2024年ベトナム

投資ガイド

KPMG in Vietnam

—

March 2024

Abbreviations

AI	Artificial Intelligence
ASEAN	Association of Southeast Asian Nations
B2C	Business-to-consumer
BEPS	Base Erosion And Profit Shifting
BLT	Business License Tax
BRO	Business Registration Office
C/O	Certificates of Origin
CAGR	Compound Annual Growth Rate
CBAM	Carbon Border Adjustment Mechanism
CIT	Corporate Income Tax
COR	Certificate Of Operation Registration
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
DICA	Direct Investment Capital Account
DPI	Department Of Planning And Investment
DTA	Double Tax Agreement
DTI	Digital Transformation Index
EPZ	Export Processing Zone
ERC	Enterprise Registration Certificate
ESG	Environment, Social and Governance
ETR	Effective Tax Rate
EVFTA	European Union-Vietnam Free Trade Agreement
EZ	Economic Zone
FAs	Fixed Assets
FCT	Foreign Contractor Tax
FDI	Foreign Direct Investment
FED	Federal Reserve System
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
GII	Global Innovation Index
GMT	Global Minimum Tax
GRDP	Gross Regional Domestic Product
GSO	General Statistics Office of Vietnam
GTCI	Global Talent Competitiveness Index
HCMC	Ho Chi Minh City
HR	Human Resource
IED	Import and Export Duties
IFRS	International Financial Reporting Standards
IICA	Investment Capital Account
IP	Industrial Park
IRC	Investment Registration Certificate
JSC	Joint Stock Company
KER	Key Economic Region
LLC	Limited Liability Company
M&A	Mergers & Acquisitions
MLI	Multilateral Instrument
MNE	Multinational Enterprise
MOF	Ministry of Finance
MoIT	Ministry of Industry and Trade
MPI	Ministry of Planning and Investment
p/a	per annum
PDP8	Power Development Plan VIII
PDPD	Personal Data Protection Decree
PIT	Personal Income Tax
PPP	Public-Private Partnership
PSRD	Program on Socioeconomic Recovery and Development
R&D	Research & Development
RO	Representative Office
SBV	State Bank of Vietnam
SI	Supporting Industry
SST	Special Sales Tax
UKVFTA	Vietnam-UK Free Trade Agreement
VAS	Vietnamese Accounting System
VAT	Value Added Tax
WTO	World Trade Organization

Contents

Acknowledgements

Vietnam has defied the global economic challenges, displaying robust growth post-COVID-19. Amidst global turmoil, Vietnam's economy is rebounding, poised for substantial growth.

Forecasts predict Vietnam to exhibit rapid economic expansion in the 2024–2028 period, driven by surging external demand. Factors such as competitive wages, FDI incentives, and strong trade relationships will further drive sectoral growth.

This comprehensive report aims to spotlight Vietnam's burgeoning business prospects and offer guidance to potential investors seeking to engage in the country's growth story.

The report was authored by a team from KPMG in Vietnam’s Markets Group, including Tran Thanh Tam, Pham Phuong Thao, Tran Diem Thu, Do Kieu Trinh, Ly Hoang Phuc, and Truong Duc Phong. Isha Ilyas, Hoang Tung, Nguyen Duoc Ngoc Tran provided data and policy analysis, while Tran Trung Nguyen and Nguyen Hoang Khang contributed to design and formatting.

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はじめに

洞察が行動を促すとき、素晴らしい成果が生まれる。

“パンデミックや世界的な地政学的リスクにもかかわらず、ベトナムの経済成長は依然として大きく、個人消費の増加、都市化、インフラ整備に魅力を感じる多国籍企業から注目を集めている。

Eコマースの台頭と目の肥えたベトナムの消費者は、従来のビジネスモデルを破壊しつつある。同時に、人材の獲得、育成、確保がますます重要になっている。複雑な規制は、厳格な施行とコンプライアンスの強化によってさらに複雑になっている。明確な方向性と戦略、そして実行力と適応力を備えた企業が成功を収めるだろう。

ベトナムが改革フェーズを進めるにつれ、外国人投資家にとって新たな機会とハードルが出現するだろう。

本レポートは、ベトナム市場の戦略的重要性を強調し、投資家がチャンスをつかみ、課題を克服するための業界固有の洞察を提供する。”

Warrick Cleine
Chairman and CEO
KPMG in Vietnam and Cambodia

02

Vietnam macro-economic update

Country Overview

Macroeconomic indicators

Population	Real GDP	Real GDP growth	GDP per capita	GDP by sector	Inflation
100.3 million	US$304.8 billion (US$ at 2010 prices)	5.05% (2023) 5.6% (2024F)	US$4,420	Services 49.1% Industry 39.3% Agriculture 11.7%	3.25% (2023) 3.1% (2024F)

All values are estimates for 2023, unless specified otherwise.

FDI and M&A

Total FDI	Projects licensed	Key sectors	Key countries	M&A value
US$36.6 billion (▲ 32.1%)	3,188 (▲ 57%)	Industrial manufacturing, Real estate, Energy	Singapore 19% Japan 18% Hong Kong 13%	US$4.4 billion (10M2023) (▼ 22.8%)

All values are actuals for 2023, unless specified otherwise.
Growth rates have been highlighted with respect to values for 2022.

Territory attractiveness

- 16 Free Trade Agreements
- 34 seaports
- 22 airports
- US$23.5 billion FDI in manufacturing (2023)
- 17.2 million workforce in industrial and construction (Q4 2023)

Source: Economist Intelligence Unit (EIU); Foreign Investment Agency; Capital IQ, VIR, KPMG Analysis; WTO and International Trade Center; General Statistics Office of Vietnam; Ministry of Transport

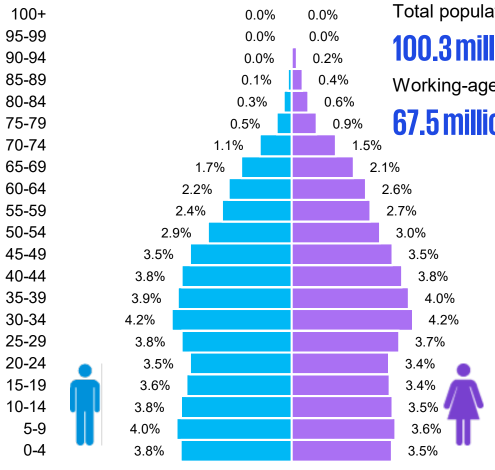
Legend: F – Forecasts

Labor force remains a competitive advantage

Vietnam's growing working population will boost competition for jobs while keepinglaborcosts low. Its young workforce will contribute greatly to the growth of the economy in many ways, from absorbing technology to creating wealth.

1. GOLDEN POPULATION

Vietnam benefits from a "golden population structure," where 67.3% of the population is of working age. This presents Vietnam with a distinctive socio-economic development opportunity to leverage its youthful labor force and drive economic growth.



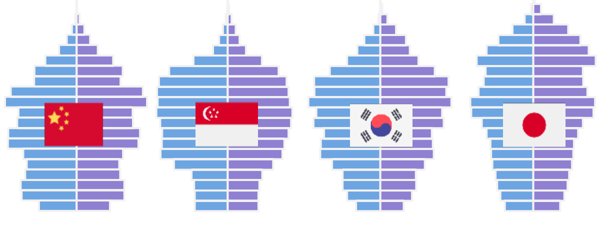
Total population (2023e)

100.3 million

Working-age population

67.5 million

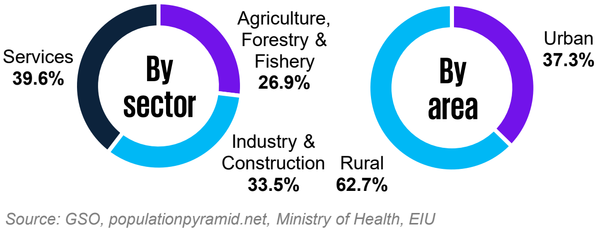
Population pyramid in selected Asian countries (2023)



The Asian region has witnessed swift and substantial changes in population demographics. Countries with a significant aging population are grappling with demographic transitions, with the working-age population projected to decline by 10% by 2060, particularly in Japan. In contrast, Vietnam enjoys a "golden population," where the working-age segment is expanding more rapidly than the consumer base, resulting in a parallel rise in income per capita—a phenomenon known as the demographic dividend.

Source: populationpyramid.net, Ministry of Health, EIU

Labor distribution – 52.4 million employed labor, 2023

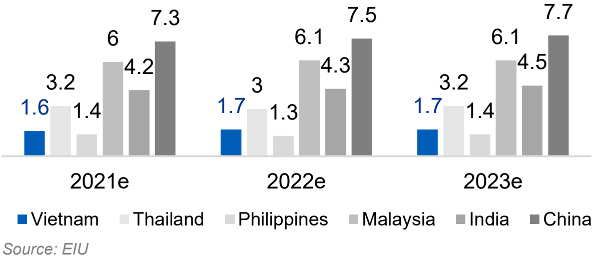


Source: GSO, populationpyramid.net, Ministry of Health, EIU

2. COMPETITIVE LABOR COSTS

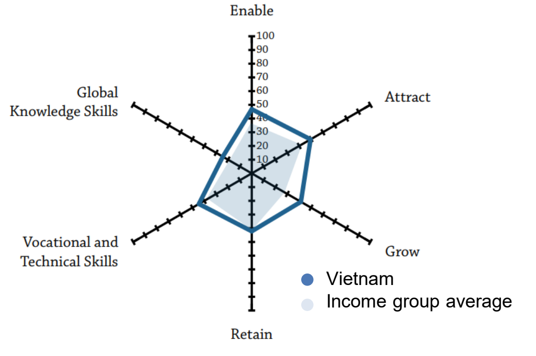
Moreover, Vietnam provides a flexible labor market characterized by low wages, a trainable workforce, business-friendly laws compared to its regional counterparts.

Average hourly wage (US$)



Source: EIU

GTCI 2023 Country Profile by Pillar



In the 2023 Global Talent Competitiveness Index (GTCI), Vietnam secured the 75th spot among 134 countries, marking a one-rank improvement year-on-year. Vietnam's strongest performance was in the "Grow" pillar (55th), with notable strengths in youth inclusion, delegation of authority, and academic performance. The country's most impressive sub-pillar was Employability (30th), although its ranking was weakened by the Skills matching sub-pillar (66th), reflecting the education-occupation mismatch within the Vietnamese workforce.

Source: Global Talent Competitiveness Index

3. PRODUCTIVITY INDEX

Labor productivity is projected to grow **>6.5%** annually

Resolution No.54/NQ-CP for 2021-2025 emphasizes the goal of revitalizing and restructuring the economy to enhance productivity, competitiveness, and national economic resilience in the face of Covid-19. This indicates a substantial reduction in the disparity of national competitiveness among the ASEAN-4 countries (Indonesia, Malaysia, Philippines, and Thailand) from 2021 to 2025. As a result, there is a growing need to study and formulate suitable policies to maximize productivity potential.

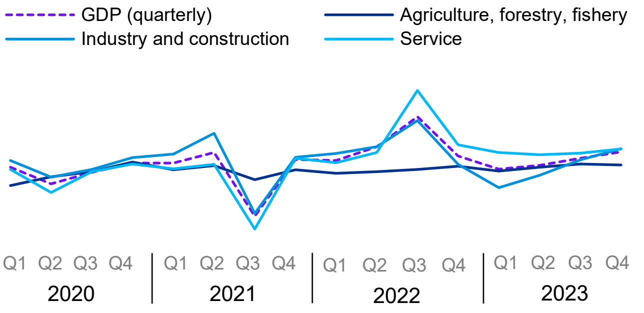
Source: Vietnam Government Portal, Economic Resolution No.54/NQ-CP, 2021-2025

GDP growth is among the fastest in the region

In 2023, Vietnam's economy saw continued growth despite global challenges. The country's Gross Domestic Product (GDP) increased by 5.05% compared to 2022, surpassing the global average of 2.9% and ASEAN's growth of 4.3%.

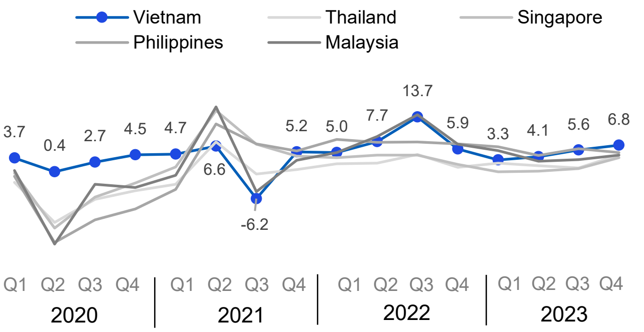
The agriculture, forestry, and fisheries sectors in Vietnam provided steady economic growth from 2020 to 2023. However, the service sector, as well as the industry and construction sectors, experienced a decline in late 2022 before gradually recovering. Ultimately, the service sector made the largest contribution to the economic recovery.

Vietnam GDP growth by sector (%)



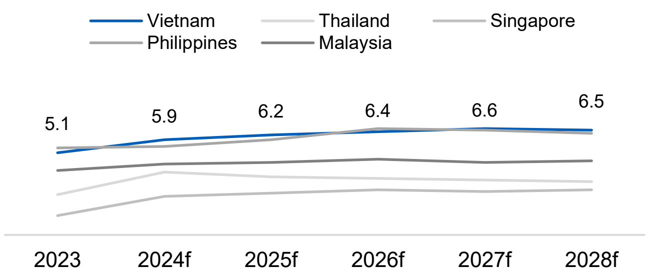
Vietnam's resilience stood out in the face of a challenging global economy marked by high inflation, decreased consumer demand due to elevated energy prices, and increased input material costs.

GDP growth of ASEAN countries (%)



The country's GDP for the full-year 2023 grew by 5.05% compared to 2022, and it anticipates stable growth in the 2024-2028 period, poised as an attractive prospect for investors.

GDP growth forecast of ASEAN countries (%)

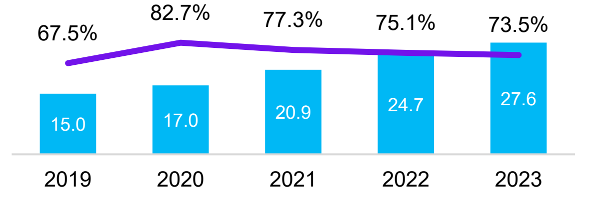


Source: ADB, EIU, Euromonitor, BPS Indonesia, NESDC Thailand, Singstat Singapore, DOSM Malaysia, PSA Philippines, GSO, WTO Center

In 2024, the government projects GDP growth of 6 to 6.5%, driven by manufacturing, exports, and public spending. Increased public investment is expected to generate positive effects such as boosting aggregate demand, instilling investor confidence, and stimulating local economic activity in targeted regions.

- Public investment during the 2021-2025 period is estimated to comprise 16-17% of total social investment, which, on average, accounts for 32-34% of GDP.
- Every 1% increase in public spending is estimated to raise GDP by 0.06%. Furthermore, the disbursement of VND1 of public investment is projected to attract VND1.61 of investment from the non-state sector.
- The public investment capital plan for 2024 has been introduced, allocating VND677.349 billion into the economy, equivalent to 95% of the 2023 plan.

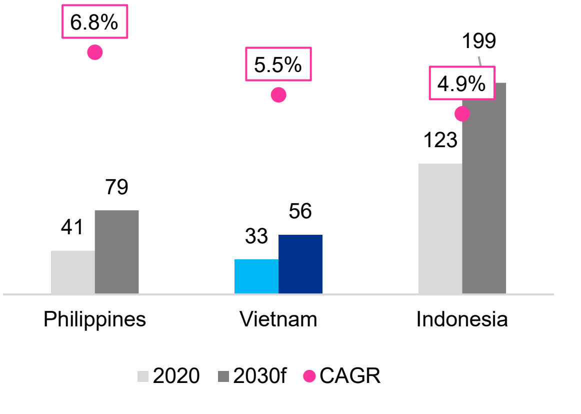
Public investment capital (US$ billion) and disbursement rate (%)



Source: Ministry of Finance, GSO, Decision No. 1603/QD-TTg

The burgeoning middle class is driving domestic demand and is expected to be a significant driver of Vietnam's economic growth in the coming decades. By 2030, Vietnam is projected to have an additional 23.2 million people joining the middle class, ranking among the nations with the highest middle class population growth.

Middle class population growth in selected countries



**The middle class (MC) is defined as those who spend between $11 and $110 a day.*
Source: World Data Lab

Trade landscape

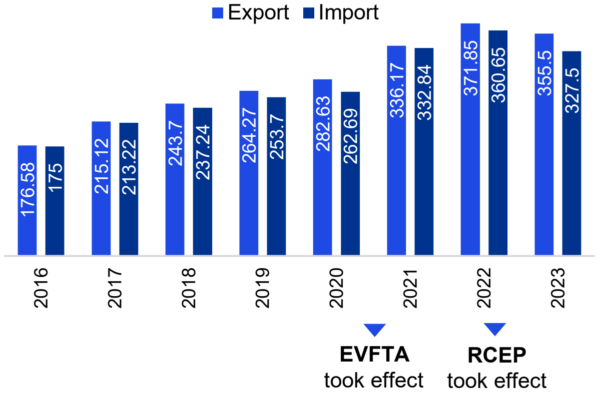
Despite global economic challenges and supply chain disruptions leading to reduced demand, Vietnam experienced growth in trading activities in 2023, remaining an appealing destination for foreign investors.

1. IMPORT, EXPORT & TRADE PARTNERS

The year 2023 saw various global disruptions, including the Israel-Hamas war impacting oil prices, inflationary pressures, interest rate hikes, and supply chain disturbances. Despite these challenges, Vietnam's trade surplus of US$28 billion reflected limited growth in imports of materials and machinery for manufacturing, posing export processing difficulties. However, Vietnam adeptly utilized new generation Free Trade Agreements (FTAs) to navigate these challenges.

In 2024, the Agency of Foreign Trade anticipates uncertainties, with increasing trade fragmentation and sustainability transparency. Nonetheless, Vietnam aims to maintain its trade surplus position, with export turnover projected to increase by 6% year-over-year.

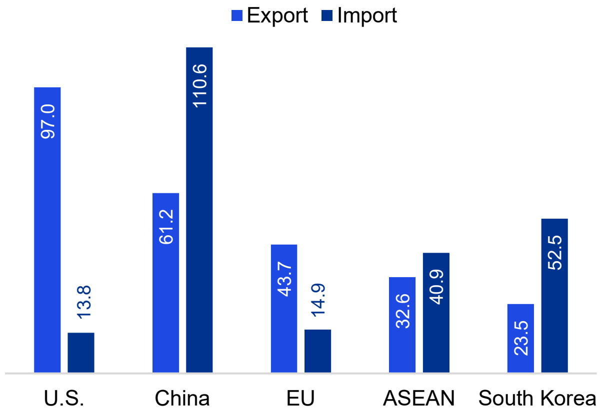
Export and import turnover over years (US$ billion)



Vietnam achieved an eighth consecutive year of trade surplus, reaching a record high of US$683 billion, sustaining robust trade relations with developed and robust markets.

The U.S. emerged as Vietnam's largest export market, while China stood as the largest import market for Vietnam in the first 11 months of 2023.

Top 5 trading partners, 2023 (US$ billion)



Source: Ministry of Industry and Trade, VCCI, Ministry of Planning and Investment

Top 3 Imports in 2023 (US$ billion)

Computers, Electronics	Machinery, Instruments	Fabrics
87.9 ▲ 7.4%	41.6 ▼ 8.0%	13.0 ▼ 11%

(year to year growth)

Top 3 Exports in 2023 (US$ billion)

Telephones and parts	Computers, Electronics	Machinery, Instruments
53.2 ▼ 8.3%	57.3 ▲ 3.3%	43.2 ▼ 5.6%

(year to year growth)

2. INDUSTRY SNAPSHOTS

Textiles & Garments	• The textile industry stood out as one of Vietnam's leading export sectors, with over 6,000 companies creating employment opportunities for over 2.5 million employees. • FTAs continued to open up new markets for manufacturers, leveraging Vietnam's lower labor costs and benefiting from the U.S.-China trade dispute.
Electronics	• Electronics and computers emerged as Vietnam's top export, surpassing phones and garments, driven by Samsung, the country's largest exporter. • The industry's growth was fueled by trade liberalization, economic reforms, and enhancedlaborquality, attracting foreign investors to relocate their electronics sector investments to Vietnam.
Automotive	• Despite a challenging 2023 characterized by weak demand, Vietnam's automobile industry achieved a significant milestone with VinFast's Nasdaq debut and the first domestically-made vehicles.
Agriculture	• In 2023, agriculture continued to anchor Vietnam's economy. The country's rice exports reached US$4.79 billion, driven by an output of 8 million tons, marking an almost 40% increase compared to the previous year and surpassing Thailand's export turnover. Additionally, the export of fruits and vegetables experienced rapid growth, with a total value of US$5.69 billion, fueled by durian's contribution of US$2.2 billion as the primary growth driver.

Source: Vietnam Briefing, WTO Center, Ministry of Agriculture and Rural Development, Ministry of Industry and Trade

FTAs continue to create an effective launch pad for export and import activities

Vietnam is one of the most globally integrated countries in the region, with a total of 16 bilateral and multilateral FTAs signed, establishing commercial partnerships with over 200 countries and territories.

1. OVERVIEW

As of 2023, Vietnam boasts a robust network of 16 FTAs in effect and 3 under negotiation, partnering with 60 economies that represent the majority of its international trade. This network, including agreements like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the EU-Vietnam FTA (EVFTA), and the Vietnam-UK Free Trade Agreement (UKVFTA), provides Vietnam with significant competitive advantages compared to other ASEAN countries. These agreements offer benefits such as reduced tariffs, improved market access, and increased investment opportunities, contributing to Vietnam's ongoing economic growth.

FTA compared with selected countries, 2023

FTA with/ between	Vietnam	Malaysia	Thailand	Philippines	Indonesia	Cambodia	China
ASEAN	✓	✓	✓	✓	✓	✓	-
ASEAN-China	✓	✓	✓	✓	✓	✓	✓
India	✓	✓	✓	✓	✓	✓	-
South Korea	✓	✓	✓	✓	✓	✓	✓
Japan	✓	✓	✓	✓	✓	✓	-
CPTPP	✓	✓	-	-	-	-	-
EU	✓	○	○	○	○	-	-
UK	✓	✓	-	-	-	-	-
RCEP	✓	✓	✓	✓	✓	✓	✓
Israel	✓	-	-	-	-	-	○
EVFTA	✓	○	○	✓	✓	-	-
UAE	○	-	○	○	-	-	○

Legend: ✓ Ratified; ○ In negotiation

Source: WTO and International Trade Center

Vietnam Signed FTAs, 2023

2023 Vietnam – Israel
2020 RCEP (ASEAN+5)
2020 Vietnam – UK
2019 Vietnam – EU
2018 CPTPP (TPP11)
2017 ASEAN – Hong Kong
2016 Vietnam – Eurasian Economic Union
2015 Vietnam – South Korea
2011 Vietnam – Chile
2010 ASEAN – Australia/ New Zealand
2009 ASEAN – India
2009 Vietnam – Japan
2008 ASEAN – Japan
2006 ASEAN – South Korea
2002 ASEAN – China
1993 ASEAN

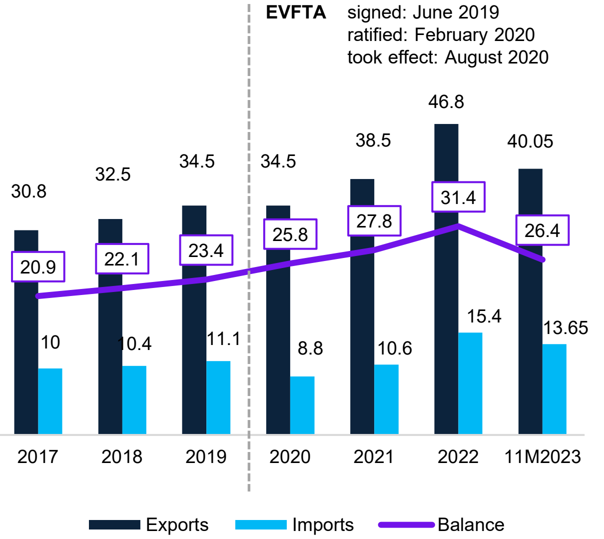
Source: WTO and International Trade Center

Synergies between Vietnam-ASEAN and Vietnam-major countries transform Vietnam into not only a great entrance to the 600+ million-strong and rapidly growing ASEAN market, but also a strategic hub for exporting to the rest of the world.

2. TRADE DEALS FULFILL PROMISE

The EVFTA, signed in June 2019, exemplifies Vietnam's use of FTAs to shift its export focus. This agreement reduces tariffs and opens up new markets for Vietnamese high-tech goods, contributing to the country's economic development and financial security.

Vietnam Trade with the EU (EUR billion)



Source: eurostat

3. OPPORTUNITIES FOR VIETNAM EXPORTS

Only **30-40%** of Vietnam's export turnover with FTA partners enjoyed tariff preferences from these FTAs

Harmonizing rules of origin provides a crucial advantage for Vietnam's exports, despite having one of the world's highest numbers of signed FTAs. A significant portion of Vietnamese exports currently face most-favored-nation tariffs.

- To benefit from preferential tariffs, goods must comply with 'rules of origin' and Certificates of Origin (C/O). Harmonization will empower Vietnam to diversify its input materials by streamlining sourcing across different countries.
- This, coupled with simpler export processes, will further attract production lines shifting from China, strengthening Vietnam's position as a stable, long-term export market. As a crucial document confirming compliance, the C/O plays a vital role in this process.

Source: MoIT, Trade Minister

Vietnam – A rising destination for FDI

Over the past 35 years, foreign direct investment (FDI) has played a critical role in the Vietnamese economy. It is anticipated that foreign investment will surge in 2024, especially in the technology, electronics and semiconductor sectors.

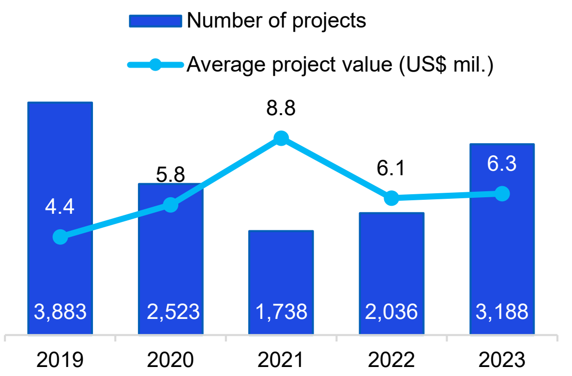
1. OVERVIEW

20.13% of the GDP of the whole economy was generated by the FDI sector (6M2023)

73.1% of Vietnam's total export revenue was contributed by foreign firms (2023)

55% of Vietnam's industrial production value was contributed by the FDI sector (2022)

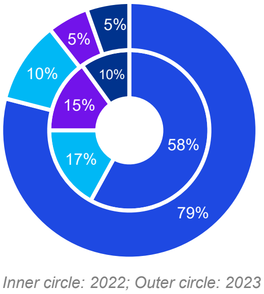
In terms of newly registered capital, in 2023, there were 3,188 new projects granted with investment certificates (57% increase year-on-year), with total newly registered capital reaching over US$20.2 billion (62% increase year-on-year).



2. DOMINATING SECTORS

Foreign investors have invested in 19 out of 21 national economic sectors, in which the Manufacturing and Energy & Natural resources sectors acquired the majority of new FDI investment in recent years, accounting for more than 89% of total registered capital.

Newly approved FDI by sector



- **Industrial Manufacturing**
  US$15,850 million – 1,075 projects
- **Energy & Natural resources**
  US$2,090 million – 12 projects
- **Building, Construction & Real Estate**
  US$1,056 million – 108 projects
- **Others**

Inner circle: 2022; Outer circle: 2023
Investment capital and number of projects are in 2023

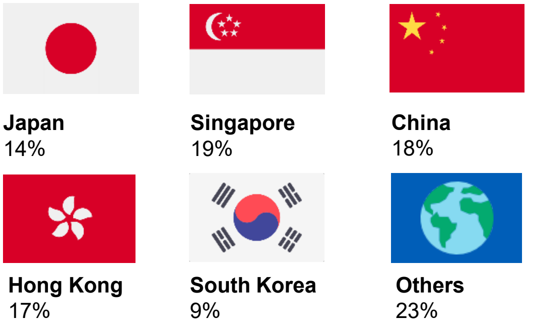
Source: Ministry of Planning and Investment, KPMG Analysis

3. INVESTMENT TRENDS

In 2023, 111 countries and territories held active investment projects in Vietnam, with Asian countries continuing to dominate foreign direct investment, as they have done for several years.

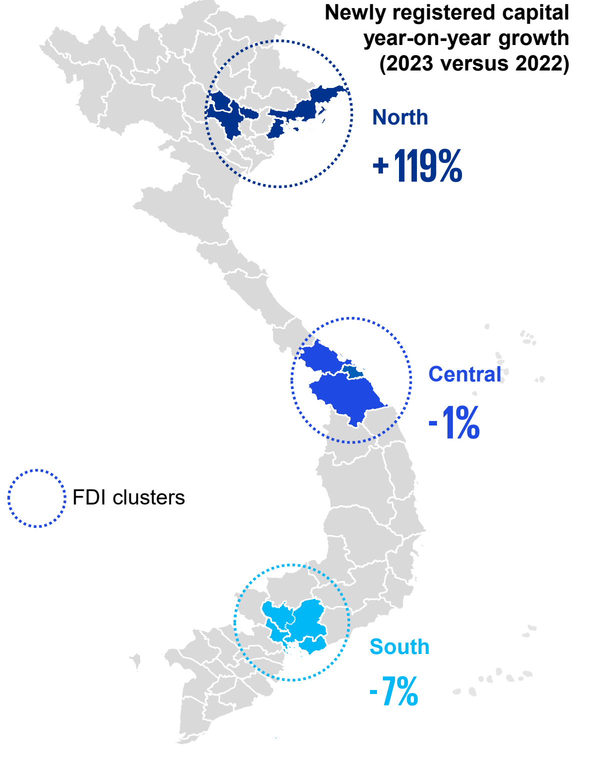
The five largest investors, primarily from Asia, contributed a remarkable 74% of all newly registered project capital.

Newly approved FDI by country, 2023



Quang Ninh ranked first among 56 Vietnamese provinces and cities in 2023, attracting the highest amount of foreign investment with over US$3.1 billion. This represents 15% of the total investment value in new projects across Vietnam.

In contrast, Ho Chi Minh City, Hanoi, and Bac Ninh attract higher numbers of foreign-invested projects due to their well-developed infrastructure.



Positive stance towards foreign investments

Due to Vietnam's abundant and affordable labor, strong growth potential, and plans for infrastructure development, numerous large international corporations are increasing their production and business activities in the country.

1. GLOBAL INVESTORS EXPAND VIETNAM PRESENCE

In 2023, foreign direct investors expanded their investments in over 20 sectors, with manufacturing and processing receiving the largest share of FDI, followed by real estate, power production & distribution, and finance and banking.

According to EuroCham's Business Confidence Index survey(1) in Q4/2023, 60% of European businesses considered Vietnam within their top 10 investment destinations, indicating sustained confidence in the country's growth potential. Additionally, in a recent survey conducted by the JETRO(2) in 2023, 57% of Japanese firms in Vietnam planned to expand their business in Vietnam over the next 1-2 years.

(1) The survey is emailed quarterly to 2,382 business leaders among representatives from EuroCham's members. Among the invited, 193 completed the full questionnaire in this round Q4/2023.

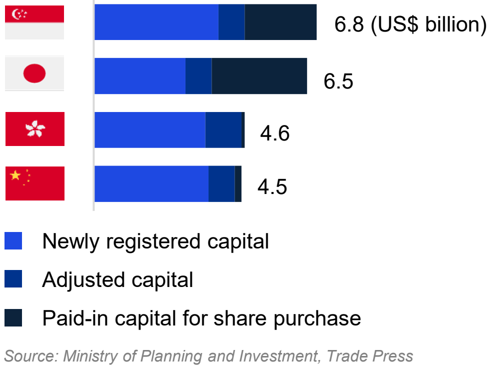
(2) The survey was conducted by JETRO in Hanoi and HCMC from August to September 2023 and received valid responses from 849 businesses.

Source: MPI, European Chamber of Commerce in Vietnam (EuroCham), Japan External Trade Organization (JETRO)

Highlights

- **Japan's Sumitomo Mitsui Banking Corporation (SMBC)** has completed the acquisition of a 15% stake in VPBank for $1.5 billion, making it the largest M&A deal in the Vietnamese banking system so far.
- **Thomson Medical Group** has spent up to US$381 million to acquire a controlling stake in FV Hospital, Vietnam's largest private hospital.
- **ESR Group Limited**, one of the largest asset management companies in Asia-Pacific, invested US$450 million to acquire a larger stake in BW Industrial Development Joint Stock Company.
- **Gamuda Land** allocated US$316 million to acquire a 100% stake in Tam Luc Real Estate Corporation, which owns a 3.68-hectare project site in Thu Duc City, Ho Chi Minh City.
- Masan announced that **Bain Capital**, a leading private investment firm, has agreed to invest at least US$200 million into Masan Group Corporation.

In terms of registered capital by country, Singapore, Japan, Hong Kong, and China were the leading investors in 2023.



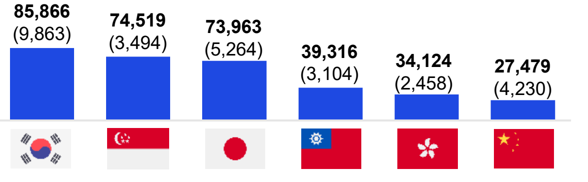
Source: Ministry of Planning and Investment, Trade Press

2. FOREIGN INVESTORS UPBEAT ABOUT M&A PROSPECTS

In 2023, Vietnam's M&A market followed the global trend of decline, but the country's strong economic fundamentals, evidenced by steady foreign direct investment and ongoing infrastructure and economic reforms, remained robust.

With controlled inflation, projected 5.8% GDP growth in 2024, and manageable public debt, the investment environment in Vietnam is favorable for strategic opportunities.

Top Foreign investment in Vietnam by country (accumulation of valid projects until Dec 2023)



(Total registered capital value in US$ million, number of transactions in brackets)

3. A COMMITMENT TO INCREASE INVESTMENT IN TRADE THANKS TO FTAs

The export sector presents ample opportunities, with around 80% of Vietnamese exporters being foreign-invested, aiming to diversify supply chains.

The Regional Comprehensive Economic Partnership (RCEP), effective from 01 January 2022, supports exporters in increasing shipments and meeting consumer demand for high-quality goods, agricultural, and fishery products.

New local laws and regulations, including those covering Intellectual Property, Cinematography, and Insurance Business, facilitate FTAs.

Compliance with data localization rules (Decree 53/2022/ND-CP) and the Personal Data Protection Decree (effective 01 July 2023) is mandatory for all businesses operating in Vietnam or handling Vietnamese personal data.

Heading to 2024

- Despite subdued investor sentiment and global economic uncertainties, the healthcare sector maintained its status as one of the most active dealmaking industries in Vietnam in 2023, indicating a continued strong outlook for the near future.
- Over the past 35 years, Vietnam has effectively attracted significant FDI projects. Notably, Samsung's export turnover reached an impressive US$65 billion in 2022, representing 8.9% of Vietnam's total exports. To further attract FDI, the Vietnamese government is actively enhancing policies related to corporate income tax, import-export tax, land use incentives, and preferential loans, signaling a positive trend for foreign investment capital flows in the coming years.

Source: KPMG Analysis, Trade Press

Impact of the U.S. – China decoupling

Decoupling between the U.S. and the People's Republic of China (China) has emerged as a key concept in discussing the future of their economic relationship. The two countries have faced numerous challenges, including trade disputes, technology competition, and geopolitical tensions in recent years.

Context

The U.S. and Chinese economies are closely interconnected, but their ties are eroding. Proponents of decoupling argue that this is a necessary step to protect national security interests and advance alternative sources of growth.

The U.S.–China bilateral trade recorded a slump of 11.6 percent in 2023, the first fall since 2019. This was due to declines in global demand and the U.S. export sanctions, which continue to block U.S. firms' exports to China.

Rising tensions between Washington and Beijing are driving the U.S. and Chinese investors away from each market.

China's de-risking strategy

1. **The most consequential aspect of the U.S.–China decoupling is in Technology**

To China, technology forms the backbone of economic and military superiority. Therefore, technological self-sufficiency is an existential imperative to survive and thrive. In 2015, two years before former U.S. President Donald Trump cut ties with China, the country released its “Made in China 2025” blueprint for self-sufficiency in key technology sectors – semiconductors, AI, and clean tech. In many high-tech fields, Chinese firms and researchers are world leaders or on par with their Western competitors.

2. **Finance is the second, long-established pillar**

China has never allowed significant foreign involvement in its domestic financial sector, with foreign investors owning only 4% of Chinese stocks and 9% of Chinese government debt.

China has its own banking system that is almost entirely walled off from international finance, with non-Chinese investors controlling less than 2% of Chinese bank assets.

To avoid financial sanctions, China has been pushing cross-border payments in the renminbi. In addition, the country's alternative to SWIFT, CIPS (the Cross-Border Interbank Payment System), represents a second cornerstone in the risk mitigation plan. China is also piloting cross-border transactions using digital currency with the United Arab Emirates, Thailand, and other countries.

3. **The third pillar of China's de-risking strategy entails reducing reliance on unfriendly states for Trade**

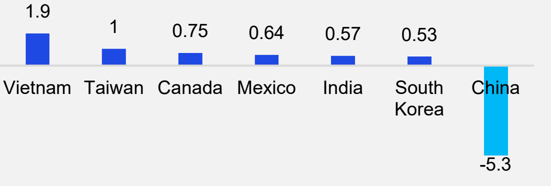
China sees overreliance on any country for trade flows as a weakness. For an export-oriented economy such as China, excessive dependence on any given country for critical input imports or as a key export destination could be fatal.

China's efforts are paying off: In 2023, ASEAN countries collectively became its biggest export destination, ahead of both the United States and EU.

Global impact

- In recent years, certain countries have increasingly replaced China in the U.S. market. For overall shares, the countries with the biggest gains were Vietnam, Taiwan, Canada, Mexico, India, and Korea. These six countries account for more than 5.3 percentage points. For strategic goods(1), Vietnam and Taiwan appear to have gained the largest market share in the U.S. over the period.

Changes in U.S. imports share, 2017-2022 (percentage point)



- U.S. tariffs particularly hurt Chinese industries. For example, imports of semiconductors, IT hardware and some consumer electronics subjected to 25% tariffs were 25% lower in 2022 than pre-trade war levels.
- A 2021 IMF study identified three direct channels where technological decoupling can affect global growth in the short and long term – reduced global trade flows, misallocation of resources and less cross-border knowledge diffusion.

(1)Strategic industries are defined as the 2-digit categories identified as Advanced Technology Products by the U.S. government, such as chemicals, pharmaceutical products, vehicles, aircraft, etc.

Implications for Vietnam

- The relationship between the United States and Vietnam has undergone significant changes in recent years. The U.S. and Vietnam have strengthened their diplomatic ties, particularly in the field of economic cooperation. Vietnam has emerged as a key partner in the US' strategic competition with China.
- In the context of decoupling, the United States and Vietnam have seen opportunities for closer economic ties. Vietnam has been seeking to diversify its export markets and reduce its reliance on China, and the US has recognized the potential economic benefits of this relationship.
- While the decoupling may provide opportunities for Vietnam to diversify its economic partnerships and reduce dependence on China, it also raises concerns about potential supply chain disruptions, economic costs, and geopolitical tensions.

Source: Global Times, Foreign Policy, Ministry of Foreign Affairs, East Asia Forum, Oxford Economics, Bloomberg, IMF

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Mergers & Acquisitions (M&A) Landscape

The anticipated driving forces for Vietnam's M&A market development include political stability, positive economic growth, stable macroeconomics, and an improved business environment. The current slowdown in M&A activity is expected to be brief, with a forthcoming recovery driven by Vietnam's recognition as a secure and appealing market for new opportunities.

1. VIETNAM'S 10M2023 M&A HIGHLIGHTS

In the first ten months of 2023, Vietnam's mergers and acquisitions market experienced a 23% year-on-year decrease to US$4.4 billion. However, the average value of each deal notably rose to US$54.5 million, reflecting an increase in transaction quality.

4.4 US$ billion
10M2023 M&A transaction value

260+
Number of closed M&A deals in 10M2023

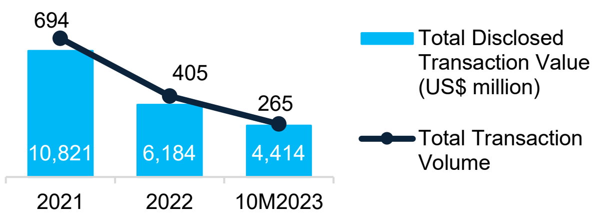
10.3%
CAGR from 2008 to 10M2023

1.45 US$ billion
largest deal closed in 10M2023

80%
of deal value contributed by Financial Services, Real Estate, and Healthcare

54.5 US$ billion
average M&A deal value on disclosed transactions in 10M2023

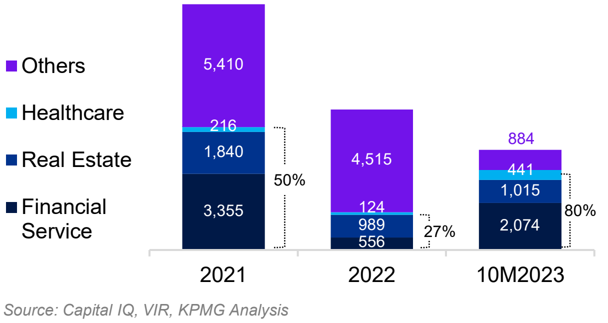
Vietnam M&A Landscape



Source: Capital IQ, VIR, KPMG Analysis

The Financial Services, Real Estate, and Healthcare sectors saw continued growth, collectively representing 80% of the total deal value and four of the five largest transactions in the same period.

M&A value breakdown by sector (US$ million)

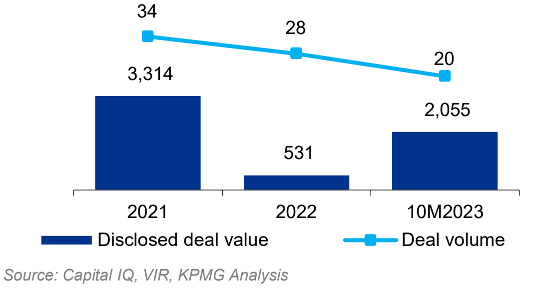


Source: Capital IQ, VIR, KPMG Analysis

2. THE FINANCIAL SERVICES SECTOR

Foreign investors' growing interest in Vietnam's expanding consumer finance and banking businesses, driven by increased consumer spending and low consumer credit penetration, led to a record average deal size of US$228 million in the first ten months of 2023.

Financial Service's deal value and volume (US$ million)



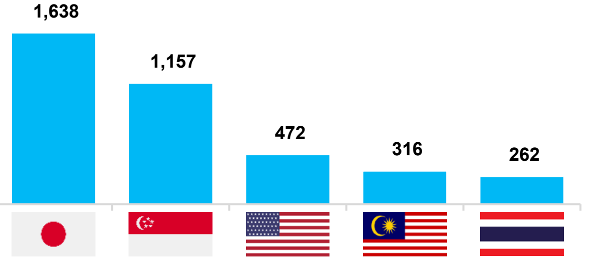
Source: Capital IQ, VIR, KPMG Analysis

3. FOREIGN INVESTORS AS ACTIVE PLAYERS

During the 2020-2022 period, domestic investors sparked an M&A market frenzy by strengthening their market share and vertical integration. However, unlike the prior three years, the first ten months of 2023 witnessed foreign investors taking up all the top five spots, with Japan, Singapore, and the U.S. accounting for more than 70% of the total reported deal value.

Foreign investors' dominance in 2023 signaled a market shift from opportunistic to more strategic long-term investments, whereas domestic investors turned defensive, reassessed their strategies, resulting in a declining share of value for M&A deals.

Ranking of top 5 investors by value, 10M2023 (US$ million)



Source: KPMG Analysis

4. ESG AS RISING AWARENESS

>85% Vietnam's 500 fastest-growing companies (FAST 500) have committed or plan to comply with ESG standards.

≈80% of CEOs expect to see returns from ESG investments within the first five years.

51% of CEOs in the Asset Management industry agree they will be able to address all the ESG priorities simultaneously with other organization priorities.

Source: KPMG Analysis, Vietnam Report

Corporate Finance

At KPMG in Vietnam, our Corporate Finance division offers a wide range of services aimed at fostering strategic growth and financial well-being for our clients.

Corporate finance is central to business operations, overseeing strategies, processes, and financial resource management to maximize profitability and shareholder value. This encompasses activities such as capital investment decisions, long- and short-term financial planning, capital structure optimization, and dividend policy management.

The primary goal is to identify optimal strategies for financial management, facilitating business growth and creating sustainable value. Our specialists in Mergers & Acquisitions, Valuations, Turnaround & Restructuring, and Infrastructure Advisory combine market intelligence, innovative approaches, and meticulous execution to ensure clients not only achieve but surpass their financial objectives.

M&A Advisory

- Our experienced M&A advisors provide seamless guidance through every stage of mergers and acquisitions, offering strategic expertise from initial target identification to successful post-merger integration.
- Our specialists guide clients through their divestiture, from developing an exit strategy to enhancing the value of your retained business.
- We help clients discover ideal acquisition targets or suitable buyers, conduct thorough due diligence, and provide reliable valuation assessments to empower informed decisions.
- With our comprehensive approach, clients are equipped to confidently address every aspect of the transaction, from structuring and financing to effective negotiation, ultimately achieving their strategic goals and expanding market presence.

Valuations

- KPMG in Vietnam's valuations team delivers accurate fair market value assessments, robust financial projections, and insightful scenario analyses for a diverse range of financial activities, including mergers and acquisitions, divestitures, and joint ventures.
- By leveraging industry expertise, discounted cash flow analysis, and comparable company analysis, we provide precise and objective valuation reports
- These in-depth analyses empower clients to understand the true worth of their businesses or assets, helping them secure more favorable deals, make informed strategic decisions, and unlock maximum value.

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- KPMG in Vietnam’s experts work with troubled companies to identify issues, stabilize operations, and implement strategies for sustainable restructuring.
- We provide actionable insights and tailored approaches to debt renegotiation, operational reorganization, and cost reduction.
- Our hands-on support enables businesses to regain financial stability, restore stakeholder confidence, and create a platform for renewed profitability and growth, even in challenging circumstances.

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- Our infrastructure advisory team can assist you in raising financing for developing greenfield infrastructure assets, advising you in buying operating projects and businesses, selling assets and capital and returns optimization for operating businesses.
- We provide this advice and support in all infrastructure sectors, including power, generation, transmission and distribution, sustainable energy, transport, airports and oil and gas.
- Our team helps you navigate through complex and often fragmented processes and address critical issues upfront to make the right decisions.

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Key Economic Regions are major growth poles

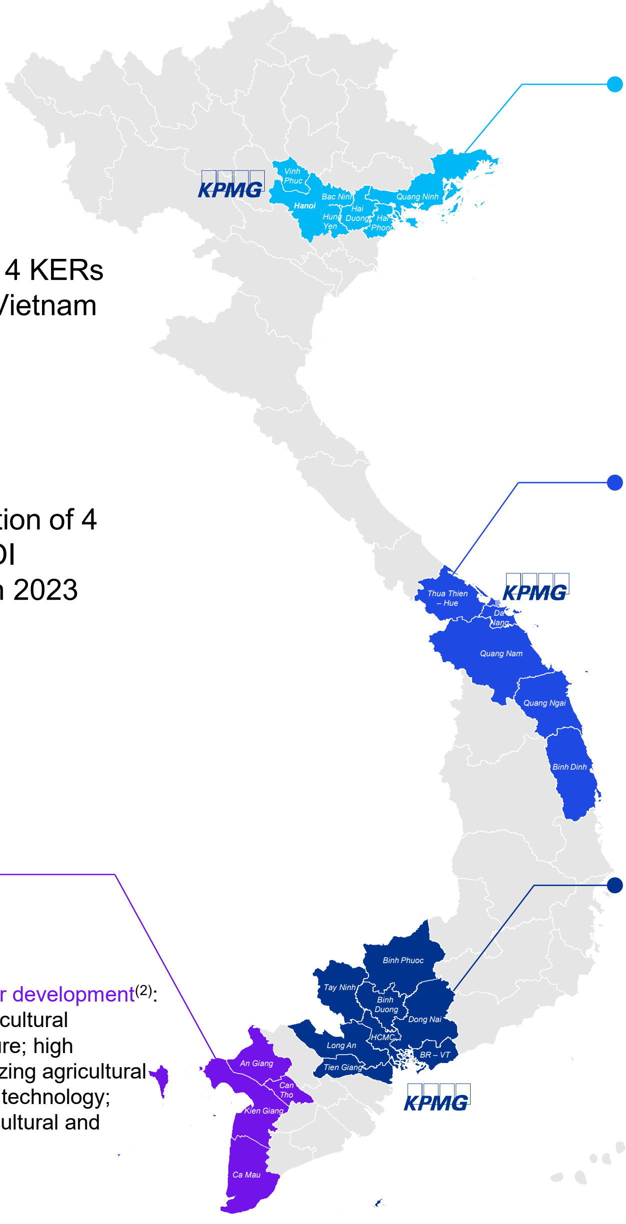
Over the past 27 years, the Prime Minister's Office has issued a series of decisions establishing four Key Economic Regions (KERs) encompassing 24 major provinces and all of Vietnam's major economic and investment hubs. By considering the unique characteristics and strengths of each KER, investors can identify the best opportunities for their investment plans in Vietnam.

73.37%

GDP contribution of 4 KERs to the total GDP of Vietnam in 2022

71.38%

FDI capital contribution of 4 KERs to the total FDI capital of Vietnam in 2023



Northern KER

- Area: 15,795 km^2
- Population: 17.8 million
- Labor force: 49%
- Priority sectors and areas for development(2): building high-quality human resource training centers; high-tech industries; banking and finance; specialized healthcare; supporting industries

Central KER

- Area: 27,945 km^2
- Population: 6.6 million
- Labor force: 55%
- Priority sectors and areas for development(2): marine tourism, eco-tourism; manufacturing and assembly of automobiles; petrochemical, national defense industries; seaport services

Southern KER

- Area: 30,411 km^2
- Population: 22.3 million
- Labor force: 55%
- Priority sectors and areas for development(2): manufacturing and assembly of electrical and electronic products; manufacturing and processing industry; digital economy; banking and finance; real estate

Mekong Delta KER

- Area: 16,475 km^2
- Population: 6.1 million
- Labor force: 50%
- Priority sectors and areas for development(2): modern and large-scale agricultural production; organic agriculture; high efficiency agriculture, optimizing agricultural value; development of seed technology; processing, preserving agricultural and aquatic products

Source: GSO, Provincial statistical offices, Vietnam Briefing

(1) Decision No.747/1997/QĐ-TTg ("Decision 747"), 1018/1997/QĐ-TTg ("Decision 1018") and Decision No.44/1998/QĐ-TTg ("Decision 44"), Notice No.99/TB-VPCP dated 02/07/2003, 108/TB-VPCP dated 30/07/2003, Decisions No.145, 146, 148/2004/QĐ-TTg (replacing Decisions 747, 1018, 44), Decision No.159/2007/QĐ-TTg, Resolution No.15/2008/QH12

(2) according to Resolution No. 128/NQ-CP (issued 11 Sep 2020) on the tasks and solutions to step up the development of key economic regions

Northern Key Economic Region

GRDP: 9.63% (2022)

The Northern KER, encompassing seven cities and provinces including Hanoi, Hai Phong, Quang Ninh, Vinh Phuc, Bac Ninh, Hai Duong, and Hung Yen, contributed the highest proportion of 33.86% to Vietnam's GDP in 2022, and 28% to the total FDI capital in 2023.

Highlights

All cities and provinces except Bac Ninh saw positive Gross Regional Domestic Product (GRDP) growth rates in 2023, with Hai Phong, Quang Ninh, and Hung Yen even achieving double-digit growth.

Hai Phong boasts one of the largest seaports in Vietnam and is strategically located at a 784km (flying distance) advantage over competitors like Jakarta (3,292 km) and Bangkok (1,727 km) for access to the manufacturing hub of Shenzhen.

Japan, South Korea, Singapore, and Hong Kong contributed a combined **70%** of registered capital to the Northern KER in the past five years.

	Hanoi	Hai Phong	Quang Ninh	Vinh Phuc	Bac Ninh	Hai Duong	Hung Yen
Population (million) (2022)	8.4	2.1	1.4	1.2	1.5	1.9	1.3
Labor force (million, %) (2022)	4.0 (48%)	1.0 (50%)	0.7 (50%)	0.6 (49%)	0.8 (53%)	1.0 (49%)	0.7 (53%)
GRDP growth rate (2023)	6.27%	**10.34%**	**11.03%**	2.37%	(9.28%)	8.16%	**10.05%**
GRDP growth (2024 target)	6.5-7%	11.5-12%	>10%	7.5-8.5%	5-6%	>9%	7.5-8%
Accumulated registered FDI capital (US$ mil.)	**41,170**	**28,682**	12,956	7,049	**24,818**	10,368	7,478
Total registered FDI capital (US$ mil.) (2023)	2,733	**3,262**	**3,111**	303	**1,770**	1,217	929
Newly registered FDI capital (US$ mil.) (2023)	441	1,479	**3,104**	282	1,089	1,060	652

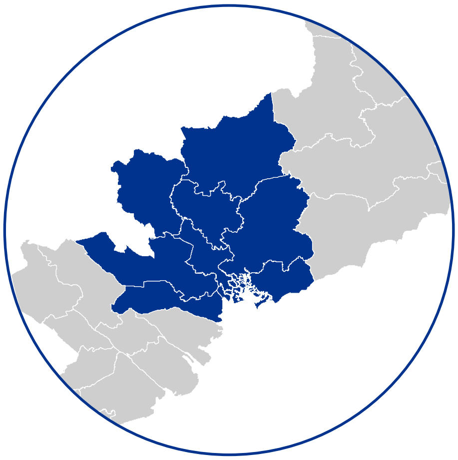
Source: GSO, Provincial statistical offices, Statistical Yearbook of Vietnam 2022
Note: figures in bold indicate best-performing provinces in selected criteria

Outstanding localities

Hanoi	Bac Ninh	Hai Phong	Quang Ninh
Political and economic center • Home to the country's highest leadership bodies. • It is designated under Politburo Resolution 15/NQ-TW to become a center and development hub for the Red River Delta and a key economic region of the north. • The city aims to achieve high regional and international competitiveness by 2030 and is set for GRDP growth of 8-8.5% during the 2026-2030 period.	**Electronics manufacturing hub of the North** • Home to tech giants like Samsung, Amkor, Canon, and Foxconn. • The city attracted US$1.4 billion in industrial park investment in 2023, exceeding its yearly target by 16.7%. • Aiming to become a smart manufacturing hub for high-tech projects, it seeks to transform into a modern, high-tech industrial city. • By 2030, it is set to become Vietnam's sixth centrally-administered city.	**Main logistics hub** • A key traffic hub and trading gateway connecting Vietnam to the world, Hai Phong boasts unique convergence of five transport modes: road, seaway, railway, waterway, and airway. • Ranked 5th in GDP growth and 2nd in total FDI attraction in 2023, it aims for an average GRDP growth of 13.5% from 2021 to 2030. • As a key task for this period, Hai Phong will establish a 20,000-hectare southern coastal economic zone focusing on seaport and logistics services. • By 2050, the city is expected to transform into a major regional seaport with a population of around 4.5 million.	**Mining hub with plans to accelerate digital transformation** • Vietnam's top destination for new foreign investment in 2023 with US$3.1 billion • It possesses rich mineral resources and is known as the country's leading coal producer. • Aiming for a robust digital future, Quang Ninh targets a 30% share of its GDP to come from the digital economy by 2030. • By leveraging its real estate and tourism potential, Quang Ninh is set to transform Van Don Island district into a city by 2030. • Focusing on key sectors like manufacturing, tourism, transport, and logistics, Quang Ninh plans to accelerate its digital transformation.

Source: GSO, Provincial Information Portals, Hai Phong Economic Zone Authority (HEZA)

Southern Key Economic Region



GRDP: 8.6% (2022)

The Southern KER comprises 8 cities and provinces, including Ho Chi Minh City (HCMC), Binh Duong, Ba Ria – Vung Tau (BR – VT), Dong Nai, Tay Ninh, Binh Phuoc, Long An, and Tien Giang. As a whole, the region contributed 28.74% of the national GDP in 2022, and 42% to the total FDI capital in 2023.

Highlights

The most vibrant business region in the country, growing at a rate 50% faster than the national average.

While labor costs are higher in this region than in the North or Central, they are still lower when compared to neighboring countries. Furthermore, Ho Chi Minh City (HCMC) is the largest center of skilled and well-educated labor force.

Industrial zones are concentrated in Binh Duong, Dong Nai, and Long An, making the Southern region an attractive investment hub for multinational corporations.

	HCMC	Binh Duong	BR – VT	Dong Nai	Tay Ninh	Binh Phuoc	Long An	Tien Giang
Population (million)	9.4	2.8	1.2	3.3	1.2	1.0	1.7	1.8
Labor force (million, %)	4.7 (50%)	1.8 (65%)	0.6 (54%)	1.8 (55%)	0.7 (56%)	0.6 (58%)	1.0 (58%)	1.1 (60%)
GRDP growth rate (2023)	5.81%	5.97%	5.75%	5.3%	6.12%	8.34%	5.77%	5.72%
GRDP growth (2024 target)	7.1-8%	8-8.5%	8.5%	6.5-7%	>7%	8-8.5%	8-8.5%	7-7.5%
Accumulated registered FDI capital (US$ mil.)	**57,633**	**40,398**	**33,891**	**36,570**	9,707	4,698	13,578	2,760
Total registered FDI capital (US$ mil.) (2023)	**5,852**	**1,574**	1,040	**1,514**	657	758	753	36
Newly registered FDI capital (US$ mil.) (2023)	598	640	848	559	253	748	603	15

Source: GSO, Provincial statistical offices, Statistical Yearbook of Vietnam 2022
Note: figures in bold indicate best-performing provinces in selected criteria

Outstanding localities

HCMC

Financial, hi-tech and logistics center, leader in promoting economic development

- It remains the country's economic and technological hub, focusing on innovation.
- It has 17 IPs, 2 EPZs, and high-tech parks spanning over 5,000 hectares.
- In November 2023, the Saigon Hi-tech Park (SHTP) had 160 investment projects, 70 of which are hi-tech manufacturing projects. Total FDI at the SHTP is US$10.1 billion for over 50 projects. It anticipates attracting around US$3 billion in over 50 hi-tech projects in the 2021-2025 period..
- The city aims to develop Thu Duc into an innovative, hi-tech urban area by 2045.

Binh Duong – Dong Nai

Industrial manufacturing hubs and spotlights for selective attraction of FDI

- Binh Duong is home to over 3,400 companies from 64 countries.
- Binh Duong plans to transform into a modern and sustainable industrial hub focused on green manufacturing. For example, the Lego Group's US$1.3 billion carbon-neutral factory and the World Bank's partnership with Becamex IDC Corporation in developing eco-industrial parks showcase this commitment.
- Dong Nai ranks 1st in the number of IPs with 31 currently in operation, housing over 2,000 projects from both domestic and foreign investors.
- Dong Nai aims an average production value growth at 7-9% per year by 2025.
- To fully utilize its upcoming traffic infrastructure improvements and industrial parks, Dong Nai plans to allocate 11,000 hectares of land for urban development projects by 2030..

Ba Ria-Vung Tau

Seaports and petrochemicals will perpetuate its prosperity

- Largest seaport system in Vietnam, including Cai Mep and Phu My ports.
- Seaports and industry remain the key economic sectors, accounting for more than 58% of the province's economic structure.
- It is targeting an 8.5% GRDP growth in 2024, Ba Ria-Vung Tau sees a significant FDI project as crucial: the Long Son Petrochemical Complex, SCG's largest investment at US$5.16 billion. Launched for trial runs in November 2023, the project is now fully operational (January 2024) and is expected to play a vital role in developing the domestic industrial sector and positioning Vietnam as a major exporter of petrochemical products globally.

Source: GSO, Provincial Information Portals, HCM City Industrial Parks and Export Processing Zones Authority (HEPZA), Ministry of Planning and Investment

Central & Mekong Delta Key Economic Regions

The Central KER comprises five cities and provinces, including Thua Thien – Hue, Da Nang, Quang Nam, Quang Ngai, and Binh Dinh.

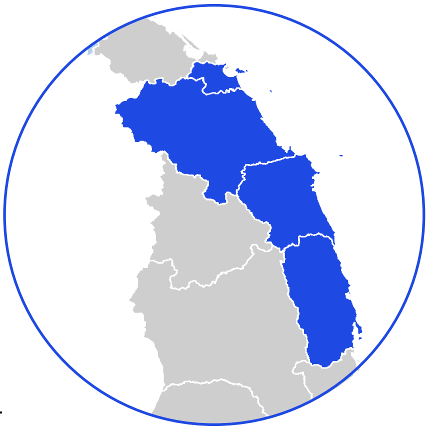
The Central KER is attractive for the marine economy and agriculture due to its focus on food, beverage, and feed processing. This concentration is higher than both the North and South regions. Some localities in this region's achievements and future plans include:

Da Nang:

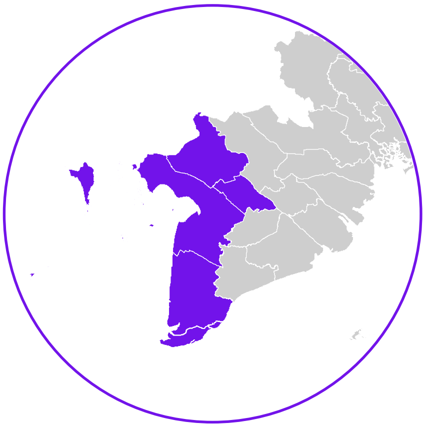
- Ranked first in Vietnam's Digital Transformation Index (DTI) for three consecutive years (2020, 2021, 2022).
- Emerged as a hub for seafood, food processing, IT, and manufacturing in recent years.

Quang Ngai:

- Aims to build and develop supporting industries (SI) to serve its goal of industrialization and modernization by 2025, with highly competitive SI products.
- Funding for the SI development program to 2025 is VND11.4 billion from the state budget.
- Aims to develop into a center for the development of SI for the Central KER by 2030.



GRDP: 10.43% (2022)



GRDP: 8.49% (2022)

The Mekong Delta KER comprises four cities and provinces, including Can Tho, An Giang, Kien Giang, and Ca Mau.

The Mekong Delta KER, accounting for the largest share of Vietnam's agricultural and aquaculture production, will continue to focus on these strengths. However, its role in industry and FDI is much smaller. To further drive its economic development, the region will prioritize the development of strategic agricultural products and champion high-quality agricultural goods in combination with trade, logistics services, and eco-tourism.

- Wind and solar power projects are underway on the **Ca Mau Peninsula**.
- **Can Tho** and **Phu Quoc (Kien Giang)** are being developed as international tourist hubs and gateways to welcome visitors to the entire region.

Source: Ministry of Planning and Investment

	Thua Thien – Hue	Da Nang	Quang Nam	Quang Ngai	Binh Dinh	Can Tho	An Giang	Kien Giang	Ca Mau
Population (million) (2022)	1.2	1.2	1.5	1.2	1.5	1.3	1.9	1.8	1.2
Labor force (million, %) (2022)	0.6 (52%)	0.6 (53%)	0.8 (55%)	0.7 (54%)	0.8 (56%)	0.6 (49%)	0.9 (49%)	0.9 (53%)	0.6 (50%)
GRDP growth rate (2023)	7.03%	2.58%	(8.25%)	3.03%	7.61%	5.75%	7.34%	6.79%	7.83%
GRDP growth (2024 target)	8.5-9.5%	8-8.5%	7.5-8%	2.5-3%	7.5-8%	7.5-8%	7.5-8.5%	>9,5%	>7%
Accumulated registered FDI capital (US$ mil.)	**4,283**	**6,479**	**6,324**	2,128	1,258	2,276	269	**4,813**	155
Total registered FDI capital (US$ mil.) (2023)	45	182	12	248	70	1	0.4	5	1
Newly registered FDI capital (US$ mil.) (2023)	47	151	1	204	46	61	0	3	0

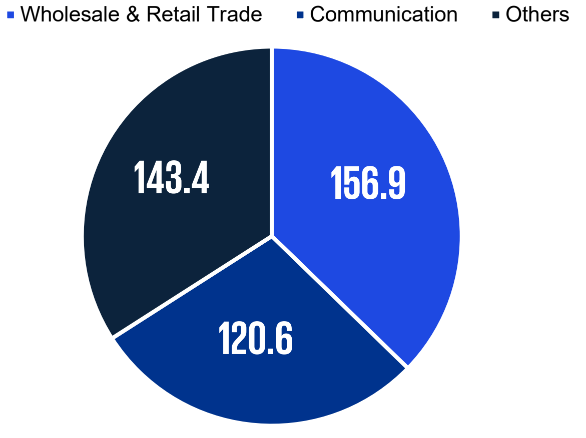
Source: GSO, Provincial statistical offices, Statistical Yearbook of Vietnam 2022
Note: figures in bold indicate best-performing provinces in selected criteria

Outbound investment

In recent years, Vietnam has witnessed a growing number of enterprises venturing into outbound investment to expand their business horizons. This trend has opened up new opportunities for Vietnamese players and further integrated Vietnam into the global economy.

In 2023, overseas investment by Vietnamese companies totaled US$420.9 million, marking a 21.2% decrease from 2022. There were 124 new projects with registered overseas investment capital of US$282.68 million, reflecting a year-on-year decrease of 33.7%. Additionally, 25 existing projects received capital injections amounting to US$138.21 million, representing a 28.7% increase.

Top investment by sectors, 2023 (US$ million)



Source: Ministry of Planning and Investment

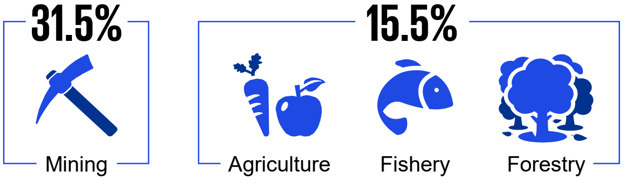
The Wholesale and Retail Trade industry attracted the most capital at US$156.9 million, constituting 37.3% of Vietnam's total outbound investment in 2023. This sector saw 48 projects, including 41 new licenses and 7 capital adjustments.

The Communication industry followed with US$120.6 million (28.7%), and there were investments in manufacturing, electricity distribution, healthcare, social services, agriculture, forestry, and fishery sectors.

Vietnamese companies invested in businesses in 26 countries, with Canada receiving the most investment at US$150.3 million (representing 35.7% of Vietnam's total outbound investment in 2023), followed by Singapore, Laos, Cuba, and others.

As of 20 December 2023, Vietnam had 1,701 valid overseas investment projects with a total investment of roughly US$22.1 billion.

Vietnam's top targeted industry for investment (accumulated as of 20 December 2023)



Vietnam's top destinations by country (accumulated as of 20 December 2023)

Laos
24.7%

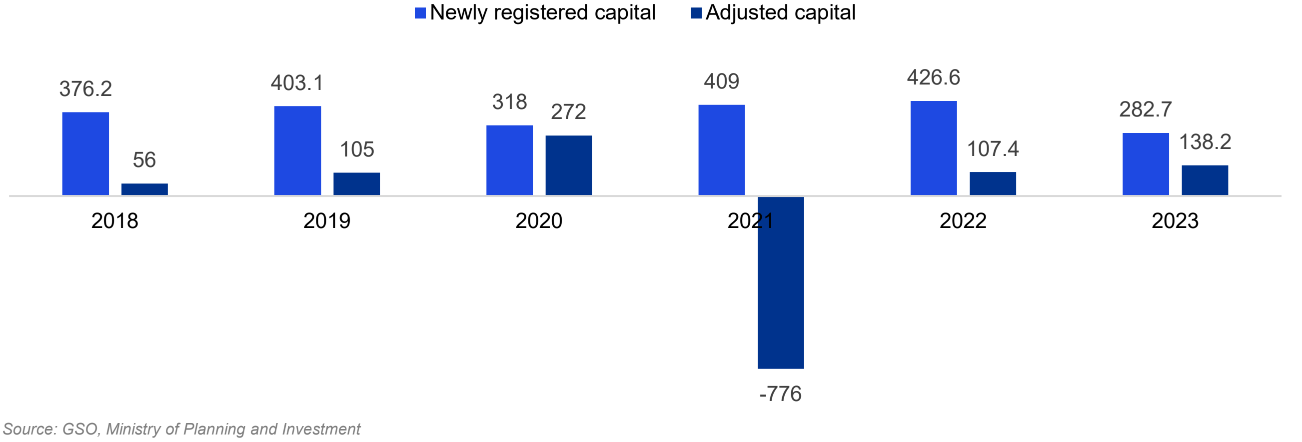
Cambodia
13.2%

Venezuela
8.3%

Vietnam's dynamic economy and increased integration into the global economy through bilateral and multilateral agreements have been the primary drivers of the country's growing outbound investment.

Domestic enterprises have recognized the growing benefits of outbound investment, including lucrative opportunities and valuable foreign experience, especially in technology. Currently, numerous Vietnamese companies, such as Vingroup, Masan Vonfram Company Limited (under Masan Group), Vietnam Rubber Group, Viettel Group, are actively pursuing outbound investment initiatives.

Total overseas investment capital over the years (US$ million)



Source: GSO, Ministry of Planning and Investment

Visa & Work Permit

1. New visa policies facilitate travel for foreigners to Vietnam

To recover post-COVID-19, Vietnam recognizes that domestic consumption alone won't be enough to return the country to its pre-pandemic state. The path to recovery is intricately linked to the global economy's ability to restart and the return of worldwide consumption to normal levels.

Since the second half of 2023, Vietnam has implemented significant changes to its immigration policies. These represent a breakthrough and reaffirm the Vietnamese Government's commitment to openness towards foreigners. The new policies create favorable conditions in terms of visa and entry/exit procedures, especially for those visiting Vietnam for work, investment, and tourism:

Visa	Criteria	Validity	Entry
Unilateral visa exemption	Visa exemption for citizens of 13 countries	Up to 45 days	Single entry
Electronic visa	Applicable to passport holders of all countries	Up to 90 days	Multiple entries

Foreigners entering Vietnam using the unilateral visa exemption scheme may be considered for visa issuance or temporary stay extension. Those entering with an electronic visa can convert it to a work visa or temporary resident card to stay and work legally in Vietnam (subject to certain conditions).

In addition to the unilateral visa exemption and electronic visa, foreigners can still use other traditional visa types to enter and stay in Vietnam. These include:

Visa	Criteria	Validity	Entry
Bilateral visa exemption	Applicable to ASEAN, Chile and Panama citizens	14 to 90 days	Single entry
Business visa	Applicable to citizens of all countries	Up to 90 days	Single or multiple entry
Work visa or Temporary resident card	Applicable to passport holders of all countries	Up to 2 years	Multiple entries

Foreign passengers with electronic visas can only enter and exit Vietnam through designated checkpoints. These include 13 airports, 16 land border gates, and 13 sea border gates. Passengers using other immigration documents have more flexibility and can enter Vietnam through any international border gate.

2. Significant steps towards a more efficient and equitable foreign labor employment system in Vietnam

Significant steps are being taken to create a more efficient and equitable system for employing foreign labor in Vietnam. To attract highly skilled and experienced foreign workers for positions needed in the labor market, the Vietnamese government actively seeks feedback from the business community. This allows them to provide further clarification, reduce administrative burdens, and still maintain effective state management of foreign labor.

The latest guidance on foreign labor in Vietnam is Decree 70/2023/ND-CP, which amends Decree 152. Issued on September 18, 2023, this decree introduces significant changes to clarify procedures and streamline the work permit process. These changes aim to facilitate work permit procedures in Vietnam, aligning them with international practices and Vietnam's current situation.

Decree 70, along with Decree 152 and other related labor regulations, demonstrates the government's consistent policy of selectively attracting highly experienced foreign workers with technical expertise for positions where local talent falls short. These regulations also aim to simplify administrative procedures for businesses and foreign workers to enter and work in Vietnam legally

Implication for businesses

- **In addition to streamlining procedures and attracting foreign talent, the Vietnamese government is also strengthening the management of foreign workers.** This ensures compliance with Vietnamese labor and immigration regulations by both businesses and foreign workers. The government is also improving coordination between relevant authorities to manage foreign entry and foreign labor more effectively, according to established regulations and practical implementation.
- **Therefore, businesses and foreign workers coming to Vietnam are advised to stay up-to-date on regulatory changes.** This will help them manage mobility plans and budgets for a smooth travel experience and compliant work in Vietnam.

Social and Health Insurance regime for foreign employees

A foreign employee is subject to mandatory social insurance (SI) if they meet all the following conditions:

- They hold a work permit issued by a Vietnamese competent authority and are working in Vietnam.
- They have a definite-term labor contract with a Vietnamese party for a term of one year or more.
- They are below the retirement age according to Vietnamese regulations.
- They are not a foreign employee under an internal transfer arrangement (assigned from the holding company to its direct subsidiaries in Vietnam).

A foreign employee is subject to mandatory health insurance (HI) if they have a definite-term labor contract with a Vietnamese party for a term of three months or more. However, individuals working in Vietnam under an internal transfer arrangement are exempt from contributing to health insurance.

Expatriates are not subject to the unemployment insurance contribution scheme. However, they may be entitled to severance allowance upon termination of their labor contracts with the Vietnamese party, based on the assessment of certain conditions.

The compulsory social and health insurance contribution rates are listed below.

	Phase	Contribution rate		Employee Entitlement
		Employer	Employee	
Social Insurance	From 01 January 2022[1]	17.5% (or 17.3%[2])	8%	Retirement and death insurance benefit; one-time social insurance benefit; sickness and parental insurance benefit; occupational accident and disease benefit
Health Insurance		3%	1.5%	Entitled to medical examination and treatment according to the Ministry of Health’s regulations; Payment for the medical examination and treatment at the various levels

[1] For the period from July 2021 to June 2022, the contribution rate for employers decreased by 0.5% as a support measure for employers due to the Covid-19 pandemic under Resolution 68/NQ-CP of the Government.
[2] In industries with high risk of occupational accidents and diseases.

To be entitled to the above benefits, the proper application form/dossier must be submitted to the Social Insurance authority within the statutory deadline.

Implication for businesses

Social insurance policies for expatriates are common in many countries. With Vietnam's increasing global integration, it's necessary to require Vietnamese companies and foreign employees to participate in this program. This ensures fairness between Vietnamese and foreign employees and protects the benefits and interests of foreign employees working in Vietnam.

However, there's the potential for double contributions, where foreign employees might already contribute to social security in their home countries while working in Vietnam. To address this, the Vietnamese government is actively negotiating and signing bilateral agreements with other countries to prevent double contributions. In fact, Vietnam has signed a social security agreement with Korea, effective from January 1, 2024. This agreement stipulates that employees working within a country's territory will only participate in the social insurance regime of that country, with certain exceptions.

Top 100 Vietnam's "Best Places to Work"

VIETNAM 100
BEST PLACES
TO WORK® 2023
LARGE ENTERPRISES
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2023 marked KPMG Vietnam's 10th consecutive appearance in Anphabe's annual survey. This recognition reaffirms our commitment to creating a world-class people culture where our employees can thrive.

KPMG has won the AmCham CSR Award

(**Corporate Social Responsibility Recognition Award**)
for nine consecutive years for demonstrating an understanding of the link between business operations and society,
and conducting business in a manner that contributes to both long-term economic and social development in Vietnam.

03

Unveiling sectoral potential

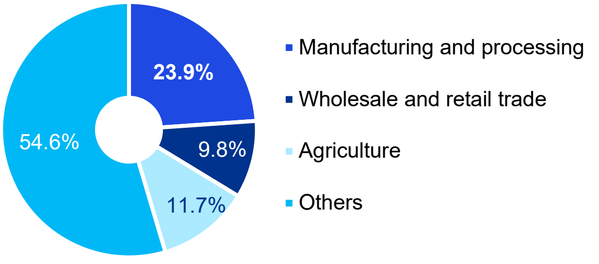
Industrial Manufacturing (1 of 2)

With its competitive manufacturing industry, Vietnam will remain one of Asia's fastest-growing economies in 2023-27. The expansion of manufacturing capacity will partly nullify the effects of a decrease in global demand growth in 2023.

1. CONTRIBUTION TO GDP

Vietnam's manufacturing and processing industries contributed about 24% of its GDP in 2023, driving economic growth. Through Industry 4.0, advanced technologies have significantly increased the manufacturing sector's competitiveness.

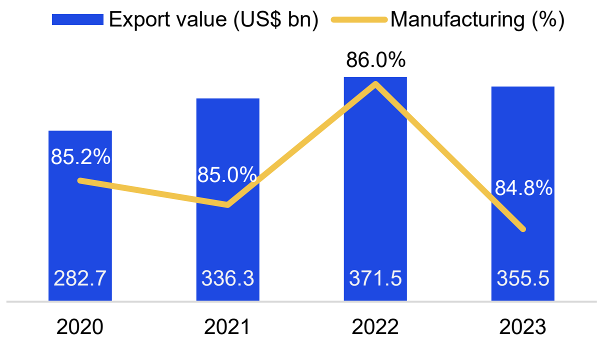
GDP contribution by sector, 2023



2. CONTRIBUTION TO EXPORT

Over the past four years, the value of manufactured goods has consistently accounted for over 80% of Vietnam's total exports. Expansion in the electronics, machinery, and footwear industries is expected to be the key driver of future export growth.

Manufacturing contribution to export



Vietnam's export performance is expected to remain strong due to multinational corporations shifting production operations to the country, particularly in electronics, machinery, and footwear.

Top 3 Exports, 2023 (US$ billion)

Telephones and parts
53.2
▼ 8.3%

Computers, Electronics
57.3
▲ 3.3%

Machinery, Instruments
43.2
▼ 5.6%

(year-on-year growth)

Source: GSO, Ministry of Industry and Trade, JETRO 2021, TMX

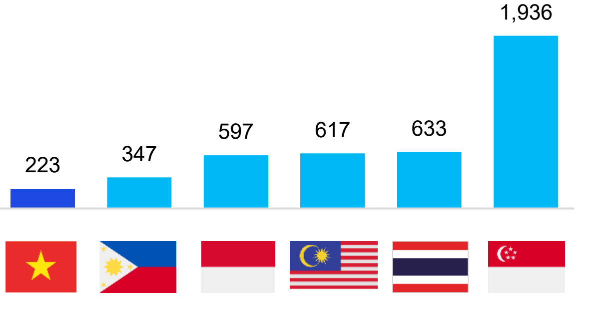
3. FAVORABLE CONDITIONS

In terms of macroeconomics, inflation is cooling in large economies like the U.S., China, and Europe, which are also Vietnam's leading trading partners. Furthermore, unsold inventory in foreign markets has decreased gradually.

Additionally, developed nations are diversifying supply sources, supply chains, and investment destinations, stimulating Vietnam's industrial production recovery in the coming years.

A Vietnamese worker earns around US$223 a month, about one third compared to their Thai counterparts, making Vietnam a competitive country in the region.

Factory worker salaries, 2023 (US$/month)



Vietnam's economic development will also be able to shift away from exporting low-tech manufacturing products. This is thanks to FTAs, allowing the country to focus on higher-tech goods like electronics, machinery, vehicles, and medical devices. Through diversifying its sourcing partners through larger trade networks, and importing cheaper intermediate goods from partner countries, Vietnam can become more competitive in its exports.

Heading to 2024

- In accordance with Decree No. 57/2021/ND-CP, the government supports industries in the supply of raw materials, spare parts, and components. These include key areas like electronics, mechanical engineering, textiles and garments, leather, footwear, high-tech industries, and automotive manufacturing.
- To attract investment, Vietnam offers a range of tax incentives, including corporate income tax (CIT) reductions and exemptions for large projects exceeding US$264 million. Additional incentives are available in high-tech zones, specific industrial zones, and less developed regions.
- The government also supports labor and vocational training, with tailored financial assistance based on program types and participant qualifications.

Industrial Manufacturing (2 of 2)

The formation and development of industrial clusters are driving Vietnam's economic industrialization and modernization. These clusters not only create more jobs, but they also foster a culture of rapid technology transition. Additionally, they produce a wide range of goods for both domestic consumption and export, attracting foreign capital and contributing to overall socio-economic development.

1,704 clusters

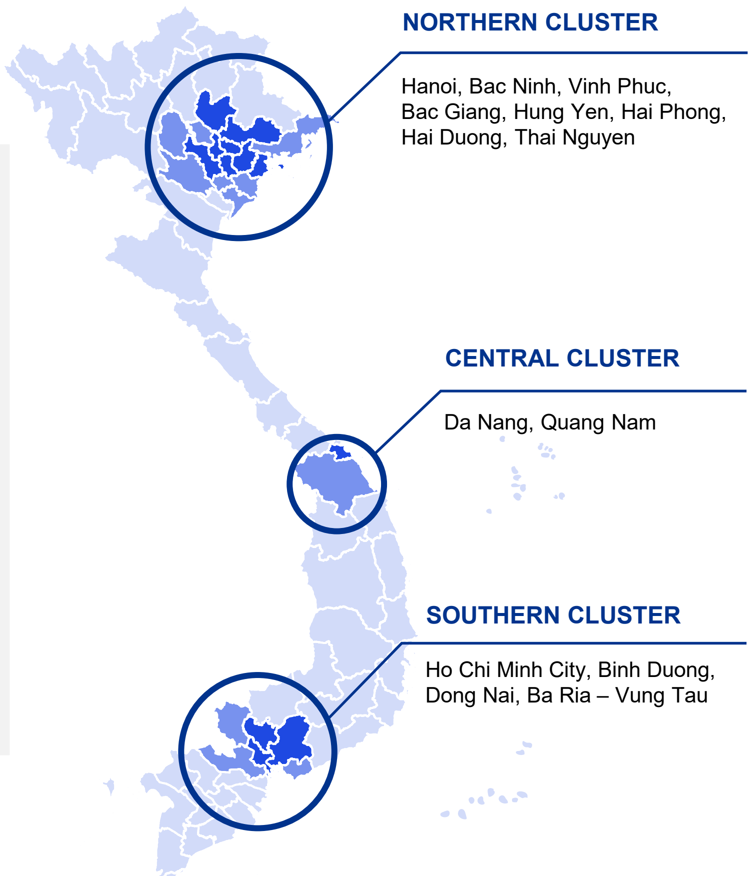
is the number of clusters Vietnam will have by 2025, according to the industrial cluster development plan

50/63 localities

saw an increase in the index of industrial production (IIP) in 2023 compared to the previous year

Decree 31/2021/ND-CP

had incentivized investment in producing electronic components, accessories and assemblies. Top investors of Vietnam's electronics industry are South Korea, China, Hong Kong, Taiwan and Japan



Major electronics manufacturing factories in Vietnam

Company	Location
Apple's suppliers: LG, GoerTek, Samsung, BYD, INB Electronics, Compal Electronics, Young Poong, Foxconn, Luxshare Precision, etc.	Hai Phong, Bac Ninh, Phu Tho, Vinh Phuc, Bac Giang, etc.
Samsung Electronics	Thai Nguyen, Bac Ninh, HCMC
Samsung's suppliers: AAC Technologies, GoerTek, Samsung Display, Meiko Electronics, etc.	Bac Ninh, Thai Nguyen, Hanoi, etc.
LG Electronics	Hai Phong
Amkor Technology	Bac Ninh

Source: Savills, Vietnam Briefing, Vietnam Construction, Ministry of Industry and Trade, companies' websites

Meet our expert

Phan My Linh

Partner, Head of Industrial Manufacturing

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Consumer Markets (1 of 2)

Household spending is forecast to grow by 11.3% in 2024 thanks to the recovery of the economy and government's effort to stabilize inflation; contributing to real income growth for consumers.

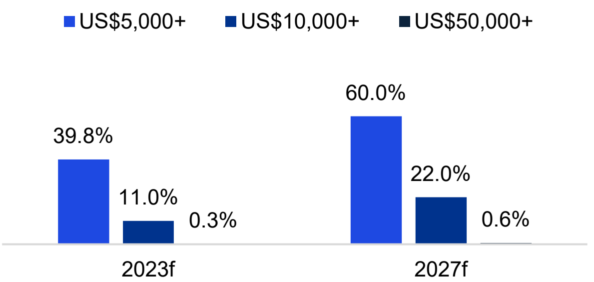
1. GROWTH DRIVERS

The expanding middle class in Vietnam presents appealing opportunities for the consumer goods and retail sectors.

By 2027, 60% of households are projected to earn over US$5,000 and 22% will have income exceeding US$10,000.

Despite this burgeoning middle class, further development is needed to tap into the high-end segment, where only 0.6% (around 200,900 households) have a disposable income above US$50,000.

Household disposable income range



Vietnam is undergoing a notable population shift from rural to urban areas, reflected in the increasing urbanization rate.

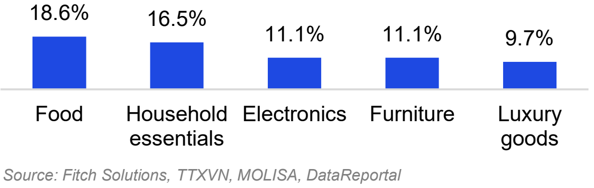
According to Vietnam's sustainable development scheme of urban areas by 2030, with vision until 2045, urbanization rate would be around 45% by 2025, and grow to 50% by 2030.

Higher urbanization levels generally enhance market attractiveness for businesses due to developed logistics, concentrated consumers, and increased spending power.

Urbanization rate

This trend supports the expansion of e-commerce, as urban residents, with their busy lifestyles, are more inclined to adopt online retail channels. In 2023, a weekly average of 54.3% of internet users purchased a product or service online.

Top B2C e-commerce consumer goods by annual spending growth, 2023

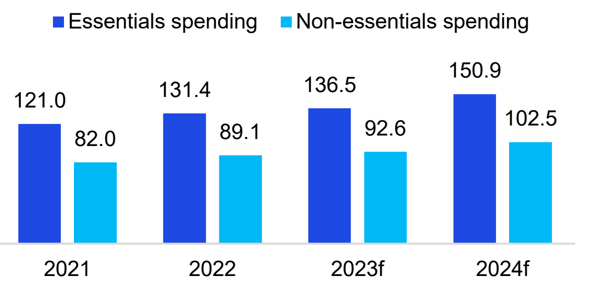


Source: Fitch Solutions, TTXVN, MOLISA, DataReportal

2. SPENDING CATEGORIES

Spending on essential goods saw an 11.8% year-on-year growth in 2023, influenced by both post-pandemic adjustments in household spending and a shift in focus towards non-essential categories. Over 2023, Vietnamese households are estimated to spend about US$136.5 billion on essential items, representing 59.6% of their budgets on the necessities*.

Essential and non-essential spending (US$ billion)



*Fitch's category definitions:

Essentials: Food and non-alcoholic drinks; clothing and footwear; housing and utilities; communications and transport

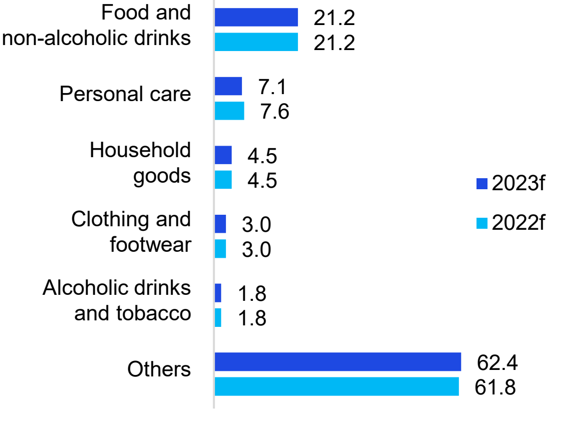
Non-essentials: Alcoholic drinks and tobacco; furnishing and household goods; health; recreation and culture; education; restaurants and hotels; insurance and financial services; personal care, social protection and miscellaneous goods & services

A price-conscious consumer base with strong saving inclinations translates to essential spending dominating the market.

Like many developing markets, food and drink represents the largest portion of expenditure in Vietnamese household spending.

Nevertheless, the rising income of the middle class will fuel demand for luxury brands, potentially making Vietnam a strong market for luxury retailers.

Total household spending breakdown (% total)



Consumer Markets (2 of 2)

2023 was a year of recovery and normalization for retail in Vietnam, while e-commerce in particular continued its positive trajectory.

3. RETAILING

Supermarkets

Supermarkets, offering a wide product range and quality assurance, emerged as a more appealing format than traditional grocery retailers. The mini supermarket format (retail sales area < 500m²) is poised to drive this trend further and contribute to the anticipated growth in supermarket outlets in the forecast period.

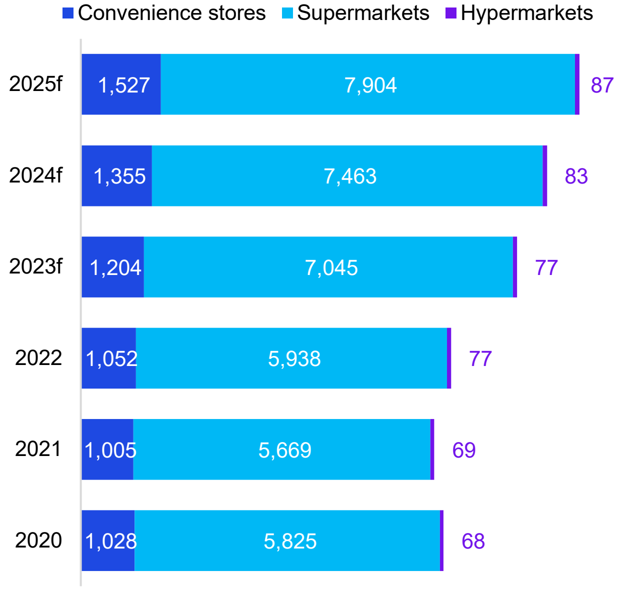
Convenience stores

Convenience stores are expected to see growth in both outlet numbers and value sales in the forecast period, with many leveraging food delivery service apps to boost e-commerce and mobile e-commerce sales.

Hypermarkets

Hypermarket format is likely to perform stronger due to Vietnam's stable GDP growth, boosting consumer confidence and spending. However, it faces intense competition from the supermarket channel, consistently outperforming it in both outlet and sales growth.

Number of retail outlets

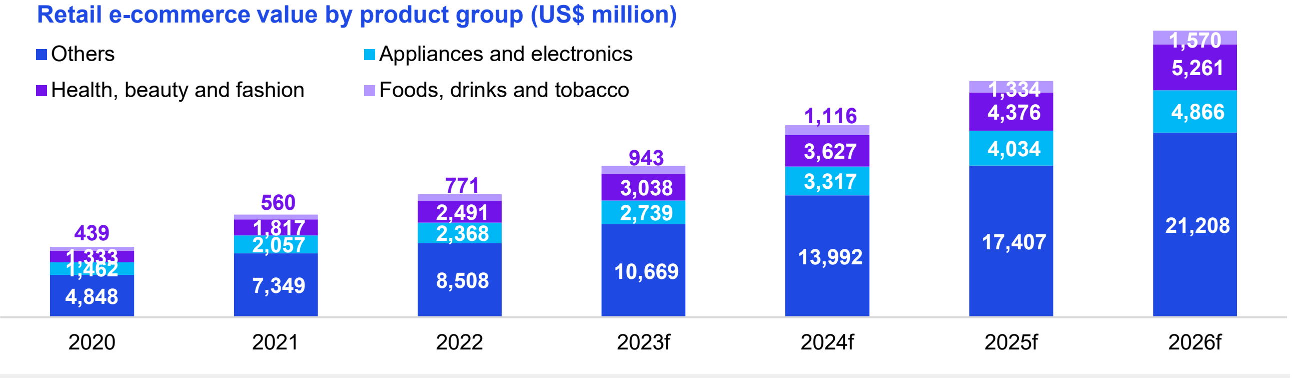


4. B2C E-COMMERCE

Vietnam's e-commerce market has doubled since 2020 and is estimated to have reached US$17.4 billion in 2023. The most valuable categories were Appliances and electronics and Health, beauty and fashion, together contributing a third of total sales.

E-commerce is expected to continue to perform well and remain a bright spot in Vietnam's digital economy. This is in line with the country's growth in internet coverage and digital wallet systems. Among other payment methods used for B2C e-commerce, digital and mobile wallets made up 31% of transaction volume in 2022.

Retail e-commerce value by product group (US$ million)



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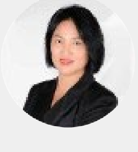

Ho Thi Bich Hanh

Partner, Head of Consumer & Retail

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Source: Euromonitor,

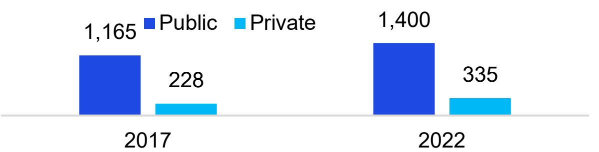
Healthcare

1. HEALTHCARE FACILITIES

In 2022, Vietnam had a total of 1,735 hospitals, comprising 1,400 public and 335 private facilities. The overall number grew at a 4.5% compound annual growth rate (CAGR) from 2017 to 2022.

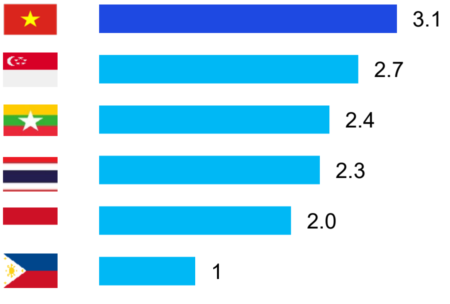
This trend is expected to persist, with private hospitals experiencing further growth in the coming years due to increased demand from the expanding middle class and aging population seeking more specialized or personalized healthcare services.

Total number of hospitals



The Ministry of Health is exploring efforts to modernize and expand existing hospital facilities to meet the increasing demand for quality healthcare services, including the establishment of mobile clinics, telemedicine, and digital healthcare solutions.

Hospital beds per 1,000 population, 2022

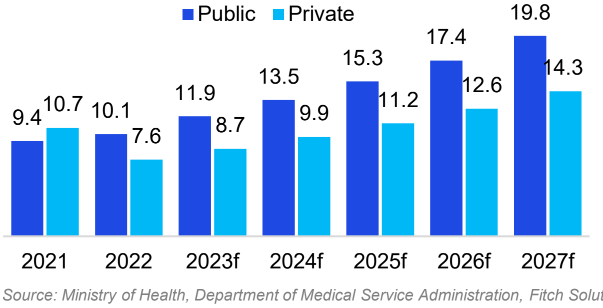


2. HEALTHCARE EXPENDITURE

The expansion of public and private health insurance options, coupled with rising disposable incomes and the goal of achieving universal healthcare access, are driving healthcare spending in Vietnam. This trend is expected to propel spending to US$23.4 billion in 2024 and US$34.1 billion in 2027.

As a developing country with a limited state budget, Vietnam faces challenges with outdated equipment and service quality in public hospitals, making it difficult to meet the growing demand. To address this, the government is looking to the private sector and foreign firms to alleviate the financial and operational pressures on the public healthcare system.

Healthcare expenditure (US$ billion)



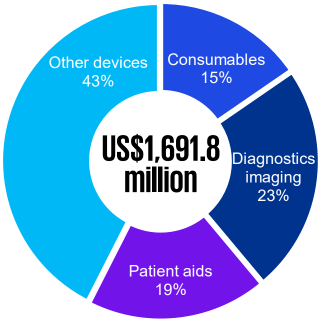
Source: Ministry of Health, Department of Medical Service Administration, Fitch Solutions

3. MEDICAL DEVICES

Advanced medical equipment and technology are being adopted to enhance diagnosis, treatment, and patient care across healthcare facilities.

The market will benefit from Vietnam's strong economic growth which will support rising expenditure on healthcare provision and the development of the national health infrastructure.

Medical device market value by product area, 2023f



4. PHARMACEUTICALS

The demand for pharmaceutical products in Vietnam is expected to continue expanding due to factors such as population growth, rising healthcare awareness, and the increasing prevalence of chronic diseases. Rising health concerns have heightened the need for pharmaceuticals, with sales projected to reach US$7.4 billion in 2024 and US$9.4 billion in 2027.

However, Vietnam currently imports 55% of its medicines due to limited domestic research and development capabilities, and production not meeting EU-GMP or PIC/S-GMP standards. New generation FTAs are expected to boost growth by enabling domestic producers to expand exports, access investment capital and advanced technology to meet international standards, and by attracting more foreign companies through tariff benefits.

Meet our expert

Luke Treloar

Partner, Head of Healthcare and Life Sciences

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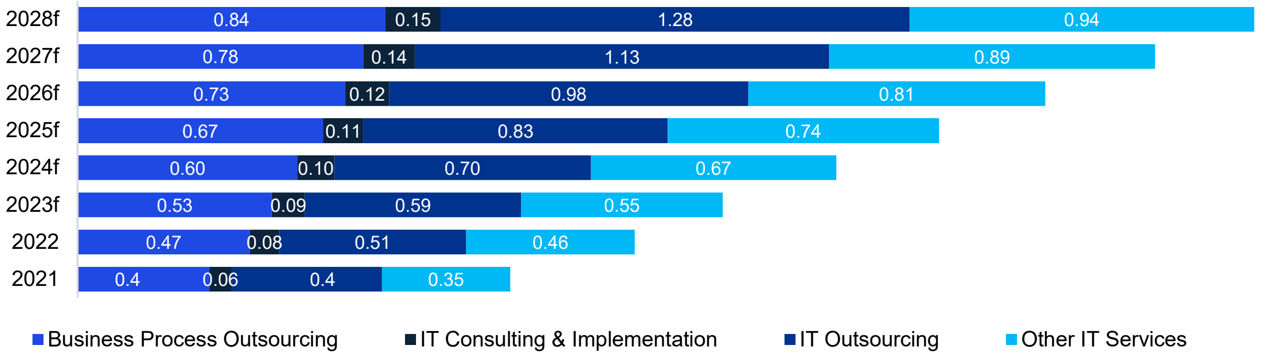
Technology (1 of 2)

1. INDUSTRY OVERVIEW

Vietnam's IT Services market is expected to generate US$2.07 billion in 2024, with IT Outsourcing dominating the sector. A CAGR of 11.51% is projected for 2024-2028, indicating a market value of US$3.2 billion by 2028.

IT services revenue by segment (US$ billion)



Vietnam led Southeast Asia's digital economy growth in 2023 with a 19% increase from US$25 billion in 2022 to US$30 billion. Vietnam's digital economy is expected to grow three times as fast as GDP through 2025. It was an encouraging sign as Vietnam transitioned from resilience to resurgence

Digital economy vs GDP growth

Despite global macroeconomic headwinds, Vietnam is on track to realize the government's target of the digital economy to account for 30% of GDP by 2030.

2. EMERGING THEMES IN VIETNAMESE TECHNOLOGY

Several positive themes are emerging in Vietnamese technology, attracting investor attention. These themes include:

Regulatory & Tax transformation and compliance	Companies face challenges in complying with updated regulations and tax laws, including tax, anti-money laundering, and data privacy.
Shift towards profitability	As interest rates rise, investors are prioritizing companies with a focus on profitability instead of just growth. Financial and human resource considerations will become a higher priority for senior management.
Capability building for digital transformation	With the digital transformation trend across sectors, there is a shortage of specific skills in the market. Skills required for the transformation journey include: • PMO (Project Management Office) • Agile Methodology • Data Analytics • UI/UX Design • Lean Six Sigma
Market expansion through partnerships and alliances	Many companies with strong digital value propositions are interested in entering Vietnam. Partnering with local service providers can allow them to enter the market more efficiently.
Data center growth	Cloud adoption, 5G rollout, and tightening data privacy regulations create a significant growth opportunity for data centers in Vietnam, both greenfield (new) and brownfield (existing). This growth will require effective data center deployment strategies.

Source: Ministry of Information and Communications, Statista, World Intellectual Property Organization, Google, Temasek, and Bain & Company, EIU

Technology (2 of 2)

3. IMPROVING INNOVATION CAPABILITIES

The Global Innovation Index (GII) ranks world economies on their innovation capabilities. In 2023, Vietnam climbed two places, ranking **46th** among the 132 economies featured in the GII 2023.

Vietnam ranks:

2nd among the 37 lower-middle-income group economies.

10th among the 16 economies in Southeast Asia, East Asia, and Oceania.

Besides the overall ranking, the country's position in innovation outputs and inputs was also higher than the previous year.

	GII Position	Innovation Inputs	Innovation Outputs
2022	48th	59th	41st
2023	46th	57th	40th

Findings from GII 2023 also revealed that:

- Relative to GDP, Vietnam is performing above expectations for its level of development. The country effectively translates innovation investments into innovation outputs.
- Among the seven areas that GII comprises, Vietnam ranks highest in Creative outputs, followed by Knowledge and technology outputs, and Market sophistication.

KPMG Private Enterprise Global Tech Innovator 2023

In recognizing leading tech innovators and future tech titans, KPMG Private Enterprise held the third annual Tech Innovator competition in 2023, also marking its debut in Vietnam. The competition was a vibrant playground where aspiring tech entrepreneurs could unleash their creativity, break through limits, and showcase their dedication to developing businesses that would improve people's lives through technical innovation.

The 2023 winner was DigiMe – a comprehensive location data solution provider. Their solution and platform empower businesses to make informed decisions about marketing, sales, or operations by leveraging machine learning and AI technologies for real-time mapping updates.

Source: Ministry of Information and Communications, Statista, World Intellectual Property Organization, Google, Temasek, and Bain & Company, EIU

Meet our expert

Nguyen Tuan Hong Phuc

Partner, Head of Technology and Media

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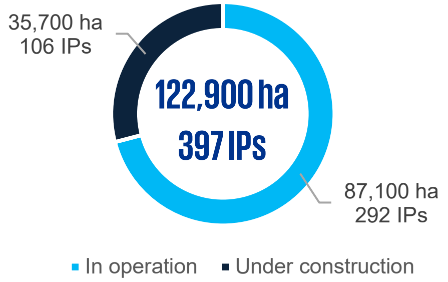
Real Estate (1 of 2)

Despite economic challenges in 2023, Vietnam's real estate market began to show signs of recovery after favorable policies and strong performance from specific segments.

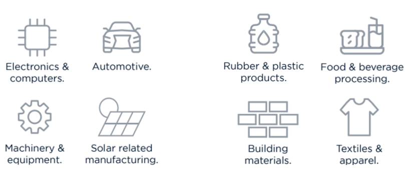
1. INDUSTRIAL SEGMENT

Despite the overall struggles, the industrial segment in Vietnam demonstrated robust performance across various asset types and regions, driven by strong demand.



Policies promoting high-tech investment spurred interest in warehouses, cold storage facilities, logistics centers, and data centers, with significant FDI inflows into the manufacturing and processing sector contributing to impressive industrial park occupancy rates in 2023.

	Northern KER	Southern KER
Occupancy rate	83%	91%
Tenant mix	Electronics & computers. Automotive. Machinery & equipment. Solar related manufacturing.	Rubber & plastic products. Food & beverage processing. Building materials. Textiles & apparel.



Production moving or planning to move from China to Vietnam

Company	Status	Products	Nationality
Inventec	In progress	Apple Parts	Taiwan
Wistron	In progress	ODM Computer Parts	Taiwan
Pegatron	In progress	Apple Parts	Taiwan
Apple	In progress	AirPods	U.S.
Qisda	In progress	EMS Provider	Taiwan
Dell	Planning	Computers	U.S.
Google	Planning	Smartphones	U.S.
Microsoft	Planning	Computers	U.S.
Lenovo	Planning	Computers	Hong Kong
Nintendo	Planning	Game Consoles	Japan

Source: CBRE, Savills

Key infrastructure projects – growth driver of the industrial segment

Anticipated completion of key infrastructure projects like the North-South Expressway expansion is set to further boost investment in the industrial segment.

Both the Northern and Southern regions are expected to witness increased industrial segment supply, fueled by emerging high-tech industries and traditional sectors, leading to rising demand for multi-storey multi-use warehouses and ready-built factories.

2. RETAIL SEGMENT

In spite of reduced purchasing power, Vietnam's retail market displayed resilience in 2023, highlighted by the launch of notable projects such as Lotte Mall West Lake Hanoi, the largest shopping mall in Hanoi, and the reopening of renovated properties like The Loop (Hanoi) and Hung Vuong Plaza (HCMC), contributing to the market's positive outlook.

Hanoi and Ho Chi Minh City experienced substantial rental growth driven by the expansion of luxury brands and reduced vacancy rates, despite the challenging economic environment.

This trend is more favorable than in other regional markets and is projected to persist in 2024, with new players and expansions in the food and beverage, fashion, and entertainment sectors.

Real Estate (2 of 2)

2. RETAIL SEGMENT (continued)

New retail real estate supply until 2025

	Hanoi	HCMC
CBD*	6,358 m2	0 m2
Non-CBD	138,713 m2	76,000 m2
Projects	• **2024** The Linc at Park City, 36 Cat Linh, Vinaconex Diamond Plaza, The Diamond Residence, My Dinh Pearl, Taisei Square Hanoi • **2025** Tien Bo Plaza, Vincom Mega Mall Co Loa, 27 Ly Thai To, The Grand Hanoi	• **2024** Vincom Shopping Center in Vinhomes Grand Park and Parc Mall • **2025** Sun Tower

(*) CBD: Central Business District

3. OFFICE SEGMENT

Both Hanoi and Ho Chi Minh City witnessed a substantial increase in office space availability.

In Hanoi, Grade A rents remained stable, while Grade B rents declined due to new supply. In contrast, HCMC saw steady rents for both Grade A and B offices, with a significant influx of new Grade A space driving absorption in the second half of 2023.

Despite economic challenges, tenants, particularly multinational companies, continued to favor high-quality office spaces, benefiting from favorable rental rates for premium properties due to abundant supply. Relocation transactions accounted for a notable portion of activity, reaching 31% in Hanoi and nearly 48% in HCMC. The Finance/Banking/Insurance sector dominated the HCMC market at 37%, while Flexible Workspace led the way in Hanoi with 24% in terms of sector preferences.

	Hanoi	HCMC
Total supply	1.74 million m2	1.66 million m2
New supply (2023)	+ 132,000 m2	+ 169,000 m2
Projects	Lancaster Luminaire, Lotte Mall West Lake, Diamond Park Plaza, Vinaconex Diamond Tower, Intracom Riverside	OfficeHaus, The Hallmark, The Mett, The Nexus, VPBank Saigon Tower, The Waterfront

ESG factors in the office real estate market

The growing commitment to sustainability is driving demand for offices with green certifications like LEED and Green Mark. Energy-saving, green certifications, and on-site renewable energy solutions are key factors influencing office real estate transactions.

Approximately 28% of Grade A offices in Ho Chi Minh City currently hold green certifications, with the number expected to increase significantly to 80% for both Grade A and B by 2026.

In Hanoi, the current figure stands at 20%. However, new projects such as 27-29 Ly Thai To, Grand Terra, and Tien Bo Plaza will collectively add 68,400 square meters of green space, significantly enhancing the city's supply of eco-friendly office options.

4. RESIDENTIAL SEGMENT

In 2023, both Hanoi and HCMC saw a noticeable decrease in new condominium supply, with only 13,000 and 8,700 units, respectively.

In Hanoi, limited land availability in the central area has shifted focus to the western region, where new infrastructure projects are driving high absorption rates and higher selling prices.

Meanwhile, HCMC faced a scarcity of mid-range apartments due to the dominance of high-end projects.

Upcoming policy changes, combined with stabilized interest rates, is anticipated to stimulate genuine demand especially for mid-range units, and aid market recovery.

Regulatory Landscape

- In Official Dispatch No. 993/CD-TTg dated 24 October 2023, the Prime Minister assigned the State Bank of Vietnam to direct commercial banks to continue promoting credit lending to the real estate sector and provide solutions to lower interest rates. These efforts have led to a significant decrease in home loan interest rates.
- The National Assembly passed the amended Law on Real Estate Business at the end of November, which will take effect on 01 January 2025. This comprehensive law consists of 10 chapters and 83 articles, detailing regulations on real estate business, the rights and obligations of organizations and individuals involved, and state management of the sector. The new law is expected to provide essential guidelines for the real estate industry.

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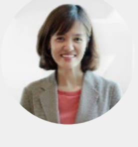

Luu Bao Lien

Partner, Head of Real Estate

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Source: CBRE, Savills, Government News, Tap chi Tai chinh

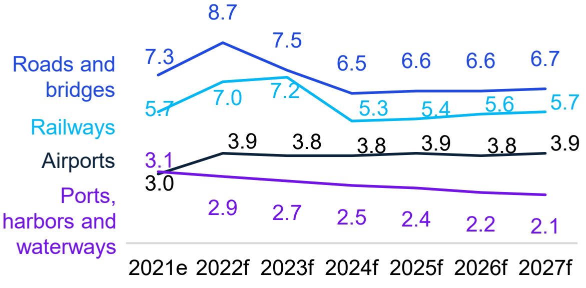
Land transport to observe the strongest growth in transport infrastructure

Solid macroeconomic conditions, urbanization trends, and government reforms are poised to drive rapid growth in Vietnam's infrastructure over the next decade.

1. OVERVIEW

Despite a post-COVID slowdown, increased government spending in 2023-2024 is expected to fuel the sector's recovery, driving progress on key infrastructure projects.
In 2024, the sector is expected to expand by 5.6%, with the greatest growth forecasted for roads, bridges, and railways.

Sub-sector value real growth (% y-o-y)

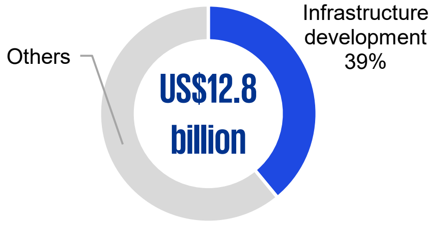


2. STRONG ONGOING GOVERNMENT COMMITMENT

In February 2021, the Vietnamese government approved its new five-year plan (2021-2025), prioritizing infrastructure development. The National Assembly then endorsed a US$15.4 billion stimulus package.

In January 2022, the government launched the US$15 billion Program on Socioeconomic Recovery and Development (PSRD) covering the 2022-2023 period. This program aimed to drive post-pandemic recovery, with 83% of the support package consisting of fiscal measures. Notably, US$5 billion (equivalent to 39% of the total fiscal package) was allocated to infrastructure development, primarily targeting national transportation projects (over 90% of earmarked funds).

Fiscal package allocation



Cumulatively as at late September 2023, infrastructure-focused state budget allocations under PSRD proved to be effective, with over US$7 billion channeled towards constructing expressways and large bridges in 2022 and 2023. Recognizing this success, in November 2023, the National Assembly extended the program's implementation period to the end of December 2024. This extension aimed to bolster inter-regional projects, ensure adequate funding, and guarantee timely completion according to established plans.

Source: National Assembly, Fitch Solutions, Vietnam Investment Review, Ministry of Construction, Ministry of Transport

3. MAJOR PROJECT PIPELINES – LAND TRANSPORT INFRASTRUCTURE

Heading to 2024

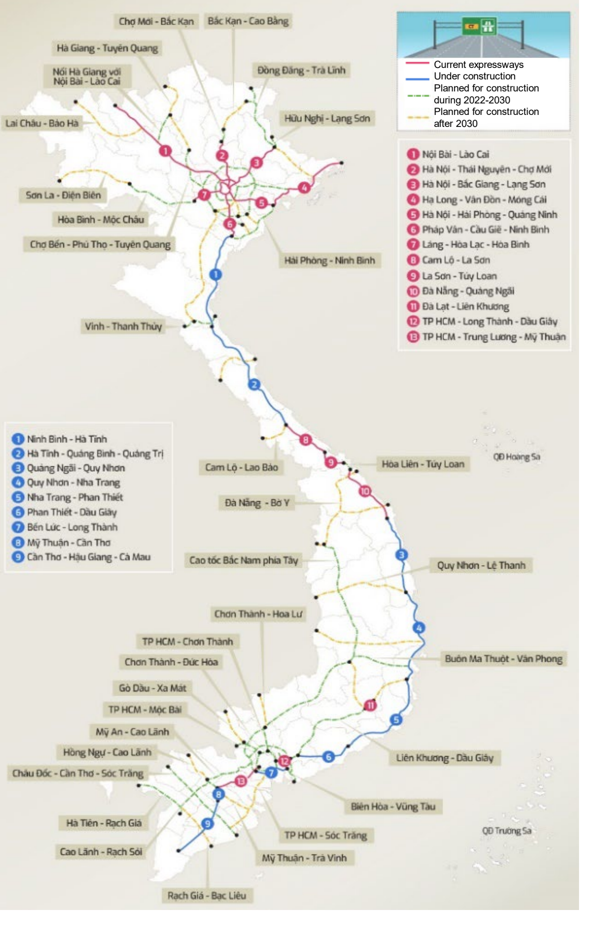
Roads:

- Vietnam currently has more than 1,400km of expressways, and the figure will be increased to 3,000km by 2025 and 5,000km by 2030.
- This ambitious plan also includes the construction of 10 major crossings of the Red River in Hanoi city by 2030.

Railways:

- Vietnam plans on upgrading railway links on the Kunming-Haiphong route between Vietnam's Lao Cai Station and China's Hekou North Station.
- By 2030, Vietnam plans to expand its rail network to 2,362km, prioritizing the construction of the North-South High-speed Railway, especially the Hanoi-Vinh (281km) and HCMC-Nha Trang (370km) sections. Existing railway lines will also undergo renovation and upgrade.

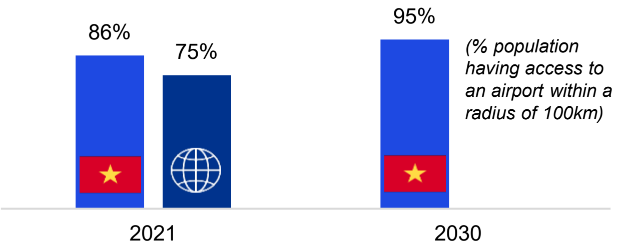
Proposed expressway network until 2030



Air transport Infrastructure (1 of 2)

With an airport network that exceeds the global average, Vietnam's airports are set to offer increased accessibility per the approved master plan (1).

Accessibility to airports



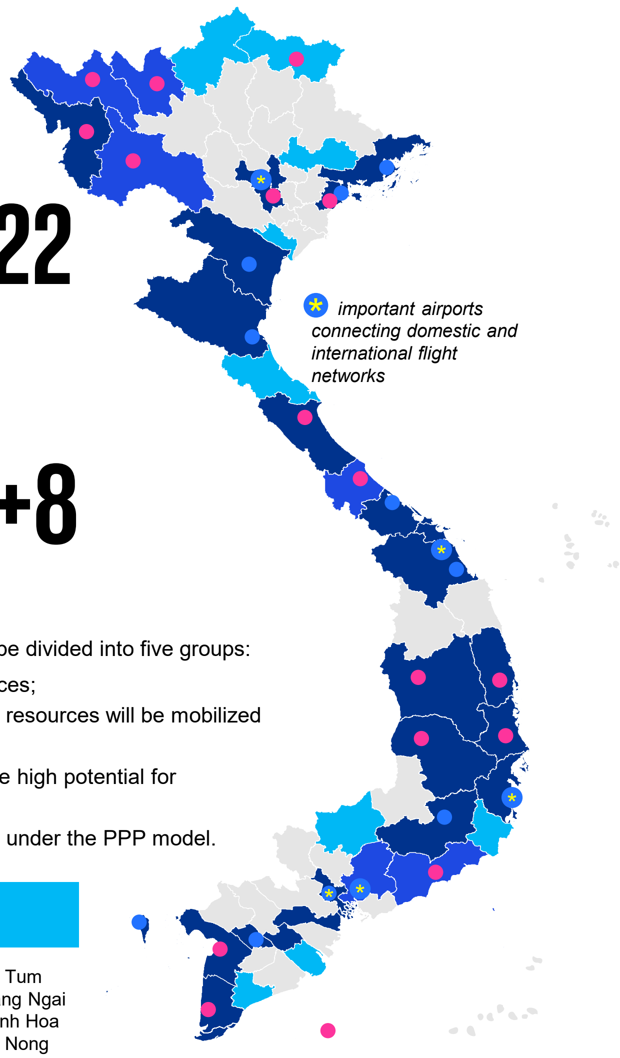
Master planning by 2030

23,382ha Land use

30 Airports in total (16 domestic, 14 international)

US$17.7 billion Investment capital

	Domestic	International	
2023	Buon Ma Thuot (Dak Lak) Ca Mau (Ca Mau) Con Dao (BR-VT) Dien Bien Phu (Dien Bien) Dong Hoi (Quang Binh) Phu Cat (Binh Dinh) Pleiku (Gia Lai) Rach Gia (Kien Giang) Tuy Hoa (Phu Yen) Phan Thiet (Binh Thuan)	*Cam Ranh (Khanh Hoa) Can Tho (Can Tho) Cat Bi (Hai Phong) *Da Nang (Da Nang) *Noi Bai (Hanoi) Lien Khuong (Lam Dong) Phu Bai (Hue) Phu Quoc (Kien Giang) *Tan Son Nhat (HCMC) Tho Xuan (Thanh Hoa) Van Don (Quang Ninh) Vinh (Nghe An)	22
2030	Lai Chau (Lai Chau) Na San (Son La) Quang Tri (Quang Tri) Sa Pa (Lao Cai) Thanh Son (Ninh Thuan) Bien Hoa (Dong Nai)	*Long Thanh (Dong Nai) Chu Lai (Quang Nam)	+8



Private capital mobilization proposal[2] – 28 airports planned by 2030 will be divided into five groups:

- **Group 1** (5 key airports): private capital will be mobilized for aviation services;
- **Group 2** (3 airports managed by the Ministry of National Defense): private resources will be mobilized for airport projects;
- **Group 3 & 4** (14 airports in remote, mountainous and island areas, or have high potential for development and investor attraction): localities can call for investment;
- **Group 5** (6 new & potential airports): developing facilities at these airports under the PPP model.

2050	2nd airport (Hanoi) Cao Bang (Cao Bang) Hai Phong (Hai Phong)	+3

Provinces proposing additional airports

Ha Giang	Kon Tum
Yen Bai	Quang Ngai
Tuyen Quang	Khanh Hoa
Son La	Dak Nong
Ha Tinh	Tay Ninh

Favorable legal environment has opened opportunities for private investors to engage in airport development in Vietnam. So far, Van Don Airport is the first privately owned airport in Vietnam, invested in the form of BOT and wholly operated by a private business instead of the Airport Corporation of Vietnam (ACV).

(1) The master plan of the Ministry of Transportation on the development of the airport and airport system nationwide from 2021-2030, with a vision to 2050, was approved and issued on 07 June 2023

(2) Plan of the Ministry of Transport on the mobilization of private capital for aviation infrastructure development was submitted in January 2022 to the Government. This plan was proposed when the draft master plan on airport development suggested to build 28 airports by 2030. The approved master plan has 2 additional airports: Thanh Son (Ninh Thuan) & Bien Hoa (Dong Nai)

Source: Ministry of Transport, Trade Press

Air transport Infrastructure (2 of 2)

Long Thanh International Airport, one of the country's the largest infrastructure projects, is planned to alleviate traffic congestion at Ho Chi Minh City's Tan Son Nhat Airport.

PROJECT OVERVIEW

US$16 billion Total project investment

4 Runways (4,000mx75m) **4** Passenger terminals **1** Cargo terminal

100 million Passenger/ year in design capacity

5 million Tons of cargo/ year in design capacity

PHASE 01 OVERVIEW

US$4.7 billion Investment in Phase 01

Construction start date **05 Jan 2021**

Construction item

1 Runway **4** Sub-projects

1 Passenger terminal (370,000 m²)

Phase 01

A 4,000m long runway, taxiways and aprons will be developed to exceed its capacity of 25 million passengers and 1.2 million tons of cargo p/a by 2025.

Phase 02

The project will develop the second runway and expand the passenger terminal to raise capacity to 50 million passengers and 1.5 million tons of cargo p/a.

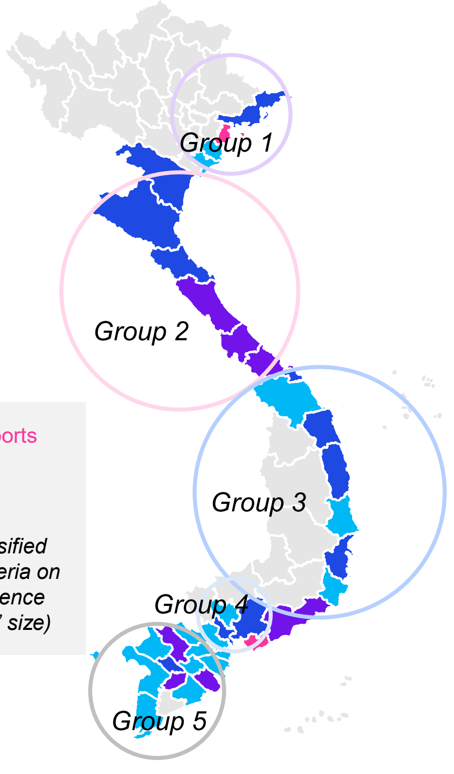
Phase 03

The US$16 billion (total) project is designed to have a capacity for 100 million passengers and five million tons of cargo p/a by 2050.

Source: Ministry of Transport, Vietnamese Government, VNEconomy

Waterway transport system

Vietnam has 34 seaports along its 3,400km coastline, but the port infrastructure differs from region to region. The capacity and efficiency of port infrastructure have increased as a result of recent investments.



02 Special-type ports
11 Type I ports
07 Type II ports
14 Type III ports
(graded and classified based on the criteria on the scope of influence and the seaports' size)

Source: Ministry of Transport

US$13.7 billion Required investment capital in the seaport system by 2030

	Group	Until 2030	Average y-o-y growth until 2050
Cargo throughput (million tons)	1	305-367	5.0-5.3%
	2	172-255	3.6-4.5%
	3	138-181	4.5-5.5%
	4	461-540	3.5-3.8%
	5	64-80	5.5-6.1%
Passenger throughput ('000)	1	162-164	1.5-1.6%
	2	202-204	0.4-0.5%
	3	1,900-2,000	1.7-1.8%
	4	1,700-1,800	0.9-1.0%
	5	6,100-6,200	1.1-1.25%

According to the World Bank's Container Port Performance Index 2022 (CPPI), Vietnam had 3 ports among the top-performing ports: Cai Mep (12th), Cat Lai (107th), and Da Nang (117th), promoting the country's robust integration with the global logistics transport chain.

Source: World Bank's CPPI report 2022

"The development of high-quality and efficient container port infrastructure is a key contributor to successful, export-led growth strategies both in developing and developed countries."

Martin Humphreys – Lead Transport Economist and Global Lead for Transport Connectivity and Regional Integration, World Bank

Meet our expert

Do Thi Thu Ha

Partner, Head of Environmental - Social - Governance (ESG), Head of Infrastructure, Government & Healthcare (IGH)

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Future Outlook

Short-term

- A positive outlook for seaport growth in Vietnam is underpinned by the anticipated rate cuts from the Federal Reserve System (FED), likely to bolster production, consumer confidence, and retail sales, indicating a recovery in the demand for goods entering Vietnamese ports.
- Enhanced trade activity with Europe and the U.S. as these markets' replenishing inventories will increase throughput (TEU) at Cai Mep - Thi Vai ports by 15% in 2024.

Medium-term

- The operational inefficiency at many of Vietnam's ports will create opportunities for global port operators and maritime services companies in terms of management and consulting.

Long-term

- As Vietnam positions itself as a lower-cost manufacturing hub compared to its neighbors, the improvement of existing port efficiency is becoming increasingly crucial. Therefore, investments in the ports segment are expected to focus on integration with surrounding road and rail networks, ultimately enhancing the overall logistics landscape in Vietnam.

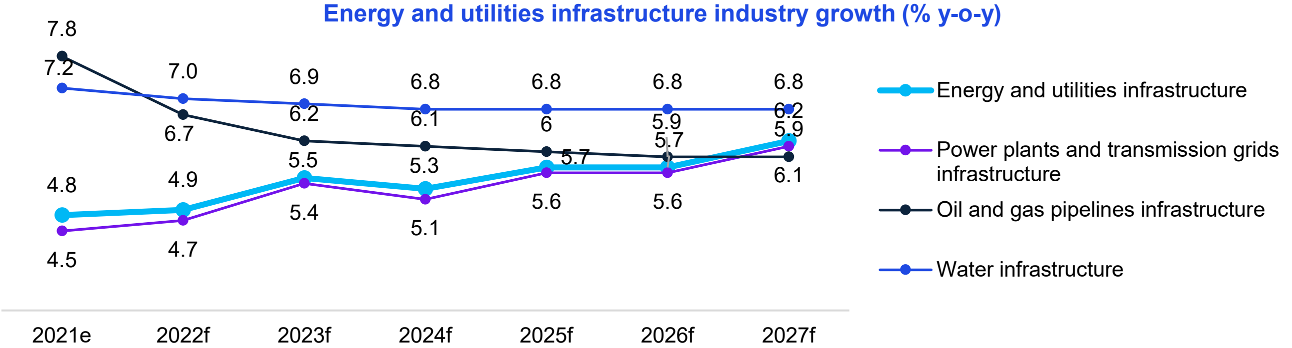
Source: Ministry of Transport, Fitch Solutions, SSI Research, Ministry of Industry and Trade

**The Container Port Performance Index (CPPI) is based on total port hours per ship call, defined as the elapsed time between when a ship reaches a port to its departure from the berth having completed its cargo exchange.*

Energy & Utilities

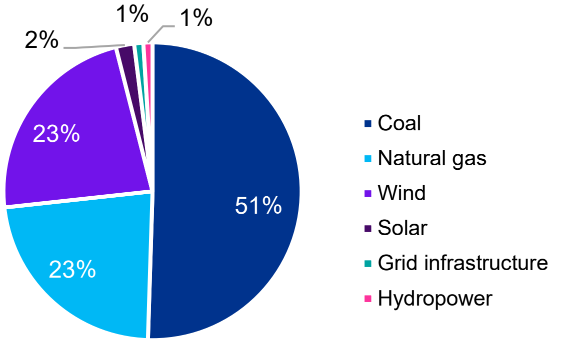
By 2031, the energy and utilities sector is expected to grow at an average annual rate of 5.7%, driven by urbanization and manufacturing expansion.

Energy and utilities infrastructure industry growth (% y-o-y)



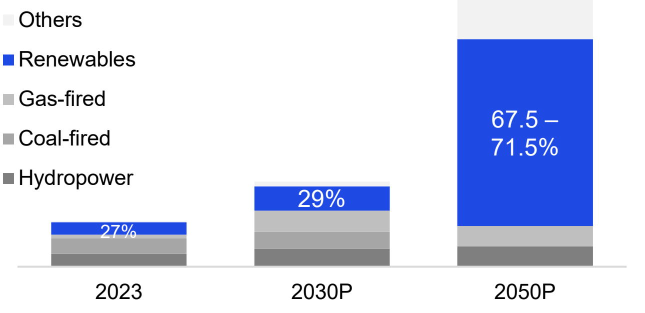
Source: Fitch Solutions

Pipeline value by type



Source: Fitch Solutions Key Projects Database Q2 2022

Share of installed capacity by power source[1]



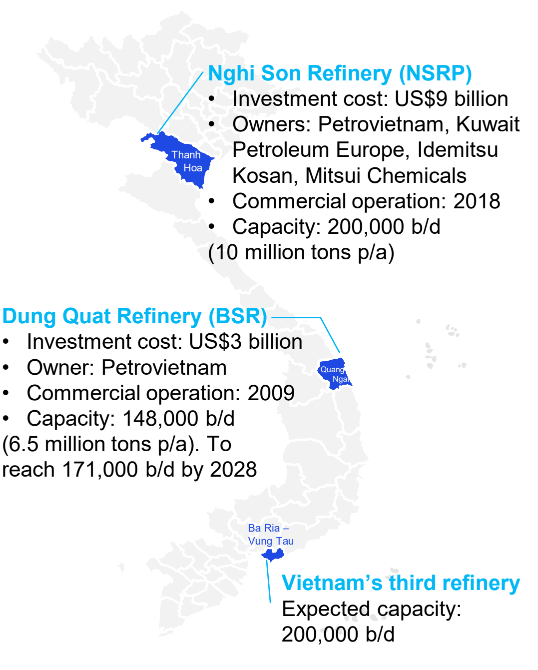
[1]Based on PDP8 – refer to page 42 for more information

Structural Trends

- **Coal, Gas & Oil**: While the immediate focus lies on fossil fuels, the majority of new electricity capacity to be added in the coming years will be from coal- and gas-fired power plants. However, during COP26, Vietnam pledged to phase out coal by the 2040s. This included not building or investing in coal-fired power generation and new coal plants.
- In July 2023, Vietnam started importing liquefied natural gas (LNG) and is expected to increasingly depend on LNG imports due to depleting domestic resources and growing investor interest in LNG projects. The U.S. has gained significant ground in Vietnam's LNG and power sectors. Japanese, South Korean, and Thai companies have also shown interest in developing Vietnam's emerging LNG power industry.
- Vietnam is the third largest oil-producer in Asia, behind Indonesia and Malaysia. In 2022, the government announced plans to build a third refinery in the southern province of Ba Ria – Vung Tau, with operations planned to start in 2027.
- **Hydropower**: This source is expected to remain a crucial part of Vietnam's electricity mix for the foreseeable future, although its potential growth will be constrained by a lack of additional sites and escalating environmental concerns among provincial governments.
- **Renewables**: The Power Development Plan VIII (PDP8) underscores the government's sustained commitment to prioritizing renewable energy development, aiming for a more than threefold increase in electricity generation from renewable sources, particularly by expanding capacity in the wind and solar sectors.

Source: Fitch Solutions, Ministry of Industry and Trade

Oil refineries in Vietnam



**b/d: barrels of crude oil per day*

Power Development Plan VIII ("PDP8")

PDP8 is in direct alignment with Vietnam's net zero pledges made at international events like COP26 in 2021. It represents a significant milestone in the country's shift to renewable energy and reaffirms its commitment to sustained economic growth.

Power Generation sources (MW)	2023		2030		2050	
	MW	Proportion (%)	MW	Proportion (%)	MW	Proportion (%)
Total all sources (excluding rooftop solar)	**80,555**		**150,489**		**490,529 – 573,129**	
In which:						
Hydropower*	22,872	28.4	31,746	21.1	36,016	6.3 – 7.3
Coal	26,757	33.2	30,127	20.0	0	0
Gas/Hydrogen	7,160	8.9	37,330	24.8	35,830 – 44,830	6.7 – 8.4
Biomass*/Ammonia	0	0	2,270	1.5	25,632 – 32,432	4.5 – 6.6
Wind*/Solar*	21,664	26.9	40,716	27.0	304,659 – 363,859	60.5 – 65.0
Others (storage power, flexible power sources)	0	0	3,300	2.3	66,050 – 96,250	13.3 – 16.9
Imports	2,102	2.6	5,000	3.3	11,042	1.9 – 2.3

**renewable energy sources*

Summary of PDP8

Energy mix

Renewable energy is a primary priority and is expected to significantly increase to an estimated 30.9 – 39.2% of the energy mix by 2030.

If the Vietnam's Just Energy Transition Partnership[(1)] pledges are fully implemented, the renewable energy mix could further increase to 47% by 2030. It is estimated the proportion could reach 67.7 – 71.5% by 2050.

Coal will continue to play a key role in Vietnam's energy mix until its complete phase-out by 2050. Biomass and ammonia are expected to replace coal as fuel sources. Vietnam's coal phase-out plan outlines the retirement of its coal stations as follows:

- *Operating life > **20 years** ▶ Convert to alternative fuels*
- *Operating life > **40 years** ▶ Cease operations if not converted to alternative fuels*

2050
All coal-fired power plants must be converted or retired

Investment needs

Implementing PDP8 requires significant capital. From 2021 to 2030, an estimated US$12 billion/year will be needed for power sources, and US$1.5 billion/year for the power grid.

Government support

Considering the importance of upgrading the country's aging grid network, which is more than 30 years old, to link regional power systems and unlock renewable energy resources, the government has committed to building 500 kV and 220 kV transmission grids as well as building a roadmap for Smart Grid construction.

External support

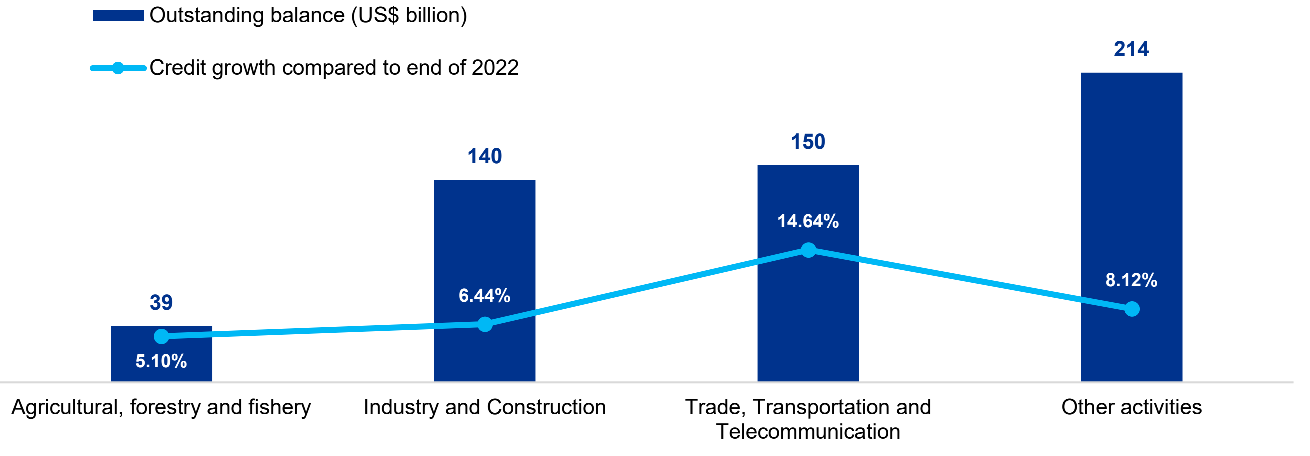
Members of the international partners' group of the newly established Just Energy Transition Partnership* committed to providing Vietnam with an initial US$15.5 billion in public and private financing over the next three - five years. This significant investment will support the country's ambitious decarbonization targets

Source: Vietnam Energy, World Bank, Vietnamese Government
[(1)]Just Energy Transition Partnership (JETP) – refer to page 48 for more information

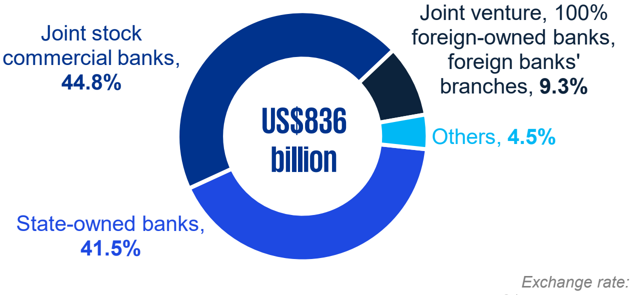
Banking system (1 of 2)

There is a significant exposure of the Vietnamese banking and financial services sector to the struggling real estate market. Non-performing loans increased sharply in early 2023, despite a significant slowing in credit growth. Due to increased risk aversion among banks, Vietnam's highly leveraged economy will be affected.

Total credit (as of Nov 2023): US$542 billion



Market share by total assets (as of 31 December 2023)



Exchange rate: US$1 = VND24,000

- There are four state-owned banks, 31 joint-stock commercial banks (with 44.8% of the total assets), 9 wholly foreign-owned banks, two policy banks, and one cooperative bank in Vietnam.
- Bank credit has played a significant role in the expansion of Vietnam's economy over the last three decades, particularly in key sectors like manufacturing and real estate.
- Domestic banks continue to lag behind their foreign peers in terms of financial strength and technological advancement. They also have been slow to implement Basel standards for capital adequacy.
- Government officials have stated their willingness to speed up the privatization of state-owned banks and other entities, which will spur domestic investment.

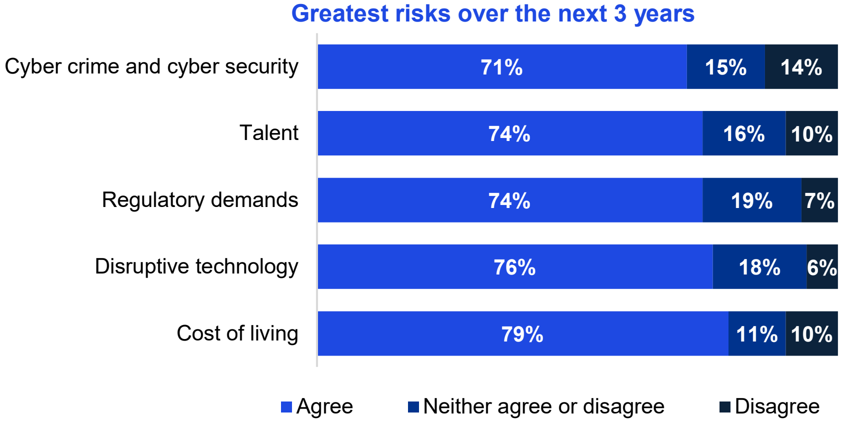
SBV actively issues and enhances regulations that ensure the well-being of the industry

Regulation	Effective date	Summary
Circular 17/2023/TT-NHNN	08 February 2024	Prescribing audit of compliance with banking and monetary policies and laws, including anti-money laundering (AML)
Decree 13/2023/ND-CP	01 July 2023	Protection of personal data
Decision 1813/QĐ-TTg	28 October 2021	Approving the Scheme on development of non-cash payment in Vietnam during 2021-2025
Resolution 100/NQ-CP	06 September 2021	Approving the proposal to develop a decree on regulatory sandbox of financial technology (fintech) activities in the banking sector
Decision 810/QĐ-NHNN	11 May 2021	Approving plan for digital transformation of banking sector by 2025 with orientations towards 2030
Directive 02/CT-NHNN	07 January 2021	Enhancing prevention and handling violations related to bank card operations

Source: SBV

Banking system (2 of 2)

Under the Development Strategy of Vietnam Banking Sector to 2025, with a vision to 2030, the Government focuses on increasing the transparency of local banks and ensuring that the sector functions in accordance with international norms.



- In 2023, KPMG conducted a survey with 142 banking CEOs across the Americas, Europe and Asia (60% from the US, UK, Canada and Germany, with 71% hailing from organizations with revenues from US$0.5-9.99 billion. It shows that Disruptive technology, cyber crime and cyber security made it to the top 3 greatest concern for Bank CEO's.
- With the rise of challenger banks, fintech, and non-financial institutions, traditional banks are investing heavily in digital capabilities to remain relevant.

Source: KPMG 2023 Banking CEO Outlook

Directions by SBV

- Managing monetary policy and coordinating macroeconomic policy in accordance with global and domestic developments requires a proactive, flexible, and synchronized approach.
- To meet the economy's capital needs, credit management needs to be proactive, flexible, and consistent with macroeconomic developments.
- Implement a comprehensive and effective restructuring of the bad debt handling system of credit institutions in the period 2021-2025.
- Vietnam must strengthen its digital transformation in the banking and non-cash payment sectors in order to meet the requirements for new business models and products.
- Enhance legal frameworks to synchronize and streamline monetary policy and banking operations.

Future Outlook

- Since many businesses are affected by the current economic condition, bad debt are likely to surge.
- Through non-credit services, such as bancassurance and investment products, banks can achieve new growth while diversifying risks.
- Foreign investors continue to see opportunities in the banking sector, leading to more M&A activities.

Source: SBV, Ministry of Finance

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Pham Do Nhat Vinh

Partner, Head of Financial Services

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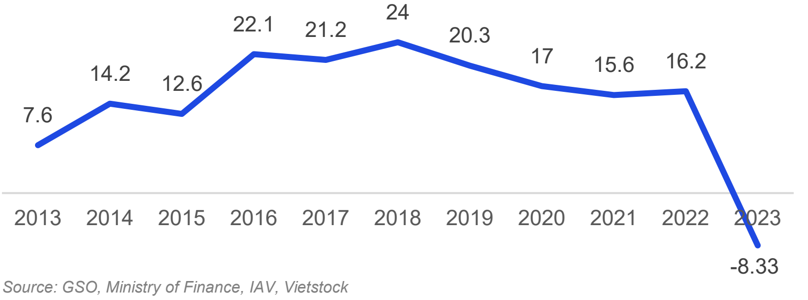
Insurance (1 of 2)

As the Vietnamese population becomes increasingly aware of the benefits of insurance, the insurance industry holds great prospects for development.

With increased awareness, government support, and technological advancements, the insurance industry is poised for significant growth in the coming years.

Furthermore, the insurance industry in Vietnam has witnessed increased foreign investment and partnerships, bringing expertise, technology, and capital, further enhancing its development. In addition to expanding product offerings, these partnerships introduce innovative and customer-centric solutions to meet the changing needs of Vietnamese consumers.

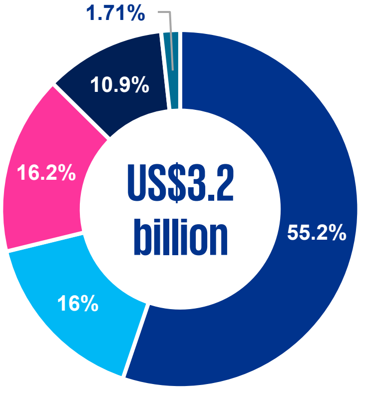
Life + Non-Life Premium revenue growth (%)



Source: GSO, Ministry of Finance, IAV, Vietstock

Life Insurance

Premium revenue by product type, 6M2023 (%)

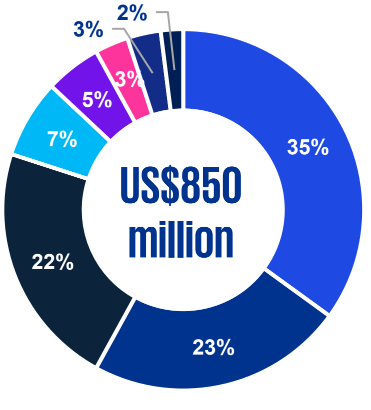


Exchange rate: US$1 = VND24,000

- In the first half of 2023, life insurance premium revenue was estimated to reach US$3.2 billion (down 7.9% year-on-year), of which US$646 million was new insurance premium revenue (down 38.2% year-on-year).
- Universal life insurance product accounted for 55.2% of the premium revenue, making it the key product in the life insurance segment.
- Legislation around distribution will drive a strategic rethink of routes to customer, leading to changing models and innovative partnerships.

Non-life Insurance

Premium revenue by product type, 9M2023 (%)



Exchange rate: US$1 = VND24,000

Source: GSO, Ministry of Finance, IAV, Vietstock

- By the end of September 2023, non-life insurance premium revenue was estimated to reach US$850 million, up 3% compared to the same period last year.
- Health, motor vehicle and property insurance together accounted for over 75% of total premium revenue in the first 9 months of 2023.
- Compared to the same period last year, revenue for the first two product types increased by 2%, to US$299 million and US$196 million, respectively.
- Although general liability insurance represented only 5% of total premium revenue, it experienced the fastest growth of 9% compared to 2022, reaching US$39 million.
- With the rise of digital platforms and mobile applications, individuals can now conveniently purchase insurance products and manage their coverage. This accessibility and convenience have further increased awareness and interest in insurance products among Vietnamese consumers.

Insurance (2 of 2)

The rise of digital solutions and technology adoption have forced traditional insurance providers to adapt and embrace innovation to stay competitive.

Opportunities

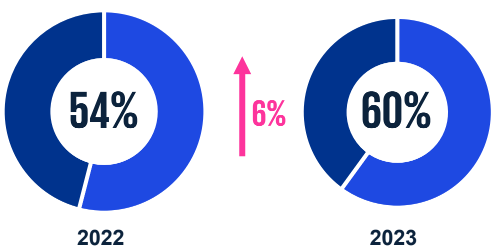
- Insurers are expected to benefit from the revised Law on Insurance Business by encouraging innovation and implementing information technology.
- The aging population and the expanding middle class are driving the growth in health insurance demand.

Challenges

- Despite its popularity, bancassurance has also encountered its fair share of criticisms. Concerns over service quality and trust have also contributed to low consumer confidence in bancassurance.
- There are several barriers that insurance companies must overcome to fully realize the market's potential including Limited Awareness, Compliance with regulatory requirements, and Competition.

Trends

Insurance organizations are placing more capital investment in buying new technology (*)

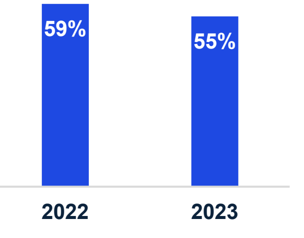


Technology remains the top priority for Insurance CEOs as 60% of them are placing more capital investment in buying new technology (up 6% compared to the previous year).

Source: (*)KPMG 2023 Insurance CEO Outlook - 128 Insurance CEOs participated .

High M&A appetite (*)

Despite slightly declining in 2023, over half (55%) of insurance CEOs still have high appetite for M&A. As insurance leaders actively look to business growth, strategic M&A deals are expected to return.



ESG awareness is rising

Growing awareness of environmental and ESG factors in recent years presents an opportunity for insurance companies to develop new products that address ESG-related risks.

Insurtech

Insurtech is transforming the insurance landscape in Vietnam, offering innovative and efficient solutions to traditional insurance challenges. By leveraging digital technologies, data analytics, IoT, and blockchain, insurtech startups are providing more convenient and personalized insurance experiences to consumers. As the industry continues to evolve, Vietnam's position in insurtech is expected to strengthen, paving the way for new growth opportunities and technological advancements in the insurance industry.

Meet our expert

Pham Do Nhat Vinh
Partner, Head of Financial Services

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Source: Vietnam report, Ministry of Finance

Towards Net Zero Economy (1 of 2)

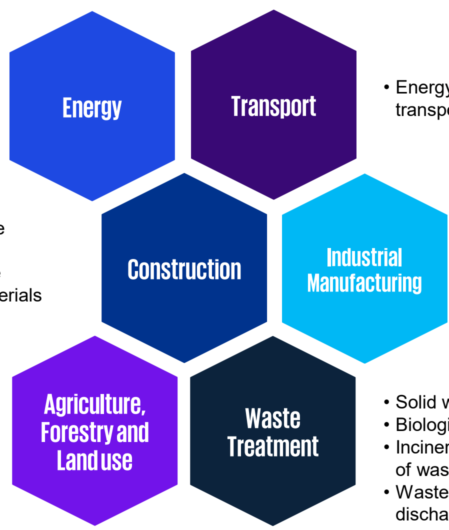
The country's rapid economic growth, urbanization, and industrialization have been powered by a coal-dependent energy supply that creates significant greenhouse gas (GHG) emissions. At the COP26 climate conference, Vietnam joined the pledge to reduce global GHG emissions by 2030, and committed to bring net emissions to zero by the middle of the century.

	Thailand	Malaysia	Vietnam	Philippines	Myanmar	Cambodia	Laos
Total emissions ($MtCO_2e$)	431.2	388.1	364.4	234.8	231.6	69.2	38.6
% of global emissions	0.9%	0.8%	0.8%	0.5%	0.5%	0.1%	0.1%

On 18 January 2022, the Prime Minister issued Decision No. 01/2022/QD-TTg on promulgating the list of sectors and GHG-emitting establishments subject to greenhouse gas inventory. This Decision took effect on the same date. GHG-emitting establishments subject to greenhouse gas inventory must proactively share relevant information on total energy consumption and operating capacity with the Ministry of Natural Resources and Environment.

Sectors subject to GHG inventory

- Energy production
- Energy consumption in industry, commerce, service and civil
- Coal mining
- Oil and natural gas extraction



- Energy consumption in transportation

- Energy consumption in the construction industry
- Industrial processes in the production of building materials

- Chemical production
- Metallurgical
- Electronic industry
- Alternatives to ozone-depleting substances
- Production and use of other industrial products

- Breed
- Forestry and land use change
- Crop
- Energy consumption in agriculture, forestry and fisheries
- Other sources of emissions in agriculture

- Solid waste landfill
- Biological treatment of solid waste
- Incineration and open burning of waste
- Wastewater treatment and discharge

Number of establishments subject to GHG inventory[1]

Sector	Count
Industry and Trade	1,662
Transport	70
Construction	104
Natural resources and Environment	76
Total	**1,912**

(1) Based on Appendix II in Decision No.1/2022/QD-TTg, issued on 18 January 2022. The list is required to be updated every 2 year.

COP28 Highlights

- A major highlight of COP 28 was the Vietnamese Prime Minister's announcement of the Resource Mobilization Plan (RMP) for implementing Vietnam's Just Energy Transition Partnership (JETP) with the IPG[2]. Please refer to page 48 for more details.
- Vietnam's current PDP8 aligns with the JETP's coal-fired generation target for 2030 and is projected to push Vietnam closer to achieving the Scheme's ambitious goals: at least 47% renewable energy by 2030 and peaking power sector emissions. To achieve these targets, the Scheme prioritizes investments in key projects such as: (a) Power Transmission Grid Projects; (b) Battery Storage and Pumped Storage Hydropower Plants; (c) Offshore Wind Power Development, with both technical assistance and investment projects kicking off in 2024. This diverse approach, supported by the JETP's funding, aims to accelerate Vietnam's transition towards a clean and sustainable energy future.
- COP28 in Dubai made history by including health on the climate discussion agenda, highlighting the urgent need for resilient health systems in the face of climate change. Responding to this call, Vietnam's Ministry of Health (MoH), United Nations Development Programs (UNDP), and the World Health Organization co-organized a side event at COP28 titled "Building a Climate-Resilient Health System in Vietnam" in December 2023. This event showcased Vietnam's efforts to create resilient health systems and communities, with a particular focus on protecting the most vulnerable populations. In a remarkable step even before COP28, the Vietnamese government had developed the National Action Plan for the Health Sector Response to Climate Change (2019 - 2030, with a vision to 2050). This plan focuses on building resilient healthcare facilities and strengthening epidemic prevention and control measures.

(2) IPG or the International Partners Group, includes the following countries: Canada, France, Germany, Italy, Japan, the U.K, the U.S, European Union, Denmark, Norway
Source: World Bank, European Union, Climate Watch, Prime Minister, LuatVietnam, International Union for Conservation of Nature, Asian Development Bank

Towards Net Zero Economy (2 of 2)

Reaching net zero emissions will require significant investment in current and new clean technologies, and away from fossil fuels. These changes will have implications for jobs and training. The World Bank has proposed a new development paradigm for Vietnam, that balances development goals with escalating climate risks.

The adaptation to climate risks and the ability to acquire new capabilities and emerge stronger from climate shocks

Resilient Pathway

Vietnam Today

- Building resilient infrastructure
- Protecting the most vulnerable
- Implementing structural reforms to incentivize farmers and firms
- Pricing carbon
- Mobilizing financing

Vietnam in 2045

Decarbonizing Pathway

Decarbonizing the energy sector and taking actions in the agriculture, transport, and manufacturing sectors

- Pursuing a combined resilient and net-zero development pathway (RNZP) is likely to require additional investments of about 6.8% of GDP per year, or a cumulative US$368 billion through 2040. To fill these finance needs, at least three potential avenues exist:
  - Strongly incentivize private investment in both new technologies and more resilient infrastructure.
  - Increase public funding by raising additional revenue through a carbon tax and/or borrowing in domestic and external markets.
  - Garner more revenue from international financial sources: this includes institutional investors, multilateral and bilateral donors, foreign direct investment (FDI), and inward remittances.

Source: World Bank

FINANCING NEEDS

US$368 billion

Resilient: 4.7% of GDP per year

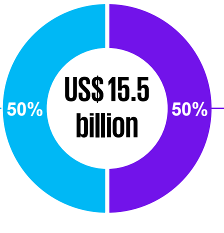
Decarbonizing: 2.1% of GDP per year

PRIVATE	PUBLIC	EXTERNAL
US$184 billion	**US$130 billion**	**US$54 billion**
~3.4% of GDP per year	~2.4% of GDP per year	~1% of GDP per year

Vietnam's JETP Agreement

In December 2022, the International Partners Group (IPG), comprised of the European Union (EU), the United Kingdom (UK), Canada, Denmark, France, Germany, Italy, Japan, Norway and the United States, co-led by the EU and the UK, pledged to provide Vietnam with US$15.5 billion in the next three to five years to help the country accomplish its net-zero emission target in 2050.

Public sector finance: provided by the countries party to the agreement the interest/loan terms are "on more attractive terms than Vietnam could secure in the capital markets"



Private sector finance: led by the Glasgow Financial Alliance for Net Zero (GFANZ). This is subject to the mobilization of the catalytic public sector finance by the IPG members and improved regulatory frameworks

- The partnership aims to bring forward Vietnam's peak greenhouse gas emissions by five years to 2030, cut emission in its power industry by 30%, or from 240 million tons of CO_2 to 170 million tons, by 2030.
- It aims to reduce Vietnam's coal-fired power capacity from the planned 37 GW to 30.2 GW and boost the ratio of renewable energy in the nation's electricity output from the current 36% to 47% in 2030.
- Fulfilling the four tasks will help reduce Vietnam's greenhouse gas emission by around 500 million tons by 2035.
- Around US$200 million of the agreed US$15.5 billion will be grants and the rest low-interest loans.

Source: World Bank, Environment Ministry

Meet our experts

Tran Van Trung

Director, Head of Energy

Sameer

Director, Energy Transition

Carbon Border Adjustment Mechanism

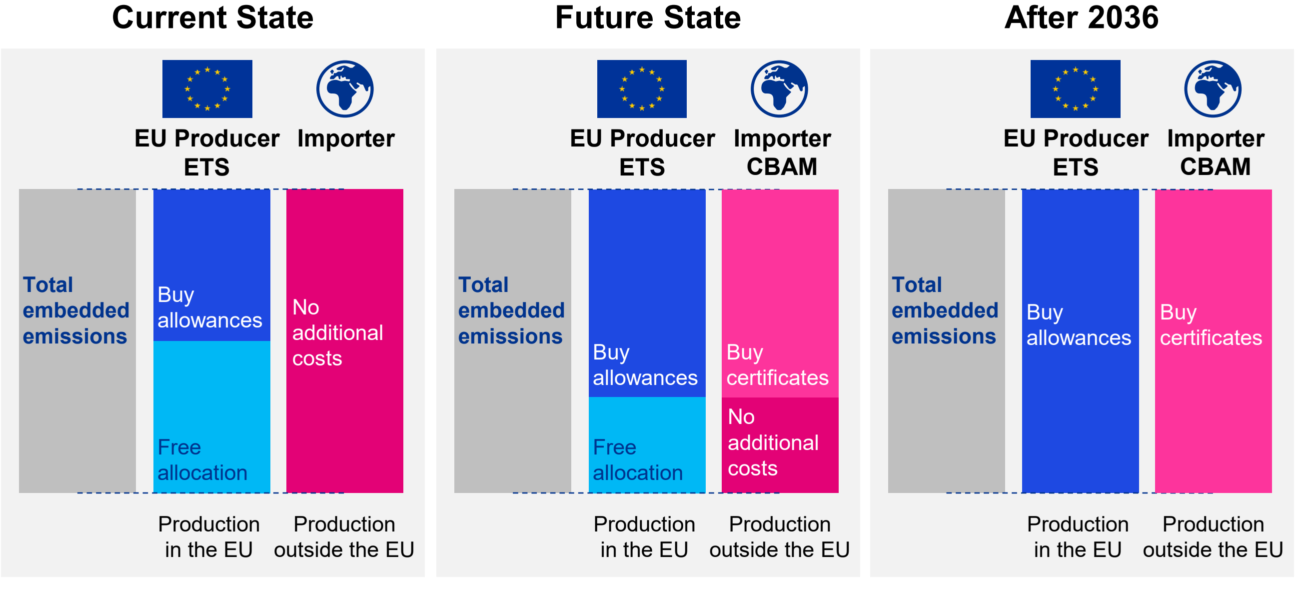
The European Union's Carbon Border Adjustment Mechanism (CBAM), the world's first carbon border tax, aims to reduce carbon emissions by addressing "carbon leakage". The introduction of CBAM is likely to affect Vietnam's exports, especially plastics, iron, and steel.

CBAM initial scope

Electricity | **Iron & steel** | **Cement** | **Fertilisers** | **Aluminium** | **Hydrogen**

- Direct emissions
- Indirect emissions included under certain conditions
- Certain precursors

CBAM evolution



Carbon is becoming an issue of competitive advantage

EU Companies

- Higher carbon costs are expected due to increasing EU permit prices and a reduction in free permits.
- CBAM will lead to higher prices for emissions-intensive goods within the EU.

Non-EU Companies

- Producers of commodities subject to CBAM will incur a carbon cost upon importing into the European Union.
- The costs and impacts of the project will be based on verified emissions, or an EU fallback.

Indirect Impact

- Growing availability of decarbonization incentives within and beyond the EU
- Changes in competitive dynamics with the EU are based on emissions intensity.

Future Impact

- Extension of covered emissions to include scope 2
- Extension of scope to include additional targeted industries and covered commodities.

Source: KPMG Analysis, The Carbon Trust

CBAM will bring about both opportunities and challenges for Vietnam

Timeline

April 2023 | CBAM Regulation in force

July 2023 | Implementing & delegated acts publication

1 Oct 2023 | Enter in force of transitional period:
- Quarterly reporting
- Measurement of emissions

1 Jan 2026 | End of transitional period:
- Registration of authorised declarants
- Financial obligations
- Yearly CBAM declarations
- Reporting and verification of emissions
- Expansion of scope of covered products (50% of all ETS sectors)

2034 | CBAM fully phased in; covers all the sectors covered by Emissions Trading System (ETS) (100%)

Impact on Vietnam

To hamper exports to the EU market

- CBAM is estimated to reduce Vietnam's export turnover of iron, steel, cement, fertilizer, and aluminum industries by up to US$100 million. By essentially increasing prices, the CBAM will likely lead to lower demand in the EU market for these goods. Iron and steel will be the most impacted, followed by aluminum, based on Vietnam's current export volume.
- In the long run, the CBAM's scope could be extended to cover indirect emissions and other sectors, potentially negating the benefits of the EU-Vietnam Free Trade Agreement (EVFTA) depending on the carbon price imposed.

To cause difficulties for the manufacturing industry

- The CBAM implementation forces Vietnamese exporters to adopt solutions to minimize greenhouse gas emissions during manufacturing, but reducing emissions and meeting criteria to avoid the carbon tax proves challenging for businesses due to limitations in upgrading machinery and sourcing sustainable materials.
- Moreover, Vietnamese enterprises largely lack awareness of the European green standard and CBAM, potentially putting them at a disadvantage in the European market.

To support Vietnam's carbon-neutral goal

- CBAM legislation is an opportunity to accelerate Vietnam's net-zero-by-2050 commitment.
- CBAM is not applicable to imports from countries with an ETS that meets the EU's standards. Therefore, there is an added incentive for Vietnam to promptly set up a carbon pricing system.
- The adoption of the CBAM may also incentivize investment in low-carbon, energy-efficient and renewable technologies. In this respect, Vietnam can take advantage of an abundance of natural renewable energy resources to decarbonize the electricity sector, and subsequently reduce GHGs of the wider economy.

Source: KPMG Analysis, Vietnam Briefing

Carbon credit trading

As part of its efforts to cope with climate change, Vietnam's government supports the establishment of a carbon credit market. The market will function based on the total amount of emissions and emission quotas allocated to every locality and sector. The first carbon credit trading platform in Vietnam was launched in 2023, paving the way to an open and transparent carbon credit market.

A total of 57 million carbon credits may be sold by Vietnam to international organizations annually, at prices ranging from \$3 to \$7 per credit. In 2023, Vietnam sold 10.3 million forest carbon credits (10.3 million tons of CO2) through the World Bank, for the first time, earning \$51.5 million.

Expected implementation timeline[(1)]:

2022 – **2028**: develop regulations, pilot implementation, build capacity, raise awareness

2025 – **2028**: establish and organize pilot operation of a carbon credit exchange

2028 onward: carbon credit exchange officially operate

Source: Ministry of Natural Resources and Environment, World Bank, Minister of Agriculture and Rural Development
[(1)]According to the draft project "Development of a carbon market in Vietnam" , built on the basis of Decree 06/2022/ND-CP


04
Investment environment in Vietnam

Investment climate for foreign direct investment (1 of 3)

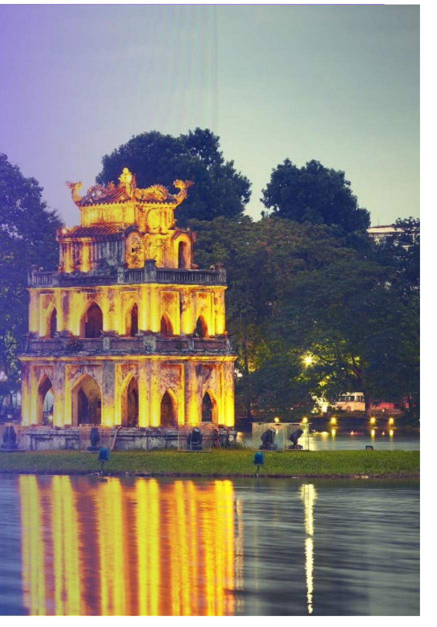
1. INVESTMENT CLIMATE

Vietnam is a leading investment destination in Southeast Asia. Its geographical advantages, natural resources, and affordable labor force attract significant capital inflows annually. Vietnam boasts unexplored sectors and a growing consumer market.

However, like many countries, Vietnam has been impacted by global economic fluctuations and political instability in recent years. This has limited investor movement and somewhat dampened the attractiveness of new foreign investments. Despite these challenges, there have been bright spots in attracting foreign investment to specific industries and localities like Ho Chi Minh City, Hai Phong, and Quang Ninh.

Total foreign direct investment (FDI) in Vietnam surged in 2023. As of December 20th, the figure reached US$36.6 billion, reflecting a 132% increase compared to the same period in the previous year. This growth is driven by 3,188 newly licensed projects with a registered capital of US$20.19 billion, representing a 57% increase in project numbers and a 62% increase in registered capital year-on-year.

Vietnam's success in attracting FDI goes beyond just the amount of registered capital or disbursements. It also hinges on efforts to improve the investment climate. The Vietnamese government has actively issued resolutions and action plans to fulfill its commitment to enhancing the business environment for investors.



In 2023, the implementation of the Global Minimum Tax (GMT) rendered some preferential tax incentives less effective. The Ministry of Finance (MOF) responded by proposing revisions to maintain Vietnam's competitive advantages. These revisions include:

- Reviewing and restructuring tax incentives strategically
- Implementing adjustments in resource allocation
- Expanding the tax base
- Focusing on incentives that encourage highvalue-added production

The Vietnamese economy increasingly recognizes the vital role of the private sector and foreign investors. "Business forum" meetings and dialogues are frequently held between the government and these stakeholders. These sessions provide valuable opportunities for businesses, particularly foreign ones, to have their voices heard on critical legislative issues.

2. FORMS OF INVESTMENT

Foreign investors may carry out the following forms of investment in Vietnam:

Direct investment	Indirect investment
• Establishment of a new legal entity; • Capital contribution/acquisition in existing legal entities: • Implementation of an investment project; • Business Cooperation Contracts (BCC) signed with other local or foreign investors.	• Purchase of shares, share certificates, bonds and other valuable papers traded on the stock exchanges; • Investment through securities investment funds • Investment through other intermediary financial institutions.

Source: KPMG Analysis, Vietnam Briefing, Ministry of Finance

Investment climate for foreign direct investment (2 of 3)

3. FORMS OF COMMERCIAL PRESENCE

Foreign investors may carry out the following forms of investment in Vietnam:

Representative Office (RO)

A representative office (RO) is a common initial form of establishment for foreign organizations exploring investment or business opportunities in Vietnam. Legally, an RO is a dependent unit of the foreign business entity. It can survey the market and engage in commercial promotion activities as allowed by Vietnamese law. However, an RO cannot engage in directly profit-generating activities.

Branch

Technically, a branch is a dependent unit of a foreign business entity, established to conduct commercial activities within Vietnam under Vietnamese law or relevant international treaties. However, branches are not a common form of presence in Vietnam, being limited to specific sectors like banking, finance, and construction.

Legal entity

Depending on the business industry, the number of investors, and the intention to publicly list the entity, a foreign investor may establish a presence in Vietnam as a limited liability company (LLC), a joint-stock company (JSC), or a partnership.

Feature	Limited liability company (LLC)	Joint stock company (JSC)	Partnership
Required number of members/ shareholders	One (for single member LLC); Two or more members, but not exceeding fifty (for multi-member LLC)	At least three shareholders; no restriction on maximum number of shareholders	• Unlimited liability partners: At least two general partners (individuals) • Limited liability partners (optional): Organizations or individuals
Liability of members/ shareholders	Limited to the extent of the registered capital contributions into the company	Limited to the extent of the registered capital contributions into the company	• Unlimited liability partners: Unlimited • Limited liability partners: Limited to the extent of the registered capital contributions into the company
Issuing bonds	Allowed	Allowed	Not allowed
Issuing shares	Not allowed	Allowed	Not allowed
Listing on stock exchange	Not allowed	Allowed	Not allowed

4. CONDITIONAL BUSINESS LINES

The Law on Investment 2021 and Decree 31/2021/ND-CP list business lines with market access limitations for foreign investors. This list has two sub-lists:

(A) List of business lines prohibited for market access/investment: This covers 25 business lines where foreign investment is not allowed, including:

- Trading in goods and services under state monopoly
- Press activities and information gathering
- Fishing
- Overseas contracted employment agency services
- Temporary import for re-export business

(B) List of business lines subject to conditions for market access/investment: This covers 58 specific business lines, including:

- Production and distribution of cultural products (including visual recordings)
- Insurance, banking, and securities brokerage
- Telecommunication and printing services
- E-commerce business
- Business lines licensed under pilot schemes

Companies operating in conditional business lines must fully satisfy applicable conditions (e.g., minimum capital, foreign ownership limits, facility and personnel requirements, operating licenses) before starting operations. Failure to comply will result in penalties from state bodies and unfavorable tax treatment on expenses incurred from these businesses.

5. INVESTMENT INCENTIVES

Investment projects in Vietnam can qualify for incentives based on several criteria:

- Location: Projects located in disadvantaged areas (difficult or especially difficult socio-economic conditions) or special economic zones are eligible.
- Business Industry: Projects engaged in prioritized sectors like high-tech businesses, social services (education, medical), or infrastructure development are favored.
- Other Considerations: Projects with significant investment capital, those involved in manufacturing supporting industries, rural development, or innovative startups may also qualify.

Types of Investment Incentives

Qualified projects can benefit from various incentives:

- **Corporate Income Tax (CIT) Incentives:**
  - Preferential CIT rate (lower than the standard 20% rate) for a specific period or the entire project duration.
  - Exemption or reduction of CIT for a definite period (See "Taxation Section - Section 2 on Corporate Income Tax" for details).
- **Import Duty Incentives**: Exemption from import duties on goods for fixed assets, raw materials, and components used in the project.
- **Land Incentives**: Exemption or reduction of land rental and land use tax.
- **Accelerated Depreciation**: Up to double the normal depreciation rate may be applied for highly efficient taxpayers.

Investment climate for foreign direct investment (3 of 3)

6. INVESTMENT PROCEDURES

The investment procedures vary, depending on each investment form

No.	Investment form	Investment procedure	Licensing authority	Statutory timeframe (*)	Note
1	Establishment of a legal entity	(i) Application for an Investment Registration Certificate (IRC)	• Department of Planning and Investment (DPI); or • Management Board of special purpose zones	15 days	The In-principle approval of the National Assembly, Prime Minister, or provincial People's Committee before the issuance of IRC shall be required in case of investment projects which make significant economic-social impacts as stipulated at law.
		(ii) Application for an Enterprise Registration Certificate (ERC)	• Business Registration Office (BRO) of provincial DPI	3 working days	
2	Capital contribution/ acquisition in existing legal entities	(i) Application for approval for capital contribution/ acquisition	• DPI; or • Management Board of special purpose zones	15 working days	This step is required in cases: (i) the share/capital acquisition results in the increase of foreign ownership ratio in the target company operating in conditional business industries applied to foreign investors; (ii) the share/capital acquisition results in the foreign ownership ratio after the share/capital acquisition is 50% or more; (iii) the target company has Certificate of land use right in an island, on a coastal or border commune, ward or town or area affecting national defense and security
		(ii) Application for updating the new shareholding members	• BRO	3 working days	
		(iii) Application for updating the new investor	• DPI; or • Management Board of special purpose zones	3 - 10 working days	
3	BCC signed with other local or foreign investors	(i) Application for an IRC	• DPI; or • Management Board of special purpose zones	15 days	The In-principle approval of the National Assembly, Prime Minister, or provincial People's Committee before the issuance of IRC shall be required in case of investment projects which make significant economic-social impacts as stipulated at law.
		(ii) Application for a Certificate of Operation Registration (COR) for the project offices	BRO	15 days	

(*) Where the investment projects are subject to the In-principle approval of the National Assembly, Prime Minister or provincial People's Committee; and/or subject to evaluation by various competent authorities, the above timeline will be longer.

Note: Working days mean any days other than Saturdays, Sundays or public holidays.

Taxation (1 of 3)

1. OVERVIEW

The Vietnamese taxation system has undergone (and is expected to continue undergoing) many major transformations, such as changes in Corporate Income Tax, Value Added Tax, Foreign Contractor Tax, and Personal Income Tax. While changes occur frequently, the enforcement mechanism and the ruling process often lack sufficient capacity.

The principal types of tax imposed in Vietnam are:

- Corporate Income Tax (CIT)
- Value Added Tax (VAT)
- Personal Income Tax (PIT)
- Special Sales Tax (SST)
- Foreign Contractor Tax (FCT)
- Business License Tax (BLT)
- Import and Export Duties (IED)

Furthermore, other taxes may apply to certain businesses:

- Natural Resources Tax
- Property Tax
- Environmental Protection Tax

It's important to note that all taxes are national taxes and administered locally. There are no local, municipal, or provincial taxes in Vietnam.

2. CORPORATE INCOME TAX (CIT)

The Law on CIT applies to both domestic and foreign entities investing in Vietnam. It broadens the taxpayer base to encompass all foreign enterprises earning income from Vietnam, regardless of having any permanent establishment in the country.

Tax Year

A corporate taxpayer can choose to adopt a calendar year or a fiscal year ending on a quarter of a calendar year as the basis for the tax year.

Taxable Income

Taxable income is defined as income derived from production, trade of goods and services, and other sources from all business sectors and industries.

Deductions

In general, deductible expenses for CIT purposes are reasonable expenses actually incurred that relate to the activities of production and business of the enterprise and are accompanied by legal and complete invoices and vouchers as required by law.

Losses Carried Forward

Tax losses may be carried forward for a maximum of five (5) consecutive years. Ordinary losses may be offset against income that does not enjoy tax incentives and vice versa. Losses from transfer of real estate, transfer of investment projects and transfer of the right to participate in investment projects can be offset against profits from the main business activities.

After offsetting, any losses from such activities will be consecutively carried forward for a maximum period of five years to taxable income of those activities in the following years.

Losses of prior years may be rolled over and offset against provisional quarterly taxable income of the subsequent year, subject to year-end reconciliation.

Carry-back of losses is not permitted and there is no provision for transfer of losses within the group.

Tax Rates

The corporate tax rates are classified into the following three categories:

	From 01 January 2016
Standard tax rate	20%
Preferential tax rates	17%, 15% or 10%
Other tax rates (e.g. oil & gas operations, natural resources industry)	25% - 50%

Tax Incentives

Preferential tax treatments such as tax exemption, tax reduction, and preferential rates (17%, 15% or 10%) are limited to:

- Encouraged sectors such as: healthcare, education, training, sports, art activities, environment, scientific research, high-tech, infrastructure development and software.
- Economic zones, industrial zones without favorable conditions or locations with difficult socio-economic conditions.

A CIT incentive package of 10% CIT rate within 15 years, 4 years of CIT exemption plus subsequent 9 years of 50% CIT reduction may be applicable to several cases, including, but not limited to:

- Income of enterprise from performance of new investment project in the area with extremely difficult socio-economic conditions.
- Income of enterprise from performing new investment project in the high technology field.
- Income of enterprises from performing new investment projects in the field of environmental protection.
- High-tech enterprises and agricultural enterprises applying high-tech.
- New investment projects manufacturing supporting industry (SI) products.
- The income of an enterprise from the implementation of a new investment project in production meeting certain conditions of investment scale, annual revenue or labor usage.

A CIT incentive package of 17% CIT rate within 10 years, 2 years of CIT exemption plus subsequent 4 years of 50% CIT reduction will be applied to:

- Income of an enterprise from performing a new investment projects in the areas with difficult socio-economic conditions.
- Income of an enterprise from performing a new investment project in production of equipment, high-quality steel and other products.

Note: taxpayers having effective tax rate of less than 15% may be affected by the Global Minimum Tax Policy adopted in Vietnam from 1 January 2024. Please refer to Section 13 on Global Minimum Tax for more details.

Taxation (2 of 3)

3. VALUE ADDED TAX (VAT)

The VAT system in Vietnam applies to goods and services used for production, business and consumption in Vietnam. Two methods can be used to calculate VAT payable.

- Taxpayers meeting the requirements can apply the credit method. VAT payable under the credit method is calculated on the difference between output VAT (VAT collected for sales) and input VAT (VAT paid on purchases).
- Taxpayers that do not qualify for the credit method can apply the direct method. Under the direct method, the taxpayer will pay VAT by applying a deemed rate on the added value of the transaction.

A Corporate Tax-payer is required to file and pay VAT on a monthly basis, or on a quarterly basis if relevant conditions are met. The standard VAT rate is 10%, but the rates are classified into four groups: exempt, 0%, 5% and 10%.

In the effort of support businesses post Covid-19, Vietnam the Government temporarily reduce 2% VAT reduction applicable to most of goods and services currently subject to 10% VAT rate. This reduction shall be applied for the period from 1 January 2024 to 30 June 2024.

4. PERSONAL INCOME TAX (PIT)

The Vietnamese domestic PIT regulation requires taxpayers to declare and pay tax on both employment income and non-employment income (e.g., capital investment, capital assignment, transfer of securities, etc.). Each type of income has a different tax rate and a different approach to PIT declaration.

Tax residents are subject to PIT on their worldwide income, while tax non-residents are only subject to PIT on Vietnam-sourced income, defined as income earned from their work and duties performed in Vietnam. Tax non-residents who are citizens and residents of countries with tax treaties with Vietnam may be exempt from PIT on employment income if they also meet the conditions specified in the respective tax treaties. This exemption is granted upon application and is subject to the tax authority's assessment; it is not applied automatically.

Tax deductions, including personal relief, dependent (subject to registration with the tax authority) relief, and the expatriate employee's portion of compulsory social security following Vietnamese regulations or those of their home country, are deductible when calculating tax on employment income for tax residents. Tax non-residents are not entitled to tax deductions.

5. FOREIGN CONTRACTOR TAX (FCT)

Foreign organizations and individuals carrying out approved business activities in Vietnam without a legal entity are subject to Foreign Contractors Tax (FCT), including VAT and CIT. Applicable tax rates vary depending on whether a foreign contractor registers to use the Vietnamese Accounting System (VAS) or not.

6. SPEACIAL SALES TAX (SST)

Special Sales Tax (SST) is imposed on a selected number of goods and services, either at the stage of production, provision of services, or importation. Export products are exempted from SST. Imported goods liable to SST are subject to SST both upon importation from overseas and upon sales within the domestic market.

SST taxable price at the import stage = taxable price for import duty calculation + import duty

- SST taxable price at the trading stage =

$$\frac{\text{Selling price exclusive of VAT} - \text{Environmental protection tax (if any) \%}}{\text{1+ SST rate}}$$

Taxpayers producing SST-liable goods from SST-liable materials are entitled to claim a credit for the amount of SST paid on the materials imported or purchased from local suppliers.

7. BUSINESS LICENSE FEE (BLF)

BLF is imposed on economic organizations in accordance with the registered capital in the business registration license or the investment license, ranging from VND1 million (US$41) to VND3 million (US$124) per year.

BLF payment is due upon registration of business for tax purposes and subsequently on an annual basis. Newly established businesses are exempt from BLF in the first year.

8. IMPORT AND EXPORT DUTIES

All goods entering Vietnam are generally subject to import duties (i.e., import duty/tax, import VAT). Import duty rates vary depending on the nature, the HS codes of the goods involved, and the origin of the goods. There are three import duty rates applicable (ordinary, preferential, and special preferential), based on the trading relationship between Vietnam and the exporting countries are applied.

- Special Preferential Import Duty: In case the imported goods are proven to be originated (with a valid Certificate of Origin) from a country/region that has a Free Trade Agreement with Vietnam, a special preferential import duty is applied, which grants partial or full exemption from the import duty.
- Exemptions:
  - Raw materials and components imported into Vietnam for the manufacture of goods for export are usually exempt from import duties.
  - Enterprises with foreign-invested capital and parties to a BCC in especially encouraged projects are exempt from import duty in respect of certain imported goods which form part of their fixed assets.
- Export Duties: Most exports are duty-free, except for certain natural resources such as sand, chalk, marble, granite, ore, crude oil, forest products, and scrap metal.

9. NATURAL RESOURCES TAX

Natural Resources Tax (also known as royalty tax) is imposed on the exploitation of Vietnam's natural resources including petroleum, mineral resources, forest products, seafood and natural water. Tax rates vary depending on the specific classification of natural resource and are applied to the production output at a specified taxable value per unit.

Taxation (3 of 3)

10. PROPERTY TAX

- Property Tax in Vietnam is imposed as a "land use fee" or "land rental." A foreign investor requiring land for an investment project may apply to the land management authority by way of an allotment and payingthe land use fee or by way of lease and paying the land rental. The land rental rates vary depending on the location, infrastructure, and industrial sector where the business operates.
- Effective from January 1, 2012, owners of houses and apartments are required to pay land tax charged on a square meter basis at progressive rates from 0.03% to 0.15%.

11. ENVIRONMENT PROTECTION TAX (EPT)

Effective from January 1, 2012, Vietnam introduced the Environment Protection Tax (EPT) to impose a tax on goods that may cause damage to the environment.

EPT applies to the production and importation of certain goods such as petroleum, coal, plastic bags, and restricted chemicals.

For 2024, a temporary 50% EPT reduction applies to petrol, gas, and grease to support taxpayers post-Covid-19.

12. DOUBLE TAXATION TREATIES

Vietnam has entered into Double Taxation Agreements (DTAs) with over 75 countries, allowing cooperation with their tax authorities to enforce respective tax laws. Qualified taxpayers must submit the DTA dossiers to the tax authorities for review and approval. The approval process theoretically takes 30 to 45 days from the receipt date of the dossier.

In 2022, Vietnam signed the Multilateral Instrument (MLI) to implement BEPS actions, aimed at solutions for the prevention of base erosion and profit shifting. Subsequently, a number of clauses of the current DTAs that Vietnam agrees to take the MLI position on will be subject to changes. The MLI came into force in Vietnam on September 1, 2023.

13. GLOBAL MINIMUM TAX (GMT)

On 29 November 2023, the National Assembly passed the Resolution 110/2023/QH15 introducing GMT, which took effect on 01 January 2024.

Key provisions are as follows:

- Large multinational enterprises (MNEs) must pay a minimum 15% corporate tax rate in each jurisdiction they operate in.
- Enterprises within the scope of the legislation are constituent entities of an MNE Group with annual consolidated revenues exceeding EUR750 million in at least two of the four preceding fiscal years.
- If the Effective Tax Rate (ETR) in a jurisdiction falls below the 15% minimum rate, a top-up tax will be imposed in Vietnam.
- The filing and payment deadlines:
  - Qualified Domestic Minimum Top-up Tax : within 12 months of the fiscal year end.
  - Income Inclusion Rule : within 15 months of the fiscal year end, with an extension to 18 months for the first year.

Following the Resolutions on GMT, the Government initiated a draft decree on the establishment, management and use of an investment support fund.

The fund will provide support to the following eligible taxpayers:

- Entities investing in high-tech production, with capital scales from VND12 trillion or annual revenue of VND20 trillion;
- High-tech entities, with capital scales from VND12 trillion VND or an annual revenue from VND20 trillion;
- Entities with projects applying high technology, with capital scales from VND12 trillion or annual revenue from VND20 trillion;
- Entities investing in a R&D center with a capital of VND3 trillion or higher.

The support payment shall be subject to the actual expenses of the taxpayers and be paid at a certain ratio, specifically:

	Payment level
HR training and development expenses	Up to 50%
R&D expenses	20% - 40%
Investment in FAs	10% - 40%
High-tech products manufacturing expenses	0.5% - 1.5% of added value
Social infrastructure system expenses	Up to 50%

14. DRAFT TAX LAWS

Following the Approved Strategy on Taxation System reform up to 2030, Vietnam is in the progress of reviewing a number of tax laws as part of efforts to continue enhancing the country's investment environment.

It is targeted that the amended for VAT law, CIT law and SST law would be ratified by the National Assembly by the end of 2024 and 2025, respectively.

Meet our expert

Hoang Thuy Duong

Partner, Head of Tax

Awards for KPMG Tax & Legal Services 2023

KPMG was honored as Vietnam Tax Disputes Firm of the Year 2023. KPMG in Vietnam is proud to be recognized at the International Tax Review Asia-Pacific Tax Awards 2023 for our outstanding efforts in providing Tax consulting services. This is the 7th consecutive year that KPMG in Vietnam has been recognized at this award.

The Legal 500 Rankings

In The Legal 500 rankings, KPMG Law in Vietnam has received recognition for its outstanding work. In addition to being recognized as one of the largest law firms in Vietnam, KPMG is also proud to have 8 esteemed practice groups and 3 newly recognized areas of expertise.

Banking and foreign exchange control (1 of 3)

1. BANK ACCOUNTS

Direct Investment Capital Account (DICA)

Foreign-invested enterprises and foreign parties to business cooperation contracts must open a DICA at a licensed bank in Vietnam to handle specific transactions related to foreign direct investment (FDI). These transactions include:

- Receipt: Capital contributions, funds from assigned capital contributions, and foreign loans.
- Disbursement (outside Vietnam): Principal, interest, and fees on foreign medium- or long-term loans.
- Disbursement (outside Vietnam): Capital, profits, and other legal revenue of a foreign investor.
- Other: Revenue and disbursement transactions related to FDI activities.

Additional Accounts for Foreign-Invested Enterprises

Foreign-invested enterprises may open additional accounts at authorized banks in Vietnam for daily business operations:

- Current accounts and transaction accounts in foreign currency
- Vietnamese Dong accounts

Important Note:

Capital transfer transactions must be routed through DICAs only when they involve:

- A resident (local) investor and a non-resident (foreign/offshore) investor.
- Transactions between non-resident investors or resident investors do not require DICAs.

Offshore Accounts (subject to approval)

Foreign-invested enterprises may also be allowed to open offshore foreign currency bank accounts, subject to approval by the State Bank of Vietnam (SBV).

Indirect Investment Capital Account (IICA)

Non-resident foreign investors must open an IICA in Vietnamese Dong (VND) at a licensed bank in Vietnam to conduct indirect investments in the country.
Any investment capital in a foreign currency must be converted to VND before it can be used for indirect investment.

Transactions Permitted Through IICA:

Receipt:	Funds from assigned capital contributions, sale of securities, dividends, and other income generated from indirect investment activities.
Disbursement:	Funds for purchasing capital contributions or securities, and for covering other expenses related to indirect investment activities.
Other:	Revenue and disbursement transactions related to indirect investment in Vietnam.

2. FOREIGN EXCHANGE CONTROL

The Vietnamese Dong (VND) is not a freely convertible currency. The Vietnamese market remains heavily reliant on foreign currencies, particularly the US dollar. The government is actively implementing measures to gradually reduce this dependence.

By law, most monetary transactions in Vietnam must be conducted in VND. Exceptions exist for a limited number of situations, such as salary payments to foreign employees and fulfilling import-export entrusted contracts, which can be done in foreign currencies.

Foreign-invested enterprises, under certain conditions, can purchase foreign currency from banks to meet their foreign currency obligations arising from their business transactions.

The State Bank of Vietnam (SBV) generally imposes fewer restrictions on foreign currency entering Vietnam compared to foreign currency leaving the country, which is limited to specific transactions like payments for imported goods and services, repayments of foreign loans, and interest on those loans.

Only banks, non-bank credit institutions, and other licensed institutions can provide foreign exchange services.

Banking and foreign exchange control (2 of 3)

3. FOREIGN CURRENCIES AND EXCHANGE RATE

The Vietnamese Dong (VND) is the official currency of Vietnam. However, foreign currencies can be used for specific payments and transfers under Vietnamese law. These permitted circumstances include:

- Payments and remittances related to imports and exports of goods and services.
- Income generated from direct and indirect investments.
- Repatriation of permitted reductions in direct investment capital.
- Interest payments and principal repayments on foreign loans.
- Certain one-way payments for personal consumption purposes.
- Other similar authorized transactions.

Requirements for Foreign Currency Transactions

Both Vietnamese residents and non-residents who wish to conduct transactions in foreign currencies within Vietnam must provide supporting documents to licensed banks or credit institutions. Individuals can purchase foreign currency from these institutions only for approved purposes. They will need to submit relevant documentation that proves their need for foreign currency, such as invoices or travel documents.

Foreign Exchange Rates and Trading

The State Bank of Vietnam (SBV) sets a daily central exchange rate for the Vietnamese Dong (VND) against the US dollar (USD). Licensed credit institutions can trade foreign currencies within a margin of +/- 5% around this central rate. This system has contributed to a more robust foreign currency derivatives market, allowing businesses to manage their foreign exchange risk and improve overall market liquidity.

4. CAPITAL TRANSACTIONS OF FOREIGN INVESTORS IN VIETNAM

Pre-Investment Stage

- Foreign investors can open non-resident payment accounts in a foreign currency at a licensed Vietnamese bank before receiving an investment registration certificate or approval for capital contribution/acquisition.
- These accounts allow them to receive money from overseas to pay for eligible pre-investment expenses.

New Regulations for Short-Term Loans (as of Aug 2023)

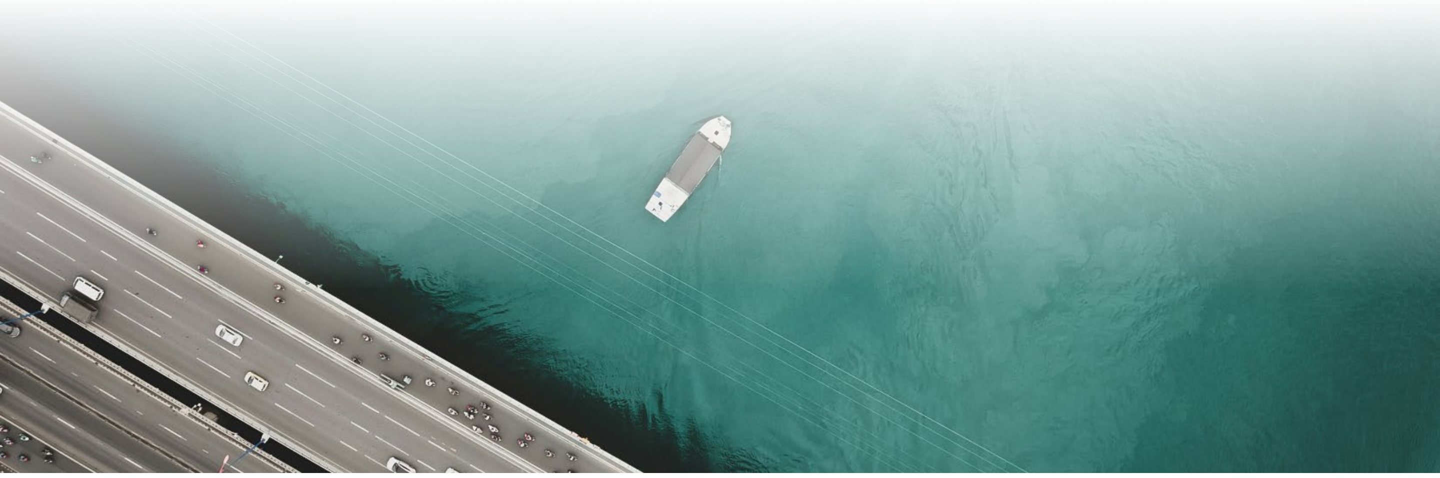
- Short-term foreign loans can now only be used for:
  - Restructuring other foreign loans.
  - Paying for short-term payable amounts (excluding principal repayments of domestic loans) incurred during project implementation.

Foreign Loan Accounts

- All medium- and long-term foreign loans must be channeled through Direct Investment Capital Accounts (DICAs), except for loans in currencies not supported by DICAs.
- Foreign-invested companies have more flexibility with short-term foreign loans. They can be channeled through either DICAs or another designated bank account for foreign loan transactions, based on the borrower's preference.

Investment Stage

- Foreign-invested companies can borrow from overseas sources to fund their investment projects in Vietnam.



Banking and foreign exchange control (3 of 3)

5. PROFIT REMITTANCE REGULATIONS

Lawful revenue in Vietnamese Dong (VND) earned from foreign direct and indirect investments can be converted into foreign currency for remittance abroad through authorized banks in Vietnam. There are no taxes on profit remittances.

Current regulations allow for profit remittances in two ways:

- **Annual Remittances**: Foreign-invested enterprises (FIEs) can remit all their annual profits at the end of the fiscal year, provided they:
  - Have no accumulated losses.
  - Can fulfill all outstanding debts after the remittance.
- **Remittance Upon Termination**: Profits can be remitted upon termination of business activities or investment projects in Vietnam.

Foreign Investor Responsibilities

Foreign investors must submit a notification of planned profit remittance to the tax authorities at least seven working days before the remittance date.

Foreign Currency Purchase

Following notification, the foreign investor can purchase foreign currency from authorized Vietnamese banks for repatriation of profits. However, it's important to note that:

- Banks are not obligated to sell foreign currency, even if the investor has the right to buy it.
- The availability of foreign currency depends on market liquidity at the time.

Therefore, building a good relationship with a bank is crucial. Negotiating favorable terms when choosing a bank in Vietnam is recommended.

Meet our expert

Pham Thi Quynh Ngoc

Director, Head of National Licensing and Financial Services Regulatory

Accounting and Reporting (1 of 2)

1. ACCOUNTING REQUIREMENTS

Vietnamese Accounting System, Vietnamese Accounting Standards, and the Law on Accounting 2015 (the Law)

Enterprises with foreign-owned capital, foreign parties to business cooperation contracts, and foreign contractors that have a resident base in Vietnam (collectively “FIE”) are required to adopt Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises, and their interpretive guidance (VAS).

The Vietnamese Accounting System for enterprises is issued by the MOF in the form of a bookkeeping manual that provides a standard chart of accounts, financial statements template, accounting books and voucher templates, as well as detailed guidance on accounting double entries for each specific account.

The general requirements of VAS and the Law include:

- Language: If a foreign language is used on an accounting voucher, both the Vietnamese language and foreign language should be used simultaneously in the preparation of accounting records and financial statements. The minimum content of the accounting voucher should be translated into Vietnamese, but it is not mandatory to translate all supporting documents except for specific requests from a competent authority.
- Currency: VND is the default currency unit in accounting. An FIE is permitted to use a “foreign currency” as the currency unit in their accounting records if certain criteria are met. However, in such cases, the financial statements submitted to local authorities must be converted into VND and must be audited.
- Digits: Companies, and branches of foreign companies that are required to submit financial statements to parent companies or use the same management software with the parent companies, are allowed to use the comma (,) as the digit grouping symbol and the dot mark (.) as the decimal symbol. However, for those financial statements to be submitted to the tax authority, statistical authority, and government agency, the dot mark (.) must be used as the digit grouping symbol and the comma (,) must be used as the decimal symbol.
- Forms: The prescribed VAS chart of accounts and forms of financial statements must be complied with. There are some industry-specific VAS besides the general one for enterprises such as those for credit institutions, insurance companies, securities companies, fund managers, and investment funds.

2. FISCAL YEAR

The fiscal year applicable to FIEs in Vietnam is normally 12 months, commencing on 1 January and ending on 31 December. FIEs with specific operation characteristics may adopt their own 12-month fiscal year, commencing from the first day of a solar calendar quarter and ending on the last day of the previous solar calendar quarter in the following year. They must inform the local tax authority of the adoption of such a fiscal year.

Where the first fiscal year is less than 90 days long, it will be allowed to add this period to the following fiscal year in order to make up one fiscal year.

3. ANNUAL FINANCIAL STATEMENTS

Within 90 days following the close of the fiscal year, enterprises operating in Vietnam are required to prepare and file Annual Financial Statements to relevant local authorities. FIEs and certain types of entities (such as credit institutions) are required to have their Annual Financial Statements audited by a qualified independent auditor.

For enterprises operating in export processing zones (EPZs) or industrial zones (IZs), Annual Financial Statements may be required to be filed with the management board of the EPZs or IZs. The Annual Financial Statements must be signed off by the preparer, the chief accountant, and the legal representative of the enterprise.

Accounting and Reporting (2 of 2)

4. ACCOUNTING RECORDS AND SUPPORTING DOCUMENTS

Types of Accounting Documents

Types of accounting documents include accounting vouchers, sub-ledgers, general ledgers, and financial statements. Accounting documents should be archived in their original form, except for copied accounting documents specifically permitted by the Law.

Electronic Records

Electronic vouchers and accounting books do not require printing for retention. However, enterprises must guarantee information security and ensure data accessibility throughout the retention period. Enterprises must print electronic accounting documents and have them signed and stamped by the legal representative or chief accountant (or acting chief accountant) whenever a competent authority requests them for inspection or audit purposes.

Document Storage and Retention

Accounting documents and accounting books of an FIE must be stored either at the enterprise's premises in Vietnam or in an external archive facility within Vietnam. This storage requirement applies throughout the operating period specified in its IRC registration. When the enterprise ceases operation in Vietnam, its legal representative determines the storage location for accounting documents unless otherwise prescribed by law. Retention duration varies based on the document type, with minimum periods of five and ten years. Certain types of documents must be retained perpetually.

5. APPOINTMENT OF CHIEF ACCOUNTANT OR PERSON IN CHARGE OF ACCOUNTING

Enterprises are required to appoint a Chief Accountant or hire external chief accountant services. The Chief Accountant must satisfy the criteria and conditions stipulated by the Law on Accounting and its guiding regulations. If not immediately able to appoint a Chief Accountant, the enterprise may appoint a person in charge of accounting for a period not exceeding 12 months. Very small enterprises may appoint a person in charge of accounting instead of a Chief Accountant.

Foreigners may be appointed as Chief Accountants if they possess:

- A certificate of accounting expertise or an accounting/auditing certificate recognized by the MOF and issued by a foreign professional body.
- An accounting/auditing professional practicing certificate issued by the MOF.
- A Chief Accountant certificate obtained after passing a MOF-prescribed chief accountant training course.
- At least 2 years of accounting experience, including at least 1 year of accounting experience in Vietnam.
- The Law prohibits the following individuals from assuming the role of accountant within an enterprise:

Those responsible for the enterprise's direction and management.

- Storekeepers.
- Cashiers.
- Individuals responsible for the entity's purchasing and sales.

6. INTERNAL CONTROL SYSTEM

The enterprise must establish an internal control system to:

- Ensure its assets are safeguarded and protected from inappropriate and inefficient use.
- Ensure transactions are approved by authorized persons and completely recorded to serve as the basis for the preparation and presentation of financial statements that give a true and fair view.

Meet our expert

Chang Hung Chun

Managing Partner, Head of Audit

Vietnam to adopt IFRS nationwide by 2025

The MOF outlined a plan in its Decision 345/QD - BTC to adopt International Financial Reporting Standards (IFRS) in Vietnam in two phases: a voluntary phase (from now until 2025) and a compulsory phase (from 2025 onwards). To meet this deadline, entities need to make adjustments in not just accounting and reporting but also in systems, processes, business models, and human resources, so they can publish their first IFRS financial statements for the year ending December 31, 2025

Preparation (2020-2021)

Voluntary application (2022-2025)

- Parent companies of state-owned economic groups operating on a large scale or with loans funded by international financial institutions
- Listed companies
- Large-scale unlisted public companies
- Other parent companies
- Foreign-invested enterprises that are subsidiaries of parent companies located overseas

Compulsory application (from 2025)

- Parent companies of state-owned economic groups
- Listed companies
- Large-scale unlisted public parent companies
- Other parent companies

Source: Decision 345/QD – BTC

Benefits of IFRS

Transparency

Global comparability

Stakeholder confidence boost

Fund accessibility enhancement

Source: KPMG Analysis

Meet our expert

Lam Thi Ngoc Hao

Partner, Head of Business Transformation

Factors positively impacts the adoption and promotion of IFRS in Vietnam

- **Compliance with accounting regulations (CAR)** has a direct, positive and decisive influence on adopting and promoting IFRS in Vietnamese enterprises.
- **Accountants' professional qualifications and experience** are the factors that have the most decisive influence on CAR. If the accounting staff is thoroughly trained and fostered in accounting and tax knowledge and accumulated experience from practice, they will clearly understand the nature of the economic transactions, thus making it easier to apply IFRS.
- The **qualifications and awareness of managers** are also factors that directly, powerfully and positively affect CAR and, therefore, indirectly affect the adoption of IFRS.
- **Tax pressure** is a factor that has a direct, negative relationship and substantially impacts CAR and, therefore, significantly affects the adoption of IFRS.
- **Accountants' psychology** has a direct negative effect on CAR and therefore has an indirect negative relationship with the IFRS adoption.
- **Enterprise size**, **audit performance**, **accounting regimes and circulars**, and **benefits of applying IFRS**, directly and positively affect CAR and, thus, have an indirect, positive impact on adopting IFRS.

Source: Heliyon

Data privacy continues to grow in importance

The deployment of privacy invasive technologies (like Big Data, mobile apps, customer profiling, etc.) is growing, and the quantity and impact of privacy-related scandals rise in tandem. Organizations risk losing the trust of their clients and employees when personal data is not protected adequately

Moreover, regulators worldwide are intensifying their oversight and enforcement actions on data protection. Both within and outside Vietnam, new rules and regulations are being developed to effectively combat and prevent privacy issues.

The General Data Protection Regulation (GDPR) in the EU was a fundamental game changer with a broader geographic reach, introducing controls, reporting standards, and fines up to 4% of a firm's global turnover.

Additionally, Vietnam's data protection legislation is changing, and these upcoming changes will necessitate substantial adjustments in your organization

Decree 13 unfolded

- **Who needs to comply?**

Decree 13 applies to any domestic or foreign organizations or individuals that are involved in processing personal data in Vietnam (e.g., employees, customers, suppliers, users, or other individuals), even if the processing occurs outside of Vietnam.

Whilst Decree 13 has similar requirements compared to the European Union’s General Data Protection Regulation (“GDPR”), there are some significant differences, such as requirements for cross border transfers, consent forms and impact assessment reports, and lawful basis for processing personal data.

Companies that have privacy management practice and policies in place that are either GDPR-compliant or compliant with other privacy laws are not automatically granted a free pass as to compliance with Decree 13. With the effective date of 1 July 2023, businesses should begin reviewing their internal privacy management practices and policies immediately to identify gaps and a corresponding action plan.

- **How to comply?**

KPMG outlined in this Legal Alert some of the key compliance requirements of Decree 13. Note that many of the provisions in this Decree are broadly worded and interpreting the same will be challenging. Given the short time for implementation, we expect that the Ministry of Public Security (“MPS”) will issue further guidance on how Decree 13 is interpreted and enforced. These guidelines will assist businesses compliance efforts. We will continue to closely monitor the developments and provide updates. In the interim, there are various steps that businesses can take immediately to comply with Decree 13.

Timelines

2021

Vietnam’s Personal Data Protection Draft Decree

Ministry of Public Security (MPS) released a draft decree on personal data protection which sets out principles of data protection, including purpose limitation, data security, data subject rights, and the regulation of cross border data transfers.

2022

Resolution No. 27/NQ-CP

The Vietnamese Government issued Resolution No. 27/NQ-CP on 7 March 2022 approving the latest version of the draft Personal Data Protection Decree (“PDPD”). Resolution 27 also designates the MPS as the authority to develop Personal Data Protection Law

2023

Resolution No. 13/NQ-CP

On 7 February 2023, the Vietnamese Government issued Resolution No. 13/NQ-CP approving the substantive contents of the draft PDPD which have been updated based on the comments provided by the National Assembly Standing Committee on the previous version of the draft PDPD.

2023

Decree 13/2023/ND-CP

On 17 April 2023, the Government issued Decree No. 13/2023/ND-CP on Personal Data Protection, which will take effect from 01 July 2023. Decree 13 provides more detailed data protection and cybersecurity obligations with respect to personal data processing activities.

Draft Decree on Cybersecurity and Administration Sanctions

To ensure the enforcement of the regulations on cybersecurity and personal data protection, on 31 May 2023, The MPS circulate a 3rd version of draft decree on cybersecurity administration sanctions for public consultation.

Meet our expert

Bui Thi Thanh Ngoc

Partner, Legal Services

05
Supplements

Supplements

Why KPMG – Market Entry Group (1 of 3)

Our team of experts, who possess a breadth of knowledge across accounting, finance, tax, and law, collaborate effectively to share insights and contribute to the success of your business.

The mission of this group is to provide international standard services to potential market participants. The group acts as a bridge between participants and Vietnam's authorities and trading partners, providing intelligence, advice and support regarding Vietnamese regulatory, financial and commercial issues.

Where necessary and appropriate, KPMG will work with external partners, including Vietnamese consulting firms, to ensure the success of Market Entry projects.

Whether providing a comprehensive *"turnkey"* market entry solution, or addressing a specific issue or problem in support of a larger project, KPMG has the resources and expertise to provide dedicated professional support to entities exploring, entering or altering their presence in the Vietnamese market.

Market Entry Process	Phase 1	Phase 2	Phase 3
	Pre-Licensing Market Entry Strategy Tax & Legal Analysis	**Deal Execution** Green Field Or Deal	**Post-Deal** Post Deal Support

KPMG's Market Entry process recognizes that the key to a successful project is rigorous research and analysis, specifically tailored to the target industry, before decisions and commitments are made. This applies whether the Market Entry is conducted by way of an acquisition, greenfield investment, or third-party contractual arrangement.

PHASE 1 – PRE-LICENSING

MARKET ENTRY STRATEGY

Our Strategy team comprises multi-disciplinary, industry-focused professionals who advise on local and cross-border transactions. Leveraging KPMG's global network of industry specialists, we provide expert guidance on specific deal issues. Whether you're considering an acquisition, expansion, divestment, merger, joint venture, 100% foreign investment, or other strategic alliances, we offer the ideal blend of strategy skills, commercial knowledge, and practical deal experience.

Our comprehensive services span the entire deal spectrum, from pre-deal investigations to post-transaction advisory. Key service highlights include:

- **Market due diligence**

  With your planned investment in mind, we carefully analyze the market size, growth potential, regulatory environment, competition, key drivers, and potential future developments. This analysis helps you assess the industry's attractiveness and determine whether the opportunity aligns with your goals as you develop a strategy for market entry or expansion.

- **Corporate intelligence / background check**

  Recognizing that the right partner is crucial for success in a new market, we help you assess potential business partners in Vietnam. Our evaluation covers their business license, operations, financial situation, and the management team's reputation.

- **Commercial due diligence (CDD)**

  When you consider market entry through acquisition of an existing player ('the target'), we assist your decision-making process with a comprehensive Commercial Due Diligence (CDD). A CDD evaluates the target's market position and its potential for success. We analyze key factors including market conditions and outlook, macroeconomic influences, industry structure, regulatory environment, competitive position, and relationships with key customers and suppliers. Crucially, we challenge the target company's growth forecasts, ensuring they align with anticipated market changes.

- **Regional and location analysis**

  Choosing the right location for your operation can be complex. You'll need to consider not only costs but also navigate the regulatory complexities that vary between provinces and localities. We can help you analyze and develop a strategy considering both financial and non-financial factors.

Supplements

Why KPMG – Market Entry Group (2 of 3)

PHASE 1 – PRE-LICENSING

TAX AND LEGAL ANALYSIS

Our **Pre-Entry Issues Advice** helps you make informed decisions and develop market entry plans based on all available information to avoid unforeseen challenges. Here's what it covers:

- **Deal structuring and corporate structuring options**

  Through analysis, we present you with a range of alternative structures for your Vietnamese deal and business presence, highlighting the advantages and disadvantages of each option.

- **Vietnamese tax issues**

  This includes discussions of corporate taxes, transaction-related taxes, import/export duties, and how to maximize applicable tax incentives.

- **Business licensing issues**

  We'll guide you through the applicable licensing process, focusing on restrictions or conditions placed on foreign participation. We will explain the procedures involved while highlighting practical issues based on our experience.

  Additionally, we can facilitate discussions with relevant licensing or tax authorities to clarify unclear or contentious issues regarding licensing procedures or tax treatment. These discussions can be conducted anonymously ('no names' basis) or formally, depending on your needs.

- **Employee issues**

  This includes employing foreign and domestic workers, as well as addressing the associated tax and immigration concerns.

- **Foreign exchange management**

  We address foreign exchange issues and provide guidance on managing them effectively. We also explain the applicable accounting and financial reporting requirements.

- **Customs and supply chain analysis**

  Together with our customs specialists, we can help you optimize and manage your global supply chain, considering both domestic customs regulations and any applicable bilateral or multilateral free trade agreements..

- **Intellectual Property (“IP”) issues**

  Our support covers intellectual property (IP) considerations for your market entry plans. We'll analyze your needs and advise on a comprehensive IP strategy encompassing registration, protection, enforcement, acquisition, and commercialization. We collaborate directly with the IP Office of Vietnam and the Copyright Office of Vietnam for applications, prosecution, and recordal of licenses and assignments.

PHASE 2 – DEAL EXECUTION

The approach taken in the licensing or deal execution phase depends on the chosen market entry strategy. Acquisitions, for instance, typically involve comprehensive financial, tax, and commercial due diligence.

- **Tax and legal due diligence (TDD and LDD)**

  Tax and legal due diligence (TDD and LDD) helps you evaluate the potential tax liabilities and legal risks of a target company by reviewing and assessing its past, present, and future tax and regulatory compliance. Our professionals apply the insights gained from this comprehensive due diligence to negotiate transaction documents and determine post-deal remedial measures.

- **Financial due diligence (FDD)**

  KPMG's Deal Advisory Services professionals will help you evaluate the target's financial situation and assess the validity of the assumptions used in their projections.

- **Commercial due diligence (CDD)**

  As mentioned earlier, a Commercial Due Diligence (CDD) evaluates a target company's market position and its potential for success.

  We analyze key factors such as market conditions and outlook, macroeconomic influences, industry structure, regulatory environment, competitive position, and relationships with key customers and suppliers.

  Our integrated approach, combining commercial, financial, and tax due diligence services, provides you with a comprehensive understanding of the business.

- **Licensing support**

  KPMG's Licensing Support provides a clear view of Vietnamese legal requirements, licensing procedures, and the latest government policies. We tailor our research and analysis of current regulations to your specific business needs and strategy.

  Importantly, all deals in Vietnam, including acquisitions and joint ventures, require licensing authority approval. Utilizing our established network of government agencies, we assist clients in preparing documents for applications, including joint venture contracts, feasibility studies, and company charters. We follow up with the authorities until a full investment license is issued.

- **Negotiation assistance**

  Leveraging our deep understanding of Vietnamese law, culture, and local expertise, we assist you in negotiations with your target, joint venture partner, or licensing authorities, ensuring you enter negotiations with confidence and avoid unforeseen challenges.

KPMG also provides support in liaising with authorized translation firms in Vietnam, obtaining domestic legislation for foreign documentation, and providing Vietnamese contacts and liaison personnel.

Supplements

Why KPMG – Market Entry Group (3 of 3)

PHASE 3 – POST-DEAL

To help you realize value in your deal, our post-deal services start well before the transaction is concluded. Building on the pre-deal synergy evaluation, we validate and quantify the available synergies. Integrating these with our integration framework enables us to flag integration issues early and helps prepare the business for a smooth post-deal operation from day one. The framework defines the organizational, operational, employee, customer, and regulatory concerns that must be addressed. We will also advise you on risky areas of the transition period.

Our immediate post-licensing services include handling statutory establishment public notices, tax code and official seal applications, labor issues, key personnel registration, and accounting system registration. Our post-licensing support effectively manages your compliance effort in a timely manner while saving your valuable time for business-related work.

We also offer tax compliance as well as tax and regulatory advisory services. Our tax professionals help our clients meet the more demanding and complicated requirements of the Vietnamese tax authorities in tax compliance obligations, including meeting deadlines for filing tax returns, paying the correct amount of tax, and enjoying the maximum tax incentives available in Vietnam.

In addition to the above services, KPMG offers Audit, Advisory, Transfer Pricing and Customs Advisory to our clients.

Consulting Services

It is critical that integrations or divestitures are planned and implemented effectively to achieve the goals that led to the transaction in the first place. Companies are seldom able to sustain an internal group to facilitate this while also maintaining business as usual. This is where our Consulting Services team can step in.

Our team provides the necessary experience and effectively supports you in realizing value as quickly as possible, while meeting statutory requirements. Our professionals combine strong technical capabilities with relevant industry experience and the ability to offer practical advice leveraged by our extensive domestic and international resources.

By smoothly consolidating operations and streamlining processes during the transaction closing process and in the months following a merger, we can help you realize the expected benefits of the deal. These benefits include both cost and revenue synergies related to rationalized organization structures, consolidating back-office, information technology, supply chain and operational functions, and optimized sales channels..

Some of the services we provide are

This includes discussions of corporate taxes, transaction-related taxes, import/export duties, and how to maximize applicable tax incentives.

- Integration/Divestiture Management Office services and change and communications management
- Preparation for "Day One"
- Target operating model and organizational design
- Functional integration including: Finance; IT; HR; Supply Chain; Procurement; Sales & Marketing; Customer Services
- Risk & Compliance

Meet our expert

Luke Treloar

Partner, Head of Global Strategy Group

Pham Thi Quynh Ngoc

Director, Head of National Licensing and Financial Services Regulatory

Awards for KPMG Advisory Services 2023

During 2009-2023, **KPMG won the Vietnam Outstanding M&A Advisor of the Year award** from VIR and the Ministry of Planning and Investment.

Asia Risk Awards 2023

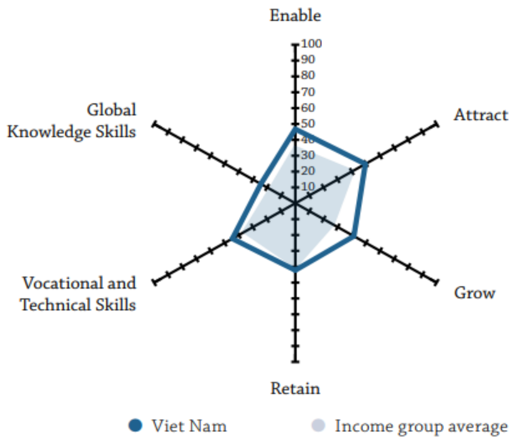
In 2023, **KPMG was named Risk Management Consultant of the Year at the Asia Risk Awards**. This marks KPMG's third win, following previous victories in 2020 and 2022.

GTCI* 2023 – Vietnam's Country Profile

Key Indicators

Rank (out of 134)	**75**
Income group	**Lower-middle income**
Regional group	**Eastern, Southeastern Asia and Oceania**
Population (millions)	**98.19**
GDP per capita (PPP US$)	**13,456.55**
GDP (US$ billions)	**408.80**
GTCI score	**41.50**
GTCI score (income group average)	**32.03**

GTCI 2023 Country Profile by Pillar



		Score	Rank
1	**ENABLE**	**46.78**	**59**
1.1	Regulatory Landscape	43.08	67
1.1.1	Government effectiveness	49.79	53
1.1.2	Rule of law	41.40	71
1.1.3	Political stability	58.19	68
1.1.4	Regulatory quality	31.77	93
1.1.5	Corruption	34.25	63
1.2	Market Landscape	54.36	37
1.2.1	Extent of market dominance	64.61	26
1.2.2	Domestic credit to private sector	70.53	16
1.2.3	Cluster development	70.34	25
1.2.4	R&D expenditure	7.60	65
1.2.5	ICT infrastructure	86.77	13
1.2.6	Urbanisation	26.32	117
1.3	Business and Labour Landscape	42.89	70
	Labour Market		
1.3.1	Labour rights	n/a	n/a
1.3.2	Labour-employer cooperation	64.83	27
	Management Practice		
1.3.3	Professional management	56.51	50
1.3.4	Relationship of pay to productivity	73.16	21
	Technology Adoption		
1.3.5	Enterprise software	8.00	119
1.3.6	Cloud computing	9.66	101
1.3.7	Firms with website	45.17	69

		Score	Rank
2	**ATTRACT**	**49.58**	**72**
2.1	External Openness	35.98	92
	Attract Business		
2.1.1	FDI regulatory restrictiveness	65.95	57
2.1.2	Financial globalisation	52.12	88
	Attract People		
2.1.3	Migrant stock	0.52	133
2.1.4	International students	0.99	105
2.1.5	Brain gain	60.32	32
2.2	Internal Openness	63.18	39
	Social Inclusion		
2.2.1	Tolerance of minorities	48.94	56
2.2.2	Tolerance of immigrants	53.85	79
2.2.3	Social mobility	56.25	47
	Gender Equality		
2.2.4	Economic empowerment of women	83.19	47
2.2.5	Gender parity in high-skilled jobs	84.63	40
2.2.6	Leadership opportunities for women	52.20	58

		Score	Rank
3	**GROW**	**41.45**	**55**
3.1	Formal Education	37.32	54
	Enrolment		
3.1.1	Vocational enrolment	n/a	n/a
3.1.2	Tertiary enrolment	22.74	82
	Quality		
3.1.3	Tertiary education expenditure	45.65	87
3.1.4	Reading, maths, and science	68.54	15
3.1.5	University ranking	12.36	68
3.2	Lifelong Learning	30.17	83
3.2.1	Business masters education	0.00	57
3.2.2	Prevalence of training in firms	24.30	72
3.2.3	Employee development	66.19	40
3.3	Access to Growth Opportunities	56.87	41
	Empowerment		
3.3.1	Delegation of authority	73.90	12
3.3.2	Youth inclusion	80.02	33
	Collaboration		
3.3.3	Use of virtual social networks	66.44	62
3.3.4	Use of virtual professional networks	7.13	102

		Score	Rank
4	**RETAIN**	**42.21**	**98**
4.1	Sustainability	36.40	94
4.1.1	Pension coverage	40.30	86
4.1.2	Social protection	58.86	54
4.1.3	Brain retention	37.41	71
4.1.4	Environmental performance	2.03	133
4.1.5	Vulnerable employment	43.40	99
4.2	Lifestyle	48.02	95
4.2.1	Personal rights	28.35	117
4.2.2	Personal safety	63.02	62
4.2.3	Physician density	12.52	92
4.2.4	Sanitation	88.19	79

		Score	Rank
5	**VOCATIONAL AND TECHNICAL SKILLS**	**44.55**	**71**
5.1	Mid-Level Skills	19.31	101
5.1.1	Workforce with secondary education	32.63	82
5.1.2	Population with secondary education	24.85	68
5.1.3	Technicians and associate professionals	8.62	112
5.1.4	Labour productivity per employee	11.12	90
5.2	Employability	69.80	30
5.2.1	Ease of finding skilled employees	65.34	46
5.2.2	Relevance of education system to the economy	61.18	32
5.2.3	Skills matching	59.95	66
5.2.4	Highly educated unemployment	92.74	10

		Score	Rank
6	**GLOBAL KNOWLEDGE SKILLS**	**24.40**	**71**
6.1	High-Level Skills	9.97	108
6.1.1	Workforce with tertiary education	17.49	89
6.1.2	Population with tertiary education	16.44	68
6.1.3	Professionals	11.17	109
6.1.4	Researchers	8.57	57
6.1.5	Senior officials and managers	3.47	117
6.1.6	Digital skills	2.69	79
6.2	Talent Impact	38.83	40
6.2.1	Innovation output	45.05	40
6.2.2	High-value exports	75.49	4
6.2.3	Software development	61.48	62
6.2.4	New business density	8.98	67
6.2.5	Scientific journal articles	3.15	84

**GTCI (Global Talent Competitiveness Index) report* is an INSEAD's comprehensive annual benchmarking report that measures how countries and cities grow, attract and retain talent. It provides a unique resource for decision makers to understand the global talent competitiveness picture and develop strategies to boost their economies. The 2023 report covers 134 countries across all income groups.*

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