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FINANCE

The government to slash VAT from 10% to 8% in 2022

The government has set targets to achieve a GDP per capita of $3,900 in 2022, with GDP growth of 6-6.5 per cent each year. Following the passing of a VND 350 trillion (approximately US$15 billion) economic recovery package, the Government is considering the implementation of a cut to VAT. As part of the stimulus program, VAT for applicable goods and services will be cut down to 8 per cent in 2022 (down two per cent from the current rate), with the reduction set to begin from February.

The move has been said to amount to a VND 49.4 trillion (US$2.17 billion) tax break for businesses, nearly three times the tax cut they received throughout 2021, according to finance minister Ho Duc Phoc. He said the Government favored VAT reduction over income tax reduction because a VAT cut will help all businesses, not just those who reported profit.

According to the minister, a majority of firms would be eligible for the VAT cut with the exceptions of firms in the fields of telecommunications, banking and finance, property development, mining and metallurgy, refinery and petrochemicals, among others.

Products and services that were not required to pay VAT tax or at 5 per VAT tax or under special VAT tax are not affected by the cut. According to a proposal put forward by the Ministry of Finance, firms may even include expenses incurred in their efforts to prevent the spread of the novel coronavirus in income tax forms.

Economists and firms have voiced their concern over how a 2 per cent reduction in VAT may not be able to produce the intended effect to boost consumption and business activities in 2022. Others lamented over the date on which the cut will take effect February 1, saying it's a missed opportunity to give consumption a massive boost right before the Lunar New Year.

Addressing said concerns, minister Phoc said the Government still has to balance its budget and a tax cut greater than 2 per cent would put this year's fiscal policy under great pressure. While the cut this year covered more products and services, it is smaller than last year tax cut at 3 per cent VAT but only included transportation, travel and food and beverages.

Commenting on a proposal to increase tax on stock market exchanges, the minister said the Government currently has no plan to levy additional taxes. "In 2021, the stock market's capitalization reached VND 7.7 quadrillion, equivalent to 92.5 per cent of total GDP. It has been an effective platform to secure investment for the economy," he said.

However, the Government has been considering stricter bond regulations for firms, especially those that cannot produce collateral. VNS

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Three scenarios to help the Vietnam digital economy make a breakthrough by 2025

The goal for the digital economy to account for 20 per cent of GDP by 2025 is very challenging. However,

Nguyen Trong Duong, Deputy Director of the Department of Enterprise Management, Ministry of Information and Communications, believes that with a breakthrough scenario, the Vietnamese digital economy could account for 26.2 per cent of GDP in 2025.

Under the normal development scenario, the Vietnamese digital economy will only reach 10.5 per cent of GDP by 2025.

To achieve this goal, it was necessary to maintain the average annual growth of the digital economy at about 20 per cent, three times higher than the expected GDP growth at 6.5-7 per cent per year, he said.

Based on the analysis and assessment of digital economy development, three development scenarios could be proposed for the Vietnamese digital economy by 2025, said Mr. Duong.

In the normal scenario, with only average efforts for digital transformation and digital economy development, the digital economy will account for about 10.4 per cent of GDP by 2025, of which ICT, telecommunications and the internet economy account for about 7.9 per cent of GDP.

In the quicker scenario in which digital transformation and development of the digital economy are strongly promoted, the digital economy will account for about 19.9 per cent of GDP by 2025, of which ICT, telecommunications and the internet economy account for about 13.1 per cent.

In the breakthrough scenario, digital transformation and digital economy development are strongly deployed, accompanied by measures to ensure a market balance between Vietnamese digital enterprises and foreign counterparts. At the same time, with policies to support Vietnamese technology start-ups, the digital economy will account for about 26.2 per cent of GDP by 2025, of which ICT, telecommunications and the internet economy account for about 16 per cent.

Mr. Duong said that firstly, it was necessary to quickly develop and promulgate national strategies and programs on developing the digital economy and digital society. Secondly, it was necessary to urgently review, amend and supplement legal regulations to improve the legal framework, mechanisms and policies for the development of the digital economy and digital society. Thirdly, it is necessary to accelerate the implementation of the national digital transformation program, especially solutions for skills training and digital human resources development; digital transformation; and the domestic digital market. VNS

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E-COMMERCE

E-commerce agriculture platform Mio raises $8 million

The Fourth Industrial Revolution is taking place around the world with a boom in digital technology, creating great opportunities for but also challenges to the development of each country, enterprise, and person.

E-commerce agriculture platform Mio has recently raised $8 million from foreign investors, bringing the total it has mobilized to $9.1 million.

It plans to use the funding from Jungle Ventures, Patamar Capital and others, to expand the operation of its distribution center and supply chain, the company stated.

Established in June 2020, Mio acts as an intermediary between buyers and sellers of agriculture produce, using social media as a hub to gather orders.

Suppliers receive up to 10 percent of commission for each order, with bonuses based on performance.

Last year, Mio saw the number of transactions surging over 50 times. The company distributed 10,000 fresh products daily.

It is now available in the southern localities of Ho Chi Minh City, Binh Duong, Dong Nai and Long An, and plans to expand to the north.

My Tran, deputy chairwoman of Jungle Ventures, said Mio has great growth potential in Vietnam's agriculture and fresh food market, which is valued at $50 billion.

Mio also plans to expand to selling fast-moving consumer goods and household items. Vnexpress

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ENERGY

No more wind and solar power sources to be added in 2022

The Ministry of Industry and Trade will not add any more wind and solar power into this year's plan, due to a lack of input facilities to transfer them to the national grid.

At the 2021 review meeting of the National Load Dispatch Center on January 10, its deputy director Nguyen Quoc Trung said the total electricity produced and imported including rooftop solar power output was expected to reach 275.5 billion kWh this year, up 7.9 per cent compared to 2021.

Trung said that total hydropower output was expected to be 82.5 billion kWh, 3.8 billion kWh higher than in 2021.

Traditional power sources expected to come into operation in 2022 were 3,407 MW, including large thermal power plants with a capacity of 600 MW each plant, such as the Nghi Son 2 and Song Hau 1, with no more wind power, farm solar power and rooftop solar power to the grid this year.

Trung also said the southeast gas source would reach 13.5 - 14.5 million cubic metres per day, while the southwest gas sources would reach from 3.9 - 4.5 million cubic metres in the year.

Buying electricity from China with an output of about 380 million kWh in May and June was also expected.

For the north of Vietnam, Trung said the peak load was expected to grow by 9.5 – 13 per cent, or increase by 2,497 - 2,870 MW in the year.

Though the north will have many potential risks of shortages during peak capacity, especially during the peak hot months from May to July, the National Load Dispatch Center has proposed asked to adjust the repair schedule, changing the wiring in Nghi Son when necessary so that the Nghi Son 2 plant could supply the region when necessary, together with calculating the purchase of Chinese electricity under the direction of Vietnam Electricity (EVN).

"Currently, low cost gas fields are decreasing while high cost gas fields were put into operation with the policy that BOT gas-fired power plants continue to be used, leading to the higher cost of new gas fields, affecting the electricity cost of the whole system," Trung said.

Even after energizing all approved new projects to ensure power supply to important load centers such as Ha Noi and HCM City as well as to release renewable energy (RE), most of the 500kV transformers were at full load.

"The using of RE sources in 2022 continues to face many difficulties, because the power grid has suffered with the amount of RE sources that have been put into operation in recent years," Trung said.

The challenges were reported in the provinces of Binh Dinh, Khanh Hoa, Phu Yen, Dak Lak, Dak Nong, Kon Tum, Gia Lai, Ninh Thuan, Binh Thuan, Ca Mau and Bac Lieu.

In addition, with the increasing rate of RE sources put into operation, the problem of stabilizing the power system in real time was still a big challenge, he added.

Last year, the total new power source put into operation was 7,433MW, bringing the total installed capacity of the national power system to 78,682MW including 75 wind power plants with a total capacity of about 3,600 MW.

By the end of 2021, the total number of national dispatching plants was 337, an increase of 73 plants compared to 2020.

Currently, there are 104 plants directly participating in the power market with a total installed capacity of 27,990MW, accounting for 36.8 per cent of the total installed capacity of power plants. During the year, four new factories entered the market with a total capacity of 372MW.

In addition, the national dispatcher energized, tested and accepted many important transmission lines and transformers projects on the 500kV power grid such as energizing eight new transformers with a total capacity of 4,387 MVA, increasing the capacity of five transformers with a total capacity of 3,900 MW, and 14 newly energized 500kV lines with a total length of 2,022km.

At the same time, the industry has built 203 new 220kV - 110kV transformers with a total capacity of 13,016 MVA, and 236 new sections of 220kV - 110kV transmission lines with a total length of 3,450km.

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US$ 219-million offshore wind power plant launched in Mekong Delta

Renewable energy developer Trungnam Group has launched its first offshore wind power plant at a cost of nearly VND5 trillion ($219.3 million) in the Mekong Delta.

The 100-megawatt Dong Hai I wind Power Plant has its 25 turbines off the coast of Duyen Hai District in Tra Vinh Province, the company said in a statement Monday. It is set to contribute 330 million kilowatt-hours of power annually to the national grid.

Trungnam, whose website says it now has four wind power and three solar power plants in Vietnam, plans to have renewable power plants with a capacity of 3.8 gigawatts and LNG-fired plants with a capacity of 1.5 GW by 2025.

Vietnam plans to double its wind and solar power capacity to 31-38 GW by 2030.

Renewable sources now account for 27 percent of its power capacity, according to national utility Vietnam Electricity. Vnexpress

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RETAIL

Viet Nam luxury goods market to grow by 6.67 per cent annually in 2021-2025

According to Statista, revenue from Viet Nam's personal luxury goods market reached $976 million in 2021 and is expected to grow by 6.67 per cent annually in 2021-2025. Vietnam pales in comparison with Japan and China in regard to the size of the luxury market, but it has a great potential to become a highly profitable market in the near future.

Jing Daily, a leading digital publication on luxuries in China, said the bright outlook for Viet Nam's luxury market could be attributed to the rising income of its people in recent years as high-income consumers are the backbone of luxury consumption. Between 2002 and 2020, Viet Nam's GDP per capita grew 2.7 times, reaching nearly US$2,800. A 2016 report prepared by the World Bank has also highlighted that the country could reach upper-middle-income status by 2035, with a per capita income topping $7,000.

Viet Nam's middle class population has been expanding massively as well, expectedly climbing to 95 million by 2030, according to predictions by Nielsen. Meanwhile, the number of High Earners, Not Rich Yet Individuals, and ultra-wealthy are also growing. The number of people with a net worth of $1-30 million will soar by 32 per cent to over 25,800 by 2025. In addition, luxury brands should be bullish on Viet Nam because their goods are increasingly in high demand in the country. This is even more the case now as consumers are restricted at home and cannot travel to Singapore or China to gratify their appetite for luxuries.

"The appetite for luxury goods is more pronounced than ever in Ha Noi and HCM City", said Tran Thi Hoai Anh, founder of GlobalLink Co Ltd. Just one decade ago, it was all about knowing the difference between Gucci and Prada, but now a new generation of high-end shoppers are driven by the quest for quality, distinctiveness and craftsmanship, the founder added. For obvious reasons, the luxury sector benefited from the EU-Viet Nam trade agreement and the investment protection agreement in 2019 that removed 99 per cent of all tariffs and lowered many regulatory barriers. With luxuries becoming more affordable, consumers could get their hands on these high-end products more easily. At that point, some renowned brands have sensed the opportunity and turned the growing domestic demand for luxuries to their advantage by gaining footholds in the country.

Porsche has inaugurated Porsche Studio in Ha Noi, its second retail space in Southeast Asia. According to Arthur Willmann, chief executive officer of Porsche Asia Pacific, Viet Nam has become one of Porsche's fastest-growing markets. At the same time, DAFC, which runs over 60 luxury brands, including Cartier and Rolex, announced its sales in Viet Nam were up by 35 per cent in 2020. Likewise, Bvlgari decided to return to the market in March 2021 with the inauguration of its first physical store in HCM City. "It was the right time to return since we were able to approach our potential customers", a Bvlgari Viet Nam spokesperson noted. VNS

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Vietnam's retail market still attracts foreign investors

This new wave of FDI proves the attraction and prospect of Vietnam's retail market in the context of the world affected by the epidemic, among 66 projects licensed in Hanoi in early 2021, there are five shopping center and supermarket projects, with a total capital of $13.48 million. These projects are developed by big investors from Japan and South Korea, which pursue long-term investment activities in Vietnam. Foreign investors keep pouring capital into Vietnam despite the difficulties caused by the global Covid-19 pandemic

Regarding the retail market, Vietnam has a great advantage with a fast-growing economy in Southeast Asia. In the first quarter of 2021, Vietnam's GDP grew 4.5%, demonstrating its positive economic activities amid the global pandemic. Committed FDI in the first quarter increased by 18.5%, while disbursed FDI rose by 6.5% over the same period last year. In addition, a steady increase in population and rapid increase in consumer spending also make the retail market in Vietnam attractive to foreign investors. According to Trading Economics, retail sales in Vietnam are forecast to grow 11% in 2021, far ahead of other Southeast Asian countries. In 2021, Vietnam's household spending is expected to grow 9.6% year-on-year, up from a forecast of 0.5% in 2020, according to Fitch Solutions. Consumer spending is expected to continue to grow in 2021. According to a McKinsey’s report, consumers are likely to return earlier to luxury goods, as they did after the financial crisis in 2008, with a growth rate of between 1% and 4% in 2021.

In terms of prospects, Vietnam currently has promising macroeconomic indicators such as strong GDP growth, and spending growth accompanied by rapid urbanization. Thanks to its attractive macroeconomic background and business environment, Vietnam is considered an investment destination for foreign investors.

Along with GDP growth, urbanization in Vietnam is expected to continue rapidly. The middle class in Vietnam is also increasing. According to the World Bank, the middle class in Vietnam currently accounts for 13% of the total population and will reach 26% by 2026. This growth will create an optimistic change in total domestic consumer spending. Moreover, as GDP per capita is close to $3,000, the potential for the retail industry in Vietnam is huge. Vietnam is one of the fastest growing digital economies in the region, which has spurred international investors to invest more in the domestic e-commerce market. According to the Ministry of Industry and Trade’s data, 53% of the population participated in online shopping, pushing the growth rate of Vietnam’s e-commerce market to 18%, with $11.8 billion in 2020.

According to the National E-commerce Development Master Plan for the period 2021-2025, by 2025, up to 55% of the population will participate in online shopping, with the average value of online purchases of goods and services of $600/person/year; B2C e-commerce sales to rise by 25%, reaching $35 billion, accounting for 10% of the total retail sales of consumer goods and services nationwide. It is forecasted that 55% of Hanoi's total population will shop online on e-commerce platforms, with revenue growth of 20%/year by 2025. Mr. Yoshio Murata, Chairman of Takashimaya, said: "Vietnam still has a lot of room for us to expand our investment portfolio in many fields." Vietnamnet

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LOGISTICS

Logistic development aims to promote trade facilitation

Developing logistics in order to facilitate export businesses was a recommendation made by businesses at a seminar held on January 18 to discuss solving difficulties faced by import-export enterprises and ways to boost trade facilitation amid COVID-19.

The event was co-hosted by the United States Agency for International Development (USAID) in collaboration with the Department of Industry and Trade of Ho Chi Minh City.

According to the Export Development Project, moving towards 2025 with a vision ahead to 2030, the southern city set an average annual export growth target of 9.5% during the 2021 to 2025 period.

However, due to the negative impact of the COVID-19 pandemic, export turnover in 2021 only reached US$44.9 billion, an increase of 1% compared to 2020.

Export turnover in the majority of export markets of the southern metropolis endured a fall over the past year, such as China down 8.7%, the US down 2.3%, and Japan down 14.7%. Despite the pandemic currently being brought under control, production and export activities of enterprises remain challenging to quickly recover.

Businesses face difficulties due to a labour shortage, high sea freight rates, a general lack of containers, along with loading and unloading equipment and shipping vessels, thereby putting great pressure on supply chains.

The biggest difficulty is the very high increase in logistical costs. Indeed, some export markets tend to increase the application of numerous pandemic control measures, leading to even more difficulties for businesses.

Ho Chi Minh City is in the process of intensifying administrative reform and promoting trade facilitation for businesses, with import and export goods through the green channel accounting for 80%, whilst those for the red channel make up 2%.

However, administrative procedures remain difficult and limited. In particular, specialized inspection procedures are inconvenient for all firms.

Participants therefore underlined the need for Ho Chi Minh City to speed up administrative reform and information technology applications to provide online public services. This should be done alongside promoting logistics development to reduce costs for local firms.

Furthermore, it can be considered necessary for businesses to capitalize on free trade agreements (FTAs) with tax reduction roadmaps. Enterprises therefore must pay close attention to the origin of goods, particularly with the possible imposition of trade remedies. In the event that enterprises are imposed tax for trade remedy avoidance, the tax rate will be many times higher.

As a way of creating favorable conditions for businesses to boost exports after the pandemic, Nguyen Khac Hieu, deputy head of the Import-Export Management section under the Ho Chi Minh City Department of Industry and Trade, said the city will provide maximum support for businesses through customs clearance procedures thanks to enhanced administrative reform, adding that the department also put a plan in place aimed at helping to improve the overall competitiveness of businesses.

Hieu went on to outline that in order to improve the efficiency of trade and export promotion, the department has carried out a plan which supports businesses' participation in cross-border e-commerce platforms. VOV

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Vietnam set to have 28 airports by 2030

The country is projected to have 28 airports nationwide, including 14 international ones, by the year 2030, according a draft master plan on developing local airports for the 2021 to 2030 period, with a vision towards 2050.

Under the details of the plan, which has been submitted to Prime Minister Pham Minh Chinh for approval, the airports will serve approximately 275.9 million passengers and handle some 4.1 million tonnes of cargo annually.

The Ministry of Transport will seek to prioritise investments in some major airports such as Noi Bai in Hanoi and Tan Son Nhat in Ho Chi Minh City, whilst also upgrading and effectively utilising the present 22 airports and building six others, namely Long Thanh, Na San, Lai Chau, Sa Pa, Quang Ninh, and Phan Thiet.

By 2050, the number of airports nationwide is expected to rise to 31, including 14 international ones.

PM Chinh has therefore asked the Ministry of Transport to review the planning of Da Nang and Chu Lai airports in order to avoid the wastefulness of resources, whilst quickly finalising the planning scheme for approval. VOV

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INVESTMENT

HCM City industrial parks eye $500 million investment in 2022

The HCM City Export Processing and Industrial Zones Authority said the city's industrial parks and processing zones hope to attract investment worth US$500 million this year.

They attracted $600.79 million last year, well above the target, including foreign investment of $220.26 million, it said.

Speaking at a meeting held to finalize plans for 2022 last week, Hua Quoc Hung, head of the authority (HEPZA), said to achieve the goal, HEPZA would continue to promote investment incentives, strengthen COVID-19 prevention efforts, enhance support for businesses to help them stabilize operations, and step up administrative reform.

Other key targets would include quickly starting the construction of the proposed 668 hectares Pham Van Hai Industrial Park, speeding up land clearance for building the Le Minh Xuan 2 Industrial Park, expanding the Le Minh Xuan IP, Northwest Cu Chi IP, Vinh Loc IP, and Hiep Phuoc third phase, he said.

HEPZA also plans to develop new industrial park models and … develop criteria for attracting investment in export processing zones and industrial parks."

It would strengthen investment promotion through foreign industry trade groups in Vietnam and enhance the HEPZA image and brand by offering all possible support for businesses to help them overcome difficulties caused by the COVID-19 pandemic, he said.

It would also develop high-rise factories to improve land-use efficiency, monitor the implementation of land use by investment projects, and take back land from tardy projects.

With COVID-19 still lingering, HEPZA was continuing to cut or defer payment of factory/warehouse rents, land rents and infrastructure maintenance and service fees.

It planned to work with banks and authorities to help enterprises borrow, hire employees, build accommodation for employees, and resolve other difficulties.

In 2022 Hepza also planned to put more effort into administrative reforms and hopefully achieve an 'excellent' rating in the city's public administrative reform (PAR) index.

To effectively carry out its tasks in 2022 and implement the "one-stop shop, on-site" mechanism, HEPZA had called on the city to strengthen decentralization and devolve power to it to perform management tasks related to enterprises in export processing zones and industrial parks. VNS

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Vietnam to become the next startup hub of Southeast Asia

In an interview with Bloomberg recently, Binh Tran - co-founder of Ascend Vietnam Ventures - said that Vietnam's nascent start-up sector is developing and Vietnam is becoming the next technology hub of Southeast Asia.

Binh said that venture capital poured into startups in Vietnam reached 2.1 billion USD in 2021, compared to only 48 million USD in 2017. Moving his business from San Francisco (USA) to Vietnam in 2020, Binh said that the startup sector in Vietnam is attracting top venture capitalists in Silicon Valley. Well-known venture capital funds in San Francisco such as Goodwater Capital LLC, Accel Partners LP and Altos Ventures Management Inc have poured capital into innovative Vietnamese enterprises.

He said that the startup sector in Vietnam is witnessing remarkable growth. “This has turned Vietnam into an important startup hub in Asia,” said Binh.

Binh’s 500 Global Vietnam venture capital fund has invested in about 70 companies in the fields of e-commerce, financial technology (Fintech) and healthcare in Vietnam.

According to the e-Conomy report published by Google, Temasek and Bain & Company, the total value of Vietnam's Internet economy in 2021 is expected to reach 21 billion USD, up 31%. This is mainly thanks to the 53% growth of the e-commerce industry.

Google, Temasek and Bain & Company predicted that by 2025, the entire Internet economy in Vietnam will be worth 57 billion USD and the compound annual growth rate (CAGR) will be 29%. Vietnamnet

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