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VIETNAM BUSINESS REVIEW

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FINANCE

Mobile Money service to be piloted for two years

Vietnam will pilot the Mobile Money service across the country for two years before officially launching it, according to Deputy Governor of the State Bank Dao Minh Tu.

The development of services using mobile phone credit to pay for small-value goods and services (Mobile Money) is expected to promote financial inclusion and non-cash payment in Vietnam, especially amid the complicated developments of the COVID-19 pandemic.

Currently, in Vietnam, there are nearly 125 million mobile phone subscribers, while the proportion of adults with bank accounts is only 64 per cent. Mobile Money is expected to make a drastic change in the payment of essential services. According to the State Bank, this payment method will be especially helpful in remote areas, where people do not have bank accounts or access to modern payment services. This service will help expand more non-cash payment channels, especially in the context of COVID-19.

The Vietnamese military-run group Viettel, the Vietnam Post and Telecommunications Group (VNPT), and MobiFone Telecommunications Corporation (MobiFone) have registered to pilot the payment service. Tu said that the joint management of the Ministry of Public Security, the Ministry of Information and Communications and the State Bank in this scheme will help ensure safety for users.

Deputy General Director of VNPT Media Nguyen Son Hai said that the Government's permission to pilot Mobile Money service will bring great benefits to the national economy, and provide more electronic payment tools for people. This is a foundation towards developing a digital economy and digital society in the future, he added.

Truong Quang Viet, Deputy General Director of Viettel Digital Services Corporation of Viettel Group, said Viettel has prepared technological infrastructure and human resources for piloting Mobile Money as soon as it is licensed. VNS

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Vietnam targets GDP growth of 6-6.5 percent in 2022

The government targets GDP growth of 6-6.5 percent in 2022 despite the likely challenges the Covid-19 pandemic could pose.

At a National Assembly Standing Committee meeting on Tuesday, Minister of Planning and Investment Nguyen Chi Dung listed the 16 main goals of the socio-economic development plan for next year, which also includes containing inflation and the budget deficit at 4 percent.

Despite the severe impacts of the global pandemic on health, the economy and society, the economy has remained stable this year, he said.

The economy grew by 5.64 percent year-on-year in the first half of the year, but contracted by 6.17 percent in the third quarter as the fourth wave of Covid raged, leading to growth of 1.42 percent for the first nine months, he said.

He warned that the economy still faces potential risks such as a surge in prices and fall in exports.

There is a disruption of some production and supply chains while distribution of goods faces bottlenecks in some places, he said.

This year's growth target is 3-3.5 percent depending on the pace of reopening, but it would be difficult to achieve, he admitted.

Saying 2020-21 is the country's most difficult period ever, NA Vice Chairman Nguyen Khac Dinh said it is necessary to have larger stimulus packages and drastic measures to restore the economy, revive consumer demand and investment and support people and businesses.

He underlined the need for coordinating fiscal and monetary policies, administrative reform and digital transformation.

The committee will submit the plan to the National Assembly for approval at the session starting on Oct. 20. VNE

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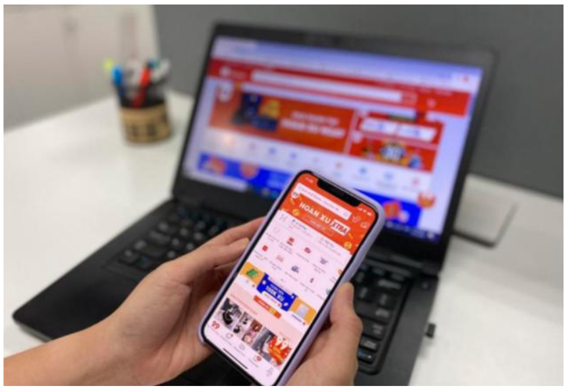
E-COMMERCE

Vietnam fails to collect tax from cross-border e-commerce

As trading activities on e-commerce platforms bring huge profits, collecting tax has become a burning issue for many countries.

Collecting tax from e-commerce is a difficult problem all over the globe, because the current taxation system was built for the traditional economy, while the digital economy is based on online transactions.



The global e-commerce market had value of $26 trillion in 2020, according to UNCTAD (the United Nations Conference on Trade and Development). The strong rise of e-commerce in the context of the pandemic has increased the proportion of online retail from 16 percent of total retail turnover to 19 percent in 2020.

In 2019, OECD said taxation agencies should rely on e-commerce platforms to prevent tax evasion. The organization released a set of harmonized tax rules on VAT/GST (value added tax, known in some countries as a goods and services tax) in a digital economy.

The set of rules, already in place in a number of countries, help eliminate double taxation or no taxation.

Countries are looking for ways to more efficiently collect taxes from technology corporations or online-based activities.

In the UK, e-commerce platforms such as eBay and Amazon must be sure that their overseas clients register VAT in the UK. The platforms will face heavy penalties or criminal proceedings if they don't observe the regulation. In Germany, e-commerce platforms must take legal responsibility about unpaid VAT of sellers in Germany.

India once stirred debate when requesting e-commerce platforms to collect GST from suppliers. E-commerce firms in the countries argued that the regulation increased their legal compliance costs as they have to implement the function of taxation bodies.

In Europe, since July 1, 2021, all online sellers and marketplaces have had to file business registration in a member country if they want to sell goods online to the EU. The companies that sell goods online have to collect VAT when transactions are carried out via EU-based warehouses.

Vietnam is one of the most promising digital economies in Southeast Asia. The Vietnamese e-commerce market has an impressive growth rate. Vietnam's e-commerce revenue reached $13.2 billion in 2020, while the figure is expected to reach $52 billion by 2025, with the average growth rate of 29 percent.

The activities of selling/buying goods on marketplaces have become an indispensable part of people's life in many regions. However, it is challenging to manage the tax payment for this business mode.

Vietnam is taking efforts to perfect the legal framework to regulate the growing cross-border e-commerce activities.

The Tax Management Law No 38 and some circulars promulgated since 2020 have created a set of principles on tax management. After the regulation on managing the cash flow of cross-border platforms, Ministry of Finance (MOF) has just released Circular 40 stipulating that marketplaces must declare and pay tax on behalf of individual sellers.

Marketplaces, considering revenue and other collection items that business individuals can earn via marketplaces, including the money to receive via delivery firms (cash on delivery - COD), intermediary payment and some other payment modes, to define taxable revenue for sellers and pay tax for the sellers.

The taxes to be withheld directly from revenue are VAT and Personal Income Tax (PIT). The regulation has raised controversy. Marketplaces complain that it would cause compliance cost to increase as they would have to spend money on infrastructure and workforce to classify and calculate the taxes to pay. They also argue that they cannot control transactions and obtain information about revenue, because they are only a bridge connecting sellers and buyers.

The Vietnamese e-commerce market has specific characteristics, including a high volume of cash-based transactions and diverse sources of revenue. In some cases, one seller sells goods on many platforms. These are the issues policymakers need to consider when assigning responsibilities to marketplaces.

Meanwhile, the tax management agency said the regulation won't affect individuals in complying with tax duties, because they won't have to pay tax at fixed business facilities once they have paid tax for that revenue.

The agency has also decided to extend the implementation roadmap to give e-commerce firms more time to prepare for the data connection with taxation agency.

From January 2022, marketplaces will have to connect and provide information about sellers to the taxation agency. VNN

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ENERGY

USD 2.3 billion LNG Hai Lang in Quang Tri has been approved

The first phase of a new liquefied natural gas (LNG) power plant in Quang Tri province has received the official go-ahead from local authorities.

On October 8, Quang Tri People's Committee approved the first phase of the Hai Lang LNG power plant with an investment of VND 54 trillion ($2.35 billion) to a consortium of Vietnam's conglomerate T&T Group, Korea Gas Corporation (KOGAS), Hanwha Energy Corporation, and Korea Southern Power (KOSPO).

Both domestic and foreign investors would be actively involved in this project to ensure commercial operation in 2026-2027, in accordance with the prime minister's approval in Document No.154/TTg-CN dated February 4, 2021, with a total capacity of 1,500MW. Specifically, T&T Group would provide 40 per cent of the investment capital and the three South Korean groups would contribute the remaining 60 per cent. This could mark an important milestone to develop Quang Tri as a major energy hub by 2030.

The project, which spans 120ha, is located in Hai Lang district's Hai An and Hai Ba communes. The project would include an LNG port capable of handling LNG carriers ranging in size from 170,000 to 226,000 cubic meters, carrying 1.5 million tonnes of LNG per year, and Hai Lang Power Centre phase 1 with a capacity of 1,500MW, according to local newswire VNA.

In addition, the project will play an important role in reducing environmental effects and greenhouse gas emissions, as well as ensuring sustainability. "We put our faith in T&T Group and the South Korean partners," stated Vo Van Hung, Deputy Secretary of Quang Tri Party Committee, and Chairman of Quang Tri People's Committee.

"With an appealing investment environment and favorable mechanisms, Quang Tri province has become one of the places drawing a significant number of domestic and foreign investors," said Do Quang Hien, chairman and general director of T&T Group. "The project was authorized in less than eight months while adhering to all legal requirements. This will be an international effort with long-term development implications, which contribute to national energy security and encourage import and export turnover between Vietnam and the rest of the globe, including LNG power."

Hanwha Energy has been operating the KN Cam Lam and Cam Lam VN solar power plants in Khanh Hoa province since 2019. Besides, the company acquired a 10 per cent stake in Bamboo Capital Group in June 2019 to set a solid foot in the solar power sector in Vietnam. Regarding KOGAS, the company is working with Energy Capital Vietnam – a US-based company to develop a 3,600MW LNG complex power plant in the Mui Ke Ga area in Binh Thuan province. VIR

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Vietnam's power development plan to boost LNG sector

The outlook for Vietnam's emerging liquefied natural gas (LNG) sector remains promising as the country's need for the product is large to serve its power development plan, according to Fitch Solutions.

According to a recent report by the international financial services provider, Vietnam is one of several new LNG markets in Asia that are forecast to begin first imports in the coming decade as the country looks towards the fuel to replace declining domestic production and replace pollution, environmentally-harming fuels in the energy mix.

Having been historically self-sufficient in natural gas, Vietnam's need for LNG imports is large and growing, and stems from fast declining output across mature offshore fields, a slowdown in exploration and the lack of access to any cross-border pipelines.

A number of large-scale developments on the horizon, including Ca Voi Xanh (Blue Whale) and Block B-O, could add significant volumes of new output and in turn, reduce the future need for imports if successfully developed.

Fitch said the prospect for LNG imports into Vietnam over a 10-year horizon is strong. Hypothetical LNG imports are forecast to see exponential growth from less than 1 billion cubic metres (bcm) to over 4bcm over the next decade, next to a more than doubling of domestic gas demand and growing utilization across power generation and industries.

The main drive behind stronger gasification in Vietnam will come from the State. Vietnam's newest State power development plan (PDP), the draft PDP VIII (2021-2030) was published in February 2021 and sets higher targets for gas and other renewables in the domestic energy mix for the decade ahead. PDP VIII affirms in writing Vietnam's nascent support for the clean energy transition, and outlines the ambition to increase the share of cleaner-burning gas in the national power generation capacity composition to 21 per cent by 2030 (under the base-case scenario) from about 10 per cent in 2020.

In order to achieve these targets, Vietnam is aiming to reduce contributions from domestically produced coal (albeit coal imports look set to remain elevated) and hydropower (with developments shifting in favor of small-scale hydro) which despite lower cost and stable supply, contribute to air pollution and cause environmental damage.

The rise of new LNG markets such as Vietnam is bullish news for global suppliers, such as the US, Qatar, Australia and Russia – all large exporters which are aiming to expand their respective LNG exports to global markets in the coming decade.

The level of interest in Vietnam's LNG sector from foreign parties remains strong. PDP VIII estimates about US$128.3 billion will be needed over the next decade, in order to achieve the natural gas and renewables targets. The plan estimates 74 per cent, or about $96 billion, would need to go towards the development of power sources such as LNG, solar and wind to make the targets feasible. About $56 billion worth of LNG related investments, or 23 different LNG-to-power projects, have been proposed and announced in Vietnam.

According to Fitch, continuing to attract more up-front investments and strategic investors will be crucial in order for Vietnam's LNG sector to live up to its full potential, which based on current projections could prove considerable. VNS

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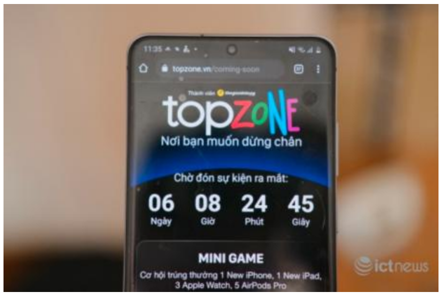
RETAIL

Mobile World to open new TopZone chain abroad

The Gioi Di Dong (Mobile World) has revealed the opening of a new chain named TopZone, with many indications that it will be their second retail chain abroad.



The first information about a new retail chain called TopZone has been revealed on the Mobile World website and some other channels of this retailer. This retailer did not disclose what TopZone will sell before the launch on October 16.

TopZone.vn website has been established, but it only displays a game for users to guess what TopZone will sell. There are 5 answers, including: overseas chain, fashion stores, high-end technology stores, stores cooperating with Samsung or Oppo.

By the exclusion method, it will be possible to guess the function of the TopZone chain. Firstly, it will be very unlikely that Mobile World will open a chain of stores that only sell high-end technology products. Nguyen Duc Tai, co-founder of Mobile World, has shared the philosophy of serving a majority of customers, so opening a chain that only sells high-end goods in the current context is very unlikely. Looking at the retail chains of mobile phones, electronics, department stores, and pharmacies of Mobile World, it is easy to see that they are targeting general customers.

TopZone cannot be a chain that cooperates with Samsung or Oppo because of this philosophy. Not to mention a slogan associated with TopZone "Where you want to stop" so it will be very difficult to be a store that only serves one brand. At the same time, the TopZone logo has four colors, which can hardly represent a specific brand. However, the inclusion of the names Samsung and Oppo shows that the upcoming chain will have a significant presence of two leading brands in the Vietnamese smartphone market. Previously, Mobile World opened stores that only sold Apple products, but they closed.

The possibility of opening a fashion retail chain is also unlikely, although this segment has potential. There are hardly any domestic retail brands that can compete with brands like H&M, Zara, Uniqlo…

In the context that the domestic economy has just reopened, and the fashion segment is almost the opposite of the current businesses of Mobile World, it seems unreasonable to open a clothing chain now. The biggest possibility is that TopZone will be Mobile World's second technology retail chain in foreign markets for many reasons.

Their mobile phone and electronics chains are currently occupying a large market share in Vietnam, so it is difficult to expand further. In addition, the smartphone market in Vietnam is also saturated. Therefore, Mobile World needs to look for other markets with more potential.

In its recent business reports, Mobile World included Bluetronics as a bright spot. In the first 8 months of 2021, this chain grew by nearly 300% over the same period of 2021. This achievement shows two things. Firstly, the business model in foreign markets has found a recipe for success. Secondly, it alerts the company about the potential of a newer market outside Vietnam. Doan Van Hieu Em - CEO of the two chains of The Gioi Di Dong and Dien May Xanh – told ICTNews early this year that Mobile World would only open a maximum of 80 stores in Cambodia.

Cambodia will be the springboard, where the firm will conduct international business trials before jumping into other markets in Southeast Asia. There are many signs that TopZone is an overseas chain, but the domain name TopZone.vn seems to be for the Vietnamese market. Sources from Mobile World have not revealed anything more about TopZone. VNN

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LOGISTICS

Digital transformation vital for logistics firms' competiveness

Most of Vietnam's logistics firms may struggle to operate and sharpen their competitive edge in the new context if they are not quickly to engage in digital transformation.

Of the 4,000 existing logistics firms, 95 percent are small- and medium-sized enterprises (SMEs), and Vietnamese ones only account for 20 percent of the market share.

Statistics of the Vietnam Logistics Business Association (VLA) showed that COVID-19 has forced 15 percent of logistics companies to suffer a 50 percent reduction in revenue, and more than half of them to cut down 10-30 percent of services compared to 2019.

In such context, information technology (IT) application and digital transformation are considered urgent solutions for logistics firms. To maintain operations, they have stepped up IT application and e-commerce.

Dr. Vu Tien Loc, member of the National Assembly's Committee for Economic Affairs, said that logistics cost in Vietnam remains high compared to others in the region and the world. This delivers a blow to firms' competitiveness and the economy as a whole.

To address this issue, administrative reforms are necessary, along with stronger infrastructure investment and especially new technology and digital transformation application in the sector.

VLA Vice President Dao Trong Khoa underlined that logistics businesses need to foster digital transformation, block-chain applications and artificial intelligence to build a digital platform integrated with current logistics technologies so as to reduce costs.

As a large number of logistics firms only handle some parts and services, they face difficulties in investment in and use of suitable software, said VLA President Le Duy Hiep, adding that the firms should implement digitalization from fundamental tasks.

Given that most of firms in the sector are SMEs and lack financial sources, there must be incentives and loans to support them in digital transformation and solutions, experts said.

Digital transformation has become an urgent task to help logistics firms recover and develop in order to safely live with COVID-19, and authorities have been called on to complete a legal framework in this regard. VNA

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INVESTMENT

Foreign firms still consider Vietnam as good investment location

While a number of foreign companies have moved part of their production or orders to other countries, many still see Vietnam as a good location for investment in the long term.

Speaking at a virtual conference called 'Invest in Vietnam. Wins and challenges' organized by Adamed and Davipharm last week, Nguyen Hai Minh, partner at Mazars and Vice Chairman of EuroCham, said: "In Vietnam, FDI plays an important role, contributing a lot to the growth of the country, especially exports."

There was a slowdown in foreign investment in the country due to COVID-19 this year, and some people were even concerned that foreign investors would not come or even move out of the country, he said. "So Eurocham did a survey in August. It showed that 18 percent of surveyed companies have already shifted part of their production to other countries and another 16 percent are still considering.

"But we need to be very specific here to have a correct understanding of the situation. Companies actually are not moving factories or investment out of Vietnam, but just part of their production and orders. "We talked to many companies. [Many said] 'COVID will not last long, we see Vietnam is still a good location for investment.' Many companies are even looking at Vietnam as a hub for sales in the region."

Michal Wieczorek, CEO of Davipharm, said he saw a great opportunity in Vietnam's pharmaceutical market. Domestically produced drugs only met 47 percent of demand, healthcare spending was expected to continue to grow, there was an ageing population with an increase in non-communicable diseases, and there was growth in the private hospital sector, he said.

Vietnam's pharmaceutical market would remain one of the fastest growing in the world, he said. When in 2017 Adamed bought 70 percent of shares in Davipharm, becoming the biggest direct Polish investor in Vietnam, it had a crystal-clear strategy, he said.

Despite pandemic challenges, the company succeeded in achieving the EU-GMP certification for the drug manufacturing line in its factory in Binh Duong. "With this EU-GMP certification, we are ready to achieve our other ambitious goals," he said.

Speakers at the event also talked about challenges that businesses had faced. Minh said the business environment had improved a lot, especially in the last three or four years, though administrative procedures was still a big barrier, especially in terms of implementation of regulations at the provincial level where there were a lot of uncertainties in terms of implementing regulations. Jean-Jacques

Bouflet, former head of Trade Affairs in the EU Delegation to Vietnam, said since last year foreign businesses had experienced many regulatory challenges.

Today, faced with the pandemic reality, the country should also find a solution to live with COVID-19 since having workers live on-site proved to be very difficult for companies to implement, he said. “The global COVID situation has proved that it is possible to combine both health protection and economic activities. This is what we need in Vietnam today: running an economy with welcoming institutional regulations for foreign investors, especially the pharmaceutical industry, which is so critical for protecting health. ”Wieczorek said: “If the Government creates an attractive and welcoming investment environment for the pharmaceutical industry, I’m convinced that many more companies will follow in our footsteps.” “But we need incentives, not obstacles. Unquestionably, Vietnam is going to stay on the list of top priorities for Adamed this year and in future,” he said.

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Vietnam Government has signed the decision on special investment incentives

Standing Deputy Prime Minister Pham Binh Minh has just signed Decision No 29/2021/QĐ-TTg of the Prime Minister on special investment incentives.

This Decision provides the levels, duration, and conditions for the application of special incentives for investment projects specified in Clause 2, Article 20 of the Law on Investment.

The decision offers many special investment incentives such as corporate income tax, land rent, and water surface rent.

In which, the preferential tax rate of 9 per cent for a period of 30 years applies to incomes of economic organizations from the implementation of investment projects that fall into the categories specified in Point b, Clause 2, Article 20 of the Law on Investment.

The preferential tax rate of 7 percent for a period of 33 years applies to income from investment projects in one of the following cases: newly established investment projects (including the expansion of such projects); innovation centers; research and development centers with a total investment capital of VND3 trillion or more, disbursing at least VND1 trillion within three years from the date of issuance of the investment registration certificate or decision on approval of investment policy.

The preferential tax rate of 7 per cent is also applied for investment projects in the categories specified in Point b, Clause 2, Article 20 of the Law on Investment and meets one of the following four criteria: being a level 1 high-tech project; Vietnamese enterprises participating in the value chain of level 1; added value accounts for over 30 per cent to 40 per cent of the total cost of final output products provided by economic organizations; and meeting the criteria for technology transfer level 1.

The preferential tax rate of 5 per cent for a period of 37 years applies to income from the activities of an object or an investment project in one of the following cases: national innovation center established under a decision of the Prime Minister and investment projects that fall within the categories specified in Point b, Clause 2, Article 20 of the Law on Investment.

These projects must meet one of the following four criteria: a level 2 high-tech project; Vietnamese enterprises participating in the level 2 value chains; added value accounts for over 40 per cent of the total cost of final output products provided by economic organizations; and meeting the criteria for technology transfer level 2.

According to Clause 2, Article 20 of the Law on Investment, the beneficiaries of special investment incentives and support include new investment projects (including the expansion of such projects) of innovation centers, research and development centers with total investment capital of VND3 trillion or more; disbursing at least VND1 trillion within 3 years from the date of issuance of the investment registration certificate or approval of investment policy; national innovation center established under the Prime Minister's decision.

The beneficiaries also include investment projects in industries with special investment incentives with an investment capital of VND30 trillion or more, disbursing at least VND10 trillion within 3 years from the date of issuance of the investment registration certificates or approval for investment guidelines. VNS

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