



# **VIETNAM:**

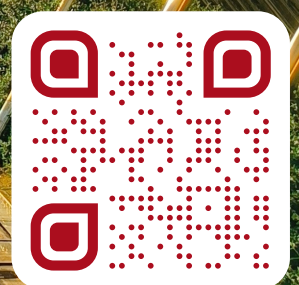
## **MARKET ENTRY GUIDE**

# **LEGAL AND TAX ESSENTIALS**

# **FOR FOREIGN INVESTORS**



Prepared in collaboration with  
Investment Promotion Agency of Da Nang





## 1. WHY INVEST IN VIETNAM?

### **Q** What makes Vietnam an attractive destination for investment?

Vietnam offers a compelling mix of economic growth, strategic location, and government incentives.

- **Economic Growth:** Stable GDP growth (6-7% annually pre-COVID, rebounding post-2020).
- **Strategic Location:** Central in ASEAN, with access to major shipping routes and proximity to China, Japan, and South Korea.
- **Young Workforce:** Over 50% of the population is under 35, with a literacy rate above 95%.
- **Trade Agreements:** Member of 17 Free Trade Agreements (FTAs), reducing tariffs with major economies (e.g., EU, CPTPP, RCEP).
- **Government Incentives:** Tax breaks, land lease exemptions, and import duty relief for priority sectors.

### **Q** What tax and investment incentives are available?

Vietnam provides incentives to attract investment in, among others, high-tech, manufacturing, and also in underdeveloped regions.

Incentive Type	Details
Corporate Income Tax (CIT)	<ul style="list-style-type: none"><li>• Standard rate: 20%</li><li>• Preferential rates: 10% or 15% for 15 years for projects in high-tech zones, economic zones, or specific sectors (e.g., renewable energy, software production).</li><li>• Tax holiday: possible 4 year exemption plus 5-9 years with half reduction</li><li>• Loss carried forward: five years</li></ul>
Import Duty Exemptions	<ul style="list-style-type: none"><li>• Exemptions for machinery, raw materials for production, and goods for research.</li><li>• High-tech enterprises: 5-year exemption on non-domestically produced raw materials.</li></ul>
Land Lease Exemptions	<ul style="list-style-type: none"><li>• Full exemption for projects in special incentive sectors or high-tech zones.</li><li>• Excludes commercial/service land or mineral exploitation projects.</li></ul>



## Q What are the special incentives in Da Nang?

Da Nang is a hub for high-tech, finance and tourism, with several special zones offering unique incentives.

### HIGH-TECHNOLOGY SECTOR

#### HI-TECH PARK

Major incentives:

- 10% CIT for 15 years; up to 30 years for projects worth 3,000 billion VND (approx. 120 million USD) or more;
- CIT exemption for 4 years and of 50% reduction the next 9 years;
- Land rent exemption and reduction; and
- Tax exemptions for fixed assets & high-tech equipment imports.

Administrated by: Da Nang Specific Economic Zones Authority (DSEZA)  
(Da Nang People's Committee)

For investments in the fields of **SEMICONDUCTORS AND AI**

Major incentives:

- CIT exemption for 5 years regarding innovation activities;
- PIT exemption for 5 years;
- CIT & PIT exemption on capital transfer, share transfer, and capital contribution rights for 5 years;
- Support of income, accommodation expenses for experts, scientists;
- Support of infrastructure usage; and
- Special incentives for strategic investors, strategic partners.

#### SOFTWARE PARK 1 and SOFTWARE PARK 2

Major incentives:

- 10% CIT for 15 years;
- CIT exemption for 4 years and of 50% reduction the next 9 years;
- Tax exemptions for fixed asset imports; and export tax incentives for software products (if applicable);
- Customs priority.

Administrated by: Da Nang Department of Science and Technology  
(Da Nang People's Committee)

#### IT PARK

Major incentives:

- 10% CIT for 15 years;
- CIT exemption for 4 years and of 50% reduction the next 9 years;
- Tax exemptions for fixed asset imports; and export tax incentives for software products (if applicable);
- Customs priority.

Administrated by: DSEZA (Da Nang People's Committee)

### FREE TRADE ZONE

#### First trade zone model in the country

Major incentives (proposed):

- Land occupation up to 70 years;
- 10% CIT for 15 years;
- CIT exemption for 4 years and of 50% reduction the next 9 years;
- Streamlined investment procedures;
- Land rent exemption and reduction;
- Customs priority;
- Other incentives on import & export taxes; land; credit; accounting, etc.; and
- Special incentives for strategic investors.



Production – Logistics  
Zone



Trade-Service Zone



Digital Technology  
Industry and Innovation  
Zone



Other Functional Zone

Administrated by: DSEZA (Da Nang People's Committee)

### FINANCIAL CENTER

Major incentives (in draft form):

- Language and legal framework aligned with international standards;
- Outstanding CIT incentives;
- Easy access to land fund and extended lease terms;
- Special incentives for strategic investors;
- Incentives for green financing;
- Liberation of foreign exchange and banking activities;
- Flexible visa and residency policies; and
- International standards for dispute resolution.

Administrated by: Da Nang People's Committee

## 2. HOW CAN FOREIGN INVESTORS ENTER VIETNAM'S MARKET?

### Q Which forms of presence can a foreign investor establish in Vietnam?

Foreign investors can choose from several business structures based on their goals:

Form	Purpose	Key Features
Representative Office	Market exploration, promotion	<ul style="list-style-type: none"><li>No direct profit-making</li><li>Can rent office, hire staff</li><li>Requires at least 1 year of investor operation</li></ul>
Limited Liability Company (LLC)	Full business operations	<ul style="list-style-type: none"><li>Single-member or multi-member (2-50)</li><li>No share issuance</li><li>Less flexibility in capital raising</li></ul>
Joint-Stock Company (JSC)	Large-scale operations, public listing	<ul style="list-style-type: none"><li>Min. 3 shareholders</li><li>Can issue shares/bonds</li><li>Easier capital raising</li></ul>
Branch	Extension of foreign company	<ul style="list-style-type: none"><li>Requires at least 5 years of investor operation</li></ul>
Business Cooperation Contract (BCC)	Project-based collaboration	<ul style="list-style-type: none"><li>No legal entity formed</li><li>Revenue/Profit-sharing agreement</li></ul>

### Q What are the steps to set up a company in Vietnam?

Setting up an LLC or JSC involves the following steps:

Step	Authority	Notes
1. Investment In-Principle Approval	National Assembly/Prime Minister (large projects) or Provincial People's Committee	Required for projects > USD 130M or in sensitive sectors
2. Investment Registration	Department of Finance ( <b>DoF</b> ); OR The Industrial Zone (IZ)/Economic Zone (EZ) Authority (if located within IZ/EZ)	The competent authority issues <b>Investment Registration Certificate</b>
3. Business Registration (actual incorporation of subsidiary)	DoF – Business Registration Office	DoF issues <b>Enterprise Registration Certificate</b>

## 3. ARE THERE RESTRICTIONS ON FOREIGN OWNERSHIP?

### Q What are Vietnam's rules on foreign investment access?

Vietnam's WTO commitments and domestic laws define foreign investment access:

- WTO Commitments:** Vietnam agreed to open certain sectors (e.g., telecom, courier) to foreign investors with specific limits (e.g., 51%-70% ownership in some services) while most other sectors' restrictions are expired. Non-committed sectors may face stricter rules.
- Conditional Sectors:** 228 sectors (e.g., banking, real estate) require specific licenses, capital, or expertise to operate. Others have conditions like ownership caps or joint venture requirements.
- Restricted Sectors:** 25 sectors (e.g., defense, press) are off-limits to foreign investors.

Access Type	Details
Unrestricted	Sectors not listed in restricted/conditional lists (e.g., most manufacturing) or restrictions expired
Limited Ownership	Caps apply (e.g., 51% in courier services, 49% in telecom with infrastructure)
Restricted	No foreign investment allowed (e.g., national security-related sectors)

#### **Q** What are examples of ownership restrictions?

Sector	Restriction
Telecom (no infrastructure)	Up to 70% foreign ownership
Film Distribution	Requires JV with licensed Vietnamese partner and not more than 51% foreign ownership

## 4. WHO SHOULD MANAGE THE VIETNAMESE SUBSIDIARY?

#### **Q** What are the key management bodies and officer roles in a Vietnamese company?

Vietnamese companies require specific management bodies and officers depending on the company type (Single-Member LLC, Multi-Member LLC, or Joint-Stock Company).

#### Corporate management bodies

Management Body/Officer	Applicable Company Type	Role
Company's Owner	Single-Member LLC	Can be an individual or an organization; Holding 100% company's capital; Highest decision-making body in single-member LLC.
Member Council	<ul style="list-style-type: none"> <li>Single-Member LLC (if owned by an organization)</li> <li>Multi-Member LLC</li> </ul>	<ul style="list-style-type: none"> <li>Highest decision-making body in multi-member LLC.</li> <li>Comprises all members (or representatives).</li> <li>Approves major decisions (e.g., charter amendments, capital changes).</li> </ul>
General Meeting of Shareholders (GMS)	Joint-Stock Company	<ul style="list-style-type: none"> <li>Highest decision-making body.</li> <li>Comprises all shareholders that hold voting shares.</li> <li>Approves major decisions (e.g., charter amendments, BoM appointment, capital changes).</li> </ul>
Board of Management (BoM)	Joint-Stock Company	<ul style="list-style-type: none"> <li>Management body overseeing strategy and operations.</li> <li>3-11 members.</li> <li>Appoints Director and makes key decisions.</li> </ul>
Supervisory Board	Joint-Stock Company (mandatory if >11 shareholders or if organizational shareholders own >50% of shares)	<ul style="list-style-type: none"> <li>Supervise the operation of the BoM and Directors.</li> <li>Reviews accounts and reports.</li> <li>3-5 members.</li> </ul>

## Individual senior officers

Officer	Applicable Company Type	Role	Must reside in Vietnam?	Can be a foreign citizen?
Chairman of the Member Council	<ul style="list-style-type: none"> <li>Single-Member LLC (if owned by an organization)</li> <li>Multi-Member LLC</li> </ul>	<ul style="list-style-type: none"> <li>Leads Member Council meetings.</li> <li>May also serve as Legal Representative or Director.</li> </ul>	No (unless Legal Representative)	Yes
Authorized Representative	<ul style="list-style-type: none"> <li>Single-Member LLC (if owned by an organization)</li> <li>Multi-Member LLC (if owned by an organization)</li> <li>Joint-Stock Company</li> </ul>	<ul style="list-style-type: none"> <li>Appointed by a shareholder (organization) to represent their interests in the Member Council (if LLC) or GMS (if Joint-Stock Company).</li> <li>Votes on behalf of the shareholder.</li> <li>Participates in decision-making (e.g., approving budgets, appointing Director).</li> </ul>	No	Yes
Chairman of the Company	Single-Member LLC	<ul style="list-style-type: none"> <li>Represents the owner (if owned by an organization with chairman model).</li> <li>Exercises owner's rights and obligations.</li> <li>May also serve as Legal Representative and/or Director.</li> </ul>	No (unless Legal Representative)	Yes
Chairman of the Board of Management	Joint-Stock Company	<ul style="list-style-type: none"> <li>Leads Board of Management.</li> <li>Oversees strategic decisions.</li> <li>May also serve as Legal Representative and/or Director.</li> </ul>	No (unless Legal Representative)	Yes
Director	<ul style="list-style-type: none"> <li>Single-Member LLC</li> <li>Multi-Member LLC</li> <li>Joint-Stock Company</li> </ul>	<ul style="list-style-type: none"> <li>Manages daily business operations.</li> <li>Executes decisions of Member Council/Chairman/GMS/BoM.</li> <li>May also serve as Legal Representative.</li> </ul>	No (unless Legal Representative)	Yes
Legal Representative	<ul style="list-style-type: none"> <li>Single-Member LLC</li> <li>Multi-Member LLC</li> <li>Joint-Stock Company</li> </ul>	<ul style="list-style-type: none"> <li>Legally represents the company.</li> <li>Signs contracts and official documents.</li> <li>At least one Legal Representative must be Chairman of the Company (if Single-Member LLC), Chairman of the Member Council (if Single-Member LLC or Multi-Member LLC), Chairman of the Board of Management (if Joint-Stock Company) or Director.</li> </ul>	Yes (at least one if multiple)	Yes

### Notes:

- The term **Chairman** refers to different roles depending on the company type: **Chairman of the Member Council** (LLCs), **Chairman of the Company** (Single-Member LLC), or **Chairman of the Board of Management** (JSC).
- The **Director** is sometimes referred to as the CEO in practice, but Vietnamese law uses "Director" or "General Director" to avoid confusion with foreign terms like CEO.



### Q Must senior officers reside in Vietnam?

- **No**, except for the **Legal Representative**:
  - At least one Legal Representative must reside in Vietnam.
  - If the company has multiple Legal Representatives, at least one must be a Vietnam resident.
- Other officers (e.g., Director, Chairman, Board members) can reside abroad.

### Q Who can sign documents on behalf of the company?

- **Legal Representative**:
  - Typically the Chairman (of the Member Council, Company, or Board of Management) or Director who concurrently hold the Legal Representative.
  - In case of multiple Legal Representatives, division of signing powers must be specified in the company's charter.
- **Authorized Persons**:
  - The Legal Representative can delegate signing authority to others via written authorization.
  - Delegation must comply with the company charter and Enterprise Law 2020.

### Q Can foreigners serve in management roles?

- **Yes**, foreigners can hold any management position, including Legal Representative.
- **Work Permit Requirement**:
  - Foreigners working in Vietnam (e.g., as Director) generally need a work permit unless exempt (e.g., capital contributor with >VND 3 billion [~USD 130,000] or manager/expert that work short-term in Vietnam).

## 5. EXAMPLES OF MANAGEMENT STRUCTURES

### Q What is the simplest corporate management structure for a Single-Member LLC?

A **Single-Member LLC** in Vietnam can have a streamlined management structure. The Enterprise Law 2020 allows one person to combine multiple roles, minimizing the number of required personnel.

#### **Simplified Structure for Single-Member LLC (Owned by another foreign company)**

- **Mandatory Corporate Bodies and Officers**:
  - Chairman of the Company – the Authorized Representative
  - Director
  - Legal Representative
- **Combining Roles**:
  - One person can serve as Chairman of the Company, Director, and Legal Representative, provided they are appointed by the owning organization.
- **Conditions**:
  - The Legal Representative must reside in Vietnam.
  - The organization must formally appoint the representative in writing.



### Example:

- A foreign company owns the LLC and appoints Ms. Linh as the sole Authorized Representative - Chairman of the Company, Director, and Legal Representative. Ms. Linh resides in Vietnam, handles all decisions, and reports to the foreign company. No additional officers are required.

### **Q** What could be a comprehensive management structure for a Multiple-Member LLC?

A **Multiple-Member LLC** involves at least two members (individuals, organizations, or a mix), requiring a more collaborative governance structure due to shared ownership. The Enterprise Law 2020 mandates a Member Council to ensure all members' interests are represented, but roles can still be optimized for efficiency.

#### **Comprehensive Structure for Multiple-Member LLC**

- **Mandatory Corporate Bodies and Officers:**
  - Member Council (comprising all members (if individuals) or their Authorized Representatives (if organizations))
  - Chairman of the Member Council
  - Director
  - Legal Representative
- **Role Assignments:**
  - **Member Council:** Includes all members (if individuals) or their Authorized Representatives (if organizations).
  - **Chairman of the Member Council:** Elected by the Member Council to lead meetings and coordinate decisions. Must be one of the members and Authorized Representatives).
  - **Director:** Manages daily operations. Can be a member, an Authorized Representative, or a hired professional.
  - **Legal Representative:** At least one Legal Representative must be the Chairman or Director. At least one Legal Representative must reside in Vietnam.
- **Combining Roles:**
- The **Chairman of the Member Council** can also be the **Director** and **Legal Representative**.
- An Authorized Representative can also serve as **Chairman of the Member Council**, **Director**, or **Legal Representative**, depending on the charter and member agreement.

#### **Example Scenarios:**

- **Minimal Structure:**
  - Members: Mr. Tran (individual) and ABC Corp (organization).
  - Member Council: Mr. Tran and ABC Corp's Representative (Ms. Kim).
  - Chairman of the Member Council: Mr. Tran (also Legal Representative, resides in Vietnam).
  - Director: Ms. Kim (appointed by the Member Council).
  - Result: Two people cover all roles, with Mr. Tran leading governance and Ms. Kim managing operations.
- **Comprehensive Structure:**
  - Members: XYZ Ltd (organization) and PQR Inc (organization).
  - Member Council: Two Authorized Representatives from XYZ Ltd (Mr. Lee, Ms. Hoa) and one Authorized Representative from PQR Inc (Mr. Smith).





- Chairman of the Member Council: Mr. Lee (elected by the Member Council).
- Director: External hire (Mr. Minh, a professional manager).
- Legal Representative: Mr. Minh (resides in Vietnam).
- Result: Four people ensure robust oversight, with Authorized Representatives focusing on strategy and the Director handling operations.

## Q How to Buy Shares in an Existing Vietnamese Company?

Requirement	Details
M&A Approval	<ul style="list-style-type: none"> <li>• Generally required if the share acquisition leads to increase of foreign ownership ratio (in conditional sectors) OR foreign ownership ratio will exceed 50% post acquisition or increases if already above 50% (not in restricted/conditional sectors)</li> <li>• File with DoF or IZ/EZ Authority (if located within IZ/EZ)</li> </ul>
Investment Registration	<ul style="list-style-type: none"> <li>• Required for company that have IRC</li> <li>• File with DoF or IZ/EZ Authority (if located within IZ/EZ)</li> </ul>
Antimonopoly Approval	<ul style="list-style-type: none"> <li>• Needed if combined market share &gt;30% or meeting threshold of combined assets/revenue</li> <li>• Review by Competition Authority</li> <li>• Other thresholds apply</li> </ul>
Foreign Ownership Caps	<ul style="list-style-type: none"> <li>• Check sector-specific limits (e.g., 49% in telecom infrastructure)</li> </ul>

## Q What are the tax implications for non-resident?

- **Capital Gains Tax:** 20% on profits from share sales in LLC or non-listed company.
- **Withholding Tax:** 5% on loan interest, roughly 10% on service fee and 0.1% on sales proceeds from securities/ listed shares.

## 6. HOW DO WORK VISAS AND TAXES WORK FOR FOREIGN EMPLOYEES?

### Q What are the requirements for work visas and permits?

Requirement	Details
Work Visa (LD1/LD2)	<ul style="list-style-type: none"> <li>• Valid passport</li> <li>• Sponsor in Vietnam</li> <li>• Work permit (for LD2)</li> </ul>
Work Permit	<ul style="list-style-type: none"> <li>• Required for most foreign workers</li> <li>• Exceptions: owners with &gt;VND 3B (USD 130K) capital, short-term experts or foreign national who is married to a Vietnamese citizen and resides in Vietnam.</li> <li>• Valid up to 2 years, with 1 time renewal</li> </ul>

### Q How does tax residency affect personal income tax (PIT)?

Status	Taxable Income	PIT Rates
Resident	Global income	Progressive: 5%-35% (e.g., 20% on VND 18-32M/month)
Non-Resident	Vietnam-sourced income	Flat 20% on employment income

## Q Are there tax exemptions for foreign workers?

**Double Taxation Agreements (DTAs):** Vietnam has DTAs with 80+ countries, allowing exemptions/reductions if conditions are met (e.g., limited stay).

## 7. LAND

### Q What land right foreign invested companies can have in Vietnam?

- Foreign invested companies can obtain **land use rights** via:
- Lease from the state.
- Acquisition of land use rights in industrial/high-tech zones.
- Capital contribution or project-based allocation.

## 8. BANK ACCOUNTS

### Q How do foreign investors open bank accounts?

- **Foreign Individuals:** passport and visa (or visa exemption proof). Specific documentary requirements should be confirmed with relevant bank.
- **Foreign Entities:**
  - Open accounts in VND or foreign currency at authorized banks.
  - **Direct Investment Capital Account:** Mandatory for FDI cash contributions.
  - **Indirect Investment Capital Account:** For non-residents holding <51% shares in a Vietnamese company.

## 9. WHAT ARE THE KEY CORPORATE TAX CONSIDERATIONS?

### Q What are the main corporate taxes in Vietnam?

Tax Type	Rate/Details
Corporate Income Tax	<ul style="list-style-type: none"><li>• Standard: 20%</li><li>• Preferential: 10%/15% for priority sectors/zones</li><li>• Tax holiday: up to 4 years and half reduction from 5-9 years</li></ul>
Value Added Tax (VAT)	<ul style="list-style-type: none"><li>• Standard: 10%</li><li>• Reduced: 5% (e.g., food, medicine)</li><li>• Reduced: 0% for exports</li></ul>
Foreign Contractor Tax	<ul style="list-style-type: none"><li>• Withholding tax on foreign entities: 5%-15% on services, 1% on goods</li></ul>
Capital Gains Tax	<ul style="list-style-type: none"><li>• 20% on profits from share/real estate sales</li></ul>
Import/Export Tax	<ul style="list-style-type: none"><li>• Exemptions in export processing zones, high-tech zones</li></ul>

### Q What are transfer pricing rules?

- **When Issues Arise:** Transactions between related parties (e.g., parent-subsidary) must generally be at arm's length.
- **Key Considerations:**
  - Maintain documentation (e.g., Local File, Master File).
  - Avoid artificial profit shifting (e.g., inflated royalties).
  - Penalties for non-compliance may include: 20% of underpaid tax plus interest.

## Q What is the status of implementation of the global minimum tax rules?

The Global Minimum Tax (GMT), part of the OECD's Pillar Two initiative, establishes a 15% minimum effective tax rate for multinational enterprises (MNEs) with annual revenues exceeding €750 million to curb tax avoidance and profit shifting. Vietnam, a member of the OECD Inclusive Framework on Base Erosion and Profit Shifting (BEPS), adopted the GMT through Resolution No. 107/2023/QH15, effective from January 1, 2024. This resolution introduced two key mechanisms: the Qualified Domestic Minimum Top-up Tax (QDMTT), which ensures MNEs operating in Vietnam pay a 15% minimum tax on local profits, and the Income Inclusion Rule (IIR), which allows Vietnam to tax low-taxed foreign profits of Vietnamese parent companies.

To date, Vietnam's implementation has focused on aligning with OECD's Global Anti-Base Erosion (GloBE) rules. On November 12, 2024, the Ministry of Finance released a draft decree detailing Resolution 107's application, specifying tax administration requirements, such as GloBE Information Returns and top-up tax calculations, due within 12 months of the fiscal year-end. MNEs must designate a constituent entity to handle QDMTT payments, with strict timelines for tax code registration and compliance.

While the decree's public consultation phase has concluded, no official publication has been announced as of February 2025.

## 10. CASHFLOWS IN AND OUT OF VIETNAM

### Q What are Vietnam's foreign exchange controls?

Activity	Rules
Bringing Capital to Subsidiary	<ul style="list-style-type: none"><li>• Use Direct Investment Capital Account</li></ul>
Distributing Dividends	<ul style="list-style-type: none"><li>• Paid in VND or convertible currency</li><li>• Subject to 5% withholding tax to individual shareholders</li></ul>
Offshore Loans	<ul style="list-style-type: none"><li>• Register with State Bank (medium / long term)</li><li>• Settle via loan-specific account</li><li>• Regulations list specific purposes for which loans can be obtained</li></ul>
Paying for Shares	<ul style="list-style-type: none"><li>• Use Indirect Investment Capital Account for non-residents</li><li>• Report to bank</li></ul>
Converting VND to USD	<ul style="list-style-type: none"><li>• Requires proof of legitimate purpose (e.g., dividends, loan repayment)</li></ul>