



## **SPEECH OF THE BRITISH BUSINESS GROUP VIETNAM (“BBGV”) AT THE ANNUAL VIETNAM BUSINESS FORUM 2018**

*Presented by  
Mr. Kenneth Atkinson  
Chairman*

The British Business Group Vietnam extend their greetings to the Chairs and Co-chairs of the Vietnam Business Forum.

We would like to thank the VBF for welcoming the BBGV as a Consortium Member. We also congratulate the Government on their continued progress to a more open and transparent business environment.

We would like to bring to the attention of the Government the following issues which have been raised by our members:

### **1. Tax filing and inspections**

As BBGV has raised before that the enforcement of tax penalties remains a concern to business. There is a strong feeling, amongst the foreign business community, that foreign companies are being targeted by the tax and customs offices, in an effort to increase tax collections and revenues to help reduce the fiscal deficit. It is our experience that the majority of our members (if not all) and the majority of foreign companies in Vietnam, have a good understanding of the need and benefit of paying due tax in a timely and accurate manner.

BBGV concerns are: firstly, the problems this is causing to our members, who are already established here in Vietnam. Whilst we do not condone either tax evasion or avoidance in any form, we appreciate that administrative errors can and do occur. These errors can be caused internally within Vietnam often due to the differences in interpretation of the tax and customs laws and regulations, even between the same departments in different cities and provinces. The under resourcing of staff in the tax and customs departments often means that inspections take place late and up to 5 years after the reporting period. Where there are genuine administrative errors, which are not challenged for up to five years, the administration fines and late payment penalties are considered unfair and onerous. Companies are having to pay late payment penalties because the tax office is unable to carry out annual inspections, in a timely fashion. The late payment penalty is being calculated at an interest rate of approximately 20% p.a. which when calculated for 5 years more than doubles the original amount due. International companies do have a feeling of injustice of being required to pay these fines and penalties, when the cause is completely outside of their control having lodged the papers in a correct and timely fashion.

To help resolve these issues BBGV would like to see the creation of an independent body which can hear appeals from taxpayers against administrative fines and penalties from the tax officers.

Secondly, we are concerned about the ultimate damage that could be caused to attracting future foreign direct investment, if a solution is not found. Attracting companies to invest and trade with

Vietnam depends on many factors including the transparency of doing business and the tax regime. Whilst this issue remains one of concern to businesses already based in Vietnam it will continue to be a factor for new companies looking at benefits and disbenefits to creating a new operational base within the country.

## **2. Education**

Education remains critical to the development of Vietnam and ensuring that it is ready for Industry 4.0 and beyond. BBGV continues to recommend that there needs to be a strong links between the business community and higher educational establishments to ensure that graduates are prepared and ready for the workplace environment in both domestic and international companies, at all levels including vocational as well as degree, postgraduate and professional. BBGV also believes in training the trainer, enabling the development of teaching professionals at all levels to deliver internationally recognized training and qualifications, thereby supporting the development of private and public education and enabling students to achieve their future promise, within education and employment.

BBGV also supports the Governments initiatives including Project 2020 in the development of language capabilities and applauds the ambition of the Vietnamese Government in learning English, as well as other languages, as we believe this is a core skill which will enable companies to improve productivity. One of the areas of concern is to prepare people, who do not live in major towns, to benefit from the language and learning opportunities but also remain in their provinces and contribute to their further growth. BBGV believes that the development of blended learning as well as on-line options will provide the basis for this, noting that this needs to be undertaken in a constructive and sustainable manner ensuring relevance and quality of what is provided.

BBGV therefore recommends that Universities and colleges engage more with business leaders to develop and promote courses and programs including both hard and soft skills that equip students to enter the workforce.

As a major contributor to the aim of being ready for Industry 4.0 BBGV would ask that consideration be made to limit the increases announced in Social Security payments for International Educators as we believe this added burden will limit further investment and hence the development of an Industry 4.0 ready workforce.

Finally, BBGV applauds the development within Hanoi by the Hanoi Peoples Committee and the Department of Education of a dual qualification stream within the public sector and alongside the British Embassy and British Council is committed to ensuring that the pilot projects are a success and that students benefit from both systems.

## **3. Infrastructure and pollution**

Air quality is an increasingly significant concern to many ex patriates living and working in the major cities in Vietnam and especially in Hanoi. The combination of pollution from traffic and coal fired power stations will need to be addressed if expatriates are to continue to be attracted to work in the Vietnamese conurbations. The metro when completed should provide some assistance but traffic congestion is still likely to get worse for some time. BBGV recommends that addressing this issue is a high priority area.

#### **4. Public Private Partnership**

The UK has been a world leader in PPP and has been very supportive of Vietnam's efforts to develop its PPP program. Government ministers visiting from the UK have regularly underlined the contribution that we can make. But there are quite a number of issues that need to be solved before foreign finance will back PPPs in Vietnam. Most importantly, there has to be a proper balance of risk – ideally, the foreign project sponsor will guarantee a certain operational outcome and will receive a certain return, being protected against risks that it cannot sensibly take. We have heard too many times in this forum about foreign exchange risks to mention them again, but someone has to take the risk. If foreign sponsors are forced to take the risk, they will price that risk into the project and it may become uneconomic or more expensive. Other risks have the same impact, so FX is just an example. The problem here, in a nutshell, is that this balance of risk changes depending on the project and on the circumstances, so it is not something that can easily be written into law. It is a question of administrative knowledge. So a new PPP Law is unlikely to solve the current administrative obstacles to PPPs. We would suggest that it may be more fruitful to focus on building up dedicated governmental bodies in charge of each infrastructure sector, with best practices being spread through a coordinating body at, say, the MPI.

We thank you for allowing us to present our views and issues and wish you all good health and prosperity.