

How to Register a Company in Vietnam:

A COMPLETE GUIDE



Picking the right company structure for your business is as important as any other business-related activity. The correct business structure will allow your enterprise to operate efficiently and meet your required business targets.

WHY SHOULD **YOU CHOOSE VIETNAM** TO START YOUR BUSINESS



Business expansion to or investment in Southeast Asian countries would be an excellent decision. Foreign investors looking to invest in ASEAN countries should consider Vietnam as their first place to start and run a business.

What are the advantages of Registering in Vietnam?

There are many advantages to starting your company in Vietnam. Some of them are as follows:



Demography

One of the reasons to invest and start a business in Vietnam is that the country boasts a massive population of more than 95 million people. This considerable population is dominated by young adults, with an average of 30 years of age (62%). The majority of this young and skillful population can be found in two dynamic cities, namely Ho Chi Minh City and Hanoi, and has received significant exposure to information and technology.



Economic Stability

Vietnam has shown a strong economic performance, one of the strongest among ASEAN countries, with their current GDP growth of around 7 percent. The country is expected to show a consistent growth rate in the following years to come.



Government Support to the Businessman

In addition to robust economic growth, the Vietnamese government has also shown strong support for both local and foreign investments for promoting their investment-friendly country across the globe. Some of the best investment-friendly policies implemented throughout the years include 100% foreign ownership in many business sectors and tax incentives in the form of preferential tax rates and tax holidays.



Tax System

Foreign investors and enterprises seeking to set up a business in Vietnam can take advantage of tax benefits offered by the government in selected locations, industries, and business projects to boost development in the country. High-tech companies and large manufacturing companies are offered four years of tax holidays, followed by nine years of 5% corporate income tax.

What is more, investors whose businesses are located within the economically disadvantaged category are eligible for 2-4 years of tax exemption and 4-9 years of 7.5%-10% corporate income tax, and companies that are located within the significantly economically disadvantaged category are granted four years of tax exemption and nine years of 5% corporate income tax.



Low Labour Cost

Concerning labour costs, the average salary of the workforce in Vietnam is much lower, when being compared to many other countries in the world. In urban areas, the minimum wage is VND 4,180,000, whereas, in rural areas, the salary can be as low as VND 2,920,000 per month.

What Business Structures are available to Register in Vietnam?

- Limited Liability Company
- Joint Stock Company
- Representative Office
- Branch Office

To be able to start business operations in Vietnam, foreign entrepreneurs can choose from several types of legal entities available. The most common and preferred ones are -

Limited Liability Company (LLC)

Foreign investors who want to start a 100% foreign-invested enterprise in Vietnam can choose to establish a Limited Liability Company. An LLC is the ideal business establishment for small and medium-sized enterprises (SMEs), because of its simple corporate structure that requires one founder only. Foreign entrepreneurs who wish to protect their assets are recommended to establish this legal entity type because the liability of its shareholders is solely limited to their shares.

There are numerous benefits of setting up an LLC in Vietnam. An LLC helps to protect members in case of lawsuits. If a company must encounter financial issues, its member's assets are safe from the banks, government, and creditors. Moreover, establishing an LLC can streamline the process and operation paperwork, compared to other entity types in Vietnam.

What is more, an LLC makes it easier for expansion as this entity type can raise capital quickly with the support from angel investors, venture capitalists or other funding or financial institutions. An LLC also proves to be useful when it comes to avoiding double taxation for the company. Finally, an LLC will not cease to exist even in the event of a shareholder's death.

Both individuals and companies are allowed to establish an LLC. Several establishment requirements apply to both individuals and companies, namely having a registered business address, a legal representative, a charter capital from 10,000 USD (depending on type of business field), a legalised financial document and notarised copies of the investor and legal representative's identity. The only separate requirement is that companies are required to have a business certificate or certificate of the establishment.

Joint Stock Company (JSC)

Compared to a Limited Liability Company that is known for its simple organisational structure, a Joint Stock Company has a more complicated corporate system and demanding requirements. Due to its nature, a JSC is ideal for large companies.

A majority of large corporations prefer to establish a JSC in Vietnam because this type of legal entity allows its owners to issue shares and list them on the Vietnamese stock exchange. Change of ownership can also be done quickly.

Just like an LLC, a JSC allows 100% foreign ownership, depending on the business sector. But, as the name suggests, a JSC in Vietnam allows a joint venture between foreign investors and local investors.

Under Vietnamese law, a JSC can only be established when there are equal portions of shares. What is more, it is essential to know that this legal entity requires at least three shareholders for its establishment.

The benefits of setting up a JSC include no restrictions on the number of shareholders and freedom of ownership transfer. Like an LLC, a JSC will continue to exist in the event of a shareholder's death. Each shareholder should only pay for the amount of loss or debts that do not exceed their contribution in unfortunate circumstances such as debts and bankruptcy.

Investors who are interested in opening a JSC must satisfy these requirements:

1. Proof of funds with a bank certificate
2. An investment project proposal
3. Documents for an Investment Registration Certificate application
4. Details of every shareholder and their respective amount of shares
5. Legal status certificates for all founding shareholders
6. Capital bank account
7. Land-use proposal
8. Foreign Investment Certificate
9. Audited financial statements and submission of annual return

Representative Office (RO)

The primary purpose of establishing a Representative Office is to establish a presence in the local market without pouring in large capital investment. Through an RO, foreign entrepreneurs can analyze the local market trends, conduct research, and promote marketing activities. An RO is strictly prohibited from performing any activities that will bring profits. It is expected that after gaining a presence in Vietnam, foreign entrepreneurs will set up a foreign-owned company in Vietnam.

To establish an RO, these requirements must be satisfied: the operations of the parent company overseas must be at least one year from the establishment date and the RO's Chief Representative are required to fulfill the conditions under Vietnam Law.

Branch Office (BO)

A Branch Office in Vietnam, just like in any other countries, serves as an extension of its parent company overseas. Unlike a Representative Office, a BO is permitted to conduct all commercial activities of its parent company and generate profits. Moreover, it is not required to incorporate a separate legal entity in Vietnam.

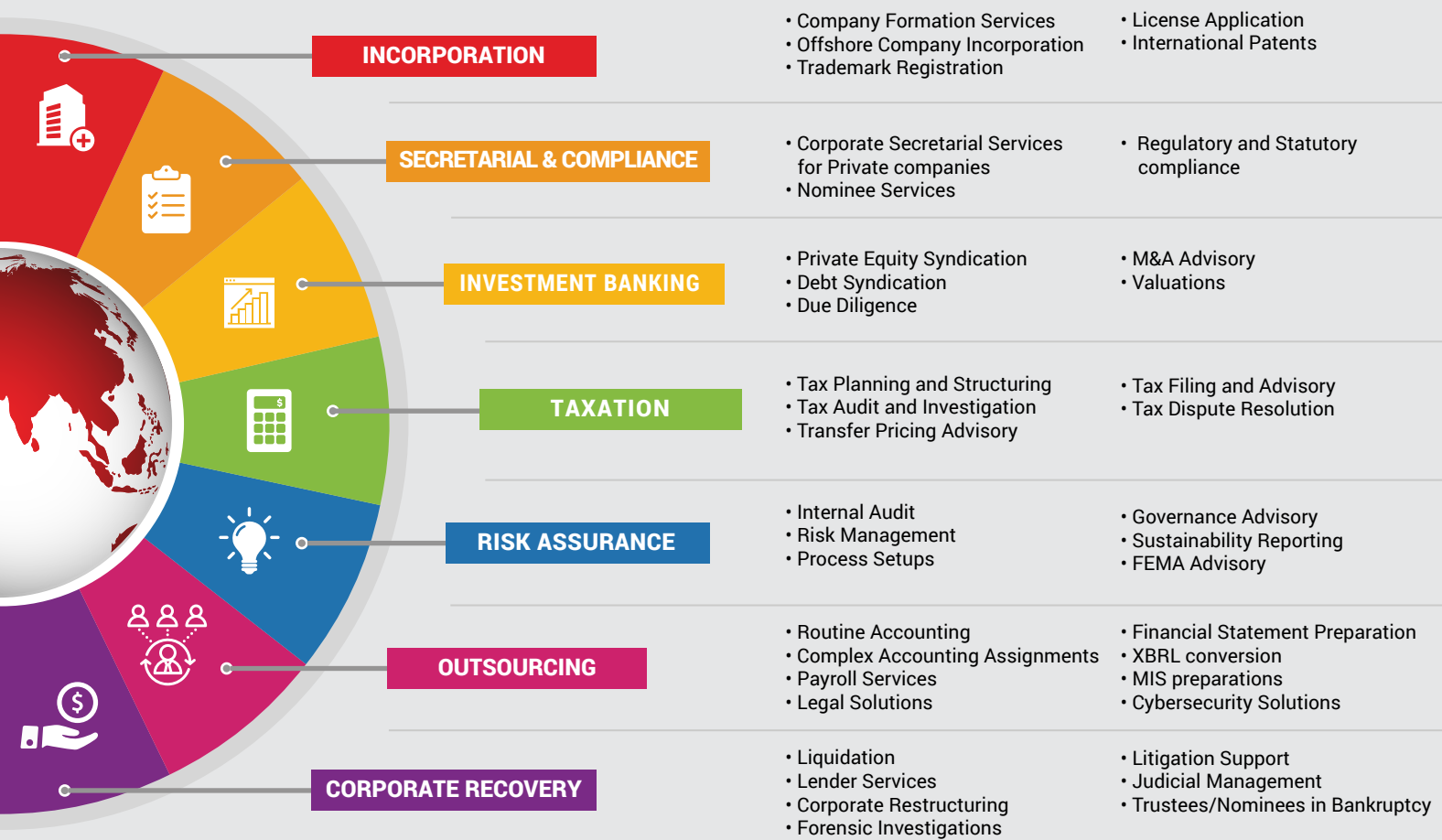
In other words, a BO can do these activities: issuing VAT invoices on its own, can keep accounting and financial records together or separated from its headquarters, can enter into and amend contracts or agreements when necessary.

How to Register a Company in Vietnam?

The process of setting up a company in Vietnam, which may take between one and three months. Here it is as follows:

- Arrange an appointment at the Department of Planning and Investment
- Certify foreign legal documents and translate them into Vietnamese
- Prepare certified copies of identity cards or passports.
- Lease an office and sign a lease agreement
- Apply for an Investment Registration Certificate (IRC) and Enterprise Registration Certificate (ERC)
- Obtain a certificate of tax registration
- Open a bank account
- Publish the business at the National Business Registration Portal

Our Services



Start Your Company in Vietnam Now

Consultation from a leading business incorporation specialist like InCorp is a smart choice to solve your challenges related to company setup, business licensing, and more.

In.Corp
Vision To Reality

+91 77380 66622

info@incorpadvisory.in | www.incorpadvisory.in

2nd Floor, Gita Building, (Near Chhagan Mitha HP Petrol Pump) Sion Circle, Sion (East),
Mumbai – 400022