

MANUFACTURING IN VIETNAM



WHAT YOU NEED TO KNOW
SUMMARY
BY VINAPLACE VIETNAM



**VINAPLACE
VIETNAM**

VIETNAM GDP GROWTH, 2019

Vietnam Q1 2020 GDP growth was 3.82%

6.8%

Vietnam remains the fastest growing economy in Southeast Asia in 2019

95

52% of people in working age and about 97% of the working age population is literate

POPULATION OF VIETNAM

STABLE AND GROWING ECONOMY

Vietnam is among the fastest growing economies in ASEAN and is poised for robust growth, projected to expand at 6.4% annually between 2018 and 2022





SUMMARY

#1 Main Export Categories

Machinery, equipment: (40.4%)
Footwear: (7.8%)
Machinery inc computers: (5.5%)
Clothing, accessories: (5.5%)
Knit or crochet clothing: (5.1%)
Furniture, bedding, lighting: (3.4%)
Optical, technical, medical: (2.2%)
Fish: (1.9%)
Coffee, tea, spices: (1.5%)
Leather/animal gut articles: (1.5%)

#2 Infrastructure & Transportation Network

In recent years, Vietnam has made significant investments in its roads, railways, and ports. Vietnam has 44 seaports dotting its 3,260 km (2,030 mi) coastline, including key ports, Hai Phong (North), Da Nang (Central), and HCMC/Saigon (South). Vietnam ranks well in the area of Airport Connectivity, at 22nd.

#3 Labor Force

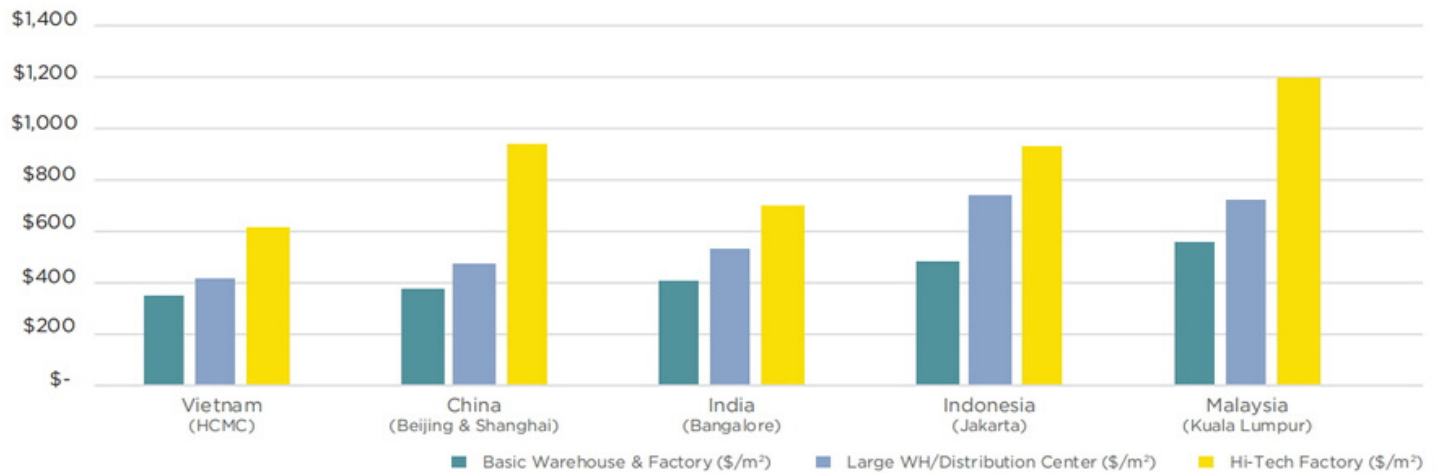
Starting on January 1, 2020, Vietnam's minimum wages increased in each of the country's four regions. The minimum wage now ranges from VND 3,070,000 (\$132 USD) to VND 4,420,000 (\$190 USD) per month.



Cost of Factory Construction

Vietnam factories construction cost ranges between 250-600 usd per m2.

Construction costs



The costs for the respective categories given above are averages based on fixed price competitive tenders. It must be understood that the actual cost of a building will depend upon the design and many other factors and may vary from the figure shown.

Taxation in Vietnam

Corporate Income Tax (CIT)

CIT standard rate is 20%. CIT is payable annually.

Companies operating in the oil and gas industry are subject to CIT rates ranging from 32% to 50%. Companies engaging in prospecting, exploration and exploitation of mineral resources are subject to CIT rates of 40% or 50%.

Value Added Tax (VAT)

Value Added Tax is the most important indirect tax applied in Vietnam. It is applied at one of three rates (0, 5, and 10 percent) to the good or service in question. Most goods within the country, however, are taxed at 10 percent.

Personal Income Tax (PIT)

PIT rates depend on residency status and nature of income.

Tax residents are taxed on their world-wide taxable income, tax non-residents are taxed on their Vietnam sourced income only.

Employment income: for residents, progressive tax rates from 5 to 35% apply, for non-residents, a flat rate of 20% applies on the Vietnam sourced income. Non-employment income: tax rates vary from 0.1% to 10%.

Note: Vietnam's Law on Investment, as well as its subsequent decrees and circulars, specify in the types of projects that qualify for incentives and the nature of incentives that these projects qualify for. The most common incentives are those available for investments made in specialized locations, industries, investment sizes or investment zones in the country.



Tax Incentives for factory investors

Standard

- Corporate Income Tax: Preferential tax rate of **17%** in the first ten years (10 years) defined in the Decree No. 118/2015 / ND-CP of the Government.
 - Corporate Income Tax incentives 2 years' **tax exemption** and 50% tax reduction in the subsequent 4 years (Paragraph 4 of Article 19 of Circular No.78/2014/TT-BTC of the Ministry of Finance).
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Specific Sectors

- **10%** preferential CIT rate for 15 years; and
- 4 years of tax exemption plus subsequent 9 years of 50% reduction

Applies to:

Certain encouraged sectors

Including high technology, environmental protection, scientific research, infrastructural development, software production and renewable energy.

Location

Certain qualifying economic and high-tech zones, and especially difficult socio-economic areas.

Qualified large scale manufacturing projects, investment project in manufacturing supportive industrial products prioritized for development, high-tech enterprises and agricultural enterprises applying high-tech.





Factory Legal Entity Registration

There are 3 steps for company establishment as following:

1. Investment Policy Approval (IPA)
2. Investment Registration Certificate (IRC)
3. Enterprise Registration Certificate (ERC)

After ERC there are several procedures to process such as Firefighting certification, EIA, Construction permit.

Note: Normally, the Contractor will be in charge of Firefighting Certification and Construction permit then building factory to Industrial Park leased land.

Building the factory then need as well

4. Company chop registration
5. Environmental Impact Assessment (EIA)

Vietnam Free Trade Agreements / FTA

Vietnam, which has one of the region's fastest-growing economies, backed by robust exports and foreign investment, has already signed about a dozen free trade pacts.

The European Union and Vietnam signed a Trade Agreement and an Investment Protection Agreement on 30 June 2019.

By enabling the latest production technologies and increasing workforce training, the government is actively easing qualms around viability, labour shortages and rising costs for a more transparent business environment.





Sufficient Capacity

Despite occupancy in key provinces increasing Year-over-Year, numerous future projects allow foreign companies to increase investment.

With interest in the industrial market at an all-time high, developers are actively converting agricultural land to industrial, ensuring additional supply.

With 10% of the workforce in the FDI sector and 40% in the agricultural industry, there is excellent potential for labor to shift “from the farm to the factory”, fueling industrialization.

The manufacturing sector only contributes approximately 20% of Vietnam’s GDP, falling short of other ‘Asian Tiger’ economies, which peaked at 30% GDP.

Young population and large workforce, with growing talents.

Vietnam is well known for its golden age structure with more than 52% of people in working age and about 97% of the working age population is literate, according to the Ministry of Education and Training.

CONTACT

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