

Vietnam Market Entry Handbook 2026: A Guide for Foreign Investors

Providing clarity on Vietnam's structures, requirements and compliance for foreign investors

Alitium

www.alitium.com

About Alitium

At Alitium, we specialize in simplifying the complexities of market entry and business operations across Asia. With a presence in three countries: Vietnam, Singapore, and Malaysia and four offices in the region, including two in Hanoi and Ho Chi Minh City, we provide a multi-market platform of support for international investors.

Within this regional network, Vietnam plays a central role in Alitium's operations. Our presence in Singapore and Malaysia supports regional investment structures and expansion strategies for clients. This combination of regional capability and deep local focus enables Alitium to effectively accompany businesses in their growth journey in Vietnam while connecting them to the broader Asian market.

Our core objective is to empower foreign investors with the clarity, confidence, and tools necessary to build and grow successful businesses in a dynamic and ever-evolving market. With a comprehensive portfolio of services including legal, corporate advisory, accounting, HR, compliance, and tax, we deliver practical and precise solutions tailored to each client's specific needs. Alitium's experienced team of professionals is committed to service excellence, combining deep local insight with a global perspective to help clients achieve lasting success.

Our core mission is to facilitate smooth market entry and sustainable operations for foreign investors. Our legal and licensing services cover company establishment, investment structuring, transactions, and commercial agreements ensuring businesses are set up on a strong foundation from the outset. In addition, Alitium provides specialized corporate advisory services, including market entry strategy, due diligence, project planning, valuation, and risk review equipping investors with comprehensive insights to make informed decisions.

Accounting, HR, and compliance are core strengths of Alitium. We provide ongoing support to ensure clients fully meet their statutory obligations, including bookkeeping, financial reporting, risk management, and payroll services all aimed at maintaining compliance and minimizing risk. Alitium's tax and tax advisory services are particularly distinguished, offering both technical and administrative support to manage tax risks and optimize tax obligations. This long-term strategic approach enables clients to navigate the complexities of Vietnam's tax system while maintaining compliance and maximizing financial efficiency.

What differentiates Alitium is our commitment to understanding the specific needs of foreign investors. We recognize that the legal and operational environment in Asia can present challenges, and we therefore deliver clear, practical advice that balances commercial objectives with compliance requirements. This client-centric approach is built on a deep understanding of the region's legal, economic, and cultural landscape.

Alitium places particular emphasis on governance and compliance-key pillars of long-term success. We support clients in building robust governance frameworks to manage risk, ensure adherence to local regulations, and strengthen their market credibility. Through this approach, businesses not only meet legal requirements but also build lasting trust in Vietnam and across the broader Asian region.

Reach out to Alitium to discuss how we can further support your specific strategy and needs via vietnam@alitium.com

Key Highlights: Vietnam



In 2025, Vietnam recorded GDP growth of 8.02%, bringing nominal GDP to approximately USD 514 billion - well above the decade-long average growth rate of 6.2%. Registered FDI reached USD 38.42 billion, with manufacturing and processing continuing to play a leading role, particularly in high-tech, electronics, and green industries.

With a population exceeding 100 million, a median age of around 33, and a labour force of approximately 53.5 million people (an increase of nearly 590,000 compared to 2024), Vietnam benefits from a young and increasingly skilled workforce while maintaining regionally competitive labour costs. Average monthly income in 2025 rose by 8.9% year-on-year, reflecting improvements in productivity and overall growth quality.

At the same time, the middle class is projected to double from 13.05 million people in 2023 to 26.6 million by 2026, providing strong momentum for domestic consumption and market expansion. Building on this foundation, Vietnam has accelerated infrastructure development, with 564 projects implemented during the 2021-2025 period, including the expansion of the North-South Expressway and upgrades to key seaports, strengthening national logistics capacity and supply chain connectivity. Total import-export turnover remained robust, with a trade surplus of approximately USD 20.03 billion, underscoring Vietnam's increasingly important position in regional and global trade networks.

Strategically located within ASEAN and a party to 17 next-generation free trade agreements such as the CPTPP, EVFTA, RCEP, and UKVFTA, Vietnam enjoys access to more than 60 economies worldwide. At the same time, government-led investment incentives including tax holidays and preferential corporate income tax rates for priority sectors, zones, and startups continue to foster a supportive environment for foreign investors.

Administrative reform and infrastructure development remain consistent government priorities aimed at enhancing long-term competitiveness. Supported by a substantial domestic market, a rapidly expanding middle class, and the growth of high-value sectors such as technology, semiconductors, and investment-related services, Vietnam is strengthening its role as a strategic manufacturing, trade, and growth hub in Asia.

Introduction

Entering a new market is a journey that requires careful preparation and strategic insight. For foreign investors considering Vietnam, this journey offers significant potential, but also presents distinct challenges and opportunities. Vietnam's transforming economy, strategic geographic location, and deepening integration into global markets have made the country an attractive destination for investment. However, success requires a thorough understanding of the local legal, regulatory, and cultural landscape.

Vietnam is widely regarded as one of the most promising markets in Southeast Asia, supported by a large workforce and a government committed to economic reform. Its favorable business environment is reinforced by an extensive network of free trade agreements and policies welcoming foreign investment. At the same time, these advantages are intertwined with unique legal frameworks shaped by Vietnam's socialist-oriented market economy. Sustainable growth in this environment requires investors to navigate regulations with precision and long-term vision.

A critical aspect of market entry is understanding Vietnam's corporate laws and business structures. These regulations are designed to promote growth while safeguarding national interests. Foreign investors must be fully aware of ownership restrictions, sector-specific regulations, and the procedural requirements for establishing and operating a business. Missteps in these areas can lead to delays, increased costs, or even legal disputes.

Taxation in Vietnam is another area of significant importance. The Vietnamese tax system has its own particularities and involves multiple layers of compliance obligations. Corporate Income Tax, Value Added Tax, and Personal Income Tax each carry distinct regulations and filing requirements. To optimize tax efficiency and ensure compliance, businesses must stay informed of regulatory changes and take advantage of available incentives.

Human resource management in Vietnam is also highly specialized. Labor law is comprehensive, providing clear guidance on employment contracts, work permits for foreign employees, and labor relations. For foreign investors, understanding these regulations is essential to building an effective and compliant workforce. Matters such as trade unions, dispute resolution, and employee benefits require both legal knowledge and cultural sensitivity.

Accounting and financial reporting in Vietnam follow Vietnamese Accounting Standards (VAS), which differ in certain respects from International Financial Reporting Standards (IFRS). For internationally operating businesses, identifying and managing these differences is crucial. Compliance with VAS requires careful record-keeping and adherence to prescribed formats, deadlines, and reporting procedures. Companies transitioning to or concurrently applying IFRS must approach these differences strategically to ensure transparency and accuracy.

Governance and compliance remain the foundation of long-term success in Vietnam. The government's increasing emphasis on regulatory enforcement highlights the importance of robust governance practices. Companies that prioritize governance not only meet legal obligations but also build trust and credibility with stakeholders. Effective governance reduces risk, facilitates smooth operations, and positions businesses to capitalize on emerging opportunities.

Vietnam's appeal as an investment destination is undeniable. However, its distinctive market characteristics require investors to approach it with openness and adaptability. While experience from other markets can be valuable, assumptions of similarity may result in costly mistakes. Each country has its own context, and Vietnam's legal, economic, and cultural environment demands a tailored and flexible approach. To succeed in Vietnam, foreign investors must cultivate a proactive learning mindset. Building relationships with local partners, consulting experienced advisors, and staying up to date with legal developments are essential strategies. Through these efforts, investors can navigate the complexities of the Vietnamese market with confidence and unlock its full potential.

This guide has been developed to provide you with the tools and perspectives needed to adapt to Vietnam's dynamic business environment. Whether you are considering entering the market for the first time or expanding existing operations, understanding legal requirements, cultural nuances, and regulatory frameworks will be central to your success. With thorough preparation, adaptability, and a strong commitment to compliance, the opportunities in Vietnam in 2026 and beyond await.

Matthew Lourey
Chairman - Alitium
mlourey@alitium.com

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“Success in Vietnam hinges on building the right structures from the outset. Whether entering or exiting the market, missteps in strategy and compliance can turn opportunity into costly failure.”



1. Companies & Structures

Overview of Company Structures in Vietnam

Entity Types

There are a variety of entity types in Vietnam, not all of them practical or even available for foreign investors.

An overview of the primary types of entities that are commonly available is covered below.

Limited Liability Company (LLC)

This is the most common corporate entity structure in Vietnam. A Limited Liability Company (LLC) is a corporate entity with at least one owner (member), up to a maximum of 50 owners (members), but unlike a Joint Stock Company (see below), there are no shares issued to the owners (members). Instead, members have the ownership ratio based upon each members' contributed (paid up) capital.

There is a distinction in law between a Single-Member Limited Liability Company and a Multi-Member Limited Liability Company, much of it regarding specifics with governance requirements (ie, the Members Council), the operations and other requirements remain the same.

Joint Stock Company (JSC)

Joint Stock Companies are similar in many ways to an LLC, but with a few key differences. Firstly, JSCs issues shares to their owners, with each shareholder having a prescribed number of shares (and therefore underlying ownership percentage). JSCs are more suited to larger businesses, due to their extra complexities, and are often the primary structure for those seeking to raise capital in Vietnam from other investors.

JSCs are required to have a minimum of 3 shareholders, with no maximum. Further requirements exist regarding governance and

oversight, depending on the size of the company, the number of shareholders and the relationship of shareholders.

Representative Office

A Representative Office is not an entity in its own right, but instead is regarded as an outpost of the foreign organisation it is representing.

In Vietnam, a Representative Office is only permitted to undertake market support activities, including acting as a liaison office, undertaking research, and supporting the marketing of the parent entity in Vietnam. It is not permitted to earn income in its own right, nor is it permitted to undertake activities that are directly involved in the earning of income.

A Representative Office is only permitted to be registered at and operate from one address in Vietnam (although it is possible for a foreign organisation to separately register additional Representative Offices in other provinces), and it is required to have a Chief Representative as head of the structure in Vietnam, who is responsible for the activities and liabilities arising.

Branch Office

Foreign companies in certain sectors are entitled to open a Branch Office of their foreign entity in Vietnam. In some sectors (ie, banking) this is the more common path due to regulatory reasons, however in other sectors it may be rare or non-existent.

As this is a relatively uncommon structure, the registration process and ongoing compliance obligations represent ongoing challenges that are not experienced by LLC or JSC structures.

Although a Branch Office is technically not a legal entity in its own right, for all intents and purposes it operates as one in Vietnam (from a taxation

and structural perspective). That said, there are restrictions on additional licences and permitted activities that other entities may not face.

Household Business

Household Businesses are very common in Vietnam, generally representing small and sole traders with registered business, but which remain an unincorporated structure.

The Household Business registration option is not one that is available for foreign investors.

Other Structures

Other structures that exist in Vietnam include Business Co-operatives, Foreign Project Offices, Partnerships and Business Co-operation Contracts (BCC). These all have their place, and are commonly more niche structures for specific needs and purposes.

From a practical perspective, the more niche a corporate structure is, the more complicated is the commensurate regulatory and operating processes (including repatriating profits).

Laws Governing Corporate Entities in Vietnam

Company Laws in Vietnam

Vietnam's legal framework governing businesses is primarily composed of the Law on Enterprises and the Law on Investment. These laws are designed to regulate the formation, operation, and management of businesses, as well as to encourage and manage investments.

In addition, companies are required to adopt a Company Charter, which is essentially a rule book on how the company is to operate. The company charter cannot conflict with these Laws, but there are a number of elements of the Laws that can be varied and adopted within the charter.

Law on Enterprises

The Law on Enterprises (LOE) in Vietnam provides the legal foundation for establishing and operating businesses. It defines different types of enterprises, their organizational structures, rights, and obligations. The LOE outlines the formation, management, and dissolution of enterprises. It also provides regulations on the conduct of business activities, corporate governance, shareholder rights, and other operational matters. It aims to ensure transparency and accountability in business operations and to protect the interests of stakeholders.

Law on Investment

The Law on Investment (LOI) governs investment activities in Vietnam, both domestic and foreign. It sets out the procedures for obtaining investment certificates, the rights and obligations of investors, and the mechanisms for resolving disputes.

Structure, Roles and Responsibilities within Companies

Limited Liability Company

The management structure of an LLC typically includes a Members' Council, a Chairman, and a General Director (or Director).

Key Roles and Responsibilities:

- **Members' Council:** The highest decision-making body, comprising all members. Responsible for key decisions such as amending the charter, approving financial statements, and distributing profits.
- **Chairman:** Elected by the Members' Council, the Chairman presides over meetings and represents the company in its dealings. Alternatively, as a Chairman of the Company, the individual is appointed by the Company Owner to represent and exercise all of the Owner's rights and authorities within the Company.
- **General Director/Director:** Responsible for the day-to-day management of the company, appointed by the Members' Council or Chairman.
- **Legal Representative:** At least one Legal Representative must be appointed to give the company legal capacity. In addition at least one Legal Representative must reside in Vietnam, and must also hold a specific role in the organisation (for example, General Director or Chairman).

Joint Stock Company

The management structure of a JSC typically includes a General Meeting of Shareholders (GMS), a Board of Directors (BOD), Board of Controllers (or Audit Committee), and a General Director (or Director).

Key Roles and Responsibilities:

- **General Meeting of Shareholders (GMS):** The highest decision-making body, consisting of shareholders with voting rights. Responsible for major decisions such as approving financial statements, distributing profits, and electing the Board of Directors.
- **Board of Directors (BOD):** Elected by the GMS, the BOD oversees the company's management and is responsible for strategic decisions.
- **General Director/Director:** Appointed by the BOD, the General Director manages the daily operations of the company.
- **Legal Representative:** At least one Legal Representative must be appointed to give the company legal capacity, and is appointed by the BOD. In addition at least one Legal Representative must reside in Vietnam.
- **Board of Controllers (or Audit Committee):** A body responsible for supervising the management and financial activities of the company, and for monitoring compliance with laws and internal regulations.

Compliance Obligations of Companies and Officers

Companies in Vietnam, and their officers, have significant compliance obligations, including:

- **Business Registration:** Companies must maintain accurate and up-to-date registration information.
- **Reporting Obligations:** Regular financial and tax reporting is mandatory.
- **Corporate Governance:** Companies must adhere to corporate governance standards, including holding regular meetings and maintaining proper records.

VIETNAM COMPANY APPOINTMENTS

OFFICERS, ROLES & RESPONSIBILITIES

Standard corporate roles within a Limited Liability Company (LLC), being the most common form of company structure in Vietnam, are detailed below. Comparison with common international roles is included for commentary only and to better assist with clarity of obligations/responsibilities in Vietnamese law.

Investor / Structural Roles

Member - an equity holder of a Vietnamese enterprise (also known as an Owner or Investor, and akin to a shareholder*). A Member can be an individual or a corporate.

Members' Council - a body representing, and appointed by Members (ie, Owners/Investors), and which is responsible for the structure, strategy and oversight of the company, along with appointing the other roles and positions. Members of the Members' Council are appointed according to the Company Charter with one of these being appointed as Chairman.

Chairman - the Chairman includes:

- Chairman of the Members' Council in a multi-member LLC;
- Chairman in a single-member LLC owned by an individual; or
- Chairman or Chairman of the Members' Council in a single-member LLC owned by an organization. In particular:
 - (a) *For Chairman and Director (General Director) model:* a single individual represents the owner's capital and execute its rights; or
 - (b) *For Members' Council and Director (General Director) model:* 3-7 authorized representatives form a Members' Council headed by its Chairman and jointly execute the owner's rights

Model (a) offers a simpler governance structure, while model (b) allows broader oversight through collective decision-making.

**Note that an LLC in Vietnam does not issue shares as part of its capital structure, and therefore does not technically have shareholders. The reference to shareholders is for comparative purposes only)*

Company Roles & Appointments

Legal Representative - A company must appoint at least one Legal Representative, and at least one of the Legal Representatives appointed must reside in Vietnam. There are no specific nationality requirements in addition to residency. Multiple Legal Representatives are permitted, provided at least one meets the residency requirements at all times.

The Legal Representative gives the company "capacity", as unlike other jurisdictions, a Vietnamese company does not have individual legal capacity in its own right, with legal conduct of the company undertaken through responsibility of the Legal Representative(s).

Legal Representatives must also have a specific role in the organisation, for example the Chairman of the Members Council or the General Director.

General Director / Director - Each company is required to appoint a General Director (or often just referred to as a Director). This is the highest operating position of the company, and is appointed to lead the company. The specific roles and responsibilities of the General Director are generally detailed in the formal appointment minutes or similar for the role.

Deputy General Director / Deputy Director - these are roles reporting to, and sitting under, the General Director, and will have specific duties/responsibilities delegated to them. Unlike the General Director / Director, these are not legislated roles but are commonly accepted.

Chief Accountant - All companies must appoint a Chief Accountant, and the appointed individual must hold a Vietnamese Chief Accountant Certificate (or CPA certificate). During the first 12 months, or longer if the company is a "micro" entity, the requirement for a Chief Accountant Certificate is waived, however the appointed individual must still have requisite experience and qualifications per the law.

Company Establishment / Incorporation for Foreign Investors

Key Corporate Structural Documents and Registration Processes in Vietnam

Establishing a foreign-invested company in Vietnam involves several steps, each governed by specific laws and regulations. As with most administrative tasks in Vietnam, the requirements follow a very process-oriented structure that must be followed, including required documents that must be submitted with applications.

Enterprise Registration Certificate

An Enterprise Registration Certificate (ERC) is an official document issued by the Vietnamese authorities that certifies the legal existence of a business entity in Vietnam. It provides key information about the enterprise, such as its name, business structure, registered office, and legal representatives.

Requirements to obtain an ERC

In order to apply for an ERC, the following documents are required to be prepared and submitted as part of the application:

- *List of foreign shareholders (if any)*: Details of all foreign shareholders.
- *Application Form*: A standard form for enterprise registration.
- *Charter of the Company*: Company's charter with details of the business structure and other specifically required information.
- *List of Members/Shareholders*: Details of all members or shareholders.
- *Legal documents*: Legalised identification documents of the member(s)/shareholder(s) and legal representative(s); and the individual representatives of the member(s)/shareholders (if applicable).
- *Other documents*: Letter of appointment of the authorized representative, etc.
- *List of Beneficial Owners*: A declaration specifying the individuals who ultimately own or exercise control over the company, including through direct or indirect ownership or other forms of control, as required by law.

Processing Time

An ERC will generally be processed within 3-6 working days after submission at the relevant Business Registration Office of Department of Finance in the province that the company is being registered, provided all required documents are available and submitted alongside the application.

Investment Registration Certificate

An Investment Registration Certificate (IRC) is a statutory certificate recording a foreign investor's registered investment project information in Vietnam. The IRC application is akin to an investment proposal and serves as the basis for the competent authority to assess and approve the project's scope.

Under the Law on Investment 2025 (effective 1 March 2026), foreign investors may establish an economic organization prior to completing the IRC procedures. It should be noted, however, that the implementation of this new procedure still leaves several issues open and subject to further clarification under the forthcoming Decree guiding the Law on Investment, which is expected to be issued in the near future. As at the release of this publication, we are still awaiting this guidance.

Requirements to obtain an IRC

Under the current regulations, the following documents are required to be prepared and submitted as part of the application:

- *Request for Investment Project Implementation*: Information on the investor and the proposed project, including its objectives, location, total investment capital, implementation schedule, and the investor's commitments.
- *Investment Proposal*: Description of the project, objectives, scale, and implementation timeline.
- *Financial Capacity Evidence*: Bank documentary evidence, or latest audited financial statements in certain scenarios, of the foreign investor(s), confirming financial capacity to meet the obligations under the IRC.
- *Legal Documents*: Legalised identification documents for the investor and individual representatives of the investor (e.g., passport, business registration certificates).
- *Lease Agreement in Vietnam*: Proof of the right to use the business location at the intended registered address in Vietnam.

Please note that the above may be subject to change following the issuance of the forthcoming Decree.

Processing Time

An IRC will generally be processed within 10 working days after submission at the relevant Department of Finance or the Management Board of industrial parks, export-processing zones, hi-tech parks, or economic zones in the province where the investor implements its investment project.

Note: This provision is compiled based on the draft guiding Decree and may be subject to change upon the issuance of the official regulation.

Special Investment Projects

In addition to the standard procedures, Vietnamese law provides a special investment mechanism under which eligible projects are exempt from investment policy approval and several regulatory approvals (including technology, environment, construction, and fire safety). Instead, investors must submit a written commitment confirming compliance with the relevant regulatory requirements and disclose anticipated environmental impacts, mitigation measures, and any restricted technologies. This mechanism applies to projects located in designated zones such as industrial parks, high-tech parks, free trade zones, and functional areas of economic zones, except for projects that subject to investment policy approval.

GUIDE TO ESTABLISHING A FOREIGN OWNED COMPANY IN VIETNAM

(Updated March 2026)



Preparation and Documentation

Most sectors in Vietnam are open for foreign investors, however certain sectors have specific requirements and limitations. Determination of relevant laws and business lines will dictate documents required for initial setup.

- > Required documents identifying foreign equity holders (investors) and addressing applicable market access conditions, together with a Vietnam registered address, an eligible resident legal representative, and access to initial capital should be in place at the outset of the application process.



Registration and Approval

(*) Foreign investors typically need to obtain these two core registrations. Under the Law on Investment 2025 (effective 1 March 2026) and its draft implementing decree, foreign investors may establish an economic organisation prior to completing the IRC procedures, subject to applicable market access conditions and relevant upcoming guiding decrees and circulars by the authority.

1 - 2 Weeks*

ERC Application / Lodgement

The Enterprise Registration Certificate ("ERC") is evidence of the formal establishment of an entity in Vietnam, and details essential information on the company. The document forms a similar purpose to a certificate of incorporation in other jurisdictions. Once this has been approved and received, the company is established.

- > Authority: Business Registration Division under the Provincial Department of Finance.

3 Weeks*

IRC Application / Lodgement

After the ERC is issued, foreign investors are required to complete the procedure for obtaining the Investment Registration Certificate ("IRC") within a specified period (expected to be 12 months under the latest draft regulations). IRC is a statutory certificate recording a foreign investor's registered investment project information in Vietnam. The IRC application is akin to an investment proposal and serves as the basis for the competent authority to assess and approve the project's scope.

Note: This provision is compiled based on the draft guiding Decree and may be subject to change upon the issuance of the official regulation.

- > Authority: Department of Finance or the Management Board of industrial parks, export-processing zones, hi-tech parks, or economic zones in the province where the investor implements its investment project.



1 - 2 Weeks*

Post Establishment Obligations

Obligations following ERC issuance include:

- > Opening a bank account (Including Direct Investment Capital Account - "DICA") (Charter capital must be deposited into the DICA within 90 days from the ERC date)
- > Tax Registration, VAT registration, Chief Accountant appointment
- > Appointment of General Director
- > Engraving of Company Stamp, Registration with Statistics Office



Sub-License Application(s)

Certain sectors or activities will require sub-license or similar post-establishment applications. These vary, and can include actions such as retail location registration, professional registrations with ministries/departments, and health and safety requirements for food & beverage outlets.

(*) Indicative timeframe for carrying out the procedures, subject to the review and approval of the competent authorities.

This guide is general in nature and should not be treated as specific advice. Depending on your investment plan, the key regulatory workstreams may be carried out in different sequences. Parties should seek their own professional advice on how to proceed in their particular circumstances.

Further Structural Considerations & Restrictions When Establishing Foreign Invested Companies

Concept of Business Lines

All companies in Vietnam are subject to the concept and restrictions of Business Lines. Companies are only permitted to undertake activities and earn revenue in relation to business lines for which they are registered. This contrasts with many common law regimes, where companies are permitted to undertake any activity, unless otherwise restricted or regulated.

Not all business lines are permitted for foreign investors, and many have other conditions that may be difficult, costly or time consuming to meet. Initial business lines need to be included and indicated on the IRC application, and further business lines can be added to the company registration at later stages, provided the requirements or restrictions for further business lines are met.

Further discussion on business lines and restrictions is contained in on later pages of this publication.

Charter Capital & Investment Capital

The understanding of Charter Capital and Investment Capital is critical regarding the financial commitments that investors have in respect to establishing and operating a company in Vietnam.

When preparing the initial application for the IRC, investors are required to make a commitment in respect to the funds they will bring into Vietnam. These are:

Charter Capital

Charter Capital is akin to share capital, essentially it is the paid-up capital that investors contribute into the company. In the IRC and ERC, this will be noted as the minimum funds that an investor has committed to bring into and invest in Vietnam.

For most companies/business lines, there is no legislated or prescribed minimum capital, however the authorities have expectations and common practice for their required minimum capital contributions which can vary considerably depending on business lines. In practice, the required minimum capital is usually based upon funding or supporting a significant portion of the likely operating costs of the enterprise.

Investment Capital

The Investment Capital is the theoretical maximum investment funds that investors can inject into the company and does not necessarily have to be equal to the Charter Capital. This is a combination of both loan capital and contributed capital, although only the contributed capital is compulsory to be injected - loan capital provide a relatively flexible funding option.

When applying for IRC, an investor must show evidence of their ability to fund the total Investment Capital (although they may not intend to immediately inject the Loan portion).

Post Establishment Obligations for Foreign Investment Companies

There are a significant range of obligations arising from the moment the ERC is issued and the company is established.

The checklist on the following page summarises a large number of the post-establishment obligations that need to be actioned. Comments on a significant item, bank accounts, follows:

Bank Accounts

Opening bank accounts in Vietnam is not inherently difficult for a company, and usually only takes a matter of days (depending on the specific bank).

Companies are required to open (and register) their current / operating bank account. Foreign invested companies also required to open a Direct Investment Capital Account (DICA). Companies can have numerous current / operating accounts, but can only have one DICA.

Capital Injection

After ERC is issued, the investor must complete the contribution of the charter capital within 90 days. When applying for IRC, the timeline for contributing the Investment Capital shall follow the schedule committed by the investor in the project dossier as indicated on the IRC.

For foreign investors, the capital injection must follow the following process:

- Foreign investor sends the committed capital into the DICA
- The funds must come from a foreign bank account held in the name of the foreign investor
- The value of funds injected from abroad for the capital cannot exceed the registered capital in the ERC/IRC, otherwise the deposit will be rejected by the receiving Vietnamese bank as being in excess of approved amounts.

The DICA

The DICA is a bank account that is most commonly used as a flow through account, so that when eligible funds are received from abroad into the DICA, the funds are promptly sent straight to the operating accounts for treasury/operational needs. There is no requirement to maintain any balance in the DICA.

More importantly, the DICA serves as the vehicle for investors to bring funds in and out of the country. More specifically:

- Dividends/profits declared for foreign investors are transferred to the DICA before being repatriated to the foreign investors bank account held abroad (noting that the foreign bank account must be held in the name of the investor)
- Foreign loans come into the country via the DICA, and are repaid and sent back abroad through the DICA.
- As with capital contributions being injected into the DICA, any disposal or reduction in capital of the business are paid out through the DICA.

It should be noted that:

- a) There is another bank account type, an Overseas Loan Account (OLA), which is also permitted to receive and repatriate foreign loans, should investors prefer
- b) If a company is minority foreign owned, it will generally not be eligible to open a DICA, however each foreign investor will be permitted to open an Indirect Investment Capital Account (IICA), which works the same as a DICA, just in the name of the investor and not the company.

Note: Matters relating to the method of capital contribution, the type of account used, and the practical recording and handling of such contributions remain subject to the guidance of the State Bank of Vietnam.

COMPANY INCORPORATION IN VIETNAM

POST ESTABLISHMENT OBLIGATIONS

Once a new company is established/incorporated in Vietnam, and the Enterprise Registration Certificate ("ERC") is issued, a significant number of post-establishment obligations arise. Below are the key post-establishment items that need to be attended to promptly and often within relatively short prescribed time limits.

Initial Items

- Making of Company Seal:** A physical seal (stamp) is to be arranged for the company through a commercial provider. Laws do permit digital seals, however a physical seal is required in practice.
- Appointment of General Director:** Formal minutes of appointment of the General Director, including detailing powers and authorities.
- Appointment of Chief Accountant:** Each company must appoint a Chief Accountant. For micro companies and companies within their first 12 months of establishment, there is no requirement to appoint a Chief Accountant; instead, an Accounting Supervisor may be appointed.

Tax Registrations

- Initial Tax Registration:** Registration within 10 working days from ERC date with the local tax authority, depending on registration specifics.
- Purchase of Digital Tax Token:** Also known as a Digital or Electronic Signature, this is purchased through a commercial provider registered as an agent for the E-Tax system.
- Registration of E-Tax Account:** Enabling payments and lodgements through the E-Tax portal, and completed after the purchase of the Digital Tax Token
- E-Invoice Registration:** Registration for E-Invoice issuance through a registered provider, including customisation of E-Invoice template. In practice, the tax authority may undertake further steps (ie, site visit or meeting with Director) prior to approving E-Invoice registration.

Other Obligations

- Registration for FDI Reporting:** E-account to be created with the provincial Department of Finance for quarterly foreign invested enterprise reporting.
- Appointment of Auditor:** Foreign invested enterprises are required to submit an annual statutory audit report within 3 months of year end.

Bank Accounts

- Opening initial Bank Accounts:** A operating bank account, along with a Direct Investment Capital Account (DICA) for foreign invested companies, to be opened with a commercial bank in Vietnam as soon as practical.
- Charter Capital Contribution:** Within 90 days from the date of the ERC, the Charter Capital is to be contributed in full into the DICA (foreign investor) or operating bank account (local investor), unless the investor is contributing assets in-kind.
- Certificate of Charter Capital Contribution:** Company is to prepare and issue confirmation of contribution of Charter Capital, with cash and in-kind contributions detailed for each investor.

Accounting & HR Related

- Accounting System:**
 - Adoption of compliant Chart of Accounts to be documented.
 - Selection of VAS compliant accounting software system.
 - Compliant Finance and Accounting policies to be documented and implemented, for preparing compliant accounting records in accordance with Vietnamese regulations.
- Human Resources**
 - Document Human Resource policies, compliant with Vietnamese Law (recruitment, onboarding, salary bands, performance management, disciplinary and termination)
 - Establish compliant Employee Records Management System
 - Payroll system/software selection and implementation
 - Registration for electronic PIT withholding and reporting for employees
 - Registration of Social Insurance Code with the Social Insurance Authority
 - Registration and payment with local Trade Union Authority
 - Establishment of internal Trade Union (where 10 staff or more are employed)
 - Preparation of Internal Labour Regulations, and submission with Labour Authority, where the employer has 10 staff or greater.
 - Hire employees and commence Work Permit application process for any foreign employees (foreign individuals require a Work Permit, or exemption, prior to employment).

This publication is intended to provide a general overview only and does not aim to be comprehensive or constitute professional advice. While every effort has been made to ensure the accuracy of the information provided, Alitium disclaims all responsibility for any reliance placed on the contents by any party.

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Corporate Structures & Strategic Planning

Plan for the future when first entering Vietnam

The correct corporate structure for Vietnam is often dependent on the future, which is inherently difficult to predict. However, being prepared for future options provides the most flexibility and can reduce potential risks and losses in the future.

Flexibility and Corporate Secretarial Simplification

Vietnamese corporate laws require that any changes to investors, officers, addresses or capital require application and approvals from the authorities before they can take effect. Often this requires foreign documents that have been legalised abroad, and amendments can be expensive, cumbersome and unpredictable. In the worst case, changes cannot be completed due to modified laws or regulations.

Further, capital structures in Vietnam are more restrictive when compared to other foreign jurisdictions. As ownership at the Vietnamese level of a LLC is solely based upon the percentage of capital contributed, it becomes much more complicated to adjust ownership entitlements or dividend flows to match expectations.

It is therefore often preferred to insert an offshore Holding Company (HoldCo) as the parent entity of a foreign owned Vietnamese company, with the HoldCo owning 100% of the capital of the Vietnamese entity. The foreign investors own HoldCo in the proportion desired and would have the option to manage its share registry, including rights and obligations of shareholders (including dividend streaming, issuing additional shares, etc) without seeking approval from Vietnamese authorities.

The further benefit is that more comprehensive shareholder agreements can be entered into in offshore jurisdictions (ie, a common law jurisdiction) which can provide an efficient structuring, more so than could be achieved

in Vietnam, with access to a preferable legal/dispute system. For many, this is simply not necessary, but for others it can add considerable value.

Treaty / Jurisdiction Benefits?

Using a HoldCo from selected countries may provide benefits that a direct investment may not provide. These can include access to Double Tax Agreement relief, access to certain business lines (ie, only investors from WTO member countries can invest in certain retail activities), and potential benefits contained in bi-lateral and multi-lateral agreements (for example, Free Trade Agreements).

There is also the ability to implement investor related actions, such as ownership creep/adjustments, dividend streaming, and injunctions/enforcement in a more practical and straight forward sense.

However, investors should be aware of potential Vietnamese capital gains that may arise from offshore restructuring in certain circumstances, which is discussed further below.

Risks - Capital Transfer and Jurisdiction Risks and Complexity

Although there are benefits to using a HoldCo for entry, there are risks and issues that should be thought through.

These can include the additional compliance burden of maintaining additional foreign entities, the risk of assets / obligations in a further foreign jurisdiction and potential for legal or statutory changes in that jurisdiction.

Being approved and opening a bank account remains a problem with many jurisdictions, with the historical simplicity of just opening an offshore HoldCo and bank account no longer exists. This needs to be seriously

considered before proceeding with any strategy, and understanding the implications if a bank account cannot be opened.

Although many common jurisdictions for establishing a HoldCo for investing into Vietnam do not have Capital Gains Tax regimes, allowing for simple restructuring and capital management, Vietnam reserves the right in certain circumstances to look through offshore transactions the involve significant underlying Vietnamese assets and deem a Capital Gains Tax event arising in Vietnam. This result is not common, but does arise, and planning to work within DTA rules and not exposing to domestic risks for offshore transactions is important.

Practical Examples of Market Entry Structuring Benefits

Below are two scenarios, as examples, where using a HoldCo structure for market entry is beneficial.

1. Three Party Joint Investment, through Singapore HoldCo

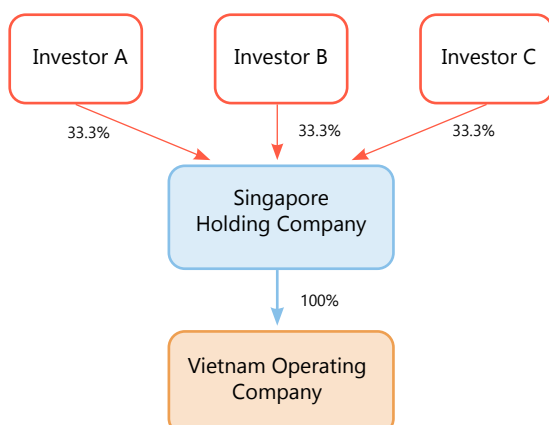
Three investors from different countries enter into a shareholders agreement and form a HoldCo in Singapore. The Singapore entity then invests and establishes a single-member LLC in Vietnam, using the Chairman only model for governance.

Under the shareholders agreement, the three investors have specific obligations and roles for the development and advancement of the company. The agreement contemplates dividend streaming (differing entitlements, based upon the underlying performance of different segments of the Vietnam operations), adjustments to shareholdings (additional shares being issued, based upon certain action/events) and drag along rights should an investor find a buyer for their equity on predefined terms.

Issues for a Vietnam only structure: many of these events would be difficult and time consuming to achieve in Vietnam. Issuing additional shares can be achieved in a JSC (but not in an LLC, without additional capital being contributed), but requires a regulated and time consuming approval process, versus the Singapore process. Dividend streaming may be partially possible for a Vietnam JSC, but is certainly not straight forward, and would not be possible under an LLC structure.

Further, enforcing a drag along between shareholders in Vietnam can also be difficult if all parties are not in agreement, more so than say Singapore, where speed and transparency from a dispute/enforcement process would be beneficial.

The preferred structure in the example:



2. Staged Exit, Based Upon Performance

A foreign owned LLC in Vietnam is to be sold to another foreign investor. However, the payment for the equity in the Vietnam structure is based upon performance hurdles and paid over a period of time. Notwithstanding, the buyer wishes to take 100% of the capital in the company on day 1.

The issues arising here include:

- Security and enforcement over future payments once capital (ownership) is transferred
- Ability to repatriate (or even receive) further hurdle payments, once the initial transfer has been approved and funds exited through the DICA.
- Requirement to declare and pay tax on full value of transaction when arising, when full value is not known, and additional taxes arising (and potential penalties) for the future payments.

All of these can be dealt with in the Vietnamese context (not necessarily simple solutions, though), however if the structure was via an offshore entity/jurisdiction, which in turn owned 100% of the Vietnamese entity, then there are often more preferred solutions that don't have the same complications for cash transfer, tax and enforcement/protection issues.

Summary

The structuring of an investment into Vietnam needs to be considered, based upon what an investor intends to do today, and what might arise in the future. Structures can be modified in the future, so a decision now is not necessarily an impediment to decisions in the future, but consideration should be made to ensure maximum entry and exit benefits/ flexibility.



Business Lines & Foreign Investment Restrictions

Understanding committed, uncommitted, restricted and prohibited activities.

Market access conditions for foreign investors in Vietnam is based around a combination of domestic laws, WTO commitments and multilateral commitments. These can be complicated in detail, and the specifics for each sector can vary dramatically.

Business Lines

As a starting point, the concept of Business Lines is the foundation. All companies in Vietnam (whether foreign or domestically owned) are subject to the concept of Business Lines. This concept simply states that companies can only undertake activities and derive revenue from activities which fall within those specifically permitted in the business lines registered to their company.

Companies can have multiple business lines registered, and therefore provide a broad range of activities, provided that the requirements for each business line is met.

Permitted Lines for Foreign Investors

Market access conditions for foreign investors into Vietnam are built around a number of core concepts. These can be broken down into two categories:

1. Where Vietnam has not specifically committed a specific business sector to foreign investment, but the sector is otherwise permitted by Vietnamese laws, then foreign investors are permitted to invest, subject to:

- The activity not being within the list of **Prohibited Business Lines** for foreign market access (ie, on the list of Prohibited business lines - of which there are 20+ lines), and
- Does not fall within the **Prohibited Sectors** (of which there are 11 and which apply to Vietnamese and foreign investors)

2. Where Vietnam has specifically committed a business line for foreign investment under a international agreement, provided it is neither on the Prohibited Business Lines or Prohibited Sectors, then foreign investment is permitted.

Restrictions

Notwithstanding the permissions for foreign investors to participate in a sector, restrictions may exist on certain sectors for a variety of reasons. These can include maximum foreign ownership restrictions, requirements for joint ventures, etc.

Business sectors which are subject to international commitments for 100% foreign ownership (referred to as **Committed Sectors**) do not have restrictions.

Some sectors are specifically restricted (**Restricted Sectors**), and the specific restrictions dictate the involvement that foreign investors may have.

The balance of sectors are either **Uncommitted** (ie, specifically referred to in international agreements as uncommitted) or **Unspecified** (not on any other list), and investment in these sectors require additional guidance and instructions from ministerial level.

However, just because a sector/line is uncommitted or unspecified, investment may not be necessarily impeded. Manufacturing, for example, is a the key driver of Vietnam's growth and has been a favourite for foreign investment, yet this sector falls into the Unspecified category.

Additional License Requirements

In addition to the investment permissions or restrictions referred to above, certain business lines/activities may have additional license requirements imposed on them.

The requirements can vary dramatically, depending on the activities and the authorities involved in oversight of the sector/activities. These can involve (as examples) requirements for:

- employment of staff who hold certain specified certification,
- satisfactory approval of business capabilities,
- meeting location/facility requirements, or
- financial capacity

Ultimately, it is imperative that any business lines restrictions and obligations are thoroughly explored before commencement.

List of Prohibited Sectors

(ie, prohibited exist for all investors)

- Trading narcotics
- Trading hazardous chemicals and minerals
- Trading in wild flora and fauna
- Prostitution
- Human trafficking including human body parts
- Human cloning
- Trading of firecrackers
- Provision of debt collection services
- Trading in national treasures
- Trading in the export of relics and antiques
- Trading in electronic cigarettes and heated tobacco products

List of Prohibited Business Lines

(for Foreign Market Access)

- Trade in goods and services in which the list of goods and services is specifically controlled by the State monopolies
- Press activities
- Fishing
- Security services
- Judicial administration services
- Overseas employment agent services
- Investment in cemetery construction
- Refuse collection services
- Opinion poll services
- Blasting services
- Importing and dismantling used ships
- Public postal services
- Goods transshipment business
- Temporary import for re-export businesses
- Export, import, and distribution of goods on the list of goods that foreign investors are not permitted to export, import or distribute.
- Collection, purchase and handling of public property of the armed forces
- Intellectual and industrial property representation services
- Services of the establishment, operation and maintenance of aids to navigation, water zones, water areas, public marine fairway and maritime routes
- Regulatory services to ensure maritime safety in water zones
- Testing services (inspection and experiment) and issuance of certification for means of transport
- Services of investigation, assessment and exploitation of natural forests
- Researching or utilizing genetic resources of new livestock breeds before being appraised by the Ministry of Agriculture and Environment
- Tourism services, except international tourism services for international tourists to Vietnam

Note: The above list is compiled based on the most recent draft guiding Decree and may be subject to change upon the issuance of official regulations.



“Vietnamese taxation compliance represents one of the largest controllable risks for foreign investors”



2. Taxation

Taxation Overview

Application of Vietnam's taxation regime applies to foreign-invested enterprises in Vietnam

Vietnam's tax system for corporate entities is a critical area for foreign investors to understand when entering the Vietnamese market. This system comprises various taxes, including Corporate Income Tax (CIT), Value Added Tax (VAT), Special Sales Tax (SST), Foreign Contractor Tax (FCT), and other specific taxes and fees. This comprehensive guide aims to provide foreign investors with an in-depth understanding of the Vietnamese tax landscape, emphasizing its structure, rates, compliance requirements, and nuances.

Corporate Income Tax (CIT)

Corporate Income Tax (CIT) is levied on the taxable income of entities conducting business activities in Vietnam. This tax is a significant revenue source for the Vietnamese government and a crucial consideration for corporate entities operating within the country.

Tax Rates

Vietnam's Corporate Income Tax (CIT) rates have transitioned to a flexible model based on revenue scale:

- 15%:** Applies to micro-enterprises with total revenue in the preceding year not exceeding 3 billion VND.
- 17%:** Applies to small and medium-sized enterprises (SMEs) with revenue in the preceding year ranging from over 3 billion to 50 billion VND.
- 20%:** Applies to enterprises with revenue exceeding 50 billion VND (the standard rate).

Special Incentives: Additionally, newly established SMEs may be eligible for a CIT exemption for their first 3 years of operation.

Taxable Income

Taxable income is calculated as the difference between total revenue and deductible expenses, plus other assessable incomes. Revenue includes all income from business operations, while deductible expenses are those directly related to generating taxable income, provided they meet certain conditions, such as being supported by proper invoices and documents.

Tax Incentives

Vietnam offers various tax incentives to attract foreign investment. These incentives include tax holidays, reduced tax rates, and exemptions for certain sectors or regions. For instance, businesses involved in education, healthcare, or renewable energy projects may be eligible for tax incentives. However, preferential rates may apply to businesses in certain industries or regions, or those meeting specific criteria set by the government. For example, high-tech enterprises, certain agricultural projects, and businesses located in economically disadvantaged areas may benefit from reduced CIT rates of 10% or even lower.

Value Added Tax (VAT)

Value Added Tax (VAT) is an indirect tax imposed on the value added to goods and services at each stage of production and distribution. It is a critical component of Vietnam's tax system, ensuring that tax is collected incrementally as goods and services progress through the supply chain.

Tax Rates

VAT in Vietnam is levied at three rates: 0%, 5%, and 10%. The standard rate is 10%, applicable to most goods and services. A reduced rate of 5% applies to essential goods and services, such as medical equipment and education. The 0% rate is typically for exported goods and services, international transportation, and certain services rendered to export processing enterprises.

Note that from 2022 and extended until 31 December 2026 (as at the time of publication), the Vietnamese government has reduced VAT from 10% to 8% on most products and services (but not all), resulting in a temporary additional VAT rate of 8%.

VAT Calculation and Payment

VAT to be remitted is calculated as the difference between the output VAT

(collected from sales) and input VAT (paid on purchases). Businesses must file monthly or quarterly VAT returns, depending on their revenue, and remit the net VAT payable to the tax authorities. Enterprises with revenue exceeding VND 50 billion in the previous fiscal year will be treated as a monthly remitter for VAT.

Special Sales Tax (SST)

Special Sales Tax (SST) is an excise tax levied on certain goods and services deemed non-essential or luxurious. This tax aims to regulate consumption and generate additional revenue from high-demand items.

Tax Rates

SST rates vary depending on the type of goods and services. For example, luxury cars, high-end cosmetics, and alcohol may attract SST rates ranging from 10% to 70%. The specific rate is determined based on the nature and value of the product or service. Specific rates are shown later in this publication.

Foreign Contractor Withholding Tax (FCWT)

Foreign Contractor Withholding Tax (FCWT) applies to foreign entities and individuals providing goods or services to Vietnamese businesses without a permanent establishment in Vietnam. FCT is a composite tax consisting of CIT and VAT components. The paying (domestic) party has the responsibility to withhold and remit FCWT arising on foreign payments.

Tax Rates

FCT rates vary based on the type of contract and the nature of the goods or services provided. The CIT component typically ranges from 0.1% to 10%, while the VAT component ranges from 2% to 5%. Specific rates are shown later in this publication.

Capital Gains Tax

In Vietnam, capital gains tax for corporate taxpayers is integrated into the corporate income tax (CIT) framework, and is not a separate tax. Corporations are subject to tax on their worldwide income, including capital gains realized from the sale of assets, such as property, shares, and investments. The taxation of capital gains follows the general principles of CIT, where the gains are considered part of the taxable income and subject to the same reporting and compliance requirements as other forms of corporate income.

Tax Rates

For capital transfers, under 2025 Vietnam's Corporate Income Tax, tax is levied at a 2% rate on the transfer price (gross proceeds) rather than on net gains. Accordingly, enterprises are required to pay tax equal to 2% of the transfer value, regardless of whether the transaction results in a gain or a loss. This approach is intended to simplify tax administration and generally applies to most capital transfer transactions, unless otherwise prescribed by law.

Transfer Pricing (TP)

Transfer Pricing, or the rules and methods for pricing transactions between enterprises under common ownership or control, is enforced in Vietnam to ensure that transactions are conducted at arm's length to prevent tax evasion. Essentially based upon OECD standards, in Vietnam the transfer pricing regulations require that related party transactions are consistent with market prices to avoid base erosion and profit shifting.

Record Keeping

Specific detailed documentation is required to be maintained to ensure compliance with transfer pricing regulations. These include the annual declaration of related parties in Form 01, which is submitted with the annual CIT filings, along with standard international TP reports including Country by Country (CbC) reports. Further discussion on requirements are detailed later in this publication. Failure to adhere to these regulations can result in adjustments, penalties, and increased scrutiny from tax authorities.

Personal Income Tax (PIT)

While Personal Income Tax (PIT) primarily affects individuals, corporate entities must understand their obligations as employers. Companies are responsible for withholding and remitting PIT on behalf of their employees.

Tax Rates

PIT rates in Vietnam are progressive, ranging from 5% to 35% based on the individual's income level. Employers must withhold PIT from employee salaries and remit it to the tax authorities monthly or quarterly. Specific rates are shown later in the Taxation and Human Resources sections of this publication.

Other Taxes and Fees

Import and Export Duties

Vietnam imposes import and export duties on goods entering or leaving the country. Import duties vary depending on the type of goods and their origin, with preferential rates for goods from countries with which Vietnam has free trade agreements.

Environmental Protection Tax

This tax applies to goods that have a negative impact on the environment, such as petroleum products, coal, and certain chemicals. The rates vary depending on the type and quantity of the goods.

Dividends

Dividends can be paid to foreign shareholders once per year, and are not subject to withholding tax where paid to a corporate shareholder/member (foreign or domestic). Dividends paid to an individual shareholder/member is subject to 5% withholding tax.

Dividends can only be declared and paid after all tax obligations are completed for a year, provided the most recent year was a profit, and can only be paid out of positive retained earnings.

Compliance and Reporting Requirements

Tax Registration

All businesses must register with the tax authorities upon incorporation. This registration includes obtaining a tax code, which is necessary for all tax filings and payments.

CORPORATE TAXATION IN VIETNAM

2026 VIETNAM TAX COMPANION

Vietnam's taxation system can be complex and has many unique elements. This publication provides a high-level overview of significant taxes that investors should be aware of. This publication is by no means comprehensive, but provides an overview to assist foreign investors to better understand Vietnamese taxation.

Corporate Income Tax (CIT)

Rate: The standard CIT rate in Vietnam are 15%, 17%, 20% depending on annual revenue and 17% can apply to certain sectors and regions, with the rate depending on the type of project and location

Calculation: CIT is imposed on the net income of enterprises, which is determined as total revenue minus deductible expenses and other adjustments.

Incentives: Tax incentives are available for encouraged sectors, such as high-tech, agriculture, education, and healthcare. These incentives include tax holidays, reduced tax rates, and tax exemptions.

Foreign Contractor Tax (FCT)

Rate: FCT on payments to corporate entities comprises CIT and VAT components. CIT rates range from 0.1% to 10% depending on the nature of the payment. VAT rates can be up to 10%. Payments to individual non-resident contractors are subject to 20% PIT withholding.

Scope: FCT applies to foreign entities/parties earning income from providing services or supplying goods with associated services to parties in Vietnam. The tax is typically withheld by the Vietnamese contracting party. Some contracts may be exempt from FCT under Double Taxation Agreements.

Capital Gains Tax

In Vietnam, capital gains arising from capital transfer transactions are taxed under the corporate income tax (CIT) framework and are not treated as a separate tax. Instead of being taxed on net gains, capital transfers are subject to tax at a deemed rate of 2% on the transfer price (gross proceeds).

Capital gains are calculated as the difference between the selling price and the acquisition cost of the asset, adjusted for any transaction costs and improvements made to the asset. For shares, the acquisition cost includes the purchase price and any associated costs, while for real estate, it includes the purchase price, construction costs, and any related expenses.

Double Tax Agreements (DTA)

Vietnam has signed Double Tax Agreements with over 80 countries, including major trading partners such as Japan, Korea, China and Singapore.

Each DTA is unique, and the detailed provisions can vary between DTAs.

Value Added Tax (VAT)

Rate: The standard VAT rate is 10% (although a temporary reduction to 8% remains in place for most sectors at the time of release of this publication). Reduced rates of 5% apply to essential goods and services, such as clean water, medicine, and education services.

Scope: VAT is levied on the sale of goods and services. All enterprises undertaking production, trading and services in Vietnam are subject to VAT on inputs and outputs.

Refunds: VAT refunds are available for exporters, new projects in certain investment fields, and foreign contractors under specific conditions.

Special Sales Tax (SST)

Rate: SST rates vary depending on the type of goods and services, ranging from 10% to 70%. Specifically taxed items include cigarettes, alcohol, beer, vehicles and air conditioners.

Scope: SST is levied on the production or import of certain "luxury" goods and services. Both domestic production and imports are subject to this tax.

Import & Export Duties

Import and export duties are levied on goods imported into or exported from Vietnam.

Import duties vary depending on the type of goods and their origin, with preferential rates available for goods originating from countries with trade agreements with Vietnam. Export duties are generally imposed on a limited range of goods, primarily natural resources and minerals, with rates ranging from 0% to 40%.

Personal Income Tax (PIT)

Personal Income Tax is relevant for corporations primarily as it relates to the withholding of tax on salaries and wages paid to employees. PIT rates in Vietnam are progressive, ranging from 5% to 35% based on monthly taxable income brackets (and subject to a initial personal deduction, or tax free portion). Non-tax resident individuals will be subject to a PIT rate of 20%

Employers are responsible for withholding and remitting PIT on behalf of their employees, along with certain compulsory insurances.

Tax Filing and Payment

Corporate entities must comply with various tax filing and payment deadlines throughout the year. CIT returns are filed annually, while VAT, PIT, and other taxes may require monthly or quarterly filings. Late filing or payment can result in penalties and interest charges.

Record Keeping

Companies are required to maintain comprehensive records of all transactions, invoices, and supporting documents. These records must generally be kept for at least ten years and be available for inspection by the tax authorities.

Tax Audits and Dispute Resolution**Tax Audits**

The Vietnamese tax authorities conduct regular audits to ensure compliance. These audits may be scheduled or unscheduled and can cover all aspects of a company's tax affairs. Companies should be prepared for audits by maintaining accurate records and cooperating fully with auditors.

Dispute Resolution

If a tax dispute arises, companies can engage in several resolution mechanisms, including administrative appeals, mediation, and litigation. It is advisable to seek professional legal and tax advice to navigate these processes effectively.

Recent Developments and Future Trends**Digital Transformation**

Vietnam is increasingly adopting digital solutions to streamline tax administration and compliance. Electronic invoicing, online tax filing, and digital payment systems have become prevalent, enhancing efficiency and transparency.

International Tax Cooperation

Vietnam is actively participating in international tax cooperation initiatives, including the implementation of the OECD's Base Erosion and Profit Shifting (BEPS) Action Plan. This involvement aims to align Vietnam's tax practices with global standards and combat tax avoidance.

Environmental and Social Policies

The Vietnamese government is placing greater emphasis on environmental and social policies, which is moving towards tax incentives or obligations for businesses regarding these. Companies should stay alert for any developments to leverage opportunities and ensure compliance.

Global Minimum Tax

Vietnam has aligned its regulatory framework to comply with its international commitments towards global tax standards, including the implementation of a minimum global tax, to ensure compliance with international tax fairness and curb profit shifting practices by multinational corporations.

Double Tax Agreements in the Vietnamese Context

Double Tax Agreements (DTAs) play a crucial role in the international tax landscape, designed to prevent the same income from being taxed in two different jurisdictions. For Vietnam, DTAs are instrumental in fostering foreign investment, enhancing economic cooperation, and ensuring fair tax practices.

Overview

Vietnam has signed over 81 DTAs with various countries, including major trading partners such as Japan, South Korea, Singapore, China, and the European Union. These agreements are based on the OECD Model Tax Convention, the UN Model Double Taxation Convention, or a combination of both, tailored to Vietnam's specific needs. It should be noted that a number of the signed DTAs have not been fully enacted and are awaiting implementation from the other country before they become effective.

Vietnamese DTAs in Practice

DTAs work by allocating taxing rights between Vietnam and the treaty partner countries, thereby preventing double taxation and reducing tax evasion. They cover various types of income, including business profits, dividends, interest, royalties, and capital gains. Key features of DTAs include:

Elimination of Double Taxation

DTAs eliminate double taxation by providing relief mechanisms, primarily:

Exemption Method: Income taxed in the source country is exempted from tax in the resident country.

Credit Method: Tax paid in the source country is credited against the tax payable in the resident country.

Permanent Establishment (PE) Rules

DTAs define the concept of Permanent Establishment (PE), determining when a foreign enterprise has sufficient presence in Vietnam to be taxed. This includes criteria such as a fixed place of business, construction projects exceeding a specific duration, and the presence of dependent agents.

Reduction of Withholding Tax Rates

DTAs provide for reduced withholding tax rates on cross-border payments such as dividends, interest, and royalties. However, as a general rule the domestic withholding rates are already below most of the reduced rates in the DTAs, rendering these less effective in practice.

Exchange of Information

DTAs facilitate the exchange of tax information between Vietnam and treaty partners, helping to combat tax evasion and ensure transparency.

Dispute Resolution

DTAs include provisions for resolving tax disputes through mutual agreement procedures (MAP), allowing competent authorities of the contracting states to resolve issues and avoid double taxation.

VIETNAM'S DOUBLE TAX AGREEMENTS (2026)

Counterparty/Country	Counterparty/Country	Counterparty/Country
Algeria *	Ireland	Portugal
Australia	Israel	Qatar
Austria	Italy	Romania
Azerbaijan	Japan	Russia
Bangladesh	Kazakhstan	San Marino
Belarus	North Korea	Saudi Arabia
Belgium	South Korea	Serbia
Brunei Darussalam	Kuwait *	Seychelles
Bulgaria	Laos	Singapore
Canada	Luxembourg	Slovakia
China	Macedonia *	Spain
Croatia	Malaysia	Sri Lanka
Cuba	Malta	Sweden
Czech Republic	Mongolia	Switzerland
Denmark	Morocco	Taiwan
Egypt *	Mozambique	Thailand
Estonia	Myanmar	Tunisia
Finland	Netherlands	Turkey
France	New Zealand	Ukraine
Germany	Norway	United Arab Emirates
Hong Kong	Oman	United Kingdom
Hungary	Pakistan	United States *
Iceland	Palestine	Uruguay
India	Panama	Uzbekistan
Indonesia	Philippines	Venezuela
Iran	Poland	

** These agreements are not yet in effect. Generally this means that they have been negotiated and agreed, but not fully implemented from one or both sides, and therefore cannot be relied upon for relief or guidance.*

Utilizing DTA Benefits in Vietnam

To effectively utilize the benefits of DTAs, Vietnamese companies need to understand and comply with various technical aspects. The process to leverage Vietnamese DTAs includes:

Identifying Applicable DTA

The first step is to identify which DTA is applicable to the company's transactions and target country(ies). Vietnamese companies should maintain an updated list of countries with which Vietnam has DTAs and the specific provisions relevant to their operations.

Understanding Treaty Provisions

Each DTA has specific provisions covering different types of income and the applicable tax relief methods. Companies must understand the nuances of these provisions for the tax implications of their cross-border activities to be known. Key provisions to focus on include:

Business Profits: Determining the taxability of profits earned from business activities in the treaty partner country.

Dividends, Interest, and Royalties: Understanding the reduced withholding tax rates and conditions for availing them.

Capital Gains: Analyzing the tax treatment of capital gains arising from the sale of assets in the treaty partner country.

Assessing Permanent Establishment (PE) Status

Vietnamese companies must assess whether their activities in the treaty partner country constitute a PE. This involves analyzing factors such as the duration and nature of business activities, presence of a fixed place of business, and the role of agents. Avoiding inadvertent creation of a PE can prevent unnecessary tax liabilities.

Obtaining Certificates of Residence

To claim benefits under a DTA, Vietnamese companies generally need to obtain a certificate of residence from the tax authorities in Vietnam. This certificate serves as proof of residency and eligibility for treaty benefits. The process involves submitting an application along with supporting documents such as business registration certificates and financial statements.

Applying for Reduced Withholding Tax Rates

For reduced withholding tax rates on dividends, interest, and royalties, Vietnamese companies may need to apply for treaty benefits with the tax authorities of the source country. This typically involves submitting the certificate of residence and completing relevant forms as per the requirements of the source country's tax authorities.

Documenting and Substantiating Transactions

Proper documentation is crucial for substantiating the eligibility for DTA benefits. Vietnamese companies should maintain detailed records of cross-border transactions, including contracts, invoices, payment receipts, and correspondence with tax authorities. This documentation helps in case of audits or disputes.

Navigating Mutual Agreement Procedures (MAP)

For tax disputes or instances of double taxation, companies can utilize the MAP provisions in DTAs. This involves submitting a request to the competent authorities in Vietnam, who will then engage with their counterparts in the treaty partner country to seek to resolve the issue.

Staying Informed and Adapting to Changes

DTAs are subject to periodic reviews and updates. Vietnamese companies must stay informed about any changes in treaty provisions, new DTAs, and amendments. Engaging with tax advisors and participating in industry forums can help in keeping abreast of developments.

Foreign Contractor Withholding Tax (FCWT)

In Vietnam, the Foreign Contractors Withholding Tax (FCWT) is applied to payments made to foreign contractors who do not have a permanent establishment in the country but provide goods or services to Vietnamese entities. There are three different methods for determining and calculating FCWT:

Deduction Method

The deduction method allows foreign contractors to register for Vietnamese Value-Added Tax (VAT) and Corporate Income Tax (CIT) as if they were a local entity.

Direct Method (Withholding Method)

The direct method is the most common and straightforward method, where the Vietnamese party (the payer) withholds FCWT from payments made to the foreign contractor.

The summary tables following are prepared using this Direct Method.

Hybrid Method

The hybrid method is a combination of the deduction method for VAT and the direct method for CIT. The foreign contractor registers for VAT and files VAT returns as per the deduction method, thereby claiming input VAT credits, whilst the CIT is withheld by the paying (Vietnamese) party.

Special Sales Tax (SST)

Special Sales Tax (SST) in Vietnam, also known as excise tax, is applied to the production or importation of certain goods and services that are considered non-essential or luxury items. The current SST rates in Vietnam vary depending on the specific category of goods or services. The tables following show details of the SST rates for various items under Vietnamese taxation laws:

These rates can have significant implications for businesses involved in the production, importation, or sale of these goods and services. For foreign investors and businesses, understanding these rates is crucial for compliance and financial planning. It is advisable to stay updated with any changes in the tax rates or the addition of new items subject to SST, as tax regulations evolve as social expectations evolve.

TAXATION TABLES

FOREIGN CONTRACTOR WITHHOLDING TAX & SPECIAL SALES TAX RATES

Foreign Contractor Withholding Tax (FCWT) Rates - Direct Method

Sector	Deemed VAT Rate	Deemed CIT Rate
Services (General)	5%	5%
Hotel and Restaurant Management	5%	10%
Installation and Construction activities, where materials are supplied	3%	2%
Installation and Construction activities, where materials are not supplied	5%	2%
Supply of goods, materials, equipment and similar provided along with services in Vietnam, including on-the-spot import and export	Exempt	1%
Transportation (domestic)	3%	2%
Transportation (international)	0%	2%
Interest on Loans	Exempt	5%
Royalties for Intellectual Property Rights, Technology Transfer & Software	Exempt	10%
Royalties - Others	5%	10%
Transfer of Securities	Exempt	0.1%
Financial Derivatives	Exempt	2%
Other Activities not included above	2%	2%

Special Sales Tax (SST) Rates

Goods & Services	Tax Rate(s)
Cigar/Cigarettes	75%
Spirits/Wine - with ABV% \geq 20°	65%
- with ABV% < 20°	35%
Beer	65%
Automobiles with less than 24 seats	10 - 150%
Electric Automobiles	1-3%
Motorcycles above 125cm ³ engine capacity	20%
Airplanes & Boats	30%
Petrol	7 - 10%
Air Conditioners less than 90,000 BTU	10%
Playing Cards	40%
Votive Papers	70%
Discos	40%
Massage/Karaoke	30%
Casinos and Gaming	35%
Entertainment involving betting	30%
Golf Clubs including Memberships	20%
Lotteries	15%

Transfer Pricing

Rules and Application of Transfer Pricing in Vietnam

Vietnam's Transfer pricing refers to the pricing of goods, services, and intangibles between related entities within a multinational enterprise (MNE). These transactions must be conducted at arm's length, meaning the prices should be comparable to those charged between independent parties under similar circumstances. Vietnam's Transfer Pricing regulations align with the OECD Transfer Pricing Guidelines and aim to prevent tax base erosion and profit shifting by MNEs.

High Level Principles

Scope and Applicability: Regulations apply to companies involved in related-party transactions, including those with foreign parent companies or subsidiaries.

Documentation Requirements: Enterprises must maintain comprehensive transfer pricing documentation to substantiate the arm's length nature of their transactions. This includes a Local File, Master File, and Country-by-Country Report (CbCR).

Transfer Pricing Methods: The regulations prescribe several methods to determine arm's length prices, including Comparable Uncontrolled Price (CUP), Resale Price Method (RPM), Cost Plus Method (CPM), Transactional Net Margin Method (TNMM), and Profit Split Method (PSM).

Safe Harbor Rules: Certain transactions may qualify for simplified compliance under safe harbor provisions, provided they meet specific criteria related to transaction volume and profitability.

Penalties for Non-Compliance: Failure to comply with transfer pricing regulations can result in significant penalties, including adjustments to taxable income, fines, and interest on underpaid taxes.

Exemptions

Taxpayers are exempt from preparing full transfer pricing documentation if one of the following conditions are met:

1. Has revenue below VND50 billion and the total value of related party transactions is below VND30 billion in a tax year,
2. Completes a Advance pricing Agreement and submits reports annually on compliance with the APA,
3. Has revenue below VND200 billion, and performs simple functions achieving margins for stated activities not less than; distribution (5%), manufacturing (10%) or processing (15%), or
4. The entity has only domestic related party transactions, where the entity and their related parties have the same tax rate and none of the parties enjoy tax incentives.

Annual Disclosure Requirements

Companies must file an annual transfer pricing disclosure form (Form 01) along with their CIT return. This form requires detailed information about the related party transactions, including transaction values and transfer pricing methodologies used.

Although the Three-Tiered Documentation is not required to be submitted until requested, it must be prepared and maintained contemporaneously with the Form 01, otherwise discrepancies will result in further tax compliance issues and likely penalties.

Free Trade Agreements (FTAs)

Understanding Free Trade Agreements in the Vietnamese Context

Free Trade Agreements (FTAs) are pivotal instruments in modern global commerce, aimed at reducing trade barriers between countries and fostering economic cooperation. For Vietnam, a country that has undergone significant economic transformation over the past few decades, FTAs have provided an immense opportunity for growth and development of the country, and also for companies seeking to leverage the benefits of these agreements.

Overview of Key Free Trade Agreements

Vietnam is a signatory to several prominent FTAs, each contributing uniquely to its economic landscape. Recent significant FTAs include:

Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP): This agreement, involving 11 countries, aims to reduce tariffs and foster trade relations among its members. For Vietnam, the CPTPP opens markets in the Asia-Pacific region, including diverse economies such as Canada, Mexico, Australia and Japan.

European Union-Vietnam Free Trade Agreement (EVFTA): Effective since August 2020, the EVFTA eliminates almost all tariffs between Vietnam and the EU over a decade. It provides Vietnam with preferential access to one of the world's largest markets, enhancing its export potential for products like textiles, footwear, and electronics.

Regional Comprehensive Economic Partnership (RCEP): Encompassing 15 Asia-Pacific nations, RCEP is the world's largest FTA, covering about 30%

of global GDP. For Vietnam, RCEP strengthens economic ties with key regional partners like China, Japan, and South Korea.

How FTAs Work in Vietnam

FTAs function by reducing or eliminating tariffs, quotas, and other trade barriers on goods and services traded between member countries. They also set out rules and standards to facilitate trade and investment. For Vietnamese companies, understanding and navigating these agreements is crucial to maximizing their benefits.

Tariff Reductions and Eliminations

One of the most tangible benefits of FTAs is the reduction or elimination of tariffs on exported and imported goods. For instance, under the EVFTA, the EU commits to eliminating tariffs on 99% of Vietnamese exports over ten years. This significantly enhances the competitiveness of Vietnamese products in the European market.

Rules of Origin

Rules of origin are critical in determining whether a product qualifies for preferential treatment under an FTA. These rules ensure that only goods substantially produced or transformed within member countries benefit from tariff concessions. Vietnamese companies must understand and comply with these rules to access FTA benefits. This often involves meticulous documentation and certification processes.

Customs Procedures and Trade Facilitation

FTAs aim to simplify customs procedures and enhance trade facilitation. This includes adopting standardized forms, electronic data interchange systems, and streamlined customs clearance processes. For Vietnamese businesses, this translates to reduced administrative burdens and faster, more predictable cross-border trade.

Non-Tariff Measures (NTMs)

While FTAs focus on tariff reduction, they also address non-tariff measures (NTMs) that can impede trade. These include technical barriers to trade

(TBT), sanitary and phytosanitary (SPS) measures, and other regulatory standards. Understanding and complying with these standards is essential for Vietnamese exporters to gain market access.

Technicalities for Vietnamese Companies Utilizing FTA Benefits

To fully capitalize on the advantages offered by FTAs, Vietnamese companies must navigate several technical aspects. The process for taking advantage and effectively utilizing FTA benefits:

1. Identifying Applicable FTAs

The first step is to identify which FTAs are applicable to the company's products and target markets. Vietnamese companies need to stay informed about the various FTAs Vietnam is a part of and understand the specific provisions relevant to their industries.

2. Understanding Tariff Schedules and Concessions

Each FTA has a tariff schedule detailing the phased reduction or elimination of tariffs for different product categories. Businesses must study these schedules to understand the current and future tariff rates applicable to their products. This information helps in pricing strategies and long-term planning.

3. Compliance with Rules of Origin

As mentioned earlier, compliance with rules of origin is crucial. Vietnamese companies must determine whether their products qualify for preferential treatment under the relevant FTA. This involves understanding the specific criteria set out in the agreement, such as minimum value addition, change in tariff classification, or specific processing requirements.

4. Obtaining Certificates of Origin

To prove compliance with rules of origin, businesses need to obtain certificates of origin (CO). In Vietnam, these certificates are issued by authorized bodies such as the Vietnam Chamber of Commerce and Industry (VCCI). Companies must provide detailed documentation on the production process, sourcing of raw materials, and other relevant information.

5. Navigating Customs Procedures

FTAs often include provisions for simplified customs procedures. Vietnamese companies should familiarize themselves with these procedures and take advantage of any available trade facilitation measures. This includes using electronic customs systems, understanding preferential tariff codes, and ensuring accurate and timely submission of required documentation.

6. Adhering to Non-Tariff Measures

Compliance with NTMs, such as TBT and SPS measures, is essential for accessing FTA benefits. Vietnamese exporters must ensure their products meet the regulatory standards of the importing countries. This may involve obtaining relevant certifications, conducting product testing, and adhering to labeling and packaging requirements.

7. Leveraging Trade Promotion Programs

Vietnamese companies can benefit from various trade promotion programs and support services provided by government agencies and industry associations. These programs offer assistance in market research, capacity building, and connecting with potential buyers and partners in FTA markets.

8. Staying Informed and Adapting to Changes

FTAs are dynamic, with periodic reviews and updates. Businesses must stay informed about any changes in FTA provisions, new agreements, and emerging opportunities. This requires ongoing engagement with trade authorities, industry associations, and trade advisory services.

Sectors Benefiting from FTA Access, include:

Textile and Apparel Industry

Vietnam's textile and apparel industry has been a significant beneficiary of FTAs. Under the EVFTA, tariffs on Vietnamese textiles and garments exported to the EU are being progressively reduced. This has enhanced the competitiveness of Vietnamese products in the European market. Garment companies have strategically invested in upgrading their production facilities and sourcing raw materials to meet the rules of origin requirements, thereby maximizing FTA benefits.

Agriculture and Food Processing

The agricultural sector, particularly seafood and fruits, has also benefited from FTAs. The CPTPP and EVFTA have opened new markets for Vietnamese seafood in countries like Japan and the EU.

Electronics and Machinery

Vietnam's electronics sector, with giants like Samsung and LG investing heavily in the country, has gained from FTAs such as the VKFTA and RCEP. These agreements facilitate the import of essential components and machinery at reduced tariffs, boosting the production and export of finished electronic goods. Compliance with technical standards and efficient customs procedures have been key to accessing these benefits.

VIETNAM'S FREE TRADE AGREEMENTS

Visual Map of Vietnam's Free Trade Agreement Parties

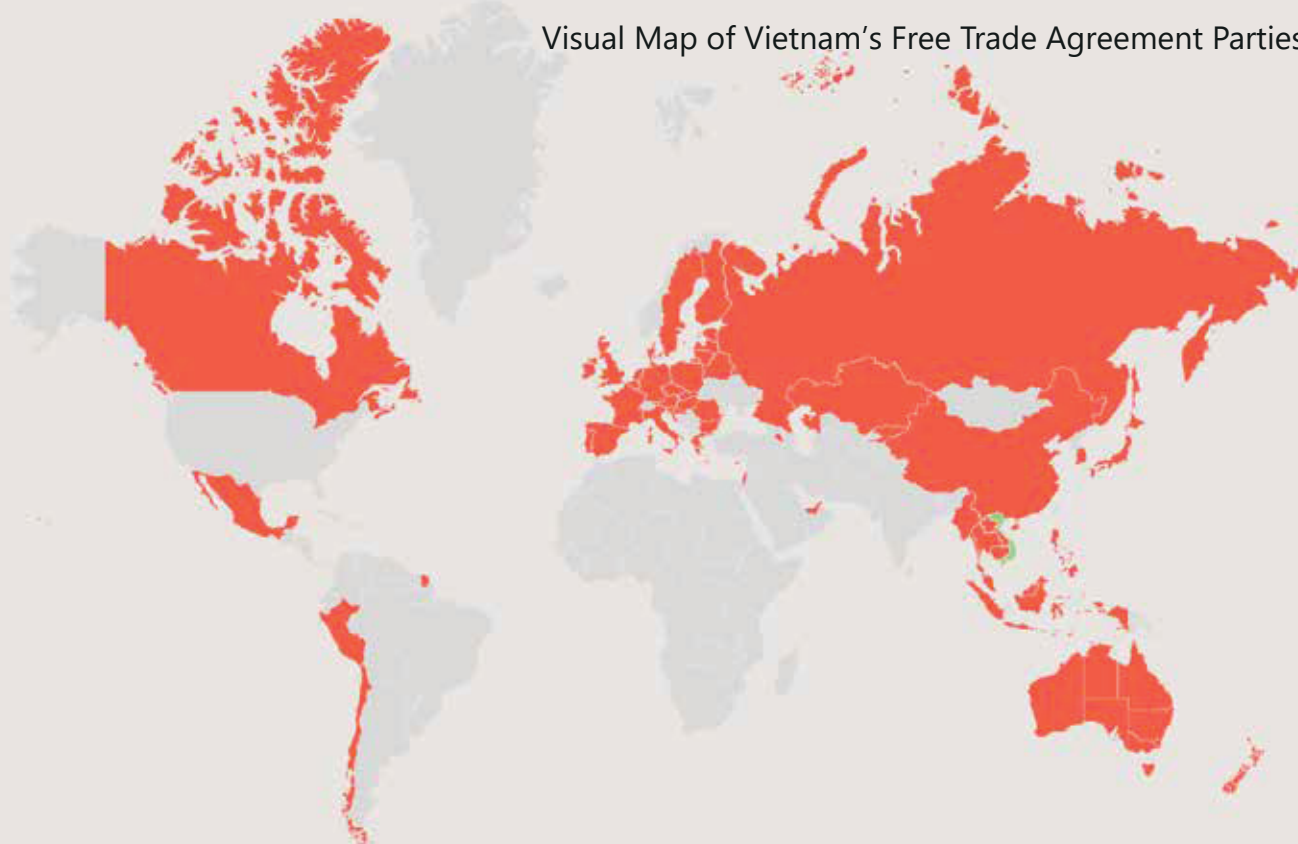


Table of Vietnam's Active Free Trade Agreements

Free Trade Agreements in Effect	Date of Effect
ASEAN Free Trade Area (AFTA)	1 January 1993
ASEAN - China Free Trade Agreement (ACFTA)	1 January 2005
ASEAN - Korea Free Trade Agreement (AKFTA)	1 June 2007
ASEAN - Japan Comprehensive Economic Partnership (AJCEP)	1 December 2008
Vietnam -Japan Economic Partnership Agreement (VJEPA)	1 October 2009
ASEAN - India Free Trade Agreement (AIFTA)	1 January 2010
ASEAN - Australia - New Zealand Free Trade Agreement (AANZFTA)	1 January 2010
Vietnam - Chile Free Trade Agreement (VCFTA)	1 January 2014
Vietnam - Korea Free Trade Agreement (VKFTA)	20 December 2015
Vietnam - Eurasian Economic Union Free Trade Agreement (VN-EAEU FTA)	5 October 2016
Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)	14 January 2019
ASEAN - Hong Kong (China) Free Trade Agreement (AHKFTA)	11 June 2019
Vietnam - European Union Free Trade Agreement (EVFTA)	1 August 2020
Vietnam - United Kingdom Free Trade Agreement (EKVFTA)	31 December 2020
Regional Comprehensive Economic Partnership (RCEP)	1 January 2022
Vietnam - Israel Free Trade Agreement (VIFTA)	25 July 2023
Vietnam - UAE Comprehensive Economic Partnership Agreement (CEPA)	29 October 2024

“Vietnam: where skilled labour meets foreign investment opportunities.”



3. Human Resources

Overview of Vietnamese Labour Law and Employment Compliance for Employers

Vietnamese labour law regulates the rights and obligations of employers and employees in Vietnam. For foreign investors and businesses, understanding these laws is crucial to ensure compliance and foster a productive working environment, as the basis and application of labour laws does differ to international common practice in many regards.

As a general concept, Vietnamese labour laws strongly favour employees, and were essentially drafted from the concept of factory work being the foundation. With that in mind, dealing with human resource decisions and the reduced flexibility in comparison to other markets should be offset against the structure and stability that can be achieved through Vietnam's labour system.

Employment Contracts

Concept of employment

The Vietnamese Labour Code specifies that a contract of employment will exist where there is an agreement for the provision of labour under the supervision and direction of the employing party, for an agreed compensation. This broad definition results in many contracts of other names being deemed an employment contract.

Types of Employment Contracts

Vietnamese labour law recognizes two types of employment contracts:

- **Indefinite-term contracts**, and
- **Definite-term contracts**.

Indefinite-term contracts have no specific end date, while definite-term contracts have a fixed duration not exceeding 36 months.

At the conclusion of the second definite-term contract, the next (third) contract automatically becomes an indefinite-term contract.

Probation

The Labour Code generally permits a 30 day probation period (or 60 day probation for roles that require technical qualifications) before signing the initial employment contract. During probation, either party can terminate the agreement without notice.

Employers are expected sign written employment contracts with employees before commencement. Although provisions exist in the Labour Code for other forms of agreement (ie, not solely requiring a signed written employment contract), other elements of Vietnam's laws and expectations make these alternatives disadvantageous.

Contents of Employment Contracts

Employment contracts must include mandatory contents such as:

- Job description,
- work location,
- duration of the contract,
- working hours,
- rest periods,
- wages,
- allowances,
- social insurance, health insurance, other benefits,
- labour safety & hygiene conditions, and
- training and skill development provisions.

Other aspects can be incorporated into labour policies where necessary.

Working Hours and Rest Periods

Standard Working Hours

The standard working hours in Vietnam are eight hours per day and 48 hours per week. Employers and employees can agree on a shorter working week, but it cannot exceed these limits.

Office culture in Vietnam is typically a 5 day/40 hour working week, whilst other sectors such as manufacturing is typically a 6 day/48 hour working week.

Overtime

Overtime is permitted but subject to specific limits. It must not exceed 50% of the normal working hours in a day, no more than 12 hours in a day (including normal working hours and overtime), no more than 40 hours per month, and no more than 200 hours per year, which can be extended to 300 hours per year for certain sectors.

Overtime pay is calculated at 150% of the standard hourly rate for weekdays, 200% for weekends, and 300% for public holidays and paid leave days.

An additional 30% loading is applied for work conducted at night time between the hours of 10.00pm and 6.00am.

Other Working Periods

Employees are entitled to at least one day off work per week, and an additional 60 minutes of rest is mandated each day for female employees nursing children under 12 months.

Wages and Benefits

Minimum Wage

Vietnam has a statutory minimum wage that varies by region, reviewed and is adjusted annually by the government. Employers must ensure that wages paid to employees are not lower than the applicable minimum wage for their region. See the table later in this section for current regional minimums.

Payment of Wages

Wages must be paid at least once a month, either in cash or by bank transfer. Employers must pay wages on time, and if payment is delayed, they are required to compensate employees by paying interest on the delayed amount.

Although the law permits multiple payments in a month, statutory obligations are all based around a monthly payroll process, and the common practice is a single monthly salary payment at the end of each month.

Allowances and Bonuses

Employers may provide additional allowances and bonuses based on company policies and employee performance. These may include position allowances, responsibility allowances, housing, transportation, meal allowances, and annual performance bonuses.

Annual Leave

All employees are entitled to a minimum of 12 days paid annual leave each year, although employers are permitted to provide a greater amount of leave as they determine. In addition, Employees are entitled to an extra day of annual leave each year for each 5 years they have worked for the employer.

Foreign employees, with valid employment documentation, are entitled to two additional leave days each year; one for their national day, and

another for a religious day (actual days to be determined between employee and employer).

There are certain categories of employees that may have an entitlement to additional annual leave benefits (ie those working in toxic or dangerous work) as additional compensation for their specific roles.

Public Holidays

At present there are 12 public holidays applicable for all Vietnamese employees.

- Lunar New Year (Tet) - 5 days
- New Years Day (January 1st)
- Hung King's Anniversary
- Reunification Day (April 30th)
- Labour Day (May 1st)
- Independence Day (September 2nd) - 2 days
- Vietnamese Culture Day (November 24th)

It should be noted that the specific dates observed for public holidays can change at short notice, and there needs to be flexibility in how these are implemented due to the short notice and expectation of society/ employees resulting.

Other Leave

Additional leave is available for a range of circumstances, including weddings, childbirth, deaths etc. These are mandated in the Labour Code, and are often regarded as unpaid by the employer and will be reimbursed to the employee from the Social Insurance fund.

Sick leave is the responsibility of the Social Insurance fund, and is not generally a liability of the employer. Employees are ordinarily not paid by the employer for days off when they are sick, but they will instead seek payment via a claim to the Social Insurance Fund.

Social Insurance, Unemployment Insurance and Health Insurance

Social Insurance

Employers are required to participate in the compulsory Social Insurance scheme for their employees. Contributions are calculated as a percentage of the employee's monthly salary and are payment obligations are applied to both employers and employees. The contribution rates are 17.5% by the employer and 8% by the employee for Social Insurance, subject to caps.

In Vietnam, Social Insurance covers:

- Workplace accidents insurance
- Retirement/pension contributions
- Sickness / sick leave claims
- Maternity benefits (ie, 6 months minimum paid leave for new mothers)
- Death benefits

There are reductions in insurance rates for foreign employees and certain dangerous industries.

Unemployment Insurance

Unemployment Insurance is compulsory for all employees, except foreign individuals, and is paid by both employer and employee at 1% of gross salaries (subject to caps).

Health Insurance

Employers must also enroll employees in compulsory health insurance, which provides access to medical services and benefits in case of illness, maternity, or work-related accidents. Employees and employers both contribute to this (at 1.5% and 3.0% of gross salary, respectively), subject to a cap. Employers can also provide private health insurance in addition.

VIETNAM LABOUR REGULATIONS

KEY HR & PAYROLL PRINCIPALS

Legal Framework

Vietnamese Labor Code governs all employment relationships. It covers rules on employment contracts, working hours, wages, insurances, and termination, and strict compliance is mandatory.

Employment Contracts

There are two types of contracts: Indefinite-term & definite(fixed)-term contracts.

After two definite-term contracts, which can be a maximum of 36 months each, the third contract must be an indefinite-term contract.

Contracts should be in writing for compliance, and must include job description, working hours, salary, work location, and contract duration.

Onboarding

A maximum probationary period of 60 days for roles requiring technical experience, and 30 days for roles requiring lower qualifications. Probation salary must be at least 85% of the agreed full salary, and either party can terminate during the probation period without notice.

Detailed records for each employee must be collated on commencement and maintained per legal requirements.

Working Hours and Leave Entitlements

Standard working week is 48 hours, typically 8 hours per day, 6 days per week, with common practice for offices of 40 hours/5 days per week.

Overtime maximum is 4 hours per day, 12 hours per week and 200 hours per year, with 300 hours per year in specified cases. Overtime pay rates apply.

Staff are entitled to a minimum of 12 days of annual leave, which can increase based upon length of employment and sector/role.

Wages and Benefits

There is a minimum monthly wage set by the government, which varies by region. This is generally updated annually. Salary payments are expected to be paid monthly, along with other insurance and similar obligations. Salary payments can be made more often, but this is not common for most roles and organisations.

Mandatory insurances are paid by both employees and employers, being Social Insurance (workplace accidents, retirement, maternity leave, etc), Health Insurance and Unemployment Insurance.

Termination

Employees can provide 45 days notice for indefinite-term contracts, and 30 days for fixed-term contracts.

Legal grounds for employer termination includes mutual agreement, contract expiry, poor performance, misconduct, economic reasons, and force majeure. However, unilateral termination should be treated with caution as difficult in practice to undertake.

Severance Pay or termination pay may arise in some circumstances.

Other Obligations

Requirements exist to adhere to occupational safety and health regulations, provide regular safety training and provide health checks for employees.

Employees have the right to join a trade union, and employers must make contributions to the trade union or local trade union authority.

Employers must Submit periodic labor reports to local labor authorities, and maintain accurate and comprehensive employment records.

Trade Unions

Employers are required to contribute trade union contributions, at 2.0% of gross salaries (subject to a cap), regardless whether an internal trade union has been formed.

Employees are entitled to form an internal trade unions (otherwise known as grass roots trade unions), which is an affiliate of the national trade union structure, and employers must ensure a vote is taken amongst staff to form a trade union once they have 10 or more employees.

Individual membership and contribution to trade unions is optional, and will be required to contribute 1.0% of gross salaries, subject to a cap.

Within international agreements, the Vietnamese authorities have committed to amending the trade union structure so that trade unions will not need to be affiliated with the national (government) trade union structure, however this has not been fully implemented yet.

Required Documents and Structures

All employers are required to prepare and maintain a regulated set of internal documentation. These include:

- **Employment Contracts** (and probation agreements) that are compliant with laws for all staff.
- **Internal Labour Policies**, detailing benefits, obligations, procedures and similar that apply to staff. These policies are essentially the operating policies, that apply to employees, for an employer.
- **Internal Labour Regulations** are a prescribed document that details employment regulations, disciplinary procedures and other defined requirements. Where an employer has 10 more more staff, this document must be registered with the Department of Labour, Invalids and Social Affairs (DoLISA).
- **Salary Pay Scale**, showing the salary structure in the organisation.

Labour Disputes and Resolution

Types of Labour Disputes

Labour disputes can be categorized into individual labour disputes and collective labour disputes. Individual labour disputes occur between an employee and the employer regarding employment conditions, wages, or termination. Collective labour disputes involve a group of employees and the employer regarding collective bargaining agreements, working conditions, or occupational safety.

Dispute Resolution Mechanisms

Labour disputes can be resolved through conciliation, arbitration, or court proceedings. Conciliation is the initial attempt by a labour conciliator to mediate and resolve the dispute. If conciliation fails, the dispute can be referred to a labour arbitration council. As a last resort, parties can bring the dispute to court for a judicial decision.

Compliance and Penalties

Compliance Requirements

Employers must comply with various administrative requirements, including registration with the labour authorities, maintaining detailed records of employment contracts, wage payments, working hours, and employee benefits, and ensuring a safe working environment and compliance with occupational health regulations.

Penalties for Non-compliance

Non-compliance with labour laws can result in administrative fines, penalties, and legal liability for employers. Penalties vary depending on the severity of the violation and can include fines, temporary suspension of business activities until compliance is achieved, and in severe cases, criminal charges for serious violations of labour laws.

Annual Health Checks

Vietnamese employers are required to provide all employees with an annual health checkup, which is compliant with locally specified requirements. Certain industries have obligations for more frequent health checks through registered providers.

Employing Foreign Individuals

Although there is no automatic right for foreign individuals to be employed by a Vietnamese employer, if they obtain a Work Permit for the role (or meet any exemption requirement and hold the requisite exemption certificate), then they are eligible to be employed along similar lines to Vietnamese nationals.

Employment Processes

The Labour Code and associated regulations are designed around facilitating only experienced foreign individuals in senior capacities, as a general rule. As a result, the concept of a Work Permit becomes important, as this is a permit to work at an employer for a specific role. Each new employer (and role) will require a new Work Permit. Without a valid Work Permit (or exemption confirmation), both employees and employers face significant risks.

There are a number of categories that foreign individuals can be employed under, including as an expert, manager and internal transferee. Each category has specific requirements and documentation. As Work Permit applications can take some time to prepare for, including pre-approvals for hiring a foreign individual for a role and legalised foreign documents for the individual, employers need to plan well ahead with this in mind.

Benefits for Foreign Employees

There are a number of specific tax-free benefits that are provided for foreign employees, that domestic employees are not eligible to take advantage of. These include:

- School fees for children of foreign individuals
- Return flight home each year
- Provision of housing (partially exempt)
- One-off relocation costs to Vietnam

VIETNAM PAYROLL OVERVIEW: THE VIETNAM PAYROLL COMPANION (1 January 2026)

PERSONAL INCOME TAX (New)

Personal Income Tax (PIT) is a tax levied on individuals. Employers are required to withhold PIT from salaries on behalf of their employees, on a monthly basis, and remit to the Tax Authorities.

Monthly Taxable Income (VND)	Tax Rate (*)
0 - 10,000,000	5%
10,000,001 - 30,000,000	10%
30,000,001 - 60,000,000	20%
60,000,001 - 100,000,000	30%
over 100,000,000	35%

(*) The PIT Law 2025 states that the new law takes effect from 1 July 2026, while provisions relating to income from salaries and wages take effect from the 2026 tax year.

Personal Deductions (ie, Tax free portion of income) that reduce individual's Monthly Taxable Income, and therefore the amount at which the PIT Rates commence:

- > Personal Allowance - 15,500,000VND per month
- > Dependent Allowance - 6,200,000VND per month, for each dependent

Healthcare and education expenses of the taxpayer and their dependents are also deductible before tax calculation, subject to statutory limits and proper documentation, provided such expenses are not funded from other sources (new PIT Law 2025).

For non-tax resident individuals, a flat PIT Rate of 20% will apply.

TRADE UNION CONTRIBUTIONS

Employers must pay to trade union contributions for employees, regardless whether an internal (grass roots) trade union has been established.

If an internal trade union exists, employees can join the trade union and will be required to contribute.

Employer: 2.0%	Employee: 0.5%	Max Salary Cap - Employers: 46,800,000 VND
		Max Cap - Employee: 234,000 VND

CALCULATIONS

Employers are required to calculate, withhold and remit all PIT, Compulsory Insurances and Trade Union Contributions on behalf of employees and employers. The resultant net salary amount, after withholding, is to be paid to employees.

The general basis for determining income subject to PIT in a month is:

Monthly Taxable Income = Gross (Taxable) Salary, less Compulsory Insurances, less Personal Deductions.

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 responsibility for any party that relies upon the contents.

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COMPULSORY INSURANCES

Social Insurance

Employer:
17.5%

Employee:
8.0%

Max Salary Cap:
46,800,000VND

Health Insurance

Employer:
3.0%

Employee:
1.5%

Max Salary Cap:
46,800,000VND

Unemployment Insurance

Employer:
1.0%

Employee:
1.0%

Max Salary Cap:
106,200,000VND

Notes:

- > Foreign employees are not subject to Unemployment Insurance contributions.
- > The Max Caps are the maximum monthly salaries upon which Compulsory Insurances are calculated. These are regularly adjusted, based upon government minimum wage publications (last adjusted 1 July 2024).
- > The Max Cap for Unemployment Insurance depends on which region the employer is located. The quoted Max Cap is for Region 1 employers, which is the highest cap.

MINIMUM MONTHLY WAGES

Effective 1 January 2026, the minimum monthly wage that must be paid to employees, depending upon the region in which they are employed:

Region	Minimum Monthly Wage
1	5,310,000 VND
2	4,730,000 VND
3	4,140,000 VND
4	3,700,000 VND

OTHER NOTES

- > Employers are generally responsible for annual tax finalisations for employees, but only where the employee has only one source of income in the year, and the employee consents to the employer finalising for them.
- > Foreign Individuals are subject to Work Permit requirements before they can be employed.
- > Labour Law has a very broad definition of "employee", and service contracts may be deemed as employment.
- > Certain payments may be exempt from insurances or taxes, but care should be taken to follow guidances.

Termination of Employment

Terminating employees in Vietnam is governed by the Vietnamese Labor Code, which provides specific rules and processes to ensure fair treatment of employees.

Options for Termination

Mutual Agreement

Both employer and employee can agree to terminate the employment contract. This is the simplest and least contentious method.

Expiry of the Employment Contract

Fixed-term contracts naturally end when the contract period expires. Employers must notify the employee in writing before the contract's expiration. If there is no notification that the contract will not be renewed, then the law will deem that a new contract has been entered into.

Incapacity

Where an employee is incarcerated or prevented from working by a court, dies or declared missing, their contracts are deemed terminated.

Completion of Project/Assignment in an Employment Contract

Where the employment contract is written on the basis of completing a specific project or assignment, the contract can come to an end with parties agree that the project or assignment is complete.

Unilateral Termination by the Employee

Employees can unilaterally terminate their contract, provided the appropriate notification is provided.

- 3 working days' notice (contract under 12 months)
- 30 days' notice (12 - 36 month contract),
- 45 days' notice (indefinite-term contract)

Unilateral Termination by the Employer

Employers can unilaterally terminate an employment contract under specific conditions, as detailed below, however caution must be taken to ensure strict compliance with regulations to ensure termination is valid.

Unilateral Termination By Employer

The various categories permitted within Vietnamese labour regulations for unilateral termination by the employer are detailed below:

Poor / Unacceptable Work Performance

Where the performance of an employee is not in line with requirements in the employment contract, internal policies or other regulations, then there is a process to address which may lead to termination. The regulations require 2 written warning notices to be issued within a single month, which have been addressed with the Trade Union, amongst other requirements.

Disciplinary - Absence & Gross Misconduct

Should theft or repeated violations of company regulations occur, or where the individual has 5 days unexplained absence in a month (or 20 days in a year), then a termination process can commence.

Prolonged Illness

If an employee is absent for an extended period due to serious illness, and are unable to undertake their employment tasks, they can be terminated. Specifically, if an individual must be absent for 12 months (indefinite contract), 6 months (definite contract greater than 12 months) or half contract term (definite contract less than 12 months), then termination can occur.

Force Majeure

Events regarded as force majeure include major fires, natural disasters or similar that result in reduced production capacity and the need to terminate employees as a result.

Corporate Restructuring

Where a company seeks to restructure and close a particular portion or element of their business, they will need to develop a labour usage plan with DOHA, offer the impacted employees with other potential roles in the company, and offer training programs. In return, DOHA can authorise and monitor the plan to terminate impacted employees.

Corporate Mergers & Acquisitions

If an M&A event arises that can result in staff redundancy, the same procedure as for corporate restructuring will apply.

Ceasing Operations

If an employer ceases operations via winding up or liquidation, employment contracts can be terminated as part of the winding up process.

Fabricated Employment Information

Where an employee has fabricated information on their employment application, there are provisions for termination where the employer relied upon the fabricated information for making employment decisions.

It should be noted that other than the force majeure or ceasing operations events, trade union and DOHA involvement and approval is generally required, often resulting in prolonged negotiations and requirements to be met. Although an employer may have sufficient grounds to proceed with termination per legal requirements, the human factor in dealing with organisations designed to protect employees should not be underestimated.

Notwithstanding approvals to terminate, notice is still generally required to be given for terminations in most circumstances - 30 days or 45 days, depending on employment contract. Further, Termination pay may also arise particularly in the restructuring or economic scenarios, which is often at least 2 months salary plus an additional month for each year worked.

Other Matters to be Aware of

Severance Allowances

Different to termination pay, severance allowance generally only arises in Vietnam where an individual did not receive Unemployment Insurance contributions from their employer. As all Vietnamese employees should be receiving Unemployment Insurance, eligibility mostly (but not solely) falls on foreign employees upon termination.

Protected Employees

Pregnant employees, employees on maternity leave, and employees raising a child under 12 months cannot be terminated, except in cases of company closure or when the employment contract expires.

VIETNAM LABOUR CODE

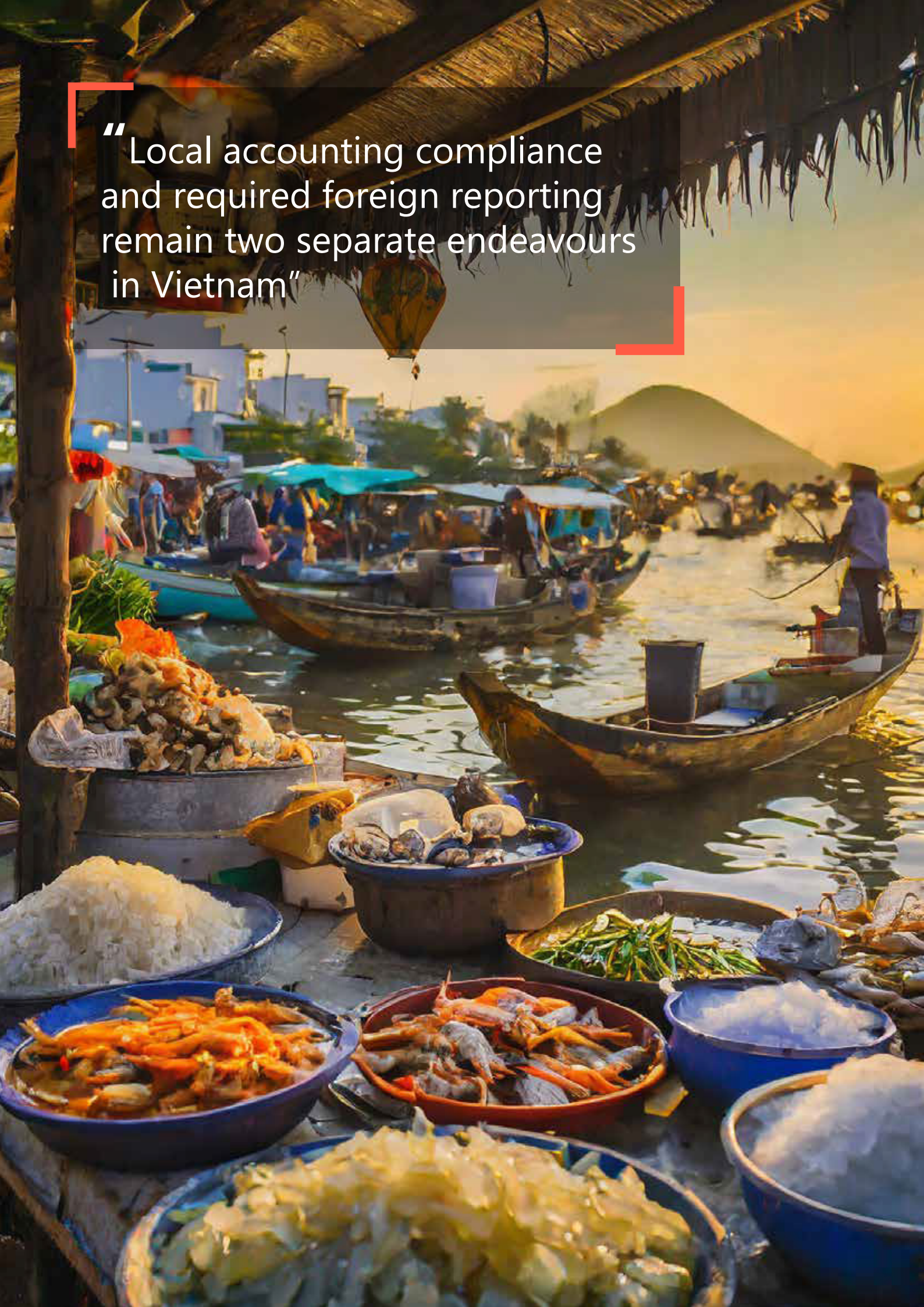
TERMINATING

EMPLOYMENT CONTRACTS

Termination Basis	Discussion	Consent / Notification of Trade Union & DOHA
Mutual Agreement	Signed mutual agreement	N/A
Expiry of the Employment Contract	Must notify the employee in writing	N/A
Incapacity	Court notification	N/A
Completion of Project/Assignment in an Employment Contract	Written confirmation of completion of tasks	N/A
Unilateral Termination by Employee	3 working days' notice (contract under 12 months), 30 days' notice (12 - 36 month contract), 45 days' notice (indefinite-term contract)	N/A
Unilateral Termination by Employer:		
<ul style="list-style-type: none"> • Poor / Unacceptable Work Performance 	Two written decisions within one month, along with specific process for redress.	Yes
<ul style="list-style-type: none"> • Disciplinary - Absence & Gross Misconduct 	Theft, gross misconduct or unexplained absences all require documented evidence and follow specific process	Yes
<ul style="list-style-type: none"> • Prolonged Illness 	Absent due to illness for extended period (up to 12 months)	Yes
<ul style="list-style-type: none"> • Force Majeure 	Natural Disaster, Fire or similar major disruption to operations	No
<ul style="list-style-type: none"> • Corporate Restructuring 	Terminating employees due to a department, team or similar group no longer being required, subject to an approved restructure plan	Yes
<ul style="list-style-type: none"> • Corporate Mergers & Acquisitions 	Terminating employees due to a department, team or similar group no longer being required, subject to an approved restructure plan	Yes
<ul style="list-style-type: none"> • Ceasing Operations 	Formal notice of winding up permits the termination of employment contracts	No
<ul style="list-style-type: none"> • Fabricated Employment Information 	3 working days' notice (contract under 12 months) 30 days' notice (12 - 36 month contract) 45 days' notice (indefinite-term contract)	No

The above discussion of options/paths for terminating employment contracts is general in nature, as each option has specific requirements and processes that must be followed in order to enact them. Some of the requirements and interpretations can differ significantly, depending on the local authorities directions, and others require consent that can be very difficult to obtain. Before making any decisions, a thorough review of the current laws and regulations should be undertaken.

“Local accounting compliance and required foreign reporting remain two separate endeavours in Vietnam”



4. Accounting System & Standards

Understanding, Complying and Implementing VAS

Vietnam's accounting framework is regulated by the Ministry of Finance (MoF), which issues the Vietnamese Accounting Standards (VAS) and related accounting regulations applicable to enterprises operating in Vietnam. Under the current regulatory system, companies are generally required to maintain accounting records and prepare statutory financial statements in accordance with VAS for domestic compliance and reporting purposes.

In recent years, Vietnam has taken steps to gradually align its financial reporting framework with international practices. The issuance of Circular 99/2025/TT-BTC establishes a regulatory foundation for the phased adoption of International Financial Reporting Standards (IFRS). Under the current roadmap, listed companies, large enterprises, and entities with foreign investment are expected to be among the first groups encouraged to adopt IFRS during the 2026-2030 period. During the transition phase, companies may maintain dual reporting frameworks, preparing statutory financial statements under VAS while also producing IFRS-based financial statements for group reporting or international investors.

Understanding VAS

Vietnamese Accounting Standards were originally introduced to harmonize financial reporting practices and enhance the transparency of financial information. Initially modeled after international accounting standards, VAS has evolved to address the specific needs of the Vietnamese economy, and as a result differences have arisen between international and domestic practices and requirements.

VAS currently consists of 26 standards covering various aspects of accounting and financial reporting. These include revenue recognition, fixed assets, investments, and consolidation, among others.

The MoF periodically updates these standards to align more closely with International Financial Reporting Standards (IFRS), although significant differences, particularly with more recent IFRS standards and approaches, remain.

Key Compliance Elements

Bookkeeping: Maintain accurate and timely records of all financial transactions in accordance with VAS requirements, supported by an appropriate chart of accounts and journal structure, with proper supporting vouchers and documentation.

The interconnection with tax and VAS obligations in Vietnam can differ significantly to those in other jurisdictions, as correct VAS bookkeeping is essential for both accounting and tax compliance purposes. A non-compliant tax document may, in fact, result in required VAS bookkeeping entries which may not reflect the preferred accounting treatment in practice.

Financial Statements: Requirement to prepare Financial Statements, including Statement of Financial Position, Income Statement, and Cash Flow Statement, in accordance with VAS. These are generally required to be prepared on a monthly basis.

Financial Statements prepared under VAS are to be used for tax filing.

Audit Requirements: Foreign-invested companies, must have their Financial Statements audited by an independent auditor, for annual submission.

Filing Requirements: Submission of annual financial statements to relevant authorities, including the tax department and business registration office of the Department of Planning and Investment, within three months after the fiscal year-end.

Documentation and Record Keeping

Records: Records are generally required to be maintained in the Vietnamese language and in VND (Vietnamese Dong). In some circumstances, foreign currencies can be used along with foreign languages, however a translation and conversion is generally required.

Document Retention: Documents are to be retained for a minimum of 10 years for most documents, although some non-compliance related documents can be retained for 7 years, whilst other significant documents may have an indefinite retention requirement (ie, official corporate records)

Accounting and Tax Compliance Interaction

Tax Audits: The tax authorities may conduct audits to ensure compliance. Keeping accurate records and adhering to VAS will assist in facilitate smoother audits, given VAS forms the basis of tax filings and compliance. The timings of tax audits depends on a range of factors, but generally occur every few years for most corporate taxpayers.

Revenue Recognition: Timing and amount of revenue recognized in financial statements must align with tax regulations to avoid discrepancies, as a general rule (with some exceptions). This poses challenges to ensure the timing of income related documentation matches between tax and accounting needs.

Expense Deductibility: Certain expenses may be fully or partially deductible for tax purposes. Accurate classification and documentation are essential.

Transfer Pricing: Transactions between related parties must be conducted at arm's length. Documentation is required to justify pricing policies. This makes intra-group recharges more challenging to compliantly implement at the Vietnamese side.

Movement Towards IFRS

Vietnamese authorities are working through a roadmap to transition to IFRS as the basis for Vietnamese accounting. To facilitate this, the MoF is developing a Vietnamese version of IFRS, that will be optional and moving towards compulsory for businesses to use in Vietnam.

The most recent roadmap for the transition shows that the process will remain in a testing phase until the end of 2025, and after 2025 into a period of voluntary then compulsory implementation. Further releases are expected from the authorities as to whether this roadmap remains on track in 2026

Notwithstanding, new market entrants should build their accounting structure to be VAS compliant but with the intent and knowledge of a transition to IFRS based accounting and reporting in the near future. Existing companies should ensure that they are ready for a transition in coming years and that their software/processes are not going to hold them back.

“VAS Represents a Rules-Based Approach to Accounting.”

IFRS represents a Principles-based Approach to Accounting.”

Key Differences Between VAS and IFRS

VAS has certain fundamental differences with a more modern “economic substance” driven set of accounting standards that IFRS represents. On the other hand, once the current VAS concepts are understood they are potentially easier to implement as they are generally rules based and require less professional judgement and estimates.

Selected key differences can be summarised as below.

Conceptual Framework:

VAS: Based on historical cost and legal form. Emphasizes compliance with local regulations. Essentially, this can be described as a “Rules-based approach”.

IFRS: Focuses on fair value and economic substance over legal form. Aims for transparency and comparability across international borders. Essentially this can be described as a “Principles-based approach”.

Financial Instruments:

VAS: Limited guidance on financial instruments. Generally follows historical cost.

IFRS: Extensive guidance under IFRS 9, with emphasis on fair value measurement and impairment based on expected credit losses.

Revenue Recognition:

VAS: Follows a more conservative document driven approach with stricter criteria for recognizing revenue.

IFRS: IFRS 15 provides a comprehensive framework for recognizing revenue based on the transfer of control.

Recognition of Fixed Assets

VAS: Assets are generally held at cost, less depreciation. There is no impairment testing applied.

IFRS: Detailed requirements on impairment for assets, so that assets are not carried at more than their recoverable amount.

Consolidation:

VAS: Limited guidance on consolidation and often relies on legal control.

IFRS: Provides detailed criteria for control, including potential voting rights and de facto control.

Lease Accounting:

VAS: Leases are classified as either operating or finance leases with different accounting treatments.

IFRS: IFRS 16 requires lessees to recognize most leases on the balance sheet, reflecting right-of-use assets and lease liabilities.

Employee Benefits & Share Based Remuneration

VAS: Employee benefits are expensed when services rendered, and no guidance exists for accounting for share based remuneration.

IFRS: Explicit guidance and treatment on a range of scenarios, in recording in correct periods.

Practical Execution Differences:

Implementation: VAS implementation tends to be more rule-based and compliance-focused, while IFRS implementation requires more judgment and estimation.

Regulatory Oversight: Vietnamese authorities may interpret and enforce VAS requirements differently from international standards, leading to variations in practice.



“Compliance unlocks success:
Invest in Vietnam with integrity
and confidence.”



5. Reporting Obligations

Reporting Obligations for Foreign-Invested Companies in Vietnam

Foreign-invested companies in Vietnam must adhere to a range of reporting obligations across various domains, including accounting, taxation, human resources, statistical, investment, and banking. These obligations ensure compliance with local laws and regulations, facilitating smooth business operations and regulatory transparency.

Below is a summary of the key reporting requirements:

Accounting and Financial Reporting

Annual Financial Statements: Must be prepared in accordance with Vietnamese Accounting Standards (VAS) and submitted to relevant authorities within 90 days after the fiscal year-end.

Audit Requirements: Annual financial statements must be audited by an independent auditor, and submitted with the Annual Financial Statements to the authorities within 90 days from the end of the fiscal year.

Interim Reports: Certain companies may need to prepare quarterly and semi-annual financial statements, particularly if required by their governing bodies or for specific regulatory purposes (ie, specifically regulated sectors).

Taxation Reporting

Corporate Income Tax (CIT): Quarterly provisional CIT returns and an annual finalization return must be filed. The annual CIT return is due by the last day of the third month after the fiscal year-end.

Value Added Tax (VAT): Monthly or quarterly VAT returns must be filed, depending on the company's revenue.

Quarterly VAT is due no later than the last working day of the month following the end of the quarter.

Monthly VAT submissions, applicable for larger taxpayers, are due by the 20th of the following month (or next working day if the 20th is a weekend or public holiday).

Large taxpayers for monthly filing are those that have annual revenue exceeding VND 50 billion in the previous year.

Personal Income Tax (PIT): Monthly or quarterly PIT returns are required for withholding from employees' income, and follow the same regime as VAT reporting.

Quarterly PIT is due no later than the last working day of the month following the end of the quarter.

Monthly PIT submissions, applicable for larger taxpayers, are due by the 20th of the following month (or next working day if the 20th is a weekend or public holiday).

Large taxpayers for monthly filing are those that have annual revenue exceeding VND 50 billion in the previous year.

An annual CIT finalization return is due within 3 months after the fiscal year-end.

Other Taxes: Depending on business activities, companies may need

to file returns for other taxes such as Special Sales Tax (SST), Foreign Contractor Tax (FCT), and Environmental Protection Tax. These may have ongoing calendar-based submission requirements, or be event based.

Human Resources Reporting

Labour Reports: Twice annually, employers must submit labour reports to the local labor authorities, detailing employment status and changes in the workforce, labour accident reports and employment of foreign individuals.

There are also ongoing monthly labour usage reports to be submitted to authorities, along with annual OH&S reports.

Social Insurance Reports: Monthly reports on social insurance, health insurance, and unemployment insurance contributions must be filed with the Social Insurance Agency, along monthly remittances of payments for these insurances.

An annual unemployment contribution report must be submitted in January each year.

Personal Income Tax (PIT): Monthly or quarterly PIT returns for taxes withheld from employees' income is to be submitted (refer to section 2 on the previous page for discussion on thresholds) along with monthly or quarterly payments.

An annual PIT finalization return is due by employers within 3 months from the fiscal year-end, along with individual finalisation of annual PIT for employees that authorize employers accordingly.

Statistical Reporting

Statistical Reports: Periodic statistical reports that are required to be submitted include both quarterly and annual business statistical reports, which are to be submitted to the General Statistics Office (GSO) and other agencies. These reports cover various aspects such as production, sales, and financial performance.

Investment Reporting

Investment Updates: Any changes to information contained on investment certificates (Enterprise Registration Certificate or Investment Registration Certificate, for example), such as changes to details of recorded individuals' residential addresses or passport details, must be submitted to the relevant licensing authorities for registration and issuance of new investment certificates reflecting the amendments.

Changes to business scope (ie, permitted/registered business lines), contributed or authorised capital, or changes to investor details, must be reported to the relevant investment licensing authority. These will only be effective once the relevant investment/application procedures have been completed and accepted by the authorities. These requirements can take some time, and have associated obligations, and have specific time limits, so care and advice should be taken.

Investment Report: Foreign-invested companies must submit an annual report and semi-annual report on their investment activities to the Ministry of Planning and Investment (MPI).

Banking and Loan Reporting

Foreign Loan Reports: Monthly reports on foreign loans must be submitted to the State Bank of Vietnam (SBV) by the 5th day of each month. Changes to loans, including repayments, must be submitted to the SBV and approved prior to changes taking effect.

Other Reporting Obligations

Environmental Protection Law: Manufacturers and importers are required to fulfill their obligations to contribute to the environmental protection fund for packaging recycling and waste treatment and submit periodic reports.

Industry-Specific Reports: Certain industries, such as banking, insurance, and telecommunications, have additional reporting requirements to their respective regulatory bodies.

Companies that have operating sub-licenses issued by specific Ministries (for example, a valuation license) will usually have specific reporting obligations attached to the license conditions.

Corporate Secretarial

Annual Meeting Minutes: Companies with a Members Council, or as otherwise directed in the company charter, will likely need to hold an Annual General Meeting with minutes retained for this and any other meetings of the Members Council held during the year.

Company Charter Obligations: Within company charter, specific obligations can arise for members (shareholders), which may require ongoing documentation

2026 COMPLIANCE CALENDAR

VIETNAM COMPLIANCE CALENDAR COMPANION

Key Compliance Submission Dates & Events in Vietnam

- A** Monthly Tax Submissions (VAT & PIT) for monthly submitters
- B** Quarterly Tax Submission (CIT, VAT & PIT)
- C** Annual PIT & CIT Finalisation (including Audit Report and Transfer Pricing submissions)
- D** Annual Statistical Reports (varies based upon Provincial direction)
- E** Annual Report on Employment of Foreign Individuals
- F** Semi-Annual Reports on Labour Accidents and Employment of Foreign Individuals
- G** Semi-Annual Report on Employment Changes
- H** Annual Report on Unemployment Insurance Contributions
- I** Annual Report on Labour Accidents, and Annual Report on OH&S
- J** Annual Report on Employment Changes
- K** Monthly Foreign Loan Reports for Foreign Invested Companies
- L** Quarterly Investment Implementation Report for Foreign Invested Companies
- M** Annual Investment Implementation Report and Annual Economic Census Submission
- N** Semi-Annual and Annual Reports for Investment Supervision and Assessment for Foreign Invested Companies

January 2026							February 2026							March 2026							April 2026							
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May 2026							June 2026							July 2026							August 2026							
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September 2026							October 2026							November 2026							December 2026								
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27	28	29	30				25	26	27	28	29	30	31	29	30						27	28	29	30	31				

Public Holidays

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Contact

As investors plan their market entry journey, we trust that this Vietnam Market Entry Handbook serves as a useful tool in understanding the opportunities and requirements ahead. Embarking on a venture in Vietnam involves navigating a complex, yet dynamic landscape. Alitium provides expertise in legal, licensing, accounting, HR, compliance, and taxation services to give investors the clarity and confidence needed to operate successfully.

The decisions you make today will shape your long-term success in Vietnam. With significant experience and strong local knowledge, we help you develop the right strategy, mitigate risks, and seize opportunities. Contact Alitium to begin your market entry journey in an effective and sustainable way.

Our Offices



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



Hanoi
 51 Phan Boi Chau, Cua Nam Ward, Hanoi



Singapore
 81 Ubi Avenue 4 #09-18 UB. One Singapore 408830



Malaysia
Petaling Jaya
 Suite 11.01, Level 11, South Wing Menara Obyu 4, Jalan PJU 8/8A,
 Damansara Perdana, 47820 Petaling Jaya Selangor, Malaysia

Contact Us

Vietnam
 Tel: +84 (0)28 3535 6460
 Email: Vietnam@Alitium.com

Singapore
 Email: Singapore@Alitium.com

Malaysia
 Email: Malaysia@Alitium.com

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Alitium Leadership

**Vo Thi Thanh Phuong**

Managing Partner

phuong.vo@alitium.com

Phuong is a Vietnamese-qualified lawyer, who spent 12 years leading the licensing and legal services division at an international market entry specialist, before founding Alitium.

Phuong has extensive experience supporting international organisations, including representing numerous foreign governments, listed companies from dozens of markets, and multi-national organisations from across the globe.

She has broad exposure to all facets of market entry, governance and compliance for foreign companies, and understands the needs to develop compliant yet commercially practical solutions for client needs.

**Nguyen Thi Vu Phung**

Accounting & Tax Partner

phung.nguyen@alitium.com

With over 20 years of experience in accounting, tax, and business advisory, Ms. Phung has supported numerous businesses in effectively addressing complex issues. Holding CPA and CA certifications, along with dual Bachelor's degrees in Accounting & Auditing and Enterprise Law, she seamlessly combines financial expertise with legal insight in her advisory solutions.

Her approach focuses on listening carefully to and understanding each client's unique needs, from which she develops tailored solutions that ensure legal compliance and optimize efficiency.

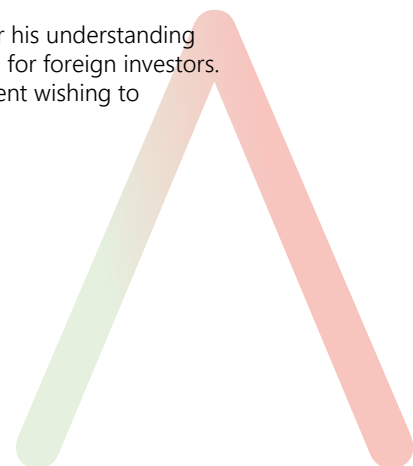
**Matthew Lourey**

Chairman

m.lourey@alitium.com

Matthew has more than 30 years professional services experience, with 20 of this in Vietnam. He previously established and lead a services firm in Vietnam supporting foreign investors that grew to 150 staff, and which was rolled into a regional group.

Matthew is an Australian Chartered Accountant, and is renowned for his understanding and application of Vietnamese structures, compliance and strategies for foreign investors. His practical advice and experience in market brings value to any client wishing to operate in Vietnam.





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 vietnam@alitium.com

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