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Introduction to VIETNAM

Vietnam is a densely populated, emerging economy that has implemented market-oriented reforms since 1986 and benefited from large foreign direct investment inflows since its accession to the World Trade Organization in 2007. Vietnam's macroeconomic environment has changed significantly as a result of these developments. After a period of overheating and repeated episodes of external liquidity squeeze and currency devaluation in 2008-2010, macroeconomic conditions have been more stable. Real GDP growth has averaged 6.1% per year since 2011 and reached 6.8% in 2017, the fastest rate in ten years. Continued inflows of FDI have led the export industry to expand rapidly, diversify toward higher value-added products and integrate the regional supply chain. The current account balance has been in surplus since 2011, external liquidity has strengthened very slowly, and the Vietnamese dong depreciated against the USD by only 1.3% per year on average in 2012-2017.

On the negative front, significant vulnerabilities remain, including Vietnam's poor fiscal performance and heavy public debt, high credit risks resulting from the excessive debt of corporates (state enterprises in particular) and banks' very weak capital buffers.

In the medium term, Vietnam's economic growth prospects remain very strong. While the government has started fiscal consolidation efforts since 2017, large restructuring of Vietnamese banks and state-owned enterprises are required to maintain macroeconomic stability.

BNP Paribas presence

BNP Paribas established representative offices in Hanoi and Ho Chi Minh City in 1989 and obtained a branch license for Ho Chi Minh in 1992. The bank is a member of the local Interbank Payment System and offers comprehensive cash management and international trade finance services in Vietnam. Clients have access to over 552 branches in Vietnam through a strategic local partnership.

BNP Paribas is a major player in trade finance throughout Asia, offering a full suite of traditional trade (letters of credit, bankers' guarantee, trade financing, standby letters of credit, etc.) and supply chain financing solutions (receivables purchase programmes, supplier financing etc.) products, including a unique inventory solution offered through its trade centres in Australia, China, Japan and Singapore, specifically for companies engaged in international trade, as part of a wider network of more than 100 trade centres globally. BNP Paribas has experienced trade finance advisors and personnel who deliver a range of customised trade solutions and advise on local market practices. These solutions are supported by the bank's ISO-certified trade services support team.

Working with BNP Paribas

With direct access to the local clearing house, BNP Paribas offers comprehensive cash management and reporting services to both foreign multinationals doing business in Vietnam and domestic companies seeking to expand their business to other regions. These include innovative solutions such as virtual accounts to automate reconciliation and account posting. BNP Paribas is also a major player in trade finance throughout Asia, including Vietnam, offering a full suite of trade and supply chain financing solutions (receivables purchase programmes, supplier financing etc.) products.
Currency

- Vietnamese dong (VND).

Exchange Rates

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exchange rate: VND per USD</strong></td>
<td>20,933</td>
<td>21,148</td>
<td>21,677</td>
<td>21,935</td>
<td>22,370</td>
</tr>
</tbody>
</table>


Central Bank

- The Vietnamese central bank is the State Bank of Vietnam (SBV - [www.sbv.gov.vn](http://www.sbv.gov.vn)).

Bank supervision

- Vietnamese banks are licensed and supervised by the SBV.

Bank accounts

Resident / non-resident status

- A company is considered resident in Vietnam if it is incorporated in or has its place of effective management located in Vietnam.

Bank accounts for resident entities

<table>
<thead>
<tr>
<th></th>
<th>Within Vietnam</th>
<th>Outside Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Local Currency</strong></td>
<td>Permitted, convertible with restrictions</td>
<td>Not permitted</td>
</tr>
<tr>
<td><strong>Foreign Currency</strong></td>
<td>Permitted, convertible with restrictions</td>
<td>Permitted, with restrictions and approval from the SBV. Convertible with restrictions</td>
</tr>
</tbody>
</table>
Bank accounts for non-resident entities

<table>
<thead>
<tr>
<th></th>
<th>Within Vietnam</th>
<th>Outside Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Currency</td>
<td>Permitted with restrictions, convertible with restrictions</td>
<td>Not permitted</td>
</tr>
<tr>
<td>Foreign Currency</td>
<td>Permitted with restrictions, convertible with restrictions</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

Lifting fees

- Percentage-based lifting fees may be applied on payments between resident and non-resident bank accounts.

BNP Paribas insights

- There are some restrictions on account opening and documentation requirements in Vietnam, which may require central bank approval in some cases. Please contact your BNP Paribas relationship manager for further information.

BNP Paribas Cash Management Capabilities

Liquidity Management

<table>
<thead>
<tr>
<th></th>
<th>Supported by BNP Paribas</th>
<th>Not required / permitted in VIETNAM or not supported by BNP Paribas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical cash pooling</td>
<td><img src="https://example.com/supported.png" alt="Supported" /></td>
<td><img src="https://example.com/not_supported.png" alt="Not Supported" /></td>
</tr>
<tr>
<td>Notional pooling</td>
<td><img src="https://example.com/supported.png" alt="Supported" /></td>
<td><img src="https://example.com/not_supported.png" alt="Not Supported" /></td>
</tr>
</tbody>
</table>

Collections

<table>
<thead>
<tr>
<th></th>
<th>Supported by BNP Paribas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash collections</td>
<td><img src="https://example.com/supported.png" alt="Supported" /></td>
</tr>
<tr>
<td>Cheque collections</td>
<td><img src="https://example.com/supported.png" alt="Supported" /></td>
</tr>
<tr>
<td>Direct debit collections</td>
<td></td>
</tr>
<tr>
<td>-------------------------</td>
<td></td>
</tr>
</tbody>
</table>
| Domestic incoming transfers | ✔️
| International incoming transfers | ✔️
| Card acquiring |  

**Supported by BNP Paribas**

| Not required / permitted in VIETNAM or not supported by BNP Paribas |

### Payments

| Cash withdrawals | ✔️
| Cheque payments |  
| Direct debit payments |  
| Domestic outgoing transfers | ✔️
| International outgoing transfers | ✔️
| Card issuing |  

**Supported by BNP Paribas**

| Not required / permitted in VIETNAM or not supported by BNP Paribas |

### Channels

| Local e-Banking |  
| Global e-Banking - Connexis | ✔️
| SWIFTNet / Global host to host | ✔️
Payments & Collections

Market overview

- In addition to both high and low value RTGS and interbank payment systems that are run by the state bank of Vietnam, Vietcombank Money—a system run independently by Vietcombank, a state-owned bank, is used for clearing domestic foreign currency and VND payments.

Payment systems

| IBPS | Type | Real-time gross settlement via the high-value transfer system (HVSS).  
Deferred net settlement via the low-value transfer system (LVSS). |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Participants</td>
<td>2,353 direct and non-direct.</td>
</tr>
</tbody>
</table>
|      | Transaction types processed | High-value (VND 500 million and above) and urgent VND-denominated credit transfers via the HVSS.  
Low-value (below VND 500 million) and non-urgent VND-denominated credit transfers via the LVSS. |
|      | Operating hours | 08:17:00, Monday to Friday. |
|      | Clearing cycle details (e.g. cut off times) | Payments are cleared and settled in real time via the HVSS.  
Net settlement of LVSS payments takes place on a same-day basis. |
|      | System holidays | The IEPS is closed on all Vietnamese bank holidays.  
Vietnam’s bank holidays are:  
2nd half 2018: 1 January, 15–21 February, 25, 30 April, 1 May, 3 September.  
2nd half 2018: 1 January, 4–8 February, 30 April, 1 May, 2 September. |
| SBV electronic clearing system | Type | Deferred net settlement. |
|      | Participants | 131 direct. |
|      | Transaction types processed | Low-value electronic payments. |
Operating hours

• N/A

Clearing cycle details (e.g. cut off times)

• There are two to three clearing sessions daily depending on the location and the number of payment instructions.
• Payment instructions are transferred to receiving banks once each clearing settlement session is complete.

System holidays

• The SBV electronic clearing system is closed on Vietnam holidays. (Dates as above)

Transaction volumes by instrument

<table>
<thead>
<tr>
<th></th>
<th>Transactions (millions)</th>
<th>% change 2016/2015</th>
<th>Traffic (VND billions)</th>
<th>% change 2016/2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheques</td>
<td>667,147</td>
<td>829,249</td>
<td>24.3</td>
<td>95,511</td>
</tr>
<tr>
<td>Bank card</td>
<td>55,055,407</td>
<td>80,287,856</td>
<td>45.8</td>
<td>230,593</td>
</tr>
<tr>
<td>Direct debits</td>
<td>2,577,431</td>
<td>3,408,455</td>
<td>32.2</td>
<td>3,038,051</td>
</tr>
<tr>
<td>Credit transfers</td>
<td>157,907,353</td>
<td>221,152,707</td>
<td>40.0</td>
<td>33,669,634</td>
</tr>
<tr>
<td>Others*</td>
<td>141,760,607</td>
<td>236,975,043</td>
<td>67.2</td>
<td>12,703,628</td>
</tr>
<tr>
<td>Total</td>
<td>357,967,945</td>
<td>542,653,310</td>
<td>51.6</td>
<td>49,737,417</td>
</tr>
</tbody>
</table>

* Includes bills, standing orders, online, mobile and phone banking.

Credit transfers

• Credit transfers are used by the government and companies to pay salaries and suppliers.
• High-value (VND 500 million and above) and urgent credit transfers are settled in real time via the HVSS element of the IBPS.
• Low-value (b VND 500 million), non-urgent and high-volume payments can be settled on a same-day basis via the LVSS element of the IBPS.
• Low-value electronic credit transfers can also be settled by the SVB electronic clearing system.
• Leading commercial banks BIDV, Agribank and Vietinbank, also operate an electronic bilateral interbank payment system for non-urgent, low value payment transactions.
• The Joint Stock Bank for Foreign Trade of Vietnam operates an interbank payment system for foreign currency transfers.
• Cross-border transfers can be made via SWIFT and settled through correspondent banks abroad.
Direct debits

- Direct debits are used for regular payments such as utility bills.
- Direct debits are settled on a bilateral basis between banks.

Cheques

- The cheque is not a commonly used cashless payment instrument in Vietnam.
- Intra-city/intra-province cheque payments are cleared by provincial payment centres operated by the SBV. Funds are typically available within three days.
- Inter-province cheque payments are cleared and settled via the SBV’s National Processing and Settlement Centre.
- Funds are typically available within seven working days.

Card payments

- Payment cards are increasingly popular, especially for retail transactions.
- There were approximately 136 million payment cards in circulation at the end of Q1 2018. Debit cards account for 90% of all cards in circulation.
- Most payment cards are issued by Agribank, Vietcombank and Vietinbank.
- Vietnam National Financial Switching (Banknetvn) is Vietnam’s national payment card operator. All card-issuing institutions in Vietnam are members.
- All ATM cards must be EMV-compliant by 2020.

ATM/POS

- There were 17,889 ATMs in Vietnam at the end of Q1 2018.
- There were 278,768 POS terminals in Vietnam at the end of Q1 2018.
- The majority of payments are settled via Banknetvn.
- Payments can also be settled via Smarlink, Vietnam Bank Card and Visa, MasterCard and American Express card operators.

Electronic wallet

- The dominant electronic wallet schemes in Vietnam are pre-paid cards. VinaPay’s MrTopUp service is one of the biggest prepaid card distributors in Vietnam.
- E-money payments are settled via the individual schemes.
- Mobile Wallets schemes are also available, including: 1Pay, which allows users to pay via SMS, online, and via pre-paid cards for online shopping and Payoo, from the VietUnion Online Services Corporation, a digital wallet for both business and consumer payments. Samsung Pay launched in September 2017.
- In 2016, the total value of the transactions via e-wallets in Vietnam reached VND 53.109 trillion.

BNP Paribas capabilities

- BNP Paribas offers comprehensive payments and collection capabilities in Vietnam through multiple connectivity channels such as Connexis and Connexis Connect (host to host) solutions. Please contact your BNP Paribas relationship manager for further information.
Electronic banking

Market overview

- Electronic banking services are available from most banks.
- There is no national electronic banking standard in Vietnam, so companies use banks’ proprietary services.
- Transaction and balance reporting, and some transaction initiation services are available.
- Online and mobile banking services are provided by the country’s leading banks. An estimated 44% of commercial customers use online banking services.
- Mobile money services are also available enabling users to make online payments and peer-to-peer transfers.

BNP Paribas capabilities

- BNP Paribas’ international electronic banking solutions such as Connexis and Connexis Connect (host to host) are available in Vietnam.

Liquidity management

Domestic: notional pooling

- Domestic notional cash pools are available in VND and major foreign currencies within the same legal entity. Resident and non-resident bank accounts can participate in the same notional pool structure.

Domestic: cash concentration

- Domestic cash concentration structures are available in VND within the same legal entity.
- Zero balancing is the most commonly used structure.
- Exchange controls restrict resident and non-resident bank accounts participating in the same structure.

Cross-border notional pooling

- Cross-border notional cash pooling is not permitted for regulatory reasons.

Cross-border cash concentration

- Cross-border cash concentration is not permitted for regulatory reasons.

BNP Paribas insights

- Cash pooling is complex in Vietnam as a result of regulatory and taxation issues. Cross-border cash pooling is not permitted. Please contact your BNP Paribas relationship manager for further information.
Short term investments

Market overview

Interest payable on credit balances

- Interest-bearing current accounts are permitted.

Demand deposits

- Demand deposits denominated in VND or major foreign currencies are available for various terms.

Time deposits

- Time deposits are available in VND or major foreign currencies with terms ranging from one week to three years.

Certificates of deposit

- Domestic banks issue certificates of deposit in VND or major foreign currencies with terms ranging from one month to one year.
- Certificates of deposit can be issued paying fixed or variable interest.

Treasury (government) bills

- The SBV issues Treasury bills on behalf of the Ministry of Finance every Monday for terms of less than one year. Bidding entities must have approval from the Ministry of Finance. The Ministry of Finance issues government bonds with terms ranging from two to fifteen years.

Commercial paper

- Domestic commercial paper, in the form of promissory notes, is issued by domestic companies to residents in Vietnam.

Money market funds

- Domestic money market funds are available but not widely used.

Repurchase agreements

- Repurchase agreements with maturities of less than one year are available in Vietnam but not widely used.

Bankers' acceptances

- Bankers' acceptances are available in Vietnam.

BNP Paribas insights

- Please contact your BNP Paribas relationship manager for support and guidance on cash investment.
## Trade payments

<table>
<thead>
<tr>
<th>Service</th>
<th>Supported by BNP Paribas</th>
<th>Not required / permitted in VIETNAM or not supported by BNP Paribas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Documentary credits</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Documentary collections</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

## Guarantees

<table>
<thead>
<tr>
<th>Guarantee</th>
<th>Supported by BNP Paribas</th>
<th>Not required / permitted in VIETNAM or not supported by BNP Paribas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank guarantees</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Standby letters of credit</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

## Supply chain management

<table>
<thead>
<tr>
<th>Component</th>
<th>Supported by BNP Paribas</th>
<th>Not required / permitted in VIETNAM or not supported by BNP Paribas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Inventory</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Trade channels

<table>
<thead>
<tr>
<th>Connexis Trade</th>
<th>✓</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connexis Supply Chain</td>
<td>✓</td>
</tr>
<tr>
<td>SWIFTNet Trade for Corporates</td>
<td>✓</td>
</tr>
<tr>
<td>Connexis Connect</td>
<td>✓</td>
</tr>
</tbody>
</table>

- Supported by BNP Paribas
- Not required / permitted in VIETNAM or not supported by BNP Paribas

International trade

General trade rules

- As a member of the Association of Southeast Asian Nations (ASEAN), Vietnam has entered into the ASEAN Trade in Goods Agreement (ATIGA) between member states (Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam). Vietnam is also a member of the ASEAN Free Trade Area (AFTA) and is committed to reducing and eliminating tariffs between members.
- As a member of the Asia-Pacific Economic Cooperation (APEC) forum, Vietnam has agreed to liberalise trade and investment rules between members.

Trade agreements

- Vietnam has signed a free trade agreement (FTA) with Chile, South Korea and an economic partnership agreement with Japan.
- ASEAN has signed free trade agreements (FTAs) with Australia, China, Hong Kong, Japan, India, New Zealand and South Korea.
- Vietnam has signed an FTA with the Eurasian Economic Union.
- Vietnam has launched FTA negotiations with the EU; EFTA member states and Israel.

Imports / exports

<table>
<thead>
<tr>
<th>Imports</th>
<th>Machinery and equipment</th>
<th>Petroleum products</th>
<th>Steel products</th>
<th>Raw materials for clothing</th>
<th>Electronics</th>
<th>Plastics</th>
<th>Automobiles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Import sources</td>
<td>China (27.6%)</td>
<td>South Korea (22.1%)</td>
<td>Japan (7.9%)</td>
<td>Taiwan (6.0%)</td>
<td>Thailand (5.0%)</td>
<td>USA (4.4%)</td>
<td></td>
</tr>
</tbody>
</table>
Import / export volumes

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exports</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- goods USD m</td>
<td>132,032</td>
<td>150,217</td>
<td>162,112</td>
<td>176,632</td>
<td>214,135</td>
</tr>
<tr>
<td>- services USD m</td>
<td>10,711</td>
<td>10,970</td>
<td>11,200</td>
<td>12,500</td>
<td>13,110</td>
</tr>
<tr>
<td><strong>Imports</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- goods USD m</td>
<td>123,319</td>
<td>138,091</td>
<td>154,716</td>
<td>162,619</td>
<td>202,640</td>
</tr>
<tr>
<td>- services USD m</td>
<td>13,820</td>
<td>14,500</td>
<td>15,500</td>
<td>17,650</td>
<td>16,981</td>
</tr>
<tr>
<td>Current account as % GDP</td>
<td>+ 4.5</td>
<td>+ 5.0</td>
<td>+ 0.5</td>
<td>+ 4.0</td>
<td>NA</td>
</tr>
</tbody>
</table>


Trade finance - imports

Documentation

The following documentation is required in order to import goods into Vietnam:

- Cargo release order
- customs declaration
- commercial invoice
- bill of lading
- packing list
- terminal handling receipts
- inspection reports
- certificate of origin or health certificate.
Import licences

- Licences from the Ministry of Trade are required when importing motorcycles, guns and bullets.
- Licences may also be required temporarily, subject to quantitative controls imposed by the Ministry of Trade and the Ministry of Planning and Investment.

Import taxes and tariffs

- Tariff rates are applied via one of over three categories: preferential tax rates, special preferential tax rates and ordinary tax rates.
- A 135% tax rate applies to cigarettes and cigars.
- The average most-favoured-nation import tax rate is 10.4%.
- Most types of machinery, equipment and medicine, along with imports from foreign companies covered by Vietnam’s Law on Foreign Investment are not subject to import tariffs.

Financing requirements

- Foreign exchange purchased in connection with imports must generally be remitted directly to non-resident beneficiaries on the date of purchase.
- Importer foreign currency deposit accounts are permitted to be credited with purchased foreign exchange, pending remittance to non-residents.

Risk mitigation

- None.

Prohibited imports

- Prohibited imports are published on a negative list.
- Vietnam prohibits the import of certain items in order to protect fauna and flora, for health and safety or moral reasons, and/or for national security.

Trade finance - exports

Documentation

The following documentation is required in order to export goods from Vietnam:

- customs declaration
- commercial invoice
- bill of lading
- packing list
- health certificate.

Export licences

- Licences with quotas are required when exporting textile and clothing products, certain minerals, timber
products and rice.

Export taxes and tariffs

- Tariffs are set on certain products such as crude oil, metals, wood products, raw hides and skins.

Financing requirements

- None.

Risk mitigation

- The Vietnam Development Bank, Vietnam’s national export credit agency, provides state supported export credit insurance and financing.
- Export credit insurance and also financing are available from private companies.

Prohibited exports

- Prohibited exports are published on a negative list.

Regulatory requirements

Reporting regulations

- All transactions between resident accounts and accounts held by non-residents must be reported by companies to the SBV for balance of payments purposes.
- Transactions on resident foreign exchange accounts held abroad must be reported to the SBV on a biannual basis for balance of payments purposes.
- If an entity is engaged in borrowing from abroad they are required to report details regarding the performance of these loans to either the State Bank of Vietnam (for a loan without a government guarantee) or the Ministry of Finance (for a loan with government guarantee).
- Financial institutions are required to report foreign exchange transactions involved in the payment of certain imports, including the import of non-essential goods and goods that could have been produced domestically in Vietnam. Financial institutions must also report foreign exchange loans.

Reporting method

- Companies are required to submit monthly, quarterly and annual reports to the general statistics office via provincial level offices.
- Monthly reports are submitted by the 12th day of the month, quarterly reports are submitted by the 12th day of the month following the quarter and annual reports should be submitted by 31 March of the following year.
- Financial institutions must submit weekly foreign exchange reports and monthly reports on foreign currency loans to the SBV’s Department of Foreign Exchange Control.
Exchange controls

- Exchange controls are administered by the SBV.
- Import or export of VND banknotes by individuals with a value over VND 15 million or foreign currency banknotes with a value above USD 5,000, must be declared to the Vietnamese customs authority.
- Credit institutions are permitted to carry out forward and swap transactions in VND and foreign currencies, with maturities ranging from three days to one year.
- Non-residents usually require SBV authorisation to carry out foreign exchange transactions in Vietnam.
- Resident entities must immediately repatriate all proceeds from exports and invisible transactions.
- Residents are permitted to issue debt securities abroad, although prior approval from the relevant regulatory authority is required. Residents are not permitted to buy debt securities from abroad. Non-residents are not permitted to issue debt securities in Vietnam or to sell equities.
- Credit institutions can offer loans to residents in foreign currency as long as borrowers are able to prove they can also repay the loans in foreign currency. Borrowers are also required to sell foreign currency loans back to the lending credit institutions via spot foreign exchange transactions, unless they acquire bank loans to execute transactions that require foreign currency settlement.
- Investors in Vietnam must get approval from government, the Ministry of Planning and Investment (MPI) or the Provincial People's Committee. Foreign companies and partners must also open a foreign currency account with an authorised bank that will process all capital transactions.
- Investment from Vietnam by resident entities requires a permit from the MPI. Transactions have to be routed via a dedicated account that is registered with the SBV and held with an authorised foreign exchange bank.
- Indirect investment by non-residents must be carried out in VND. Any foreign currency used in non-residents' indirect investment must be converted into VND before the investment can take place. Foreign indirect investment by a non-resident entity must be done through an indirect investment account opened at a bank licensed in Vietnam.
- Non-residents are not permitted to sell or issue bonds or other debt securities in Vietnam.
- As a member of the Association of Southeast Asian Nations (ASEAN), Vietnam is a participant in the ASEAN Swap Arrangement and the Bilateral Swap Arrangements under ASEAN+3.

Anti-money laundering / counter-terrorism financing

- Vietnam has implemented anti-money and counter-terrorist financing laundering legislation (the ‘New’ Penal Code, effective 1 January 2018, Articles 250 and 251 of the Penal Code, as amended; the Anti-Money Laundering Law 2012; and Decree No 116/2013/ND-CP on the Prevention and Combating of Money Laundering). The SBV and the Ministry of Finance have also issued related Circulars, most recently No 35/2013 and No 31/2014.
- Vietnam is a member of the Asia/Pacific Group on Money Laundering (APG).
- Vietnam has established a financial intelligence unit, the Anti-Money Laundering Department (AMLD), under the SBV.
- Account opening procedures require formal identification of the account holder and beneficial owners.
- Individuals conducting occasional transactions of VND 300 million (approximately EUR 10,400 or USD 14,000) must be identified.
- All financial institutions must record and report suspicious transactions within 48 hours to the AMLD. If criminal activity is suspected, reports must be made within 24 hours.
- Financial institutions in the broadest sense must report all single or multiple cash transactions performed in one day by an individual or organisation, with an aggregate value exceeding VND 200 million or the equivalent in foreign currency or gold, to the AMLD. The same rule applies to cash transactions exceeding VND 300 million (or the equivalent in foreign currency or gold) performed in relation to savings accounts.
- Financial institutions are required to report domestic online transactions exceeding VND 500 million (approximately USD 24,000) or the equivalent in other currencies, and international online transactions exceeding USD 1,000 to the FIU.
- All foreign currency exceeding USD 7,000 and gold of more than 300 grams must be declared to the customs authorities upon arrival and departure.
- All records must be maintained for a minimum of five years from the date of the closing of the account or the completion of the last transaction.
Resident / non-resident

- Residence is not defined, but a corporation generally is considered to be resident if it is incorporated in Vietnam.
- All companies and other legal entities incorporated and carrying on a business in Vietnam are subject to various local indirect taxes and corporate income tax (CIT). They are also required to apply Vietnamese Accounting System Standards (VASS) and Vietnamese Accounting Standards (VAS). These are generally based on International Accounting Standards, with some modifications.
- Foreign companies carrying on business in Vietnam without setting up a legal business presence may be taxed under a foreign contractor withholding tax (FCWT) regime, which mainly comprises of value added tax (VAT) and CIT. They need to pay the same corporate taxes as local companies if they meet the conditions of a resident business, and register under the relevant business laws in Vietnam.
- For corporate tax purposes, there are no differences between the tax rules applicable to businesses owned by Vietnamese nationals and foreign companies.

Financial instruments

- Under the CIT regulations, turnover in respect of derivative financial services should be determined as proceeds from the provision of such services (e.g. by brokers/banks) and performed within any tax assessment period.

Interest and financing costs

- Interest expenses relating to financing the business using interest-bearing debt due to a lack of paid-up share capital will not be deductible upon calculating CIT.
- Other than the transfer pricing rules and the above restriction, there are no particular rules that disallow the deduction of certain interest and other financing costs in Vietnam.

Foreign exchange

- Vietnamese CIT regulations stipulate that all realised gains/losses, and unrealised gains/losses on accounts payable, are treated as taxable/deductible.
- Other unrealised foreign exchange gains or losses are non-taxable and non-deductible.

Advance tax ruling availability

- Advance tax rulings are available from the local and national tax authorities. An enterprise can submit an official application to the tax authorities for a ruling clarifying specific tax concerns.

Capital gains tax

- Generally, capital gains made by an enterprise in Vietnam will form part of the taxable income of the enterprise, and will be taxed at the standard CIT rate. No incentive CIT rate, exemptions or reduced rates apply to capital gains.
- The transfer value is based on the actual price according to the transfer contract. A deemed fair market value
The taxable gain is determined as the excess of the sales proceeds less costs and transfer expenses.
- A specific capital gains tax, called capital assignment profits tax (CAPT), is imposed on gains made by foreign companies on the transfer of interests in a foreign invested or unlisted Vietnamese company. The rate of the CAPT is 20%.
- The disposal of an investment in a Vietnamese company requires approval from the licensing authorities.

### Withholding tax (subject to tax treaties)

<table>
<thead>
<tr>
<th>Payments to:</th>
<th>Interest</th>
<th>Dividends</th>
<th>Royalties</th>
<th>Other income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident entities</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Non-resident entities</td>
<td>5%</td>
<td>None (but see note)</td>
<td>10%</td>
<td>10%</td>
</tr>
</tbody>
</table>

- A withholding tax of 5% (corporate tax) and 5% (VAT) generally applies to technical service fees paid to a non-resident. The corporate tax may be exempt under a tax treaty.
- Foreign contractor withholding tax is imposed on income from the provision of goods and services from overseas organisations (except for pure trading transactions), which comprises corporate income tax and VAT at a total combined rate of 0.1-15%.

### Tax treaties / tax information exchange agreements (TIEAs)

- Vietnam has tax treaties with nearly 70 countries.

### Thin capitalisation

- Under current regulations, there are no restrictions on the capital, specific loan ratios, or minimum capital requirements for foreign-owned enterprises, except for some industries such as construction and real estate.

### Transfer pricing

- Related-party transactions must be identified and declared annually using prescribed forms, which must be submitted together with the annual CIT return.
- Companies are required to make a full self-assessment of their profits calculated on an arm's-length basis, and must prove that the pricing method adopted is indeed arm's length.
- The following methodologies are permitted: comparable uncontrolled price, resale price, cost plus, comparable profit and profit split, although no priority of methods exists. The taxpayer must establish that it is using the best method appropriate under the circumstances. Contemporaneous documentation is required. The tax authorities can adjust profits of the pricing strategy if found not to be at arm's length.
- The definition of related parties includes a control threshold as low as 20% (or 10% in some cases).
- Enterprises are required to maintain transfer pricing documentation to support the arm's-length nature of related party transactions. This must be submitted within 30 days, if requested by the tax authorities.
- Advanced pricing agreements are available.
Stamp duty

- Stamp duties are of 0.5% to 15% assessed on the transfer of housing and land (i.e. certain types of buildings and land), means of transportation (i.e. all types of motorised vessels/boats, automobiles and motorcycles), shotguns and sporting guns.

Cash pooling

- Vietnam has no specific tax rules regarding cash pooling arrangements.

Tax issues with cash concentration

- Foreign exchange controls are applicable in Vietnam. The Vietnamese dong (VND) is not easily convertible.
- Inward and outward remittances (e.g. of investment capital, profits, payment of loan interest, etc.) must be effected via foreign currency accounts opened at authorised credit institutions.
- Foreign companies may open an offshore bank account for specific purposes, such as for servicing medium or long-term loans with foreign lenders, with the prior approval of the State Bank of Vietnam.

Financial transactions / banking services tax

- Vietnam has no specific taxes applying to financial transactions and/or banking services.

All tax information supplied by Deloitte Touche Tohmatsu and Deloitte Highlight 2018 (www.deloitte.com).

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