



The Revival of South East Asian Manufacturing What this means for Vietnam (and investors in Vietnam)?

Jerome Buzenet

Aus Cham – Hanoi, 9 March 2017

Aus Cham – Ho Chi Minh City, 10 March 2017

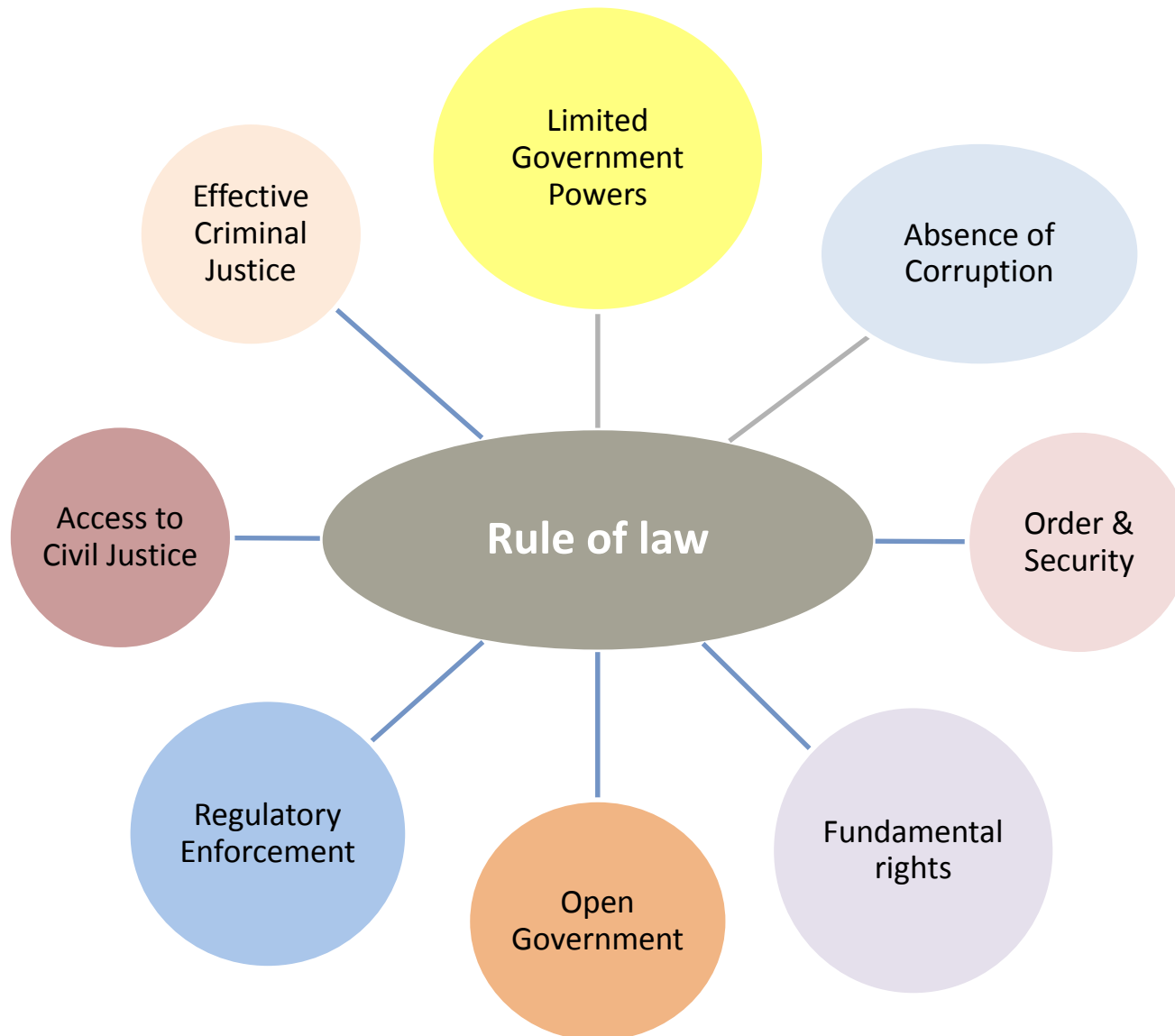
Vietnam competing as investment destination

Legal checklist of a foreign investor



Vietnam competing as investment destination

Safe legal destination?



Vietnam competing as investment destination

Tax rates



Country	CIT	VAT/Sales Tax	WHT Dividends	WHT Interest	WHT Services	WHT Royalties	CGT
Cambodia	20%	10%	14%	14%	14%	14%	20%
Indonesia	25%	10%	20%	20%	20%	20%	5% of transaction value
Lao PDR	24%	10%	10%	10%	7%	5%	↑10%
Myanmar	25%	5%	0%	15%	3.5% (2.5% in Apr 2017)	20%	10%
Thailand	30%	7%	10% / 0%	15%	15%	15%	15% to non-residents
Vietnam	20%	10%	0%	5%	5%	10%	20%

- ✓ ASEAN/AEC integration
- ✓ Bilateral treaties on trade & investment
- ✓ Double tax treaties (67)



Vietnam competing as investment destination

CIT incentives for manufacturing

Conditions	Preferential tax rate	Tax exemption	50% reduction of CIT payable
<ul style="list-style-type: none"> ▪ New investment projects in localities with extreme difficulties and economic zones and high-technology zones ▪ New investment projects in the tech-related sectors or high investment scale 	10% for 15 years from the year operating income is earned.	4 years from the first profitable year	9 subsequent years following the tax exemption period
<ul style="list-style-type: none"> ▪ New investment projects in localities with extreme difficulties or difficulties and engaging in socialization sectors 	10% for entire life of the project	4 years from the first profitable year	9 subsequent years following the tax exemption period
<ul style="list-style-type: none"> ▪ New investment projects in socialization sectors 	10% for entire life of the project	4 years from the first profitable year	5 subsequent years following the tax exemption period

Vietnam competing as investment destination

CIT incentives for manufacturing

Conditions	Preferential tax rate	Tax exemption	50% reduction of CIT payable
<ul style="list-style-type: none"> ▪ Cultivating, breeding animals, processing agricultural and aquaculture products 	15%	2 years from the first profitable year	4 subsequent years following the tax exemption period
<ul style="list-style-type: none"> ▪ New investment projects in localities with difficulties or high quality production or power saving products, etc. 	17% for 10 years from the year of operating income generation	2 years from the first profitable year	4 subsequent years following the tax exemption period
<ul style="list-style-type: none"> ▪ New investment projects in industrial parks (not in locations with favorable socio-economic conditions) 	N/A	2 years from the first profitable year	4 subsequent years following the tax exemption period

Securing land/facilities

- ✓ 'Buying'/renting



- ✓ Due diligence

- ✓ Securing title



Joint ventures

- ✓ Do you need a JV partner?
- ✓ What can JV partner bring?
- ✓ What can JV partner take?



Importance of structuring a **balanced deal**,
throughout the life of the JV!



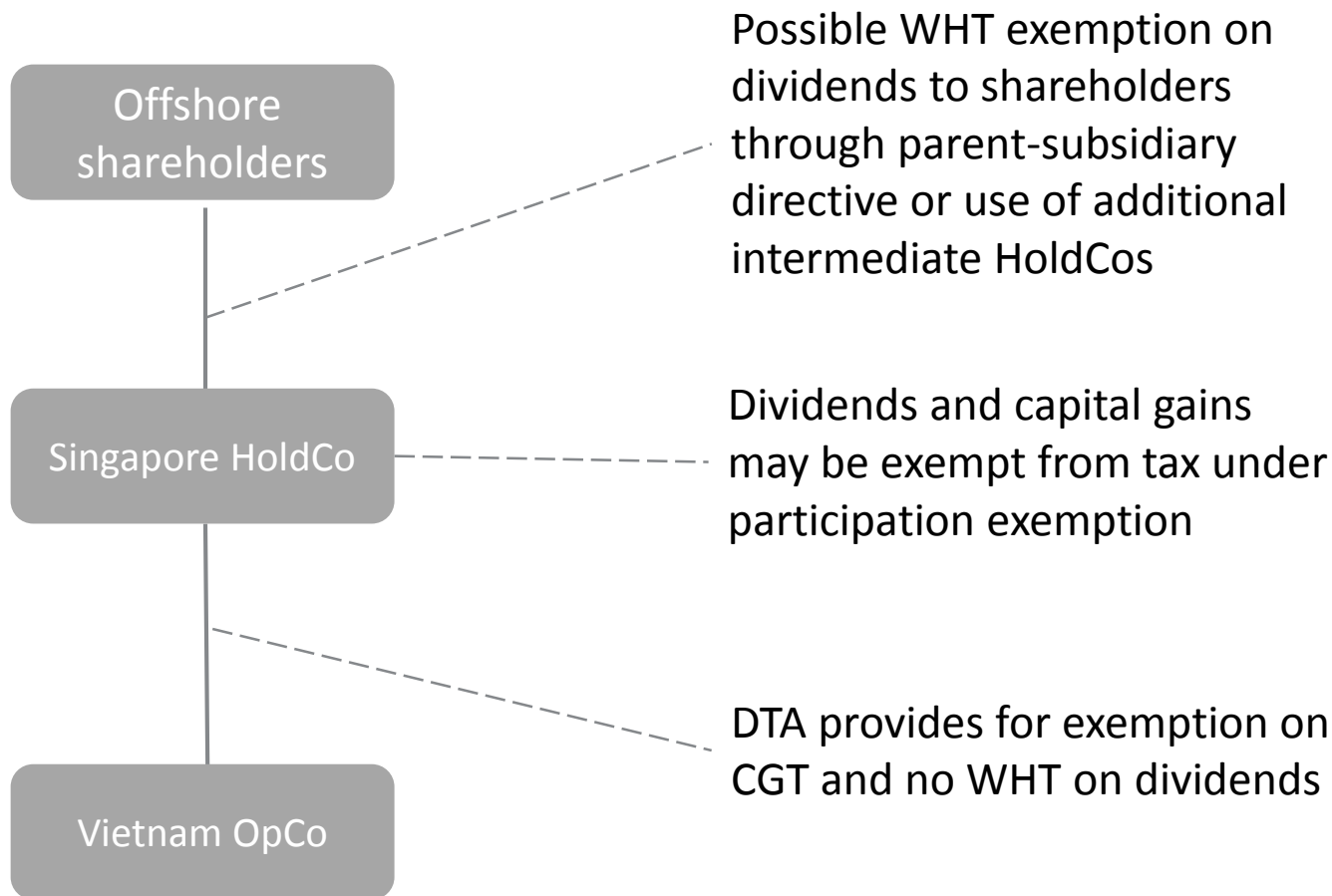
- ✓ Transfer pricing
(planning and reporting)



- ✓ Import duties exemptions
for exporting businesses

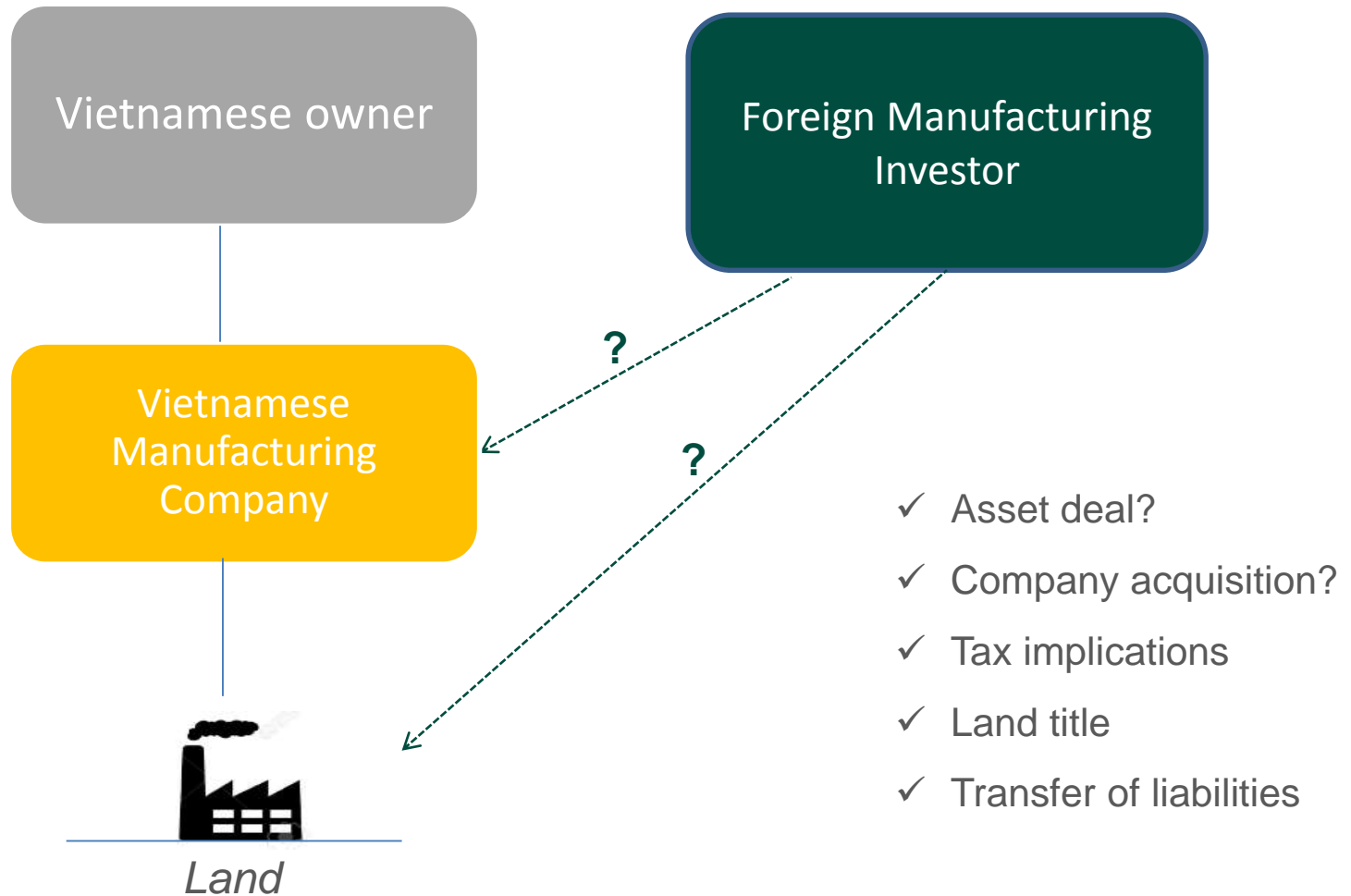
Case Study 1

Offshore Holding?



Case Study 2

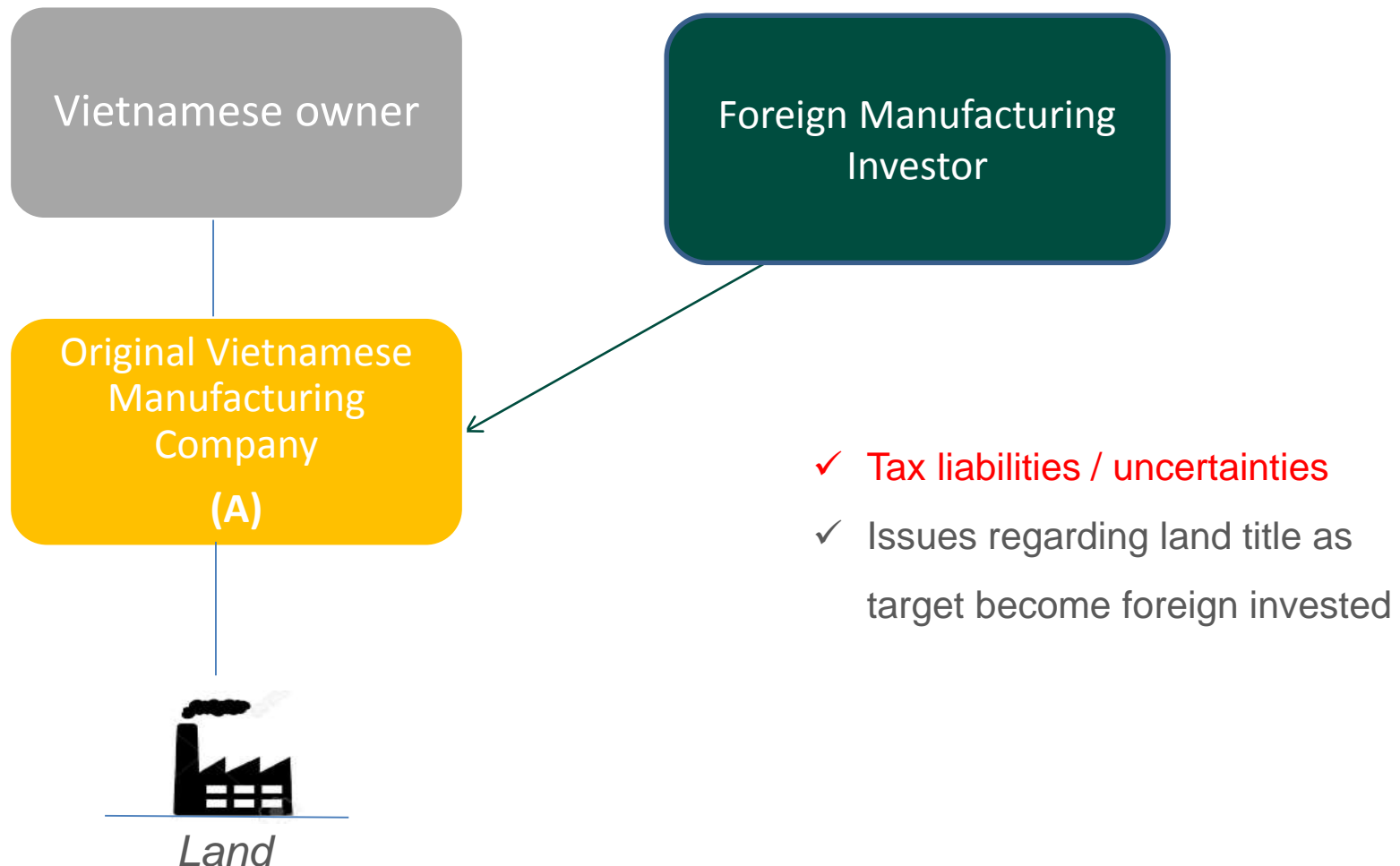
Acquisition of land/production facilities



Case Study 2

Acquisition of land/production facilities

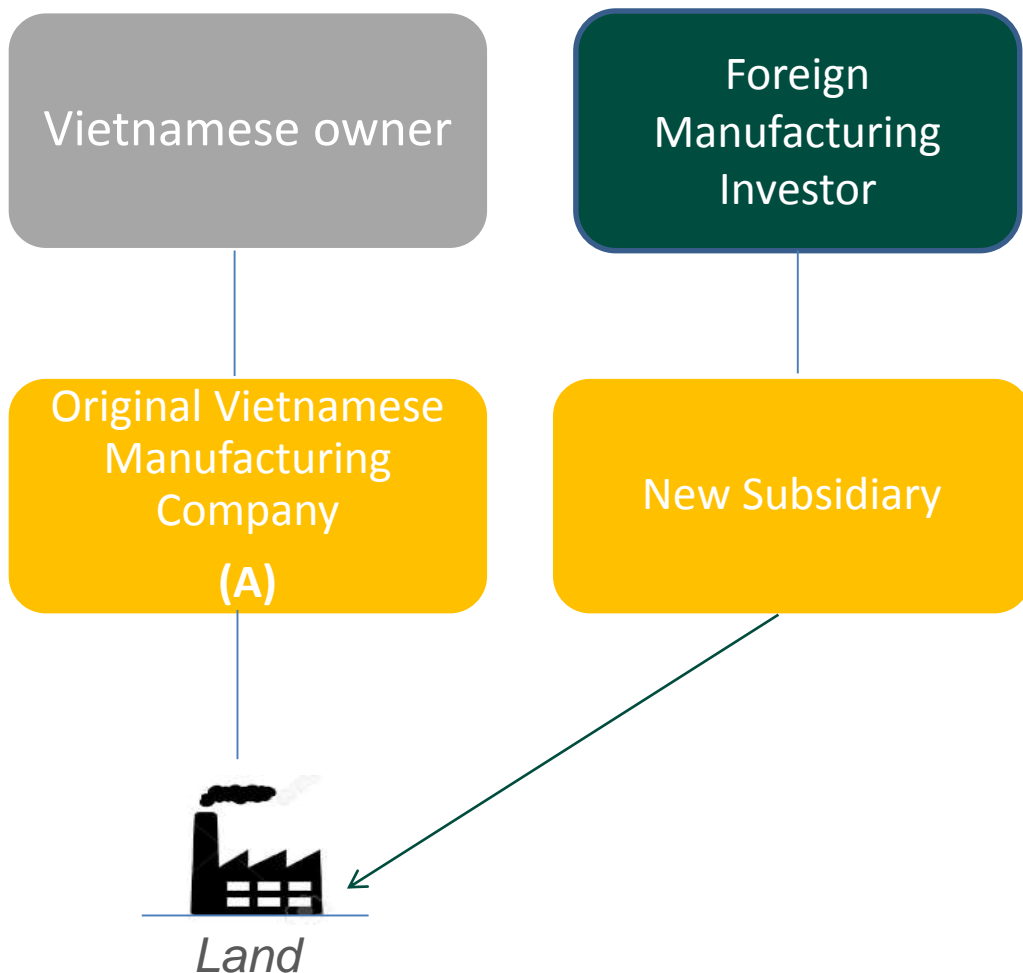
Initial approach: Company acquisition



Case Study 2

Acquisition of land/production facilities

2nd thought: Asset deal

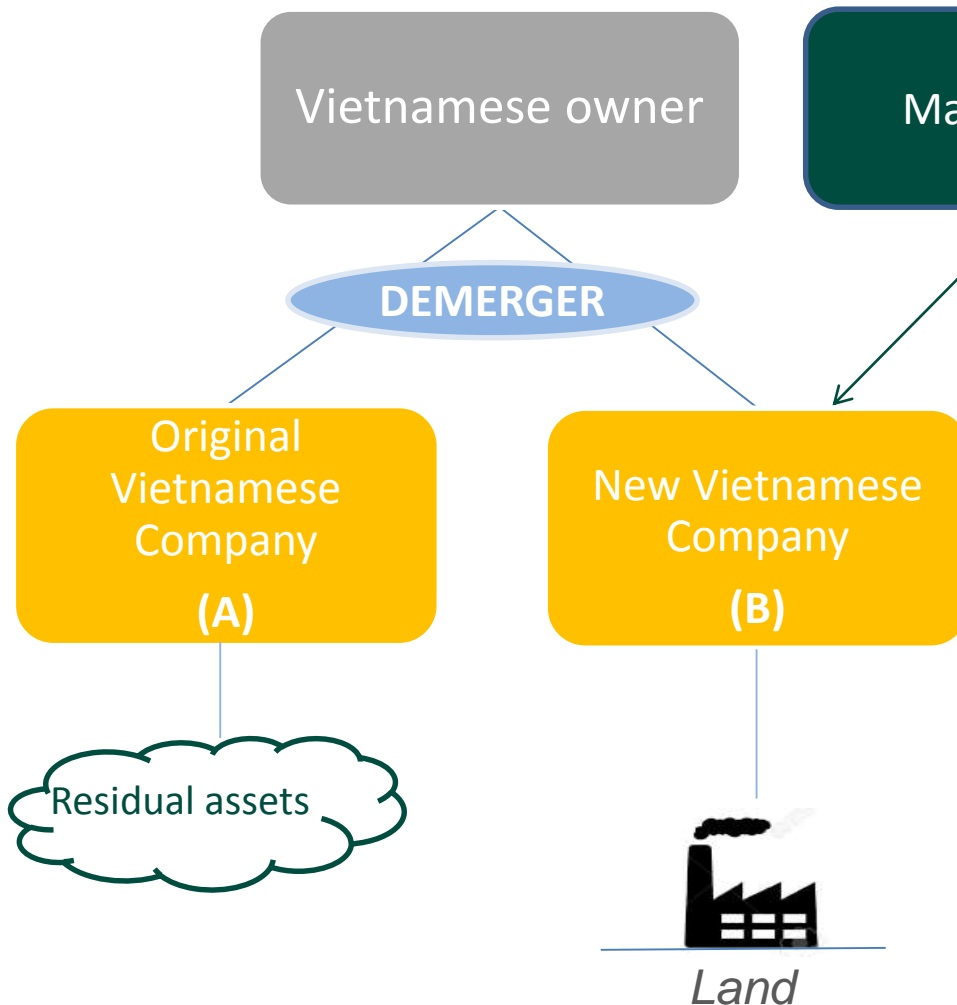


- ✓ New subsidiary needed to acquire factory and lease land
- ✓ Land must be returned to the State, and leased to new subsidiary
- ✓ No transfer of liabilities
- ✓ Need of new approvals for new subsidiary
- ✓ **VAT on transfer of assets**

Case Study 2

Acquisition of land/production facilities

3rd lead: Demerger before company acquisition



Demerger:

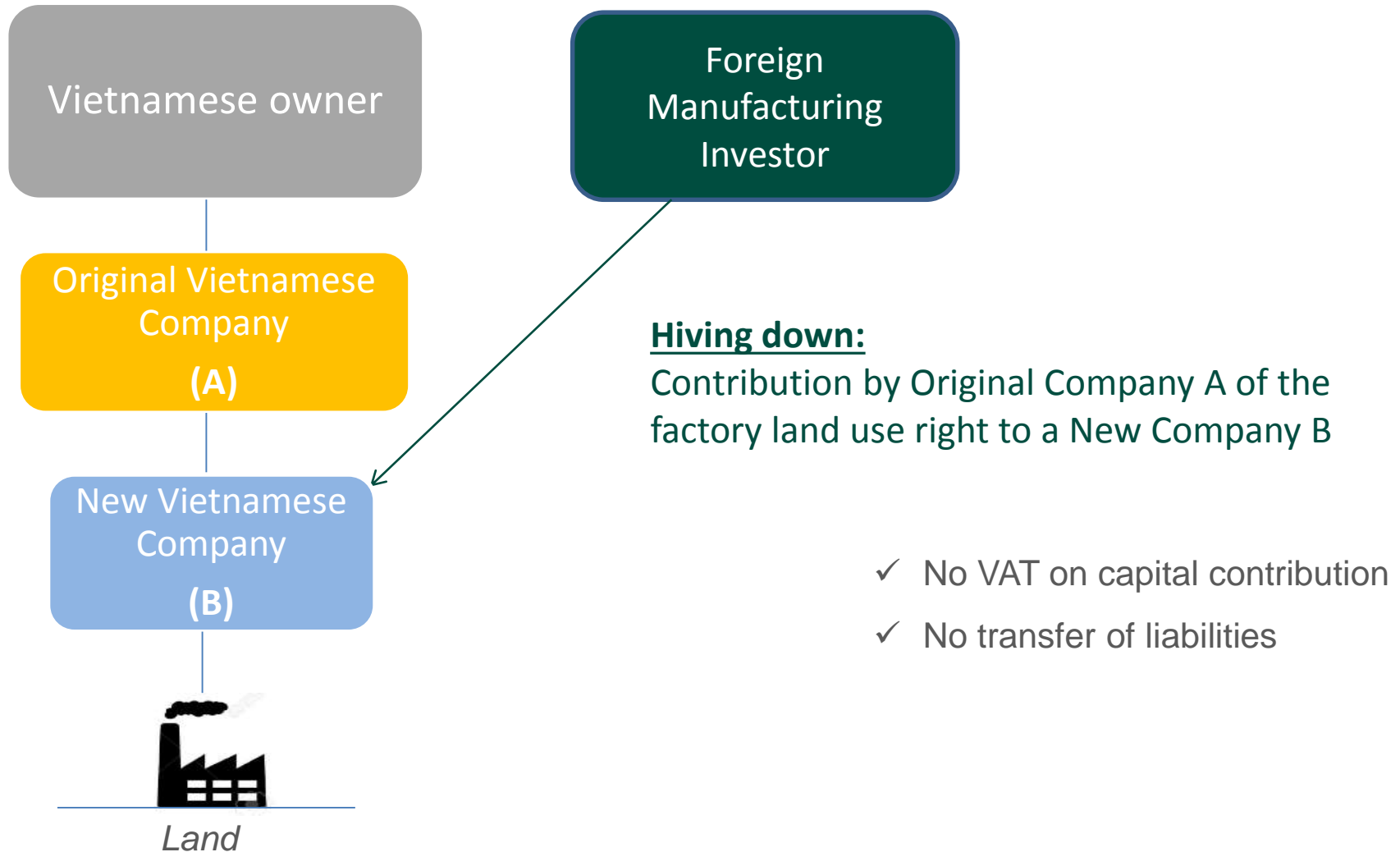
New Company (B) receives in the demerger only the factory & land use right

- ✓ Complicated to implement a demerger
- ✓ **Uncertain regime of demerger as to allocation of liabilities**

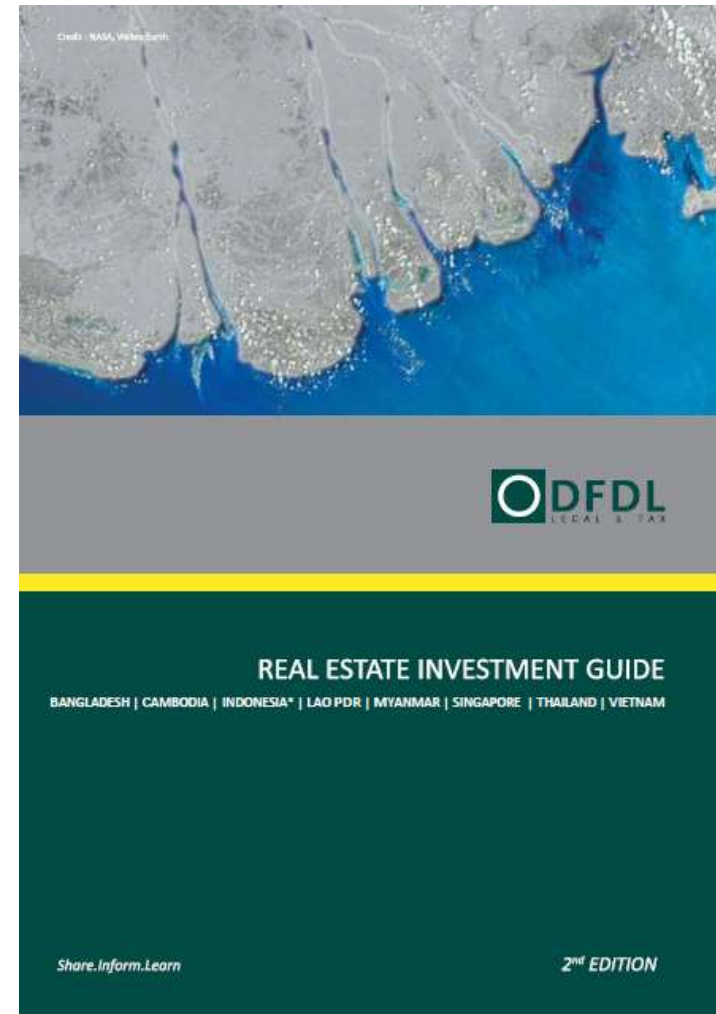
Case Study 2

Acquisition of land/production facilities

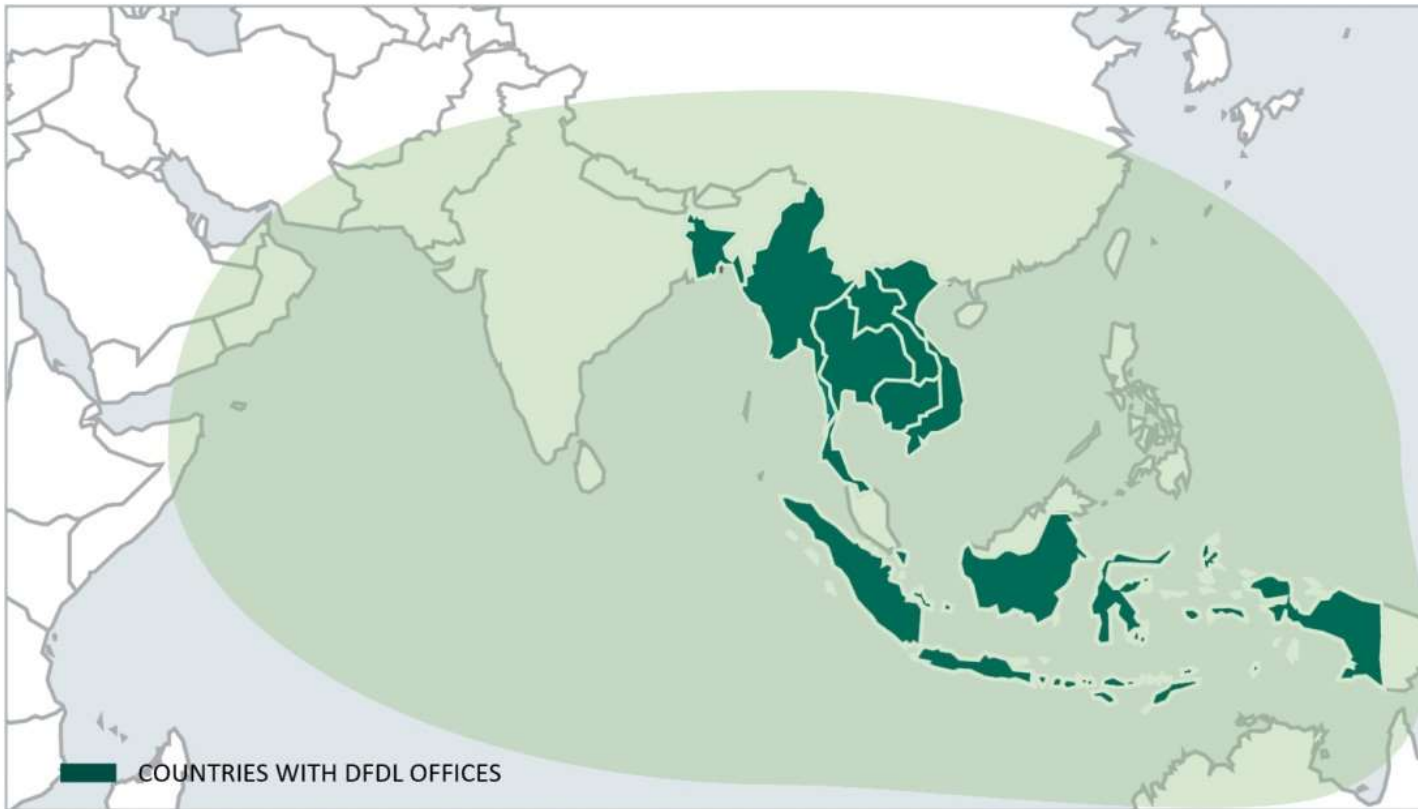
Final structure: Hiving down company acquisition



Some of DFDL's recent publications



Our ASEAN footprint



- **300 staff**
- **140+ advisers**
- **9 countries**
 - Bangladesh
 - Cambodia*
 - Indonesia*
 - Laos
 - Myanmar*
 - Philippines
 - Singapore
 - Thailand
 - Vietnam
- **11 offices**
 - Dhaka
 - Phnom Penh
 - Yangon
 - Naypyidaw
 - Vientiane
 - Bangkok
 - Koh Samui
 - Phuket
 - Hanoi
 - Ho Chi Minh City
 - Singapore

DFDL does not operate or practice law in the Philippines. DFDL collaborates with Philippine law firm, Ocampo & Suralvo Law Offices, which provides local legal advice. In Cambodia, DFDL works in commercial cooperation with local law firms. In Indonesia, DFDL works in association with Mataram Partners.

Awards & Rankings 2015-2016



2016

Cambodia 
General Business Law | Band 1

Lao PDR 
General Business Law | Band 1

Myanmar 
General Business Law | Band 1

Thailand 
Real Estate | Band 3
Projects & Energy | Band 3

Vietnam 
Corporate - M&A | Band 2
Tech. Media. Telecom | Band 2
Projects, Infra, Energy | Band 3
Banking & Finance | Band 4

2016

Myanmar 
Tier 1 – Corporate / M&A
Tier 1 – Projects
(including Energy)

Thailand 
Tier 2 – Projects and Energy
Tier 3 – Real Estate, Construct.
Tier 3 – Banking and Finance
Tier 3 – Restructuring and Insolvency
Tier 3 – TMT
Tier 4 – Tax

Vietnam 
Tier 1 – Projects and Energy
Tier 1 – Tax
Tier 2 – TMT
Tier 2 – Corporate / M&A
Tier 3 – Banking and Finance

Myanmar

National Law Firm
of the Year
(4 consecutive years
2013-2016)



Myanmar

Excellence in
International Tax
Planning

Thank you



Jérôme Buzenet

Partner

Managing Director, Vietnam

jerome.buzenet@dfd.com

+84 912 951 049

Excellence · Creativity · Trust

Since 1994