

DOING BUSINESS GUIDE

# Vietnam







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# 1. Why Vietnam



Vietnam has emerged as a key driver of Southeast Asian economic growth. Backed by export-oriented manufacturing, foreign investment and strong domestic demand, it is one of Asia's fastest growing economies. Market-based reforms are incentivising inbound investment and lowering barriers to trade. With a vital role in global supply chains and a continuously improving business environment, opportunities for closer economic engagement are growing.





## 1.1. Economy overview

Vietnam's population surpassed 100 million in 2023. As the working-age population expands, Vietnam's so-called 'demographic dividend' will provide the foundation for future growth and productivity. The availability of a young and increasingly skilled workforce is attracting record levels of foreign investment, while rising disposable incomes are driving demand for foreign goods and services across a range of sectors.

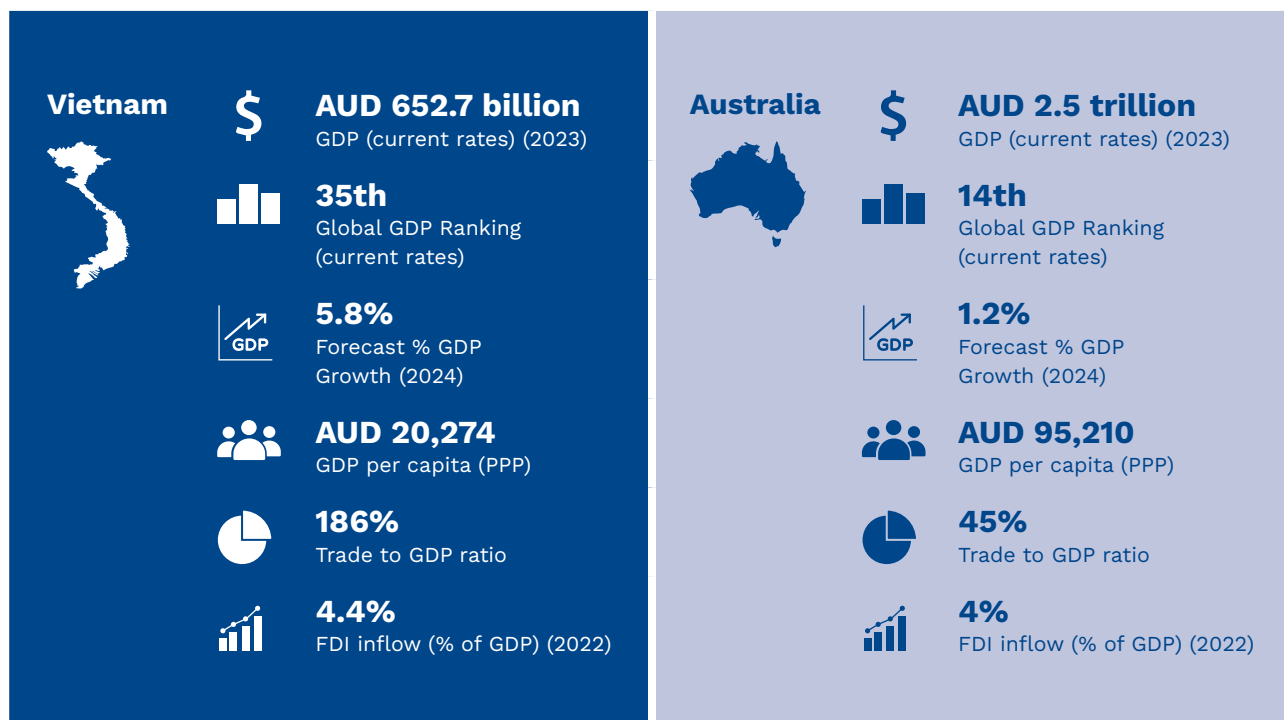
Vietnam is also playing a prominent role on the global stage. It is an active and influential member of the Association of Southeast Asian Nations (ASEAN) and has nurtured close partnerships with both the US and China. As a strategically positioned, export-oriented economy, it is utilising new bilateral and multilateral free trade agreements to boost international trade and investment.

The political and economic relationship with Australia has also deepened. Since concluding a Strategic Partnership in 2018, bilateral visits have increased and economic cooperation has expanded, including through the 2021 Australia-Vietnam Enhanced Economic Engagement Strategy. Two-way trade reached a record AUD 25.7 billion in 2022.

Vietnam has been identified as a key market for two-way trade and investment in the Australian Government's **Southeast Asia Economic Strategy to 2040**. More information on the bilateral relationship is available in **Section 5.1** and from the Department of Foreign Affairs and Trade's **Vietnam Country Brief**.

This context presents clear opportunities for Australian businesses. As bilateral ties deepen and Vietnam continues to implement business-friendly policies designed to drive trade and investment, it is an ideal time for Australian companies to consider the Vietnamese market.

## Comparing key indicators: Vietnam and Australia

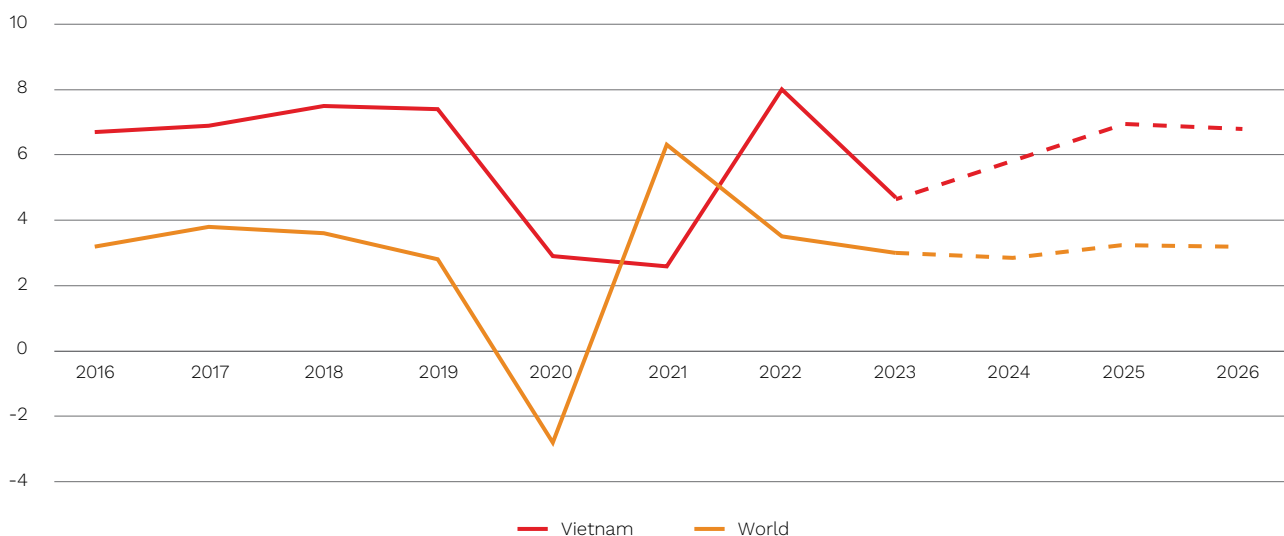


Source: IMF and World Bank

Vietnam's economy has transformed since the early 1990s, lifting millions out of poverty and elevating it to middle-income status. As part of this transformation, agriculture has shrunk as a share of economic output, while manufacturing and services have grown. State-owned enterprises are playing less of a role as business reforms boost private sector growth. And international trade has boomed, with Vietnam now one of the most trade intensive economies in the world. These fundamental shifts will underpin Vietnam's long-term economic development.

Vietnam's economic outlook over the short to medium-term will be determined by a range of factors. After a drop in 2023, real GDP growth is forecast to rebound to 5.8 per cent in 2024 (Figure 1). Household incomes are expected to grow as the manufacturing sector recovers and, coupled with the government's ongoing wage reform measures, private consumption is likely to increase. Improving demand in major export markets will drive manufacturing, while services will receive a boost from the recovering tourism sector.

Figure 1: Real GDP Growth - Vietnam and world average (2016-2026f), %



Source: IMF



## 1.2. Sectoral snapshots

Vietnam's strong economic growth presents opportunities for Australian trade and investment. These opportunities are particularly strong in sectors that align with Vietnam's economic development priorities and growing consumer class. This section provides a short overview of prospective sectors.



### Education

Skills development is a key priority for the Vietnamese Government. In 2023, Vietnam was Australia's sixth-largest source of international students, with over 31,000 enrolments contributing AUD 1.5 billion to education-related exports – up from just 3,000 enrolments two decades earlier. The Vietnamese Government's ambitious education and training reforms present opportunities for international collaborations and partnerships across a range of sectors. Austrade has identified opportunities in **higher education, vocational education and training, schools** and **emerging edtech**.



### Food and agribusiness

Rising consumer spending and changing lifestyles are increasing demand for food, beverage and agricultural products in Vietnam. As incomes grow, Vietnamese consumers are showing greater interest in novel food and beverage items, particularly health-oriented and premium products. Australian agrifood produce continues to be seen as safe and high-quality and Australian suppliers of dairy are expected to benefit from the rollout of supermarkets and hypermarkets. Austrade has also identified opportunities for Australia's core agribusiness industries – including live **cattle** and **wheat** – that are expected to grow as Vietnam's economy continues to mature, and emerging opportunities for Australian **agricultural technology businesses** as Vietnam modernises its farming and fishery sectors.



## Health and medical

The Vietnamese Government aims to achieve universal health coverage by 2030, bringing it in line with neighbours Thailand, Indonesia and the Philippines. This will drive growth in the healthcare and pharmaceuticals sectors. Preferential tax conditions for foreign participation in the healthcare sector have been introduced, creating opportunities for investment. In the coming decades, aged care will also become an important sub-sector. Opportunities for Australian aged care providers will emerge, including in management and staff training, as well as medtech and health-tech products and services.



## Green economy

Vietnam's green economy transition presents a range of opportunities for Australian businesses. As energy demand continues to grow, Vietnam will require the sustainable technologies and clean-energy expertise to meet its net zero target by 2050. There are opportunities for Australian businesses across the life cycle of the energy transition, from planning and development to operation and maintenance. Opportunities to develop and strengthen energy supply chains are emerging, and there is potential for Australian businesses to collaborate on solar, electric vehicles and battery storage supply chains. Austrade has identified opportunities in **hydrogen** and **power generation** solutions. Asialink's **Australia-Vietnam Green Economy Program** offers insights, training and networking opportunities for businesses in the green economy.



## Infrastructure, transportation and cities

Vietnam is investing heavily in infrastructure, transportation and urban development. It spends around 6 per cent of GDP in these sectors, making it the leading country in Southeast Asia for infrastructure investment. Major initiatives around transportation, port, telecommunication and energy infrastructure have been announced, with a push for private investment and public-private partnerships (PPP) to fill a shortfall in funding. Over the short-term, opportunities exist for Australian businesses in the early stages of PPP transport infrastructure projects, including highways, airports and waterways. Over the medium- to long-term, opportunities will emerge across architecture, consultancy and engineering services, construction and project management. Austrade has identified infrastructure as an opportunity, including **airport solutions, sustainable building solutions** and **roads, rail and ports**.



## Technology

Vietnam's rapid digitisation and growing e-commerce ecosystem present new opportunities for Australian businesses across software, digital content, telecommunications and hardware. Demand for software solutions in the banking and finance, aviation and telecommunication sectors is growing as the privatisation of state-owned enterprises continues. Rapidly changing digital trends are presenting opportunities for Australian technology firms to provide payment solutions, digital marketing and cybersecurity.



## Professional and financial services

Vietnam's professional and financial services sector is growing as the country pivots to a more productive and diverse economy. Currently accounting for around 51 per cent of GDP, Vietnam aims to increase the service sector's contribution to two-thirds of GDP by 2030 – closing the gap between it and the service-dominated economies of Singapore and the Philippines. Legal, accounting, architecture, engineering and consulting services will be in high demand as the government's ambitious development plans unfold over the coming decades. As Ho Chi Minh City evolves into a regional financial hub, financial services and fintech are emerging as key sectors as banks and insurance companies digitise their offerings. These trends will present opportunities for Australian professional and financial services firms, who now enjoy increased market access under the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP).



## Mining equipment, technology and services (METS)

While Vietnam is endowed with natural resources, many mineral deposits remain unexplored. The Vietnamese Government's Power Development Plan 8 (PDP8) and the Vietnam Mining and Geologies Strategy to 2045 aim to unlock access to deposits of minerals including rare earths – a complex undertaking that will require foreign capital and expertise. Demand for automation, digital solutions, software, sensors and data analytics is expected to grow. As a world leader in mining efficiency, technology and innovation, Australia's METS sector can help unlock the economic potential of Vietnam's mineral resources. Austrade has identified **METS** as a priority trade and investment opportunity in Vietnam.







## 2. Understanding Vietnam



Entering a new market requires knowing what makes that market unique. An understanding of different business cultures and risk profiles provides a solid foundation from which to explore opportunities across the region.





## 2.1. Business culture

Cultural intelligence is key to achieving sustainable business outcomes. Being able to read cultural clues and respond appropriately helps develop relationships, communicate effectively and build trust. While cultural and communication norms are changing as virtual modes of engagement increase, core cultural values remain an important factor in business. Not understanding the particularities of doing business in Vietnam can lead to missed opportunities, delays and lost engagements.

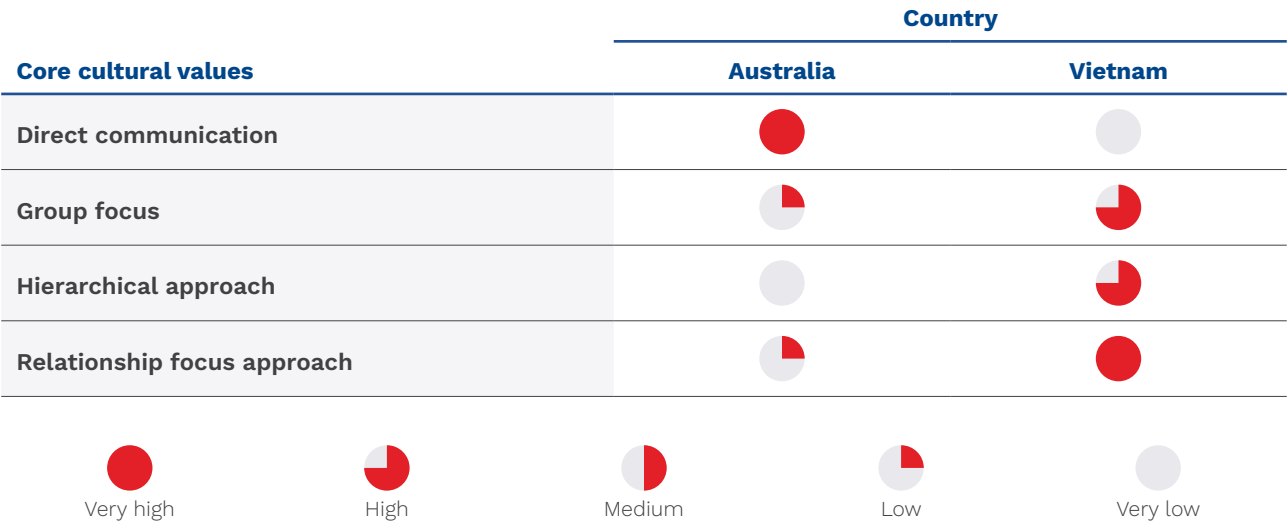
### Communication

Traditionally, Vietnamese stakeholders avoid confrontation to preserve face, maintain harmony and prioritise relationships. These strong cultural priorities mean that a direct 'no' in early dealings will be unlikely, even when something may not be immediately possible. As open criticism or disagreement can cause a loss of face, it is important to remain calm, considered and diplomatic in commercial interactions.

In broad terms, a more direct communication style is observed in the southern regions of Vietnam, owing to the significant share of entrepreneurs and startups based there. As the centre of government and national politics, northern Vietnam is known for a more reserved communication style.

Staying connected with Vietnamese stakeholders through multiple communication channels is key to building relationships and understanding cultural context. The use of instant messaging apps like Zalo, Messenger, LinkedIn and WhatsApp is widespread in Vietnam.

Navigating culture in business – the importance of core cultural values





## Relationships

The strength of relationships will have a significant impact on commercial outcomes in Vietnam. Business relationships tend to be more social and personal than in Australia, which means suitability for a business partnership may be judged accordingly. In early communications, expect questions that are not directly related to business, such as family details and interests. Embrace invitations to eat and drink with counterparts and, when appropriate, reciprocate. Avoid pushing too soon or too hard to initiate serious business conversations; build the relationship first.

Doing business in Vietnam can involve forming relationships with elderly owners of well-established businesses. Limited English proficiency among this generation can present challenges when building a commercial relationship. Utilising other family members or younger members of a business team can help, but care should be taken to maintain respect for hierarchy. Learning basic Vietnamese phrases, including hierarchy pronouns for men and women, can help forge a positive business relationship.

## Hierarchy

Hierarchy can be relevant when navigating Vietnamese business culture, particularly as it relates to status and age. Vietnamese businesspeople may expect to meet and interact with Australian counterparts at the same level of seniority. This is particularly important in the context of meetings that include personnel at different levels. An understanding of individual roles and ranks within an organisation – and how those roles influence interaction – can be useful.

## The importance of partnerships

Successfully navigating the Vietnamese business landscape often requires local talent, knowledge and expertise, and partnerships form an important model for doing business.

Building a partnership requires having relationships in place that can facilitate introductions. After identifying a potential partner, it is essential to conduct due diligence. This includes understanding their customers and clients, reach across Vietnam, support for product localisation and in-market reputation. It is essential to undertake reference checks and risk assessments before formalising any local partnerships. Australian businesses can review Vietnam's centralised [Tax Registration Portal](#) and the Ministry of Justice's [National Registration Agency for Secured Transactions](#) as part of a comprehensive company background check.

The strength of a local partnership brings advantages across multiple aspects of a commercial operation – from procurement and contracting to gaining credit. Importantly, a local partner can often assist with bureaucratic requirements, including company and product-specific registration processes. Building a long term and sustainable partnership takes time and patience. Austrade and AusCham Vietnam can help identify potential partners in Vietnam (details can be found in [Section 5.2](#)).

For a more detailed understanding of business culture, business etiquette and building long term and sustainable partnerships to deliver strong business outcomes visit the [Asialink Business Academy](#).



## 2.2. Managing risks

While Vietnam offers opportunities for informed and well-prepared Australian businesses, doing business overseas can involve a range of new risks. These should be identified and mitigated as much as practicable – and managed carefully once business operations are established.

### Risk factors in Vietnam



**Economic** – including the potential for government default (sovereign risk), fiscal, monetary and exchange rate risk.

#### What this means for your business in Vietnam

Vietnam's economic outlook is stable, with a BB+ rating from Standard & Poor's and a BB+ from Fitch. This reflects the country's robust economic prospects, moderate debt levels and strong foreign direct investment flows. However, Vietnam's modest GDP per capita, relatively weak banking sector and evolving institutional settings are vulnerabilities.

The Vietnamese Dong (VND) is regarded as stable. While Vietnam has long intervened to suppress the value of its currency to benefit export competitiveness, it will likely appreciate over the medium-term under ongoing pressure from the US to reduce its trade surplus.

Potential mitigations for foreign exchange risk include forward contracts, foreign currency options and utilising foreign bank accounts and loans to manage currency inflows and outflows. Seek advice on your level of risk and potential mitigations.



**Political** – including the potential for political instability and restrictive government policies.

#### What this means for your business in Vietnam

While domestic politics can be a sensitive issue in Vietnam, there are few incidents of political instability and public dissent. Consolidation of power by the current General Secretary will ensure policy continuity, and a change in leadership is unlikely to generate political instability.

For significant investments, businesses should consider conducting political risk due diligence to understand the political exposure and affiliations of potential partners. You may also wish to explore political risk insurance as a potential mitigation.



**Corruption** – including the potential for bribery, embezzlement and conflicts of interest.

#### What this means for your business in Vietnam

Despite improvements in recent years, public sector corruption in Vietnam remains an issue. Vietnam ranked 83rd of 180 countries in Transparency International's 2023 International Corruption Index. Anti-corruption is a central feature of the General Secretary's policy agenda, and the prosecution of high-profile corruption cases is boosting investor confidence. However, graft at lower levels of the public sector remains a concern.

You should familiarise yourself with Australia's foreign corruption and bribery legislation and ensure you have a robust anti-corruption strategy.



**Regulatory** – including the potential for regulations that increase the cost of doing business, reduce the attractiveness of an investment or change the competitive landscape.

#### What this means for your business in Vietnam

Ongoing efforts to simplify and streamline legal and bureaucratic processes have helped drive record levels of inbound foreign investment in Vietnam in recent years. However, the regulatory framework remains under-developed. Property rights, judicial effectiveness and government integrity all scored below regional peers on the Heritage Foundation's 2023 Index of Economic Freedom.

A trusted local partner can help you understand, navigate and secure complex regulatory processes.





**Intellectual property** – including the potential for weak or underdeveloped IP protections and enforcement mechanisms.

#### What this means for your business in Vietnam

Vietnam has relatively strong intellectual property (IP) protections but gaps in the framework remain. Basic IP protections and enforcement mechanisms are in place and progressive amendments to the main IP Law were introduced in 2022. However, inadequate protection of patents, high physical counterfeiting rates and generally poor enforcement practices remain ongoing issues. The 2023 Global Innovation Policy Centre's International IP Index scored Vietnam 41 out of 100 across nine IP protection categories, below the Asia average of 56.

Registration for patents, trademarks and copyrights can help mitigate IP risk. Continual product development and brand updates can deter counterfeiting. There are also technology solutions such as RFID tags and QR codes to authenticate products.



**Geopolitical** – including the potential for trade relationships, security partnerships and territorial disputes to impact business activities.

#### What this means for your business in Vietnam

Despite ongoing territorial disputes with China over the South China Sea, Vietnam will likely enjoy favourable geopolitical conditions in coming decades. It will exercise considerable leverage as an alternative export-oriented manufacturing hub amid growing US-China trade tensions. Ongoing efforts to progress regional integration and bilateral free-trade agreements will cement Vietnam's position as a key regional actor.

Boards and leadership teams should familiarise themselves with geopolitical issues that may impact your business and, if relevant, develop plans in response to potential scenarios. You may also wish to seek external advice.



**Supply chain** – including the quality of infrastructure, levels of corruption, corporate governance, supply chain visibility and timeliness.

#### What this means for your business in Vietnam

Supply chain risk is moderate given the state of Vietnam's infrastructure and logistics networks, control of corruption, level of corporate governance and supply chain visibility and timeliness. FM Global's 2023 Global Resilience Index ranked Vietnam 63rd out of 130 countries for supply chain resilience.

Potential mitigations include supplier diversification, holding additional inventory, and implementing new operating models and processes. Technology is also providing improved analytics, sensors and automation.



**Climate** – including the potential for extreme weather events and rising sea levels to impact trade routes, supply chains and infrastructure.

#### What this means for your business in Vietnam

Much of Vietnam's southern and Mekong Delta regions are low-lying and highly vulnerable to flooding caused by extreme weather events. They are also key economic regions, accounting for over one third of Vietnam's GDP and over 40 per cent of foreign investment inflow. Significant industries are at risk - notably fisheries and agriculture - but all business operations could be affected. The World Bank has estimated that climate change cost Vietnam 3.2 per cent of its GDP in 2020 and could result in losses of up to 14.5 per cent of GDP by 2050.

Identifying and mitigating climate change risks should be embedded in all elements of your strategy and operating model.

### 3. How to enter the market



Understanding a foreign business environment is key to a successful market entry. This chapter focuses on important considerations for businesses looking to enter Vietnam, including market entry models for exporters and investors, common business structures and adapting your product or service for the local market.





### 3.1. Exporting to Vietnam

Vietnam was Australia's ninth largest export destination in 2022, with total exports reaching AUD 15.4 billion. Resources and agricultural products dominate Australia's exports, but emerging trends are presenting opportunities for a range of sectors, including food and agribusiness, education and skills, healthcare and METS.

#### Market entry models for exporting goods and services

Choosing an appropriate market entry model is essential for businesses looking to export to Vietnam. Any choice should be informed by factors such as the overarching business strategy, target sector, and business size and maturity. Market entry models frequently evolve over time.

Market entry model	Usually suited for
<b>A. Direct exporting</b>	Exporting products when more control is desired over distribution, marketing and sales
<b>B. Agents and distributors</b>	Exporting products when less control is desired over branding, marketing and sales
<b>C. Online sales</b>	Selling products via e-commerce

## A. Direct exporting

In direct exporting, businesses sell directly to a Vietnamese customer from Australia. Exporting directly to Vietnam requires a significant level of involvement in the export process, including market research, marketing, distribution, sales, product registration and approval, import-export licencing and receivables.

Direct exporting has some advantages, including:

- Greater control of commercial processes, including sales
- Better margins, as middlemen are avoided
- More direct customer relationships

While there are advantages, direct exporting may ultimately involve higher establishment costs in Vietnam, as employing dedicated in-house staff and other resources may be necessary to manage the complexities of exporting and sales. Businesses using this model may need to consider ways to offset these costs, including employing an agent or distributor to handle local product registrations, while still maintaining control over other aspects such as marketing and supply chain.

For goods exporters, approaching retailers directly in the large consumer markets of Hanoi and Ho Chi Minh City may be a more cost-effective option. A direct approach should be supported by letters, brochures, catalogues and other product and business information.

Direct exporting will require businesses to engage with customers regularly to build awareness and understanding of the products they are selling on your behalf. In return, their understanding of the Vietnamese market can be applied to product development, pricing and marketing. Selling directly to local retailers can generally cut commissions, reduce expensive travel and create an effective conduit to market.

## B. Agents and distributors

Many Australian firms doing business internationally rely on agents or distributors. The roles of agents and distributors differ, and they can vary across industry. It is therefore critical that roles and responsibilities are clearly defined early in any agreement.

**Agents:** Agents act as representatives of suppliers and do not take ownership of the products they sell. They are usually paid on a commission basis, which provides an incentive for them to drive sales. Being based in Vietnam, they will often represent several complementary products or services. They can be retained exclusively as the sole agent for a company's goods or services or as one of several for the exporter.

**Distributors:** Unlike agents, distributors buy the goods from exporters and then resell them to local retailers or direct consumers. In some cases, a distributor may sell to other wholesalers who then on-sell to retailers or consumers. Distributors may carry complementary and competing lines and usually offer after-sales service. They earn money by adding margins to product prices. Distributor margins are generally higher than agent fees because distributors have costs associated with carrying inventory, marketing and extending credit for customers.

**Choosing an agent or distributor:** Whether using an agent or distributor, building a close working relationship is essential. Due diligence when selecting an agent or distributor is important – ask for trade references and seek a credit check through a professional agency. It is best to meet any potential agents or distributors in Vietnam; this will give them a chance to demonstrate knowledge of the market and provide an early opportunity to build the relationship.

Time in market is an important consideration when choosing a distributor in Vietnam. As distributors have a high rate of closure, engaging an established distribution business reduces the risk of disruption to a business relationship. On the other hand, established distributors can lack the dynamism of younger companies. A balanced assessment of pros and cons can help make an informed decision.

### WHEN CHOOSING AN AGENT OR DISTRIBUTOR, DO THEY...?

- ✓ Demonstrate an understanding of the products and prices of your competitors?
- ✓ Have a depth of experience in your sector and sub-sector?
- ✓ Have a depth of knowledge of the local market and sub-market?
- ✓ Demonstrate an understanding of consumer / customer trends?
- ✓ Have access to sales and / or marketing channels most relevant for your product?



## C. Online sales

The rapid growth of Vietnam's internet and mobile user base offers opportunities to sell products and services online. While the volume of online sales is still modest by advanced economy standards – around 6.5 per cent of total retail sales – the e-commerce market is forecast to grow at an annual rate of 30 per cent to 2025, reaching AUD 63.9 billion.

Government plans to increase access to online technologies are driving a surge in connectivity. Nearly 80 of the population (around 78 million people) now have access to the internet. According to the Ministry of Industry and Trade, up to 55 per cent of the population will participate in online shopping by 2025, with an average annual spend of AUD 830 per person.

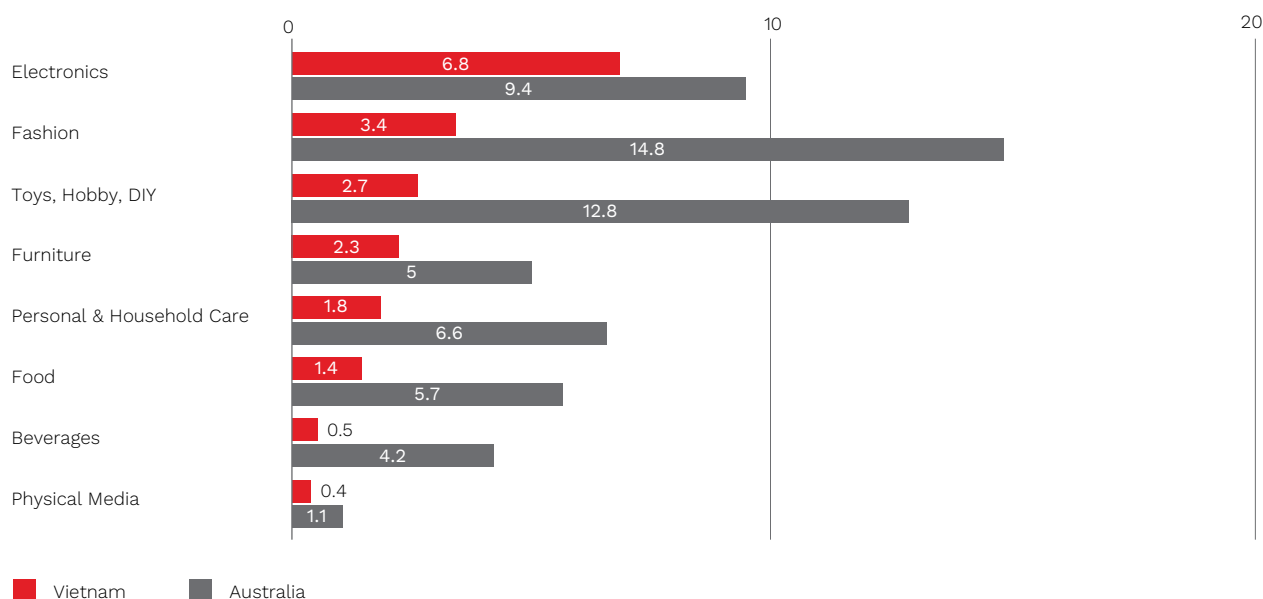
**Accessing digital consumers:** While over 60 per cent of the Vietnamese population has purchased a product or service online, a large proportion of the country is yet to engage with e-commerce. Effective marketing is vital to establish trust and brand loyalty, particularly among those discovering online retail for the first time.

Top product categories for online sales include electronics, fashion, toys and furniture (Figure 2). Mobile commerce accounted for nearly half of Vietnam's consumer goods e-commerce spend in 2022. And with 70 million social media users in 2023, social commerce is growing in popularity, with Facebook and Instagram emerging as important online sales channels.

**Search engines:** Search engines are a key tool for product research in Vietnam, with over half of all internet users using them to research new brands. Google is the dominant search engine, followed by Vietnam-based provider Coc Coc, Bing and Yahoo.

Search engine	Market share (%)
Google	96.2
Coc Coc	3
Bing	0.4
Yahoo	0.3

Figure 2: E-commerce spending on consumer goods (2023), AUD billion



Source: We Are Social

**Online sellers and marketplaces:** While global e-commerce sites such as Amazon and eBay are available in Vietnam, Singapore-based Shopee, TikTok Shop and Lazada dominate online selling in Vietnam. Business should note that online marketplaces often require trademark certification, an exclusive authorisation letter and a Vietnamese business registration document before selling online.

**Social media:** There were 70 million social media users in Vietnam in January 2023. These users are having a major impact on the digital economy, with one in three using social media platforms to find products to purchase. The most used social media platforms are Facebook, Zalo, TikTok, Messenger and Instagram. The Vietnamese Government's plan to increase B2C e-commerce by 25 per cent per year to 2025 will drive online sales channel diversification, including the use of social commerce.

Platform	Key product range	Market share (%)	Address
Shopee	Electronics, fashion, health and beauty, home and living, groceries, mother and baby, automotive, sports, stationary, books	72.7	<a href="https://shopee.vn">shopee.vn</a>
TikTok Shop	Lower-value products, including clothes, accessories, cosmetics and food and beverage.	17.2	<a href="https://seller-vn.tiktok.com">seller-vn.tiktok.com</a>
Lazada	Higher-value technology products, including household appliances and electronic devices.	9	<a href="https://lazada.vn">lazada.vn</a>
Tiki	Books, toys, electronics and health and beauty	1.1	<a href="https://tiki.vn">tiki.vn</a>





## 3.2. Investing in Vietnam

### Investment environment

Vietnam's political and macroeconomic credentials make it one of the most attractive markets for foreign direct investment in Southeast Asia – FDI companies accounted for two-thirds of Vietnam's total goods exports in 2022. At the end of 2022, total FDI stock stood at AUD 413 billion.

The government encourages investment in three priority areas: high-tech industries; priority sectors like education, vocational training, healthcare, culture, sports and environment; and large-scale manufacturing projects with a minimum invested capital of VND 6 trillion (AUD 380 million) and minimum annual revenue and employee numbers.

The Vietnamese Government offers a range of business incentives to encourage foreign investment. These come in three forms:

- **Corporate Income Tax (CIT):** CIT at a rate lower than the standard 20 per cent for a certain period of time or for the duration of the project.
- **Import duties/tax:** An exemption or reduction of import duties or tax on goods imported as fixed assets for the project.
- **Land rent and levies:** An exemption or reduction of land rents and levies.

Investment incentives are also offered in Vietnam's key economic regions (details can be found in [Section 5.1](#)). These regions are an entry point for foreign firms and offer easy access to ports and infrastructure, specialised labour and networks of suppliers. Most businesses that enter via a key economic region are eligible for tax holidays and a reduction of CIT.

### Investment rules and regulations

First time foreign investors can either create a company or sign a Business Cooperation Contract (BCC) with a Vietnamese partner. In both cases, they need to obtain an Investment Registration Certificate and Enterprise Registration Certificate before commencing business operations. The application process depends on the location of the registered office of the company or BCC. Basic information on the registration process, including a step-by-step guide, can be found below. Detailed information can be found on the Ministry of Planning and Investment's Foreign Investment Portal at [vietnam.eregulations.org/](http://vietnam.eregulations.org/)

Investment into Vietnam is regulated by the Law on Investment (2020). It now includes a market access 'negative list' that prohibits foreign investment in 25 sectors and restricts it in 59 others. The full list of banned and regulated sectors can be found at [lawnet.vn](http://lawnet.vn).



The Ministry of Planning and Investment (MPI) is responsible for promoting and facilitating foreign investment. MPI and local investment promotion offices provide information and explain regulations and policies to foreign investors. Most provinces and cities also have local equivalents.

MPI's approval process includes an assessment of the investor's legal status, financial strength and technological expertise. It also assesses the project's compatibility with the government's long and short-term economic development goals, environmental protections and land use.

## Market entry models for investing

Choosing an appropriate market entry model is essential for businesses looking to invest in Vietnam. A business' size, sector and growth strategy will help determine which market entry model fits best. Investment models frequently evolve over time as businesses enter and expand in a market.

Market entry model	Usually suited for
<b>A. Representative office</b>	Exploring the market
<b>B. Franchising</b>	Selling localised products or services
<b>C. Foreign-owned enterprise</b>	Establishing a local business with full ownership
<b>D. Joint Venture</b>	Establishing a specific business project with a Vietnamese partner
<b>E. Public-Private Partnership</b>	Establishing a long-term business arrangement with the Vietnamese Government

## A. Representative office

Opening a representative office can be a useful and economical first step to explore business opportunities in Vietnam. Representative offices cannot conduct direct commercial or revenue generating activities such as the execution of contracts, receipt of funds, sale or purchase of goods, or provision of services.

However, representative offices can provide a wide range of support activities to head offices back in Australia. They are a common form of presence in Vietnam for foreign companies, particularly those in the early stages of a market entry strategy.

### Establishing a representative office in Vietnam

Step	Procedure	Timeframe
1	<b>Apply for a Representative Office Licence from the provincial Department of Industry and Trade</b>	10-13 days
2	<b>Submit an operating announcement in a print or online publication within 45 days of receiving the licence</b>	Within 45 days
3	<b>Begin operation within 45 days of receiving the licence and inform the provincial Department of Industry and Trade of the RO's location</b>	Within 45 days





## B. Franchising

Franchising allows business owners to retain a measure of control while harnessing the energy of franchisees to drive expansion. Franchises project a company's reputation and brand, and while it can be expensive, building a network of franchises is generally cheaper than owning and operating retail or branch offices in foreign markets.

Franchising has been growing in popularity in Vietnam, with more than 300 international brands in-market in 2023. While most franchises are global fast-food chains, the franchise model also presents opportunities in other sectors, particularly in the entertainment and lifestyle sectors.

### Certain criteria must be met before opening a franchise in Vietnam, including:

- The franchise must have been established and operational in another country for at least a year
- The operation must be registered with relevant state authorities before transactions commence
- Products and services sold are subject to Vietnamese laws.

Franchise activities are governed by the Ministry of Industry and Trade (MoIT). Businesses looking to enter a franchising agreement are required to register their proposed operation with MoIT. It costs VND 16.5 million (AUD 1,028) to register new franchise operations, and VND 6 million (AUD 374) for amendments. Franchise agreements are not given a maximum duration. The [Vietnam International Retail Tech and Franchise Show](#) is a franchise trade event that can help prospective franchisors enter the market.

### Establishing a franchise in Vietnam

Step	Procedure	Timeframe
1	Submit a franchise registration dossier to the Ministry of Industry and Trade or the provincial Department of Industry and Trade	5 days



## C. Foreign-owned enterprise

Businesses can establish a separate, wholly-owned legal entity in Vietnam, known as a Limited Liability Company (LLC). LLCs are the most common type of foreign investment because of their reduced liability and capital requirements. Under this model, liability is limited to the initial capital contribution, there is no restriction on the scope of business and there are no minimum capital requirements. An LLC can be 100 per cent foreign owned. Including application times, an LLC can usually be established within two to three months, though this can vary.

This market entry model is suitable for a wide range of sectors, although there are still some restrictions as outlined in the Vietnamese Government's negative investment list. Seek professional advice on the best structure for your business.

### Establishing a foreign-owned enterprise in Vietnam

Step	Procedure	Timeframe
1	<b>Apply for an Investment Registration Certificate from either:</b> <ul style="list-style-type: none"> <li>The Ministry of Planning and Investment (for investments outside industrial zones, export processing zones, high-tech zones and economic zones), or</li> <li>The provincial Industrial Zone Management Authority or economic zone management authority (for investments inside industrial zones, export processing zones, high-tech zones and economic zones)</li> </ul>	15 days
2	<b>Apply for an Enterprise Registration Certificate from the provincial Department of Planning and Investment. Secure a physical business address</b>	3 days
3	<b>Depending on the business activity, an FOE must complete post-licencing procedures, including registering company seals, opening a bank account, and tax and labour registration</b>	

## D. Joint venture

A joint venture (JV) is an agreement between two or more parties to work together on a short-term or long-term project. JVs can be an effective way to undertake research and development, create a new product or provide a new service. A local Vietnamese partner can provide knowledge and contacts, as well as a realistic assessment of risk. They can be established as either an LLC or a joint-stock company.

Each party is responsible for the profits, losses and costs associated with the activity, but a JV is an independent entity, separate from the parties' other businesses.

A JV is underpinned by a legal agreement between the parties. A typical agreement should include details on the:

- Legal basis for the agreement
- Structure, governance and obligations of the joint venture
- Division of profits and losses
- Ownership of intellectual property
- Disagreement or dispute resolution processes
- Leave or termination conditions





## E. Public-Private Partnership

A Public-Private Partnership (PPP) is a contractual arrangement between the Vietnamese Government and the private sector. Under a PPP, the private sector can build, operate and maintain public infrastructure facilities and provide services traditionally delivered by government. Examples of these are roads, airports, bridges, hospitals, schools, railways, and water and sanitation projects.

Vietnam adopted a PPP model in the early 1990s. The Public-Private Partnership Law (2021) has provided clarity to foreign investors and enhanced the commercial viability of PPP projects in Vietnam. Since 1990, 147 PPPs have been completed, accounting for AUD 42 billion. PPPs are complex to structure and implement, but present opportunities for established businesses to enter the Vietnamese market.

### Establishing a PPP in Vietnam (from transaction phase)

Step	Procedure	Timeframe
1	Sign an investment agreement with an Authorised State Authority (ASA)	
2	Apply for an Investment Registration Certificate from the Ministry of Planning and Investment (MPI)	15 days
3	Sign the project contract with the relevant state body, after which the project company is set up in the form of an LLC or a joint stock company	
4	Apply for an Enterprise Registration Certificate from the provincial Department of Planning and Investment. Secure a physical business address	3 days
5	Depending on the business activity, an FOE must complete post-licencing procedures, including registering company seals, opening a bank account, and tax and labour registration	
6	Financial arrangements relating to the PPP must be completed within one year of signing the project contract	12 months



### 3.3. Go to market strategy

Success in Vietnam requires businesses to tailor their product or service to the market. This should be based on detailed analysis of consumer trends, price consciousness, branding, marketing and advertising, and payment methods.

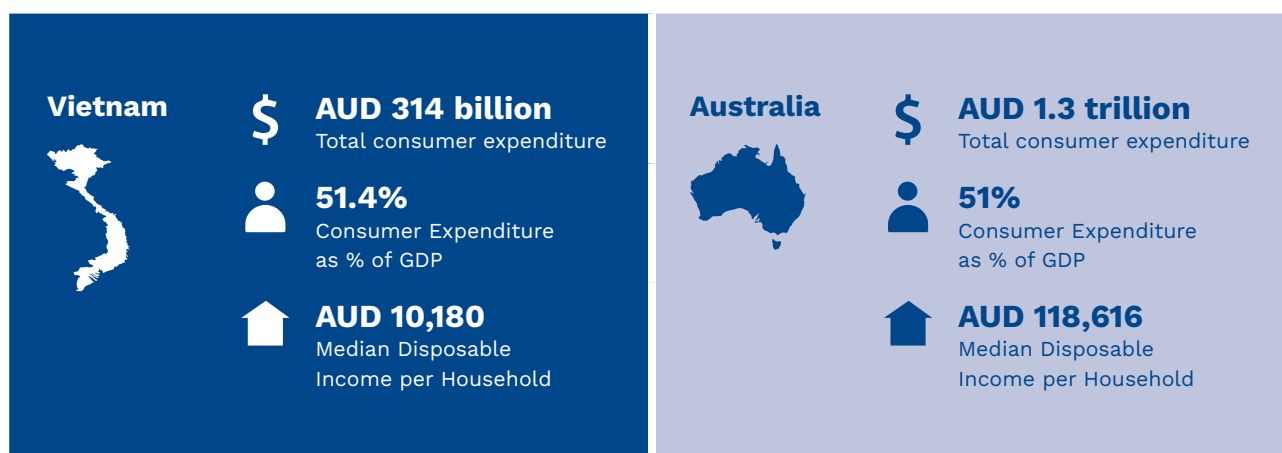
Rising disposable incomes are expected to lift more than half of the Vietnamese population into the global middle class by 2035 (Figure 3). Understanding the characteristics, aspirations and spending habits of this emerging group of consumers is crucial for businesses looking to tap into the segment.

The Vietnamese middle-class consumer is young, tech-savvy and connected. They are increasingly well-educated, urbanised and brand conscious -

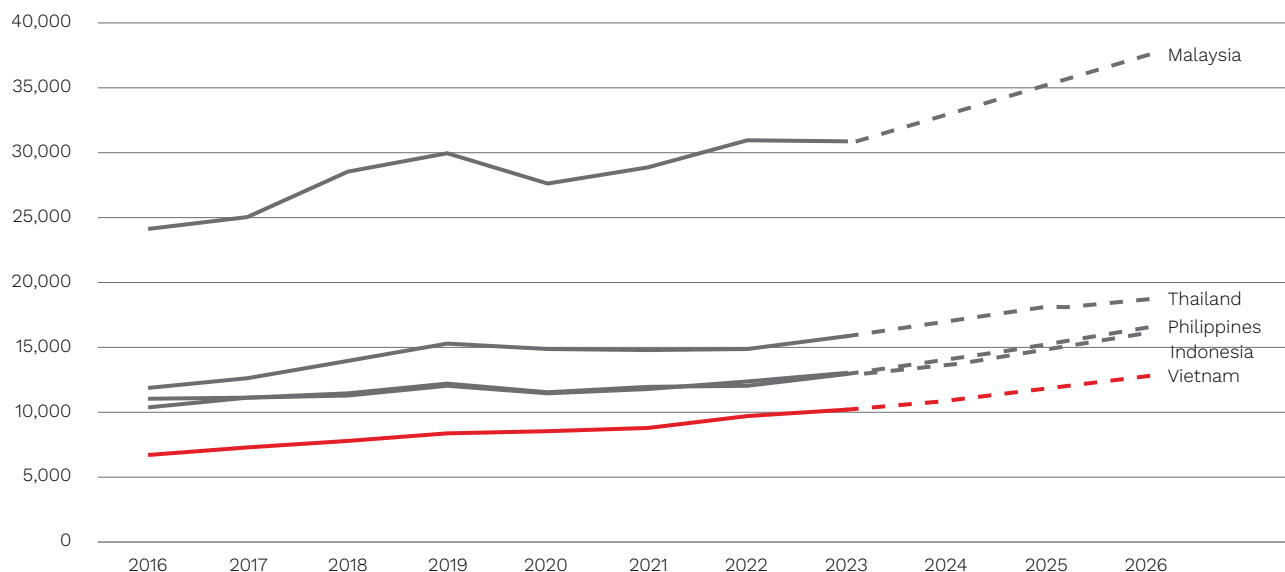
consuming experiences alongside merchandise and driving growth in online sales. While many are discerning in their spending habits, premium product offerings are growing in popularity.

Vietnam's retail landscape is still dominated by traditional grocery stores and markets, but the rise of the consumer class will consolidate the growth of modern sales channels like department stores and e-commerce. Businesses entering Vietnam should adjust their value propositions to cater to middle class consumer trends. Introducing premium product lines, focusing on emerging urban centres for distribution and tailoring products and services to increasingly health- and sustainability-conscious consumers can provide businesses with a competitive edge.

#### Consumer trends in 2023





**Figure 3: Median disposable income per household (2016-2026f), AUD current prices**

Source: Euromonitor International

### Price consciousness

Although Vietnam's economy is growing rapidly, average incomes are still low compared to Southeast Asian counterparts. At AUD 4,574, Vietnam's national income per capita is below that of Indonesia (AUD 4,856), Thailand (AUD 8,138) and Malaysia (AUD 11,850). Businesses must remember that price points designed for the middle class in one market may be out of reach for the middle class in another – slight price modifications to an already successful product can significantly boost sales.

### Branding

Branding is as critical in Vietnam as in any market, and companies need to research and understand the specific tastes of consumers to achieve success. In Vietnam, as in much of Asia, prominent high-quality brands are in demand. While this can be a disadvantage for new brands, it is still possible to establish a reputation in the Vietnamese market through targeted promotion campaigns.

Australian businesses in some sectors enjoy a branding advantage simply by virtue of their products being made in Australia. Generally, Australian products have a strong reputation in Vietnam. An emphasis on Australian origin can be a marketing tool for businesses expanding into Vietnam, particularly in the food and beverage and agricultural sectors. Austrade's [Nation Brand toolkit](#) provides a range of free branding assets for businesses looking to export.

### Marketing

Trade marketing to distributors and retailers is a popular and effective way for businesses to gain traction in the Vietnamese market. A trade show can be a useful starting point. These are productive ways to reach out to new consumer bases and potential clients, while also offering insights into the operations of competitors.

Sales promotions may also help to establish your brand with high-impact campaigns. Providing special discounts and events centred on your brand can be an effective way to build consumer loyalty and product awareness – particularly in sectors that are crowded with incumbents.

Digital marketing methods are gaining popularity as smartphone penetration increases. Email, text, search engine optimisation and social media are now integral parts of a comprehensive marketing campaign.

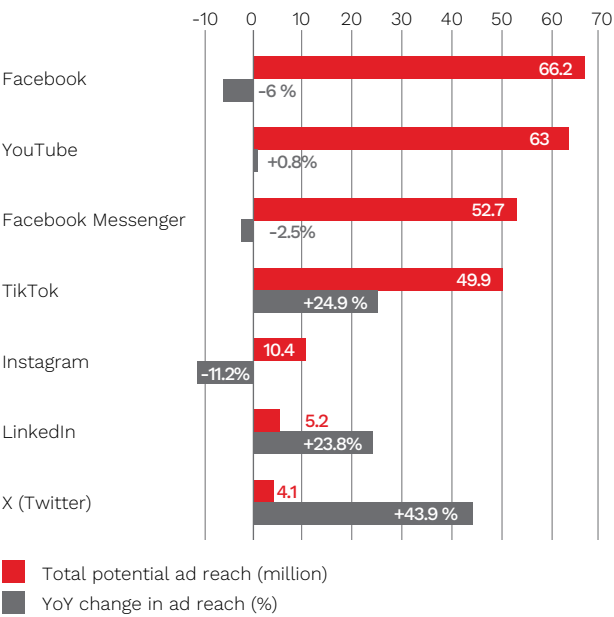
Marketing and promotional efforts – at trade shows, sales promotions or anywhere else – should translate information into Vietnamese to ensure the greatest reach.



Advertising and media

Vietnam’s young population is driving the uptake of mobile technologies and increasing the reach of digital advertising (Figure 4). Facebook advertisements reached 66 million Vietnamese users in early 2023 and TikTok advertisements reached 69 per cent of all adults aged 18 and above. While television and print advertisements remain a trusted marketing source across Southeast Asia, a digital strategy is now an essential part of any advertising campaign.

Figure 4: Digital advertising audiences in Vietnam (2023)



Source: We Are Social

Foreign businesses should consider advertising in both English and Vietnamese – particularly with the growing use of English in Vietnam. When translating from English, however, care should be taken to ensure cultural and linguistic sensitivities – Google Translate is not sophisticated enough to pick up Vietnamese nuances. Local interpreters can aid in ensuring the suitability of your campaign.

Advertising is heavily regulated in Vietnam. The Advertising Law (2013) details restrictions on marketing certain products and registration is required for firms seeking to advertise in the pharmaceutical, agricultural and cosmetics sectors. Limits on advertising expenditure also exist and should be taken into consideration.

Australian businesses looking to promote their products or services in Vietnam can seek professional help from a number of local and international advertising and media companies. There are more than 1000 domestic advertising companies, and 30 offices of major international media brands to choose from.



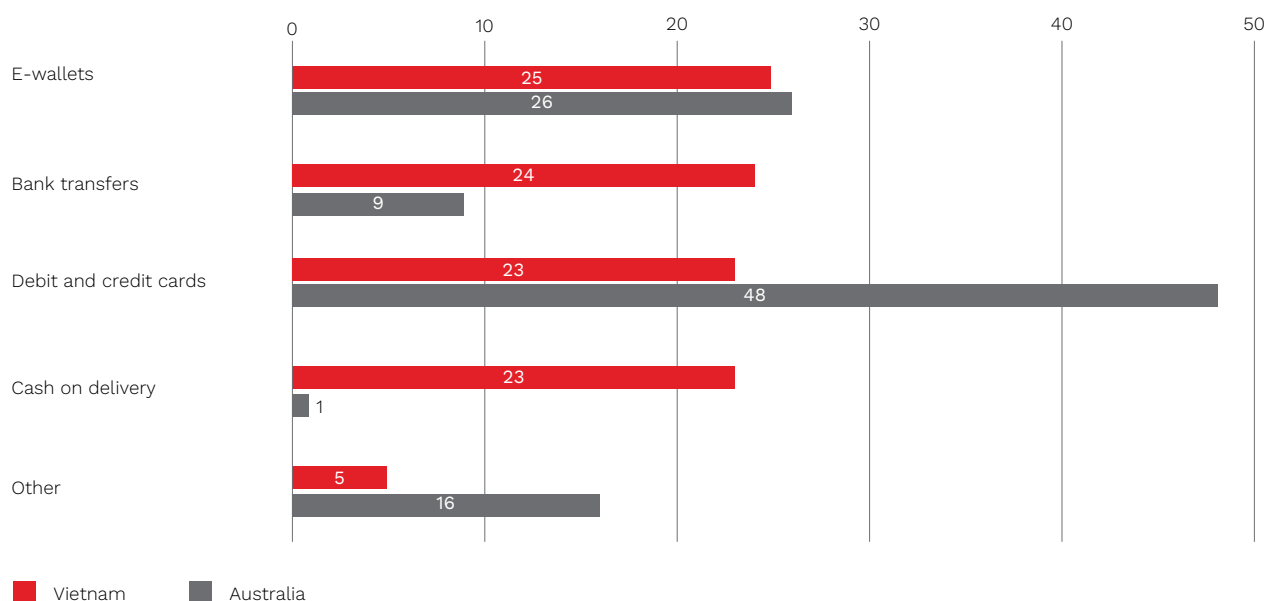
## Digital payments

While cash on delivery remains a popular form of payment for online purchases, the use of digital payments is growing rapidly (Figure 5). Domestic fintech companies are expanding their digital portfolios, the State Bank of Vietnam is piloting the use of virtual money and the growing popularity of QR codes is driving digital commerce. The use of digital payments is expected to grow alongside government

support for cashless payment systems, increased banking penetration and product sophistication rollout.

Digital payments can make financial transactions safer, cheaper and more convenient. As digital payment options continue to expand and evolve in the Vietnamese market, businesses should consider integrating them into their business model.

Figure 5: Payment methods for B2C e-commerce (2023), %



Source: We Are Social



### 3.4. Developing your market entry strategy

A well-considered market entry strategy should take a systematic approach that supports long-term success. This section distils the factors businesses should consider when formulating an approach to the Vietnam market into a series of key questions.

Asialink Business provides advisory services and capability training programs to help organisations understand and access opportunities in Asian markets. Should you have questions about any aspect of your Vietnam market entry strategy, please [contact us](#). Austrade's Vietnam office also provides services and support to Australian businesses with an interest in Vietnam (details can be found in [Section 5.2](#)).

#### CALIBRATING AMBITION



- What is your company's aspiration for the market?
- What are the challenges and risks you will need to mitigate?

#### CONSUMERS



- What is the current or potential demand for your product or service in Vietnam?
- Who are the primary customers / consumers for your product or service in the market?
- How will you tailor your product or service to local preferences?

#### COMPETITORS



- Who are your competitors in the market, and what is their offering?
- How does your product or service compare to competitors on price?

#### SALES, BRAND AND MARKETING



- What is your unique value proposition for the market?
- What is the ideal mix of marketing and sales channels to reach your target customers?
- Is your marketing strategy aligned with your identified consumer base and value proposition?

#### MODE OF ENTRY



- What is the right market entry model for your business?
- What are the specific geographies you should target?

#### DELIVERY PARTNERS



- Does your team have the right mix of skills and expertise to support your market entry?
- What partnerships will contribute to your business' success in the market?
- What external advice do you need to commission?

#### OPERATING MODEL



- What changes do you need to make to your business across areas such as operations, HR, finance and IT?







## 4. Business practicalities

An aerial night photograph of a city, likely Hanoi, Vietnam. The city is densely packed with buildings, many of which are illuminated with warm yellow and orange lights. A wide river, the Red River, flows through the city, reflecting the lights from the buildings and the sky. In the background, a tall, slender tower with a green spire stands out against the dark sky. The sky is a mix of blue and orange, suggesting the time is either dusk or dawn. The overall scene is a vibrant and bustling urban landscape.

Australian businesses need to be aware of business practicalities when operating in Vietnam. The information in this chapter presents an overview of the main areas that need to be considered – including regulations, customs duties, taxation and accounting, employment law and banking.





## 4.1. Laws and regulations

### Land and property rights

A valid address is required to establish a business in Vietnam. Office or factory space can be found independently or through a local real estate agent.

Under Vietnam's Constitution, the state collectively owns and manages all land. As such, neither foreigners nor Vietnamese nationals can own land. However, the government grants land use and building rights to individuals and businesses in the form of land use rights certificates.

If land is unoccupied or not used according to the conditions set out in the land use rights certificate, the rights revert to the government. If investors do not use leased land within 12 months from the original investment schedule, the government is also entitled to reclaim the land. Investors can apply for an extension of up to 24 months.

A land use rights certificate proves that someone has land use rights and asset ownership. The certificate can be applied for at the Department of Natural Resources and Environment's Land Registration Office and its branches.

## Intellectual property (IP)

Vietnam's legal framework supporting intellectual property (IP) rights is relatively strong. As a member of the World Trade Organisation, it has committed to common standards for the protection and enforcement of IP. It is a signatory to the Paris Convention, the Berne Convention, the Madrid Protocol and the Patent Cooperation Treaty. It has also upgraded IP protections to bring them in line with its obligations under the CPTPP.

The IP framework is coordinated by the **National Office of Intellectual Property** (NOIP). Under the authority of the Ministry of Science and Technology, it administers IP protections and conducts basic assessments to settle IP disputes.

There are six types of intellectual property in Vietnam: trademarks, patents, copyright, industrial designs, geographical indications and trade secrets. The following mechanisms are used for registering trademarks, patents and copyright:

Protection	Detail	Duration
<b>Trademarks</b>	Granted by NOIP, trademarks protect symbols, three-dimensional objects, colours and other visual devices that are used to identify a business' products or services. Trade name rights are established through use rather than being formally registered. With respect to online domains, these are handled on a first-come, first-served basis. Trademarks can be registered in Vietnam or by using the Madrid Protocol.	Trademarks last for 10 years and can be renewed indefinitely. Registration can take up to 15 months to complete.
<b>Patents</b>	Patents must be registered at NOIP. Vietnam's patent law operates under the 'first to file' principle. For patent rights for things other than industrial designs, applications can be handled by the Patent Cooperation Treaty. In this way, Vietnam makes a distinction between invention patents and utility solution patents.	Invention patents have a maximum protection of 20 years.  Utility solution patents have a maximum protection of 10 years.  Industrial designs have a maximum protection of five years (however, this is renewable for two consecutive periods of five years).
<b>Copyright</b>	Copyright automatically arises when an original work is produced. While not required, registering the copyright for an original piece of work establishes the date of production, which can be used for proving originality. Registrations of copyright are conducted at the National Copyright Office of Vietnam.	As per the Berne Convention, the minimum protection from publication is: <ul style="list-style-type: none"> <li>• 75 years for cinematographic works, photographic works, dramatic works, works of applied art and anonymous works.</li> <li>• 50 years after the death of the author for other works.</li> </ul>

**Violation of IP and enforcement options:** Despite a relatively strong IP protection framework, violations persist. Businesses seeking to enforce their IP rights in Vietnam have three options:

- Administrative action
- Civil court action
- Criminal prosecution

Most IP disputes are handled through administrative action. Government authorities can issue warnings, fines and the seize and destroy of counterfeit goods. "Businesses should consult IP Australia for further advice" [Hyperlink IP Australia with: ipaustralia.gov.au/](https://ipaustralia.gov.au/)



## 4.2. Customs duties

### Import duties and tariffs

Import duty rates come in three categories: Ordinary rates, preferential rates and special preferential rates.

- **Ordinary rates** apply to goods imported from countries outside the WTO system. This rate is the equivalent of the most-favoured nation (MFN) rate with a surcharge of 50 per cent.
- **Preferential rates** apply to goods from countries that have MFN status with Vietnam. MFN rates are applicable to goods imported from any WTO member state.
- **Special preferential rates** apply to goods from countries that have a preferential trade agreement with Vietnam. Australian businesses qualify for special preferential rates through the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA), the CPTPP and the Regional Comprehensive Economic Partnership (RCEP).

To find the tariff rate for specific goods, visit the Department of Foreign Affairs and Trade's FTA Portal at [ftaportal.dfat.gov.au/](http://ftaportal.dfat.gov.au/).

The Customs Department of Vietnam is responsible for levying tariffs on imported goods. For up-to-date information visit [customs.gov.vn/](http://customs.gov.vn/).

Special Sales Tax (SST) applies to some products in addition to import duties. Value Added Tax (VAT) will also be applied to imported goods and services (unless exempt under the VAT regulations).

### Calculations and payments

Vietnam follows the WTO Valuation Agreement on imported goods with certain variations. Import duty is calculated by multiplying the imported good's dutiable value by the corresponding import duty rate. The dutiable value of imported goods is typically based on the cost, insurance and freight (CIF) level.

Import duties and taxes in Vietnam must be paid before customs clearance. Foreign businesses importing into Vietnam can register, declare and pay taxes through the web portal set up by the General Department of Taxation (GDT) at [etaxvn.gdt.gov.vn](http://etaxvn.gdt.gov.vn).

### Exemptions

Import duty exemptions are provided for a range of goods, including:

- Machinery and equipment that are fixed assets of a company and are eligible for incentives.
- Raw materials and components that cannot be manufactured locally.
- Materials and equipment used for the production of export goods.



## Export duties

Export duties are charged on only a few items – mainly natural resources such as sand, chalk, marble, granite, ore, crude oil, forest products and scrap metal. Rates vary from 0 up to 40 per cent.

## Import and export regulations

The Ministry of Industry and Trade (MoIT) is responsible for regulating trade in Vietnam. It issues regulations, usually in the form of ‘circulars’, which provide the legal basis for what can be imported to or exported from Vietnam. The Customs Department of Vietnam enforces trade regulations.

## 4.3. Taxation

Vietnam’s General Department of Taxation imposes a wide-ranging tax regime that includes income taxes (corporate and personal), turnover and indirect taxes (VAT and specific business tax), as well as property tax, stamp duty, excise, customs duties and municipal taxes.

This section provides an overview of the taxes Australian businesses can expect to face when operating in Vietnam. Not all applicable taxes are covered in this guide and the information provided is of a general nature. Businesses should seek professional tax advice for understanding the taxes specific to their activities.

**Table 1: Overview of Vietnam’s taxes for businesses**

<b>Tax</b>	<b>Tax rate (%)</b>
<b>Corporate income tax</b>	20
<b>Capital gains tax</b>	20
<b>Branch tax</b>	20
<b>Withholding</b>	
Dividends	10-15
Interest	10
Royalties	10
Branch remittance tax	0

## Corporate Income Tax (CIT)

Businesses are subject to the tax rates imposed under the corporate income tax (CIT) law ([Table 1](#)). The standard CIT rate is 20 per cent. Companies incorporated in Vietnam are taxed on their worldwide income.

Foreign companies conducting business in Vietnam without establishing a local legal entity and/or receiving Vietnam-sourced income are considered foreign contractors. Foreign contractor income is subject to Foreign Contractor Tax, which includes Value Added Tax (VAT) and elements of CIT.

CIT rates of 10, 15 and 17 per cent apply to investments in key sectors and locations. Priority sectors include education, healthcare, sport and culture, high technology, environmental protection, scientific research and technology development, infrastructure development, processing of agricultural products, software production and renewable energy. Priority locations are those in designated high-tech zones, industrial zones and socio-economic regions. Large investments in the manufacturing sector also receive preferential treatment.

Vietnam has signed double taxation avoidance agreements with more than 80 other countries, including Australia. These treaties eliminate double taxation by identifying exemptions or reducing liabilities in Vietnam for Australian businesses and residents.

## Personal income tax

Individuals who meet one or more of the following criteria are classified as tax residents under Vietnamese law:

- Have been physically present in Vietnam for 183 days or more in either the calendar year or for 12 consecutive months from the first arrival date
- Have a permanent residence in Vietnam
- Have a leased house (or hotel room, guest house, location of office etc.) in Vietnam with a total term of 183 days or more in a tax year, and unable to prove tax residence in another country (by providing a foreign certificate of tax residency).

Personal income tax (PIT) applies to tax residents’ worldwide taxable personal income, regardless of whether it is paid or received domestically ([Table 2](#)).

For individuals not classified as tax residents, a flat PIT rate of 20 per cent applies to employment income from Vietnam. However, the double taxation agreement between Australia and Vietnam may affect this rate.



Table 2: Personal income tax rates

Annual taxable income	Tax rate (%)
<b>Residents – Employment income</b>	
VND 0 – 60 million (AUD 0 – 3,788)	5
VND 60 – 120 million (AUD 3,788 – 7,576)	10
VND 120 – 216 million (AUD 7,576 – 13,638)	15
VND 216 – 384 million (AUD 13,638 – 24,245)	20
VND 384 – 624 million (AUD 24,245 – 39,399)	25
VND 624 – 960 million (AUD 39,399 – 60,614)	30
More than VND 960 million (AUD 60,614)	35
<b>Residents – Other income</b>	
Business income	0.5 to 5
Interest/dividends	5
Sale of shares	0.1 (of proceeds)
Capital assignment	20 (on net gain)
Sale of real estate	2 (of proceeds)
Income from franchising/ royalties	5
<b>Non-residents</b>	
Employment income	20
Business income	1 to 5
Interest/dividends	5
Sale of shares/capital assignment	0.1 (of proceeds)
Sale of real estate	2
Income from royalties/ franchising/copyright	5

## Indirect taxes

**Value added tax (VAT):** VAT is a broadly based consumption tax applied to most goods and services bought and sold in Vietnam. All companies and individuals conducting business in Vietnam must pay VAT on applicable goods and services.

VAT is charged at three different rates:

- **0 per cent:** Applies to exports and includes goods and services processed for export or in-country export (conditions apply).
- **5 per cent:** Applies to essential goods and services (including books, unprocessed foodstuffs, various agricultural products and services, medicine and medical equipment and cultural, artistic and sport services, among others).
- **8 per cent:** The standard VAT rate that applies to all other goods and services.

VAT is typically set at 10 per cent. It was reduced to 8 per cent in July 2023 as part of the government's economic support measures. This reduction has been extended until June 2024.

**Special Sales Tax (SST):** Vietnam's special sales tax applies to a range of luxury goods and non-essential items. It is sometimes referred to as a 'sin' tax or 'luxury' tax. It applies to a range of goods, including cigarettes, alcohol and luxury cars. Rates range from 7 to 75 per cent.

**Natural resources tax:** A natural resources tax applies to industries using or developing Vietnam's natural resources. This includes metallic and non-metallic minerals, crude oil, natural gas, petroleum minerals, forest and aquatic products. Rates range from 1 to 40 per cent.

**Property taxes:** Foreign businesses pay rental fees for land use rights. Rates vary depending on location, connected infrastructure and the industrial sector in which the business is operating.

Land tax is charged to owners of non-agricultural property. Progressive tax rates range from 0.03 to 0.15 per cent based on land area and prescribed price per square metre.

**Environment protection tax:** A key pillar of Vietnam's transition to a green economy, this tax is applied to the production and importation of goods that are deemed to cause negative environmental impacts, such as coal, petroleum and plastic bags.

## 4.4. Audit and accountancy

Auditing and accountancy play a vital role in enhancing transparency and accountability in a business, especially one engaged in a foreign market. It increases business performance by identifying risks and highlighting areas for improvement.

### Accounting standard

Local and foreign businesses are required to comply with the Vietnam Accounting Standard (VAS) when recording financial transactions. Australian businesses with Vietnamese operations often manage two accounting records, one based on VAS and the other on Australian Accounting Standards (AAS).

The Vietnam Ministry of Finance (MoF) is the standard-setting body. Vietnam is rolling out International Financial Reporting Standards (IFRS) as part of its efforts to improve comparability and transparency. A voluntary application period will apply until 2025, in which businesses can apply IFRS in preparation of consolidated financial statements. IFRS will become mandatory from 2025.

### Statutory audits

Annual financial statements of foreign-invested business entities must be audited by an independent auditor in Vietnam. Audits are performed according to the VAS and must be completed within 90 days of the end of the financial year.

### Books and records

Accounting records should be in the Vietnamese language, although this can be combined with another commonly used foreign language like English.

The Vietnamese Dong (VND) should be used as the accounting currency. However, businesses that operate in a foreign currency can select that currency for their accounting records and financial statements. For statutory reporting, the foreign currency must be converted to the VND equivalent.

The Vietnamese financial year is the calendar year (1 January – 31 December). All companies must retain records used in the preparation of their accounting books for 10 years, and five years for other accounting documents.

### Quality control

The independent audit oversight authority in Vietnam is the Accounting and Auditing Supervisory Department (AASD) of the MoF and the State Securities Commission (SSC).

The MoF is responsible for establishing quality assurance review systems for auditors in Vietnam. This process includes a self-assessment by audit firms of their systems of quality control relating to audits of financial statements, a review of quality control policies and procedures and an assessment of accounting and auditing compliance standards. MoF sets the criteria for judging whether a quality assurance review is successful.

There are no members of the International Forum of Independent Audit Regulators in Vietnam.





## 4.5. Employing workers

Doing business in Vietnam will often require employing local and foreign workers. Understanding Vietnam's labour market regulations, recruitment methods and country-specific management styles is crucial to building and supporting an effective team.

### Labour market

**Skill level:** The skill level of the Vietnamese workforce is increasing alongside growing rates of educational attainment. In 2022, 87 per cent of the population had completed lower secondary and 59 per cent had completed upper secondary schooling. Despite this, skills shortages are emerging in key sectors.

**Employment contracts:** Businesses can hire workers on either employment or service contracts. Employment contracts are either fixed-term or ongoing. A service contract is an alternative form of employment designed to fill a specific and temporary skills gap. These are often used by foreign firms in Vietnam, particularly in the gig economy. Rather than a salary, fees are paid for services rendered. Details like location, working hours and days of leave are more flexible and contracts typically do not include leave entitlements or insurance coverage.

Contract type	Payment type	Employer benefits
<b>Employment contract</b>		
Fixed-term	Salary	Yes
Ongoing	Salary	Yes
<b>Service contract</b>	Fee	No

**Minimum wage:** The 2024 monthly minimum wage for employees in all non-state-owned enterprises is based on geographic zones determined by the government.

Region	VND	AUD
1	4,960,800	314
2	4,409,600	279
3	3,858,400	244
4	3,445,000	218

For Vietnamese employees who work for foreign companies, wages are determined through negotiations between the two parties. Wages cannot be lower than the minimum monthly salary rates above.

**Human resources and employment law:** Vietnam continues to streamline its labour laws and policies to promote integration with global business practices. The Labour Code provides the legal framework for employers and employees with regards to working hours, labour agreements, social insurance, overtime, strikes and termination.

**Working hours:** The working hour limit is 48 hours per week. Normal working hours cannot exceed 8 hours per day without an overtime agreement.

**Holidays:** Workers employed for more than 12 months are entitled to 12 days of paid leave. For every five years of service this entitlement increases by one day. For workers employed for less than 12 months, annual leave is accrued on a pro-rata basis.

**Overtime:** Overtime is limited to 200 hours per year, or up to 300 hours per year under special circumstances. If an employer and employee agree on an overtime deal, overtime cannot exceed 40 hours per month and 300 hours per year.

### Overtime Rates

<b>Weekdays</b>	Daily wage x 1.5
<b>Weekends</b>	Daily wage x 2
<b>Holiday/ Paid Leave</b>	Daily wage x 3

**Sick leave:** Under the Labour Code, Vietnamese workers' sick leave entitlements are determined by how long they have been contributing to the social insurance fund.

- An employee who has contributed to the social insurance fund for less than 15 years is entitled to 30 days per year.
- An employee who has contributed to the fund for between 15 and 30 years is entitled to 40 days per year.
- An employee who has contributed for 30 years or more is entitled to 60 days per year.

**Social, health and unemployment insurance**

**contributions:** Social insurance (SI) and unemployment insurance (UI) contributions are applicable to Vietnamese employees only. Health insurance (HI) contributions are required for both Vietnamese and foreign employees on Vietnam employment contracts.

**Contribution rates for social, health and unemployment insurance**

	SI	HI	UI	Total
Employee	8%	1.5%	1%	10.5%
Employer	17.5%	3%	1%	21.5%

**Ending employment:** Employers and employees can unilaterally terminate an employment contract. Employers must give 120 days' notice for ongoing or fixed-term contracts of more than 12 months. For fixed-term contracts of less than 12 months, employers must give notice of at least one quarter of the term of the contract. Service contracts naturally end at the conclusion of the project but can also be terminated by the hiring party with 30 days' notice.

**Severance pay:** If an employer terminates the employment of an employee who has been with the organisation for more than 12 months, severance pay must be provided. The minimum severance pay is half a month's salary for each year of employment. In cases of employee misconduct or illegal activity, severance pay does not apply.

**Recruiting staff**

**Online advertising:** Online job advertisements are an effective way to access talent. There are a number of useful websites in Vietnam for online advertising:

- **VietnamWorks** is the most popular online job search portal. It can be accessed in both English and Vietnamese [vietnamworks.com/](http://vietnamworks.com/)
- **CareerViet.vn** is a popular job search site aimed at skilled professionals [careerviet.vn/](http://careerviet.vn/)
- **Timviec365.vn** is popular amongst employers for its free posting function [timviec365.vn/](http://timviec365.vn/)
- **Vieclam24h.vn** is a recruitment portal that advertises for lower to mid-level roles [timviecnhanh.com/](http://timviecnhanh.com/)
- **LinkedIn** usage continues to grow, with 13 per cent of Vietnamese internet users using the platform each month [vn.linkedin.com/](http://vn.linkedin.com/)

**Executive search and recruitment:** Executive search firms can provide tailored searches for more senior roles. International firms such as ADECCO, Harvey Nash, Talentnet and Robert Walters have offices in Vietnam.

**Work permits:** Vietnamese entities can recruit foreign workers to senior positions where local hires are not able to meet production and business requirements. Work permits for foreigners are issued by the Ministry of Labour, Invalids and Social Affairs. Permits are valid for three years and can be renewed. An applicant must be:

- At least 18 years of age.
- In good enough health to satisfy the job requirements.
- A manager, executive director or expert with technical skills and knowledge necessary for the job.
- Not have a criminal record or be subject to criminal prosecution.

The Vietnamese entity must publicly advertise for the position in a newspaper or online at least 30 days prior to recruiting the foreign employee. The advertisement should be included in the application for the work permit for the foreign employee.





## 4.6. Banking

Foreign companies establishing a presence in Vietnam will need a local bank account to conduct business. Foreign companies may open accounts denominated in VND, USD and other foreign currencies. The Vietnamese banking sector includes domestic commercial banks, state-owned commercial banks, joint venture and wholly foreign-owned banks, foreign bank branches and cooperative banks.

To open a bank account in Vietnam, you will most likely need to visit a branch and present your passport as proof of identity. You will also need proof of employment in Vietnam. If you have a business in Vietnam, a business certificate will be required.

The three types of bank accounts available in Vietnam are:

- **Normal local/foreign currency account.** This is the most common type of bank account. Funds can be transferred into and out of this type of account, usually without a monthly limit. Accounts can usually be opened in either VND or USD.
- **Deposit account.** Deposit bank accounts are designed for taking deposits and accumulating savings over time.
- **Offshore foreign currency account.** This is a special type of account that may be useful for some businesses and individuals. In addition to meeting certain criteria, approval is required from the State Bank of Vietnam to open these accounts.

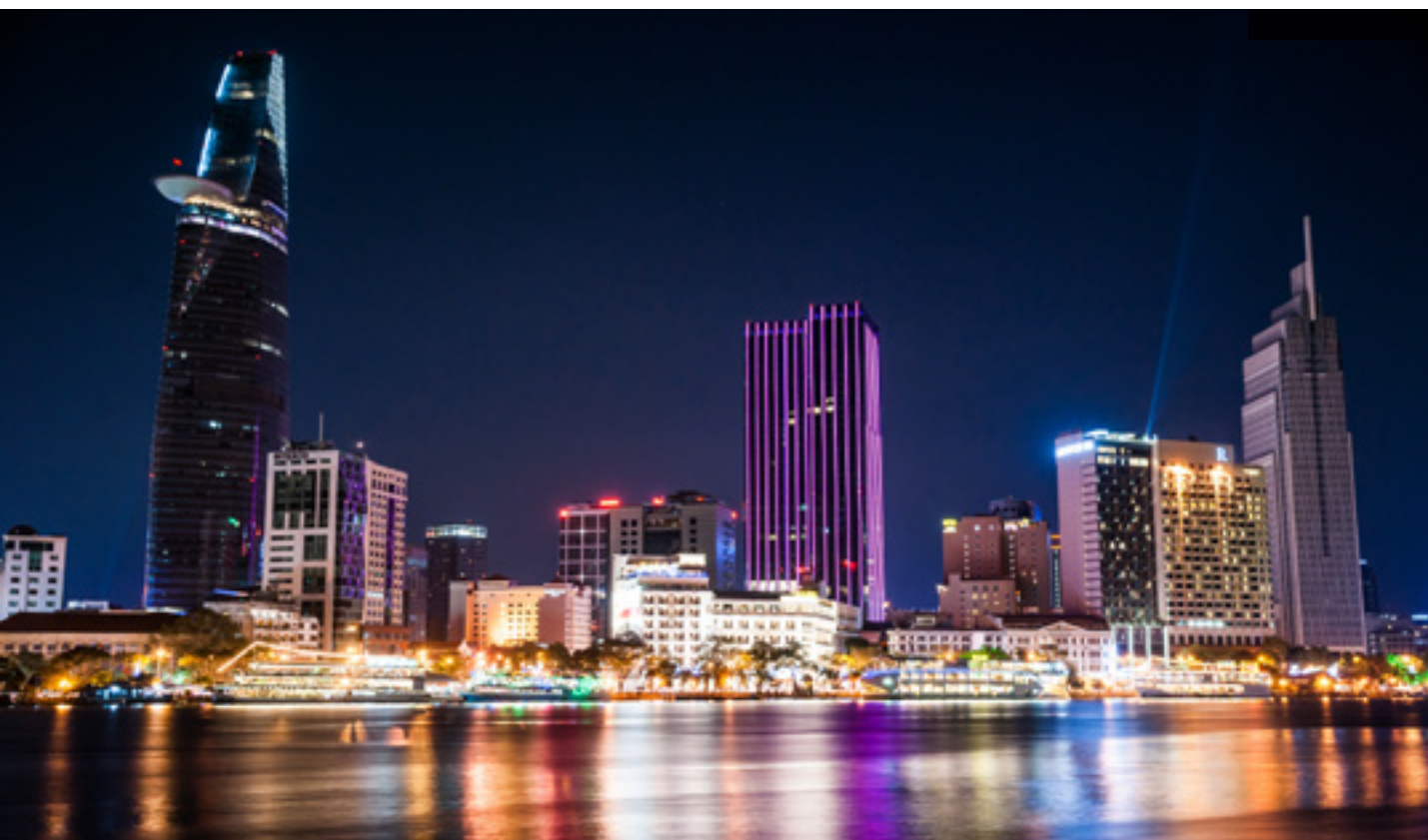
## Foreign exchange controls

The VND is not freely convertible and cannot be remitted overseas. The Vietnamese Government has been implementing measures to gradually reduce the country's dependence on the US Dollar. All buying, selling, lending and transfer of foreign currency must be made through banks and other financial institutions authorised by the State Bank of Vietnam. As a general rule, all monetary transactions in Vietnam must be undertaken in VND.

Foreign invested enterprises may, subject to certain conditions, buy foreign currency from banks to make foreign currency payments to overseas parties. The outflow of foreign currency by transfer is only authorised for some transactions such as:

- Payments for imports and services from abroad
- Repayment of offshore loans and the payment of interest
- Transfers of profits and dividends
- Transfers of technology/royalties.

Foreign enterprises and foreigners working in Vietnam are permitted to transfer profits and income earned in Vietnam internationally. Remaining invested capital at the end of an investment project can also be transferred abroad. Supporting documents showing the legitimate purpose of transferring foreign currency abroad must be submitted to the remitting bank to purchase and remit foreign currency.

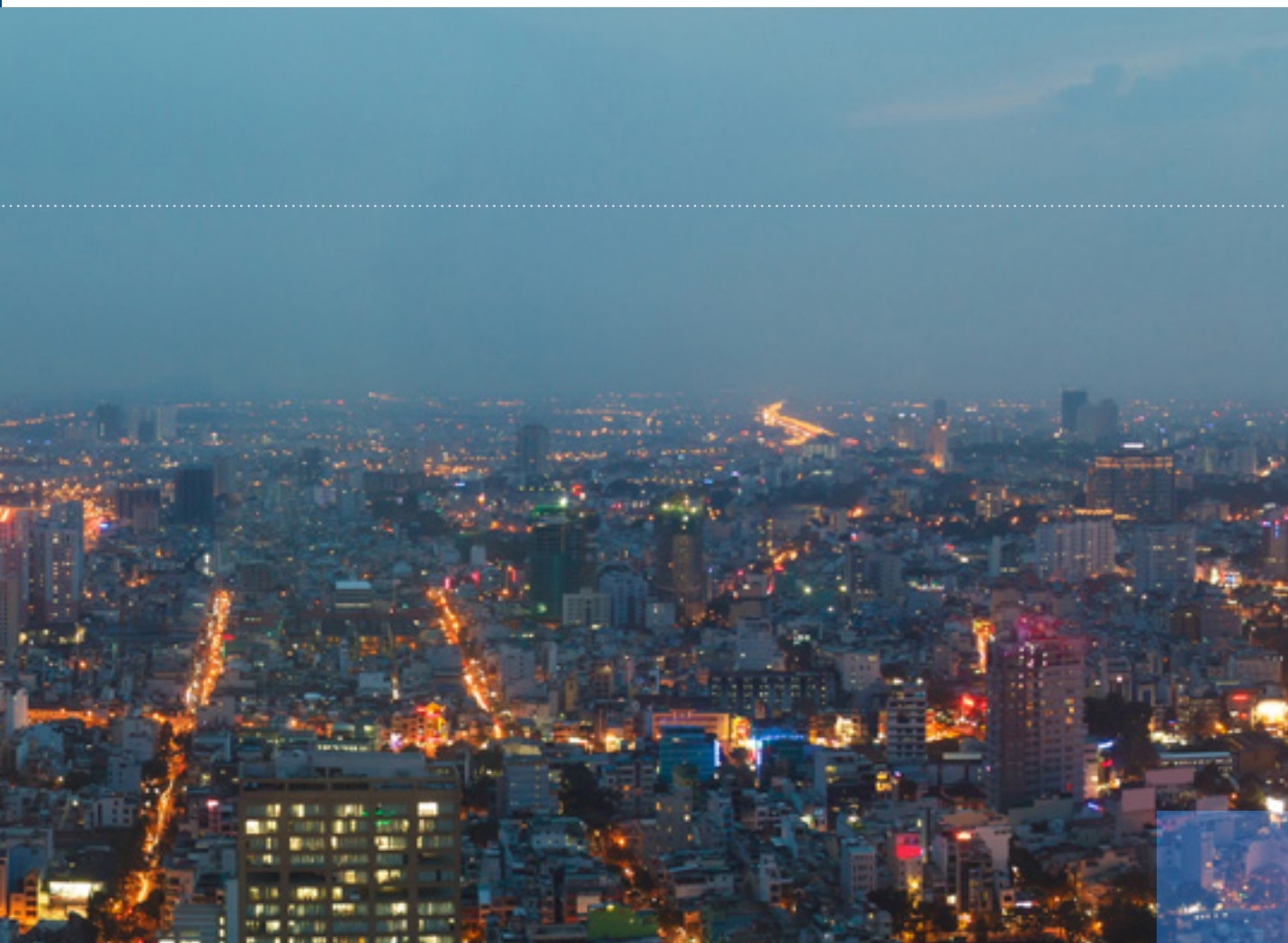


## 5. Appendices



Understanding the relationship between economics, politics and government can give businesses an edge when entering Vietnam. This chapter provides general information on political and legal structures, relevant government agencies, key economic regions and the bilateral relationship with Australia.





## 5.1. Country information

### Politics and government

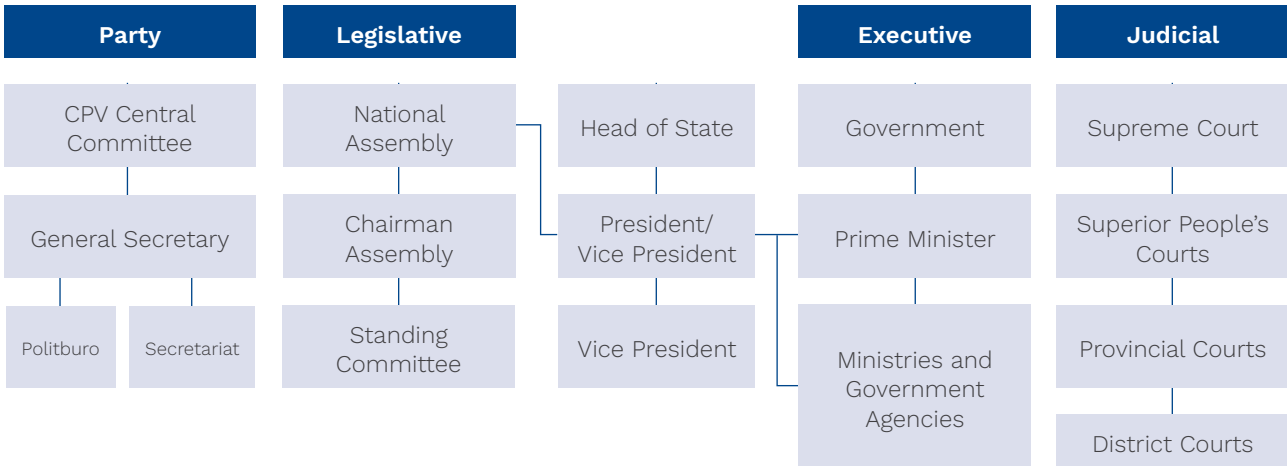
Vietnam is a one-party socialist state governed by the Communist Party of Vietnam (CPV). A five-yearly National Party Congress elects 180 full members and 20 alternate members to sit on the Central Committee. The Central Committee elects an 18-person Politburo, which oversees CPV affairs and decision making in between the bi-annual meeting of the Central Committee.

In parallel to the CPV, the National Assembly (NA) acts as a legislature. It provides a check on the powers of the Central Committee and Politburo. Its 500 members are parliamentarians that are elected via absolute majority voting for a period of five years. Members of the NA select the President, who in turn selects the Vice President, Prime Minister and ministers with the consent of the NA.

Power is concentrated in four key positions: the General Secretary of the CPV, the President, the Prime Minister and the Chairman of the National Assembly. The President represents Vietnam internationally as the head of state, while the Prime Minister and the government are responsible for implementing domestic policy. Both are directed by the General Secretary of the CPV. The Chairman of the National Assembly presides over the legislature, authenticates laws and oversees the activities of the National Assembly's Standing Committee.

Many members of the NA are CPV representatives, including the current President. Government ministries are increasingly forming policy, in addition to their traditional roles of administering and implementing policies passed down from the party.

Vietnam’s government and judicial structure



Legal system

Vietnam’s legal system is inherited from the French civil law system and has been influenced by socialist legal theory. The National Assembly is the highest office responsible for law making, assisted by Legal Committee and various subordinate offices.

The Supreme People’s Court is the highest court in Vietnam. It comprises a Chief Justice and 13 other judges, who are each appointed by the President and National Assembly on five-year terms.

There are three appellate courts known as Superior People’s Courts. Based in Hanoi, Da Nang and Ho Chi Minh City, each court is responsible for the northern, central and southern regions of the country respectively.

Provincial and District People’s Courts administer legal services at their appropriate levels. Courts in Vietnam are two-tiered, whereby a disagreement at the initial trial can be extended to a new trial at an appeal court.





## Key government agencies

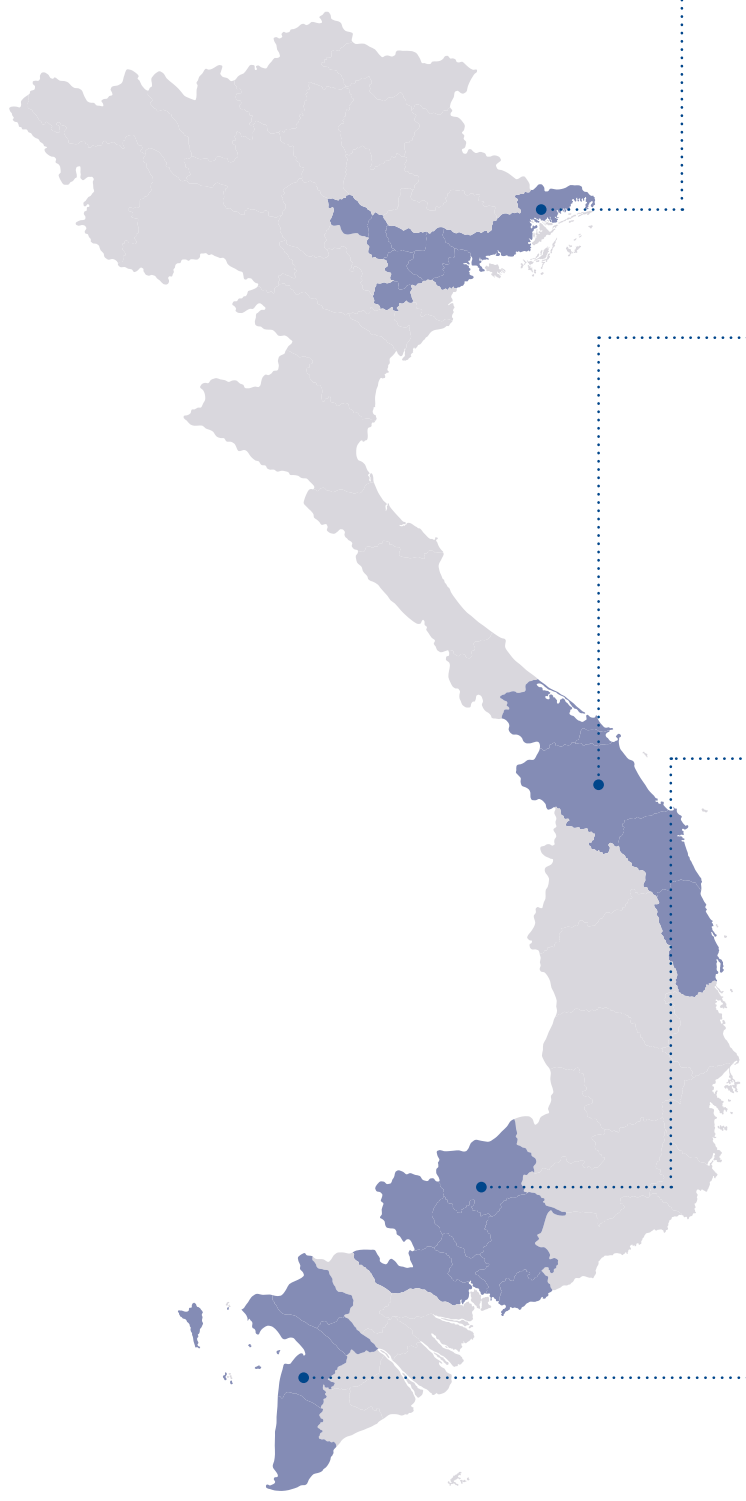
Key government agencies and industry associations will need to be consulted throughout the process of setting up a business in Vietnam. Some of these agencies can also be useful for providing advice and initiating contacts.

The main agencies and their areas of authority relating to foreign businesses are:

Government agency	Responsibilities	Website
<b>Ministry of Planning and Investment (MPI)</b>	Controls national-level investment and development schemes, including Vietnam's key economic regions and regional development programs. MPI produces the overarching strategies and policies for encouraging foreign investment and provides information for potential investors.	<a href="http://mpi.gov.vn">mpi.gov.vn</a>
<b>Foreign Investment Agency (FIA)</b>	An agency of the MPI, the FIA administers and manages foreign investment policy. FIA produces sector-specific information that may be helpful for potential investors and foreign businesses.	<a href="http://fia.mpi.gov.vn">fia.mpi.gov.vn</a>
<b>Ministry of Industry and Trade (MoIT)</b>	MoIT promotes and directs Vietnamese trade. It sends trade missions overseas and runs educational institutions and centres to advance knowledge and ties to Vietnam.	<a href="http://moit.gov.vn">moit.gov.vn</a>
<b>Vietnam Trade Promotion Agency (Vietrade)</b>	An agency of the MoIT, Vietrade provides information, opportunities and solutions for foreigners trading with Vietnam. Vietrade conducts research and produces a newsletter on the activities of the Vietnam Trade Office in Australia - a useful resource for Australian businesses.	<a href="http://vietrade.gov.vn">vietrade.gov.vn</a>
<b>Ministry of Finance (MoF)</b>	While the State Bank sets monetary policy, the Ministry of Finance presides over fiscal policy. It implements the Government's budget, manages the tax system and sets five-year financial plans for Vietnam. It also offers financial services and can be a helpful resource for Australian businesses that wish to clarify their tax or ownership status in Vietnam.	<a href="http://mof.gov.vn">mof.gov.vn</a>
<b>General Department of Vietnam Customs</b>	A department of the MoF, Vietnamese Customs manages imports and exports in and out of Vietnam. The department is a useful source of information for foreign businesses on tariffs and import regulations.	<a href="http://customs.gov.vn">customs.gov.vn</a>
<b>State Bank of Vietnam</b>	The central banking agency sets monetary policy and manages the Vietnamese currency with a view to achieving stability and reliability. It is a useful source for Australian businesses seeking an overview of economic conditions in Vietnam.	<a href="http://sbv.gov.vn">sbv.gov.vn</a>
<b>Ministry of Science and Technology</b>	The Ministry of Science and Technology is responsible for approving technology transfers.	<a href="http://most.gov.vn">most.gov.vn</a>
<b>Ministry of Natural Resources and Environment (MONRE)</b>	In collaboration with the People's Committee, MONRE establishes the land price based on market value. Businesses must submit an application to MONRE to receive a land use rights certificate.	<a href="http://monre.gov.vn">monre.gov.vn</a>
<b>Ministry of Justice (MoJ)</b>	Responsible for the Vietnamese legal system, MoJ implements laws and regulations across a broad range of sectors. MoJ can offer help and guidance on Vietnamese laws that may affect business or personal legal rights in Vietnam. Its website is a useful source of information on frequently changing legislation affecting the conduct of business in Vietnam.	<a href="http://moj.gov.vn">moj.gov.vn</a>

## Key economic regions

Trade and investment activity is concentrated in Vietnam's four key economic regions (KER) in the north, south, central and Mekong Delta areas.



### North KER - 2022

**Provinces and cities:** Hanoi, Hai Phong, Quang Ninh, Vinh Phuc, Bac Ninh, Hai Duong, and Hung Yen

**GDP contribution (%):** 34

**FDI inflow contribution (%):** 35

**Export-Import revenue contribution (%):** 34

### Central KER - 2022

**Provinces and cities:** Thua Thien Hue, Quang Nam, Quang Ngai, Binh Dinh, Da Nang

**GDP contribution (%):** 6

**FDI inflow contribution (%):** 2

**Export-Import revenue contribution (%):** 3

### South KER - 2022

**Provinces and cities:** Ho Chi Minh, Binh Duong, Ba Ria-Vung Tau, Dong Nai, Tay Ninh, Binh Phuoc, Long An, Tien Giang

**GDP contribution (%):** 29

**FDI inflow contribution (%):** 41

**Export-Import revenue contribution (%):** 36

### Mekong Delta KER - 2022

**Provinces and cities:** Can Tho, An Giang, Kien Giang, Ca Mau

**GDP contribution (%):** 5

**FDI inflow contribution (%):** 1

**Export-Import revenue contribution (%):** 1



## Vietnam-Australia bilateral relationship

Australia and Vietnam celebrated 50 years of diplomatic relations in 2023. Underpinned by the 2018 Strategic Partnership, both countries are committed to regional stability and prosperity through trade and investment, defence cooperation and development partnerships. The two countries aim to elevate the bilateral relationship to a Comprehensive Strategic Partnership.

The trade and investment relationship has deepened in recent years. Australia and Vietnam are active members of the Asia-Pacific Economic Cooperation (APEC), the CPTPP and the RCEP. The Australia-Vietnam **Enhanced Economic Engagement Strategy** was implemented in 2021 with the ambition to become top-ten trading partners and double two-way investment.

Further information on the bilateral relationship is available from **DFAT**.



## 5.2. Useful contacts and support resources

### Government organisations

#### *Australian Department of Foreign Affairs and Trade (DFAT)*

[dfat.gov.au/geo/vietnam](https://dfat.gov.au/geo/vietnam)

DFAT manages Australia's international network, including in Vietnam. Australia has an Embassy in **Hanoi**, and a Consulate-General in **Ho Chi Minh City**.

#### *Austrade*

[austrade.gov.au/en/contact-us/international-offices/vietnam](https://austrade.gov.au/en/contact-us/international-offices/vietnam)

Austrade is the Australian Government agency responsible for facilitating international trade and investment. Austrade can provide advice on the market, potential in-market partners and export marketing services. Austrade has offices in Hanoi and Ho Chi Minh City.

#### *Export Finance Australia*

[exportfinance.gov.au](https://exportfinance.gov.au)

EFA provides information, support and export finance solutions to Australian businesses looking to expand overseas.

### State government agencies

Many state government agencies have representatives or offices in Vietnam, including **New South Wales**, **Queensland**, **Victoria**, **Western Australia**.

### Business and industry associations

#### *AusCham Vietnam*

[auschamvn.org/](https://auschamvn.org/)

The Australian Chamber of Commerce in Vietnam represents and promotes Australian businesses operating in Vietnam. AusCham coordinates a regular program of business seminars, networking and social functions for the business community in Vietnam.

#### *Australia Vietnam Business Council*

[avbc.org.au/](https://avbc.org.au/)

The Australia Vietnam Business Council promotes bilateral trade and investment opportunities between Australia and Vietnam. In addition to networking and cultural awareness programs, it offers a B2B supply chain consultancy service for Australian businesses looking to enter Vietnam.

#### *Export Council of Australia*

[export.org.au/](https://export.org.au/)

The Export Council of Australia is the peak industry body for the Australian export community.

### Programs and support

#### *Go Global Toolkit*

[export.business.gov.au/](https://export.business.gov.au/)

Austrade's Go Global Toolkit provides market advice, legal and regulatory guidance and export readiness assessments.

#### *Export Market Development Grants (EMDG)*

[austrade.gov.au/en/how-we-can-help-you/grants/export-market-development-grants](https://austrade.gov.au/en/how-we-can-help-you/grants/export-market-development-grants)

Austrade seeks to help small to medium Australian enterprises grow their exports in international markets through their EMDG grant program.

#### *Industry Growth Program*

[industry.gov.au/science-technology-and-innovation/industry-innovation/industry-growth-program](https://industry.gov.au/science-technology-and-innovation/industry-innovation/industry-growth-program)

The Industry Growth Program supports innovative SMEs undertaking commercialisation or growth projects in **the National Reconstruction Fund priority areas**.

State or territory government trade and investment agencies may also run programs and provide support to businesses looking to expand into international markets. Please consult your relevant state or territory agency for more information.

## 5.3. References

**A select list of sources used in the development of this publication are included below.**

Australian Department of Education  
 Australian Department of Foreign Affairs and Trade  
 Australian Trade and Investment Commission (Austrade)  
 Dezan Shira and Associates  
 Economist Intelligence Unit  
 Euromonitor  
 EY  
 Financial Times  
 Google  
 IMF  
 International Federation of Accountants  
 King & Wood Mallesons  
 McKinsey & Company  
 PWC  
 Tech in Asia  
 The Heritage Foundation  
 Transparency International  
 S&P Global  
 UNICEF  
 US Chamber of Commerce  
 US Department of State  
 US International Trade Administration  
 Vietnam Government (various sources)  
 We Are Social  
 World Bank

## 5.4. A note on currency

All money amounts are in Australian Dollars unless otherwise indicated.

Exchange rate used is the historical rate for the previous twelve months.

AUD 1 = USD 0.664

AUD 1 = VND 15,833

## 5.5. Acknowledgements

Asialink Business gratefully acknowledges the assistance of Austrade Vietnam in the production of this guide.

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