NEWSLETTER

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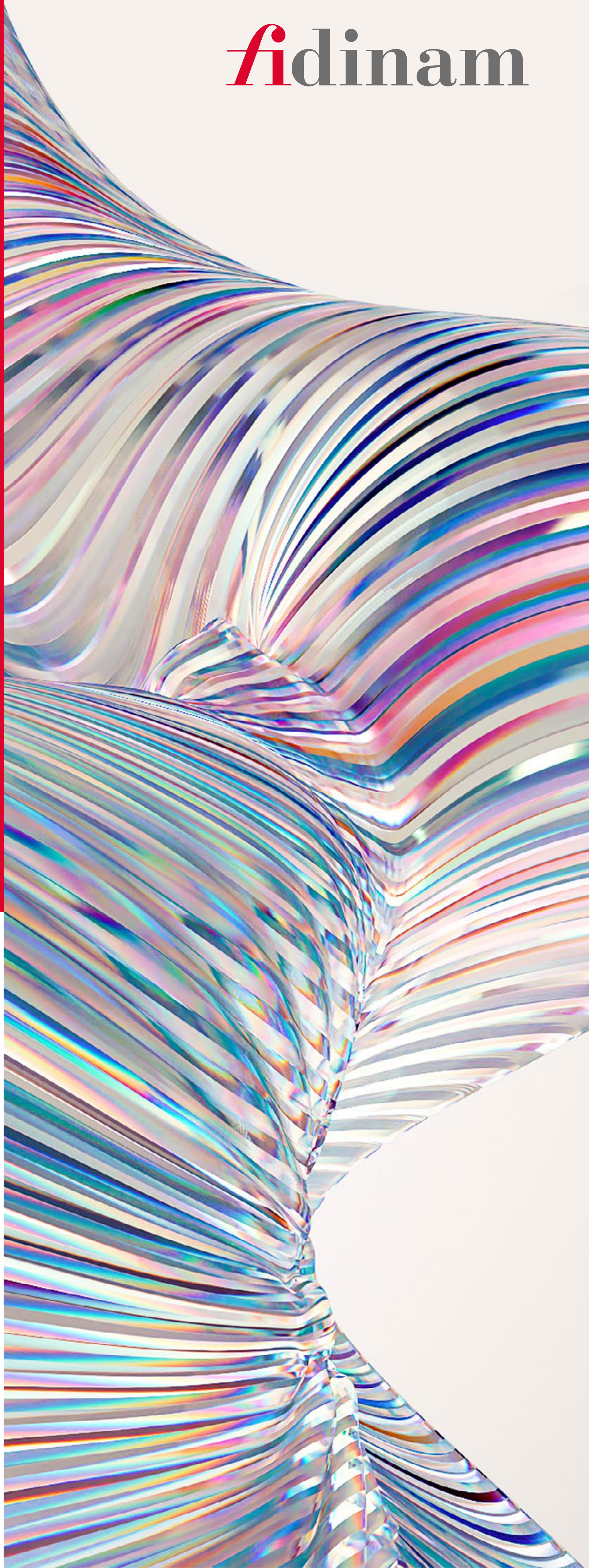

Highlights

- Is dividend income distribution from foreign companies to Hong Kong still non-taxable?
- Singapore GST rate change on 1 January 2024
- 4 Benefits of establishing a factory in Vietnam

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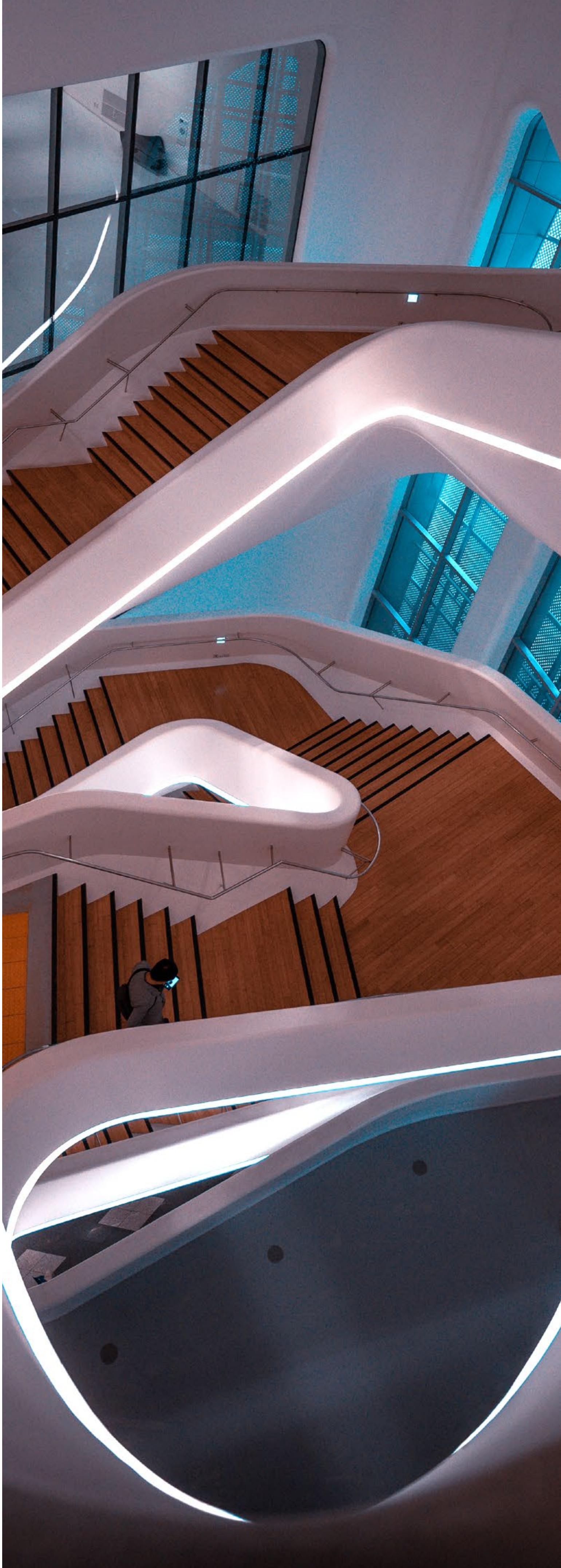


IS DIVIDEND INCOME DISTRIBUTION FROM FOREIGN COMPANIES TO HONG KONG STILL NON-TAXABLE?

Hong Kong's attractive tax regime has long made it a global financial hub and a preferred destination for businesses and investors, especially the territorial concept to tax only profits with source in Hong Kong and the exemption on certain income, such as dividend income.

Until recently, dividend received from companies outside Hong Kong was considered as offshore-sourced and not taxable in Hong Kong, whilst dividend received from companies which are chargeable to Hong Kong tax is exempted from Hong Kong Profits Tax.

However, in order to align with global measures to combat cross-border tax evasion, the Hong Kong government refined Hong Kong's Foreign-Sourced Income Exemption ("FSIE") regime for passive income, which came into operation on 1 January 2023.

Under the new FSIE regime, certain foreign-sourced income accrued **("Covered Income")** to a member of an MNE group (MNE entity) **("Covered Taxpayers")** carrying on a trade, profession or business in Hong Kong is to be regarded as arising in or derived from Hong Kong and chargeable to Hong Kong Profits Tax at the standard tax rate of 16.5%, when it is **received in Hong Kong**, unless the Covered Taxpayers can meet the exception requirements **("Exception Requirements")**.

Is dividend income a covered income?

Under the refined FSIE regime, dividend income received from companies outside Hong Kong is one of the covered incomes.

Who are Covered Taxpayers?

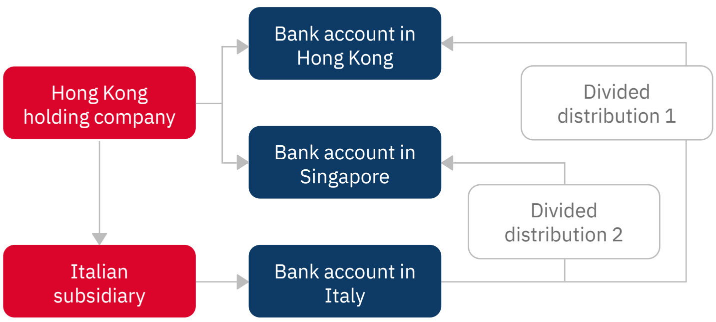
The FSIE regime applies to Hong Kong companies that are constituent entities of a Multinational Enterprise (MNE). Individual taxpayers, standalone local companies with no operation outside Hong Kong in the form of permanent establishments, as well as local groups without overseas constituent entities, all fall outside the scope of the refined FSIE regime. Similarly, "Excluded Entities", i.e. MNEs benefitting from existing preferential tax regimes of Hong Kong are not affected by the new FSIE regulation.

Received in Hong Kong?

Dividend income is deemed to be received in Hong Kong if and when such income is:

- Remitted to, transmitted or brought into Hong Kong; or
- Used to satisfy any debt incurred in respect of a trade, profession or business carried on in Hong Kong; or
- Used to buy movable property, and the property is brought into Hong Kong. The income is regarded as being received at the time when the movable property is brought into Hong Kong.

An illustrative example is set out below:



For dividend distribution 1 (received in Hong Kong bank account), it will be deemed as received in Hong Kong and without fulfilling the exception rules (described below), the dividend income will be deemed as sourced in Hong Kong and taxable under the FSIE regime.

For dividend distribution 2 (received in Singapore bank account), it will be considered as not received in Hong Kong. The dividend income will not be deemed sourced in Hong Kong and thus not taxable under the FSIE regime.

Assuming all are the same as above, except the dividend distribution 2 is **further distributed** to the Hong Kong bank account of the individual shareholder of the Hong Kong holding company. In this circumstance, the dividend income will be deemed as received in Hong Kong and without fulfilling the exception rules (described below), the dividend income will be deemed as sourced in Hong Kong and taxable under the FSIE regime.

Do any exception rules apply?

For dividend income, if the entity can meet one of the following exceptions, it can still be exempted under the FSIE regime:

- Economic Substance Requirement
- Participation Requirement

Economic Substance Requirement
This will generally imply having an office and an adequate number of qualified employees, as well as incurring an adequate amount of operating expenditures – all in Hong Kong.

As no minimum threshold is defined, each situation will need to be assessed on a case-by-case basis, depending on the relevant activities carried out by the entity to derive such passive income. As such, a pure equity holding company (a company which primarily acquires and holds shares or equitable interests in companies and only earns dividends will be able to undergo a reduced substantial activities test. Those relevant activities will only include holding and managing its equity participation, and complying to the corporate law filing requirements in Hong Kong.

Other types of entities could only claim for exemption if demonstrating that all strategic decisions, management and risk factors are assumed locally in Hong Kong.

Outsourcing of the economic activities will be permitted, given that the taxpayer manages to demonstrate adequate monitoring of the outsourced activities conducted in Hong Kong.

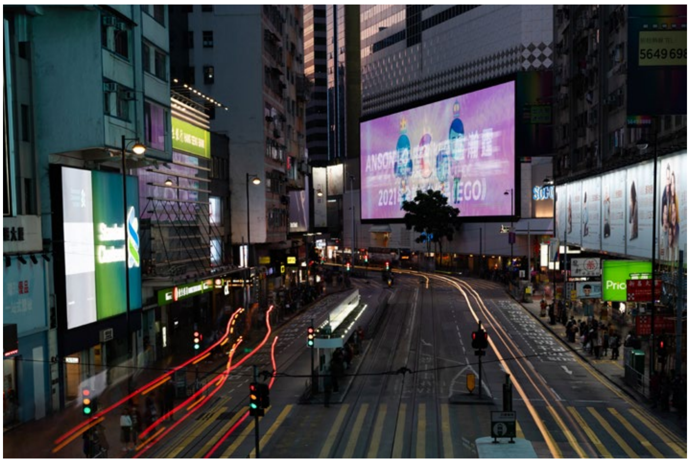
MNE entities can consider outsourcing specified economic activities (all or part of it) to satisfy the Economic Substance Requirement. This applies to both pure equity-holding entities and non-pure equity-holding entities.

Participation Requirement
The participation requirement provides an alternative to the economic substance requirement to facilitate an MNE entity which receives foreign-sourced dividends to claim tax exemption, if:

(i). the MNE entity is a Hong Kong resident person, or where it is a non-Hong Kong resident person, it has a permanent establishment in Hong Kong to which the foreign-sourced dividend is attributable; and

(ii). the MNE entity has continuously held not less than 5% of equity interests in the investee entity concerned for a period of not less than 12 months immediately before the foreign-sourced dividend accrues.

Several anti-abuse rules shall restrain the scope of the participation requirement in order to avoid schemes circumventing the refined FSIE regime.



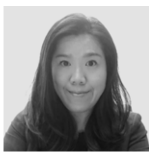
Compliance requirement

Extensive reporting is a must when your Hong Kong company receives foreign-sourced dividends, regardless of whether it is exempted from FSIE or not.

Dealing with dividend distribution from overseas can be complex under the refined FSIE regime. Therefore, companies must review their operations and potentially make changes, while maintaining the relevant supporting documents properly.

To avoid potential fines or overpaying taxes, it is highly recommended to engage a professional service provider like Fidinam. Our experts know the ins and outs of the FSIE regime and help you stay compliant.

Contact us at info@fidinamgw.com to schedule your consultation.



By Yan Hong
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NEW FINANCIAL REPORTING RULES IN THE BVI

The BVI Business Companies (Amendment) Act, 2022 (“the Act”) and the BVI Business Companies (Amendment) Regulations, 2022 (“the Regulations”) were gazetted on 12 August 2022 and have been effective from 1 January 2023.

Amongst the significant amendments in various parts of the Act and the Regulations, a new requirement to file a financial return (the “Annual Return”) with the registered agent has been introduced.

The BVI Business Companies (Financial Return) Order, 2023 (the “Order”) which was gazetted on 2 August 2023 and deemed to have come into force on 1 January 2023 sets out the requirements of the Annual Return.

Introduction to the Annual Return in BVI Financial Reporting

Every company shall, in respect of each year, file an Annual Return (which consists of a simple unaudited balance sheet/ statement of financial position and an income statement) with its registered agent in the form specified in the Order.

The Annual Return shall be filed within 9 months after the end of the year to which the Annual Return relates.

Where a registered agent receives an Annual Return, he or she shall at the request of the Financial Services Commission (the “Commission”) or any other competent authority, provide the Commission or other competent authority with a copy of the Annual Return. The Annual Return will not be available to the public.

Consequences of failing to file an Annual Return

Where a company fails to file its Annual Return, the registered agent shall, not later than 30 days after the Annual Return was due, notify the Registrar of Corporate Affairs (the "Registrar") in writing.

A company that fails to file its Annual Return within the specified period is liable to the following penalties:

(a) for the first month or part thereof after the filing of the Annual Return was due, the penalty shall be US$300; and

(b) for each month or part thereof after the first month referred to in (a) above, the penalty shall be US$200, up to a maximum of US$5,000.

Where a company is liable to the maximum penalty and has not filed its Annual Return, the Registrar may strike the name of the company off the Register.

Understanding the filing timeline based on different financial years

The earliest date an Annual Return becomes due (as opposed to when it must be filed) from a company is 1 January 2024, considering that the Act and the Order came into effect on 1 January 2023. This will relate to a company that has a calendar year as its financial year. The company has until 30 September 2024 to file its Annual Return that became due on 1 January 2024.

If a company has a financial year that does not correspond to a calendar year, its Annual Return becomes due in 2024, depending on the month in which the commencement of its financial year falls. However, it may have until any period in 2025 to file its first Annual Return. For example, Company A's financial year is from March to February. For the purposes of complying with Annual Return filing under the Act, Company A's first Annual Return becomes due on 1 March 2024, but it has until 30 November 2024 to file the Annual Return.

If, on the other hand, Company A's financial year is from May to April, its first Annual Return becomes due on 1 May 2024, but the Company has until 31 January 2025 to file the Annual Return.

Exceptions to the Annual Return filing requirement

Companies that are exempted from the Annual Return filing requirement includes:

(a) a listed company, meaning a company that is listed on a stock exchange;

(b) a company that is regulated under a financial services legislation and provides financial statements to the Commission in accordance with the requirements of that financial services legislation;

(c) a company that files its annual tax return to the Inland Revenue Department accompanied by the company's financial statements; and

(d) a company in liquidation, except that this exemption does not apply if the company's Annual Return becomes due prior to the commencement of the liquidation.

Guideline in relation to a company in liquidation

Example 1:
Company A has a calendar year (January – December) as its financial year. Its Annual Return becomes due from 1st January to 30th September of the ensuing year. In June of that ensuing year, the company decides to go into liquidation before it has filed its Annual Return. The company is bound to file its Annual Return because its liquidation commenced after the Annual Return became due.

Example 2:
Company B has a calendar year (January – December) as its financial year. However, in June of that calendar year Company B goes into liquidation before its Annual Return for that year becomes due. Company B is not required to file an Annual Return for that calendar year.

Fidinam can help

While this article provides an overview of the new BVI financial reporting rules, it is crucial to ensure complete and accurate compliance with all aspects of the Act, the Regulations and the Order.

Our experienced team of tax and compliance experts is ready to provide you with personalized guidance and support tailored to your business needs.

If you have any questions or require assistance navigating the financial reporting landscape in the BVI, please do not hesitate to reach out to us via email: info@fidinamgw.com.

By Pamela Wong
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THE POTENTIAL OF SOUTH KOREA: A THRIVING MARKET FOR BUSINESS EXPANSION

Situated in a strategically important region among global economic powerhouses like Japan and China, South Korea has emerged as a dynamic hub of innovation and economic vitality.

Home to over 51 million people and generating a GDP of US $1.6 trillion (2022)[1], it is the world's 12th largest economy and the 4th largest in Asia.

Here's why South Korea could be your next business destination.

A stable and dynamic environment

The Republic of Korea (ROK) has all the elements that foreign investors crave - political stability, public safety, world-class infrastructure, and a highly skilled workforce.

The vibrant private sector has made significant strides since the market liberalization measures of the 1990s. In fact, foreign portfolio investment has grown to exceed 37% of the Korea Composite Stock Price Index (KOSPI)[2] total market capitalization as of February 2022.

Consumer trends and workforce

The South Korean consumer base is sophisticated and affluent, displaying a keen interest in the latest global trends and products. This is especially true among younger generations with significant disposable income, international exposure, and a willingness to engage with new products.

Furthermore, South Korea's workforce is well-known for its discipline, loyalty, and education, resulting in an environment ripe for innovation and growth.

A technological powerhouse

South Korea's reputation as a technological powerhouse is well-earned. From producing world-class electronics such as semiconductor chips, flat-screen TVs, and mobile phones to leading in steel, automotive production, and shipbuilding, its contribution to the global market is significant.

Renowned companies like Samsung, one of the world's largest electronics firms, call South Korea home.

Apart from electronics, South Korea is also forging paths in fields like artificial intelligence, biotechnology, and green energy solutions.

The nation's commitment to innovation and R&D activities, backed by substantial government support, makes it an appealing destination for tech-savvy entrepreneurs.

Luxury goods sector

Earlier this year, an independent research revealed that South Koreans are the world's biggest spenders on personal luxury goods (apparel, footwear, watches, jewellery, bags, and other fashion accessories)[3]. Total spending on these items grew 24% in 2022 to US$16.8 billion, or about $325 per capita. The South Korean luxury goods market is projected to register a compound annual growth rate (CAGR) of 4.82% during 2022-2028[4].

The demand for luxury goods in South Korea is driven by an increase in purchasing power as well as a youth-inspired culture that emphasizes external appearance and personal grooming. Additionally, demand is further catalyzed by celebrity endorsements. Nearly all of the major Korean celebrities are brand ambassadors of the leading luxury houses.

World-class digital and physical infrastructure

South Korea boasts a globally envied infrastructure that goes beyond rails, roads, airports and docks. With about 92% of the population having internet access, South Korea leads the world in virtual connectivity.

This connected landscape provides fertile ground for technological products and services, making it an enticing market for investors in this sector.

FDI promotion

Foreign Direct Investment (FDI) in South Korea comes with numerous benefits, particularly in the hi-tech sector.

There are special concessions and tax exemptions, including property taxes, acquisition taxes, customs duty, value-added tax, and corporate tax. Other incentives to create an attractive environment for foreign investors include:

- Cash grants
- Free trade zones
- Subsidized rent on land
- Lower start-up costs

Trade and Partnership Agreements

South Korea has many Free Trade Agreements in place, notably with ASEAN, China, EFTA, EU, India, the UK, the US and many more.

It is also a member country of the Regional Comprehensive Economic Partnership (RCEP) with Australia, Brunei, Cambodia, China, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, Thailand and Vietnam.

A full list of bilateral investment treaties can be found here.

Restricted sectors

It is important to note that restrictions on foreign ownership remain in 30 industrial sectors, three of which (nuclear power generation, radio broadcasting and television broadcasting) are completely closed to foreign investment.

Investment in conditionally or partly restricted sectors must be approved by the relevant government ministry. Ceilings are capped at 49.99%; however, recent relaxations signal a positive trajectory, and opportunities far outweigh the constraints.

The Korean New Deal

In July 2020, the Ministry of Economy and Finance shared a national development strategy to support the country's recovery from the pandemic crisis and lead the global action against structural changes with the international community. The Korean New Deal aims to invest over KRW 100 trillion to create 1,901,000 jobs by 2025 based on two main policies: (i) the Digital New Deal and (ii) Green New Deal.

This visionary plan offers unique opportunities for investors, especially in sectors such as renewable energy, smart healthcare and AI.

Are you interested to learn more about doing business in South Korea? Fidinam supports international clients looking to invest and set up a business in South Korea through services such as market-entry services, incorporation of Korean entities, accounting, tax, payroll and immigration services.

For more information, email us at info@fidinamgw.com.

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[1] https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=KR

[2] https://www.state.gov/reports/2022-investment-climate-statements/south-korea/

[3] https://www.cnbc.com/2023/01/13/south-koreans-are-the-worlds-biggest-spenders-on-luxury-goods.html

[4] https://www.mordorintelligence.com/industry-reports/south-korea-luxury-goods-market

SINGAPORE GST RATE CHANGE ON 1 JANUARY 2024

On 1 January 2024, the Goods and Services Tax (GST) rate will increase from 8% to 9% as announced in the Minister of Finance's Budget 2022. This change is intended to support healthcare expenditure. In light of this development, it is critical for businesses to be aware of the implications and make necessary preparations.

1. Update systems with the new GST rate

Businesses must update their accounting software, invoice systems, cash registers, and point-of-sale systems to reflect the new GST rate of 9% from 1 January 2024. It is important to utilize approved accounting software listed on the IRAS ASR+ website to ensure tax compliance. Additionally, a new digital service is available via API to facilitate seamless filing of GST returns.

2. Update price displays

To inform customers of the new 9% GST rate effective from 1 January 2024, businesses need to update price displays across all sales channels, including mobile apps, self-ordering kiosks, physical outlets, and online websites.

If immediate changes are not feasible, businesses can display two prices:

- Price inclusive of GST at 8%, applicable before 1 January 2024
- Price inclusive of GST at 9% applicable with effect from 1 January 2024

Transparency is crucial, as unjustified price increases using the GST change as a reason may result in penalties from the Committee Against Profiteering (CAP).

3. Adjust contracts supplied on/after 1 January 2024

The general rule for GST is based on the time of supply. Therefore, if an invoice is issued or payment is received on/after 1 January 2024, GST should be charged at 9%. Conversely, if the time of supply is set before 1 January 2024, the rate remains at 8%.

However, for scenarios where the time of supply spans the rate change date, businesses need to apply the GST rate change transitional rules. These rules consider factors such as the issuance of invoices, receipt of payment, and delivery of goods or performance of services.

For example, when the invoice is issued, the payment is received, and goods are delivered on/after the rate change date, only the general time of supply applies and the applicable GST rate is 9%.

However, if the invoice is issued and the payment is received on/after the rate change date, but goods are delivered before rate change, the applicable GST rate is 8% with reference to transitional rules.

4. Other operational and compliance matters

There are several additional considerations for GST registered businesses, including goods and services straddling the rate change, rebates, returned or exchanged goods, goods put to private use without consideration, sales occurring at or after midnight on the eve of the rate change date, and simplified tax invoices. Businesses should familiarize themselves with these matters to ensure compliance.

Fidinam can help

The process of updating the GST rate might require time and effort to be carried out accurately. To assist businesses, the IRAS has provided additional resources including an e-tax guide, a dedicated webpage, and FAQs. By understanding the implications and taking necessary steps, businesses can smoothly transition to the new GST rate and ensure compliance.

Managing this change can be challenging. At Fidinam, we offer our expertise and support to make the process as effortless as possible for your business. Our team of professionals can help your organization understand and navigate the new GST landscape while ensuring you stay compliant with the updated tax regulations.

Contact us via info@fidinamgw.com for a free intro consultation.

By Marta Giordano
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HONG KONG LAUNCHES NEW VIRTUAL ASSET TRADING PLATFORM LICENSING REGIME

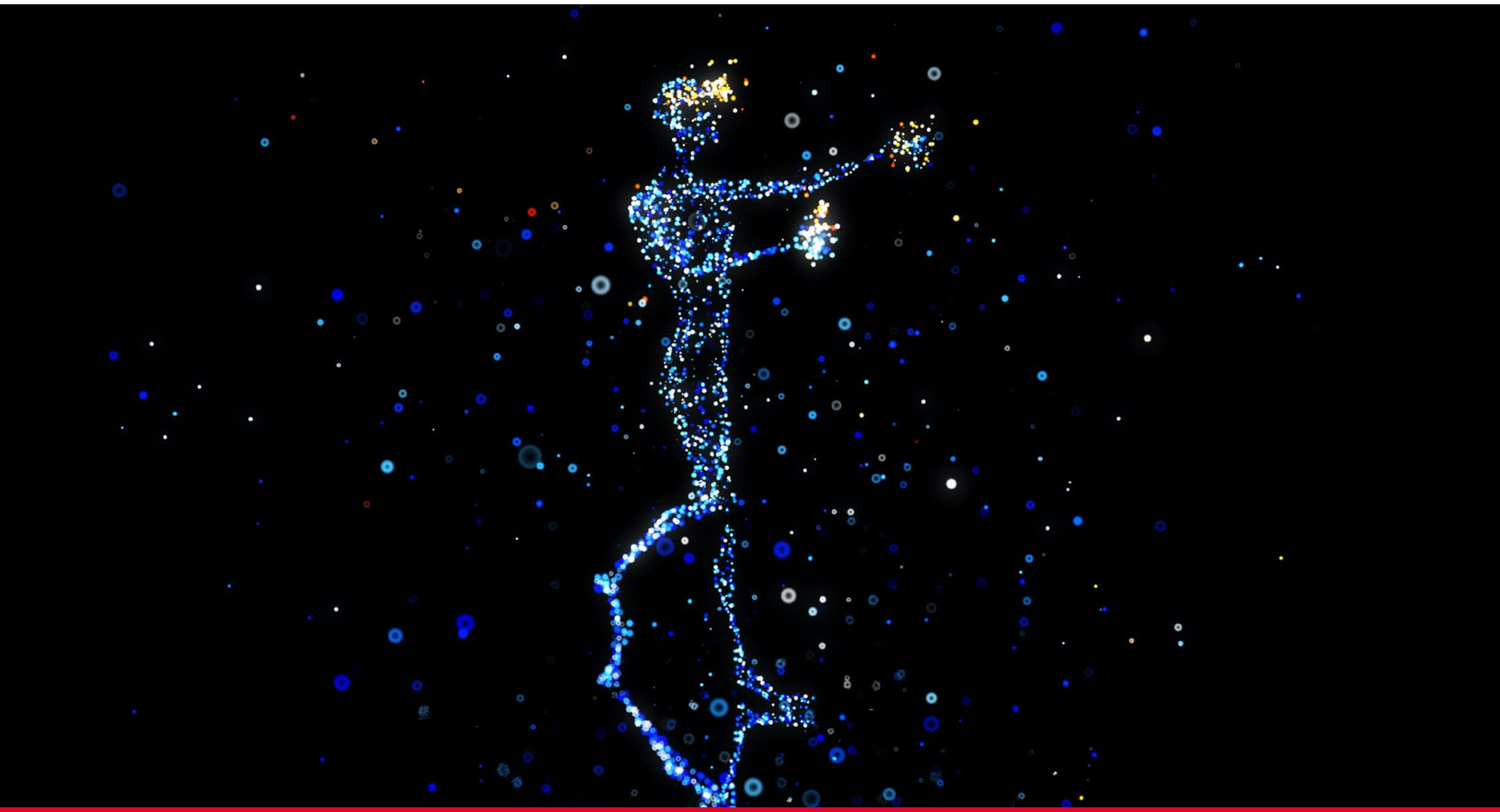
Since 1 June 2023, centralized virtual asset trading platforms (VATP) carrying on business in Hong Kong, or actively marketing their services to Hong Kong investors, are required to be licensed and regulated by the SFC.

This new regime represents the collective efforts of the government, regulators, the industry, and other interested stakeholders in fostering the orderly and sustainable growth of the crypto community in Hong Kong.

The licensing regime is structured as a two-tier framework comprising:

1. The Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) (the AMLO) as amended by the Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Ordinance 2022, being Hong Kong's first virtual asset specific legislation that provides a broad VATP regulatory framework to be overseen by the SFC; and

2. The Guidelines for Virtual Asset Trading Platform Operators (the VATP Guidelines) appended in the Consultation Conclusions on the Proposed Regulatory Requirements for Virtual Asset Trading Platform Operators Licensed by the Securities and Futures Commission dated 23 May 2023, which provide detailed implementing details of the VATP regulatory framework in Hong Kong.



Objective

The new VATP licensing regime aims to regulate non-security crypto asset trading, which previously fell outside the purview of the Securities and Futures Commission (SFC). This new regulation complements the existing SFC rules for security tokens, creating a dual system. To ensure business continuity and compliance, the SFC advises VATP operators to secure licenses under both the SFO and VATP regimes.

Key regulatory requirements

Retail access
One of the key elements of the new regime is that in addition to professional investors, licensed VATPs may provide services to retail investors, insofar as robust investor protection measures, as summarized below, are in place.

Onboarding requirements: VATPs should
(i) Conduct holistic assessments on an investor’s understanding of the nature and risk of virtual assets;
(ii) impose an exposure limit such that the client’s exposure to virtual assets is reasonable.

Governance: VATPs must establish a token admission and review committee responsible for the following functions, establishing, implementing, and enforcing:
(i) the criteria for admitting a virtual asset for, and halting, suspending, and withdrawing a virtual asset from, trading; and
(ii) the rules setting out the obligations of and restrictions on virtual asset issuers.

Disclosure obligations: VATPs shall disclose sufficient product information to enable clients to consider their investment position.

General token admission criteria: in line with the fundamental principle that an intermediary shall know the products offered, VATPs shall exercise reasonable care and conduct product due diligence in:
(i) admitting virtual assets for trading
(ii) monitoring the status of the admitted virtual assets, based on the VATP Guidelines. VATPs are only required to consider the regulatory status of the virtual assets in Hong Kong, and not in other jurisdictions.

Specific token admission criteria:
VATPs shall meet additional minimum criteria if the virtual assets are open for trading by retail investors. These criteria include, amongst others, the tokens being eligible large cap virtual assets that are included in at **least two acceptable indices** issued by **at least two independent index providers**.
Each of the independent index providers shall:
(i) have experience in publishing indices for the conventional securities market that complies with the International Organization of Securities Commission (IOSCO) for Financial Benchmarks;
(ii) be independent of each other, the issuer of the virtual asset and the platform operator.

Insurance/compensation requirements:
VATPs must have in place insurance/compensation arrangements approved by the SFC to cover for the risks associated with the clients’ virtual assets.

The compensation arrangements can be made in the form of bank guarantees, along with funds held in the form of demand deposits or fixed deposits with a maturity of six months or less, and virtual assets are an acceptable form of assets that can form part of the compensation arrangements.

The SFC has made it clear that insofar as 98% of the client’s assets are held in cold storage (which is generally free from hacking and other cybersecurity risks), the coverage threshold for the clients’ virtual assets held in cold ratio can be not less than 50%.

Trading in virtual assets derivatives: currently, the prohibition against offering, trading, or dealing in virtual asset future contracts or related derivatives are preserved in the VATP Guidelines.

Trading in stablecoins: stablecoins are more volatile and unstable. At present, stablecoins are not subject to regulation in Hong Kong (arrangements are expected to be implemented in 2023/24) and therefore should not be admitted for retail trading for the moment.

Transitional arrangements

Pre-existing VATP operators which are in operation in Hong Kong before 1 June 2023 with a "meaningful and substantial presence" will be eligible for the transitional arrangement.

They will be provided with a one-year transitional period (i.e. until 31 May 2024) to either:
(iii) apply for a license
(iv) close their virtual assets trading operations in an orderly manner.

Under the deeming arrangements, upon making the licensing application, they will be deemed to be licensed from **1 June 2024** until their applications are approved, withdrawn, or refused.

If the SFC formally rejects the application, VATP operators will be required to close the business with respect to Hong Kong within a specified time period.

Qualifications

For VATP applicants to be qualified for the application, they must prove to the SFC that they can satisfy the following criteria including:
(i) fit and proper;
(ii) competence requirements;
(iii) requirements on responsible officers (**ROs**);
(iv) financial resources and soundness.

Fidinam can help

In conclusion, the introduction of the VATP licensing regime represents a significant step forward in the regulation of cryptocurrency trading in Hong Kong, bridging previous regulatory gaps and ensuring the sector's orderly and sustainable growth.

While this regulatory shift may pose new challenges for VATP operators, it also provides opportunities for those ready to adapt.

If you'd like further insights or assistance on the application process, please don't hesitate to reach out. Our team of experts is always available to support you in understanding and navigating these regulatory changes effectively.

We can be contacted at info@fidinamgw.com.

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4 BENEFITS OF ESTABLISHING A FACTORY IN VIETNAM

Vietnam is currently one of the safest and appealing destinations for foreign investors. Alongside the recent large-scale capital expansions of high-tech giants like Samsung, Nokia, Google, and Intel, which have primarily focused on manufacturing electronic and high-tech products, several other production projects have been announced by prominent corporations such as Foxconn, Luxshare, Pegatron, and Goertek.

These corporations specialize in manufacturing and assembling components for industry leaders like Apple, Wistron, Amazon, Microsoft, and LEGO. This presence of industry giants has firmly established Vietnam as a crucial base for production.

According to the Brief Reports on Attracting Foreign Investment in Vietnam and Vietnam's Investment Abroad, in the first five months of 2023 by the Ministry of Investment, the manufacturing industry took the lead with a total investment capital exceeding 6.64 billion USD, accounting for 61.2% of the total registered investment capital. The manufacturing industry also led in terms of the number of new projects, accounting for 29.5%.

Key manufacturing sectors in Vietnam span various industries, including:

1. Food & Beverage Manufacturing
2. Coke, refined petroleum products
3. Drugs, pharmaceutical chemicals, and medicinal herbs
4. Products from rubber and plastic
5. Leather and related products
6. Cars and other means of transport
7. Textiles
8. Metal
9. Paper
10. Internal furniture
11. Electrical equipment

1. Attractive incentives

The Vietnamese government offers numerous investment-related business incentives to retain the country's appeal to international investors, and it continually enhances its offerings through reforms and upgrades.
There are four forms of incentives that are available to companies operating within the country as follows:

Corporate Income Tax (CIT)	CIT incentives are granted to both foreign and local investors, to promote investment in sectors or areas that are in line with the government's development strategies. Below is an overview of the rates commonly applied, based on the location, industry, investment zone, project scale, and other factors. **Preferential tax rates** ▪ 10% for the lifetime of the entire project; ▪ 10% for 15 years from the first year of income generation; ▪ 17 % for the lifetime of the entire project; ▪ 17 % for 10 years from the first year of income generation. **Tax holiday rates** ▪ Tax exemption for 4 years, 50% reduction of payable tax amounts for 9 subsequent years; ▪ Tax exemption for 4 years, 50% reduction of payable tax amounts for 5 subsequent years; ▪ Tax exemption for 2 years, 50% reduction of payable tax amount for 4 subsequent years.
Import Duties/ Tax	▪ Exemption of import duties or tax on goods imported as fixed assets; ▪ Exemption of import duties on raw materials, supplies, and parts used for manufacturing purposes.
Land rent and levies	▪ An exemption, reduction of land rents, and land levy
Accelerated depreciation, increasing the deductible expenses upon calculation of taxable income	▪ Depreciation in the direction of accelerating capital recovery in the first years of using fixed assets

2. Abundant Human Resources

Vietnam's population has surpassed 100 million since mid-April 2023[1] , which represents a significant milestone in attracting investment due to the availability of a well-educated, skilled, innovative, and creative workforce. The country has reached the 'golden population structure' stage, with over 68 million people of working age[2].

3. International integration

Vietnam has shown its commitment to international integration by affirming its role, image, prestige, and position in the international arena. In more than three decades of renovation and integration, Vietnam has signed 15 FTAs, 80 DTAs. In the past five years, Vietnam has signed several new-generation FTAs including CPTPP, EVFTA, UKVFTA, RCEP. It allows Vietnam to leverage reduced tariffs to attract foreign companies to manufacture in the country and export to partners overseas.

4. Strategic geographical location

Vietnam is located at the center of Southeast Asia and shares borders with the Pacific Ocean, Gulf of Thailand, Laos, Cambodia, and China. The country serves as a connectivity hub for the Asia-Pacific region and western countries of the Indochina Peninsula.

With 114 seaports, several of which are deepwater ports, along its over 3,200 kilometers of coastline, Vietnam presents itself as an attractive China + 1 location for many businesses. This strategic proximity to China, through both land and sea borders, has positioned Vietnam as a likely alternative manufacturing site, thereby minimizing disruptions or delays to existing supply chains.

Are you interested to learn more about setting up a factory in Vietnam? Fidinam supports international clients looking to invest and set up a business in Vietnam, through services such as market-entry services, incorporation of Vietnamese entities, accounting, tax, HR and employment services.

Don't hesitate to contact us at info@fidinamgw.com.

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Fidinam Vietnam

The information contained in this note is for general information purpose only and is not intended to be relied upon as a substitute for tax, corporate and accounting professional consultation. Please refer to Fidinam staff for specific advice.

[1] https://e.vnexpress.net/news/news/vietnam-s-aging-100-million-population-a-demographic-time-bomb-4630388.html#:~:text=With%20its%20population%20hitting%20100,its%20population%20density%20ranks%2041th.

[2] SGGP, 2023, Population of 100 million provides VN great opportunities and challenges, from https://vietnamnet.vn/en/population-of-100-million-provides-many-great-opportunities-challenges-2129387.html

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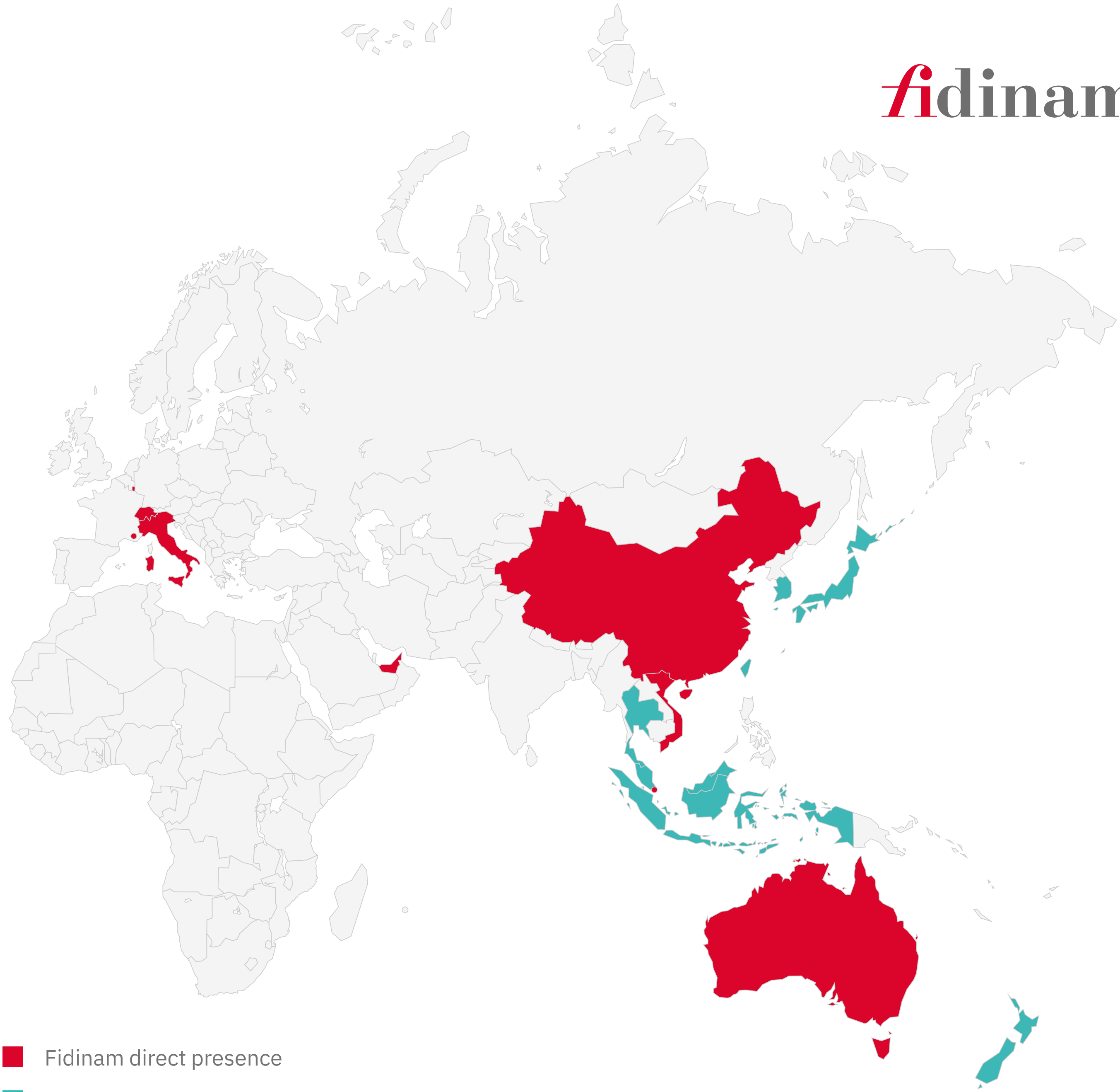

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