



ATLAS

BY BNP PARIBAS

CASH MANAGEMENT

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BNP PARIBAS

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world

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Vietnam is a densely populated, emerging economy that has implemented market-oriented reforms since 1986 and benefited from large foreign direct investment (FDI) inflows since its accession to the World Trade Organization in 2007. Macroeconomic conditions have become more stable since the mid-2010s, and real GDP growth averaged 6.9% in 2014-2019. Continued FDI inflows have led the export industry to expand rapidly, with diversification toward higher value-added products and integration into regional supply chains. The current account balance has been in surplus and external liquidity has strengthened gradually. The Vietnamese dong has depreciated only slightly against the USD since 2016 and even stabilised in H2,2020 - H1,2021. Public finances also improved in the few years prior to the COVID-19 shock thanks to fiscal consolidation efforts and slow privatisation of state enterprises. On the negative front, vulnerabilities have remained, including Vietnam's high credit risks resulting from the excessive debt of corporates (state enterprises in particular) and banks' very weak capital buffers. Asset quality problems could rise in the short term as a consequence of the economic growth slowdown of 2020-2021.

Vietnam successfully contained the COVID-19 epidemic in 2020 and both the export sector and domestic demand proved to be resilient. Economic growth slowed moderately to 2.9% in 2020. However, the country was hard hit a resurgence of infections in summer 2021, which in turn constrained industrial and services activity. Economic growth is thus projected to reach only 1.5% in 2021, before rebounding in 2022.

Given its very high degree of trade openness, Vietnam is exposed to US-China tensions. However, Vietnam is also likely to benefit from this situation, by shipping goods directly to US companies and attracting new FDI projects from corporations seeking to move their production centres outside of China. In the medium term, Vietnam's economic growth prospects remain very strong.

Summary

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.

Currency

Currency

- Vietnamese dong (VND).

Exchange rates

	2016	2017	2018	2019	2020
Exchange rate: VND per USD	21,935	22,370	22,602	23,050	23,208

Source: IMF, International Financial Statistics, June 2021.

Central Bank

- The Vietnamese central bank is the State Bank of Vietnam (SBV -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

	Within VIETNAM	Outside VIETNAM
Local Currency	Permitted, convertible with restrictions	Not permitted
Foreign Currency	Permitted, convertible with restrictions	Permitted, with restrictions and approval from the SBV. Convertible with restrictions

Bank accounts for non-resident entities

	Within VIETNAM	Outside VIETNAM
Local Currency	Permitted with restrictions, convertible with restrictions	Not permitted
Foreign Currency	Permitted with restrictions, convertible with restrictions	Not applicable

Lifting fees

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











BNP Paribas Cash Management Capabilities

Collections


Cash collections	
Cheque collections	
Direct debit collections	
Domestic incoming transfers	

Virtual IBAN	
Virtual accounts	
International incoming transfers	
Card acquiring	

Payments

Cash withdrawals	
Cheque payments	
Direct debit payments	
Domestic outgoing transfers	
Commercial cards	
Virtual cards	
International outgoing transfers	
SWIFT gpi	
Real-time international payments through BNP Paribas' network	
Card issuing	

Channels

Local e-Banking	
Global e-Banking - Connexis	

SWIFT/ host to host	✓
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Payments & collections

Market overview

Cash remains the predominant payment method in Vietnam. However, the number of digital payments is increasing: the number of mobile payments reached nearly 700 million by end-August 2020, a 980% increase on the same period 2019. Covid has been a key driver of the shift in payment behaviour, but so too has the greater availability of contactless smart cards and the use of QR codes. The government has also been active in promoting digital payments. June 16 of each year has been named Non-Cash Day, for example, while regulation introduced in 2020, ensures that any person eligible to open a payment account is also eligible to apply for a debit card.

Electronic banking services are available from most banks. There is no national electronic banking standard in Vietnam, so companies use banks' proprietary services. Online and mobile banking services are available. According to the central bank. Approximately 15 million people use online and mobile banking services every month.

Payment Systems

IBPS	Type	<ul style="list-style-type: none"> • Real-time gross settlement via the high-value transfer system (HVSS). • Deferred net settlement via the low-value transfer system (LVSS).
	Participants	<ul style="list-style-type: none"> • 375 direct and non-direct.
	Transaction types processed	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 0800:17:00, Monday to Friday.

	Clearing cycle details (e.g. cut off times)	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • The IEPS is closed on all Vietnamese bank holidays. • Vietnam's bank holidays are: • 2nd half 2021: September 2. • 2022 — January 3, 31, February 1–5, April 11, May 2, 3, September 2.
SBV electronic clearing system	Type	<ul style="list-style-type: none"> • Deferred net settlement.
	Participants	<ul style="list-style-type: none"> • 131 direct.
	Transaction types processed	<ul style="list-style-type: none"> • Low-value electronic payments.
	Operating hours	<ul style="list-style-type: none"> • N/A
	Clearing cycle details (e.g. cut off times)	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • The SBV electronic clearing system is closed on Vietnam holidays. (Dates as above)

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 (below 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 and via the NAPAS 24/7 Quick Interbank Funds Transfer service (up to VND 300 million per transaction).
- 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.

- In Q1 2021, there were 31,711,439 thousand transactions processed via the LVSS, with a value of VND 891,729 trillion. In Q4 2020, there were 34,784,211 thousand transactions processed via the LVSS, with a value of VND 993,395 trillion.
- 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.
- In Q1 2021, the number and value of direct debits processed totalled 2,725,530 direct debits processed, with a value of VND 1,210,496. In Q4 2020, there were 2,637,471 direct debits processed with a value of VND 1,537,402 billion.

Cheques

- The cheque is not a commonly used cashless payment instrument.
- Intracity/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.
- In Q1 2021, 14,410 cheques were processed, with a value of VND 19,548 billion. In Q4 2020, there were 16,228 cheques processed with a value of VND 13,719 billion.

Card payments

- Payment cards are increasingly popular, especially for retail transactions. Payment card transactions declined in Q1 2021, totalling 123,480,704 with a value of VND 267,850 billion. In Q4 2020, transactions totalled 144,330,517 with a value of VND 294,294 billion.
- There were 96 million domestic payment cards in circulation at the end of Q1 2021 (94 million at end Q4 2020).
- Most payment cards are issued by Agribank, Vietcombank and Vietinbank.
- The Vietnam Bank Card Association, in collaboration with the National Payment Corporation of Vietnam and seven commercial banks, launched the first ATM domestic chip cards in 2019.
- Vietnam National Financial Switching (NAPAS) is Vietnam's national payment card operator, and the main debit card in the country. All card-issuing institutions in Vietnam are members.
- All ATM cards issued are EMV-compliant.

ATM/POS

- There were 19,714 ATMs in Vietnam at the end of Q1 2021.
- There were 271,727 terminals in Vietnam at the end of Q1 2021.
- The majority of payments are settled via NAPAS.
- Payments can also be settled via Smartlink, 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 pre-paid card distributors in Vietnam.
- The limit for transactions for an e-wallet is VND 100 million per month.
- E-money payments are settled via the individual schemes.
- There are over a number of digital wallets schemes available in Vietnam, including MoMo, the country's largest e-wallet by user (20 million), Moca and ZaloPay. There are 32 companies currently licensed to offer e-payment services.

Short term investments

Market overview

Interest payable on credit balances

- Interest-bearing current accounts are permitted in both VND and foreign currency.

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.

- Minimum investment is typically VND 10 million, VND 20 million or USD 1,000.

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

- Treasury bills (T-bills) are issued by the State Treasury with maturities of less than one year (typically 13, 26 and 52 weeks).
- The minimum investment is VND 100,000.
- The Ministry of Finance limits the purchase and trading of T-bills to local or overseas Vietnamese organizations and foreign organizations in VietNam.
- The State Bank of Vietnam issues SBV bills.

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.

Trade payments

Documentary credits	✓
Documentary collections	✓

Guarantees

Bank guarantees	✓
Standby letters of credit	✓

Supply chain management

Receivables	✓
Payables	✓
Inventory	●

Trade channels

Connexis Trade	✓
Connexis Supply Chain	✓
SWIFTNet Trade for Corporates	✓
Connexis Connect	✓
	●
	●

- BNP Paribas Global Trade Solutions (GTS) in Vietnam offers dedicated trade finance support with 2 trade managers. With its extensive product expertise, BNP Paribas GTS in Vietnam has been recognised across the industry.

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 number of free trade agreements (FTA), including with Chile, the EU, South Korea, the UK 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 launched FTA negotiations a number of member states, including with the EFTA, Israel, Pakistan and Ukraine.
- Vietnam is a signatory of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CP-TPP). The CP-TPP came into force in Vietnam January 2019.
- Vietnam is a signatory of the Regional Comprehensive Economic Partnership (RCEP).

Imports / exports

Imports	Integrated circuits	Refined petroleum	Textiles	Semiconductors	
Primary Import sources	China (35.0%)	South Korea (18.0%)	Japan (6.0%)		

Exports	Broadcasting equipment	Telephones	Integrated circuits	Footwear	Furniture
Export markets	USA (23.0%)	China (14.0%)	Japan (8.0%)	South Korea (7.0%)	

Import / export volumes

		2016	2017	2018	2019	2020
Exports	- goods USD m	176,632	215,119	243,697	264,189	NA
	- services USD m	12,250	13,070	14,790	16,637	NA
Imports	- goods USD m	162,619	204,273	227,157	242,695	NA
	- services USD m	17,650	17,100	18,470	18,988	NA
Current account as % GDP		+ 4.0	-0.7	+ 2.4	+ 5.0	NA

Sources: IMF, International Financial Statistics, June 2021.

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 three categories: preferential tax rates, special preferential tax rates and ordinary tax rates.
- A 135% tax rates applies to cigarettes and cigars.
- 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.
- Excise duties are charged on a few items. Rates range from 0% to 40%.

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.

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.
- Transactions data must be submitted to the General Statistics Office, via provincial level offices. The General Statistics Office forwards the data to the State Bank of Vietnam for balance of payments purposes.

Exchange controls

- Exchange controls are administered by the SBV.
- All monetary payments must be made in VND. Exceptions apply to payments for exports and payments for goods and services purchased from institutions authorised to receive foreign currency.

- 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.
- 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.

Taxation

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

- The interest deductibility cap increased from 20% to 30% of EBITDA with regard to a net interest amount as of 24 June 2020.
- The new decree will be applied for the 2019 payable corporate income tax and retroactive for 2017 and 2018.

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 of 20%.
- The transfer value is based on the actual price according to the transfer contract. A deemed fair market value will be used if no contract price is available or if the price stated in the contract is deemed to be not at arm's length.

Withholding tax (subject to tax treaties)

Payments to:	Interest	Dividends	Royalties	Other income
Resident entities	20%	None	20%	20%
Non-resident entities	5%	None*	10%	5%*

- 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.

Tax treaties / tax information exchange agreements (TIEAs)

- Vietnam has tax treaties with nearly 80 countries.

Thin capitalisation

- For entities with related party transactions, the deductibility of total net interest expense from related and unrelated transactions is capped at 30% of EBITDA. No-deductible interest can be carried forward for five years.

Transfer pricing

- Vietnam has transfer pricing rules that generally follow the OECD guidelines.
- Contemporaneous documentation is required under the rules that generally follow the BEPS 13 recommendations. The tax authorities can adjust profits if the pricing strategy is found not to be at arm's length.
- Transfer pricing rules also incorporate the 'substance over form' principle, leading to certain types of related-party expenses being regulated as non-deductible for corporate income tax purposes.
- 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 2020. (www.deloitte.com).



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