



BRITISH
BUSINESS
GROUP
VIETNAM

**POSITION PAPER FROM THE BRITISH BUSINESS GROUP VIETNAM (BBGV)
AT THE MIDTERM VIETNAM BUSINESS FORUM 2017**

*Presented by
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Chairman*

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

On behalf of our members 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 the enforcement of tax penalties is a concern to business and this situation is getting worse. BBGV recently raised this specific issue with the Minister of Finance.

There is a growing feeling, amongst the foreign business community, that foreign companies are being unfairly targeted and treated by the tax and customs offices, in an effort to increase tax collections and revenues to help reduce the fiscal deficit.

BBGV concerns are:

Firstly, for the problems this is causing to our members already based here in Vietnam.

Secondly, for the ultimate damage this is likely to do for attracting future foreign direct investment, if a solution is not found.

Most foreign companies, and in particular public interest entities handle their tax matters in a transparent and diligent manner because of the stringent reporting requirements and anti-corruption legislation in their home countries, which also transfers to their workings overseas.

Whilst we do not support either tax evasion or avoidance in any way, shape or form.

BBGV does however recognize 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 in many cases 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 in fact paying 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.

There are also a growing number of instances where the tax offices are trying to punish companies for non- submission of on line tax returns, when these have actually been submitted and when copies of the submissions are sent to the tax office the tax office remains silent or denies having revived the hard copies.

The situation seems to be getting worse and BBGV recommends that this matter is addressed urgently before it has an effect on FDI coming to Vietnam.

2. Education

Education remains critical to the development of Vietnam. 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.

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

3. Infrastructure and pollution

Air quality is a large and increasing concern to many families living and working in the major cities in Vietnam and this if it continues unabated it will lead to difficulties in getting expat families to move to Vietnam. Traffic congestion is likely to get worse before it gets better, so it is difficult to see a solution until the metro is operating. BBGV recommends that addressing this issue is a high priority area.

4. Visas/residency cards

Visas: Visa facilitation is not only important for tourism and business development. BBGV was pleased to see the 15 day visa waiver for UK citizens introduced and the period extended until the June 2017. We would encourage period of stay to be extended to 30 days as this would encourage longer tourist visits and, also aid businesses on their partnership development with Vietnamese companies. In addition, we would request that return visits are allowed within 30 days and that the procedure for this be clearly stated.

If the waiver is to be extended past June 2017, which we sincerely hope it will, BBGV recommends to have this announcement made early to allow appropriate information to be disseminated to aid efficient planning.

Residency cards: The policy was for 2-year temporary residence cards to be issued but recently BBGV has been aware of individuals receiving 3 and 5 year temporary residence cards. BBGV recommends a clear policy being provided on this matter.

5. Shareholder disputes and changes in General Directors

Where a foreign invested enterprise wishes to change the General Director of a Vietnamese Subsidiary either as a result of a shareholder dispute or because of poor performance of the General Director the process requires the notarization and legalization of resolutions and directors registers of the holding company, if there has been a change of that Director.

This process is time consuming and can take 2-3 weeks, for example, where there has been a change of Director at the holding company level. If the holding company is in the BVI for example the change in registration of the director needs to be recorded in the Directors registry that requires an apostle and notarization. The documents then have to be sent to the Foreign and Commonwealth office in London for notarization and then to the Vietnamese Embassy in London for legalization. Then the documents have to be sent to Vietnam translated and notarized.

In the meantime, nobody in Vietnam will recognize the removal of the power of the General Director or the authority of the newly appointed General Director until the Investment Registration Certificate, Business Registration certificate and charter have been amended. In the meantime, the GD can exercise all his powers often to the detriment of the company and the shareholders.

BBGV would like to recommend that there be regulations adopted whereby where the authorities and the banks are notified of a legitimate resolution to change the GD that they request the chop of the company be handed over to the authorities for safe keeping together with the legal and financial records, for a reasonable period of time, say up to 28 days, until the formal changes can be made.

We thank you for allowing us to submit our issues and recommendations and look forward to your responses.