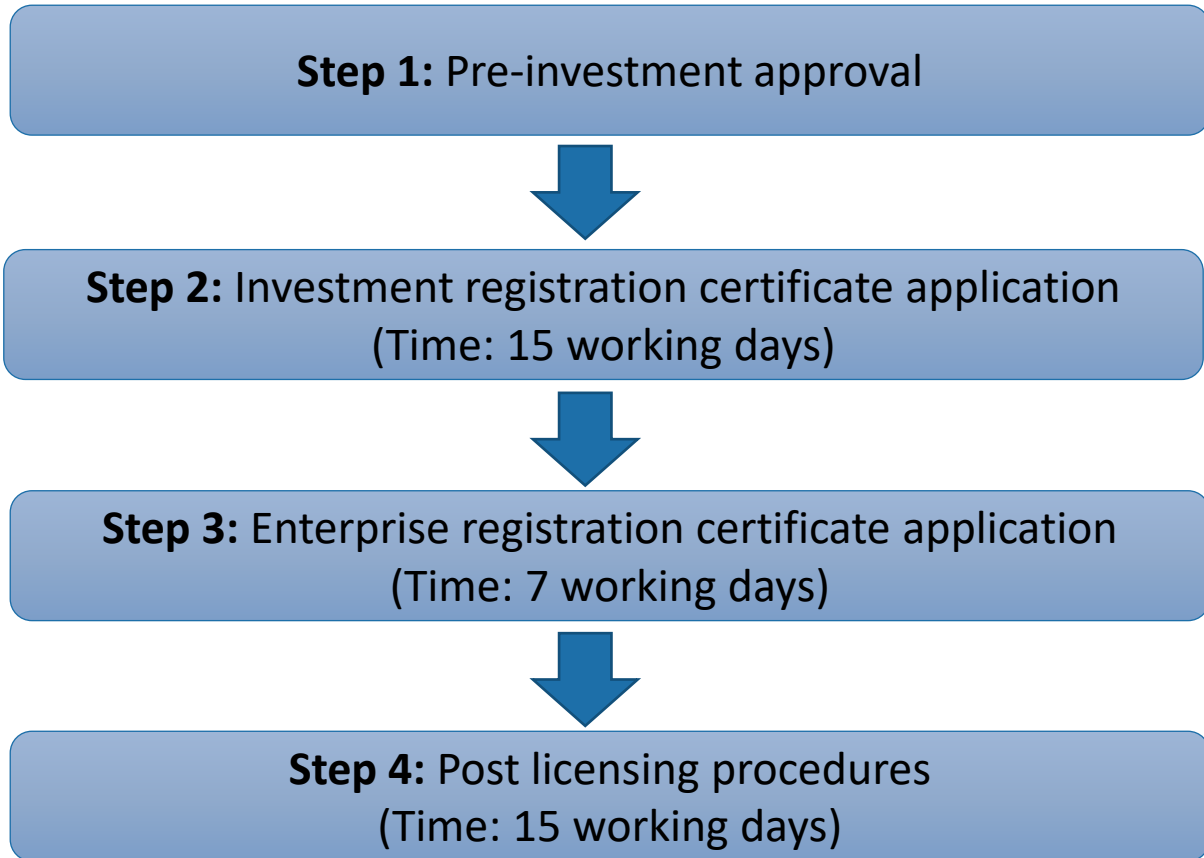
HOW TO SET UP COMPANY IN VIETNAM

Structure Type	Pros	Cons
Wholly Foreign Owned Enterprise (WFOE)	<ul style="list-style-type: none"> ✓ Can engage in manufacturing, processing & assembly, services & consulting and/or trade ✓ Liability is limited to investors' capital contribution ✓ Full management control of the company ✓ Has a status of separate legal entity ✓ Able to issue invoices to customers in VND, receiving revenue in VND, and converting VND profit into USD for remittance to their parent company overseas 	<ul style="list-style-type: none"> ○ Restriction in certain sectors ○ WFOE might lack of local contacts and/or partners to assist in certain cases
Joint Venture (JV)	<ul style="list-style-type: none"> ✓ A Joint Venture in Viet Nam can be established as an LLC, a JSC, or a partnership, is an entity involving a Vietnamese and a foreign party ✓ Profits and risks are distributed among the parties in proportion to their contributions to the JV's charter capital ✓ Other advantages: network, sales channels, real estate 	<ul style="list-style-type: none"> ○ Challenge to find a good local partner ○ Risk: "Same bed, different dreams"!

HOW TO SET UP COMPANY IN VIETNAM

Set-up guide for WFOE:

*2~4
months*

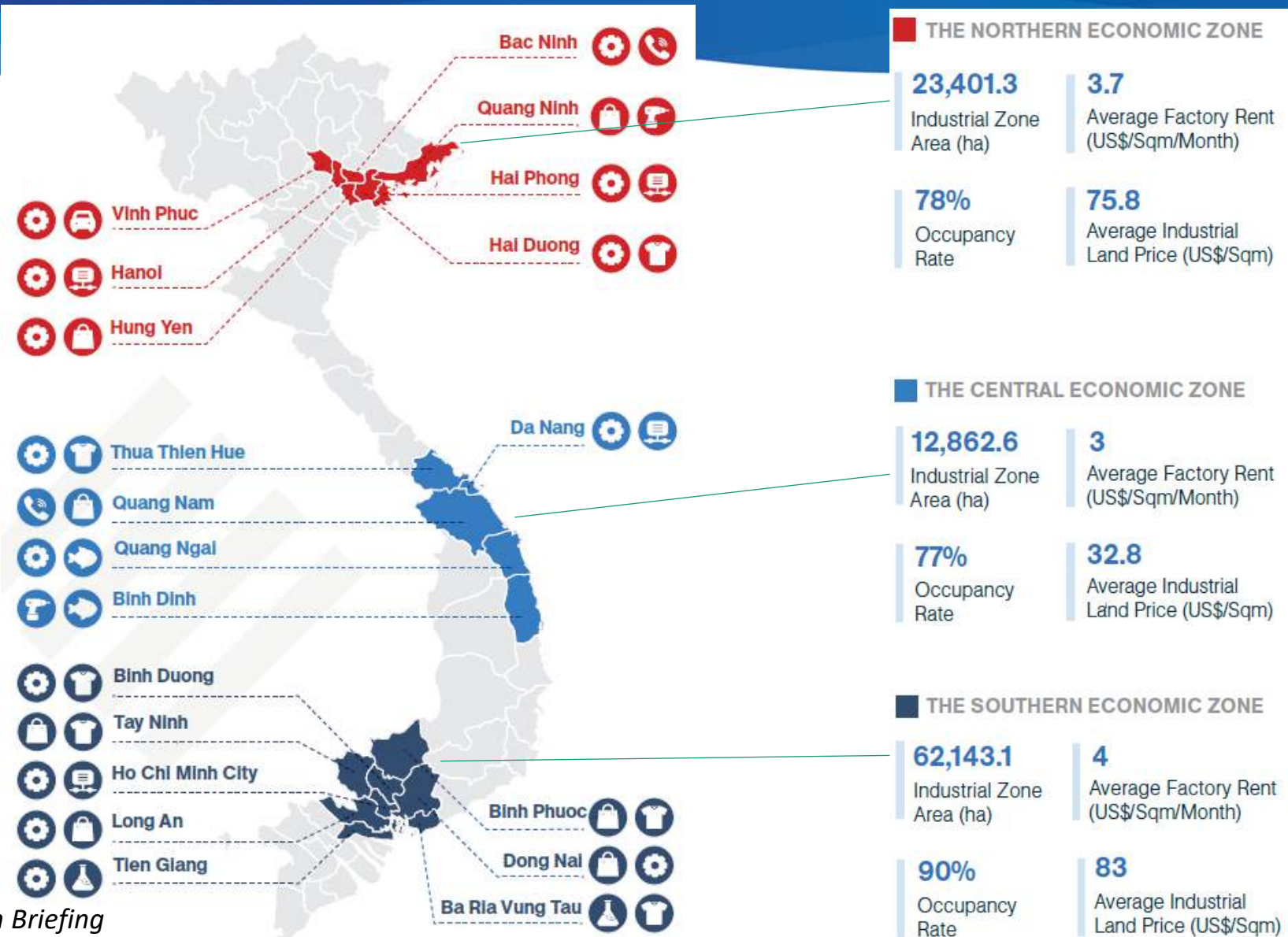


HOW TO SET UP COMPANY IN VIETNAM

Time and cost for setting up company in Vietnam

No.	Procedure	Time	Government fee/cost
1	Obtaining Investment Registration Certificate (IRC)	15 days	No charge
2	Obtaining Enterprise Registration Certificate (ERC)	7 days	USD 2.2
3	Public announcement of company establishment		USD 4.5
4	Making a company seal	1 days	USD 13
5	Business license fee filing	1 day	USD 85 – 128
6	Opening a bank account	1 day	No charge
7	Registration of digital signature for tax online declaration	1 day	Depend on digital signature supplier
8	Registration of using E-invoice	1 day	Depend on E-invoice supplier
9	Registration of using social insurance software and labor with a local labor office, Social Insurance Agency	2 days	Depend on software supplier
Total time and cost		~ 2 months	Less than 300 US\$

HOW TO SET UP COMPANY IN VIETNAM

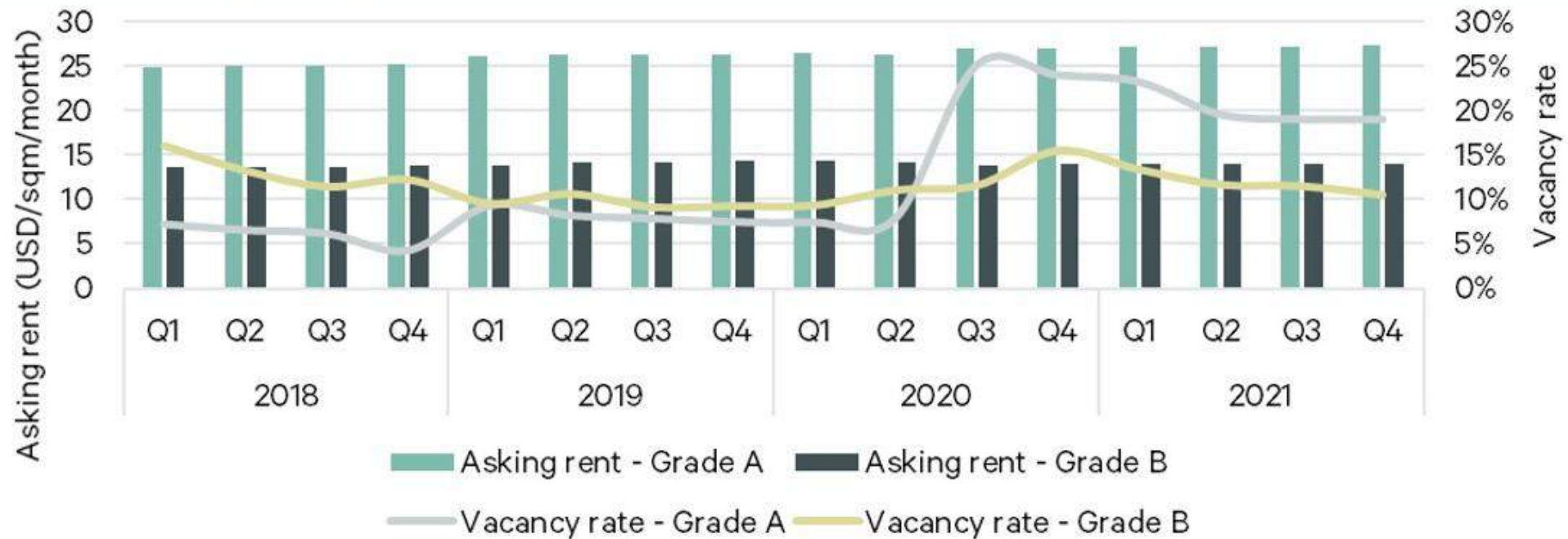


Source: Vietnam Briefing

HOW TO SET UP COMPANY IN VIETNAM

Office rental in Hanoi

Hanoi Office Market, Market Performance (*)



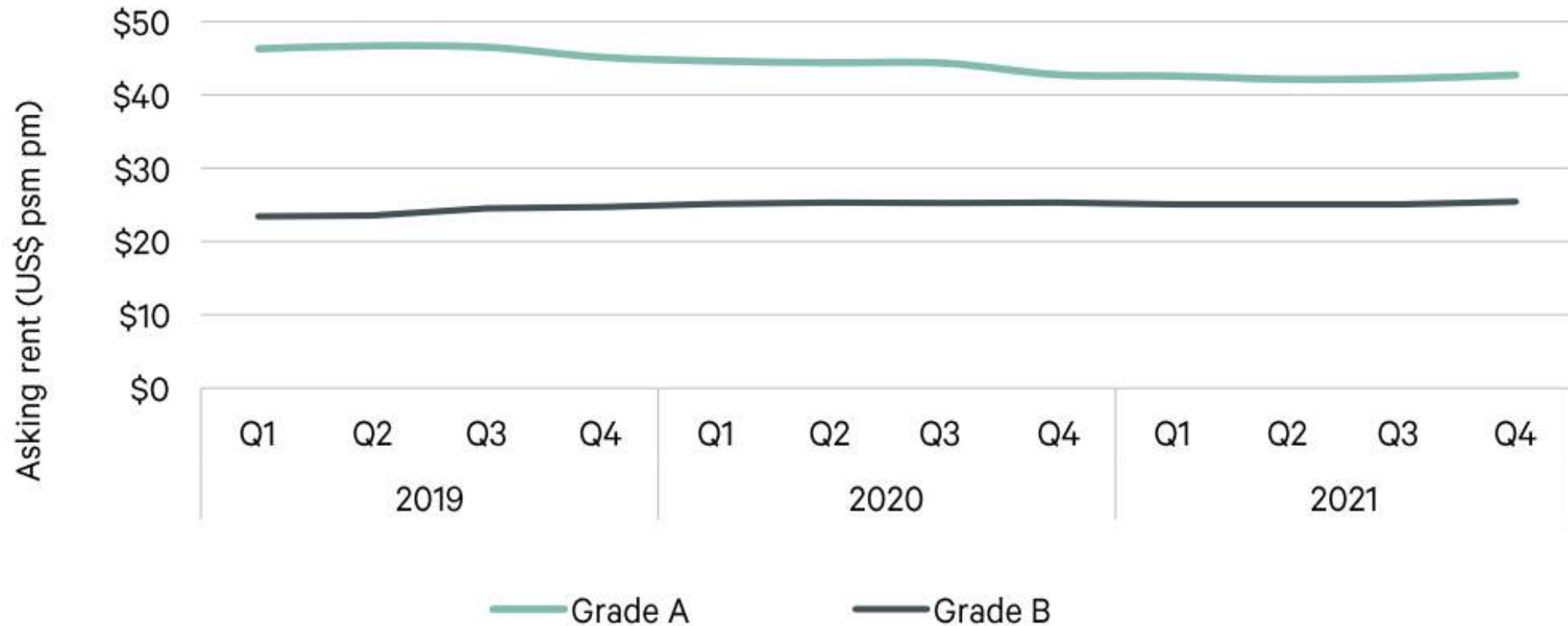
(*) Asking rents and Vacancy rate of Grade A office do not include the impact of new supply in Q4 2021

Source: CBRE Vietnam Research and Consulting, Q4 2021.

Asking Rents are quoted excluding VAT and Service Charge

Office rental in Ho Chi Minh City

FIGURE 2: Asking rent, Office, HCMC



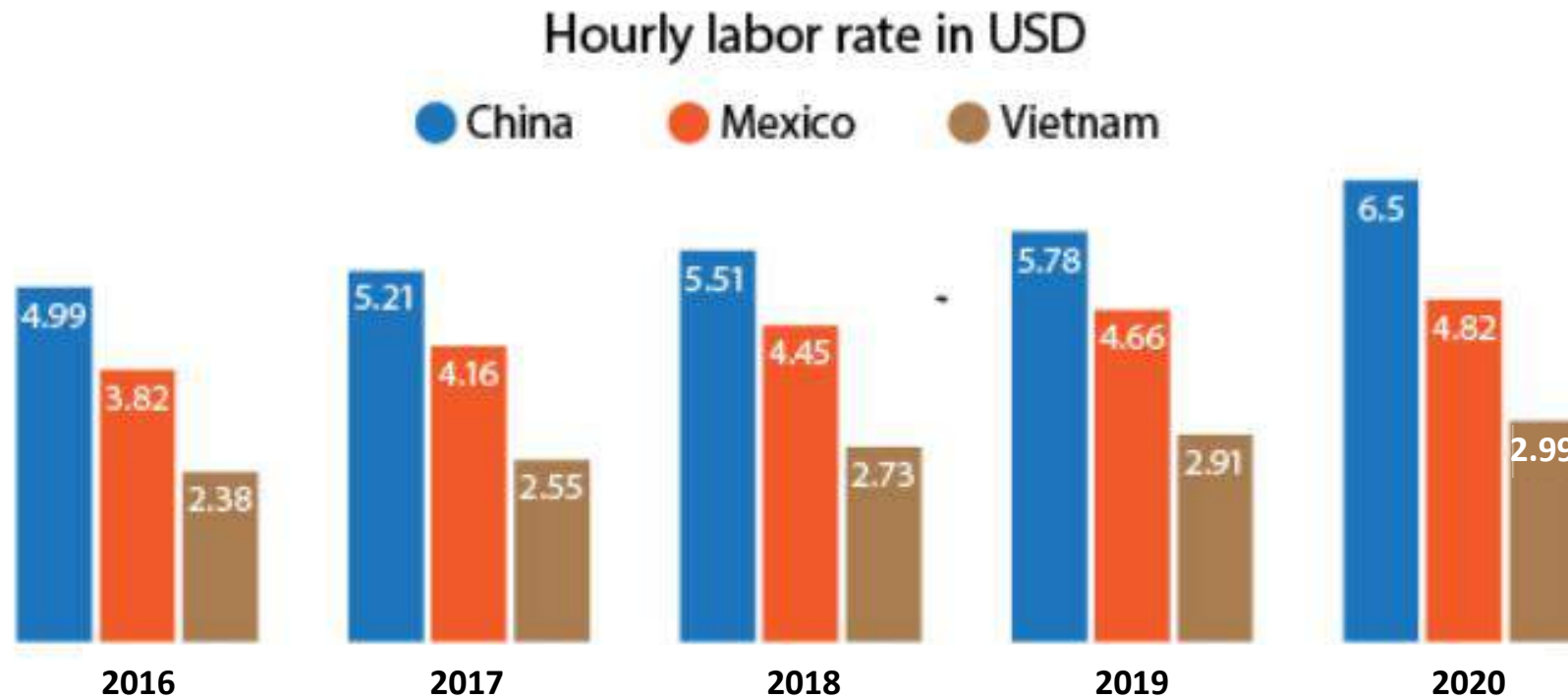
Source: CBRE Research & Consulting, Q4 2021
Asking rent is exclusive of VAT and Service Charge.

Key Taxes for Foreign Invested Enterprises

Business License Fee	USD 85 to 128 per annum
Corporate Income Tax	20% of profit
Value Added Tax	0%, 5%, 10%
Special Consumption Tax	5% - 150%
Personal Income Tax	5% - 35% taxed progressively

SALARY & WAGE

LOW LABOR COSTS MAKE VIETNAM AN ATTRACTIVE ALTERNATIVE



Source: IHS Markit Technology

SALARY & WAGE

Labour cost: some examples

Position	Salary range USD/month	Social Security (employer)	Total Cost (USD/month)
Operator, unskilled worker	250 - 300	54 - 65	304 – 365
Skilled worker with experience	300 - 480	65 - 103	365 – 583
Office clerk	300 - 350	65 - 75	365 – 425
Engineer with experience	600 - 900	129 – 193.5	729 – 1,093.5
Supervisor	600 - 900	129 - 193.5	729 – 1,093.5
Production manager	1,000+	215+	1,215+
General Director	2,000+	273	2,273+

SOCIAL SECURITY

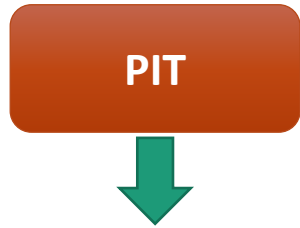
For Vietnamese employees:

Considerations	Paid by employee	Paid by employer	Total
Social insurance	8%	17.5%	25.5%
Health insurance	1.5%	3%	4.5%
Unemployment insurance	1%	1%	2%
Trade union fees		2%	2%

For foreign employees:

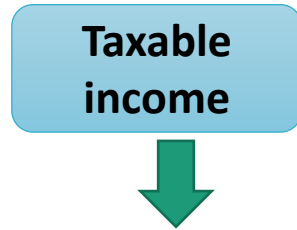
Considerations	Paid by employee	Paid by employer	Total
Social insurance	8%	17.5%	25.5%
Health insurance	1.5%	3%	4.5%
Unemployment insurance	0%	0%	0%
Trade union fees		2%	2%

PERSONAL INCOME TAX (PIT)



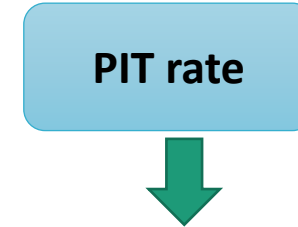
- Withdrawn by the employer to pay to tax authority on behalf of the employee.

=



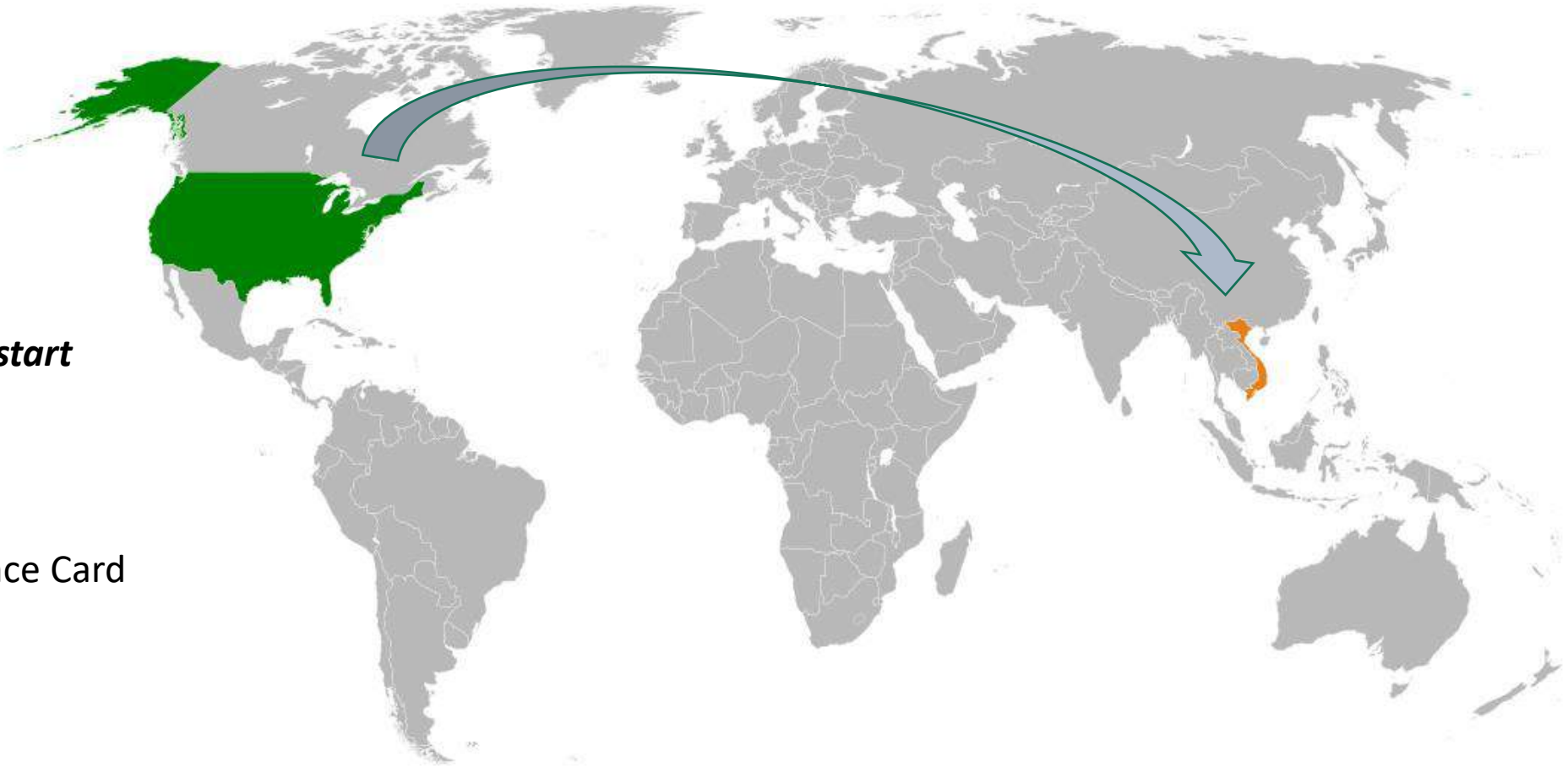
- Taxable income = Gross Salary – Tax Relief income
- Examples of Tax Relief:
 - Personal exemption: VND 11,000,000/month (~USD476)
 - Dependent: VND 4,400,000/month (~USD190)
 - Social Security
 - Other allowances

X



Taxable income/year (million VND)	Taxable income/year (USD)	PIT rate (%)
0 – 60	0 – 2,597	5
60 – 120	2,597 – 5,195	10
120 – 216	5,195 – 9,350	15
216 – 384	9,350 – 16,623	20
384 – 624	16,623 – 27,013	25
624 – 960	27,013 - 41,558	30
More than 960	More than 41,558	35

Recruiting foreign staff



 ***What do I need to start working in Vietnam?***

- ✓ Work Permit
- ✓ Visa
- ✓ Temporary Residence Card

How to qualify for a work permit

- A Vietnam-based entity is permitted to recruit foreign workers to work as managers, executive directors, experts and technicians where local hires are not yet able to meet production and business requirements
- A work permit is generally required when working in Vietnam for more than three months
- The maximum duration of a work permit is 2 years
- In order to be eligible for a work permit, the applicant must fulfill the following conditions:
 - At least 18 years of age;
 - In sufficient health to satisfy job requirements;
 - A manager, executive director, expert or technicians with the technical skills and knowledge necessary for the job;
 - Not currently subject to criminal prosecution or any criminal sentence in Vietnam or overseas, and does not have a criminal record.

The process for hiring foreign workers

- **30 days prior to date of employment:** The employer must submit an application and obtain written approval from the chairman of the provincial People's Committee for the employment of foreign employees.
- **15 working days prior to date of employment:** The company submits the application for the work permit to the competent body
- **Within 07 working days of full submission of application dossiers:** The work permit shall be granted.
- **After the work permit is granted,** the employer and the foreign worker shall sign a written labor contract in accordance with Vietnam law before the intended start date of the foreign worker
- **Within 5 working days of labor contract signing:** the employer shall send a copy of the signed labor contract to the competent authority which issued the work permit

Exemption of work permit

- Working in Vietnam for less than 3 months
- Member of a limited liability company with two or more members
- The owner of a limited liability company with sole member
- A member of the board of a joint stock company
- Coming to Vietnam to market products and services
- Lawyers granted a professional permit in Vietnam

Which Visa is the best?

- Relevant visa types include:

Type of visa	Description	Term
DT1,2,3,4	For foreign investors in Vietnam and representatives of foreign organizations investing in Vietnam	Up to 5 years
DN1,2	For foreigners working with enterprises and organizations established under Vietnam law or making entry to promote services, establish commercial presence	Up to 12 months
NN2	For work at representative offices or branches of economic, culture, or other professional organizations of foreign countries, or work with a Vietnam-based non-governmental organizations	1 month ~ 3 months
DH	For internship	1 month ~ 3 months
LD1,2	For work in Vietnam	<ul style="list-style-type: none"> • 1 month ~ 3 months: applied for foreigners who have no work permit • Up to 2 years: applied for foreigners who have work permit

Temporary Residence Cards (TRC)

Available for:

- Foreigners who hold work permits
- Foreign investors (investing in Vietnam as an individual for an investment project)
- Before exchanging their visa for a TRC, foreigners must enter into Vietnam under a DN visa. Their original passport will be kept with the Vietnamese competent authority during the process of applying for the TRC

A TRC:

- Is valid up to 2 years; for foreign workers, subject to the term of their work permit
- Is valid up to 5 years for foreign investors
- Allows the holder to enter and exit Vietnam without a visa within the valid terms of the TRC



● ASIA
● ● BUSINESS
● ● ● ● CONSULTING

Hanoi Office

A Floor 8th , Anh Minh Building, 36 Hoang Cau Str.,
Dong Da Dist., Hanoi, Vietnam

T (+84) 24 2280 6622

E contact@asiabizconsult.com

Ho Chi Minh City Office

A 5th Floor, PaxSky Building, No. 123 Nguyen Dinh Chieu Street,
Ward 6, District 3, Ho Chi Minh City, Vietnam

T (+84) 24 2280 6622

E contact@asiabizconsult.com