



# FOREIGN DIRECT INVESTMENT IN VIETNAM

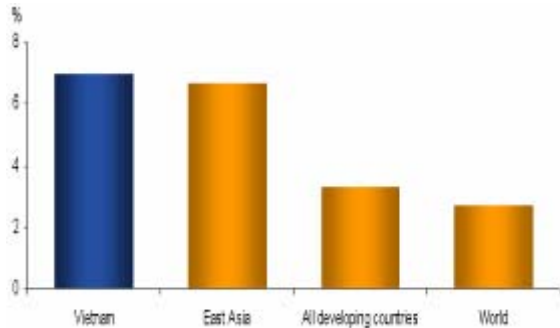
Seattle, October 2007

Liem Bui

Counselor for Economic Affairs  
Embassy of Vietnam

# A comparison

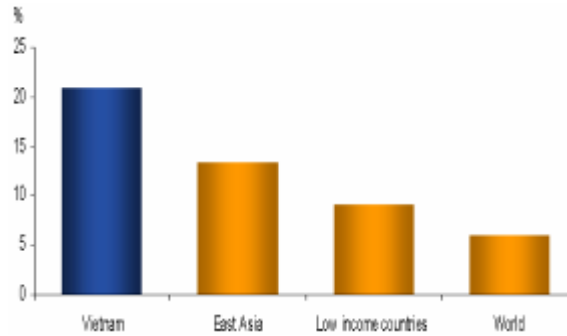
## ANNUAL GDP GROWTH IN THE 90s



Source: WB

*After a decade of out-performance ...*

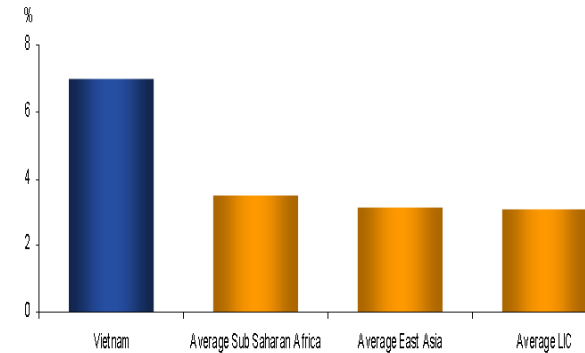
## ANNUAL EXPORT GROWTH IN THE 90s



Source: WB

*... underpinned by high export growth...*

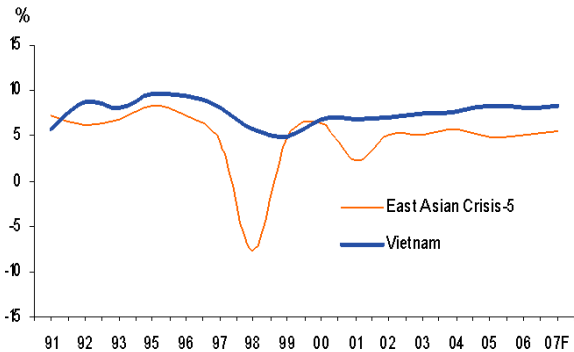
## FDI AS % OF GDP



Source: WB

*... and strong FDI*

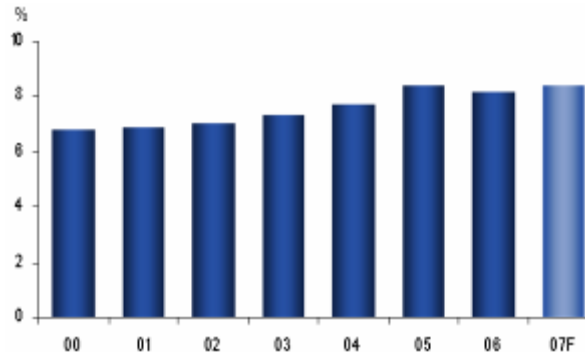
## THE ASIAN CRISIS: GDP GROWTH



Source: ADB

*... sustaining superior growth through the Asian crisis.*

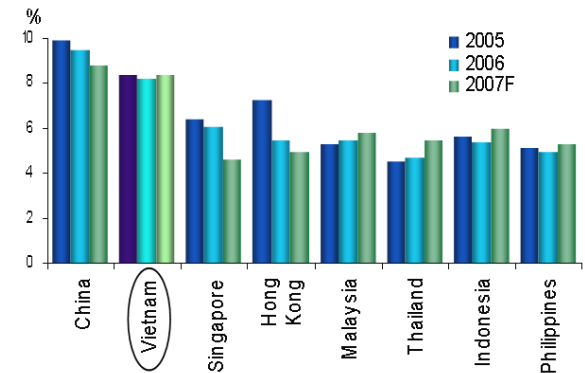
## GDP GROWTH 2000-07



Source: GSO

*Vietnam's GDP growth continues to accelerate...*

## GDP GROWTH IN ASIA 2005-07



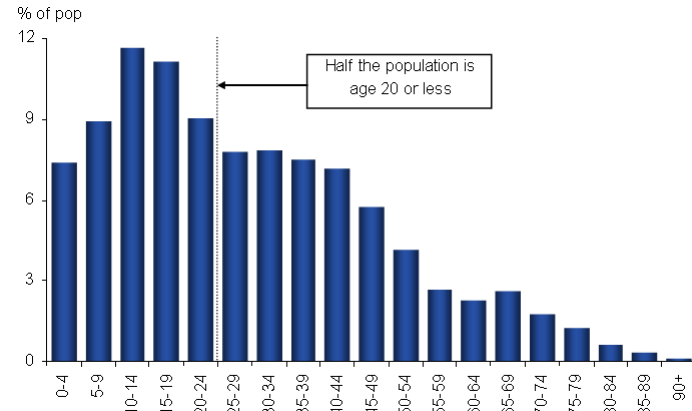
Source: ADB

*... making it Asia's best growth story after China*

# Labor Force

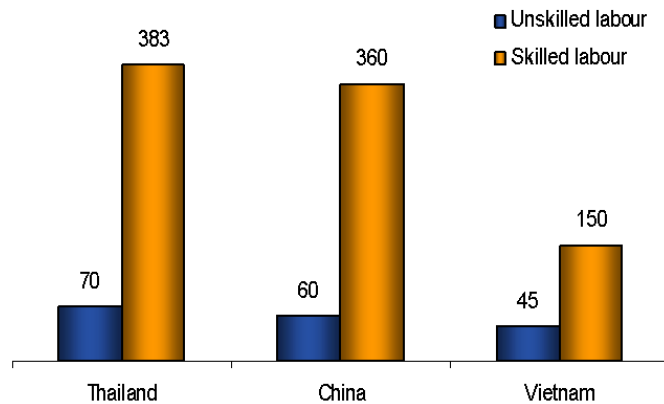
- A nation of 85 mill., the world's 13<sup>th</sup> largest
- Young, abundant and industrious workforce
- Each year approximately 1.5m workers entering the labor market.
- Competitively priced quality labor force

## POPULATION BY AGE GROUP



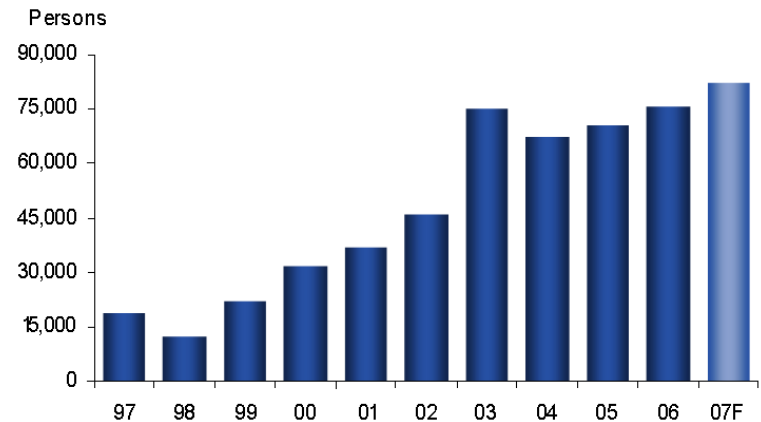
Source: GSO

## MONTHLY LABOUR COSTS (US\$)



Source: <http://www.business-in-asia.com>

## LABOUR EXPORTS 1997 - 2007



Source: Saigon Times Daily

# An intensified process

- FDI to Vietnam in total (as of December 2006)
  - More than 7,000 projects
  - Over \$ 63 bill.
- By time period
  - 1988 – 2000:           \$ 32.1 bill.
  - 2001 – 2005:           \$ 20.8 bill.
  - 2006:                    \$ 10.4 bill.
- US FDI to Vietnam (as of September 2007)
  - Total:                    \$ 5.16 bill.
  - of which
    - + From US parent companies:                   \$ 2.6 bill.
    - + From foreign affiliates of US companies:                   \$ 2.56 bill.



# FDI Incentives

# Types of incentives

- Corporate income tax incentives
- Import tax incentives
- Land and water surface rent incentives
- Other incentives and supports

# Projects eligible for investment incentives

- All investment projects
  - As a new project or
  - In Incentive sectors (List A and List B) and/or
  - Incentive areas (Area 1 and Area 2)
- Under the Law on Investment, Decree 108/2006/ND-CP dated 22<sup>nd</sup> Sep 2006 defined:
  - List A: List of sectors entitled to special investment incentives
  - List B: List of sectors of common investment incentives
  - Area 1: Geographical areas with specially difficult socio-economic conditions
  - Area 2: Geographical areas with difficult socio-economic conditions

# Corporate Income Tax

- Standard CIT rate is 28%
- 3 types of CIT incentive: tax rate, tax exemption and reduction
- Incentive CIT for new project: 10%, 15%, 20% depending upon sector and location of the project
- Decree 24/2007/ND-CP, Feb 2007 provides guidelines for implementing Corporate Income Tax (CIT) Law

Incentive CIT	Duration of application (year)	CONDITIONS			
		List A.	List B	Geographical areas with socio-economic difficulties	Geographical areas with special socio-economic difficulties
10%	15				√
10%	15		√		
15%	12	√		√	
20%	10			√	
20%	10	√			

# Corporate Income Tax *cont.*

- Incentives for **new projects**: CIT exemption for the start-up years and 50% CIT reduction for following years.

	Exemption	Reduction
In general	2 years	2 years
List B	2 years	3 years
Area 2	2 years	6 years
List B + Area 2	3 years	7 years
List A or Area 1	4 years	9 years

# Corporate Income Tax *cont.*

- Incentives for **the expansion of existing projects**: CIT exemption for 2 - 4 years and 50% CIT reduction in 2 - 7 years thereafter.

	Exemption	Reduction
New production line	1 years	2 years
List B or Area 2	1 years	4 years
List A or Area 1	2 years	3 years
List B + Area 2	3 years	5 years
List A + Area 2	3 years	7 years
List B + Area 1 or List A + Area 1	4 years	7 years



# Import tax incentives

- Decree No.149/2005/ND-CP, December 2005 provides guidance on import tax and export tax.
- For FDI, Import Tax Exemption is applied for equipments, materials, means of transportation and other goods to implement investment projects in list A and list B.

# Incentives for Land and Water surface rental rate

- Decree No. 142/2005/ND-CP dated 14<sup>th</sup> November 2005 provides guidelines on land and water surface rent
- Exemption of Land and water surface rent is counted from the date of operation start:

	Exemption
List B	3 years
List A or Area 2	7 years
Area 1 or (List B + Area 2)	11 years
List B + Area 1	15 years

# Other incentives

- Remove withholding tax
- Carry forward losses in continuous 5 years
- Accelerated depreciation of fixed assets for projects in investment incentive sectors and with high economic efficiency
- .....

# Investment supports

- Technology transfer support
- Training support
- Support for investment development and investment services
- Support for construction of infrastructure outside the fence of Industrial Parks, Export Processing Zones, Hi-tech Park and Special Economic Zones
- Support for infrastructure establishment inside the fence of above mentioned zones



# Thank you for your attention !

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