

Vietnam

Ministry of Planning and Investment



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ECONOMIC AND INVESTMENT POLICIES

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Vietnam

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I. Vietnam in Profile

II. Economics Policies



III. Investment Policies



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I. VIETNAM IN PROFILE



Vietnam

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COUNTRY & PEOPLE

- ❖ **Area** : 331,689 sq. km.
- ❖ **Coastline** : 3,260 km.
- ❖ **Major cities** : Capital Hanoi, Danang, Hochiminh city.
- ❖ **Climate** : Monsoon tropics.
- ❖ **Population** : 86.5 mil – ranking: 13th in the world
expected 90 mil by 2010
- ❖ **Official language**: Vietnamese
- ❖ **Natural resources**: oil & gas, minerals, sea and tropical forestry.
- ❖ **Ethnic groups** : 54 ethnic groups with Kinh being the largest

Pacific Ocean

Laos

Thailand

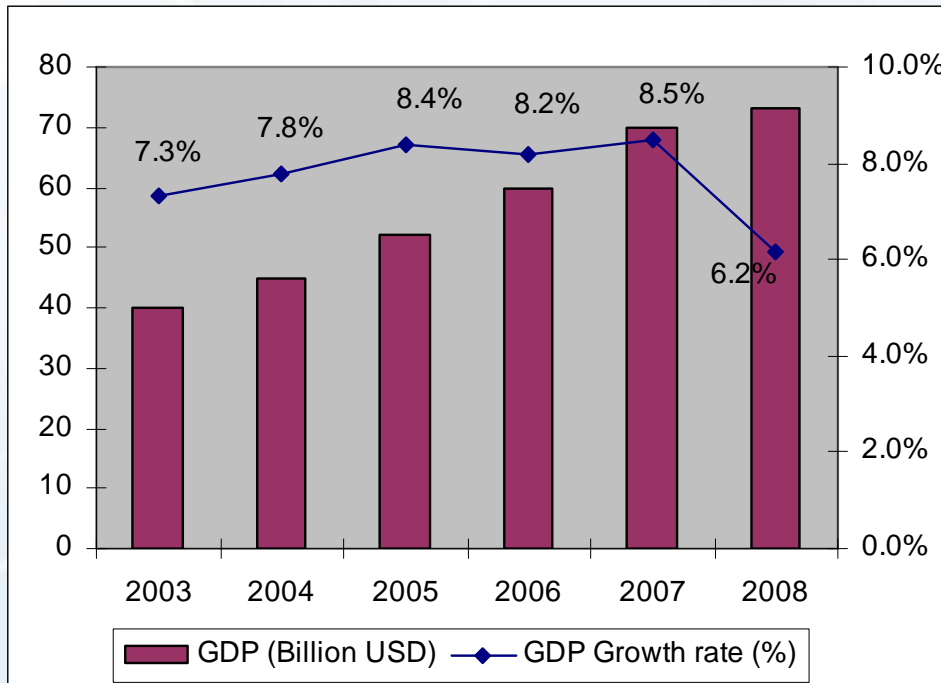
Philippines

Malaysia

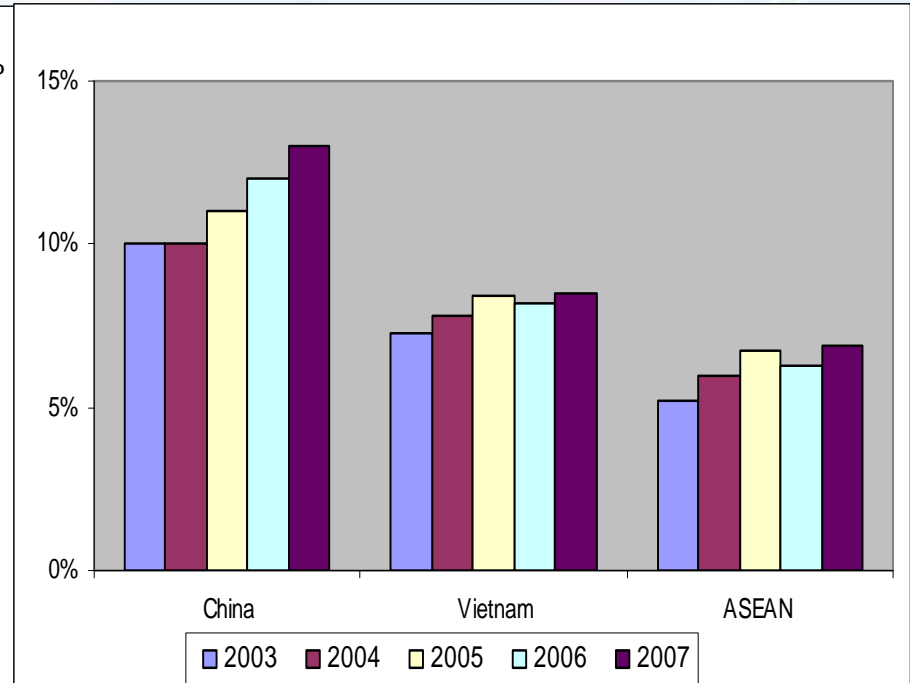
Vietnam economy

GDP – The most impressive growth in Asia

Average GDP growth of 7,5%
per annum



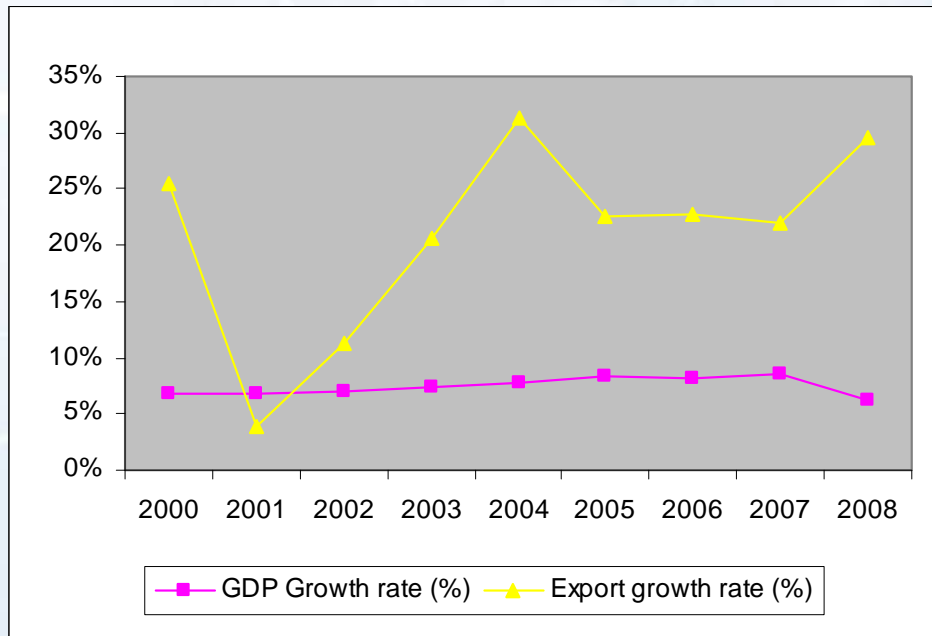
GDP growth higher than other
countries in Asia, just after China



VIETNAM ECONOMY (cont.)

Strong export growth – more than 23% per annum

- The leading exporter in agriculture goods such as rice, coffee, cashew, pepper, rubber, seafood etc.
- Competitive advantage in manufacturing such as garment & textile, electronics, home ware, footwear



EXPORT RANKING

- ❖ 1st in pepper
- ❖ 2nd in rice and coffee
- ❖ 3rd in shoes manufacture and cashew
- ❖ 4th in rubber
- ❖ Top 5 in seafood

VIETNAM ECONOMY (cont.)

Prospect of Vietnam economy in 2009

- ❖ GDP growth target for 2009: 5%
- ❖ Export growth target for 2009: 13%
- ❖ FDI targets for 2009: US\$20 billion (registered), US\$11.5 billion (disbursement)

	2007	2008	2009 Target
GDP at current prices (Bil USD)	70.9	75.8	105
Real GDP Growth (%)	8.5	6.23	5
Per capital GDP at current prices (USD)	832	1,000	1,200
Export Volume (Bil. USD)	48.4	65	74
Import Volume (Bil. USD)	58	83	-
Registered FDI (Bil. USD)	20.3	64	20-25
CPI (%)	12.63	22	<15%

FDI in vietnam

- ❖ 10,854 projects licensed with
 - registered investment US\$ 175 billion
 - disbursement over \$50 billion
- ❖ Eleven months of 2009:
 - 776 projects licensed with US\$14.6 billion
 - 213 projects expanded with increased capital of US\$5.09 billion.
 - Disbursement: US\$9 billion
- ❖ Contribute 17% to GDP, 54.6% to export volume (crude oil included), 35% to industrial output
- ❖ Create 1.7 million employees



III. INVESTMENT POLICIES

- 1. Investment promotion Policies**
- 2. Legal framework on Investment.**



INVESTMENT PROMOTION POLICIES

1. Investment Guarantees
2. Incentive Investment Sectors and Regions
3. Investment Incentives
4. Government Supports to Investment

Investment guarantees

- ❖ No nationalization or confiscation of investors' assets
- ❖ Protection of intellectual property rights
- ❖ Remittance of capital and assets abroad
- ❖ Application of uniform prices, fees and charges
- ❖ Investment guarantees in the event of changes in law or policies



Incentive investment sectors

- ❖ Manufacture of new material, new energy, high-tech products, biotechnology, information technology
- ❖ Agricultural, forestry and aquaculture
- ❖ Labor intensive industries;
- ❖ Infrastructure development
- ❖ Education, training, health, sports
- ❖ Development of traditional crafts and industries

Geographical areas of investment incentives

- ❖ Areas with difficult socio-economic conditions; areas with specially difficult socio economic conditions.
- ❖ Industrial zones, export processing zones, high-tech zones and economic zones.

Investment incentives

1. Tax incentives

❖ Corporate Income Tax (CIT)

- ✓ Application of *preferential CIT rates* for a specific duration
- ✓ Exemption and reduction CIT for a certain period
- ✓ Exemption of CIT for income from technology transfer activities of projects entitled to investment incentives
- ✓ Carrying-forward of losses permitted for up to five years

❖ No profit remittance tax

❖ Import duty

- ✓ Exemption of *import duty* on equipment, materials, means of transportation and other goods for project implementation

2. Exemption or reduction of *land* use tax, land use fees, land rent and water surface rent

3. Incentives to investors investing in the *zones*

Government Supports to Investment

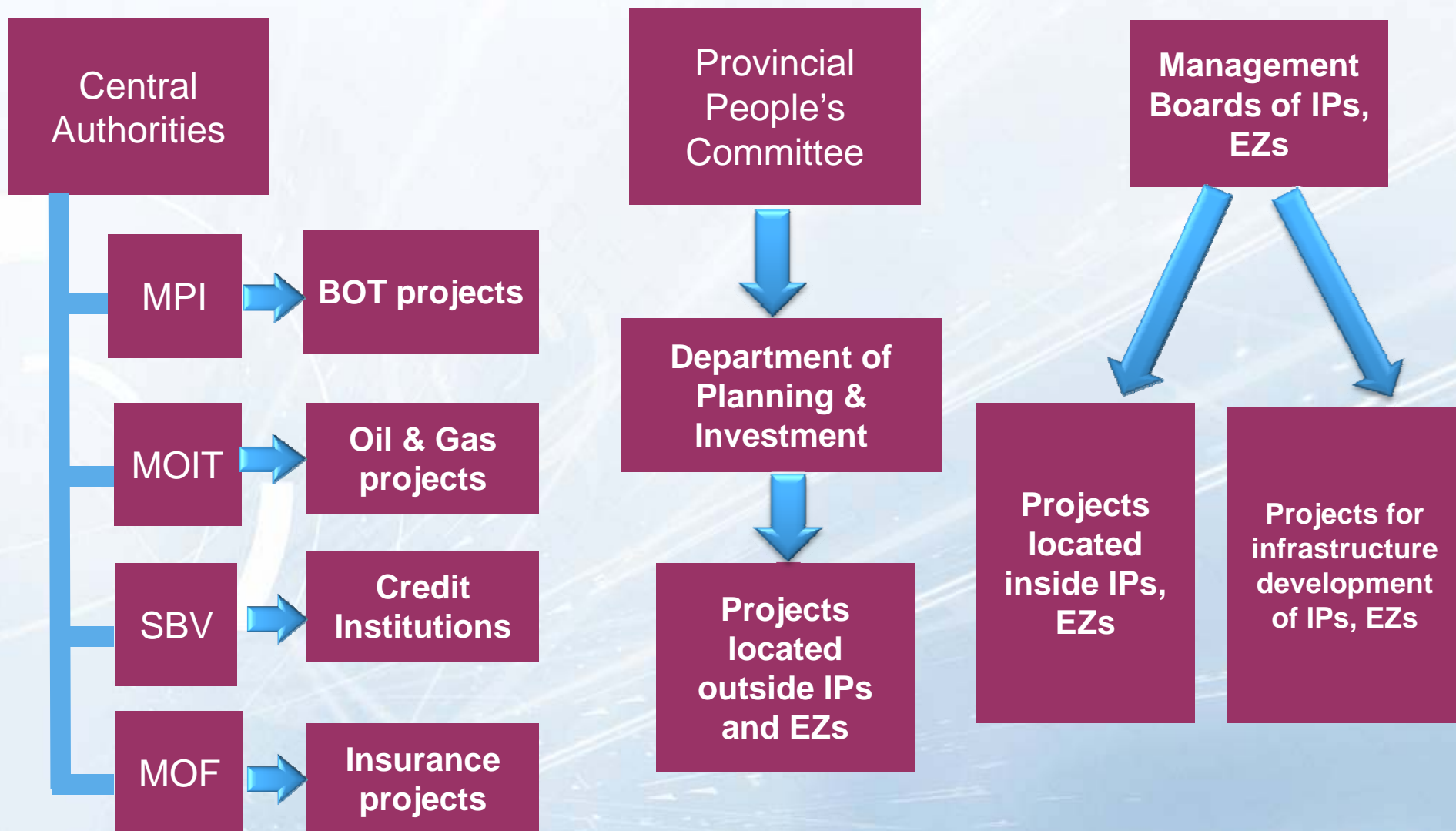
1. Support to *Technology transfer*
2. Training support
3. Support to investment in “investment supporting services”, i.e.:
 - Investment consultancy, management consultancy.
 - IPs and technology transfer consultancy.
 - Training
 - Market research
 - Marketing, and investment and trade promotions.
 - Establishment of and participation in social organizations and socio-professional organizations.
 - Design and testing centers to assist SMEs.
4. Investment support for construction of infrastructure outside the fence of the zones



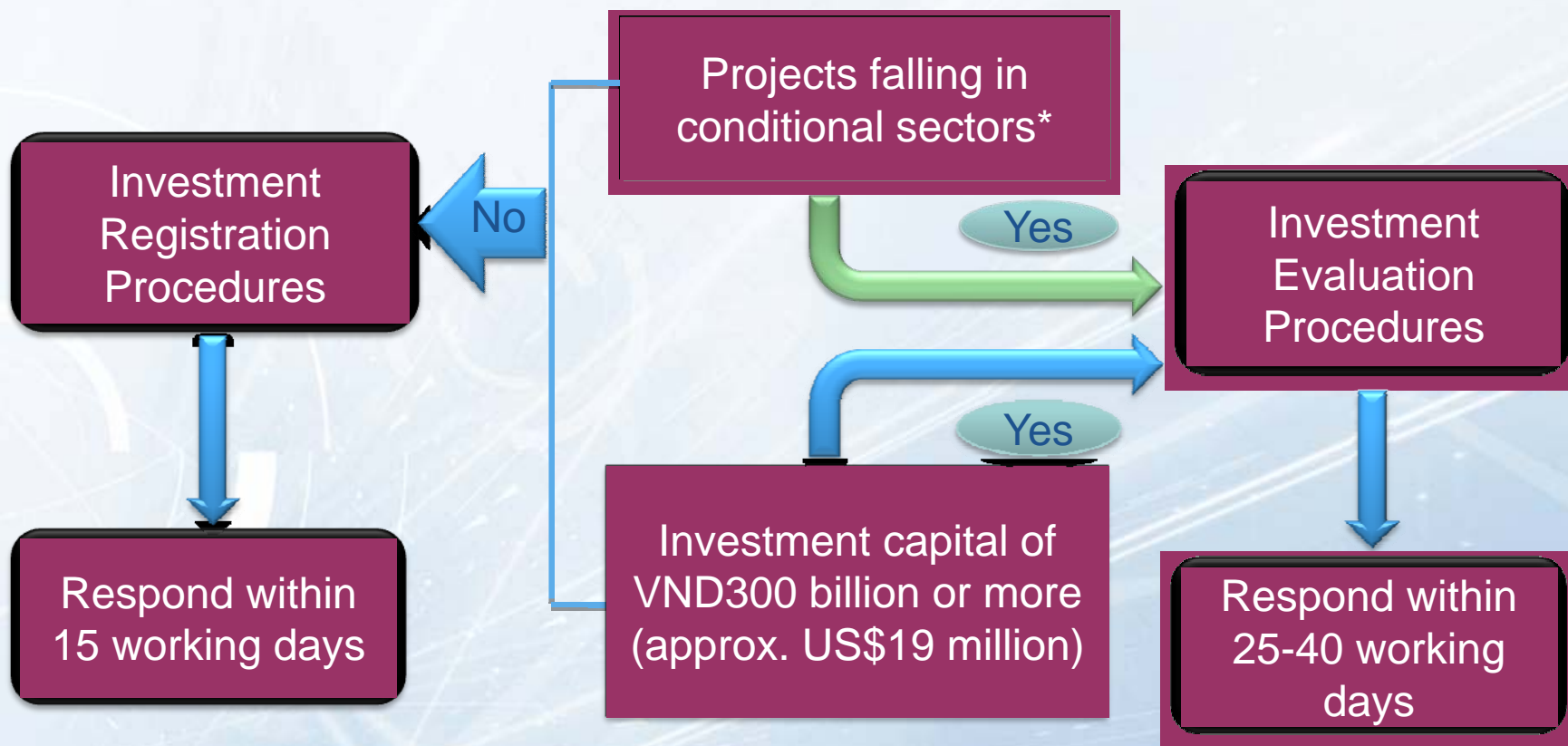
LEGAL FRAMEWORK ON INVESTMENT

1. Licensing Procedures
2. Taxation
3. Labor Regulation
4. Land

1. LICENSING - Licensing Authorities



Investment Certification (Licensing) Process



* The Lists of conditional sectors for both domestic and foreign investors and specifically for foreign investors can be found in the Law on Investment and its guiding Decree No.108 dated 22 September 2006

Conditional Sectors for Foreign Investors

1. Radio and television broadcasting
2. Production, publishing and distribution of cultural products
3. Mining and processing of minerals
4. Telecommunications and internet services
5. Public post network, post and delivery services
6. Construction and operation of ports and airports
7. Transport of goods and passengers
8. Fishing
9. Production of tobacco
10. Real estate
11. Import, export and distribution
12. Education and training
13. Hospitals and clinics
14. Other sectors as per international treaties

2. Taxation

- ❖ A harmonize taxation for domestic and foreign companies as well as foreign individuals.
- ❖ Taxes that may affect foreign invested projects and foreigners working in Vietnam:
 - ✓ Corporate Income Tax;
 - ✓ Value Added Tax;
 - ✓ Personal Income Tax;
 - ✓ Import - Export Duties;
 - ✓ Special Consumption Tax (10% - 70%);

Corporate Income Tax

✓ **The standard CIT rate has been reduced from 28% to 25%, effective from 1st Jan 2009!**

CIT Rate	Criteria	Period applicable	CIT exemption*	50% CIT reduction when CIT exemption period expired*
10%	Newly established enterprises in: Locations: with specially difficult socio-economic conditions; Economic Zones, High Tech Zone established under PM's decision Sectors: high technology, scientific research and technology development, investment in development of specially important infrastructure facilities of the State; production of software products.	15 years from the first year of revenue generation	4 years	9 years (5 years for newly-established enterprises in the Socialization Sectors operating in areas other than areas with difficult or specially difficult socio-economic conditions)
		15 years from the first year of revenue generation (maximum 30 years at PM's approval)		
	Enterprise operating in the field of socialization (education – training, occupational training, health care, culture, sport and the environment)	During the whole operation period		
20%	Newly established enterprise in areas of difficult socio-economic conditions	10 years from the first year of revenue generation	2 years	4 years
	Agricultural service cooperatives and people's credit fund	During the whole operation period	N/A	N/A
25%	Standard rate for all projects except for projects in the field of oil and gas or rare and precious mineral exploitation, which are subject to 32-50% CIT rates	N/A	N/A	N/A

Certain expenditures of enterprises in manufacturing, construction and transportation for female or ethnic minority labor are deducted from CIT

* : The application of tax exemption/ reduction from the first profitable year. 3 year limit is introduced.

Value-added Tax (VAT)

- ❖ **All business establishments are subject to VAT**
- ❖ **VAT rates:**
 - ✓ **28 categories of goods and services are VAT- exempt, including medical services, education, goods in transit or under temporary admission, life insurance or capital goods that cannot be produced locally.**
 - ✓ **Exports of goods and services: 0%**
 - ✓ **21 categories of goods and services: 5%, including medical equipment, basic chemicals, fresh foodstuff and metallurgical products.**
 - ✓ **All other goods and service: 10%.**

Personal Income Tax

(2007 Law on PIT & Decree 100/2008/ND-CP dated 8/9/2008)

Tax Bracket	Tax Rate (%)	Portion of Annual Assessable Income in million VND (equivalent USD at 1USD=16,480VND)	Portion of Monthly Assessable Income in million VND (equivalent USD at 1USD=16,480VND)
1	5	Up to 60 (3,640)	Up to 5 (303)
2	10	Over 60 to 120 (~7,300)	Over 5 to 10 (~600)
3	15	Over 120 to 216 (~13,100)	Over 10 to 18 (~1,100)
4	20	Over 216 to 384 (~23,300)	Over 18 to 32 (~2,000)
5	25	Over 384 to 624 (~37,800)	Over 32 to 52 (~3,100)
6	30	Over 624 to 960 (~58,200)	Over 52 to 80 (~4,800)
7	35	Over 960	Over 80

Different rates apply on income from capital investment (5%), income from inheritance (10%) or income from royalties (5%)

Exemption of Import duty

- ❖ Goods imported as fixed assets for eligible investment projects in encouraged sectors or regions
- ❖ Raw materials and supplies for eligible investment projects in specially encouraged sectors or in regions with difficult socio-economic conditions, for a maximum period of 5 years;
- ❖ Capital goods imported by BOT enterprises.
- ❖ For “one-off” purchase of certain specified equipment for projects in certain services (e.g. hotel, sports, culture, finance)
- ❖ Goods imported for export processing

3. Labor Regulation

- 8 hours/day, 6 days/week; Overtime: 4h/day, 200h/year
- Health Insurance Fund: Employers: 2%; employees: 1% of gross wage
- Social insurance fund: Employers: 15% of gross wages; employees: 5% of their wage.
- Minimum wage scales (monthly wage) for employees in foreign invested companies, depending on location: (lowest in SEA)
 - + VND920,000 (\$54)
 - + VND950,000 (\$56)
 - + VND1,080,000 (\$63) and
 - + VND1,200,000 (\$74).

Employment of expatriates

- All foreigners working in Vietnam must have a work permit, except:
 - Those who enter Vietnam to work for less than 3 months;
 - Members of a limited liability company with 2 or more members;
 - Owner of a 1-member limited liability company;
 - Member of the board of management of a shareholding company;
 - Those who enter Vietnam to offer services;
 - Foreign lawyer with certificate to practice law in Vietnam.
- Work permits are valid for the duration of the foreign worker's contract, for a maximum of three years. Subsequent renewals are possible under the specific conditions;
- Minimum 20% of total number of managers, executives and specialists are Vietnamese nationals. However, at least three non-Vietnamese managers, executive directors and experts.

4. LAND REGULATIONS

- ❖ Land belongs to the people represented by the State
- ❖ Private ownership: Land Use Rights (LURs)
- ❖ LURs valid for 50 -70 years
- ❖ Foreign investors have 2 ways of acquiring LURs for investment:
 - + *Direct lease* from the State for maximum 50 years – pay land rental fee. Sub-lease, mortgage of LURs are allowed for one-off rent payment.
 - + *Sub-lease* from domestic or foreign organizations; sub-lease from family households, individuals, communities is not allowed.
- ❖ Value of LURs are negotiated freely when foreign investors sublease land from national or foreign organizations
- ❖ All transactions with the State – including for the payment of taxes and fees are based on land prices as determined by a government Decree on land prices.

Vietnam

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Thank you very much

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