

# New regulations on representative offices and branches of foreign business entities in Vietnam - Notable changes

## Tax Alert - Tax and Corporate Services

February 2016

On 25 January 2016, the Government issued Decree No.07/2016/ND-CP guiding the Commercial Law on representative offices ("RO") and branches of foreign business entities in Vietnam ("Decree 07"). Decree 07 will take effect from 10 March 2016 and replace Decree No.72/2006/ND-CP on the same matter ("Decree 72").

Below are some of notable changes of Decree 07:

- The scope of operation of an RO of a foreign business entity seems narrower than the one stipulated in the current regulations (Decree 72). In particular, according to Decree 07, an RO is allowed to conduct the following activities: (i) being a liaison office, (ii) doing market research, and (iii) promoting the opportunities for investment and business co-operation of the foreign business entity. The activity of "monitoring and activating performance of contracts of the foreign business entity signed with Vietnamese parties or related to Vietnamese markets" allowed under Decree 72 is now removed from the scope of operation of an RO. However, the existing ROs established under Decree 72 are allowed to operate in accordance with their granted Licenses until the expiry of such Licenses.
- The Head of the RO/branch of a foreign business entity must authorize another person to conduct his/her rights and obligations if leaving Vietnam. Such authorization must be agreed by the foreign business entity. In case the Head of the RO/branch of a foreign business entity is not present in Vietnam more than thirty (30) days without authorization to another person, the foreign business entity must appoint another person to be the Head of such RO/branch.
- While there is no material change in the conditions for establishment of the ROs and branches of foreign business entities, the establishment and operation of the ROs and branches of foreign business entities as stipulated in Decree 07 need to be in line with Vietnam's commitments in the international treaties of which Vietnam is a member.

In case the foreign business entities come from the countries/ territories which are not members of the international treaties of which Vietnam is a member, or the scope of operation of the ROs/branches are not in line with Vietnam's commitments in such international treaties, the licensing authorities must seek evaluation opinions from the specialized ministries before granting the License for establishment of the RO/branch of such foreign business entities.

- The licensing authorities for the ROs of foreign business entities now include the Management Board of the special-purpose zones (i.e. industrial zones, export processing zones, high-tech parks) for the ROs located in these zones, besides the local Department of Industry and Trade ("DOIT") for those located outside such zones.

- The licensing timeline for the application for issuance of the License for establishment of an RO/branch of foreign business entities is shortened to seven (7) working days (currently fifteen (15) days). However, this licensing timeline can be extended to thirteen (13) working days if the application is subject to the evaluation by the specialized ministries.
- In case there is any change in the name, address, scope of operation of the foreign business entity; or the Head of the RO/branch, scope of operation, name, address of the RO/branch, then the foreign business entity is required to apply for amendment of the License for establishment of the RO/branch within sixty (60) working days (currently 10 days).
- In case a foreign business entity wishes to change the location of its RO to another province, it is required to (i) notify the current local DOIT on the operation termination of the RO at current province, then (ii) apply for re-issuance of the License for establishment of the RO in the new province within thirty (30) days from the notification on operation termination of the current RO.
- The requirement on reporting on the operation remains unchanged as stipulated in Decree 72, meaning that the branches/ROs of foreign business entities are still required to submit the annual report on their operations to the licensing authorities by 30 January every year.



## Contact Us

### KPMG Tax and Advisory Limited

Warrick Cleine  
Chairman & CEO  
Vietnam and Cambodia  
Tax Managing Partner

#### Hanoi

Do Thi Thu Ha, Senior Partner  
Hoang Thuy Duong, Partner  
Le Thi Kieu Nga, Partner  
Nguyen Thu Huong, Partner  
Nguyen Ngoc Thai, Director  
Nguyen Hai Ha, Director  
Pham Thi Quynh Ngoc, Director  
Ho Dang Thanh Huyen, Director  
Taninaka Yasuhisa, Japanese Desk  
46<sup>th</sup> Floor, Keangnam Hanoi Landmark  
Tower 72 Building, Slot E6, Pham Hung  
Street, Me Tri Ward, South Tu Liem  
District, Hanoi.  
T: +84 4 3946 1600  
F: +84 4 3946 1601  
E: kpmghanoi@kpmg.com.vn

#### Ho Chi Minh City

Nguyen Cong Ai, Partner  
Ninh Van Hien, Partner  
Ta Hong Thai, Partner  
Ho Thi Bich Hanh, Partner  
Nguyen Thanh Hoa, Director  
Huynh Ngoc Nhan, Director  
Thach Tuan Anh, Director  
Nguyen Thanh Tam, Director  
Terresa Yiu, Director  
Tran Duy Binh, Director  
Bui Thi Thanh Ngoc, Director  
Watari Takashi, Japanese Desk  
10<sup>th</sup> Floor, Sun Wah Tower,  
No.115, Nguyen Hue Street,  
Ben Nghe Ward, District 1,  
Ho Chi Minh City.  
T: +84 8 3821 9266  
F: +84 8 3821 9267  
E: kpmghcmc@kpmg.com.vn

**[kpmg.com.vn](http://kpmg.com.vn)**

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2016 KPMG Tax and Advisory Limited, a Vietnamese limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.