

SETTING UP BUSINESS IN VIETNAM



General Aspects

The purpose of this newsletter is to make brief comments about the legal aspects involving foreign investment in Vietnam. There are some basic aspects to be analyzed:

- I. Creation of foreign owned companies in Vietnam;
- II. Brief notes of key Taxes payable;
- III. Brief notes of Social-Health-Unemployment Insurance (SHUI) payable;
- IV. Brief notes of Trade union fund payable.

I. Creation of companies:

Most industries do not require a minimum capital investment. This means you can adjust your starting capital to suit your plan.

Most business classifications are open to 100% foreign investment and ownership, and do not require special approval or licenses.

Limited Liability Company (LLC)

LLC is the most common legal entity type in Vietnam and an excellent choice for small and medium-sized enterprises (SMEs). Single investors can take advantage of its simple corporate structure, which requires one founder only. LLC is not permissible to issue public shares and be publicly listed on the Vietnamese stock exchange.

Joint-Stock Company (JSC)

JSC is recommended for medium and large-sized businesses as its corporate structure is complicated and requires a minimum of three founders. Furthermore, its registration process is often delayed due to more demanding requirements. This kind of a shareholding company allows its owners to issue shares and be listed on the public stock exchange.

Representative Office (RO)

RO is perfect for foreigners wanting to observe the local market and gain market presence before expanding. An RO is not allowed to conduct business activities that generate income and behave like an ordinary company. It is possible for the RO's head office to sign, adjust/supplement contracts on behalf of foreign company, if s/he is authorised by its legal representative, with the power of attorney being present.

Licensing Steps:

Determine:

- What type of company: LLC, JSC, etc.
- Who is the legal representative, what is ownership (the owner is personal investor or an organization, etc.);
- What the company will do in Vietnam: Business lines of the Company.

Prepare:

- Office rental contract;
- List of supporting documents of the investors (passport, bank balance confirmation, business license of the owner company, etc.);
- Prescribed forms according to Vietnam regulations.
- Registration for Investment Registration Certificate (IRC).
- Submit documents to Department of Planning and Investment.
- Timeline: 14-20 working days from the submission date.
- Registration for Enterprise Registration Certificate (ERC). Submit documents to the Department of Planning and Investment.
- Timeline: 5-10 working days from the submission date.
- Registration for Company Seal.
- Tax & Accounting Initial registration.
- Timeline 5-10 working days from the submission date

Next initial registrations:

- 1-Registration for accounting system, fiscal year;
- 2-Registration for fixed assets depreciation recording method;
- 3-Registration for inventory recording method if any;
- 4-Open bank accounts and registration for bank accounts information;
- 5-Registration for the digital signature information;
- 6-Initial declaration and payment for annual business license fee;
- 7-Registration for sale invoice using / decision to use e-invoice;
- 8-Initial declaration on labor using;
- 9-Account registration form for FDI enterprises' reports;

...



II. Brief notes of key taxes payable

1) VAT (Value added tax): The standard rate is 10% which shall be applied for you. In addition, there are other rates of 5% and 0% and VAT exemption. Payment schedule is on quarterly basis (the last day of the following month of quarter).

2) CIT (Corporate income tax): standard rate 20% on the taxable profit. Payment schedule is on quarterly basis (the last day of the following month of quarter) and 90 days for the year-end finalization.

Expenses are CIT deductible if they meet the following requirements:

- Relevant to business activities;
- Having sufficient legitimate invoices and vouchers;
- Settlement via forms of non-cash payment for transaction more than VND20 million;
- Paying via the registered bank account; and
- Not specifically identified as being non-deductible.

3) BLF (Business license fee):

Business License Tax (BLT) Rates for Economic Entities	
Registered capital (billion VND)	BLT/year (VND)
Over 10	3,000,000
Under 10 to 10	2,000,000

Payment schedule is yearly 31st January.

4) PIT (Personal income tax):

a) For non-resident employee: 20%

b) For resident employee with Labor Contract:

Tax bracket	Monthly taxable income (million VND)	Tax rate
1	Up to 5	5%
2	Over 5 to 10	10%
3	Over 10 to 18	15%
4	Over 18 to 32	20%
5	Over 32 to 52	25%
6	Over 52 to 80	30%
7	Over 80	35%

Compulsory insurance rates for Expats:

Application Date	Employer Contribution					Employee Contribution				
	SI		Labour accident and Occupational disease	Unemployment Insurance	Health Insurance	SI		Labour accident and Occupational	Unemployment Insurance	Health Insurance
	Retirement and death	Sickness and maternity				Retirement and death	Sickness and maternity			
From 1st Dec 2018	-	3%	0.5%	-	3%	-	-	-	-	1.5%
	6.5%					1.5%				
From 1st Jan 2022	14%	3%	0.5%	-	3%	8%	-	-	-	1.5%
	20.5%					9.5%				

Compulsory insurance rates for Local Employees:

Contributions made by:	From 01 June 2017 (Under Decree 44/2017/ND-CP)					
	SI			HI	UI	Total
	Retirement, survivorship	WRA, OD	Sick, maternity			
EE	8%			1.5%	1%	10.5%
ER	14%	0.5%	3%	3%	1%	21.5%
Total	22%	0.5%	3%	4.5%	2%	32%

Payment schedule is on monthly basis (the last day of each month).

II. Trade union fund payable:

Trade Union funds are paid by employer as the rate 2% on salary funds based to pay social insurance for employees.

Payment schedule is on monthly basis (the last day of each month).



*This guide has been prepared
by VNC Consulting, independent
member of Antea*

VNC CONSULTING

02 Ngo Duc Ke Street, Ben Nghe Ward,
District 01, Ho Chi Minh City, Vietnam
Tel: +842 866 703 100

vi.nguyen@vnc-os.com
www.vnc-os.com/



Alliance of
independent firms

Mallorca, 260 àtic
08008 – Barcelona
Tel.: + 34 93 215 59 89
Fax: + 34 93 487 28 76
Email: info@antea-int.com
www.antea-int.com

This publication is intended as general guide only. Accordingly, we recommend that readers seek appropriate professional advice regarding any particular problems that they encounter. This information should not be relied on as a substitute for such an advice. While all reasonable attempts have been made to ensure that the information contained herein is accurate, not Antea Alliance of Independent Firms neither its members accepts no responsibility for any errors or omission it may contain whether caused by negligence or otherwise, or for any losses, however caused, sustained by any person that relies upon it.