

# Representative Offices in Vietnam:

## Structures, Tax Obligations, and Overlooked Risks

### Alitium

#### Ho Chi Minh City

Level 5, L'Mak Signature Building  
147 Hai Ba Trung  
Xuan Hoa Ward (District 3)  
Ho Chi Minh City, Vietnam

#### Hanoi

51 Phan Boi Chau  
Cua Nam Ward (Hoan Kiem)  
Hanoi, Vietnam

P: +84 (28) 3535 6460  
E: vietnam@alitium.com

### Contact

#### Phuong Vo

Managing Partner  
phuong.vo@alitium.com

#### Phung Nguyen

Accounting & Tax Partner  
phung.nguyen@alitium.com

#### Matthew Lourey

Chairman  
mlourey@alitium.com

Vietnam | Singapore | Malaysia

[8 June 2026]

## Understanding Risks, Tax Obligations and Structures for Representative Offices in Vietnam

Article authors:

*Trang Le - HR & Payroll Services Manager  
Phung Nguyen - Accounting and Tax Partner*

A Representative Office (RO) is one of the most accessible entry points for foreign entities and investors looking to establish a presence in Vietnam. It can be established without the capital commitments and regulatory requirements associated with a fully licensed foreign-invested company, and is widely perceived as a lower-risk structure with a more limited compliance footprint.

Notwithstanding the perceived simplicity, compliance obligations remain applicable to a Representative Office, particularly those relating to Personal Income Tax and the personal liability of the Chief Representative. These risks are more consequential than they are often given credit for, with issues in these areas tending to only surface during tax or labour inspections, by which point corrective action is both more complex and more costly.

Below we have set out what a Representative Office is, what it can and cannot do, how it is taxed, and where the most significant compliance risks arise in practice.

### What is a Representative Office?

A Representative Office is a dependent unit of a foreign entity, established and operating in Vietnam under a licence issued by the relevant provincial authority (generally the Department of Industry and Trade). It is not a separate legal entity and does not have independent legal standing, but operates as an extension of the foreign parent for the purpose of conducting a defined and limited range of permitted activities within Vietnam.

Alitium

www.alitium.com

## Representative Office Risks

---

The legal framework governing Representative Offices is set out primarily under the Commercial Law 2005 and the implementing regulations on representative offices and branches of foreign entities in Vietnam, together with relevant guidance from the Ministry of Industry and Trade. ROs must be licensed and renewed periodically (typically every 5 years), and any changes to key details, including the Chief Representative, must be notified to and approved by the licensing authority.

### Permitted Activities

A Representative Office is expressly prohibited from conducting commercial or revenue-generating activities. Its permitted scope is limited to the following:

- Market research and market surveys on behalf of the foreign entity
- Promotion and introduction of the goods and services of the foreign entity
- Liaison and coordination activities to support the foreign entity's business in Vietnam
- Monitoring of contracts, agreements, and projects of the foreign entity's parent entity(s) in Vietnam

The RO may not enter into contracts, issue invoices, receive payments, or carry out trading, manufacturing, or operational support activities in its own name or on behalf of the foreign entity in a transactional capacity. Where a foreign investor requires the ability to conduct commercial activities in Vietnam, a separate legal entity, typically a limited liability company, is required.

### Staffing and the Chief Representative

A Representative Office must appoint a Chief Representative, who is responsible for managing and overseeing the RO's day-to-day operations in Vietnam. The Chief Representative is a formal legal position, recorded in the RO licence, with specific responsibilities under Vietnamese law. Changes to the Chief Representative must be approved by the licensing authority.

Beyond the Chief Representative, the RO may employ Vietnamese staff directly under Vietnamese labour law. The RO acts as the employer for these employees, signing employment contracts, registering for social insurance, health insurance, and unemployment insurance, and fulfilling all related payroll and tax obligations in Vietnam.

## The Tax Structure of a Representative Office

Because a Representative Office is not permitted to generate revenue, it is not subject to Corporate Income Tax (CIT) in the ordinary course. This is one of the features that contributes to the perception of the RO as a low-tax structure. However, the tax obligations applicable to an RO are not negligible, and Personal Income Tax is the central ongoing compliance requirement, with the Chief Representative sitting at the intersection of the RO's obligations and their own personal tax exposure.

### Personal Income Tax: The General Framework

All remuneration paid to employees of the RO, including the Chief Representative, is subject to PIT in accordance with Vietnam's personal income tax framework. The RO is responsible for withholding PIT from salary payments, remitting it to the tax authority on a monthly or quarterly basis, and completing annual PIT finalisation for each employee.

Vietnam operates a progressive PIT rate structure for tax residents, with rates ranging from 5% to 35% applied to taxable income after applicable deductions. Non-tax-resident individuals are subject to a flat 20% PIT rate on Vietnam-sourced income. The determination of tax residency, and the correct allocation of income between Vietnam and other jurisdictions, requires careful attention, particularly for the Chief Representative, who may spend limited time in Vietnam or hold roles across multiple entities.

### Other Tax Considerations

Although the RO is not subject to CIT on its own account in normal circumstances, it is not invisible to the tax authority. The RO is required to register with the tax authority, maintain accounting records sufficient to demonstrate the nature of its activities, and file regular reports as required. Where the RO engages contractors or service providers, contractor withholding tax obligations may apply. Additionally, the RO must maintain records sufficient to demonstrate that its activities remain within the permitted scope, as departure from those boundaries has consequences that extend well beyond a simple CIT assessment (as discussed in the Permanent Establishment section below).

## The Chief Representative: Personal Tax Liability and Its Implications

The Chief Representative occupies a position of particular significance in the tax and compliance framework of a Representative Office. Unlike ordinary employees, the Chief Representative's tax obligations are directly intertwined with the administrative standing of the RO itself. Unresolved PIT issues for the Chief Representative can block processes that the foreign entity would otherwise expect to be routine.

It is important to understand that the tax liabilities that arise in connection with the Chief Representative role are personal liabilities of the individual. They are not entity-level obligations that can be absorbed, restructured, or necessarily resolved by the foreign parent. The Chief Representative carries them personally, and they persist regardless of whether the individual is still in the role or whether the RO continues to operate.

### Salary and the Expectation of Remuneration

Under Vietnamese regulations, the Chief Representative is regarded as holding a management function, and the tax authority generally expects a corresponding income to exist and to be declared through the RO's payroll. The expectation is that the Chief Representative will receive a salary, that PIT will be withheld by the RO on a monthly basis, and that annual PIT finalisation will be completed in the ordinary course.

Where no salary is paid, the foreign entity should not assume that the absence of remuneration removes the compliance obligation. The tax authority may take the position that a salary ought to have been paid, or is attributable to, the Chief Representative's role, and assess accordingly. A Chief Representative who is paid nothing, and who has filed nothing, may be found to have an outstanding PIT liability, even if no income was actually received. This is particularly relevant where the appointed Chief Representative is a senior executive of the foreign parent who takes the nominal role without compensation from the RO.

### Expenses, Benefits, and the Risk of Personal PIT Assessment

The personal liability of the Chief Representative extends beyond their declared salary. A significant and frequently underestimated area of risk concerns the treatment of expenses incurred by or on behalf of the RO. Where expenses cannot be properly substantiated, or where the tax authority takes the view that an expense is personal in nature rather than operational, those payments may be deemed a benefit received by the Chief Representative and subjected to PIT accordingly.

In practice, this can arise across a range of expenditure categories. Accommodation costs, vehicle and transport expenses, entertainment and hospitality expenditure, and payments to third parties made without adequate documentation are all areas that have attracted scrutiny in the context of RO inspections. The critical issue is documentation: where the RO cannot demonstrate that an expense was incurred for a legitimate operational purpose, the default position of the tax authority is often to treat the payment as a benefit to the responsible individual, being the Chief Representative.

*Expenses without adequate supporting documentation, or those the tax authority regards as personal in nature, can be re-characterised as income in the hands of the Chief Representative and subjected to PIT at the applicable marginal rate. This is a personal liability of the individual, not of the RO.*

Foreign entities should ensure that the RO maintains robust expense documentation practices from the outset. This includes proper invoices and supporting records for all expenditure, clear policies distinguishing operational from personal expenditure, and a consistent approach to expense approval. Where documentation gaps already exist, these should be identified and addressed proactively, rather than left to surface during an inspection.

### PIT Finalisation and Administrative Dependencies

The requirement to complete annual PIT finalisation for the Chief Representative is not merely a routine compliance exercise. It has direct consequences for the administrative standing of the RO and for the foreign entity's ability to make changes to its Vietnam presence.

A number of key processes are contingent on confirmation that the Chief Representative's tax obligations have been properly met. These include:

- Renewal of the Representative Office licence
- Approval of a change of Chief Representative
- Formal wind-up and closure of the Representative Office

## Representative Office Risks

---

Where PIT finalisation for the Chief Representative is incomplete, outstanding, or disputed, these processes cannot proceed in the ordinary way. In practice, this means that a foreign entity wishing to replace its Chief Representative, renew its RO licence, or exit Vietnam cleanly may find itself unable to do so until the individual's tax position has been resolved, which can be a time-consuming and costly exercise if the position has been allowed to fall into arrears over multiple years.

PIT finalisation for the Chief Representative should therefore be treated as a standing annual obligation, completed on time and maintained in good order. It is not something that can be deferred or addressed only when a triggering event arises. By the time a change of Chief Representative or a wind-up becomes necessary, it is too late to take a remedial approach.

### The Non-Resident Chief Representative

A more complex set of issues arises where the appointed Chief Representative is a foreign national who is non-tax resident in Vietnam, may reside outside Vietnam, and/or has limited day-to-day involvement in the RO's operations. This is a common arrangement, particularly where the Chief Representative is a regional or group-level executive who holds the Vietnam role as a secondary function.

In these circumstances, the foreign entity may take the view that no salary is payable to the Chief Representative for their Vietnam role, or that any remuneration is paid entirely by the overseas parent and is not Vietnam-sourced. Both positions require careful analysis. The tax authority often challenges these arrangements on the basis that the Chief Representative role carries management responsibilities in Vietnam and that a portion of the individual's total (global) remuneration should therefore be allocated and declared here. The existence of a double tax treaty between Vietnam and the individual's country of residence may provide some relief, but the availability and mechanics of treaty protection depend on the specific facts and require formal assessment.

The personal tax liability question does not disappear simply because the Chief Representative spends limited time in Vietnam. Where the authority takes the position that Vietnam-sourced income exists and has not been declared, the individual faces a personal assessment. The foreign entity cannot absorb this liability on the Chief Representative's behalf without that amount itself potentially constituting a taxable benefit.

### Permanent Establishment: A Risk Often Overlooked

The discussion of CIT exposure for a Representative Office is often framed narrowly: if the RO conducts revenue-generating activities, it may face a CIT assessment on those activities. That framing, while correct as far as it goes, understates the more serious risk, which is that the RO's activities could result in the foreign parent being deemed to have a Permanent Establishment (PE) in Vietnam.

The distinction matters significantly. A CIT assessment on the RO's activities is a localised problem, limited to the activities of the RO itself. A PE determination, by contrast, reaches back to the foreign parent and subjects it to CIT in Vietnam on the profits attributable to its Vietnam presence. The exposure is broader, the calculations are more complex, and the consequences for the foreign parent's overall tax position can be substantial.

### What Constitutes a Permanent Establishment in Vietnam?

Vietnam's domestic PE rules are set out in the Law on Corporate Income Tax and its implementing guidance, with refinement through the applicable double tax treaties where a treaty is in force. A Permanent Establishment is generally defined as a fixed place of business through which the business of an enterprise is wholly or partly carried on. In the context of a Representative Office, the relevant question is whether the activities conducted through the RO constitute a business operation of the foreign parent, rather than a purely preparatory or auxiliary function.

Vietnam's domestic law is relatively broad in its approach. A PE can arise not only from a fixed place of business, but also from a dependent agent, being a person who acts on behalf of the enterprise and has and habitually exercises authority to conclude contracts in the name of the enterprise. Where an RO's employees or the Chief Representative are entering into or facilitating commercial transactions, negotiating contractual terms, or making commitments on behalf of the foreign parent, the conditions for a dependent agent PE may be satisfied even if no formal contract is signed in Vietnam.

Common situations where PE risk materialises for a Representative Office include:

- Employees carrying operational titles and performing functions that extend beyond liaison and promotion into commercial activity
- The Chief Representative or other staff negotiating or concluding contracts, or approving transactions, on behalf of the foreign parent
- The RO receiving, processing, or coordinating orders, payments, or deliveries in connection with the foreign parent's commercial

- activity in Vietnam
- The foreign parent using the RO’s premises or staff to conduct business that would, in a licensed entity, be subject to CIT

**The Consequences of a PE Determination**

Where a Permanent Establishment is found to exist, the consequences for the foreign parent are considerably more serious than a standard RO compliance finding. The foreign parent becomes subject to CIT in Vietnam on the profits attributable to the PE. Determining those profits requires an analysis of what revenue and expenses are properly allocated to the Vietnam presence, which in the absence of clear records, the tax authority will estimate on the basis of available information.

In addition to CIT, a PE determination can give rise to foreign contractor tax (FCT) obligations on payments made by Vietnamese counterparties to the foreign parent, VAT exposure, and an obligation to register and comply as a taxable entity in Vietnam. Interest and penalties on underpaid taxes are calculated from the date the PE is deemed to have arisen, which may be significantly earlier than the date of the inspection that identified it.

It is also worth noting that a PE determination can have consequences beyond Vietnam. Where the foreign parent operates across multiple jurisdictions, a PE finding in Vietnam may affect the group’s transfer pricing position, create disclosure obligations in the parent’s home jurisdiction, and complicate treaty relief applications. These cross-border implications are often not considered at the time the RO is established or when its operational scope is being discussed.

*A Permanent Establishment determination does not merely impose a local tax charge on the RO’s activities. It subjects the foreign parent company itself to Vietnamese CIT on attributable profits, potentially from the point the PE is deemed to have arisen, with interest and penalties applied accordingly.*

**The Relationship Between Payroll, Operational Scope, and PE Risk**

The payroll and operational scope issues discussed in the compliance section below are directly connected to PE risk. Where an RO’s employees hold operational titles and perform functions beyond the permitted scope, those facts are precisely the type of evidence the tax authority will rely on in making a PE determination. Payroll records that reveal a Warehouse Manager, a Quality Control Manager, or a Sales Coordinator employed by what is licensed as a liaison office are, in effect, an internal record of PE risk.

This is why the compliance considerations for a Representative Office should not be treated as separate, independent issues. The employment structure, the expense documentation practices, the Chief Representative’s role and remuneration, and the operational scope of the RO’s activities are all interconnected, and weakness in any one area creates exposure across the others.

**Key Compliance Considerations at a Glance**

The table below summarises the primary compliance areas, the practical challenges that arise in each, and the key risks. Each area is discussed in further detail in the sections that follow.

Key Area	Practical Challenges	Key Risks / Implications
Permitted Activities and Operational Scope	ROs are restricted to market research and liaison; any revenue-generating activity falls outside the permitted scope.	Operating beyond permitted activities may result in tax reassessments, penalties, and potential revocation of the RO licence. In serious cases, the RO may be deemed a Permanent Establishment of the foreign parent.
Payroll as an Operational Signal	Job titles and employee functions can reveal whether an RO is conducting activities beyond its permitted scope.	Operational titles suggest revenue-generating activity; authorities may treat the RO as a taxable commercial entity subject to CIT.
Labour Contracts and Employer Obligations	Employment contracts must be signed by the RO as employer, not by the overseas parent entity.	Contracts signed by the foreign parent may result in non-compliance with Vietnamese labour law and exposure to unpaid insurance and tax obligations.



## Representative Office Risks

Chief Representative: PIT on Salary and Benefits	The Chief Representative is expected to receive remuneration for their role. Undeclared income and improperly documented expenses create personal PIT exposure.	The Chief Representative is personally liable for PIT on all income and benefits, including expenses deemed personal in nature. Back-tax, interest, and penalties attach to the individual.
Chief Representative: PIT Finalisation and Administrative Dependencies	Annual PIT finalisation for the Chief Representative must be completed and current; outstanding obligations block key administrative processes.	Incomplete PIT records can delay or prevent licence renewal, changes of Chief Representative, and formal wind-up of the RO.
Absent or Non-Resident Chief Representative	Where the Chief Representative resides outside Vietnam and has limited operational involvement, the remuneration and tax residency position requires careful structuring.	Authorities may challenge the arrangement, exposing both the RO and the individual to back-tax assessments and compliance obligations.
Permanent Establishment Risk	Where an RO conducts activities beyond its permitted scope, or where the foreign parent exercises significant business activity through the RO, Vietnam may deem a Permanent Establishment to exist.	A PE determination subjects the foreign parent to CIT in Vietnam on attributable profits, foreign contractor tax obligations, and potential retrospective tax assessments with penalties.

### 1. Payroll as an Operational Signal

Because a Representative Office is not permitted to generate revenue, its activities should be confined to market research, liaison, and promotion. In practice, the payroll records and employee structure of an RO often reveal whether these boundaries are being observed.

Job titles are a key indicator. Where an RO's employees hold titles such as Quality Control Manager, Warehouse Manager, Technician, or other operationally focused roles, the tax and labour authorities may question whether manufacturing, trading, or revenue-generating activities are being conducted. As noted in the Permanent Establishment section above, these payroll facts carry weight beyond a straightforward CIT assessment: they can form part of the evidence base for a PE determination involving the foreign parent. Investors should review their RO's payroll records and employee functions periodically to ensure they remain consistent with the permitted scope of activity.

### 2. Labour Contracts: Who Signs as Employer?

Under Vietnamese labour law, a Representative Office has the legal capacity to employ staff and assume all employer obligations, including social insurance registration, health insurance, unemployment insurance, and PIT withholding. Employment contracts for staff working in Vietnam must be signed by the RO, not by the overseas parent company.

In practice, it is common for employment contracts to be signed directly by the foreign entity, with the understanding that the individual is employed by the parent entity and seconded to or working through the RO. This arrangement may reflect a lack of awareness of the applicable requirements, or in some cases a deliberate attempt to shift insurance and tax obligations away from the RO. The position is clear: once an RO is established in Vietnam and local employees are recruited to work for that RO, employment contracts should be signed by the RO. Failure to do so places the RO at risk of non-compliance findings during labour inspections, and may expose both the RO and the employees to back-payments of social insurance contributions and penalties.

### 3. Chief Representative Tax Compliance: A Summary

The Chief Representative's PIT position is discussed in detail in the dedicated section above. From a compliance management perspective, the key practical points are as follows.

Annual PIT finalisation for the Chief Representative must be completed on time, every year. Expense documentation must be maintained to a standard sufficient to withstand scrutiny: where documentation is inadequate, the tax authority may deem the expenditure a personal benefit to the Chief Representative and levy PIT on the amount accordingly. Where the Chief Representative is non-resident or holds the role in a nominal capacity, the remuneration and tax residency position should be formally assessed and documented at the time of appointment, and reviewed whenever the individual's circumstances change.

These are not matters that can be deferred until they become urgent. By the time a change of Chief Representative, a licence renewal, or an RO wind-up requires a clean tax record, the opportunity for proactive resolution has passed.

### In Conclusion

A Representative Office remains a practical and cost-effective structure for foreign entities and investors seeking to establish an initial presence in Vietnam. Its comparatively light regulatory footprint and the absence of CIT obligations in the ordinary course make it an attractive option at the early stages of market engagement.

However, the compliance obligations that apply, and in particular the personal tax exposure of the Chief Representative, the treatment of expenses and benefits, and the risk of a Permanent Establishment determination involving the foreign parent, are more consequential than the structure is often given credit for. These are not peripheral concerns: they can result in personal back-tax assessments for the Chief Representative, entity-level CIT exposure for the foreign parent, and practical obstacles that disrupt the foreign entity's ability to manage or exit its Vietnam presence.

Understanding these risks before establishing a Representative Office, and maintaining an active compliance posture once one is in place, is the most effective way to manage them. Reactive resolution, once an inspection has been opened or a triggering event has occurred, is invariably more costly and more complicated.

*For any further questions or assistance, please reach out to us at [vietnam@alitim.com](mailto:vietnam@alitim.com)*

\*\*\*\*\*


*This article is intended to provide an overview of recent updates and announcements. While it aims to present useful insights, it is important to note that the content shared here should not be considered as formal legal, tax or financial advice. For specific guidance on tax obligations or legal matters related to your business, we strongly recommend consulting with a qualified professional, such as a tax advisor or legal expert or directly reach out to us.*


This publication is intended a general overview, and not intended to be comprehensive or to be relied upon as professional advice. Although every effort has been made to ensure accuracy of the information disclosed, Alitium disclaims all responsible for any party that relies upon the contents.


(c) Alitium Professional Services Company Limited, 2026


Visit our website:



 [linkedin.com/company/alitim](https://www.linkedin.com/company/alitim)

 [contact@alitim.com](mailto:contact@alitim.com)

 [youtube.com/@AlitiumGroup](https://www.youtube.com/@AlitiumGroup)

 [facebook.com/AlitiumGroup](https://www.facebook.com/AlitiumGroup)

# Alitium

Vietnam | Singapore | Malaysia

[www.alitim.com](http://www.alitim.com)