



VIET NAM BUSINESS UPDATE

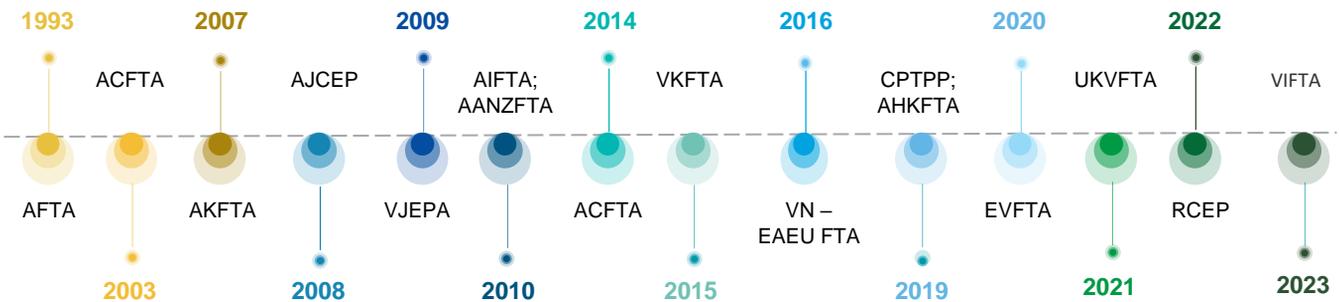
August 2023

SNAPSHOT OF MACRO ECONOMY

Viet Nam remains an attractive destination for foreign investors.

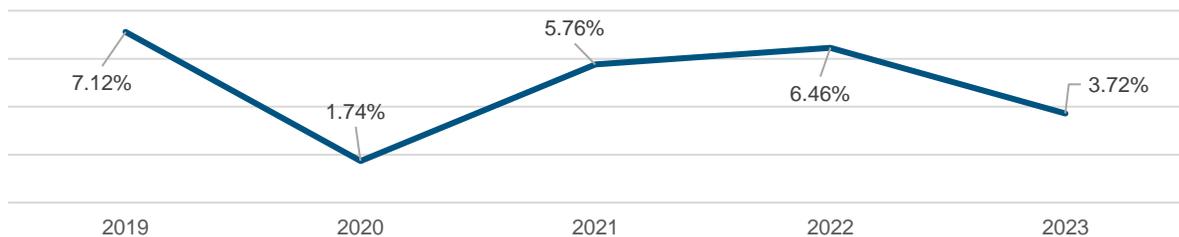
After experiencing constant losses over the previous six months, Viet Nam's foreign direct investment (FDI) attraction has begun to show indications of recovery, becoming a key factor in the medium- and long-term country's economic growth. Indeed, in the third quarter of 2023, Viet Nam signed a free trade agreement with Israel and the free trade agreement with the UK came into effect. Up to now, Viet Nam is member of 16 FTAs, including AFTA, ACFTA, AKFTA, AJCEP, VJEPA, AIFTA, AANZFTA, VCFTA, VKFTA, VN – EAEU FTA, CPTPP, AHKFTA, EVFTA, UKVFTA, RCEP, and VIFTA.

FTA SIGNING



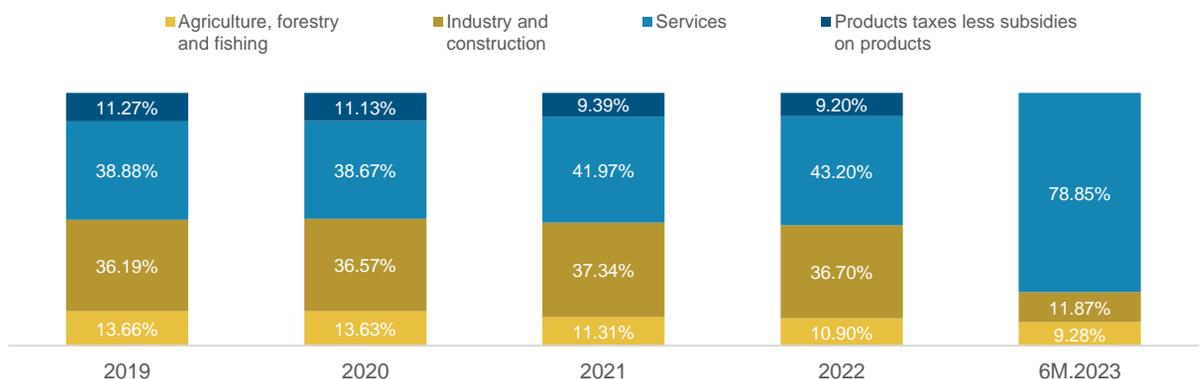
GDP

Viet Nam's GDP growth in the first half over the years (%)



Source: IMF

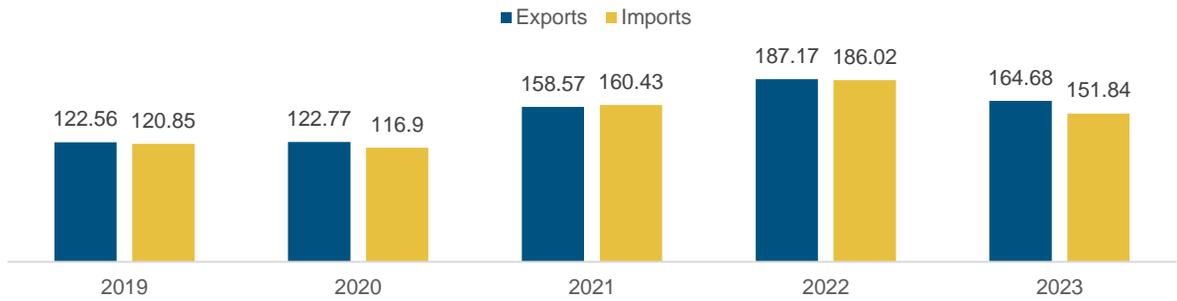
GDP breakdown by sector (at constant 2010 price)



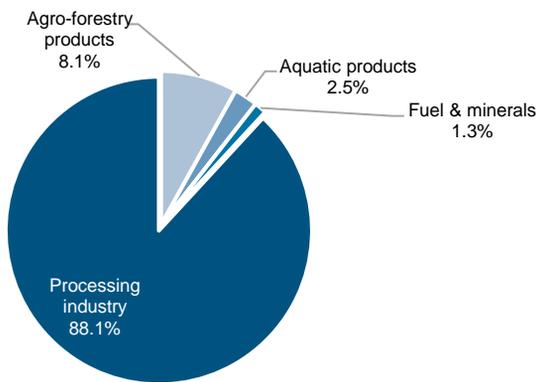
Source: GSO

Exports - Imports

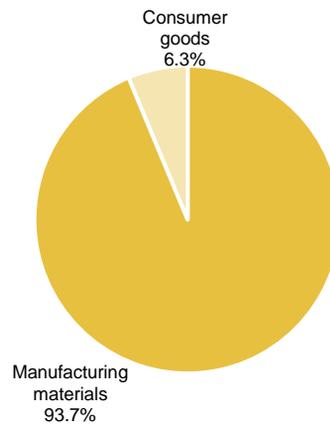
Exports-Imports Turnover in 6 months over the years (USD bn)



Commodity Export Structure



Commodity Import Structure



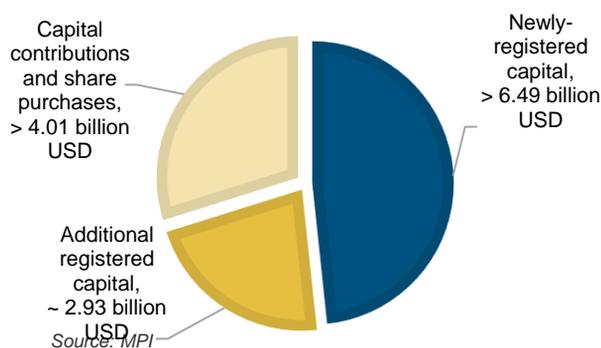
Source: GSO

FDI

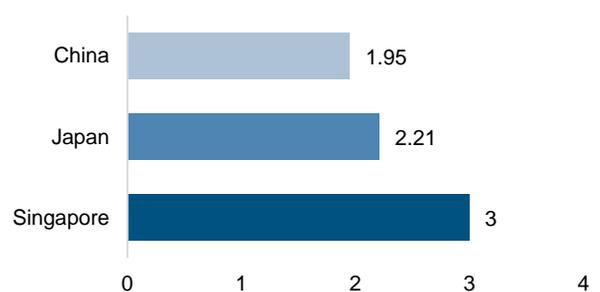
First half FDI over the years (billion USD)



FDI in H1/2023: over 13.43 billion USD



Investment by country/territory (billion USD)



Viet Nam - The Potential Market

Bright future for Viet Nam's foreign investment attraction: insiders

Viet Nam's foreign direct investment (FDI) attraction has seen signs of recovery after continuous declines over the past six months, becoming a driving force for the country's economic growth in the medium and long term, said insiders. [Read more.](#)



International Economic Activities



Singaporean interest in Viet Nam flourishes

Visiting Viet Nam last week to attend the Singapore Regional Business Forum (SRBF) on July 7, Ashleigh Toh, Strategy and Innovation manager at tech service provider NCS, said it felt different to her previous visits, and this time she expected to seek partners and business opportunities. [Read more.](#)



Chinese conglomerates express strong interest in expanding investments in Viet Nam

Top Chinese groups, including Texhong Group, Goertek Group, and Energy China Group, have shown significant enthusiasm for expanding their investments across various sectors in Viet Nam, signalling the country's growing appeal as a lucrative business destination. [Read more.](#)



Viet Nam remains attractive to European investors

Viet Nam remains appealing to European investors amidst the tough global situation, according to the latest report by the European Chamber of Commerce in Viet Nam. [Read more.](#)



BUSINESS REGULATION UPDATES

Tax update

Draft resolution to adopt Global Minimum Tax from 01 January 2024

On 26 July 2023, the Viet Nam Government discussed a Draft Resolution submitted by the Ministry of Finance to adopt the 15% Global Minimum Tax on multinational corporations having consolidated revenue of minimum EUR 750mil (“in-scope MNCs”), implemented by the OECD’s Global Anti-Base Erosion (“GloBE”) or Pillar 2 rules, including the Qualified Domestic Minimum Top-up Tax (“QDMTT”) and Income Inclusion Rule (“IIR”).

Below are key highlights from the Draft Resolution:

-  **Proposed Effective date:** 01 January 2024.
-  **Scope of Pillar 2 adoption:**
 - **QDMTT:** applicable to Vietnamese subsidiaries of in-scope MNCs with a Viet Nam-blended Effective Tax Rate (ETR) of below 15%. If the ETR is less than 15% a top-up tax equal to the difference between the ETR and 15% is applied to the Excess profit, being net GloBE Income less a tangible asset and payroll exclusion.
 - **IIR:** applicable to the Viet Nam-based in-scope MNCs which directly or indirectly hold ownership in low-tax subsidiaries which have jurisdictional ETR in their operating countries of below the 15% minimum rate.
-  **Who is the taxpayer for filing top-up taxes?**
 - **QDMTT:**
 - If the MNC has only one Viet Nam-based subsidiary, then such Viet Nam-based subsidiary is the taxpayer.
 - If the MNC has 02 subsidiaries or above: the Global Ultimate Parent Enterprise must submit a notification to the Vietnamese tax authority to nominate a subsidiary as the taxpayer on behalf of all Vietnamese subsidiaries within 30 days from the taxpayer’s fiscal year-end.
 - **IIR:** the in-scope Viet Nam-based Ultimate/Intermediary Parent enterprise is the taxpayer.
-  **Deadline for top-up tax filings (Lodging tax return and paying top-up taxes):**
 - QDMTT: within 12 months from the taxpayer’s fiscal year-end.
 - IIR: within 15 months from the taxpayer’s fiscal year-end.

Look ahead

- The Draft Resolution will likely be discussed in the general meeting of the Viet Nam National Assembly to be held in October 2023 and will be effective from 01 January 2024 if being approved.
- The Viet Nam Government is developing detailed guidance for implementation from 01 January 2024. Taxpayers should prepare by making a detailed impact assessment on a group-basis to analyze their liabilities under the new rules and how they will comply with the new regulations.

Tax update (cont.)

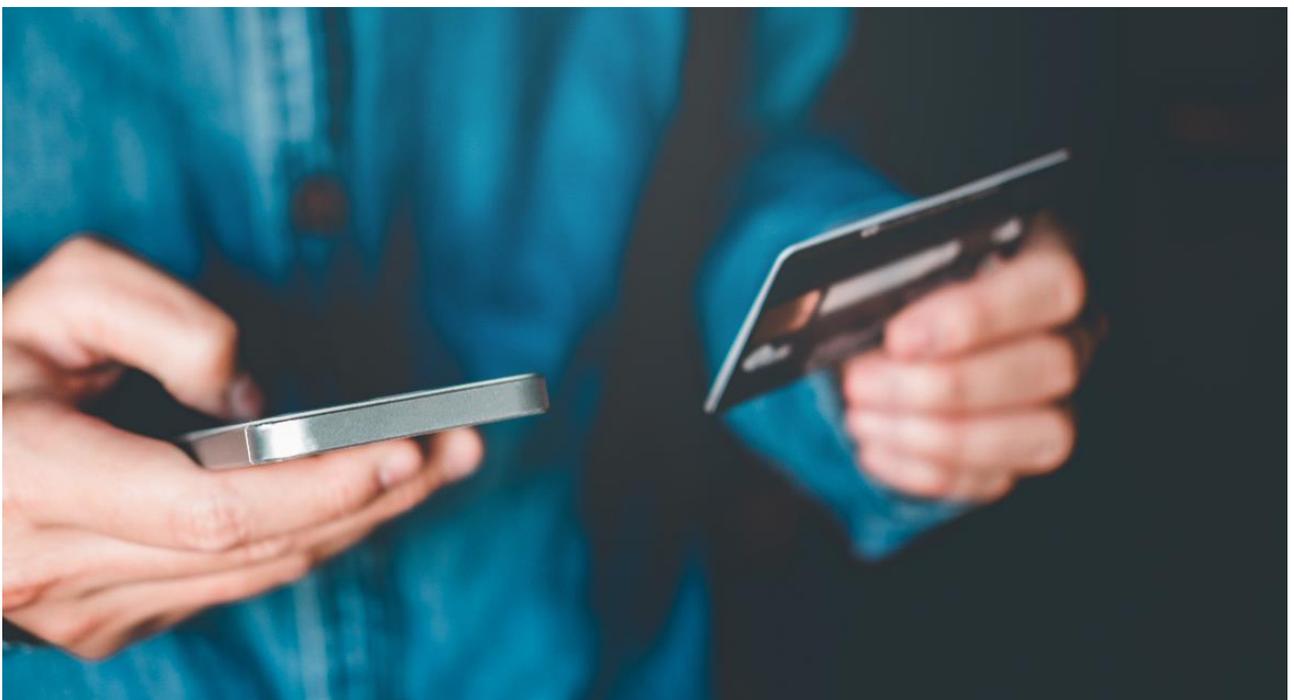
Strengthening data connection and sharing to manage the tax collection for e-commerce and digital business activities

Pursuant to the Official Dispatch No. 889/CD-TTg dated 01 October 2022, on 30 May 2023, the Prime Minister of Viet Nam has recently issued Directive No. 18/CT-TTg to improve the effectiveness of tax collection management for e-commerce and digital business activities among certain competent authorities by connecting and sharing e-commerce data, preventing tax loss and ensuring monetary security.

In this Directive, the Prime Minister requests these competent authorities to work together to carry out the following notable activities as a matter of urgency:

- Competent authorities, including the Ministry of Finance, the Ministry of Industry and Trade, the Ministry of Information and Communications, and the Ministry of Public Security proactively complete the amendment of legal documents related to e-commerce, streamline declaration procedures, reduce the number of declaring parties, strengthen the measurement of tax collection at source, prevent tax losses, and strictly handle tax and customs violations;
- By the end of the third quarter of 2023, the Ministry of Finance must take the lead in establishing a cooperation plan for data connection and sharing among relevant authorities in relation to domestic e-commerce business activities, cross-border digital products and services, telecommunication services, advertising in the network environment, digital software products and services, products and services through domestic and cross-border digital platforms, information of domestic individuals and organisations doing business with the foreign individuals and organisations doing e-commerce and digital business.
- Within 2023, strengthen the sanctions to deal with the violations of information storage and provision according to the existing regulations. Meanwhile, strengthen the tax inspection/audit for the cases of enterprises, business households and individuals conducting e-commerce activities without the tax declaration and payment;
- Integrate the e-authentication identifiers, the chip-based citizen identification cards or residential data to authenticate the subject of e-commerce activities;
- Provide guidance to commercial banks, credit institutions and intermediary payment service providers licensed by the State Bank of Viet Nam to connect and provide information to tax authorities in connection with payment transactions through banks, and coordinate with tax authorities to take coercive measures in case of violations in accordance with the Law on Tax Administration.

This synchronous and active involvement, as well as the close cooperation of relevant competent authorities in Viet Nam, may potentially have a remarkable impact on the tax administration of e-commerce and digital business activities in the coming period.



Customs update

Issuance of Most Favoured Nation (“MFN”) Import Tariff Schedule, Export Tariff Schedule, Absolute Tariff, Mixed Tariff, Out-of-quota Tariff and Normal Import Tariff

On 31 May 2023, the Government has issued Decree No. 26/2023/ND-CP (“Decree 26”) to stipulate the Most Favoured Nation (“MFN”) import tariff schedule, export tariff schedule, absolute tariff, mixed tariff, out-of-quota tariff. Decree 26 shall be effective from 15 July 2023. Notable contents of Decree 26 include:

1. Export tariff schedule, applied for goods in group #211 (Appendix 1 of the Decree), which must concurrently qualify the below conditions:

- Processed directly from raw materials;
- Having the total value of resources and minerals plus energy costs accounting for 51% or more of production cost.

2. MFN Import tariff schedule, providing:

- MFN import tariff for goods of Chapter 01 to Chapter 97 in accordance with AHTN 2022;
- Classification methodology, conditions and procedures to apply for preferential tariff of Chapter 98.

3. Import tariff for specific products, e.g. mechanical processing machine, used cars, etc.

4. Extension of duty incentive programs for automobile parts and its application process.

5. List of goods and out-of-quota tariff.

Under same issuance date with Decree 26, Decision No. 15/2023/QĐ-TTg was signed by the Prime Minister, stipulating the normal import tariff for imported goods.

For goods included in the list promulgated together with Decision 15, the normal tariff is at 0%- 5%.

For other goods, normal tariff is applied at 150% of the prevailing MFN import tariff.

Labour and Immigration

New regulation on the duration of stay for e-Visa and visa exemption for foreigners entering Viet Nam

The government has recently passed a new regulation regarding the duration of stay for e-Visa and visa exemption for foreigners entering Viet Nam.

The changes are as follows:

- Viet Nam e-Visa, available for citizens of 80 specific countries, will now be granted with multiple entries and a duration of stay up to 90 days, compared to the previous 30 days limit.
- Visa exemption for citizens of the United Kingdom of Great Britain and Northern Ireland, France, Germany, Italy, Spain, Sweden, Finland, Denmark, Norway, Korea, Japan, Russia, and Belarus will now allow for a longer duration of stay, extending up to 45 days from the previous 15 days limit.

These new changes are expected to take effect from 15 August 2023 until further notice from the government.



VCCI HIGHLIGHTED EVENTS



Viet Nam - Malaysia: Room for Trade and Service Cooperation (21/07/2023)

During the Malaysian Prime Minister's official visit to Viet Nam, the Malaysian Ministry of Investment, Trade and Industry (MTI) held the Malaysia-Viet Nam Business Forum in Hanoi on July 21, 2023. The forum aimed to discuss cooperation opportunities for Vietnamese and Malaysian companies. [Read more.](#)



VCCI and CACCI expect to build an efficient foundation for cooperation between economies (24/05/2023)

The Confederation of Asian-Pacific Chambers of Commerce and Industry (CACCI) should be encouraged to work together, since this will create prospects for robust and thorough regional integration. [Read more.](#)



Expectations for cooperation between VCCI and ILO in the new phase (29/07/2023)

During the meeting between Mr. Pham Tan Cong, Chairman of the Viet Nam Chamber of Commerce and Industry (VCCI), and Mr. Gilbert F. Hougbo, Director-General of the International Labour Organization (ILO), both parties discussed their collaboration programs for the future to enhance the protection of workers and support sustainable business development. [Read more.](#)



Vietnamese businesses urged to achieve sustainable development goals (23/08/2023)

Nature-related policies should be integrated into business strategies and plans, said Deputy Prime Minister Tran Hong Ha at the 10th Vietnam Corporate Sustainability Forum in Hanoi on August 23. [Read more.](#)

The newsletter contains general information for reference only. VCCI shall not be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any decision relying on this newsletter.