

Business & Investment in Vietnam

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I. Vietnam

Key facts at a glance



- ❖ Country: The Socialist Republic of Vietnam
- ❖ Capital: Ha Noi
- ❖ Location: in the centre of Southeast Asia; border with China Laos, Cambodia
- ❖ Area: 331,698 sq.km.
- ❖ Coastline: 3,260 km
- ❖ Population:
81 million with over 50% under age of 25

Infrastructure

International Seaports

Province	Int'l Seaports
Quang ninh	Hon gai / Cam pha
Hai phong	Hai Phong
Nghe an	Cua lo / Ben thuy
Quang tri	Cua viet
Da Nang	Da nang
Nha trang	Nha trang
Hochiminh City	5 Int'l seaports
Can tho	Can tho
Tien giang	My tho

Infrastructure

Airports

◆ International Airports:

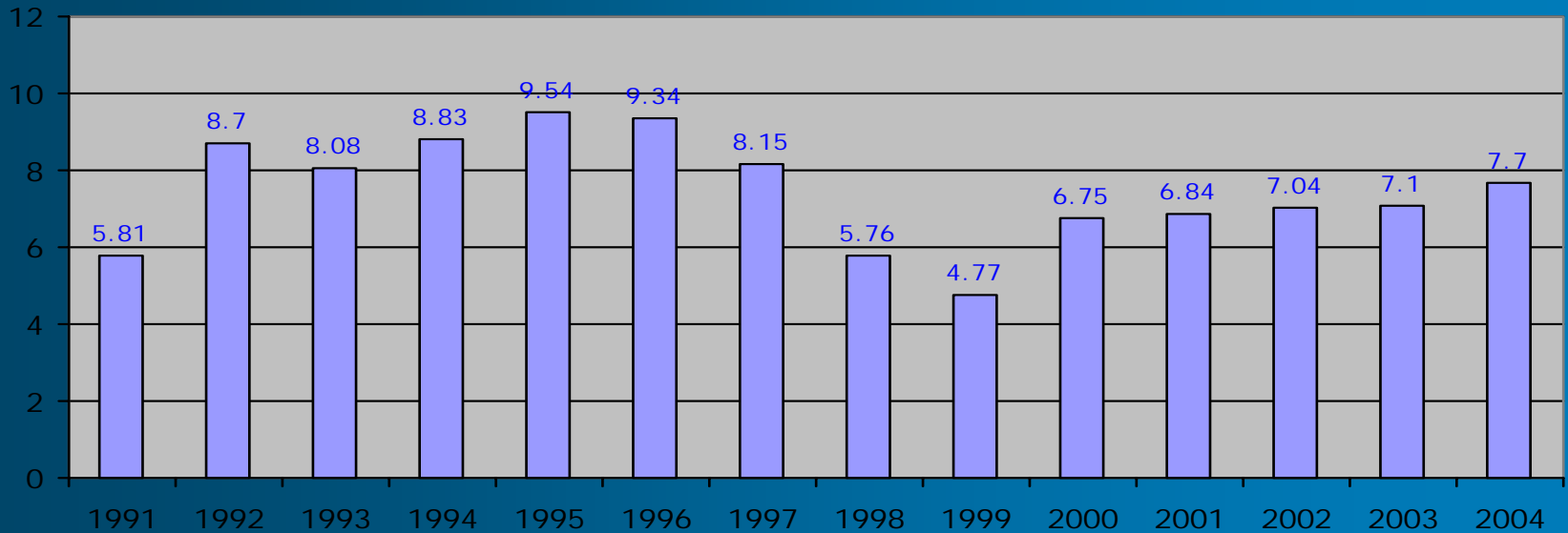
- Noibai in Hanoi
- Danang in Danang
- Tansonnhat in Hochiminh

◆ Domestic Airports:

- Gialam
- Catbi
- Dienbien
- Nasan
- Vinh
- Hue
- Pleiky
- Quynhon
- Banmethuot
- Nhatrang
- Dalat
- Rachgia
- Phuquoc

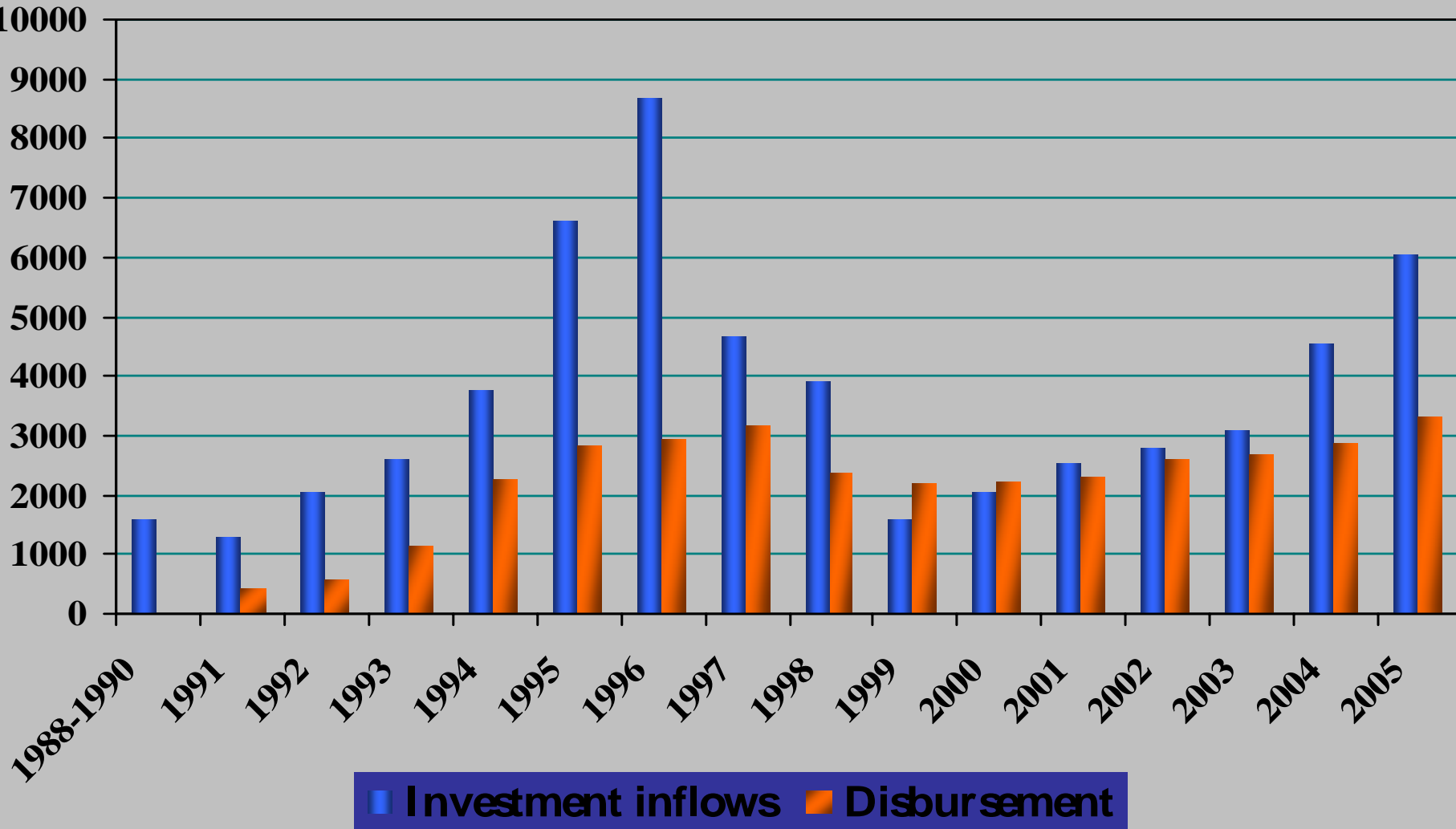
The Vietnam Economy

Vietnam's GDP Growth Rate, 1991-2004

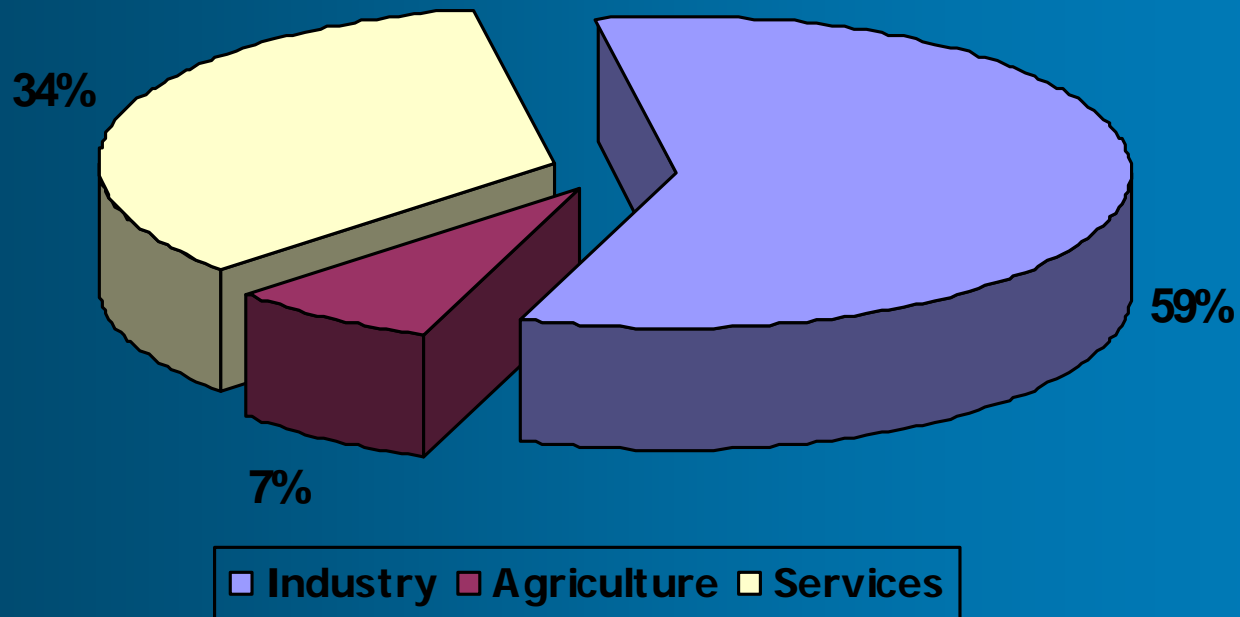


Ii. Foreign direct investment in Vietnam **erview, governing policies, investment procedur**

I. Foreign Investment overview



FDI Distribution by sectors by the period of 1988 - 2005



Top Ten Foreign Investors in the period 1988 –2005 (projects in effect)

No	Countries & Territories	No. of project	Registered Capital (million USD)
1.	Taiwan	1,404	7,935
2.	Singapore	397	7,604
3.	Japan	591	6,219
4.	South Korea	1,031	5,288
5.	Hong Kong	354	3,707
6.	British Virgin Islands	247	2,666
7.	France	163	2,171
8.	The Netherlands	62	1,948
9.	Malaysia	179	1,502
10.	The US	260	1,492

-> **General policy for FDI promotion:**

- Manufacture of new materials and production of new energy; manufacture of high-tech products; bio-technologies; information technology; mechanical manufacturing
- Breeding, rearing, growing and processing agricultural, forestry and aquaculture products; production of salt; creation of new plant and animal variety.
- Use of high technology and advanced techniques; protection of the ecological
- environment; research, development and creation of high-technology.
- Labour intensive industries.
- Construction and development of infrastructure facilities and important industrial projects with a large scale.
- Professional development of education, training, health, sports, physical education and Vietnamese culture.
- Development of traditional crafts and industries.

1. Law on Foreign Investment

- Promulgated in 1987 and amended in 1990, 1992, 1996 and 2000, the Law guarantees:

- > investors should receive “fair and equitable treatment”;
- > assets of foreign investors will not be nationalized, requisitioned or expropriated without voluntary consent;
- > foreign investors are entitled to remit their capital and profits abroad;
- > Vietnam pledge to protect foreign investors’ legitimate interest from detrimental legislative changes.

2. Investment forms for FDI

- Business co-operation contract between a foreign investor and a Vietnamese company (BCC)
- Joint venture company (JVC)
- Wholly foreign owned company
- Build-operate-transfer (BOT), Build-transfer-operate (BTO) or Build-transfer (BT) contract signed with an authorized Vietnamese State body
- Purchase of shares in domestic shareholding companies (maximum 30% of total shares or 49% of listed shares)

. Investment Incentives

> *Tax relief - Reduction and Exemption*

Single Corporate income tax rates for both foreign and domestic investors: 28% (standard) and 10%, 15% and 20%. Lowest in the region.

Tax exemption up to 4 years after first profit-making year and reduction of 50% up to 9 years subsequently.

No profit remittance tax

Exemption of Import duty applied to the goods imported to form the fixed assets of enterprises;

> *Employment*

Foreign investors are free to recruit and negotiate salary with employees based on the legitimate minimum wage (US\$46 - US\$57/month)

> *Land*

Foreign investors can lease land from the Government or sublease land from an infrastructure developer

Lease term of an FDI project is 50 years or 70 years in some special cases.

Two payment arrangements of land rental:

+ Annual payment: foreign investors cannot transfer, sub-lease or mortgage Land use rights

+ One-off payment: foreign investors can transfer, sub-lease, mortgage Land Use Rights.

Investment procedures

> *Foreign exchange:*

FDI enterprises can buy/sell foreign currency at commercial banks. Government guarantees foreign currency balance for important projects

> *Industrial Zone; Export Processing Zone and Hi-tech Zone*

130 IZs & EPZs established so far (total 26,327ha)
4,400 projects (2,202 FDI projects) with total registered capital of US\$17.5 billion

Investment procedures (cont.)

Much simpler and easier one-stop-shop licensing process.
IZs & EPZs Management Boards are authorized to issue investment license to projects of up to US\$40 million

Better infrastructure facilities, custom services

Encouraged corporate income taxation policies:

- + 10% for projects in Hi-tech Zones
- + 10% for IZs & EPZs developers and export processing projects
- + 15% for manufacturing projects in IZs and service providing projects in EPZs
- + 20% for service providing projects in IZs.

Investment procedures (cont.)

4. Licensing procedures and timing

- Registration regime (simplified procedures) for investment license within 15 working days;
- Evaluation regime for investment license (for more complicated projects) within 45 working days;

5. Contact points for information:

- Ministry of Planning and Investment – Foreign Investment Agency;
Address : 02 Hoang Van Thu Str, Hanoi, Vietnam,
Tel: 84-4-7343758, Fax: 84-4-7343769,
E-mail: fiavietnam@mpi.gov.vn
- Relevant ministries
- Provincial People's Committees and Board of Management for IZs and EPZs
- Vietnamese Embassy
- Vietnam Chamber of Commerce & Industry
- Law and consultancy firms (local or foreign firms)

**IV. Introduction to new
investment law and enterprise
law**

IV. Introduction to the new investment law and enterprise law

- **Investment Law:**

- 10 Chapters and 89 articles
- Approved by National Assembly on 29 November 2005 and to come into effect on 1st July 2006
- Unification & Innovation of current Domestic Investment Encouragement Law & Foreign Investment Law

-> *The Law's Coverage*

- Investments from state capital;
- Investments from private capital;
- Direct investments;
- Indirect investments;
- Foreigner's investments into Vietnam;
- Offshore investments.

IV. Introduction to the new laws (cont.)

- **Enterprise Law:**

- 11 Chapters and 165 articles
- Approved by National Assembly on 29 November 2005 and to come into effect on 1st July 2006

-> *The Law's Coverage (four types of enterprises):*

- Limited liability company;
- Shareholding company;
- Partnership
- Sole Proprietorship

The Law is applicable consistently for state sector, domestic private sector and foreign invested sector

IV. Introduction to the new laws (cont.)

-> *Major innovations:*

- New forms of investment for FDI are introduced
 - Currently legitimate forms
 - Investing in business development
 - Buying shares, stocks (the ratio of ownership shall be stipulated by the Government)
 - Mergers and acquisitions (M&As)
- Investors **shall not** be compelled to undertake the following requirements:
 - The requirements on localization,
 - Export or import ratio,
 - Giving preference to purchase domestic goods and services,
 - Achieving a certain ratio in their research and development activities
 - Providing goods and services at a certain location,
 - Locating the head office at a certain area.

IV. Introduction to the new laws (cont.)

-> *Major innovations:*

- Investment procedures:
 - Registration procedures for projects of less than VND300 billion (US\$20 million) and not included in the List of conditioned investment sectors
 - Approval procedures for projects of equal or more than VND300 billion (US\$20 million) and/or included in the List of conditioned investment sectors.

IV. Introduction to the new laws (cont.)

-> *Major innovations:*

- **Business registration:**

- Existing FDI enterprises: opt to re-register or continue with their operation in pursuant to the issued investment license. Time limit for business re-registration is two years
- Green-field foreign investors are free to choose among four types of enterprises.
- Time limit for issuance of business registration certificate is shorten to 10 working days.



foreign investment agency

Thank you