Introducing Vietnam

Lugano, 31.08.2017

Table of Contents

1 Executive Summary

Vietnam is one of the fastest growing economy in the world with a GDP increasing with an yearly average of 6%, a young population and a strategic position in the hearth of South-East Asia.

Thanks to low-cost labour and its geographical position, the country is quickly establishing as an alternative to China in several industrial sectors attracting investments, production facilities, sourcing and trading companies.

The development of the local economy is creating a class of wealthy entrepreneurs seeking for profitable investments and tax-efficient structures outside the country and the proximity with Singapore and Hong Kong is straightening the boundaries with the two main Asian financial hubs.

Despite the positive economic indicators, Vietnamese bureaucracy and corruption at different levels of the Government as well as an undeveloped financial sector still exposes the country to instability and economic downturns.

Dealing with one of the world's four remaining one-party countries embracing communism, with an opaque regulatory framework and limits in the circulation of capitals still represents a significant concern for foreign investors.

The leadership of the country seems nevertheless committed to sustain the development of the economy since the country joined WTO in 2007. Vietnam is also a member of the Trans-Pacific Partnership (TTP) and the Organisation Internationale de la Francophonie.

2 Country Overview

Since decades, Vietnam GDP is growing on an average of 6% per year, positioning itself as one of the fastest developing economy on the world. This positive trend allowed Vietnam to leave its prior status as one of the poorest country on earth and move into the desired stage of middle-income country (48th in the 2016 nominal GDP global ranking for the IMF).

The country now counts a population of more than 95 Million people, placing after Indonesia and the Philippines as the third most populated country among the Southeast Asian nations. Vietnam is bordered by China to the north, Laos to the northwest, Cambodia to the southwest, Thailand across the Gulf of Thailand to the southwest, and the Philippines, Malaysia and Indonesia across the South China Sea to the east and southeast. Its capital city has been Hanoi since the reunification of North and South Vietnam in 1976, with Ho Chi Minh City as a historical city as well. The northern part of Vietnam was part of Imperial China for over a millennium, from 111 BC to AD 939.

An independent Vietnamese state was formed in 939, following a victory in the Battle of Bạch Đằng.

Successive Vietnamese imperial dynasties flourished as the nation expanded geographically and politically into Southeast Asia, until the Indochina Peninsula was colonized by the French in the mid-19th century. Following a Japanese occupation in the 1940s, the Vietnamese fought French rule in the First Indochina War, eventually expelling the French in 1954. Thereafter, Vietnam was divided politically into two rival states, North Vietnam (officially the Democratic Republic of Vietnam), and South Vietnam (officially the Republic of Vietnam). Conflict between the two sides intensified in what is known as the Vietnam War. The war ended with a North Vietnamese victory in 1975.

Vietnam was then unified under a communist government but remained impoverished and politically isolated. In 1986, the government initiated a series of economic and political reforms which began Vietnam's path towards integration into the world economy.

By 2000, it had established diplomatic relations with all nations. Since 2000, Vietnam's economic growth rate has been among the highest in the world, and, in 2011, it had the highest Global Growth Generators Index among 11 major economies. Its successful economic reforms resulted in its joining the World Trade Organization in 2007. It is also a member of the Asia-Pacific Economic Cooperation and the Organisation Internationale de la Francophonie. Vietnam remains one of the world's four remaining one-party socialist states officially espousing communism.

High percentage of population living in the country side (68% VS 44% in China) keeps production and labor costs on a low and stable level. Moreover, from a geographical prospective, Vietnam surely benefits from being the closest neighbour country of China — the world's greatest manufacturer. Indeed, as wages of low skilled employees are keep increasing in China, Vietnam becomes the natural substitute country for those companies seeking lower-cost production sites while simultaneously securing proximity to China's advanced logistical infrastructures.

The relatively young population of Vietnam is also contributing to maintain this momentum. In comparison to China where the median age is 36 years old, Vietnam shows an impressive average of 31 years old. The government is also showing great commitment to develop skilled young forces, with more than 5.5% of GDP being allocated for education purposes.

The government's initiative to further develop the country has an attractive investment hub also turned out to be successful, with foreign companies feeling always more confident to set up operating centres in Vietnam.

Reforms have resulted into a partial privatization of state-owned enterprises, liberalization of the trade regime, and into an increased recognition of private property rights. In essence, a gradual integration into the global trade and investment scene allowed Vietnam to transform itself over the years into a more market-oriented economy.

Inflation rate was 4.3% in April 2017. Forecast panellists expect inflation to average 4.1% in 2017. According to analysts, average inflation will accelerate to 4.4% in 2018.

In terms of FDI, Vietnam remains one of the most attractive locations for foreign investors in South East Asia. FDI inflows have seen a steady and strong increase over the previous years. According to the Foreign Investment Agency under the

Ministry of Planning and Investment, disbursement of foreign direct investment (FDI) capital in 2016 was estimated at US$15.8 billion, indicating a nine percent growth compared to 2015 (US$14.5 billion).
In 2016, foreign direct investment that flew into Vietnam came from Korea (29%), Japan (10%), Singapore (10%), China (8%), and Taiwan (7%).

Vietnam disbursed foreign direct investment are rising mainly thanks to companies such as South Korea's Samsung Electronics Co. and LG Electronics Inc., which are shifting factories to the Southeast Asian nation.

3 Business Trends

Business Sectors

2016 was a positive year for the overall Vietnamese economy, with the service industry growing at a rate of 6.7%. The industrial sector showcased a growth rate of 7.5%, including double digit growth for manufacturing and decrease in mining sector. Only the agricultural sector faced a slow-down due to prolonged drought and salinization of the Mekong River Delta.
Over the past years, Vietnam has experienced a strong and steady growth in the Supporting Industries (SI), meaning those producing materials, parts and components, accessories and semi-products that are delivered to manufacturing/assembling industries producing final goods as means of production or consumer goods. Supporting industries are focused on supplying parts and components to manufacturing industries, namely mechanical engineering, automobiles, motorbikes, and electronics companies.
Vietnam is today the second largest motorbike producer in ASEAN, next to Indonesia, and the fifth largest motorbike assembler in the world.
Also in terms of FDI, manufacturing and processing continues to be the largest sector in Vietnam, receiving FDI of $8.06 billion in 2016, accounting for 70% of total inward FDI. Production and distribution of electricity, gas, hot water and steam, and air conditioners come as second sector (12%) and real estate as third (11%).

Export & Import

Since when Vietnam became a member of the World Trade Organization (WTO) in 2007, the country has the opportunity to benefit from fewer restrictions and lower tariffs in export markets. In 2016 Export rose by 8.6 % to USD 176 billion, a performance mainly driven by the rise of demand related to telephone and spare parts as well as electronics, computers and IT components.

A considerable part of the imported capital goods is indeed constituted by assembling goods (machinery, equipment and parts, and electronics) later on exported to other countries. China is currently the largest source of Vietnam's imports, followed by Korea, ASEAN, Japan, the EU and the US.

In February 2016, Vietnam together with other 11 nations sharing borders with the pacific oceans signed the Trans-Pacific-Partnerships (TPP), a treaty aimed at promoting economic growth, enhance living standards, sustain the creation and retention of jobs, enhance labor protection and promote transparency within the member nations. The future of the partnership is still uncertain as in January 2017 American President Donald Trump signed a presidential memorandum to withdraw the United States from TTP. However, analysts sustain that Vietnam would sourly be one of the major beneficiaries of TPP implementation.

Relationship with China

The current economic slow-down of China has been a source of debate for Vietnam. This trend could indeed represent a double-edged sword for the country. At the moment, over 30% of Vietnamese goods are sold to China and the European Union. Given the important trade ties Vietnam shares with the neighbouring country, a deceleration in China (from 6.9% in 2015; 6.6% in 2016 and 6.3% in 2017) can potentially negatively weigh on Vietnam's exports. However, the effect of slower growth in China is varying across the ASEAN nations. China is the largest trading partner for Singapore, Malaysia and Thailand, making them more vulnerable to weakness in the Chinese economy. Indonesia and Vietnam are however less exposed to manufacturing sectors where China has excess capacity. By offering great wage competitiveness, the economic developments in China should not significantly constrain Vietnam's continued industrialization.

As explored previously, Vietnam can indeed benefit from being the closest neighbour country to Southern of China. Companies with operations in China are less likely to fully shift their operations to Vietnam, however, a part of it, especially the assembling process of the supply chain are likely to be shifted there as benefits from lower wage costs can be combined with geographical proximity to China.

Government initiative

In regard to public initiative, the "Master Plan on Economic Restructuring in 2013-2020" approved in 2013 proves the government's priority to restructure public investment, banks, and state-owned enterprises (SOEs)

Focusing on SOEs, which account for the 30% of Vietnam's GDP, is imperative. SOEs are becoming increasingly inefficient and deterring investment. Restructuring and privatizing SOEs is key along with reforms that focus on areas such as improving transparency, strengthening supervisory capacity and curtailing SOEs' preferential access to credit and other resources. Liberalizing SOEs is paramount to boosting productivity and attracting FDI. Lack of SOE reform could aggravate macroeconomic imbalances in the country, reduce its export-competitiveness and deter FDI as a result.
Through full or partial privatisation, the Vietnamese government aims indeed to reduce the number of SOEs by about half to 690 by 2015, and then to 200 by 2020. Regarding the privatisation plans of 432 SOEs, a total of 182 SOEs were privatised in 2015, up from 143 SOEs in 2014. SOEs targeted for divestment include the country's largest listed company Vinamilk, and leading brewers Saigon Alcohol Beer and Beverages Corporation (Sabeco) and Hanoi Beer Alcohol and Beverage Joint Stock Corp (Habeco).

Real Estate Market: general introduction

Vietnam is undergoing the transition from an agrarian economy right into a post-industrial, service-driven economy in a matter of a couple of decades. As a direct consequence, the great part of the population that is still living in the country side (urbanization rate only 34% VS 57% in China) is likely to move to more urbanized areas in the future as the country further develops. This phenomenon is driving demand for urban property and highlight the potential for real estate market.

In recent years, the Vietnamese government has taken steps to gradually open up the real estate market to foreign investors. The most notable measures here are the new 'Housing Law' and the 'Law on Real Estate Business' (came into force in July 2015), which reduce the restrictions on foreign ownership of residential and commercial properties.

Foreign individuals are now eligible to buy residential properties in Vietnam, as long as they can enter the country. All legal entities like foreign investment funds, banks, Vietnamese branches and representative offices of overseas companies that are established in Vietnam; are eligible to buy Vietnam properties. The new Law allows eligible foreign entity and individuals to buy and own all residential sectors including apartments and landed properties such as villas and townhouses.

A 30% cap for Condominiums or a maximum of 250 houses in any one administrative ward, and 10% cap for Villas/Townhouses currently apply. The properties owned by foreigners can now be sold, sub-leased, inherited and collateralize (previously only for owner occupying purpose). The tenure allowed for foreign individuals to buy properties in Vietnam is 50 years with renewal possibility upon expiration up to 20 years. Foreign individuals married to Vietnamese citizens are entitled to freehold tenure. Eligible foreign entities shall have the tenure of ownership of apartment/house in accordance with the duration as stated in their business license/investment certificate.

In Ho Chi Minh City, primary market apartment prices rose by 7.4% from Q1 to Q3 2016. The average asking price of villas and townhouses in the primary market rose by 6.8%. Hanoi's primary market apartment prices rose by 8% during the year to Q3 2016.

Real Estate – Market View Q1 2017

Condominium market: Hanoi and HCMC went on two divergent paths in terms of new launch supply in Q1 2017. 9,398 units were launched in Hanoi, an increase of 3% q-o-q. Meanwhile, 5,083 units were launched in HCMC, a drop of 52% q-o-q. Growth in primary prices were recorded in both HCMC and Hanoi. The market is moving toward affordable and mid-end segments with more supply in these segments.

Retail market: Supply increased in HCMC by 17,500 sm NLA while it was stable in Hanoi, though Hanoi's retail market was active in terms of investment activity. Flat rents were recorded in both cities for this quarter. New projects in 2017 will mainly be retail podiums which emphasize convenience and necessity for the consumers.

Office market: In Q1 2017, Hanoi and HCMC welcomed one Grade B building each, which added 8,385 sm NLA and 5,404 sm NLA to the total supply, respectively. Rise in asking rent was observed for both grade A and grade B buildings in both cities, with grade B in HCMC recording the highest increase. Q1 2017 also witnessed the opening of two Coworking Spaces in HCMC.

4 Doing Business in Vietnam

4.1 How to structure an investment in Vietnam

The following legal entities can be chosen by foreigners to establish their presence in Vietnam:

1. The Limited Liability Company ("LLC")
2. The Joint Stock Company ("JSC")
3. The Partnership Company ("PC")
4. The Business Cooperation Contract ("BCC")
5. Public – Private Partnership ("PPP") projects
6. Representative office ("RO")
7. Branch Office ("BO")

1. The Limited Liability Company ("LLC")

An LLC may take the form of either an LLC with two or more members ("Multiple Member LLC") or an LLC with one member ("Single Member LLC"). An LLC has its own charter and the Board of Members ("BOM") and has the right to establish dependent units such as branches or ROs domestically or abroad. An LLC has the status of a recognized legal entity and a member of an LLC is responsible for the debts and liabilities of the enterprise to the extent of the amount of capital that the member has contributed or committed to contribute to the enterprise. An LLC does not issue shares.

A sub-category of this type of legal entity is the 100% foreign invested company allowing only one foreign shareholder.
The Company can register any activities which are under Vietnam's schedule of WTO Commitment and other treaties between Vietnam and other nations. Anyhow, schedule of WTO is the most common application.
Tax/accounting: annual financial statements must be audited and accounting books must be made and maintained in compliance with the accounting laws of Vietnam;
Capital: the Company is required to have authorized capital which is contributed in full within 90 days from the date of incorporation. The Company must open and maintain 2 kinds of bank accounts: capital account and current accounts. The authorized capital must be put in the capital account, then be transferred into the current account(s). If the mother company fails to put the capital within 90 days,

their bank may refuse to release the money from the capital account to the current account.

Legal representative: who will, on behalf of the Company, perform the Company's obligations and exercise rights arising from transactions. The Company can appoint up to 3 legal representatives one of which is required to reside in Vietnam;

Procedures to establish: the Company must obtain an Investment Registration Certificate and Enterprise Registration Certificate. It takes around 20 days to obtain these certificates.

2. The Joint Stock Company ("JSC")

A JSC is an enterprise whose charter capital is divided into shares held by three or more organizations or individuals. Shareholders are responsible for the debts and liabilities of the enterprise to the extent of the amount of their contributed capital. A JSC has the right to issue securities in order to raise capital and it may list on the Securities Exchange.

3. The Partnership Company ("PC")

PC is a form of enterprise set up by at least two partners and has a status of a legal person - a PC is akin to a limited liability partnership in other jurisdictions. A PC must have two general partners and may also have limited partners (literally, "capital contributing members"). General partners are liable for 13 Forms of Doing Business in Vietnam all obligations of the PC with their own property, while limited partners are only liable to the extent of their capital contribution. To date, PCs have not been a common vehicle for foreign investment in Vietnam.

4. The Business Cooperation Contract ("BCC")

A BCC is a contractual relationship similar to a partnership which does not create a new legal entity but which is licensed to engage in business activities in respect of a specific project in Vietnam. BCCs are most commonly used in the oil industry, where production sharing contracts have traditionally been structured as BCCs, and in telecommunications and advertising projects. This is changing as LLCs and JSCs are being allowed into these fields.

5. Public – Private Partnership ("PPP")

Investment under the form of PPP is defined as a form of investment conducted on the basis of a contract ("PPP Project Contract") between an authorized State agency ("ASA") and the investor and/or project enterprise in order to implement, manage and operate an infrastructure project or to provide public services.

6. Representative office ("RO")

Activity: it is not allowed to conduct profit-making activities but limited promoting activities, which means the rep office cannot open shops and showrooms, distribute/sell products to customers, enter into contracts. Hence, it cannot issue invoices to customers in Vietnam by itself. All agreements/contracts must be signed by the mother company except for labor contracts. It can do so only under the mother company's authorization on the case by case basic; no general authorization is lawful.
Tax/accounting: the only tax that the Rep Office must collect and pay is personal income taxes of the employees working for the Rep Office; no annual financial statement is required, the Rep Office shall make and maintain its book of expenses and costs only. However, the Rep Office must perform the annual finalization of personal income tax for its employees;
Capital: the Rep Office is not required to have authorized capital;
Chief of the Rep Office: he/she is not required to reside in Vietnam;
Procedures to establish: it takes around 15 days to obtain the license for the Rep Office;

7. Branch Office ("BO")

Branch offices are dependent units of foreign companies licensed to do business directly in Vietnam. Under present law, the types of businesses that may open branches are restricted. Foreign companies that have done business in certain fields for more than five years may set up branches in Vietnam in accordance with Vietnam's WTO Commitments and other treaties in respect to trading and distribution activities. Vietnam's WTO Commitments allow foreign companies in some service areas to set up branches in Vietnam, subject to certain phasing (e.g., non-life insurance, securities, computer and related services, management consultant services, construction, and franchising). However, as a matter of practice, the Government has only allowed foreign law firms, tobacco companies, and banks to set up branches in Vietnam.

4.2 Industrial Parks

Introduction

By understanding the importance of foreign direct investments, over the past decade Vietnam started to create dedicated areas for intense industrial development, the so called industrial zones (IZ).

Nowadays, more than 250 industrial parks can be found in Vietnam, spread all over the national territory. Each of them targets specific industries by offering particular infrastructure and services such as logistic hub, customer service teams to support start-ups, electronics, pharmaceuticals, consumer goods or on-site Estate Management, etc.

By providing integrated infrastructures in a limited area, industrial areas might result particularly attractive for foreign businesses that aims at reducing pre-business expenses, benefit from reduced tax rates and from dedicated infrastructures within a friendly investment environment.

Major advantages and benefits of Industrial Zones

Industrial parks surely represent an important part of Vietnams' economic development. Some of the benefits related to industrial zones are:

- Reduced Corporate Income Tax at a favourable rate of 10% for up to 15 Years:
- 50% tax reduction on personal income for foreign and local employees;
- Corporate Income tax exemption for up to 4 sears for approved projects;
- 50% Corporate Income tax reduction for up to 9 years following expiry of exemption period.

Other attractive Government incentives enjoyed within the industrial zones include:

- Reduced income tax rate of 10% for up to 30 years for high-tech projects;
- Exemption from VAT and excise tax for goods imported, processed or manufactured within the IZs.

Trading Companies might also benefit from an industrial zone registration because:

Companies my benefit from tariff cuts on goods traded within ASEAN region

- Government support in infrastructures development in areas with difficult socio-economic conditions;
- Access to abundant cheap labour with the current minimum wage ranging from USD 96 – USD 138 per month.

Major Industrial Zones in Vietnam

1. *Vietnam Singapore Industrial park (VSIP)*

Established in 1996 by both Government of Vietnam and Singapore, VSIP is a world-class industrial park that was named the "Best Industrial Park Developer 2013" by UK Euromoney magazine. The VSIP Group currently counts 7 different industrial parks spread over the Vietnamese territory. This success of this Industrial park developer has been accredited to i) the attractive investment environment, ii) transparent and liberal management framework and iii) strategic positioning.
The industrial parks welcome investments in the areas of automotive components, electronics, pharmaceuticals and consumer goods.

2. *Phuoc Dong Industrial Park (PDIP)*

PDIP is a modern and innovative, environmentally-oriented manufacturing and commercial park located between Go Dau and Trang bang Districts.
The industrial zone welcomes investments from business sectors including logistics and supporting services, bio-fuel, construction materials, steel components and textile industry.

3. *Hiep Phuoc Industrial Park (HPIP)*

Established in 2007 and located in Nha Be District, Ho Chi Minh City, HPIP has access to modern road and sea transportation infrastructure suitable for export activities. The zone welcomes investments in sectors including leather processing, building material, mechanics and chemicals.

4. *Dinh Vu – Cat Hai economic zone*

This IZ is a key Vietnamese costal area located in Hai Phong City. The Free Zone offers business opportunities for investment in electronic and telecommunications, machinery, electrical and science equipment and chemical industries.

Industrial Zones comparison

Summary	VSIP Binh Duong	HPIP	PDIP	Dinh Vu – Cat Hai
Average annual industrial space rent per 1000 Sqm	USD 26’500	USD 31’200	USD 35’000	USD 29’000
Company incorporate time	12 weeks	12 weeks	12 weeks	12 weeks
Time for bank account opening	4 weeks	4 weeks	4 weeks	4 weeks
Quality of Utilities	Excellent	Good	Good	Excellent
Allowance to sign sales contract with Vietnamese clients	Yes	Yes	Yes	Yes
Allowance to invoice Vietnamese clients	Yes	Yes	Yes	Yes
Corporate tax payable in Vietnam	Depends on activity	Depends on activity	Depends on activity	Depends on activity
Corporate bank account	HSBC	HSBC	HSBC	HSBC
Physical office space requires	Yes	Yes	Yes	Yes
Industrial space availability	Many	Limited	Many	Many
Allowance to import raw material	Yes	Yes	Yes	Yes
Allowance to export goods	Yes	Yes	Yes	Yes
Wholly foreign owned company	Yes	Yes	Yes	Yes
Possibility to hire expatriate staff	Yes	Yes	Yes	Yes
Minimum number of Directors	1	1	1	1
Minimum number of shareholders	2	2	2	2
Tax registration certificate requested	Yes	Yes	Yes	Yes
Individual shareholders allowed	Yes	Yes	Yes	Yes
Corporate shareholders allowed	Yes	Yes	Yes	Yes
Public register of shareholders and directors	Yes	Yes	Yes	Yes
LLC company allowed	Yes	Yes	Yes	Yes
Can apply for immigration Visa	Yes	Yes	Yes	Yes
Annual audited financial statements	Yes	Yes	Yes	Yes
Annual tax return to be submitted	Yes	Yes	Yes	Yes

4.3 FTAs with other countries

The two tables below provide a comprehensive overview on the negotiation stages of various pending FTAs involving Vietnam:

1	**ASEAN Free Trade Area** Status: Signed, in effect since 30 January 2003
2	**ASEAN – China FTA** Status: Signed, in effect since 2003
3	**ASEAN – Japan FTA** Status: Signed, Vietnam ratified in April 2009
4	**ASEAN – India FTA** Status: Signed in August 2009
5	**ASEAN – Australia and New Zealand FTA** Status: Signed in February 2009
6	**ASEAN – South Korea FTA** Status: Trade in goods chapters signed in August 2006; trade in services signed in November 2007

Overview of Vietnam's FTAs with ASEAN countries

1	**Vietnam - USA Bilateral Trade Agreement** Status: signed 13 July 2000, in force since 10 December 2001 Members: Vietnam and United States
2	**Vietnam – Japan Economic Partnership Agreement (EPA)** Status: signed in December 2008, in force since 1 October 2009
3	**Vietnam – Chile FTA** Status: signed on 11 November 2011, in force since 1 January 2014
4	**Vietnam – TPP (Trans-Pacific Partnership) Agreement** Status: signed 4 February 2016, not yet ratified by parliaments of member countries Members: Australia, Brunei, Canada, Chile, Japan, New Zealand, Peru, Singapore, United States, Malaysia, Mexico and Vietnam
5	**Vietnam – Eurasia Economic Union** Status: signed on 29 May 2015, will enter into force 60 days after the final member country ratifies the FTA By May 2016, Vietnam and Russia had ratified Members: Vietnam, Russia, Belarus, Armenia, Kyrgyzstan and Kazakhstan
6	**Vietnam – EFTA (European Free Trade Agreement)** Status: negotiations launched in April 2012, still ongoing Members: Vietnam, Switzerland, Iceland, Norway and Lichtenstein
7	**Vietnam – South Korea** Status: signed on 5 May 2015, effective as of 20 December 2015 Members: Vietnam and South Korea

8	**Vietnam – European Union FTA** Status: concluded in December 2015, pending signature and ratification, expected to enter into force in early 2018

Overview of Vietnam's FTAs with other Partners

First Mover Advantage

After the withdrawn from TPP announced by American President, it is increasingly likely that EVFTA will come into force well before the Trans Pacific Partnership. For those seeking to establish brand recognition and intensify trading within Vietnam, this creates a significant first mover advantage, allowing European brands to undercut their TPP counterparts on price. Even though the TPP and EVFTA were implemented on the same date, EVFTA would, in many cases, reduce tariffs more quickly than TPP. The further the TPP will be delayed, the greater will be the difference in terms of applied import duties between EU and TPP companies and the larger the advantage will be for EU suppliers.

4.4 Consequences of EVFTA on Vietnamese and European economy

Introduction

In December 2015, after nearly 3 years of negotiations, President Donald Tusk, President Jean-Claude Juncker and former Prime Minister of Viet Nam Nguyễn Tấn Dũng announced the conclusion of the negotiations of the EU-Vietnam Free Trade Agreement (EVFTA).

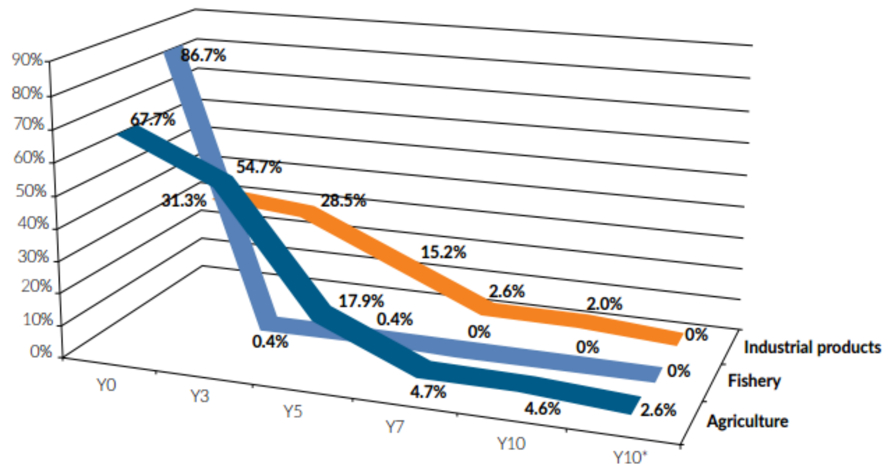
The conclusion of EVFTA in late 2015 is a clear sign that the EU is becoming a vital part of Vietnam's ambition to become a fully integrated member of the international economic scene.

Both parties are now undertaking the final necessary steps to ratify the treaty, which is supposed to enter into force in the early 2018.

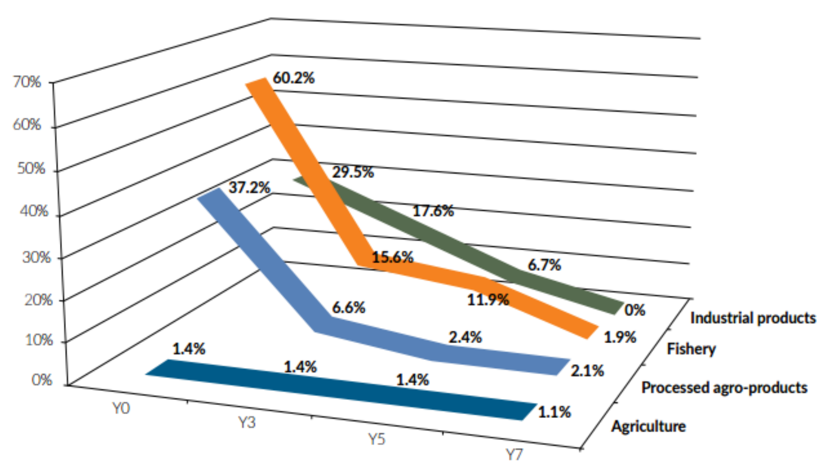
EVFTA is considered one of the most comprehensive and ambitious trade and investment agreements that the EU has ever concluded with a developing country. The agreement will dramatically reduce customs duties, proving the perfect playground for deeper integration and trading relations between Vietnam the EU.

Tariff Elimination

Improved market access is one of the key objectives of any FTA. The EU-Vietnam FTA contains full dismantling of nearly all tariffs except for a few tariff lines that are subject to duty-free tariff rate quotas. Widespread coverage is achieved already at entry into force with 65% of EU exports to Vietnam coming in duty-free from day one. The remaining trade – with the exception of a few products – will be liberalised after 10 years. The EU will liberalise 71% of its imports from Vietnam from day one and 99% will enter duty-free after seven years. Custom duties will be removed over a transitional period (of a maximum period of seven years for Vietnamese goods and 10 years for EU goods) so that domestic producers can gradually adapt. Consumers from both sides will benefit from lower prices and exporters from strengthened competitiveness



Tariff elimination by Vietnam for EU products - Value in % accumulated



Tariff elimination by the EU for Vietnam's products - Value in % accumulated

Examples of benefits for EU exporters from tariff elimination

• Almost all EU exports of machinery and appliances will be fully liberalised at entry into force of the FTA.
• Around half of EU pharmaceutical exports will be duty free immediately and the rest after seven years.
• All EU textile exports will be liberalised at entry into force.
• Car parts will be duty free after seven years.
• Motorcycles with engines larger than 150 cc will be liberalised after seven years and cars after 10 years except those with large engines (>3000cc for petrol, > 2500cc for diesel) which will be liberalised one year earlier.
• Close to 70% of EU chemicals exports will be duty free at entry into force and the rest after three, five and seven years respectively.
• Frozen pork meat will be duty free after seven years, dairy products after five years and food preparations after seven years. Chicken will be fully liberalised after 10 years.
• As for fisheries, Vietnam has accepted liberalisation at entry into force for salmon, halibut, trout and rock lobster and others after three years.
• Wines and spirits will be liberalised after seven years and beer after 10 years.
• Vietnam will maintain longer staging for cigarettes as well as existing WTO tariff rate quotas (albeit with reduction of the in-quota rate to zero over 10 years) for raw tobacco, refined sugar, salt and eggs.

Examples of EU market access offer to Vietnam

• EU duties on textile apparel have dismantling periods stretching from five to seven years for the more sensitive items and three years and entry into force for less sensitive goods. Footwear also gets the longest EU staging of seven years for sensitive EU items and three years or entry into force on items which are less sensitive.
• The EU offered mostly duty-free tariff rate quotas for Vietnamese rice exports: (1) 30,000 tonnes of milled rice; (2) 20,000 tonnes of husked rice (in product weight, equal to 13,800 tonnes milled equivalent); (3) for broken rice: 50% tariff cut at entry into force and then linear reduction in 5 years; (4) 30,000 tonnes fragrant rice.
• Other products which received improved market access via duty-free tariff rate quotas include sweet corn (quota of 5,000 tonnes and liberalisation for baby corn), garlic (quota of 400 tonnes), mushrooms (quota of 350 tonnes), sugar and high-sugar-containing products (combined quota of 20,000 tonnes), and manioc starch

(quota of 30,000 tonnes), surimi (quota of 500 tonnes) and canned tuna (quota of 11,500 tonnes and EU strict rules of origin; liberalisation of fresh/chilled tuna);
• Non-processed shrimps will be liberalised at entry into force;
• Pangasius (catfish) will be liberalised in three years

Major changes impacting various economy sectors

Car Industry
Improving market access for European cars to Vietnam was one of the key interests for the EU during the negotiation process. The FTA contains far-reaching provisions that will improve market access for European cars to Vietnam. In detail, the following tariffs will apply:
• Car parts: duty free after seven years
• Cars: duty free after 10 years
• Cars with large engines (> 3000 cc for petrol, > 2500 cc for diesel): duty free after nine years
• Motorcycles with engines larger than 150 cc: liberalised after seven years
• Smaller motorcycles: duty free after 10 years

The following rules of origin apply for exported goods to Vietnam:
• Vehicles: maximum 45% of materials not originating in either Party
• Motorcycles: change of tariff heading or maximum of 50% materials not originating in either Party
• Car parts and accessories: change of tariff heading or maximum of 50% materials not originating in either Party

Pharmaceutical Products
Pharmaceutical products represent an important share of European exports to Vietnam, representing around the 8 % of the total exports. The FTA achievements in this domain secure easier access to high-quality innovative drugs for the Vietnamese population. Provisions related to pharma are covered in various chapters of the FTA.
Tariffs, trading rights and related rights for pharmaceutical products contained in the FTA are regulated as follows:
• Roughly half of EU pharmaceuticals exports will be duty free at entry into force of the Agreement and the rest after seven years. Vietnam will allow foreign pharmaceutical companies to establish foreign-invested enterprises in order to import pharmaceuticals that have duly been authorised to be sold on the Vietnamese market. Such foreign-invested enterprises will be allowed to:

• Sell pharmaceuticals imported by them to distributors or wholesalers in Vietnam and to perform other activities

• Build their own warehouses

• Provide information about their product to Health Care Practitioners and do clinical study and testing.

Alcoholic beverages

Improved market access conditions have been achieved in the FTA for the alcoholic beverages sector. Indeed, the FTA is expected to provide opportunities for Vietnam to attract more investments, but would also pose significant challenges for local beverage manufacturers. As mentioned by Chairman of VBA, Mr. NGUYEN Van Viet, "the challenges need to be tackled through enhanced quality and technology renovation". Notable conditions of the agreement having direct influence on beverage industry include provisions on tariffs, rules of origin, distribution licenses and investment.

The EU-VN FTA is considered to improve market access for the alcoholic beverages industry. Specifically, custom duties for wines and spirits will be liberalised after 7 years and for beers after 10 years. Examples of reduction stages for product categories can be seen below.

Product category	Base (%)	Year										
		1	2	3	4	5	6	7	8	9	10	11
Beer	35	31.8	28.6	25.5	22.3	19.1	15.9	12.7	9.5	6.4	3.2	0
Wine	50	43.8	37.5	31.3	25	18.8	12.5	6.3	0			
Spirits	48	42	36	30	24	18	12	6	0			
Mineral waters and aerated waters	35	30.6	26.3	21.9	17.5	13.1	8.8	4.4	0			

Examples of reduction stages for several product categories

Furthermore, the agreement will facilitate the use of regional hubs by EU exporters, for example to label, re-package and re-consign shipments, thanks to the non-alteration clause contained under the rules of origin.

In addition, Vietnam has committed itself to ensuring that the conditions for the distribution and sale of spirits will not become more restrictive than at present and that it will abide by certain principles while issuing licences for wines (i.e. Vietnam will not apply any discriminatory quantitative and/or qualitative vertical or horizontal restrictions on licensing, etc.). Existing licences for spirits will be renewed on the same terms.

In regard to the investment field, Vietnam removed or eased limitations in manufacturing of beverages. Excise duties are not covered in the text of the FTA. Nevertheless, the general disciplines in the Agreement on national treatment and level-playing field will be applied if ever internal duties discriminate against EU products in relation to local products.

Luxury goods

Those companies choosing to invest within Vietnam in the near future will likely gain a significant advantage in establishing name recognition in a relatively untapped market. Indeed, from a production perspective, establishing operations in the present will result in commencement of production during the same period as the implementation of the agreement.

Although fairly new, the luxury market is a rapidly growing segment of the consumer economy in Vietnam. According to a report released by the Boston Consulting Group in 2013, Vietnam would have 33 million rich people by 2020. According to Mishra, "Vietnamese consumers are genuinely interested in new brands and new categories," and there is "little of the resistance and cynicism we see in other markets." Vietnam's luxury market is in the first stage of development. This is reflected in the fact that the concept of luxury good is generally understood in Vietnam as just an expensive product although consumers are becoming more aware and discerning. Under EVFTA, efforts are made to enhance protection of intellectual property in a number of ways. The following are select polices with particular relevance for those selling, manufacturing, or distributing luxury goods within Vietnam:

Copyright and related rights: As part of EVFTA, all members, including Vietnam, have agreed to accede to the WIPO copyright treaty (WCT) and the WIPO Performances and Phonograms treaty (WPPT) within three years of the treaty's entry into force if they have not done so to date. In conjunction, accession to these agreements for Vietnam is likely to provide a substantial improvement to copyright protection in the country.

Trademarks: Under EVFTA, Vietnam has reaffirmed commitment to its obligations under serval international treaties and has committed to adopting enforcement and notification mechanisms in line with international norms. This is likely to reassure investors with reservations over Vietnam's commitment to IP protection and convergence with international norms at large.

Geographical Indications: For many luxury goods originating in Europe, the value of the product is as much derived from the location of production as it is from the company or manner of production itself. As a result, regulating the ability of companies to label the geographic origin of products is a significant concern for European sellers in Vietnam. Under EVFTA, specific protection is given to wines, spirits, and other foods products originating in EU member states. The following are a few examples of geographical indications which are protected under the agreement:

• Cava from Spain
• Scotch Whiskey from the UK
• Port from Portugal
• Champange from France

Furniture Industry

After the implementation of the EVFTA, European SMEs in the home décor and furniture industry will have better market access as more Vietnamese consumers will be able to afford European home décor and furniture products. On the other hand, as duty tax on Vietnamese products to the EU is lifted, European SMEs can source Vietnamese products for their markets.

Secondly, Vietnamese manufacturers will be able to purchase high quality raw wood material from Germany, Denmark and Sweden. Currently, Vietnam's furniture industry largely depends on import of raw materials from other Southeast Asian countries due to the restriction on domestic timber harvesting. Therefore, more high-quality products can be produced to meet with the rising domestic demand.

The EVTFA also poses significant challenges for local manufacturers. Although the majority of manufacturers in the home décor and furniture industry are local private manufacturers, their share in the domestic market is humble compared to foreign imported brands. Therefore, local manufacturers will have to face intensified competition against European products, which are high in demand.

Meat industry

Lifting the barriers in custom duties and other tariffs is expected to increase in the competitiveness for EU-originated products. For the meat sector, frozen pork meat will be liberalised 65% of import duty before being completely duty free in the next 7 years. The provision for beef is after 3 years and 10 years for chicken meat. The signed EU-Vietnam FTA is forecasted to spur changes in the domestic meat market in the upcoming years, with the importation of EU-originated meat in the market and the flow of investment into the sub-sector industry.

4.5 Corporate and Personal Taxation in Vietnam

Corporate Taxation

All enterprises in Vietnam, both local and foreign, are subject to a CIT rate of 20%. Only certain industries such as petroleum, gas or rare mineral seeking, exploring and exploiting foresee a CIT rate of 32 to 50 %. There is no separate capital gains tax in Vietnam, gains are taxed at the standard corporate tax rate of 20%. VAT is imposed on the supply of goods and services at three different rates: 0% (for exported goods and services), 5% (for essential goods and services such as medical equipment, scientific and technological services) and 10% (the standard rate). For goods and services purchased from abroad, VAT applies to the duty paid value of imported goods and services. Some categories of goods and services are subject to a special consumption tax (SCT), a form of excise that applies to the production or importation of specific foods and certain services. Depending on the good in question, taxes levied on production can range from 10% to 75%.

Passive Income Taxation

In regard to passive income taxation, dividends paid by a company in Vietnam to its corporate shareholders are not subject to tax, unless paid to an individual, where a 5% withholding tax is imposed. Interests paid to a non-resident is subject to a 5% withholding tax, unless the rate is reduced under a tax treaty. Royalties paid to a non-resident are subject to a 10% withholding tax, unless the rate is reduced under a tax treaty. Income derived by a non-resident from the transfer of a right to use a trademark also is subject to a 5% value added tax (VAT).

Tax Incentives for Companies

Tax incentives are granted to new investment projects based on regulated encouraged sectors, encouraged locations and the size of the project. Business expansion projects which meet certain conditions are also entitled to CIT incentives. New investment projects and business expansion projects do not include projects established as a result of certain acquisitions or reorganizations

Personal Income Tax

In regard to Personal Taxation, Vietnamese residents are taxed on their worldwide income while non-residents are taxed only on Vietnamese-source income. Capital gains derived from the sale of shares and the transfer of immovable property are taxable on a 20% tax rate.

Employment income in taxed on a progressive rate ranging from 5% to 35% for residents, while non-residents are subject to a flat rate of 20%. Income from sources other than employment is taxed at rates ranging from 0.1% to 20%, which apply to both residents and non-residents. Gains from securities trading are subject to 0.1% tax on the gross sale.

4.6 Profit Remittance from Vietnam

Remittance of Corporate Profit

The year following Vietnam's access to the WTO have seen large regulatory changes that are likely to continue as Vietnam attempts to attract always more investors into its borders. While Vietnam is fairly open to companies remitting profits back to the country of origins, investors should be aware of the necessary steps and restrictions associated upon the remittance process.
In regard to the timeframe, profits may only be remitted once a year. Audit requirements create a yearly window starting from the month of March, when profits are allowed to be remitted.

Step 1 - Setting up a Foreign Currency Account: Foreign investors who wish to remit profits to their home markets will be requested to open a foreign currency bank account, which will be used to finalize the funds transfer out of Vietnam.

Step 2 - Settle all Tax Obligations to Vietnamese Authorities: The following taxes are requested and should be paid to ensure that profits can be remitted freely: CIT, VAT, SCT (Special consumption tax), Social Insurance Contributions.

Step 3 - Audit and Compliance: Following successful payment of all due taxes, companies operating within Vietnam will be requested to submit tax finalization statements. This will allow Vietnamese authorities to see that the company has fulfilled its tax obligations and it will also allow authorities to prove that it generated profit during the year, thus complying with Vietnamese remittance standards. The requirement to present audited financial statements prior to remittances result in a limited window during which profits may be repatriated.

Step 4 – Withholding Taxation: Prior to remitting profits, investors might be faced with additional taxes depending on the chosen remittance method. These taxes, referred to as withholding taxation, are taken by the Vietnamese government as a percentage of the remitted capital. In detail: No tax is currently imposed on dividends remitted overseas unless paid to individuals (subject to 5% withholding tax). Interests paid to a non-resident is subject to subject to 5% withholding tax.

Royalties paid to non-resident are subject to a 10% withholding tax. All the above-mentioned rates might be reduced by existing tax treaty.

Step 5 – Foreign Exchange: Profits generated by the majority of companies during operations in Vietnam is normally denominated in Vietnamese Dong (VND). While the funds can be held in the local currency, the remittance process requires funds to be transferred into a foreign currency account and converted into the foreign currency before transferring it.

Step 6 – Notification of Relevant Offices: Following declaration of corporate income tax and issuance of audited financial statements, the company must report its intention to repatriate profits to the Vietnamese tax bureau.

4.7 Import and Export Duty Rates

Import duties

Import duty rates are classified into 3 categories: ordinary rates, preferential rates and special preferential rates.

Preferential rates are applicable to imported goods from countries that have Most Favoured Nation (MFN, also known as Normal Trade Relations) status with Vietnam. The MFN rates are in accordance with Vietnam's WTO commitments and are applicable to goods imported from other member countries of the WTO.

Special preferential rates are applicable to imported goods from countries that have a special preferential trade agreement with Vietnam. Vietnam has such free trade agreements ("FTA") with various countries including the ASEAN member states, Japan, China, India, Korea, Chile, Australia, New Zealand and the Customs Union of Russia, Belarus, Kazakhstan. Within the past years, Vietnam has concluded 2 important agreements, the Trans-Pacific Partnership (TPP) and the European Union FTA and is negotiating other agreements including the Regional Comprehensive Economic Partnership (RCEP), FTAs with Iceland, Liechtenstein, Norway, Switzerland, Hong Kong, and Israel. To be eligible for preferential rates or special preferential rates, the imported goods must be accompanied by an appropriate Certificate of Origin.

When goods are sourced from non-preferential treatment/non-favoured countries, the ordinary rate (being the MFN rate with a 50% surcharge) is imposed.

Export duties

Export duties are charged only on a few items, basically natural resources such as sand, chalk, marble, granite, ore, crude oil, forest products, and scrap metal. Rates range from 0% to 40%. The tax base for computation of export duties is the FOB /Delivered At Frontier price, i.e. the selling price at the port of departure as stated in the contract, excluding freight and insurance costs.

4.8 Working Visa Application process

Work permit in Vietnam is issued by the Department of Labor, Invalid and Society. It is valid for a period of 3 years. After it is expired; foreigners have to reapply for a renewal permit. In order to apply for a work permit, the applicant must meet the following conditions:

- Over 18 years old and have adequate health condition to match the demand of the job.
- High degree of specialized knowledge, qualification and technology; experienced in management, business and other professions that the domestic labors cannot currently conduct efficiently.
- If foreigners want to work in special jobs in education or health, they are required to meet all requirements of conducting health and education work of the Vietnamese authorities.
- Have no criminal record in their living country, Vietnam or other countries; being not under any warrant of arrest or jailing by the Vietnamese or foreign policemen.
- Sponsoring entity: only a company or organization registered in Vietnam may sponsor the work permit.

Few exemptions apply on work permit in Vietnam. Indeed, foreigners in Vietnam are required to have a valid work permit, except one of these circumstances:

- Working in Vietnam for less than 3 months.
- In a company's board of the corporation that is created under the regulation of the Vietnamese government.
- Head of the representative office or branch of an international company in Vietnam.
- Entering and working in Vietnam to resolve the emergent errors or situation that the Vietnamese labors or current foreign workers in Vietnam cannot solve.
- Lawyers that are given permission by the Vietnamese Department of Justice.

The process of applying or renewing a work permit for foreigners in Vietnam includes 2 main steps. As a first step, the applicant has to complete the application form and submit it at the municipal office of Department of Labor, Invalid and Society. Successively, the applicant has to collect the work permit at the submission center.
The processing time is 15 working days.

4.9 Banking Sector

Regarding the banking sector, analysts argue that Vietnamese banks are currently undercapitalized and saddled with non-performing loans, which makes the banking sector highly susceptible to shocks. Improving transparency, implementing disclosure requirements, loosening ownership regulation and continuing consolidation efforts are examples of steps needed to be taken in order for the banking sector to better withstand economic shocks and support growth.

State Bank of Vietnam

The State Bank of Vietnam **(TSBV)** has been invested with the responsibility of regulating banking and foreign exchange within Vietnam. The State Bank of Vietnam has the right and obligation to:

- License banks to operate foreign exchange accounts
- Set requirements related to the set-up of bank accounts
- Issue official rates of exchange between the Vietnamese Dong (VDN) and other currencies throughout the world.

As a general objective, the State Bank of Vietnam shapes industrial development, supports financial activities and fosters economic development.

Domestic Banks

The biggest local banks are VietinBank, BIDV, Vietcombank, OCB and Agribank.

Compared to foreign banks, Vietnamese banks still hold the largest market share, especially in lending (75% of market share). This is partially due to the fact that domestic banks still outnumber foreign banks, while foreign banks have limitations in lending proportions.

Banking experts say that foreign banks do not come to Vietnam to directly compete against domestic institutions, but they just follow the steps of their major clients. Moreover, the market share held by foreign banks in Vietnam remains modest and they do not focus on credit operations.
However, the increased demand for capital and bank services has attracted more foreign banks to Vietnam, increasing the overall pressure on domestic financial institutions.
Even though Vietnamese banks might count on the great asset of understanding the local market, analysts explained how many of them are still undergoing restructuring, lack of financial resources and are weak in technology and administration.

Foreign Banks

Currently there are 7 wholly-owned foreign banks in Vietnam: HSBC, ANZ (Australia), Standard Chartered (UK), Shinhan (South Korea), Hong Leong (Malaysia), Public Bank Berhard (Malaysia) and Woori (South Korea). Moreover, there are also 50 foreign bank branches in Vietnam, and 50 representative offices of foreign banks and joint venture banks.

HSBC was the first foreign bank established in Vietnam. It is also the first foreign bank which set up a wholly foreign owned bank in Vietnam, in early 2009.

About 70-80 percent of the profit made by foreign banks comes from services, while credit makes up 10-15 percent. Among the best card service providers there are ANZ, HSBC and Citibank.

According to the Institute for Financial Policy and Strategy, since Vietnam joined the WTO in 2007, the number of branches of foreign banks has increased by 51.4%. Although the market share of foreign banks in Vietnam is still small, along with their expansion and their longer time in Vietnam, in the long term they might erode part of the market share of Vietnam's banks. Moreover, once the Trans-Pacific Partnership (TPP) takes effect, foreign banks are most likely to positively benefit from this treaty.

Finally, additional advantage for foreign banks lies in the high quality of provided services, prestige, experience, operation scale and financial health.

5 Attachments

5.1 Singapore – Vietnam DTA

1) Capital Gain

Prior to the 2ndProtocol DTA between Singapore and Vietnam, gains derived by Singapore tax residents from the sale of shares in a Vietnamese property owning company is subject to tax only in Singapore. However, since capital gains are not subject to tax in Singapore, this meant that the Singapore-Vietnam DTA used to provide unconditional protection from Vietnamese tax to Singaporean tax residents disposing their shares in a Vietnamese company, which hold Vietnamese immovable property.

However, following the announcement of the 2nd Protocol, Article 13(4) of the Singapore-Vietnam DTA now provides that gains derived by a Singapore tax resident from the disposal of shares (other than shares of a company listed on the stock exchange in Singapore or Vietnam) deriving more than 50% of their value directly or indirectly from immovable property situated in Vietnam may be taxed in Vietnam.

Please note that under Vietnam law, "immovable property" is broadly interpreted to include land, structures attached to land and property attached to those structures. Since the 2nd Protocol provides no exception for business premises, it could potentially have unintended implications on any company, whether or not in the real estate sector. For example, a company, even though not in the real estate sector, which has its value increased due to an increase in value of its business locations, workshops, etc, could potentially be caught by the revised provision.

Real estate investors from Singapore, including property funds and real estate investment trusts, should consider carefully how the new Article 13(4) of the Singapore-Vietnam DTA may potentially affect their entry into Vietnamese property market.

2) Exchange of information

The Exchange of Information article has also been updated to the internationally agreed standard. The new Article 27 of the Singapore-Vietnam DTA now permits exchange of information where it is "foreseeably relevant" for the administration or enforcement of domestic laws concerning any kind of taxes imposed by the Contracting States. Accordingly, if the information is required by Vietnam tax authorities for its domestic tax enforcement purposes, Singapore is now required to release such information, or at least attempt to seek such information on behalf of Vietnam tax authorities even though Singapore may not need such information for its own tax purposes.

3) Interests

Paragraph 1, Article 11: Interest arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.
Paragraph 2, Article 11: However, such interest may also be taxed in the Contracting State in which it arises and according to the laws of that State, but if the recipient is the beneficial owner of the interest the tax so charged shall not exceed 10% of the gross amount of the interest.
Amendment, Article V: With respect to the taxation of interest as provided under paragraph 2 of Article 11, if
Vietnam, in any agreement for the avoidance of double taxation with any other State, provides for a rate of less than 10 per cent on the gross amount of interest, the same lower rate shall apply for the purposes of paragraph 2 of Article 11.

4) Dividends:

Paragraph 1, Article 10: Dividends paid by a company which is a resident of a Contracting State to a resident
of the other Contracting State may be taxed in that other State.
Paragraph, Article 10: However, such dividends may also be taxed in the Contracting State of which the company paying the dividends is a resident and according to the laws of that State, but if the recipient is the beneficial owner of the dividends the tax so charged shall not exceed:
(a) 5% of the gross amount of the dividends if the beneficial owner has contributed, directly or indirectly, more than 50% of the capital of the company paying the dividends or more than US$10 million;
(b) 7% of the gross amount of the dividends if the beneficial owner has contributed, directly or indirectly, between 25% and 50% of the capital of the company paying the dividends;
(c) 12.5% of the gross amount of the dividends in all other cases.

5) Permanent establishment

Generally, the profit attributable to a permanent establishment (“PE”) of a company would be taxed in the State where the PE is located. A PE may include, among other things, a place of management, a branch, an office or a workshop.
The 2ndProtocol of the DTA has expanded the definition of PE to include the furnishing of services (including consultancy services) by an enterprise (through

employees or other personnel engaged by it for such purpose), provided that activities of that nature continue (for the same or a connected project) within a Contracting State for a period (or period aggregating) more than 183 days within any 12 month period.

In other words, a PE exception is effectively available for short-term service provision (i.e., less than 183 days within any 12 month period) by an enterprise of a State which carries out such services in the other Contracting State.

5.2 Residential schemes

5.2.1 Temporary residence card (TRC)

A foreigner may get temporary residence card valid for one to three years. The card will act as a proof of identity and an entry visa when traveling within, in and out of Vietnam. This helps foreigners save a large amount of time and money for visa application as well as visa extension during the entry, exit and residence in Vietnam. This article will summarize basic regulations and procedures applicable to a Temporary Residence Card (TRC).

Who can apply?

- Members of a limited liable company with two members or more.
- Owner of a one-member limited liability company.
- Members in the Board of a joint-stock company.
- Foreign lawyers who have been licensed by Ministry of Justice to practice law in Vietnam
- Foreigners having work permit, work in various kinds of foreign enterprises and representative offices of foreign companies.
- Professionals, students, trainees working or studying in national programs and projects signed between the ministries and approved by the government.
- Family member of those who were granted with Vietnam temporary or permanent residence card.

5.2.2 Permanent residence card (PRC)

A Permanent Resident Card (PRC) is valid for **three years**, and **must be renewed every three years.**

Who can apply?

To be eligible for a PRC, a person must have a TRC and fulfil one of three qualifications:

- A person who fights for freedom and independence of Vietnam, for democracy and peace, for science, but who is suppressed.
- A person with distinguished services contributing to the work of building and protecting Vietnam.
- A person being the spouse, child or parent of a Vietnamese citizen residing permanently in Vietnam.

5.2.3 Vietnamese citizenship

Citizenship, unlike the above-mentioned green card, means the right to acquire the nationality of a country by acquiring it through naturalization. By acquiring this citizenship, you are eligible to apply for a passport in that country.

Who can apply?

Under Article 19 of the Vietnamese Nationality Act, foreign nationals are eligible to apply for Vietnamese citizenship if they meet the following qualifications:

- Persons who have permanent residency for at least 5 years (permanent residence in Vietnam) by the day of application for citizenship
- Spouse or biological parent or biological child of Vietnamese national
- Those who have contributed greatly to the construction and defense of Vietnam and who are recognized by the Vietnamese authorities.
- Those who can make a great contribution to Vietnam due to the grant of citizenship.