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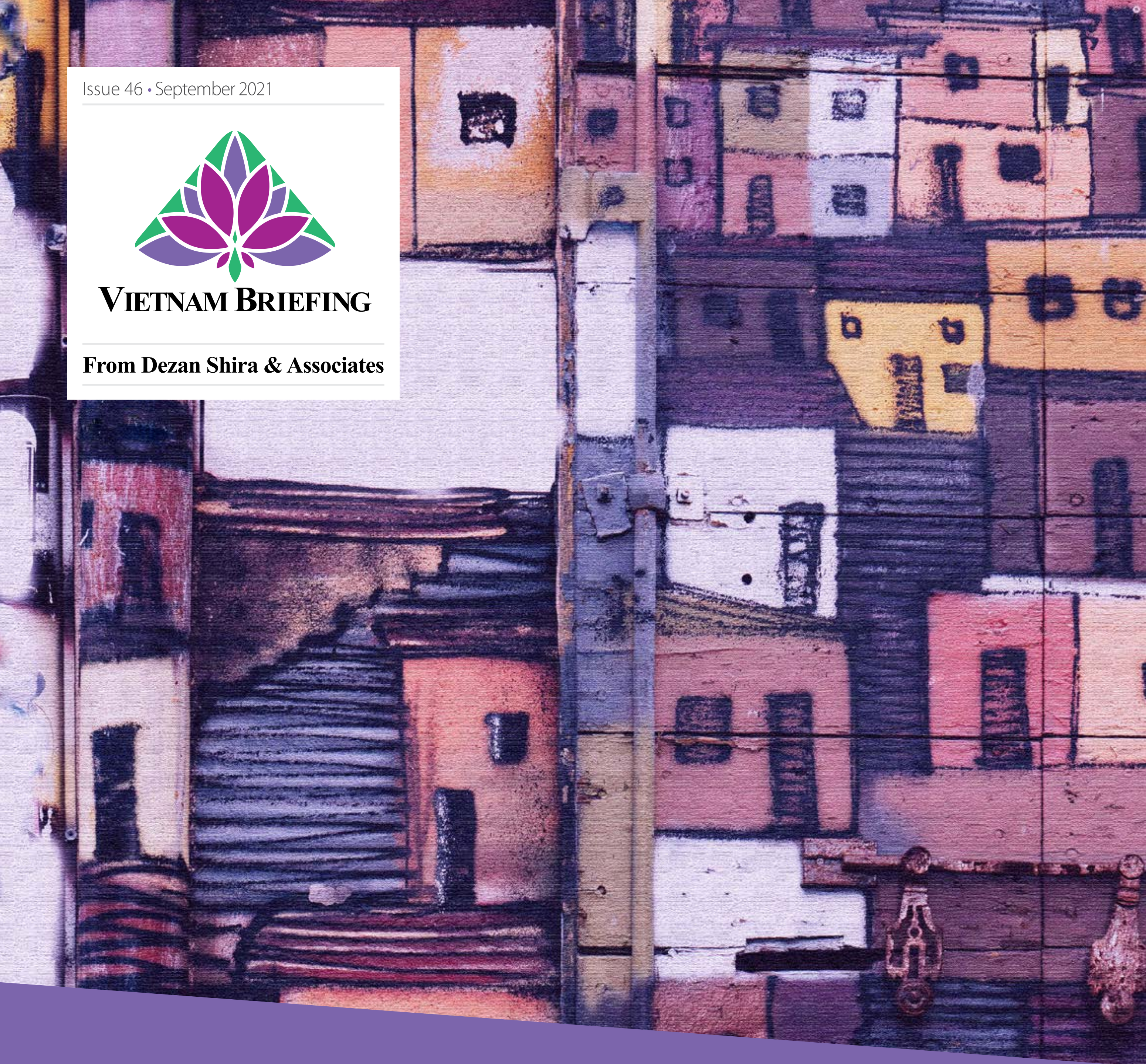
From Dezan Shira & Associates



A Guide to Foreign Investment in Vietnam

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Introduction

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Vietnam's lure of a favorable investment environment, including competitive costs, talent market, and free trade agreements, have made it an ideal location for investors seeking to diversify supply chains and lower operation costs. Nevertheless, foreign investors considering the Vietnamese market need to have a clear understanding of the capacity and limitation of Vietnamese production.

As Vietnam faces its most serious outbreak of COVID-19, with factories shut and production lines affected, many businesses have had to resort to alternative business continuity measures to ensure factory activity can continue. While this is a challenging time for the country, the government has asserted its dual priorities of containing the pandemic and ensuring economic activity. Most investors remain bullish and while they acknowledge that the recent wave has caused production problems, long-term investment plans will not change.

In this issue of Vietnam Briefing, we detail market entry options in Vietnam, followed by a set up guide, including land use rights for new investors in the country. We conclude with Vietnam's labor market, taxes, and hiring staff considerations.

This magazine is based on Dezan Shira & Associates' years of experience in supporting foreign enterprises in Vietnam. For more information and advice on how to plan a relocation to Vietnam please contact us at vietnam@dezshira.com

Best regards,

Alberto Vettoretti

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This Issue's Topic

A Guide to Foreign Investment in Vietnam

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Market Entry

By Dezan Shira & Associates

Vietnam's economy is forecast to expand to 6.5 percent this year and foreign companies from the Middle East, Asia, and North America have been flocking to the country. The most significant growth is expected in exports and manufacturing – foreign direct investment indicators are showing that Vietnam is outpacing other rivals in ASEAN.

This growth is not expected to stop any time soon, representing a good opportunity for foreign businesses to start or expand their operations in Asia. While Vietnam is currently facing its most serious outbreak of the COVID-19, investors remain bullish on long-term prospects.

Investors have a number of options for entry into the Vietnamese market. In this chapter, we will outline the most common corporate structure options for foreign investors.

Representative office

A representative office (RO) offers a low-cost entry for companies seeking to gain a better understanding of the Vietnamese market. As such, this option is among the most common for first-time entrants to the Vietnamese market and often precedes a larger presence within the country. Currently, ROs are permitted to engage in the following activities:

- Conducting market research;
- Acting as a liaison office for its parent company; and
- Promoting the activities of its head office through meetings and other activities that leads to business at later stages.

Vietnam's Ministry of Planning and Investment (MPI) does not currently specify the required capital for ROs. While the MPI does not impose specified capital requirements, companies will be required to show that their capital contributions are sufficient to fund the activities of their operations.

As a result, potential investors should prepare to commit a minimum of US$10,000 to fund their operations. ROs can be set up in between six to eight weeks.

Branch office

A branch office (BO) can conduct business activities in Vietnam with the parent company's business scope. To set up a BO, a parent company must have conducted business in its home country for at least five years. BOs are limited to certain types of service businesses, such as finance and banking. BOs can hire staff directly, make it easier to do contracts between the parent company and Vietnamese companies, and serve in similar ways to a liaison office.

BOs are permitted to engage in the following activities:

- Rent offices;
- Lease or purchase the equipment and facilities required for operations;
- Recruit local and foreign employees;
- Remit profits abroad;
- Purchase and sell goods and commercial activities per licensing; and
- Set up accounting, marketing, and HR departments to represent the parent company.

The BO will need to obtain an establishment license and have a seal with the name of the parent company. The BO will also need to appoint a branch manager who is a Vietnam resident.

Foreign companies may appoint a manager from their countries of origin; however, this employee must get a Vietnam work permit to be hired as a BO manager.

The Ministry of Industry and Trade approves the registration of the BO after the company submits all the documents with the process typically taking 20 working days.

100 percent foreign-owned enterprise

A 100 percent foreign-owned enterprise (FOE) in Vietnam can operate under the following structure:

- Joint-stock companies; and
- Limited liability companies.

Limited liability companies (LLC) are the most common form of investment for foreign investors due to their reduced liability and capital requirements.

LLCs can be broken down into single-member LLCs, where there will only be one owner, and multiple-member LLCs, where there will be more than one stakeholder. These owners can be private individuals or companies, depending on the requirements of a given investor.

The setup time for a 100 percent FOE ranges between two to four months on average.

Joint venture

A joint venture (JV) entails the partnership of companies or individuals for a specific business purpose. JVs are not a unique corporate structuring option; partners usually establish an LLC for standard JVs and a joint-stock company (JSC) if there is a desire to list on Vietnam's stock exchanges.

For investors purchasing stakes in state-owned enterprises equitized on Vietnam's exchanges, the JSC structure is required. When entering the Vietnamese market, foreign investors can choose to enter into joint ventures as a majority (ownership more than 50 percent) or minority (ownership less than 50 percent) stakeholder.

The capital requirements for JVs are the same as for 100 percent FOEs. Unconditional sectors are not subject to specified capital requirements. However, Vietnam's MPI does apply industry-specific capital requirements in many cases.

The percentage of ownership, and thus the amount of capital contributed, is the more important metric to use when evaluating the capital requirements for JVs in Vietnam. At present, statutory guidelines impose a foreign contribution floor of 30 percent for JVs, as well as a ceiling in specific conditional sectors.

The government also mandates minimum contributions for domestic investors on an industry-specific basis. Set ups for JVs take about two to four months.

Public-private partnership

A public-private partnership (PPP) entails a partnership between a foreign or domestic enterprise and the government for the completion of key infrastructure projects. Vietnamese authorities are aggressively pursuing PPPs for a variety of infrastructure projects as a means of filling gaps left by the reduced role of state-owned enterprises, rising population, and increasing urbanization. The five types of PPPs are Build-Transfer-Operate (BTO), Build Transfer (BT), Build-Operate-Transfer (BOT), Build-Own-Operate (BOO) and Build, Transfer, and Lease (BTL).

Mergers and acquisitions

Mergers and acquisitions (M&As) are an increasingly popular route for foreign investors looking to begin operations in Vietnam. With an M&A, investors can enjoy pre-existing access to consumers, locations, and distribution channels. This local knowledge can prove critical to successful operations within Vietnam's vibrant but rapidly changing investment environment.

Investors that find it challenging to enter the Vietnamese market may find that the M&A route provides a unique solution to several obstacles.

Investors need to weigh the pros and cons of whether merging or acquiring complements their business strategy. A merger is when two companies join to form one company by transferring assets, rights, obligations, and interests to the merged company and therefore terminating the two separate companies.

Acquisitions require a change in ownership and are typically in the form of existing share purchases or new shares but also involve acquiring assets. For non-public companies, liability mainly stems from the failure to meet with the provisions set out in the agreement.

Investors that are interested in this route should recognize the legal foundation for M&As, and understand the procedures and restrictions associated with acquisitions.

Entry Market Structure Types	Common Purpose	Statutory Set up Time	Pros	Cons
Representative Office	• Non-separate legal entity • Market Research • Act in liaison on behalf of parent company	Time to find location + 2 weeks	• Easy registration procedure	• The parent company must have been established and in operation for 1 year • Cannot conduct revenue generating activities • Parent company bears liability
Branch Office	• Non-separate legal entity • Commercial activity within parent company's scope	Time to find location + 3 weeks*	• Can remit profits abroad	• The parent company must have been established and in operation for 5 years • Limited to certain industry sectors • Parent company bears liability
Limited Liability Company	• Separate legal entity	Time to find location + 1 month**	• Liability limited to capital contribution • Freely engaged in any registered business lines that are not banned by local laws	• Cannot issue shares • Maximum of 50 shareholders
Joint-Stock Company	• Separate legal entity	Time to find location + 1 month**	• Liability limited to capital contribution • Freely engaged in any registered business lines that are not banned by local laws • Can issue shares and go public	• At least three shareholders required • Supervisory board required for most joint stock companies
Public Private Partnership	• Entails partnership between foreign or domestic enterprise and government for infrastructure projects	2 – 4 months + negotiation	• Government aggressively pursuing PPPs to develop infrastructure	• Several PPP models • Investors unsure of returns

** Applies to normal cases whose parent company's business lines are under the management of Ministry of Industry and Trade. Otherwise, relevant competent authorities will consider licensing on a case by case basis and the timeframe will be prolonged accordingly.*
*** Applies to normal investing projects whose objectives/business lines are under WTO Commitments. Otherwise, relevant competent authorities will consider licensing on a case by case basis and the timeframe will be prolonged accordingly.*

Business Entities Compared					
Entity Types	**Representative office**	**Branch office**	**Joint-stock company**	**Joint venture**	**Limited liability company**
Sign contracts with local clients?	No	Yes	Yes	Yes	Yes
Can issue invoices?	No	Yes	Yes	Yes	Yes
Can import raw materials?	No	Yes	Yes	Yes	Yes
Can export goods?	No	Yes	Yes	Yes	Yes
Audit required?	Yes	Yes	Yes	Yes	Yes
Annual tax return?	Yes	Yes	Yes	Yes	Yes
Can employ foreign staff?	Yes	Yes	Yes	Yes	Yes
How long for set up (approx.)	8 weeks	12 weeks	8 weeks	12 weeks	8-16 weeks

Set Up Guide

By Dezan Shira & Associates

While Vietnam is a highly attractive investment destination for foreign investors, it still has a complex legal process for establishing a company. In this chapter we discuss the different set up procedures for companies that want to begin operations in the country. We also recommend professional assistance to guide companies through the myriad of laws and procedures in the country.

Step 1 – Pre-investment approval

For some types of investment, companies need to seek the approval of Vietnamese authorities prior to starting establishment procedures. As a result, it is important to understand if an investment will require approval and if so, preparing requisite documentation and working against the application processing times.

Step 2 – Investment Registration Certificate application

The first step in the Vietnamese corporate establishment process is an application for an investment registration certificate (IRC).

This is required of all 100 percent foreign owned investment projects and establishes the right of the foreign enterprise to invest within Vietnam.

To apply an investor must submit the following to the Ministry of Planning and Investment:

- Application for implementation of investment project (this should include details of the project in Vietnam);
- Proposal of investment project (should include the details of the investment project, including lease agreements or land use needs); and
- Financial statements (to be provided for the last two years of a company's operation; additional information may be required to prove financial capacity).

Timeframe: *15 days from the date when documents are submitted.*

Step 3: Enterprise registration certificate application

The enterprise registration certificate (ERC) is required for all projects that seek to set up new entities within Vietnam. When obtained, the ERC will be accompanied by a number that will double as the tax registration number of the entity. As part of the application process, the following information should be prepared.

- Application for enterprise registration;
- Company charter;
- List of all board members;
- List of legal representatives; and
- Letters of appointment and authorization.

Any foreign documents or supporting information provided will need to be notarized, legalized by consular officials, and translated into Vietnamese by competent authorities.

Timeframe: *Three days from the date when documents are submitted. It should be noted that applications for the ERC and IRC can be processed concurrently; both can be obtained within 15 days when applied for concurrently.*

Step 4 – Post licensing procedures

Once the IRC and ERC have been issued, additional steps must be taken to complete the procedure and start business operations. This includes:

- Seal carving;
- Bank account opening;
- Labor registration;
- Business license tax payment;
- Charter capital contribution; and
- Public announcement of company establishment.

Amended Law on Investment and Law on Enterprise

Vietnam's National Assembly (NA) passed the amended Law on Investment (LOI) and Law on Enterprises, both of which took effect on January 1, 2021. The amended Law on Enterprises simplifies the business registration process, redefines state-owned enterprise (SOE), and excludes household business from the scope of the current law. The amended Law on Investment provides updates on conditional business lines, investment incentives, support mechanisms while removing administrative approval for certain types of investment projects.

For the first time, the amended Law on investment introduces a new 'negative list' approach to market entry for foreign investors.

Decree 31, which guides the implementation of the Law on Investment, sets out a list of business lines where foreign investors are subject to market access restrictions. These business lines are further divided into two: the Market Entry list and the Prohibition List based on current Vietnamese laws and international agreements. Apart from these two lists, foreign investors will be treated as Vietnamese investors in respect of their investment in other business sectors and lines.

This change represents a major shift in the approach to foreign investment by Vietnamese regulators and is expected to increase the transparency and consistency in the authorities' approach to foreign investment and the overall licensing process.

In addition, the Amended LOI inserts changes into the general list of conditional business lines, which will apply to all investors. It also adds 'debt collection' to the list of prohibited business lines.

There are 58 sectors where foreign investors must satisfy certain conditions to enter the market; 25 sectors are completely closed to foreign investments. Moreover, under Decree 31, any project can be terminated, as a whole or in part, if accused of making fraudulent transactions, pursuant to a court judgment.

The recent changes under the new legal framework are part of the government's efforts to improve competitiveness in its market, attract foreign investors, and develop a more user-friendly government e-system.

The market entry list and prohibition list

Decree 31 stipulates two lists of business sectors: one, where foreign investors are not allowed to participate under any circumstances (prohibition list), and another, where foreign investors must satisfy certain market entry conditions to invest (market entry list).

In case a foreign investor holds investments in multiple sectors in the market entry list – all the conditions in each sector must be fulfilled. The details of the market access conditions will be summarized by the Ministry of Planning and Investment (MPI) through the National Portal on Foreign Investment.

Guarantee of investment incentives in case of changes to the law

If there are revisions to existing legislative documents, which lead to changes to investment incentives being applied to investors before the effective date of the revisions, then these investors will have their investments guaranteed, in accordance with Article 13 of the Law on Investment.

Investment incentives include those specified in:

- The investment license;
- Business license;
- Enterprise license;
- Investment certificate; or
- Investment registration certificate.

Decree 31 is a welcome document providing details and clarity on the investment law in Vietnam. Foreign investors should study the decree carefully before planning their market entry and ensure they do thorough due diligence to protect their investments. As Vietnam can be a challenging but vibrant market, investors can hire a professional firm to help ease their market entry into the country.

How do you decide on a location for your investment?

There is no one size fits all. Each industry, market, and location is different and thus businesses need to do their due diligence accordingly. Businesses are advised to seek professional help when considering a supply chain shift.

Processes that should be considered during a relocation include:

- Market study;
- Initial screening;
- Preliminary due diligence and long-list locations;
- Detailed due diligence;
- Comparison model development;
- Final site selections; and
- Organizing a visit.

Factors that you need to consider to evaluate potential locations include:

- Availability of materials;
- Proximity to market;
- Infrastructure;
- Taxation;
- Labor availability;
- Local laws;
- Incentives;
- Government policy; and
- Political stability

Land ownership in Vietnam

Vietnam's land use rights can be complicated for first time business investors. In Vietnam, land is collectively owned by people and administered by the government on their behalf. Therefore, under such a system, property owners cannot have full and legal ownership of land. Their rights are limited to land use rights permitted within the law.

Once a foreign investor has decided on Vietnam as a location to establish operations, the next significant step is identifying where and how to obtain land for their business.

Land users typically receive a land use right certificate (LURC), which shows the land user's rights on the property. There are different types of land usage rights, however, it is important to note that under current law, foreigners can retain a LURC for 50 years, while locals can have one indefinitely.

The government can choose to grant a one-time extension of another 50 years or take the land back if the party has failed to use the land under the terms and conditions of the LURC.

While this system may seem inconvenient, other countries such as the UK also employ such a system without significantly constraining investors. In fact, with a proper understanding of current regulations, leasing land in Vietnam can provide all the resources for successful investment within the country.

As per the *Housing Law No. 65/2014/QH13* in 2014, foreigners in Vietnam have many of the same land rights prescribed to Vietnamese nationals subject to certain conditions.

Despite the liberalization, foreigners are still prohibited from possessing more than 30 percent of the apartments in a given building and more than 205 houses in an area where the population is that of a ward-administrative division.

Land rights in Vietnam

The type of actions an investor may take in relation to the rented property largely depends on the payment schedule. An individual can either lease a piece of land and pay annual rent (called the "annual arrangement") or provide the entire lease amount in one payment (called the "one-off arrangement").

According to the annual arrangement, an investor is only allowed to use the land for the stated purposes and transfer assets as part of the land. With the one-off arrangement, one can transfer, sublease, or mortgage the land and involved assets. Furthermore, the government allows the opportunity to contribute capital in the form of the LURC and assets to a joint venture (JV).

Four ways to lease land

For investors keen on leasing land in Vietnam, there are several ways to obtain land with an LURC, although the government enumerates different methods for locals and foreigners. We highlight four available methods that investors can choose from.

Method 1: The first method is through allocation, where the state allocates an LURC via an administrative decision. Land users are required to pay land use fees to the government and this option is available to investors in residential housing projects and infrastructure projects in cemeteries.

Method 2: The government leases the land to the land user where the user pays rent to the government. The rental may be paid in a lump sum or annually. This is in many ways like the customary system of renting.

Method 3: The third option is by a lease or sub-lease agreement with the landlord in an industrial zone, industrial cluster, processing zone, high-tech zone, or an economic zone. The landlord is typically a commercial enterprise that has obtained land use rights under the above two mentioned options.

Method 4: The fourth option is by an agreement on the transfer of assets that are attached to the land with an agreement to the transfer of land use rights, a land lease agreement, or a capital contribution with an existing land user. In such cases, the investor acquiring land use rights will become the land user of the acquired land area.

Investors can choose any of these options; however, the third method is most straightforward since the landlord in the specific zone should have completed all necessary paperwork and procedures prior to renting land.

Every year, the People's Committee, with the support of the Ministry of Natural Resources and Environment (MONRE), establishes the land price based on market value. When leasing land in Vietnam, the price cannot deviate more than 20 percent from this official price.

Land can be leased from Vietnamese companies (such as a state-owned enterprise or limited liability corporation), Vietnamese citizens living abroad, or a foreign-invested company (FIC) that is leasing land from the government to develop infrastructure on the rented land.

A company can only lease land if it has obtained the land with the allocation method, unless the land was leased before July 1, 2004, and a sufficient amount of the lease has been paid. Furthermore, land can be leased for a maximum of 50 years and 70 years, respectively, in special cases.

To renew the lease, the investor must obtain approval for an extension. Companies also have the option to rent an office in a building or lease from a company in an industrial zone or export-processing zone.

Steps required for leasing land

While leasing land does not necessarily have to be a complicated process, it is important to determine whether or not the proposed investment will gain approval before signing any rent contracts. Potential investors can obtain an "Approval in Principle," which is a letter given by the provincial people's committee – similar to a cabinet – commenting on the feasibility of the project.

It does not guarantee approval, and the committee may change their opinion about certain aspects of the project, but it is nonetheless a helpful gauge for potential investors. Subsequently, the company must obtain an investment registration certificate and an enterprise registration certificate, and then complete the land lease agreement with the people's committee.

Finally, the company will need to submit the application to the local MONRE to get the LURC.

Selling land

Foreigners in Vietnam have many of the same rights as Vietnamese when it comes to selling. A foreigner who is eligible for home ownership has the ability to sell their land. The process is straightforward, but it is nonetheless important to ensure compliance with all regulations as outlined by the Ministry of Construction.

There are several special cases to bear in mind:

- If a foreign company owns a house for the purpose of housing employees, they are more limited in their rights – they are unable to sell or lease the house or use it as an office and can only continue to house employees;
- If selling a house under a lease agreement, the lessee must be given 30 days' notice and given the option to purchase the house, while the lessee must decide whether to do so within that time period; afterwards, the land may be sold to others.

Vietnam's Talent Market and Tax Liabilities

By Dezan Shira & Associates

Vietnam's key attraction to foreign investors is the low cost of labor. Talent is available and competitive in the North. Cities such as Hanoi and Hai Phong particularly have an ample supply of qualified workers.

Finding the right workers in the Central region can prove more challenging than in other regions. Workers in technical fields often find better opportunities in the north and south. Foreign investors are likely to find it challenging to hiring and retaining staff in specialized fields or high-level positions.

In the Southern region, talent is available and supported by various education institutions around Ho Chi Minh City; however, competition is high between employers for talent in this area.

Vietnam's minimum wage is a tiered system ranging from US$132 to US$190 per month, based on the region. Areas such as Hanoi and Ho Chi Minh City command a higher minimum wage, while Vinh Phuc, Phu Tho, and Bac Giang have lower minimum wage levels.

Due to the pandemic, the government did not raise minimum wages for 2021.

The average salary can vary from US$500 to US$2,000 for industrial workers and managers, depending on the industry and skill level. Overtime, overtime wages, and social insurance should also be taken into consideration.

Labor Market in the North

Qualifications	National Average	Hanoi	Bac Ninh
Average labor cost	US$290	US$407	US$421
Supply of labor (average number of applications per position)	-	45	55
Overall satisfaction with labor quality	90%	90%	92%
Percentage of workers having completed training at vocational schools	48%	51%	53%
Percentage of total business costs spend on training	5.98%	7%	4.30%
Percentage of total business costs spend on recruitment	4.9%	4.6%	5.1%

Source: Vietnamworks; Provincial Competitive Index

Labor Market in the South

Qualifications	National Average	Ho Chi Minh City	Bac Ninh
Average labor cost	US$290	US$456	US$444
Supply of labor (average number of applications per position)	-	54	44
Overall satisfaction with labor quality	90%	92%	94%
Percentage of workers having completed training at vocational schools	48%	49%	45%
Percentage of total business costs spend on training	5.98%	8%	7.89%
Percentage of total busines costs spend on recruitment	4.9%	5.56%	6.14%

Source: Vietnamworks; Provincial Competitive Index

Vietnam Minimum Wage 2021			
Business enterprises' locations	2019 Minimum Monthly Wage (VND)	2021 Minimum Monthly Wage (VND)	Increase (%)
Region 1	4,180,000 (US$180)	4,420,000 (US$190)	5.74
Region 2	3,710,000 (US$159)	3,920,000 (US$169)	5.66
Region 3	3,250,000 (US$140)	3,430,000 (US$148)	5.54
Region 4	2,920,000 (US$125)	3,070,000 (US$132)	5.14

How do I hire staff?

After setting up your business in Vietnam, the next big hurdle is actually hiring the staff that you will need to help grow your business. Hiring, and the associated legal obligations that go along with it, can be a confusing process. It is recommended that businesses take a careful look at all relevant regulations and engage a professional services firm where appropriate to ensure proper compliance with all laws.

There are a number of important HR trends to take note of in Vietnam. While labor costs are still low, wages are steadily increasing. Over the past five years, this increase in salaries has come without a corresponding increase in productivity. Compounding the costs of employing staff in Vietnam are the comparatively high social insurance contribution and income tax rates.

Due to the developing nature of the workforce in Vietnam, it is natural that there exists some difficulty in finding highly skilled employees. Skills and talent shortages are particularly acute in industries such as high tech and banking. However, many international companies, in partnership with the Vietnamese government, are sponsoring training programs to ensure that there are a growing number of highly skilled employees to choose from.

The country has a young and growing workforce with new demands and high expectations for their futures. As the workforce continues to grow, there is a resulting rise in competition in the job market. There tends to be a high turnover rate at companies as employees are often shopping their skills around to potential employers. Higher salaries elsewhere are certainly an attraction, but money may not be the only factor in what makes employees stay longer at a company – those that find ways to build employee loyalty will be particularly successful.

Companies may find it difficult to transfer employees to different cities or areas because of their strong local connections. This has the potential to put a drag on a company's expansion plans as it may struggle to relocate experienced employees. Thus, finding the right partner to aid in the recruitment process is crucial.

Many companies rely primarily on outsourced providers when it comes to HR, particularly for advice related to recruitment, training, and payroll. In fact, many multinationals report that they would like to outsource more of their operational HR practices to a regional shared services function.

Vietnam taxes

All taxes in Vietnam are imposed at the national level; there are no local, city, or provincial taxes. Enterprises should pay tax in localities where they are headquartered or have duly registered branches. Most companies and foreign investors in Vietnam are subject to the following six major taxes:

Business license tax (BLT)

BLT is an indirect tax imposed on entities conducting business activities in Vietnam, paid by enterprises annually for each calendar year that they do business in the country. All companies, organizations, individuals, (including branches, shops, and factories) and foreign investors operating businesses in Vietnam are subject to BLT.

Corporate income tax

All income arising inside Vietnam is subject to CIT, no matter whether a foreign enterprise has a Vietnam-based subsidiary, or whether that subsidiary is considered a Permanent Establishment (PE). CIT is a direct tax levied on the profits (gross revenue minus expenses) earned by companies or organizations.

Value-Added tax (VAT)

VAT is imposed on the supply of goods and services at three different rates: 0, 5, and 10 percent, with the latter being the standard rate. All organizations and individuals producing and trading goods and services in Vietnam are liable to pay VAT, regardless of whether the organization has a Vietnam-based establishment.

Special consumption tax

SCT is a form of excise tax that applies to the production or importation of 11 categories of products and six types of services that are considered to be luxurious or non-essential such as alcohol and tobacco products. Companies are liable for SCT both at the time of import and sale. However, to prevent an excessive tax burden, import SCT will be creditable against SCT incurred at the point of sale.

Customs duties

Most goods exported across the borders of Vietnam, or which pass between the domestic market and a non-tariff zone are subject to export or import duties. Exceptions to this include goods in transit, goods exported abroad from a non-tariff zone, goods that are imported from abroad into a non-tariff zone and only used within that non-tariff zone and goods passing from one non-tariff zone to another. Most goods and services being exported are exempt from tax.

Foreign contractor tax

Foreign businesses are considered foreign contractors if they conduct business or earn income in the country under contract with local organizations and individuals. Usually, foreign contracts are the winners of auctions or bid offerings organized by the Vietnamese government or organizations and may be principal contractors, general contractors, partnership contractors, or subcontractors. Foreign contractors in Vietnam are liable to pay the same tax rates applicable to local companies, including import-export duties, personal income tax, and other taxes required by authorities.