

Singapore- Vietnam: Singapore as a base to invest in Vietnam



SPEAKERS



Phuong Thao Bui
Managing Director, Fidinam Vietnam



Nicola Loiacono
Head of Singapore Desk, Fidinam

In Partnership with

fidinam

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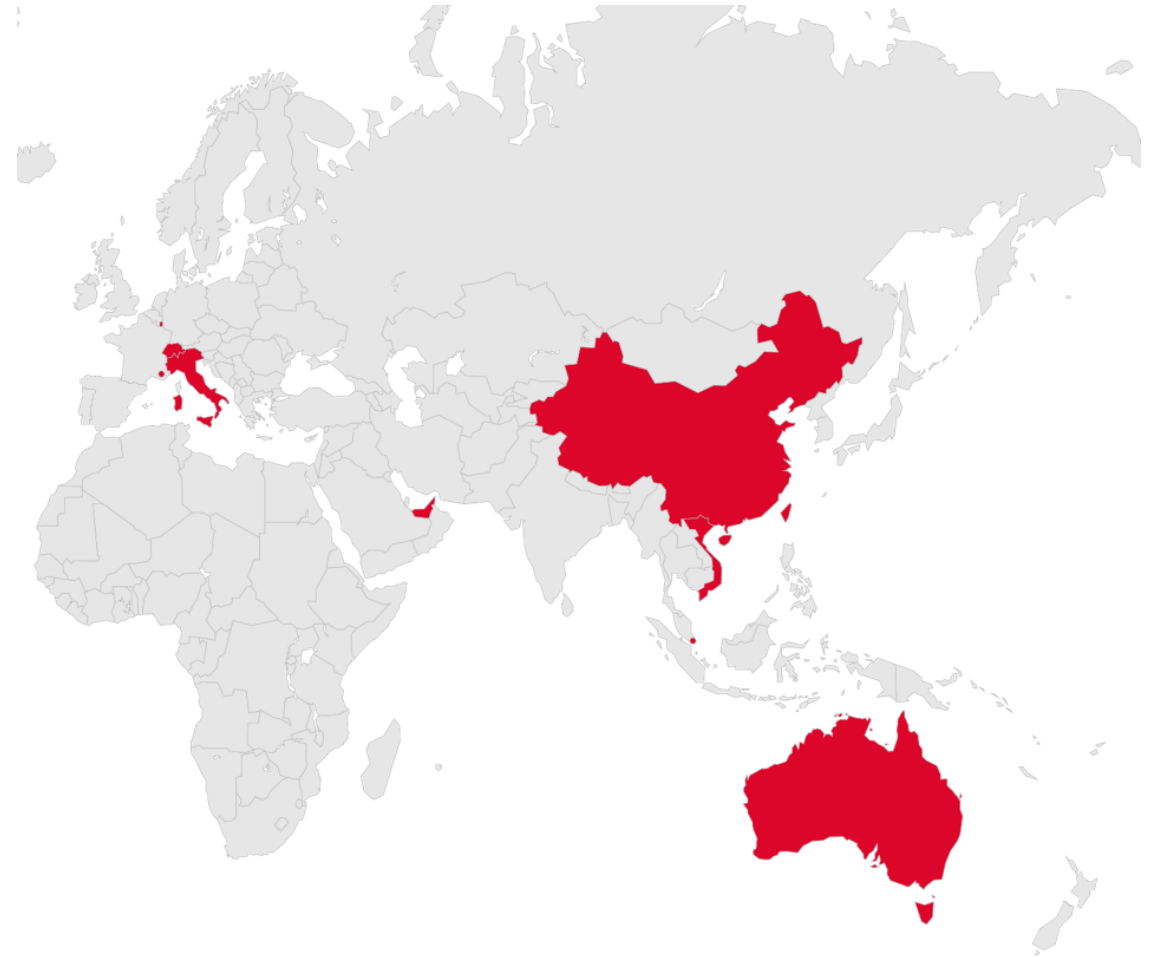
Fidinam (Singapore) Pte Limited
Fidinam (Vietnam) Company Limited

The logo for Fidinam, featuring a stylized red 'f' followed by the word 'idinam' in a grey serif font, all contained within a white rectangular box. A thin white vertical line is positioned to the left of the box.

fidinam

Fidnam introduction

- **Fidynam Group** was founded in 1960 in **Switzerland** and operates in the field of professional consulting for companies, individuals and investors.
- The main areas of professional activity are **Tax advisory, corporate services, business consultancy and real estate consultancy.**
- With **more than 250 professionals**, Fidynam is present in **12 jurisdictions** and relies on a wide network of correspondents and strategic alliances.



Switzerland
/ Europe

Lugano
Genève
Zürich
Luzern
Bern
Basel

Milan
Luxembourg
Monaco

Asia Pacific /
Middle East

Hong Kong
Singapore
Shanghai
Ho Chi Minh City
Sydney
Melbourne
Dubai

MARKET-ENTRY SERVICES

Fidinam assists investors in evaluating and implementing investment opportunities in various countries by delivering market research and feasibility studies, preliminary tax opinions, identifying local partners and target companies.

CORPORATE SECRETARY

From incorporation and tax domiciliation to the management of contracts and work permits, we support companies at every stage of their lives including the provision of nominee services.

ACCOUNTING AND TAX SERVICES

Fidinam takes care of the accounting and administrative burdens for small or medium-sized companies, institutions and multinational companies offering our clients fully or partially outsourced administrative management.

HR & EMPLOYMENT SERVICES

With a team of experienced professionals, Fidinam supports clients in their HR needs, including identifying local staff, obtaining working permits/VISA, managing monthly payrolls and contributions, as well as drafting Labor Contracts.

INTERNATIONAL TAX ADVISORY

Fidynam assists corporates and individuals in cross-border tax matters by establishing efficient and sustainable structures.

DIGITAL CONSULTING

We partner with companies and entrepreneurs in the digital transformation of their businesses, offering them a wide range of solutions and technology consulting aimed at digitalization and optimization of business management.

WEALTH PLANNING

Our full range of services includes the creation and management of wealth and estate solutions, including family foundations and citizenship and residency planning. Fidynam offers targeted solutions to ensure stability and efficiency, tax optimized.



Singapore as a base for investments in the region



1. STRATEGIC LOCATION

Singapore is strategically located at the crossroads of the main trade and shipping routes of the world. In Singapore, the biggest logistic players are present, forced to the scarcity of land to maximize their efficiency.

2. STRATEGIC GATEWAY

Singapore represents to potential investors a gateway to enter EMs in ASEAN with minimal tax and duty costs.

ASEAN aims to achieve the free flow of goods in the region resulting to low trade barriers and deeper economic linkages among Member States.

3. STRATEGIC VIEW

Singapore has historically taken a strategic view in connection to the socio-economic development of the nation.

Singapore



Vietnam

Largest investment treaty network

Political & Economic Stability

No capital gains tax, no dividend tax & estate duty

Attracts foreign investment & skilled foreign talent

Common Law Environment

Competitive labor costs - The golden population structure

Strong Economic Growth Rates

Infrastructure Development

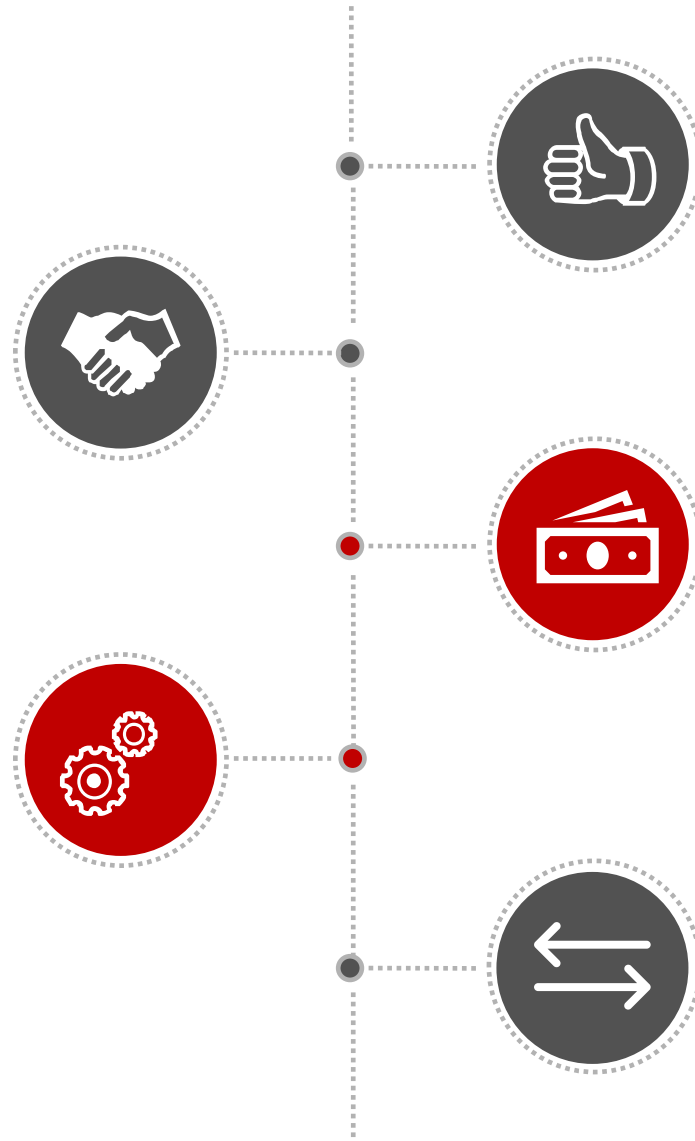
More than 325 industrial zones

Supportive policy for investors: Tax & Investment Incentives

Economic relations are underpinned by the **Connectivity Framework Agreement**. Since its implementation in 2006, the Connectivity Framework has achieved good progress in creating a conducive environment for Singapore companies to invest in Vietnam.

Vietnam is one of the **key investment destinations** for Singapore companies.

The two countries cooperate in a complementary way. Vietnam is acknowledged as high technology and it identifies for attracting Singaporean investment in the future. Singapore has invested largely in the Vietnam's manufacturing sector, and today Singaporean investors are targeting the sectors which involve the fast-growing middle class of Vietnam, such as the lifestyle and consumer sector, plus F&B and retail sector.



Since the establishment of a bilateral diplomatic relations in 1973, trade and investments between Singapore and Vietnam have *grown immensely*.

Singapore was one of Vietnam's top 5 largest investors in 2021, with total investment of **US\$6.7 billion**, accounting for 32.5% of the overall.

Singapore exports to Vietnam was US\$12.96 billion during 2019, with US\$5 billion amounted in the export of Electrical and Electronic equipment. In the same year, Singapore imports from Vietnam amount US\$3.65 billion

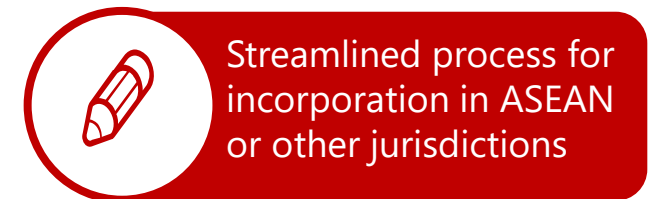
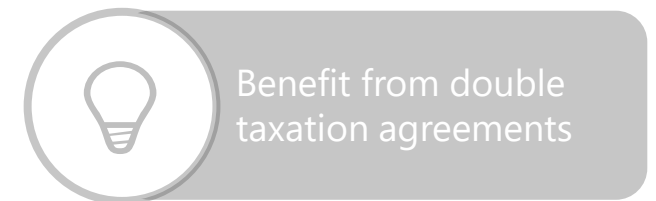
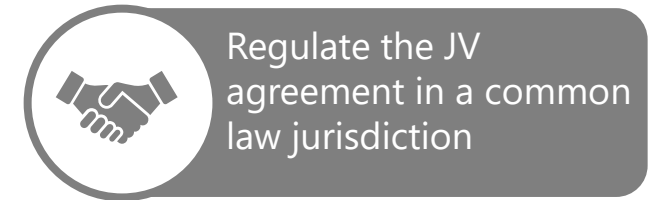
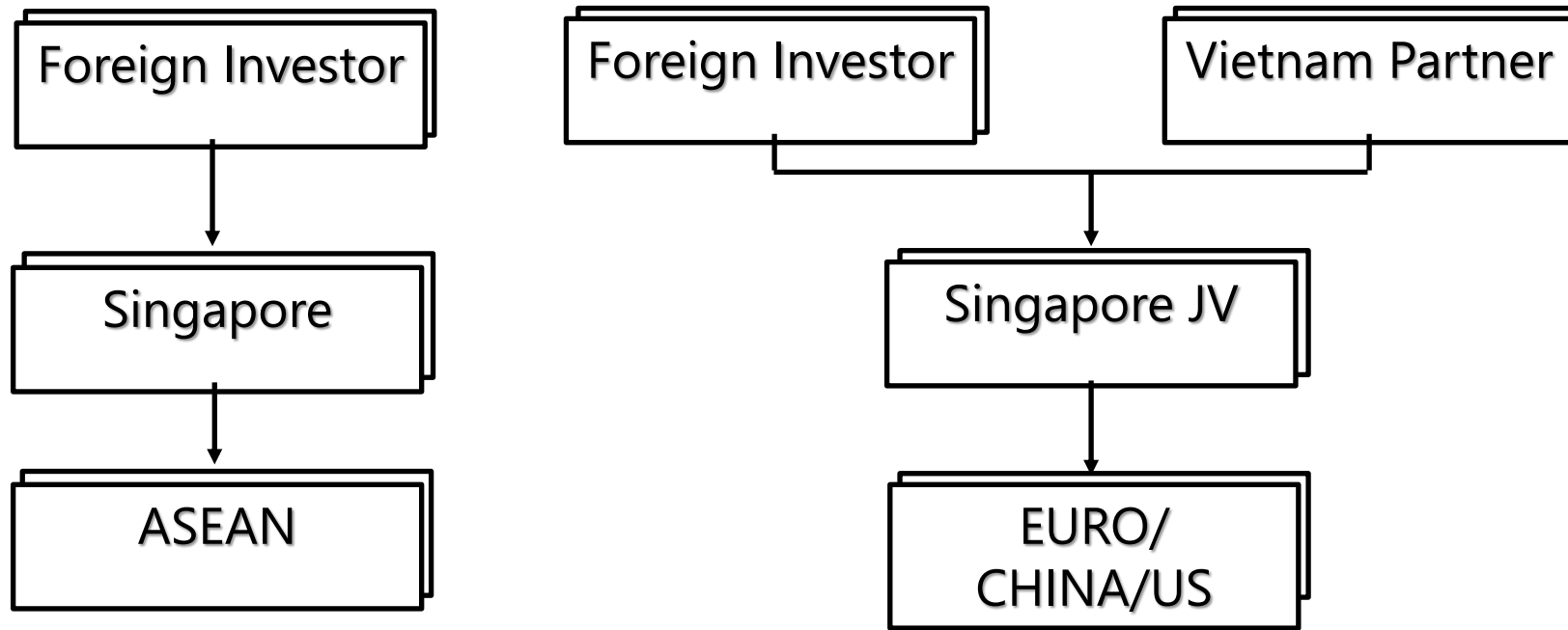
Country Comparison

	Singapore	Indonesia	Thailand	Vietnam	Malaysia
▪ Incorporation Timeline	2-3 days	1-1.5 months	1-1.5 months	2 months	2 weeks
▪ Local Shareholder	No	Yes	Yes	No	No
▪ Local Director	Yes	Yes	No	Yes	Yes
▪ Minimum Paid-up Capital	1 SGD	50 million IDR, 50% paid-up immediately	15 THB	No (10,000 USD are informally required)	1 RM
▪ Corporate Income Tax	17%	22%	20%	20%	24%
▪ VAT-GST	7%	10%	7%	10%*	5%, 6% or 10%
▪ Personal Income Tax	0%-22%	5%-30%	0%-30%	5%-35%	0%-30%

In each country some types of goods and services are zero-rated.

* A reduced rate of 5% applies to certain goods and services

Accessing SEA via Singapore



Three Options to access the Singapore market

	Private Limited	Branch Office	Representative Office
Legal Type	Separate legal entity but an extension of the parent company	Not a separate legal entity distinct from its parent company	Has no legal status, a temporary administrative arrangement
Legal Liabilities	Limited to SG Company	Extended to Parent Company	Extended to Parent Company
Entity Name	Can be unique	Same as Parent Company	Same as Parent Company
Business Activities	On its own	Same as Parent company	Can only conduct Market Research
Paid up Capital	Required	As per parent company	Not required
Timeline	1-2 days	1-2 days	3-5 days
Taxation	Enjoy local tax benefits	Local tax benefits not available	Not applicable
Closing Down	Approx 6 months	Approx 1-2 weeks	Approx 3 days

INDIVIDUAL INCOME TAX SINGAPORE

- Singapore's personal income tax rates for resident taxpayers are progressive
- An individual will be considered a resident if he is:
 - Singapore Citizen or Singapore Permanent Resident who resides in Singapore
 - Foreigner who has worked in Singapore for more than 183 days
- The Income Tax Rates for residents are progressive from 0 to 24%
- The Income Tax for non-resident is 15% flat
- There are several tax deductions and rebates available for tax residents

INDIVIDUAL INCOME TAX VIETNAM

- Vietnam's Law on Personal Income Tax recognizes ten different categories of Income, with different deductions, tax rates and exceptions applying to each of them.
- An individual will be considered a tax resident if he is residing in Vietnam for 183 days or more in either the calendar year or a period of 12 consecutive months from the date of arrival.
- The Income Tax Rates for resident are progressive from 5% to 35%.
- The income tax for non-resident is 20% flat

MOUs signed in 2022

❖ Trade

An MOU on economic and trade cooperation was signed, covering areas such as supporting regional and global supply chain connectivity and facilitating business partnerships between Singaporean and Vietnamese small- and medium-sized enterprises.

❖ Cooperation in the digital economies

Another MOU was signed between the communications and information ministries of both countries. The MOU will operationalize a joint working group to implement digital economy collaborations, with the goal of “fostering bilateral and regional digital connectivity and interoperability”.



»» Intellectual Property MOU

❖ Both countries signed an implementation workplan on intellectual property for FY2022 to FY2024, stemming from a memorandum signed in 2014.

❖ The cooperation will include exchanges in areas such as IP training and commercialization. It will also lay the ground for more discussions to finalize details on the proposed launch of a pilot Collaborative Search and Examination (CS&E) program. The program will foster exchanges of best practices between both sides' intellectual property offices, among other initiatives.

❖ "This pilot program will further enhance connectivity and facilitate the entry of innovative products and services into our two countries" – Official joint statement of both countries.



DTA Singapore - Vietnam

The treaty applies to Singapore and Vietnamese residents, as well as to companies registered in one of the two jurisdictions and conducting business activities in the others.

TAX

The taxes covered by the Singapore-Vietnam double taxation agreement are:

- Taxes on income: all taxes imposed on total income, or on elements on income.

In the case of Vietnam, the treaty applies to “Vietnamese tax”, namely:

- Personal Income Tax, Profit Tax, Profit remittance Tax, Foreign petroleum subcontractor Tax, Foreign contractor Tax

In the case of Singapore, the treaty applies to:

- Income Tax

RESIDENCY

As only resident can benefit from the application of the DTA, the concept of residency is defined under Section 2 of the Singapore Income Tax Act as:

- **An individual:** a person who resides in Singapore and that is physically present or exercises an employment (other than as a director of a company) in Singapore for 183 days or more during the year preceding the year of assessment; and
- **A company or body of persons:** a company or body of persons the control and management of whose business is exercised in Singapore

DTA example: Singapore-Vietnam

The Double Taxation Treaty between Singapore and Vietnam was first signed on March 2, 1994. **In January 2013, the treaty was amended** by a Protocol (the "2013 Protocol"), which updated certain key subjects, such as the treatment of interest, capital gains, permanent establishment, and royalties.

	Regular withholding tax in Vietnam	Regular withholding tax in Singapore	Treaty tax rate
Dividends	Corporate shareholder: exempt Individual shareholder: 5%.	Singapore does not impose withholding tax	The treaty provides for higher minimum tax rates than those imposed currently by two states, i.e. the ordinary tax rates shown on the left will apply
Royalties	10%	15%	In both countries, 5% in case of payments for the use of a patent, design or model, plan, secret formula or process, industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience; In all other cases, 15% for Singapore and 10% for Vietnam.
Interests	5%	15%	The treaty provides for higher minimum tax rates than those imposed currently by two states, i.e. the ordinary tax rates shown on the left will apply.
Capital Gains	Usually, gains from selling any property are taxable only in the state where the seller is a resident. However, there are certain exceptions: <ul style="list-style-type: none">– Gains received by a resident of State A from the sale of immovable property situated in State B are also taxed in State B.– Gains from the sale of movable property forming part of the business property of a PE are also taxed in the state where such PE is situated.		

How to set up a foreign-invested company in vietnam

COMPANY TYPES IN VIETNAM

Private enterprises

Partnerships

Limited Liability Company

Joint Stock Company

OTHER COMMERCIAL PRESENCES

Representative Office

Branch

Limited Liability Company

Single member

Multi member

Owned by 1 individual or organization

2 – 50 members, individuals or organizations

The company owner has **limited responsibility** towards debts and other liabilities of the company **to the extent of the capital contributed**

All members are responsible for debts and other liabilities of the company **to the extent of the capital contributed**. Purchase and transfer of capital between members are strictly regulated by law

Joint Stock Company

Minimum number of **shareholders** is **3**. No restrictions regarding the maximum number of investors

Shareholders have limited responsibilities towards debts and other liabilities of the company **to the extent of the capital contributed**

Representative Office

The foreign investor has been operating for **not less than 1 year** as of the incorporating date

The limited function of a Rep. Office includes:

- The conduct of liaison activities
- Market research;
- Promotion of its head quarter's businesses

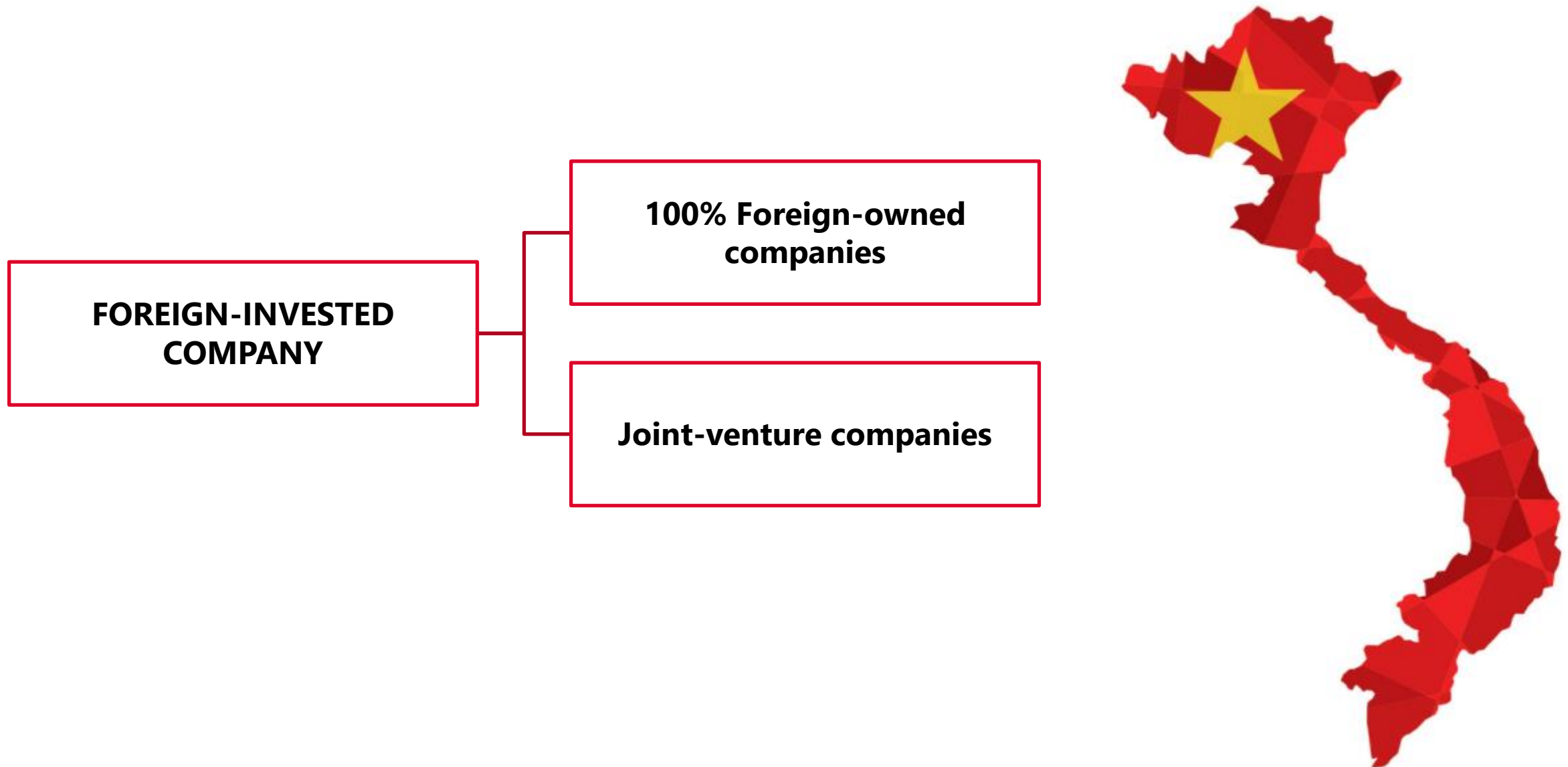
The Rep. Office shall not be allowed to conduct directly profit-generating activities in Vietnam

Branch

To be operating **for at least 5 years** from the registration date

Foreign investors are allowed to open branch to perform the **following services**:

- Legal services
- Computer and other related services
- Management consulting services
- Construction and technical related services
- Franchise services
- Insurance and insurance-related services
- Bank and bank-related services
- Security services



Industries need the involvement of Vietnamese partners

Services	Foreign ownership threshold in the joint-venture
<ul style="list-style-type: none">• Advertising services• Customs clearance services• Travel agencies and tour operator services	No limitation on foreign capital contribution (can be up to 99%)
Road freight transport services	51%
<ul style="list-style-type: none">• Road passenger transport services• Maritime transportation services for passengers and freight• Internal Waterways Transport services for passengers and freight	49%
Container handling services	50%

Under Vietnam's WTO commitments on services

Foreign-Invested company

In order to set up a foreign-owned company, the foreign investor will go through the following steps:



**Apply for Investment
Registration Certificate
("IRC")**



**Apply for Enterprise
Registration Certificate
("ERC")**



I. INVESTMENT PROJECTS SUBJECT TO INVESTMENT POLICY APPROVAL

If the foreign investment project involves in business having conditions or investing gigantic capital, the investors are required to carry out the procedure to apply for an Investment Policy Decision which is issued either by the National Assembly, the Prime Minister or the Provincial People Committee before being granted with the IRC.

Legal procedures :



II. INVESTMENT PROJECTS FOR INNOVATIVE START-UPS

Foreign investors who set up medium- and small-sized innovative start-ups are not required to obtain an IRC.

Important notes- Capital contribution

- The time limit for capital contributions has not been changed: **within 90 days as from the date of the ERC**).
- Nevertheless, **the new law excludes the time of transporting and importing assets contributed as capital** and performing administrative procedures to transfer the ownership of assets
- Adjustment of capital in case any capital contributors fail to contribute or insufficiently contribute capital as committed:
- **Law on Enterprise 2020**: the company has 30 days from the last date the charter capital was due to be contributed in full to adjust its charter capital (and capital contribution ratios of the members) according to the paid-in capital amount



Important notes- Legal Representatives

The LOE 2020 explicitly states that in the absence of provision regulating the rights and obligations of each Legal Rep. in the charter, each Legal Rep. will have **full authority before any third party**, and **all of the legal representatives will take joint responsibility for any damage** caused to the company according to the laws.

Similar to the former regulation, **the company may have one and may have more Legal Representative(s) (Rep.)**, one of them must be a resident of Vietnam and rights and obligations of each Legal Rep. must be specified in the Company's Charter.



Taxation and investment incentives

Taxation

Tax		Rate
Business license fee	Payable from second year of operation, based on the registered capital of the company	< 10 billion VND (~450,000 USD): 2 million VND (~87 USD) ≥ 10 billion VND(~450,000 USD): 3 million VND (~130 USD)
Corporate income tax (CIT)	Levied on company profit in the tax year	Standard rate: 20% Preferential rates available: 10%, 15%, 17%
Value added tax (VAT)	Rate depends on kind of goods and services	0%, 5% or 10%
Special consumption tax (SCT)	Imposed on certain goods considered luxurious or non-essential such as cigarettes, alcohol, gasoline and various types of services, such as massage parlors, casinos, etc.	Depends on the type of good/service
Environment protection tax	Applied to production and import of products considered to have a negative impact on the environment	Tax rates based on particular tax levels per unit of product (such as liter, kilo, tonne)

Investment incentives

- **Corporate income tax incentives**
 - Including lower rates for whole duration of investment term or part thereof
 - Exemption from and reduction of tax rates
- **Import tax exemption on goods imported to form fixed assets**
 - Raw materials, supplies and components for manufacturing purposes
 - Must be in accordance with regulations of law on import and export tax
- **Exemption from/reduction of land rent, land use fees and land use tax**
- **Accelerated depreciation**
 - Increasing the deductible expenses upon calculation of taxable income



Corporate income tax incentives

Preferential CIT rates of 10%, 15%, and 17% are available where certain criteria are met.

Tax holidays and reduction

- Tax exemption for 4 years, 50 percent reduction of payable tax amounts for 9 subsequent years
- Tax exemption for 4 years, 50 percent reduction of payable tax amounts for 5 subsequent years
- Tax exemption for 2 years, 50 percent reduction of payable tax amount for 4 subsequent years

Objects entitled to investment incentives

- Preferential investment industries and trades
- Preferential investment geographical areas
- Investment projects with a scale of capital being 6,000 billion dong or more of which at least 6,000 billion dong is disbursed in a period of three years from the date of issuance of the IRC or the equivalent license/approval
- Investment projects for construction of social residential housing; investment projects located in rural areas and employing 500 employees or more; and investment projects employing disabled people
- High-tech enterprises, and scientific and technological enterprises or organizations
- Innovative start-up investment projects, innovative renovation centres and S&D centres
- Investment in commercial operation of a small and medium-sized enterprise product distribution chain

Preferential business

- High-tech activities, industrial products which support high-tech; research and development activities
- Production of new materials, new energy, clean energy or renewable energy
- Production of products of information technology, software and digital content
- Education
- Breeding, growing and processing agricultural, forestry and aquaculture products
- Collection, processing, reprocessing or reuse of refuse/waste
- Other projects as provided in Article 15 Law on Investment 2020



Preferential investment geographical areas

- Areas with difficult socio-economic conditions
- Areas with especially difficult socio-economic conditions
- Industrial zones
- Export processing zones
- High-tech zones
- Economic zones



Preferential business and location

Example: Companies operating in software production and companies located in areas having difficult socio-economic conditions

Incentives:

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	...
Incentives of CIT	CIT exemption				CIT rate of 5%									CIT rate of 10%	No incentives		

Thank you!

fidinam

Fidinam (Vietnam) Company Limited

Level 21, Vietcombank Tower,
05 Me Linh Square, Ben Nghe, D.1,
Ho Chi Minh City, Vietnam
Tel. +84 28 3827 1938

Fidinam (Singapore) Pte Limited

OUE Downtown Gallery
6A Shenton Way, #04-01
Singapore 068815
Tel. +65 6909 0073

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