

**DOING  
BUSINESS  
IN**

**VIETNAM**



**Auditing and Consulting  
Joint Stock Company (A&C)**

*doing business in  
Vietnam*

# *foreword*

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# *general information*

Country	Socialist Republic of Vietnam
GDP	US\$20.33 billion
GDP per capita	US\$251
GDP Growth Rate	7.24%
Inflation Rate	3%
Currency Unit	Vietnam Dong (VND)
Exchange rate	VND 15.739 = US\$1 (Dec 2004)
Capital	Hanoi
Population	82 million
Languages	Vietnamese is the official language. English is becoming more common as the second language. French, Chinese, Khmer and languages of mountain minority ethnic groups are also spoken.
Surface	329,560 km <sup>2</sup>
Goods of great export value	Crude oil, garments and textile, footwear and aquatic products
Goods of high growth possibility	Bicycles and spare parts, computers and electronic components, electric wires and cables, plastic products and furniture.

## **Location and climate**

Situated in the southeast of Indochina, Vietnam shares borders with China in the North, with Laos and Cambodia in the West and is bounded by the China Sea in the East and the South.

Vietnam is a tropical country. In the northern region, the climate completely changes from hot summer to cold winter while it is warm all the year round in the south. The average temperatures in South and North Vietnam are about 27o C (81o F) and 21o C (70o F) respectively.

There are 2 main seasons in the south: rainy season (from May à November) and dry season (December à April). The hottest and wettest time lasts from the end of February to May.

Along the coast in the Middle of Vietnam, it is dry from June à October, the rainy season lasts from November à May.

The northern region has 2 seasons: the cold season with damp atmosphere (November à April) and the hot summer (from May to October).

It is cooler in the Highlands, the temperature dramatically falls and it is cold in winter.

Storms and hurricanes often occur from July à November in North and Middle Vietnam.

## **Constitution and population**

Vietnam has a population of approximately 82 million, scattered over the country, but most of the population lives in rural areas (75%). The majority migrates to big cities such as Hanoi, Ho Chi Minh City, Danang, etc. Administrative management is performed at 64 sub-divisions of provinces and cities.

The President is elected by the National Assembly with an office term of 5 years; the Prime Minister is appointed from the Members of the National Assembly; and the Deputy Prime Minister is appointed by the Prime Minister. The Cabinet is set up by the President on the basis of nominations from the Prime Minister and the approval of the National Assembly.

The National Assembly has 498 seats voted for by the people every 5 years. There is only one Party– Communist Party of Vietnam.

## **Currency unit and languages**

Currency unit: Vietnam dong (VND).

Vietnamese is the official language. English is becoming more and more the favorite second language.

## **Legal system**

The legal system is built on the basis of socialist theory and the French civil law system. The laws related to foreign investments such as the Law on Foreign investment, tax laws and Labor Code, etc. are passed by the National Assembly.

The Ordinances and Decrees of the Laws are issued by the Government while the Circulars are issued by the Ministries.

All the legal documents are effective nationwide.

## **Economic management and arrangements**

Vietnam is a country rich in natural resources, the people are hard-working and literate (90%). Since 1986, under the leadership of the Communist Party of Vietnam, the “Renewal” policy has been applied to change the centralized planning economy into a market economy of multi-sectors and has opened the market to foreign investors.

The Government has abolished the subsidy regime, admitting and legalizing private ownership, encouraging economic sectors, especially the private sector and foreign investors, to take part in the market, building up and improving the legal system, judiciously carrying out financial and monetary policies. These reforms aim at speeding up the GDP growth rate and bringing Vietnam to become an industrialized country by 2020. Although the reform has been carried out slowly, in general, the Vietnamese economy has gained considerably. It has been reported that many domestic industries such as coal, cement, steel and paper industries with great reserves and harsh competition with foreign manufacturers have been operating more effectively. Meanwhile, the Vietnamese government has been, step by step, implementing administrative reforms in order to improve the vitality of the economy and create a motive for export and competition. The Vietnam - USA Bilateral Trade Agreement came into effect at the end of 2001 and it is expected that there will be an increase in the number of Vietnamese goods exported to USA market.

Furthermore, Vietnam has been in the preparation period for participation in AFTA in the next 3 years and Free Trade Agreement of Asian countries by 2010. Vietnam has also been carrying out negotiations on the requirements that Vietnam has to comply with for WTO membership (estimated in 2005-2006). All these factors will create challenges and competition for export markets.

# *investment factors*

## **Special features and Government Incentives**

An important investment factor is the Government effort to attract foreign investments and there have been many incentives for foreign investors.

Vietnam is currently ranked as one of the competitive investment attractors as compared to countries in the region thanks to its skillful, hard-working labor resource, capable of meeting the requirements of modern businesses.

Many negative factors had changed by 2003. First of all, every Asian country has been competing to attract foreign investments and this is good news for those who are interested in expanding their businesses. In Vietnam nowadays, the quality of infrastructures in the main cities such as Ho Chi Minh City and Hanoi has considerably improved. Good restaurants, supermarkets with a diversity of goods supply, cheap labor, good international schools and simplified administrative procedures have turned Vietnam into an attractive center for businesses. However, these changes have not occurred simultaneously nationwide. In rural regions, more improvements for infrastructures are needed. Investors should beware of this. Power and water cuts often happen. However, industrial parks have mushroomed and a great number of investors have chosen these parks to locate their factories and companies due to a lot of investment incentives.

Recently, with the purpose of attracting foreign investments, Vietnam has been improving the procedures for granting investment licenses. At present, it is not imperative that investors turn to the Ministry of Planning and Investment in Hanoi for the grant of investment licenses as they can directly apply for the licenses to local authorities.

In addition, the Government has been experimenting in transforming from foreign-invested capital companies to joint stock companies, allowing freedom to employ engineers and senior managers and approving asset mortgages by foreign-invested capital enterprises.

In 2000, after the passing of the Law amending and supplementing some provisions of the Law on foreign investments, the Government issued Decree No. 24/2000/ND-CP dated 31 July 2000 stipulating in details the implementation of the Law on Foreign investments in Vietnam. On 19 March 2003, the Government issued Decree No. 27/2003/ ND-CP amending and supplementing some articles of Decree No. 24/2000/ND-CP in the direction of expanding foreign investment encouragements, abolishing compulsory export rates for some industrial products as well as the restrictions on the rates of capital contributions by means of technological transfer and on labor employment; stipulating more specifically and clearly the criteria of enjoying investment incentives, etc. Decree No. 38/2003/ND-CP dated 15 April 2003 of the Government regarding the transformation of some foreign-invested capital enterprises into joint stock ones was published and formed a legal base for the diversification of investment types, opening more channels to attract this source of capital. In addition, the Government issued Decision No. 146/2003/QD-TTg dated 11 March 2003 concerning capital contributions and purchases of stocks in local enterprises from foreign investors.

A series of regulations related to foreign investment activities have also been being supplemented and improved. The Law on Corporate income tax and other documents giving guidance on the implementation of this law have come into effect since 01 January 2003, stipulating the list of fields and regions of investment encouragements as well as regulating the preferential tax rates and incentives uniformly applied to businesses in all economic sectors, and amending some criteria for new incentives in order to encourage investment projects of high technology application and great labor use.

### **Sources of Finance**

Local financial sources include credit organizations, the State Bank of Vietnam, branches of overseas banks, investment funds and financial leasing companies. One of the highlights of Vietnamese finance is the newly-born stock market in recent years; this is not yet an important financial source. At present, the main financial source is bank loans secured by mortgaging assets.

### **Foreign Exchange Controls**

All receipts and payments in foreign currencies of businesses are made through accounts which are opened at accepted banks and used for the proper purposes in accordance with the legal regulations on foreign exchange controls.

As for foreign-invested capital companies, the foreign partners are permitted to acquire foreign currencies at commercial banks which have been entitled to trade in foreign currencies in order to meet the demands of their current transactions and others as stipulated in the regulations on foreign exchange controls.

After payment of tax obligations, foreign investors are allowed to remit abroad the following:

- Profit gained from business operations, dividends;
- Gains from the provision of services and technological transfer;
- Principal amounts and interest on overseas loans;
- Investment capital;
- Other amounts and assets of which they have legal ownership.

When businesses terminate their operations and are then dissolved, foreign investors are allowed to transfer abroad their legally owned assets. In this case, if the remitted amount is greater than initial investments and re-investments, the difference can only be sent abroad after approval from the investment license issuing bodies.

Expatriates working for foreign-invested capital enterprises and business co-operation contracts are able to remit their salaries and other legitimate income in foreign currencies after payment of income tax and other expenses.

The exchange rates used to convert foreign currencies into VND and vice versa during the investment and operations of foreign-invested capital enterprises and partners are decided in accordance with the regulations of the State Bank of Vietnam as at the transaction dates.

Economic organizations with foreign-invested capital must report their conduct of capital investment and profit remittance to the State Bank of Vietnam.

## **Employment Regulations**

The legal background related to employment is the Labor Code of Vietnam.

### ***Salaries and wages***

Foreign-invested capital enterprises and partnerships can directly employ Vietnamese and foreign in accordance with the labor regulations.

Salaries of employees are mutually agreed by related parties in labor contracts and paid by productivity, quality and effectiveness of the work. The salaries of employees must not be lower than the minimum amount stipulated by the Ministry of Labor, War-Invalids and Social Affairs and should be paid in Vietnam Dong.

### ***Working hours***

Working hours shall not exceed 8 hours per day or 48 hours per week.

Employers and employees can agree on extra-working hours, but not over 4 hours per day, or 200 hours per year, except for some special cases in which the extra-working hours are not to be more than 300 hours per year and must be decided by the Government after the reference to the Vietnamese Labor Federation and the representatives of employers.

Overtime work is paid according to the salary unit price or the salary of the work done:

- Weekdays : At least 150%;
- Weekends: At least 200%;
- Holidays and salaried days- off: At least 300%.

Nightshift work is paid at least 30% of the salary according to the unit price or the salary of day work.

### ***Labor contracts***

Labor contracts are agreements between employees and employers on work paid by remunerations, on working conditions, on the rights and obligations of each party in the labor relationship.

Labor contracts are signed as one of the following types:

- Indefinite labor contracts
- Definite labor contracts (12 months– 36 months)
- Seasonal labor contracts or those based on below 12-month work

Labor contracts shall be put down in writing and made into 2 copies, each party keeps one.

Labor contracts must contain such things as: work to be done, working hours, rest time, salaries, location, contract term, labor safety and sanitation conditions and social insurance for laborers.

### ***Trade Unions***

Trade Unions must be established 6 months after the commencement of the operations of the enterprises with a view to representing and protecting the legal rights and benefits of workers and the labor community.

### ***Social insurance***

Compulsory social insurance is applied to businesses, offices and organisations employing employees according to 3-month or more labor contracts and indefinite contracts.

Employers pay social insurance at the rate of 15% on the total payroll; and employees pay at 5% of the salaries.

Employees enjoy subsidies from health and social insurance, allowances for industrial accidents, occupational diseases, maternity period, pensions and death.

Generally, workers are able to get monthly pensions if they retire at the right age (60 for men and 55 for women) and the period of social insurance payment is over 20 years.

***Expatriates***

To employ foreign workers, foreign-invested capital enterprises and partnerships must complete formalities at the Services of Labor, War-Invalids and Social Affairs or at the Industrial Parks Authorities to be considered for the grant of labor permits as stipulated by labor regulations. Foreigners working from 3 months or more for businesses, organisations and individuals in Vietnam must possess labor permits granted by the State agencies on labor management of the provinces and municipal cities; the term of labor permits is the same as that of labor contracts, but not over 36 months and can be extended as requested by the employers.

# *types of business organisations*

## **Principal forms of businesses**

In Vietnam nowadays, businesses and organisations are established based on the following investment forms: State-owned companies, foreign-invested capital enterprises (business co-operation contracts, joint ventures, 100% foreign-owned companies), limited liability companies, joint stock companies, private enterprises.

Foreign investors can carry out their businesses under the following investment forms:

### ***Business co-operation contracts***

Business co-operation contracts are documents signed between two parties or more to conduct investments and businesses in Vietnam, in which obligations are shared and profit is distributed to each party without the formation of a new legal company.

Foreign-invested capital enterprises co-operate with overseas organisations and individuals to deal with business co-operation contracts.

Business co-operation contracts in the field of searching, investigating and exploring oil and gas and other natural resources in the form of profit sharing contracts are carried out in accordance with the related regulations and the Law on Foreign Investments in Vietnam.

### ***Joint ventures***

Joint ventures are businesses established on the basis of joint venture contracts signed between two parties or more to carry out investments and businesses in Vietnam.

In particular cases, joint ventures can be established by agreements signed between the Vietnamese Government and other Governments.

New joint ventures are enterprises established by the co-operation between a joint venture already set up in Vietnam with the followings:

- Foreign investors;
- Vietnamese enterprises;
- Healthcare centers, educational and training organisations, scientific research centers which can meet the requirements of the Government;
- Vietnamese residing overseas;

- Joint ventures, 100% foreign-owned companies.

Joint ventures are limited liability companies. Each joint venture partner is held liable for its capital share in the joint venture's legal capital. Joint ventures are established, come into operations from the date of the investment licenses and bear legal status according to the regulations of Vietnamese law.

### ***100% foreign-owned companies***

These are enterprises owned and established in Vietnam by foreign investors who manage the businesses themselves and are responsible for the business results.

100% foreign-owned companies which have already been set up in Vietnam can have co-operative relationships among one another or with foreign investors to establish new 100% foreign-owned companies in Vietnam.

100% foreign-owned companies are limited liability ones, established and coming into operations from the date of the investment licenses with the legal status regulated by Vietnamese laws.

### **Establishment procedures**

Foreign investment projects in Vietnam are approved in the form of investment licenses.

Application documents for the grant of the investment licenses include:

- Application form for the investment license;
- Joint venture contracts and Charters of 100% foreign-owned companies or business co-operation contracts;
- Confirmations on the legal status and financial position of related parties;
- Economic and technical disclosures;
- Documents related to technological transfer (if any).

Within 15 working days from the date of receiving a proper application, the investment license issuing body will announce the approval in the form of investment licenses.

Recently, most foreign investors, wanting to set up a company in Vietnam, will ask for advice from consulting companies during the preparation of documents applying for investment licenses. The fee heavily depends on the types of investments, operating fields, locations of head offices and required time. Therefore, the fee is normally set based on the mutual agreement of the contractual parties.

### **Legal, Accounting and Auditing Requirements**

#### ***Legal requirements***

After being granted business registration certificates (for local enterprises) or investment licenses (for foreign-invested capital companies), businesses must carry out their tax registration with the tax agencies within 10 working days.

#### ***Accounting requirements***

All businesses and organisations are obliged to apply the Vietnamese Accounting System and Standards as well as other regulations issued by the Ministry of Finance. The regulations on accounting are based on the Accounting Law of June 2003.

Financial statements must be prepared at the end of a fiscal year.

***Auditing requirements***

An audit of the annual financial statements of the following companies and organisations is compulsory:

- a) Foreign-invested capital enterprises;
- b) Credit organisations, banks and Development Assistance Funds;
- c) Financial organisations and insurance companies;
- d) Particularly, for joint stock companies and limited liability companies which list their stocks and do businesses in securities market, audits must be conducted in accordance with the regulations on securities trading; for those receiving loans from the banks, audits should be performed in conformity with credit regulations.
- e) State-owned companies;
- f) Reports on finalized construction project accounts in line with the prevailing regulations.

# taxation

## Tax year

The tax year is from 01 January to 31 December of each calendar year.

Businesses can suggest the application of other 12 -month fiscal years of their own to compute and pay corporate income tax.

## General structure

The Vietnamese tax system is applicable to all economic sectors nationwide:

- License duty
- Corporate income tax
- Personal income tax
- Value added tax
- Special sales tax
- Import and export duties
- Sub-contractor tax
- Tax on the use of agricultural land
- Natural resources tax
- Registration fee (Duties on property)
- Fees and legal fees

## Corporate income tax

Organisations and individuals who gain income from manufacturing goods, trading and providing services are subject to corporate income tax.

Foreign individuals who do businesses in Vietnam and get income or whose income arises in Vietnam i.e. gains from asset leasing, capital loaning, technological transfer pay corporate income tax.

Those who are not subject to corporate income tax include: households, individuals, co-operatives, agricultural co-operatives earning income from cultivating, breeding, raising aquatic products.

Taxable income during the tax year comprises the gains from operating, manufacturing and trading activities and others, including those from the overseas operations.

The tax period is based upon the solar year. In the event that businesses apply a fiscal year different from the solar year, the tax period is determined by the fiscal year applied.

Taxable income during the tax period	=	Revenue on which taxable income is calculated	-	Legitimate expenses	+	Other taxable income
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The time to recognize sales for the determination of taxable income is the time of goods and services being consumed, and not whether they have yet been paid for. Details are as follows:

- For merchandises and goods: Sales are recognized upon the transfer of the ownership or upon the issuance of invoices.
- For services: Sales are recognized upon the completion of the services or the issuance of invoices.

The tax rate of 28% is uniformly applied to local enterprises, overseas organisations and individuals who do not operate in conformity with the Law of Foreign Investment as well as foreign investment companies in Vietnam; for those who operate in the field of searching, exploring and exploiting oil, gas and other precious natural resources, the tax rate applied is from 28% - 50% correspondingly to each project and entity.

According to the Law on Corporate Income Tax, those who enjoy tax incentives have to pay this tax at preferential tax rates of 20%, 15%, 10% for 10, 12, 15 years respectively from the commencement of the operation.

Every year, based on the business results of the previous year and the business forecasts for the following years, enterprises make a declaration on interim corporate income tax for the whole year on no later than 25 January or the 25th day of the month following the end of the tax period. After receiving the declarations, the tax agencies will examine and determine the interim tax amount for the whole year, divided into smaller parts to be paid in each quarter and then give notices to businesses. At the end of the year (within 90 days from the final date of the fiscal year), businesses must have their tax assessments finalised with the tax agencies on the basis of their actual business results.

Enterprises which suffer a loss after the tax assessments are allowed to carry the loss forward to offset against the taxable income of the following years. The period of loss carry forward is not over 5 years from the loss-making year.

Since 01 January 2004, legitimate income from any investment activities compliant to the Law on foreign investments in Vietnam of economic organisations or individuals overseas can be transferred out of Vietnam free of remittance tax. Vietnamese individuals residing abroad and foreigners residing in Vietnam who make investments under the Law on Local Investment Encouragements do not have to pay remittance tax to retain their legitimate income (including the refund of income tax on the gain used for re-investments and the profit earned from capital transfer and stock purchases) outside Vietnam. The remittance or retainer of the profit generated before 31 December 2003 is also not subject to this tax.

Before remitting profit, overseas economic organisations or individuals must prepare declarations on profit remittance and submit them to the tax agencies directly managing the businesses into which overseas economic organisations or individuals make investments.

### **Personal income tax**

Persons liable to pay personal income tax in line with the Ordinance of Income Tax on High-Income Earners (hereinafter referred to PIT Ordinance) shall comprise:

1. Vietnamese citizens being in Vietnam, or working or being on business trips abroad and earning income;
2. Individuals who do not have citizenship but residing indefinitely in Vietnam, and earning income;

3. Foreigners working in Vietnam including those not currently residing in Vietnam but who have income which is sourced in Vietnam.

***Taxable income includes regular and irregular income***

***Regular income include:***

a) Salaries, wages and remuneration, including payments by others excluded from salaries and remuneration such as house rental, water and power supply charges (particularly, house rental is computed according to the actual amount paid by others but not over 15% of the total taxable income); other income received from participation in projects, trade associations, management boards; allowances, bonuses in cash and in kind;

b) Income from the ownership of patents, trademarks and articles; royalties for literary works; gains from scientific, technological services, IT services, consultative, designing and training services, from agency services; and commissions;

c) Income received from participation in business, production or service activities of various kinds which are not subject to corporate income tax, such as: artistic performances, fashion shows, advertisements and other services.

***Irregular income including:***

a) Income from transfer of technology (excluding the case that the technology is considered as gifts or presents)

b) Winnings from the lottery and all form of promotional prizes.

Personal income tax in respect of interest from bank deposits, savings accounts, from the purchase of treasury bills and treasury stocks, term bonds and shares; that levied on the income from investments in securities, and the differences on purchases and sales of securities is temporarily not collected.

***Non-taxable income includes:***

1. Allowances sourced in Vietnam as stipulated by the State of Vietnam:

a) Allowances for roving assignments;

b) Allowances for toxicity and danger;

c) Allowances for position and responsibilities of civil servants;

d) Regional allowances; incentive allowances; and special allowances for work in remote islands and frontier areas with difficult conditions;

e) Allowances for seniority in the armed forces, customs and essential forces;

f) Special allowances for certain professions as stipulated by the Laws;

g) Preferential allowances for officials who carried out revolutionary activities prior to 1945;

h) Other allowances from State Budget

2. Other items of income sourced in Vietnam:

a) Traveling expenses;

b) Fixed meal allowances for certain special industries as stipulated by the State;

c) Social allowances for those entitled to social benefits and others from the State Budget;

d) Insurance compensation from payments of personal and property insurance;

e) Severance pay, unemployment allowances as stipulated by the State;

f) Allowances for relocation to production establishments, including one-off relocation;

g) Bonuses on technical innovations, and inventions, international awards, and national awards organized by the State;

- h) Monetary prizes accompanying titles bestowed by the State: Professor, People's Teacher, Workers' Hero, Hero of the People's Armed Force and so on; other bonuses and other treatments from the State Budget;
- i) Payments for social and health insurance from salaries, wages and remuneration of workers.

***Tax rates applicable to regular income:***

a) In respect of Vietnamese citizens and of any individuals who reside in Vietnam, the following progressive tariff on each portion of income are applied:

<i>Unit: VND 1,000</i>		
Level	Average monthly income per capita	Tax rate (%)
1	Up to 5,000	0
2	Over 5,000 up to 15,000	10
3	Over 15,000 up to 25,000	20
4	Over 25,000 up to 40,000	30
5	Over 40,000	40

b) In respect of foreign residents in Vietnam and Vietnamese citizens working or on business trips abroad, the following progressive tariff on each portion of income are applied:

<i>Unit: VND 1,000</i>		
Level	Average monthly income per capita	Tax rate (%)
1	Up to 8,000	0
2	Over 8,000 up to 20,000	10
3	Over 20,000 up to 50,000	20
4	Over 50,000 up to 80,000	30
5	Over 80,000	40

c) In respect of foreigners who do not reside in Vietnam, a tax rate of 25% on the total taxable income is applied.

d) In respect of Vietnamese citizens working for some period in Vietnam and for another abroad during the tax period, they shall pay tax on average monthly income sourced in Vietnam according to the tariff in part a, and on income earned during the time abroad according to the tariff in part b.

2. The tax rates applicable to irregular income are determined based on the total taxable income:

- a) Tax rate of 5% on income from technological transfer;
- b) Tax rate of 10% on winnings from lotteries, and promotional prizes.

**Value added tax (VAT)**

There are 28 groups of merchandise and services which are not subject to VAT. For these non-taxable merchandise and services (no output VAT is computed), there will be no deductions or refunds of input VAT on the merchandise and services purchased to serve these activities.

Value added taxable merchandise and services are divided into 3 groups: 0%, 5% and 10%.

Tax rates are applied to each particular type of merchandise and services. Therefore, a valued added tax rate will be uniformly applied to one type of merchandise and services imported or consumed in Vietnam.

Temporarily, businesses do not have to pay VAT on imported materials and supplies to manufacture exports within 275 days.

Businesses are obliged to pay VAT on:

- Special machinery, equipment, and vehicles belonging to technological assembly line, unable to be locally manufactured and imported to form fixed assets.
- Construction supplies which can not be produced locally to form fixed assets
- Materials and supplies imported to serve the manufacturing of products which are supplied to businesses directly producing exports.

### **Special sales tax**

The merchandise and services subject to special sales tax since 01 January 2004 include:

+ Merchandise:

- Beer
- Wine
- Under 24-seat automobiles
- Petroleum (airplane petroleum and solvent petroleum), naphtha, reformed and other items used to make petroleum.
- Below BTU 90.000 air-conditioners
- Cards
- Votive papers and products

+ Services:

- Trading in dancing halls, massage centers or karaoke
- Trading in casinos, jackpot games
- Trading in golf courts
- Trading in lotteries

### **Import duty**

Businesses are exempted from import duty in the following cases:

- Special machinery, equipment, and vehicles belonging to technological assembly line, unable to be locally manufactured and imported to form fixed assets.
- Construction supplies which can not be produced locally to form fixed assets
- Materials and supplies imported to implement BOT, BTO and BT projects, breeding plants, domestic animals, special herbal medicines imported for the implementation of agricultural, forestry and fishery projects;

The Ministry of Trade or the authorized bodies by the Ministry of Trade decide on the list of imports exempted from import duty and not to be transferred or sold in Vietnamese market. If necessary, the transfer and sales of these imports in Vietnamese market shall be accepted by the Ministry of Trade and related taxes should be paid in accordance with the regulations.

Export manufacturers are, temporarily, allowed not to pay import duty on imported materials and supplies within 275 days. When the period is over, the businesses shall make payment for this duty and upon the exportation of the finished goods, the duty on the materials and supplies already imported will be refunded at the rate corresponding to the export rate of products.

### Sub-contractor tax

This tax is applied to overseas individuals and organizations operating in Vietnam (called contractors) of which the investment forms are not included in the Law on Foreign Investment in Vietnam. The operations of the contractors can be done on the basis of the contracts signed between contractors and Vietnamese individuals or organizations.

The Vietnamese partners will withhold VAT and corporate income tax to declare and pay on behalf of contractors and sub-contractors.

The deduction and collection of these taxes from contractors and sub-contractors operating in the field of oil searching and exploration have been delegated to Vietnam Petroleum Corporation by the Ministry of Finance.

### Double Tax Avoidance Agreement

The purpose of double tax avoidance agreements is to eliminate double taxation by: a) exempting, reducing tax amount payable in Vietnam for residents of the contractual countries; or b) deducting the tax amount already paid in contractual countries by the residents in Vietnam from the amount payable in Vietnam. In addition, these agreements form a statutory frame for the mutual co-operation and support in international tax management among the tax agencies of Vietnam and of the contractual nations with a view to preventing the evasion of taxes imposed on income and assets.

Agreements already signed by Vietnam:

No.	Countries	Date of signing	Effective date
1	Algeria	6 December 1999	Not yet come into effect
2	Britain	9 April 1994	15 December 1994
3	India	7 September 1994	02 February 1995
4	Poland	31 August 1994	21 December 1994
5	Bangladesh	22 March 2004	Not yet come into effect
6	Belarus	24 April 1997	26 December 1997
7	Belgium	28 February 1996	25 June 1999
8	Bulgaria	24 May 1996	4 October 1996
9	Canada	14 November 1997	16 December 1998
10	Cuba	26 October 2002	26 June 2003
11	Taiwan	06 April 1998	06 May 1998
12	Denmark	31 May 1995	24 April 1996
13	Germany	16 November 1995	27 December 1996
14	The Netherlands	24 January 1995	25 October 1995
15	South Korea	20 May 1994	11 September 1994
16	Hungary	26 August 1994	30 June 1995
17	Iceland	3 April 2002	27 December 2002
18	Indonesia	22 December 1997	10 February 1999
19	Italy	26 November 1996	20 February 1999
20	Laos	14 January 1996	30 September 1996
21	Luxembourg	04 March 1996	19 May 1998

22	Mongolia	9 May 1996	11 October 1996
23	Malaysia	7 September 1995	13 August 1996
24	Myanmar	12 May 2000	12 August 2003
25	Norway	1 June 1995	14 April 1996
26	Russia	27 May 1993	21 March 1996
27	Japan	24 October 1995	31 December 1995
28	Pakistan	25 March 2004	Not yet come into effect
29	France	10 February 1993	1 July 1994
30	Finland	21 November 2001	26 December 2002
31	The Philippines	14 November 2001	29 September 2003
32	Rumania	8 July 1995	24 April 1996
33	Czech Republic	23 May 1997	03 February 1998
34	Singapore	2 March 1994	09 September 1994
35	Thailand	23 December 1992	31 December 1992
36	Sweden	24 March 1994	08 August 1994
37	Switzerland	6 May 1996	12 October 1997
38	North Korea	3 May 2002	Not yet come into effect
39	China	17 May 1995	18 October 1996
40	Australia	13 October 1992	30 December 1992
41	Ukraine	8 April 1996	22 November 1996
42	Uzbekistan	28 March 1996	16 August 1996

Agreements are applicable only to residents in Vietnam or in contractual countries.

The relevant taxes:

- Personal income tax
- Corporate income tax

# *audit and consulting joint stock company (a&c)*

Auditing and Consulting Joint Stock Company (A&C) is a member of HLB International located in Ho Chi Minh City. Please feel free to contact us for further information. It is our willingness to be of assistance to you.

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