Representative Offices in Vietnam: Guide to Establishing and Operating

Representative Office establishment and operational guidance for foreign investors in Vietnam for 2025

Alitium

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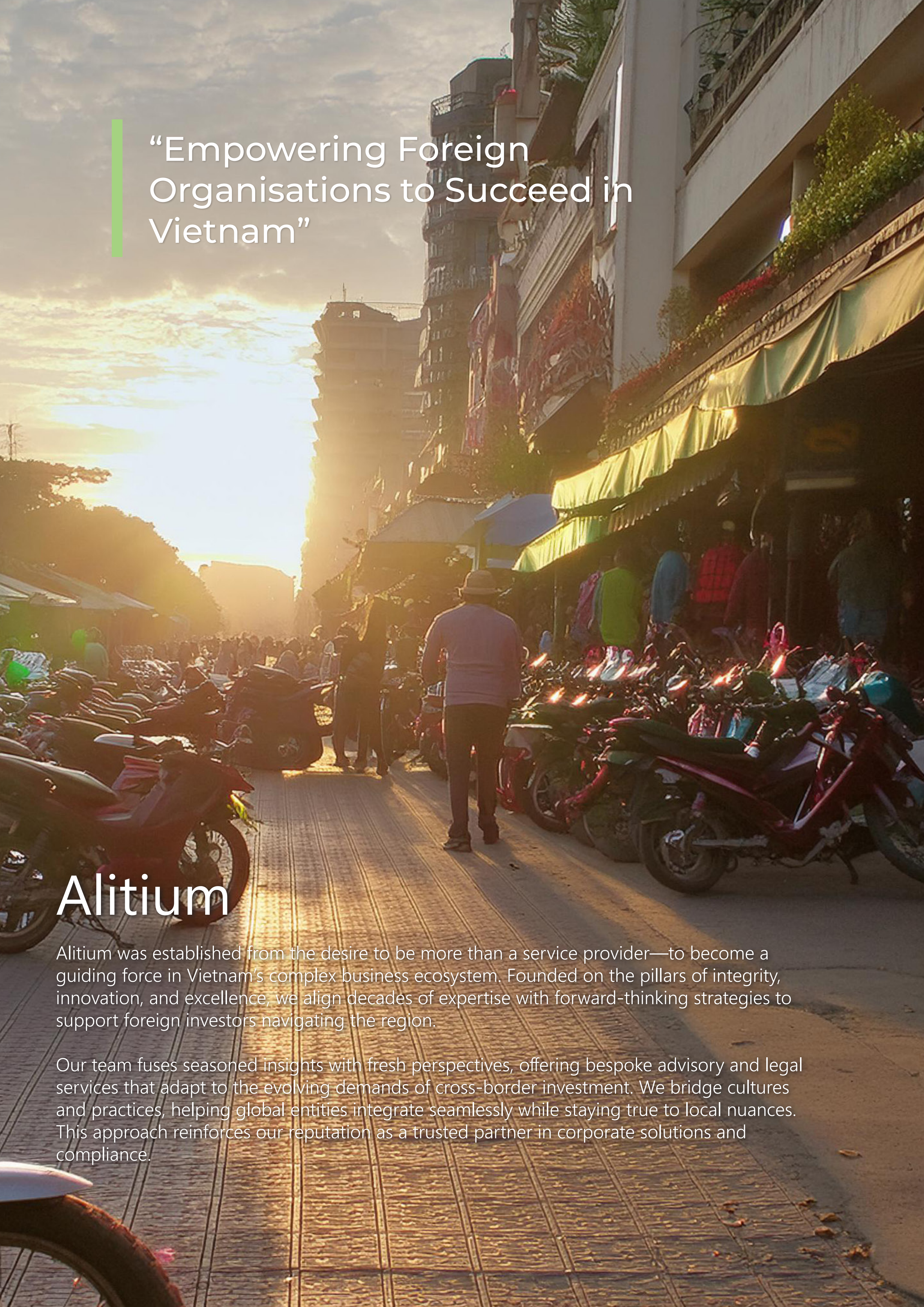

“Empowering Foreign Organisations to Succeed in Vietnam”

Alitium

Alitium was established from the desire to be more than a service provider—to become a guiding force in Vietnam’s complex business ecosystem. Founded on the pillars of integrity, innovation, and excellence, we align decades of expertise with forward-thinking strategies to support foreign investors navigating the region.

Our team fuses seasoned insights with fresh perspectives, offering bespoke advisory and legal services that adapt to the evolving demands of cross-border investment. We bridge cultures and practices, helping global entities integrate seamlessly while staying true to local nuances. This approach reinforces our reputation as a trusted partner in corporate solutions and compliance.

Representative Offices: An Overview

What is a Representative Office?

General Overview of Representative Offices for Foreign Organisations

In the Vietnamese legal and regulatory context, a Representative Office (often abbreviated as "Rep Office") constitutes a specific form of market presence that enables foreign organisations to engage with the Vietnamese market without conducting revenue-generating business operations. The model offers foreign enterprises an opportunity to gain early market insights, establish commercial relationships, and conduct preliminary activities without establishing a formal entity in Vietnam.

Unlike other forms of business establishment, a Representative Office is expressly prohibited from conducting profit-generating activities. This means it cannot enter into contracts (except for operational contracts and other specific exemptions), issue invoices, or receive revenues in Vietnam. Instead, it operates as a liaison channel between the parent company overseas and partners or authorities within Vietnam.

It is typically used for activities such as market research, local representation, and brand promotion, along with supporting contracts already signed by the parent company. For many foreign investors, the Representative Office acts as a practical first step into the Vietnamese market, enabling a legal presence, building connections, and assessing business viability before committing to more substantial investment forms such as a wholly foreign-owned enterprise or a joint venture.

Although limited in function, the Representative Office structure is particularly attractive for foreign companies in sectors subject to ownership restrictions or those wanting to better understand operational, legal, and regulatory conditions on the ground. Representative Offices also benefit from the straight forward licensing process and fewer compliance obligations compared to revenue-generating entities, making it an efficient option for early-stage market presence.

Laws Governing Representative Offices

The establishment and operations of Representative Offices in Vietnam are regulated under specific legal frameworks. The primary regulation is the Commercial Law No. 36/2005/QH11, which provides the foundation for activities and the presence of foreign entities in Vietnam. This is further supported through Decree No. 07/2016/ND-CP, which sets out detailed guidelines on the rights, obligations, procedures, and management of Representative Offices.

Additional legal instruments include Circular No. 11/2016/TT-BCT, issued by the Ministry of Industry and Trade, which provides regulations on the forms used for the implementation of Decree No. 07/2016/ND-CP concerning Representative Offices of foreign companies in Vietnam. While the Investment Law and Enterprise Law also intersect in certain administrative and operational areas with Representative Office obligations and practices.

Permitted Activities

The operational scope of a Representative Office in Vietnam is strictly non-commercial. It is expressly limited to activities such as conducting market research to understand the business landscape, commercial promotion activities, and acting as a liaison to foster partnerships and communication with Vietnamese stakeholders. Representative Offices are also permitted to assist the parent company with contracts with service providers for promotional campaigns and exhibitions, but they are not permitted to undertake these activities themselves (other than displays conducted directly in their own offices).

Any form of direct commercial transaction, including signing sales contracts or offering services for a fee, is prohibited. Representative Offices cannot issue Value Added Tax (VAT) invoices, engage in goods trading, or receive payment on behalf of the parent company. The regulatory intent behind these limitations is to prevent unfair competition and ensure clear demarcation between exploratory presence and actual commercial operations.

The Chief Representative is generally only permitted to sign contracts on behalf of the Representative Office in Vietnam for the purposes of its operations, such as its Vietnam rental contract or recruiting employees.

A Representative Office is only permitted to be registered at, and operate from, one address in Vietnam. It is possible for a foreign organisation to separately register additional Represenive Offices in other provinces, which are treated as independently in respect of their seperate obligations and reporting to authorities in the province they are registered. Each Representative Office is required to have a Chief Representative as head of the structure in Vietnam, who is responsible for the activities and liabilities arising, and where multiple Representative Offices exist, the same individual is permitted to be Chief Representative of those multiple offices.

Practical Use Cases

In practice, Representative Offices are widely used by companies in service industries, such as import/trading offices, consulting services and IT activities, where the initial need is to establish a presence, develop networks, or support regional clients. Similarly, foreign manufacturers set up Representative Offices to conduct supply chain assessments or oversee procurement relationships. Educational institutions often use this format to coordinate with Vietnamese partners or government bodies.

In regulated industries, such as pharmaceuticals, insurance, or aviation, where foreign equity restrictions may exist, a Representative Office offers a compliant structure for preliminary and compliant market engagement. It is also useful for exporters looking to test product reception, manage brand visibility, and establish customer pipelines without establishing a full trading presence. For these reasons, the Representative Office serves as a strategic vehicle for market exploration while mitigating financial and regulatory risk.

“ 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.”

Tax and Permanent Establishment Considerations

One of the advantages of establishing a Representative Office is that it is not subject to corporate income tax (CIT) in Vietnam, as it does not conduct revenue-generating activities. However, this exemption does remove liability for all tax-related obligations. Representative Offices must register for tax purposes to obtain a tax code and are responsible for fulfilling Personal Income Tax (PIT) obligations for any Vietnamese or foreign employees, along with registering for and contributing to social insurance schemes in accordance with local labour laws.

A critical concern for foreign organisations is the potential creation of a Permanent Establishment (PE) under Vietnam’s tax treaties. If the Representative Office engages in activities beyond its permitted scope, such as contract negotiation or signing, pricing decisions, or order fulfillment, it may be deemed to constitute a PE. This could subject the parent company to corporate tax liabilities in Vietnam, including retrospective taxation and penalties. Therefore, it is essential that all activities are tightly aligned with the permitted scope and that internal policies are implemented to ensure compliance.

Requirements and Process for Establishment

Required Documents

➡Application Form

Completed application form for establishing a Representative Office (with company chop/seal, if applicable)

➡Appointment of Chief Representative

Appointment letter for the Chief Representative of the Representative Office (with company chop/seal, if applicable) along with legalised/notarised identification documents

➡Power of Attorney

Power of Attorney issued in favour of the individual appointed to submit the application dossier

➡Certificate of Incorporation

Legalised copy of the Certificate of Incorporation and/or Business Registration Certificate of the Company

➡Audited Financial Statements or Tax Documents

Copies of audited financial statements, or certificate or fulfilment of tax liabilities and/or financial obligations, for the last financial year (or equivalent documents) as proof of the existance of operations for the foreign company.

➡Lease Documentation

Lease Agreement (or Memorandum of Understanding / pre-lease agreement) for an appropriate office lease. Additional documents, providing legal rights ot the landlord to lease premises, are also required.

Application Process

The process to establish a Representative Office typically takes 7-15 working days after submission of a complete application dossier, including all required documents. This involves:

➡Preparation of Documents

Preparation of documents, including translations and legalisation of foreign documents

➡Submission

The application is submitted to the Department of Industry and Trade (DOIT) in the relevant province, which must match the province for where the leased office will be located

➡Assessment & Approval

The licensing authority will review and assess the application, when satisifed with the completeness of the application form, and all required document, an approval will be issued.

➡Issuance of License

Once approval is received, the licensing authority will issue a “Representative Office Esablishment License”

Note: Some localities may have additional specific requirements or processing timelines, which should be determined before completing and submitting an application.

Post-Registration Obligations

➡Obtain Representative Office Seal

Arrange for a RO Seal, which will require a copy of the Representative Office Establishment License and the Passport/ID of the Chief Representative

➡Registration for Tax Code

Once a Seal is obtained, an application for a Tax Code is required, which will require a copy of the Establishment License, Certificate of Seal Registration, completed tax code declaration form, and signed power of attorney for the individual submitting/lodging the application

➡Bank Account

To open the bank account, from which domestic payments should be made, each bank will have specific requirements which generally include tax code registration, Establishment License, Certificate of Seal Registration, bank account application forms and appropriate KYC information.

➡Employment Registrations

To employ staff, the Representative Office will need to register as an employer, which generally includes labour authorities, insurance authorities and trade unions,

Issues for Attention

Matters to be aware of when establishing a Representative Office

Chief Representative Appointment

The Chief Representative is the legal head of the Representative Office in Vietnam. This individual must be formally appointed by the parent company and is named in the licensing application and the subsequent establishment license. The appointee must have full civil capacity under Vietnamese law and must not be disqualified from management roles (e.g., due to criminal records or prior business bans).

Although there is no formal requirement that the Chief Representative be a Vietnamese national or resident, in practice they are often foreign nationals residing in Vietnam. It is generally important that the Chief Representative resides in the country, or spends considerable time in country for a significant portion of the year, as they are the official signatory and legal liaison with local authorities. Their responsibilities include tax and labour compliance, internal oversight, and ensuring the Rep Office operates within its permitted legal framework.

A Chief Representative can be concurrently Chief Rep of multiple Representative Offices in Vietnam, however they cannot concurrently hold the tile as Legal Representative of another company whilst they are a Chief Representative.

Changing the Chief Representative

Changing the Chief Representative requires notification and updating of information with several authorities, including the DOIT, the tax authority, and social insurance bodies. Changes need to be notified and processed within prescribed periods, which is 60 working days for most appointments/changes, and delays can result in penalties.

New appointments must be documented via formal resolutions or letters from the parent company and accompanied by the legal identification of the new Chief Representative.

Once appointed, further administrative updates are generally necessary, including changing bank signatories, where the former Chief Representative was a party to appropriate agreements. Failure to complete these additional updates in a timely manner can delay transactions, including banking transfers and tax filings.

A complication when changing the Chief Representative of a Representative Office the requirement for tax clearance for the personal taxation of the departing Chief Representative. This clearance requires all matters of the Chief Representative to be up to date in Vietnam, and becomes more complicated where the departing Chief Representive is not tax resident in Vietnam.

The tax clearance is required to protect against two elements:

1) That the Chief Representative has been declaring all income related to their role in Vietnam, and not receiving income from the parent entity directly, and

2) As the Chief Representative is legally responsible for the actions of the Representative Office in Vietnam, that all potential tax risks arising during their tenure have been appropriately vetted.

Accounting Records and Tax Risks

Even though a Representative Office is not required to maintain full accounting books compliant with Vietnamese Accounting System, in the way a revenue-generating entity must, it is still obligated to document and track expenditures, especially remittances from abroad and how they are utilised.

All records must be maintained in a way that enables inspection from relevant tax and other authorities, and should records not be available (or not clearly show they relate specifically to the Representative Office), authorities have broad powers to deem certain transactions or records.

It is essential to maintain payroll records, tax declarations, labour agreements, and all documentation related to employee compensation and benefits.

Further risks may arise where expenditures are excessive or cannot be justified, particularly in the context of tax inspections. If the office is seen to be engaging in activities beyond its permitted scope, this could lead to retroactive taxation or PE status classification.

" Representative Offices must maintain clear financial records and supporting documentation for all transactions through its bank accounts. Records maintained must show each payment relates specifically to costs of the Representative Office, otherwise upon inspection, payments without sufficient support can be deemed as a taxable benefit to the Chief Representative."

Winding Up Requirements & Issues

Winding up a Representative Office involves a multi-step compliance process. First, the parent company must formally notify the DOIT and tax authorities of the intent to close the office. A final PIT settlement and de-registration with social insurance authorities must occur, and all employee contracts must be terminated in accordance with labour law.

Bank accounts must be closed, leases concluded, and the office signboard removed. Only when these steps are verified can the DOIT approve the formal revocation of the establishment license. Failure to conduct an orderly wind-up may result in unresolved liabilities or regulatory scrutiny of the parent company.

Other Practical Considerations

Several additional considerations should be borne in mind. First, the office location must be in a properly zoned commercial building. Residential addresses or unlicensed spaces will be rejected during licensing or inspections. Second, Chief Representatives who are foreign nationals will typically require work permits or valid exemptions and must maintain appropriate visas. In addition, a foreign company must have been established itself for at least 12 months prior to the lodgement of an application to establish a Representative Office in Vietnam, which may impact planning for which entity in a larger group is most appropriate to be the parent entity for the application.

Licenses are issued for up to five years and must be renewed prior to expiry. Renewal involves demonstrating continued compliance and updating documentation. Finally, Representative Offices are subject to inspection by various agencies, including labour, tax, and public security authorities. Professional advice and support,is highly advisable for both the the establishment phase and ongoing operations.

About Alitium

Alitium provides professional support in Vietnam for foreign investors. Supporting Market Entry, Company Establishment, Taxation, Advisory and Ongoing Compliance services, Alitium's professionals are focussed on ensuring international best practice and governance standards are maintained at all time for foreign investors.

Alitium's market entry services are designed to simplify the process of establishing a foothold in Vietnam. They provide comprehensive support, including corporate structuring and planning, feasibility studies, market research, entry strategy development, location and office setup, and post-entry support. By leveraging their network of local partners and authorities, Alitium ensures a smoother market entry, aligning strategies with business objectives, whether through direct investment, partnerships, representative offices or joint ventures.

Understanding that Vietnam's default company or market entry structures may not align with international expectations, Alitium emphasizes the importance of selecting appropriate structures that permit future entry and exit strategies. Alitium's commitment to compliance, governance, and risk mitigation provides foreign investors with the confidence to navigate Vietnam's evolving market successfully. With deep local expertise and a global perspective, Alitium delivers practical, compliant, and strategic solutions, helping foreign businesses establish and maintain a compliant presence in Vietnam.

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Phuong is a registered lawyer in Vietnam, with more than 10 years professional experience advising foreign investors with their market entry and ongoing commercial and structural requirements in Vietnam. Prior to founding Alitium, Phuong directly lead a team of 20 lawyers focussing on supporting foreign-listed and multi-national investors.

Phuong's main practice areas have focussed on licensing, company establishment and structuring – particularly in difficult market access sectors in Vietnam for foreign investors, along with employment and restructuring support in complex scenarios.

Matthew Lourey
Chairman
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Matthew is an Australian Chartered Accountant, with 20 years professional experience advising corporate investors in Vietnam.

Matthew was the founder of a significant professional services firm in Vietnam, and is known for his extensive knowledge and experience advising foreign investors to navigate and remain compliant with Vietnam's complex regulatory environment.

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