Country Profile: Vietnam

The Facts

Location	Southeastern Asia, bordering the Gulf of Thailand, Gulf of Tonkin, and South China Sea, as well as China, Laos, and Cambodia
Languages	Vietnamese
Nationality	Vietnamese
Religions	Buddhist – 9.3% Roman Catholic – 6.7% None – 80.8% Others – 3.2%
Government	Communist state
Head of Government	Prime Minister
Legislature	Unicameral National Assembly
Constitutional Document	Constitution of the Socialist Republic of Vietnam
Economy	Vietnam's economy has a emerging market. It is a leading agricultural exporter and attractive destination for foreign investment in Southeast Asia. Vietnam is also an exporter of minerals like petroleum, coal, iron and zinc, etc. The government publishes a list of tax and accounting incentives to a number of sectors such as infrastructure, agriculture, recycling and information technology, to encourage foreign investments.
Currency	Vietnam Dong (VND)
GDP (2011)	Total – VND 2,535,009.02 billion Per capita – VND 28,382,304 Real GDP growth – +5.9%
Population	91,519,300 (approx.)
Percentage of population	Kinh (Viet) – 85.7% Others – 14.3%
Area	331,210 km^2
Time zone	ICT (UCT +7)
Public Holidays	National holidays – 9
Climate	Tropical and monsoonal

Sources: Vietnam Invest Network, Central Intelligence Agency, International Monetary Fund

Vietnam

According to 2012 Doing Business Report by the World Bank Group, Vietnam ranked 98th out of 183 countries in terms of ease of doing business. Statistics from the Vietnamese Ministry of Planning and Investment (MPI) revealed that the country has managed to attract a total of 2,019 FDI projects worth around 45.86 billion U.S. dollars from the ASEAN countries in 2012 (up to July). Moreover, according to a projection made by the International Monetary Fund in 2005, Vietnam is likely to become the 17th largest economy in the world by 2025. There are many reasons why foreign investors should invest in Vietnam. Here's a look at some major reasons.

The Vietnam Business Climate

There are several reasons to invest in Vietnam:

- **Promising economy:** With introduction of economic reforms in 1986, the country started encouraging private ownership in its agricultural and industrial sectors. The result was quite rewarding. The GDP of Vietnam grew at an average of eight percent per year from 1990 to 1997. And this growth in economy continued throughout 2000-2007 at an annual average of seven percent. Even during global economic crisis in 2009-2010, the country's GDP grew by 6.5 percent per year. And according to statistics from the International Monetary Fund, Vietnam's nominal GDP reached US$135.411 billion in 2012. On the whole, Vietnam's GDP growth rate during the last decade has been higher than several other ASEAN countries, except for China.
- **Inflation rate on the decline:** High inflation rate has been a point of concern for Vietnam's economy for long. The average inflation rate of the country stands at 7.4 percent, with an all time highest being 28.2 percent in August, 2008. Even in August, 2011, the consumer price index (CPI) of the country went up to 23.1 percent. However, the good news is that the country's inflation rate has been going downwards since then. Vietnam's inflation rate came down from 22.16 in August, 2011 to 5.35 in August, 2012. According to experts, this downtrend will continue throughout 2012 and in the coming years. Quite obviously, this is a great time to invest in the country.
- **World Class Infrastructure:** According to statistics from the Ministry of Planning and Investment, the government of Vietnam spends around 18 percent of the country's annual financial budget for infrastructure development since 2006. As such the road network and railway network of the country meet international standards. Around 31 cities and provinces of Vietnam are well connected through the 2,260 km long 1A national highway, and the 3,167 km long Ho Chi Minh Highway. On the other hand, the railway network, with a total length of 2,632 km, is spread throughout the nation, and is also connected to the China railways. Moreover, there are 14 domestic airports in the country, making it easier to operate a business in the country.
- **Strategic location:** Vietnam is located close to several major business hubs in the South East Asia, such as India, Singapore and China. Moreover, the country, with around 119 seaports and 10 international airports, is well connected with most other international business centers in the world.

- **Favorable government policies:** Vietnam has one of the most open economies among the South East Asian countries. In order to attract foreign investment in the country, the government of Vietnam introduced a Law on Investment, which took effect from July, 2006. Under the law, some "encouraged" and "special encouraged" investment sectors are subject to tax incentives and some other fiscal incentives. Moreover, licensing requirements for investing in these sectors are quite simple and hassle free. A foreign company or investor can gain the following benefits by investing in these sectors:
    1. Tax incentives and other fiscal incentives
    2. Easy availability of land
    3. Simple and hassle free licensing requirements
    4. State-of-the-infrastructure

  Some sectors that get these special benefits include the information technology sector, recycling sector, forestry, agriculture, fishery, biotechnology manufacturing, and several others.
- **Increase in export revenue:** A large percentage of Vietnam's export revenue comes from the export of manufactured goods, such as garments, textiles, wooden products, footwear, computers and electronic gadgets. On the other hand, Vietnam also exports a large amount of agricultural products, such as crude oil, rice, seafood, coffee, and rubber. Interestingly, export by FDI companies account for more than fifty percent of total exports from the country. With the country's export revenues constantly on the upsurge, foreign investors have a strong reason to invest in the country. Vietnam's total export revenue went up by 25.5 percent in 2010 and by another 34 percent in 2011. The country's total export revenue reached around $96.3 billion in 2011. Statistics from the General Department of Vietnam Customs revealed that the country saw impressive growth in export revenue in the first quarter of 2012. Export of phone accessories, footwear, and coffee went up consecutively by 130 percent, 17.6 percent, and eight percent at the first part of 2012.

Vietnam also benefits foreign investors with low cost of hiring workforce and low living costs. The country's workforce is skilled, educated and motivated. Most Vietnamese professionals can speak English.

Setting up a Business in Vietnam

Types of Business Structures in Vietnam

When in comes to doing business in Vietnam, foreign investors have three clear options. They can establish a representative office, start a joint venture, or setup a hundred percent foreign owned company. Those who do not want to have a commercial presence in Vietnam, but do not require participating in buying and selling activities can setup a representative office. On the other hand, both wholly foreign-owned enterprises (WFOE) and joint ventures between local and foreign investor (JV) are a separate legal entity, and are allowed to take part in buying and selling activities in Vietnam. Foreign investments in forms of WFOE and JV are considered as 'direct investment' in Vietnam. Following are the two most popular business structures for those who want to make 'direct investment' in the country:

- **Limited Liability Company (LLC):** Vietnam recognizes two types of limited liability companies, namely, one-member LLC and multi-member LLC. While owner of a one-member LLC gets exposed to unlimited risks and liabilities, there is limited liability on shareholders of a multi-member LLC. It is mandatory for owner(s) of a LLC to contribute capital on time. In a LLC, selling of shares is subject to certain restrictions and obligations. Unless refused by members of the corporation, shares of a LLC cannot be sold to public.

- **Shareholding Company (SC):** A shareholding company has the right to sell shares more freely than a LLC. However, assignment of securities is subject to certain conditions mentioned in the Securities Law of Vietnam.

Apart from these two, direct investment is also possible through a limited liability partnership company or through a private enterprise. Foreign investment can also be made through Business Cooperation Contract (BCC), Build-Operate-Transfer Contract (BOT), and Build-Transfer Contract (BT).

Procedure to Setup a Limited Liability Company in Vietnam

The procedure to establish a limited liability company, shareholding company, and a public limited company is more or less similar. According to 2012 Doing Business Report by the World Bank Group, setting up a business in Vietnam takes around 44 working days. Following are some important steps towards forming a business in Vietnam:

- **Getting an approved name and registration certificates:** It is mandatory for a business to obtain an approved name, a tax registration certificate, and a business registration certificate from the Department of Planning and Investment. Completing this step may take around 14 working days.
- **Making a company seal and getting it registered:** Any registered company operating in Vietnam must have an official seal. Making a company seal usually takes around 6 working days. After a seal is made, it should be registered by the Police Department. This may take another 4 working days.
- **Opening a bank account:** It is also mandatory for a business to open a bank account of the company in Vietnam. Depending upon policy of a bank, minimum requirement for opening a bank account may vary from USD 100 to USD 500 or more. Documents to submit when opening a bank account include the following:
    1. A duly filled application form issued by the bank
    2. A certified copy of the investment license
    3. The company seal
    4. A certified copy of the Company Charter
    5. Resolution of the board of directors on the account opening and on the authorized signatures
    6. The company’s business registration certificate
    7. Resolution of the board of directors on appointing a General Director
    8. Details about the General Director and authorized signatories
    9. Tax code registration

  The requirements for opening a bank account may vary slightly depending upon the type of company formed in Vietnam. For example, documents required for opening bank account of an offshore company or a representative office may be different to some extent.
- **Making public announcement:** An announcement that the company has been formed should be published in a daily newspaper. Completing this step may take around 5 working days.
- **Getting VAT invoices:** It usually takes another 14 working days to obtain or print VAT invoices. The company may also choose to purchase VAT invoices from the Municipal Taxation Department.
- **Completing other registration requirements:** Forming a company in Vietnam also requires completing several other registration requirements, such as registering with the local labor office, registering employees with the Social Insurance Fund, and registering for trade union with Vietnam General Confederation of Labor. Completing all these registration requirements may take around 9 days in total.

Taxation

- Profit earned by operating a business in Vietnam is regarded as a taxable income. Tax is imposed on profit earned by selling products and services, renting or leasing assets, transferring shares, and on the net income of branch and joint ventures. Corporate income tax rate in Vietnam is 25 percent. However the CIT rate charged on businesses into mining of oil and gas may move up to 50 percent. On the other hand, businesses operating in sectors like health care, education, occupational training and others may require paying only 10 percent corporate income tax. Moreover, the government offers special tax incentives for the following businesses:

- For operating business in “specially difficult socio economic conditions
- For operating a business in high-tech zones and economic zones
- For businesses investing into technology and scientific research
- For business investing into development of infrastructure

Depending upon nature of a transaction, a business may require paying different VAT rates – starting from 0 percent to 10 percent.

Immigration and Visa Requirements

Visiting Vietnam for business purpose requires a business visa. One can apply for a business visa in advance, or after arriving in the country with a tourist visa. Vietnam issues multiple-entry business visa with maximum validity of three months. Following documents need to be submitted when applying for a business visa for Vietnam:

- A passport with at least 6 months validity
- A letter of intent from the sponsoring company in the applicant’s country of origin
- Two passport-sized color photographs
- Duly filled application forms
- Application fee

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