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AVISTA GROUP

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EXPANDING YOUR MANUFACTURING BASE TO VIETNAM

Legal, Tax and Cross-border Trade Essentials



1. WHY INVEST IN VIETNAM?

Vietnam has become one of the leading "China+1" manufacturing bases in Southeast Asia. Its appeal for Chinese manufacturers goes beyond general FDI advantages. It combines geographic proximity to China's own supply chains (land border crossings and short sea routes to Guangxi/Yunnan), a stable and resilient economy (GDP growth of 6.5 - 8% in recent years - **8.02% in 2025 (NSO)**, among the fastest in Asia - moderating to a still-strong forecasts for 2026 ranging from **~6.8%** (World Bank, May 2026) to **8.2%** (IMF, September 2026), and a young, increasingly skilled workforce (**over 50% under age 35**, literacy above 96%).

- **Trade Agreements:** Vietnam has signed **17 Free Trade Agreements** in force (FTAs), including the Vietnam-Israel FTA (VIFTA) and the Comprehensive Economic Partnership Agreement with the UAE (in force 3 February 2026). Negotiations with the European Free Trade Association (EFTA) were concluded on 2 July 2026 (signing and entry into force remain pending) - giving manufacturers based there preferential access to markets Chinese exporters may not enjoy directly.
- **Government Incentives:** Generous tax holidays, import duty relief and land incentives are available for priority sectors - manufacturing, high-tech, semiconductors, AI and renewable energy.
- **Manufacturing Corridors:** Three corridors serve different needs: the north (electronics, near the Chinese border), the center (Da Nang high-tech/software), and the south (established general manufacturing).



2. INVESTMENT INCENTIVES AND TAX DEDUCTIONS

Vietnam's incentive regime is set nationally, but is layered with additional benefits in specific high-tech parks and economic zones.

Incentive	Details
Corporate Income Tax (CIT)	Standard rate is 20%. Preferential rates are generally 10% for 15 years or 17% for 10 years, with up to 30 years for specified large strategic projects. Tax exemption of up to 4 years plus a 50% reduction for up to 9 further years (Law 67/2025/QH15, Arts. 13-14). Losses may be carried forward for up to 5 years. Law 67/2025/QH15 (adopted 14 June 2025; effective 1 October 2025), implemented by Decree 320/2025/ND-CP (15 December 2025): industrial-zone location alone no longer qualifies - eligibility now depends on sector, disadvantaged-area status, or location in an economic zone / hi-tech / digital technology park.
Dividend tax	No withholding tax on dividends distributed to corporate shareholders
Local VAT	Currently 2% reduction applies to most goods and services (standard rate is 10%). The reduction is expected to continue in 2027. In addition, deferral payment schedule is allowed from time to time by the Gov.
Personal Income Tax (PIT)	Possible exemption to max five years for experts, high-skill employees working in high-tech zone, AI industry
Import duty	Exemptions for machinery, raw materials for production and R&D goods; 5-year exemption for high-tech enterprises on imported inputs not yet produced domestically.
Land	Full rent exemption possible in special incentive sectors or high-tech zones (excludes commercial/service land and mineral exploitation).
Global Minimum Tax (Pillar Two)	Since Decree 236/2025/ND-CP (effective 15 Oct 2025), Vietnam applies a Qualified Domestic Minimum Top-up Tax for MNE groups with consolidated revenue ≥ EUR 750m, topping up the local effective tax rate to 15%. Relevant where the Chinese parent group meets this threshold – model the top-up before locking in a preferential CIT rate below 15%.

Specifically, Da Nang region regulatory regime shows how incentives can stack: its Hi-Tech Park, Software/IT Parks and planned Free Trade Zone / Financial Center each offer 10% CIT for 15 years plus land-rent relief and customs priority.



3. REGIONAL AND INDUSTRY-SPECIFIC CONSIDERATIONS



NORTH

- Electronics & hardware corridor (Samsung, LG and suppliers)
- Closest to Chinese border crossings (Huu Nghi, Mong Cai)

Bac Ninh · Hai Phong · Thai Nguyen

CENTER

- High-tech, semiconductor/AI, software & IT incentives
- Deep-water port & international airport; emerging Financial Center & Free Trade Zone

Da Nang City

SOUTH

- Vietnam's largest, most mature industrial base
- Shortest routes to Cat Lai / Cai Mep ports for US & EU export

HCMC · Dong Nai · Tay Ninh

Location choice affects not only labour and logistics costs but also which incentive package and administering authority applies, so it should be settled early, alongside the target industry.

4. CERTIFICATE OF ORIGIN - A CRITICAL COMPLIANCE POINT

A Certificate of Origin ("**COO**") certifies where a product was made and is the document that unlocks preferential tariff treatment under Vietnam's FTAs, or satisfies a destination country's customs requirements.

- To qualify for Vietnam origin, a product must undergo "**substantial transformation**" in Vietnam (a new name, character or use) - simple assembly, packaging or relabelling of foreign-made components would not qualify.

5. VIETNAM'S TRADE TREATY NETWORK FOR EXPORTS

Vietnam's 17 FTAs in force - including CPTPP, EVFTA, RCEP, the ASEAN-China FTA, the Vietnam-Korea FTA, UKVFTA, the EAEU FTA, VIFTA (Israel), and the CEPA with the UAE (in force 3 February 2026). EFTA negotiations were concluded on 2 July 2026 but that agreement is not yet in force - give exporters from Vietnam preferential access that Chinese-origin goods often do not receive directly.

- China and Vietnam are both RCEP members, which can support regional value-content cumulation when planning exports from Vietnam to other RCEP markets - but it does not, by itself, confer Vietnam origin for exports to the United States.
- There is no FTA between Vietnam and the United States. Access to the US market is governed by the bilateral tariff framework, not by Vietnam's FTA network.
- Vietnam also has Double Taxation Agreements with 80+ countries, which can reduce withholding and double-taxation exposure for the wider investment structure.

6. SUBSIDIARY SET-UP AND MOVING MONEY IN AND OUT

- Most manufacturing sectors are open to 100% foreign ownership (subject to Vietnam's conditional and restricted sector lists); a Limited Liability Company is the most common vehicle for a manufacturing subsidiary.
- Standard path: Investment Registration Certificate (IRC, typically issued within 10–15 working days) → Enterprise Registration Certificate (ERC), under the Law on Investment No. 143/2025/QH15 (in force 1 March 2026) and Decree 96/2026/ND-CP (effective 31 March 2026). Alternatively, investors may establish the company (obtain the ERC) first and complete the IRC within 12 months - though the enterprise may not implement the investment project until the IRC is issued, and the decree does not specify the consequences of missing the 12-month deadline. Large-scale or sensitive projects additionally require Investment In-Principle Approval.
- At least one Legal Representative must be Vietnam-resident; other officers (Director, Chairman, Board members) may reside abroad.

How to move capital?

- Capital contributions must flow through a foreign-investment capital account (formerly commonly called a DICA) opened with an authorised bank. Circular 38/2026/TT-NHNN (issued 31 July 2026; effective 18 August 2026; replacing Circular 06/2019/TT-NHNN) allows that account to be opened before the IRC is issued, but pre-IRC use is limited to receiving charter capital, paying lawful pre-investment costs, receiving interest, and refunding capital if the IRC is not granted.
- Dividends may be paid in VND or convertible currency once statutory conditions are met (losses covered, tax finalised); conversion of VND to foreign currency requires proof of a legitimate underlying purpose (e.g., dividends, loan repayment).
- Offshore loans (medium/long-term) must be registered with the State Bank of Vietnam and settled through a dedicated loan account.



7. CHINA'S OUTBOUND DIRECT INVESTMENT (ODI) AND VALUATION REPORT REQUIREMENTS

- **Regulatory Approvals and Foreign Exchange Registration for Outbound Investments**

  For Chinese companies establishing factories or investing in Vietnam, the core regulatory hurdles and capital outflow controls remain in mainland China. Any Chinese entity, including domestic firms investing indirectly through offshore vehicles, seeking to establish or hold an interest in an overseas non-financial enterprise (whether through ownership, control or management rights) must first secure approvals or regulatory filings from the National Development and Reform Commission (under NDRC Order No. 11) and the Ministry of Commerce (under MOFCOM Order No. 3 [2014]) before they could proceed to complete ODI foreign exchange registration, set up designated FX accounts, and remit funds abroad in accordance with PRC Foreign Exchange Regulations and SAFE capital account rules.

- **Independent Valuation for NDRC Approval**

  For outbound projects requiring formal NDRC approval, the authority often subjects the deal's commercial viability and asset pricing to deeper scrutiny. In such cases, applicants may be required to commission a qualified third-party appraisal firm to issue an independent valuation report on the overseas target within a prescribed timeframe.

  Since regulators rely heavily on this assessment to verify transaction reasonableness and project risk, engaging an accredited appraisal firm ensures the report meets statutory standards and avoids unnecessary delays in the outbound approval process.

- **Valuation involving State-Owned Assets and Listed Companies**

  Transactions involving state-owned assets or listed company disclosures trigger stringent regulatory thresholds regarding appraiser eligibility. The valuation report must be issued by an accredited appraisal firm that has completed formal statutory registration. Furthermore, where the report is used for capital market filings or securities-related matters, the firm must possess the specific regulatory qualification and regulatory filing for securities valuation services. Engaging a properly licensed and accredited valuer is therefore a prerequisite to ensure regulatory acceptance by State-owned Assets Supervision and Administration Commission of the State Council, China Securities Regulatory Commission and the stock exchanges.

8. HOW ANDERSEN VIETNAM CAN HELP

ANDERSEN VIETNAM CAN SUPPORT FOREIGN INVESTORS ACROSS THE FULL LIFECYCLE OF THE PROJECT

- Helping identify an investment target or local partner
- Coordinating with government authorities on licensing and approvals
- Conducting all types of due diligence (legal, tax, financial)
- Providing ongoing continued reporting support (legal and tax)
- Accounting

9. HOW AVISTA CAN HELP

AVISTA GROUP CAN SUPPORT CHINA DOMESTIC INVESTORS ACROSS THE FULL LIFECYCLE OF OUTBOUND DIRECT INVESTMENT (ODI) PROJECTS

- Assessing commercial feasibility analysis and pre-deal valuation
- Providing independent valuations to support pricing negotiations
- Preparing valuation for ODI regulatory filings and approvals
- Appraising business, real estates, equipment and intellectual property
- Conducting ESG due diligence and ongoing sustainability reporting
- Advising on risk management and internal controls
- Providing post-deal valuations for financial reporting

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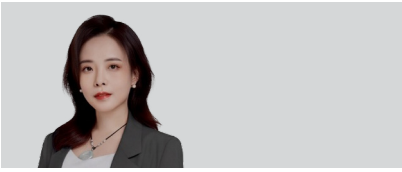
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