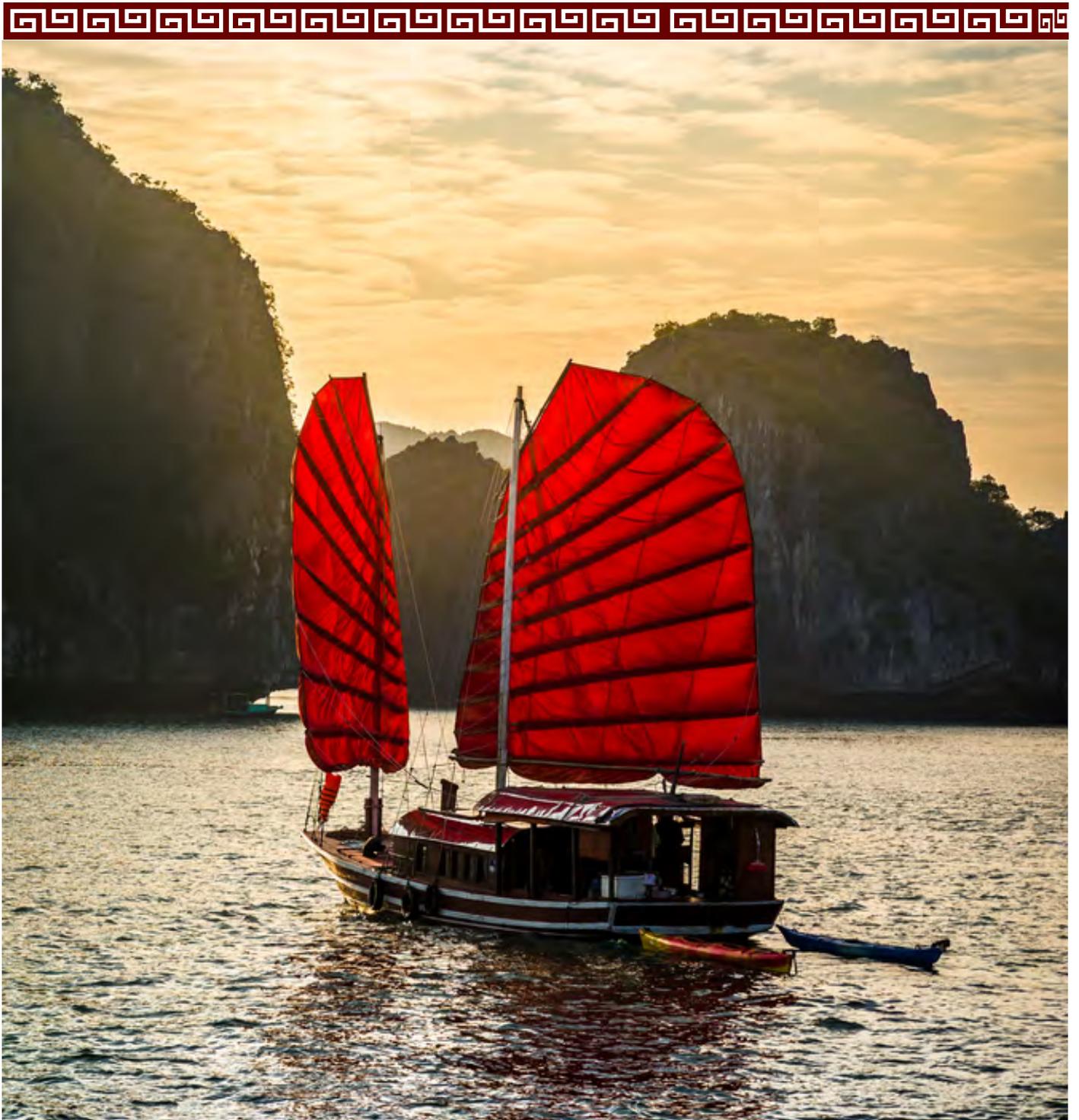


NDTC & Partners

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LEGAL NEWSLETTER

February 2019



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LEGAL UPDATE

1. DECREE 14/2019: EXTENDING THE NON-TAX COMMODITIES AND AMENDING, SUPPLEMENTING A NUMBER OF REGULATIONS.

- Hieu Ho-

The Government has promulgated the Decree No.14/2019/ND-CP (Decree 14) on February 1st, 2019 amending and supplementing the Decree No. 108/2015/ND-CP (Decree 108) to provide instructions on the implementation of certain articles of the Law on Special Consumption Tax. Set out below are the notable point of the new Decree.



Decree 14 extends the non-tax commodities prescribed in Article 3.3 of Decree 108. As the result, the new Decree supplements aircrafts used for the purpose of: pesticides spraying, firefighting, film capturing, photography, cartography in to the list of non-tax commodities.

Additionally, Decree 14 also provides that the application procedures, documentation requirements over refunds process of special consumption taxes on temporarily imported and re-

exported goods, raw materials imported for manufacturing and processing of exports shall be subject to regulations laid down in Article 34 and 36 in the Decree No. 134/2016/ND-CP dated September 1st, 2016, instead of following the same regulations under the Law on Export and Import (Article 6.3 of Decree 108).

The new Decree supplements the tax deduction regulations regarding the taxpayer who are manufacturers of goods subject to special consumption tax with excise tax-liable raw materials, the taxpayer who paid at the import stage, and the conditions for tax deduction.

Decree 14 shall be effective on March 20th, 2019/.

2. DECREE NO. 16/2019/ND-CP: REDUCING THE CONDITIONS FOR ISSUING OFFSHORE INDIRECT INVESTMENT REGISTRATION CERTIFICATE

- Ha Nguyen -

The Decree 16 was enforced on February 1st, 2019 to enhance a number of provisions on the business conditions that are managed by the State Bank of Vietnam (SBV). Accordingly, Decree 16 amends the conditions for issuing Offshore Indirect Investment Registration Certificate for commercial banks, financial enterprises (“Investors”) in the direction of reducing and facilitating offshore investments.

Particularly:

- The Investors shall be allowed to enter into foreign exchange operations in the global market;



- The Investors shall have profits for 03 consecutive years before the year of submitting the dossier of application for Offshore Indirect Investment Registration Certificate, shown on the financial statements already audited by independent auditing organizations not lying in the list of unaudited auditing organizations for foreign credit institutions and bank branches;

- The Investors shall fully implement financial obligations to the State, no tax debt with the state budget;

- The Investors shall have internal processes, mechanisms for internal management, internal audit, identification and risk management related to self-investing in offshore indirect investment;

- The Investors shall comply with the current regulations of the SBV on safety limitations, safety ratios in banking operations/.

3. CIRCULAR 02/2019: ONLY THE ACCOUNT OWNER HAS THE ABILITY TO DELEGATE HIS/HER ACCOUNT' USAGE TO OTHERS

- Hieu Nguyen-

Recently, State bank of Vietnam has enacted Circular 02/2019/TT-NHNN, which stated some changes regarding the opening and usage of payment account at the payment service suppliers:

The changes are as follow:

- Only the account owner has the authority to delegate his/her account's usage to others. The delegation must be in document.
- In the past, chief accountant and the person in charge of accounting have the ability to delegate other people to use the organization's payment account.
- The Bank is required to have at least 2 formations to receive investigative information and complaints, such as telecom offices (with voice recorder) and bank transaction offices.
- The Bank can negotiate, regulate in detail the investigative and complaint duration that the customer may need, but not less than 60 days, from the time of investigative and complaint occurrence.
- The handling of investigations and complaints shall not be longer than 30 days and the handling of loss compensation shall not be longer than 5 days.

Circular 02/2019/TT-NHNN amended Circular 23/2014/TT-NHNN dated 29/02/2019, took effect on 01/03/2019.



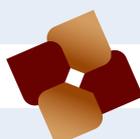
4. DECREE NO. 13/2019/ND-CP: MORE ADVANTAGES FOR SCIENTIFIC AND TECHNOLOGICAL ENTERPRISES

- Ly Pham-

The Government has issued Decree No. 13/2019/ND-CP dated February 1st, 2019, regulating policies for scientific and technological enterprises. Decree 13 shall become effective on March 20th, 2019.

Decree 13 issues more incentives to these enterprises, in which they are entitled to corporate income tax ("CIT") reductions and exemptions, land fee reduction and credit incentives. Specifically, regarding CIT incentives, they will be exempted from CIT for 04 years and get 50 percent reduction of payable tax amount in the next 09 years if they invest in new scientific and technological projects. In addition to these incentives, to be entitled to such CIT reductions and exemptions for the fiscal year, these enterprises need to commit that their scientific and technological projects account for at least 30 percent of their aggregate total revenue. Regarding credit incentives, these enterprises having mortgages may have access to preferential loans with a maximum reduction of 50 percent in interest rates from commercial banks.

Under Decree 13, these enterprises will also receive priority and will not have to pay any service fees for using equipment and facilities at the national laboratories, state-owned research and technology facilities, and technology incubators. Decree 13 only requires them to pay fees for the purchased raw materials required to carry out their R&D activities.

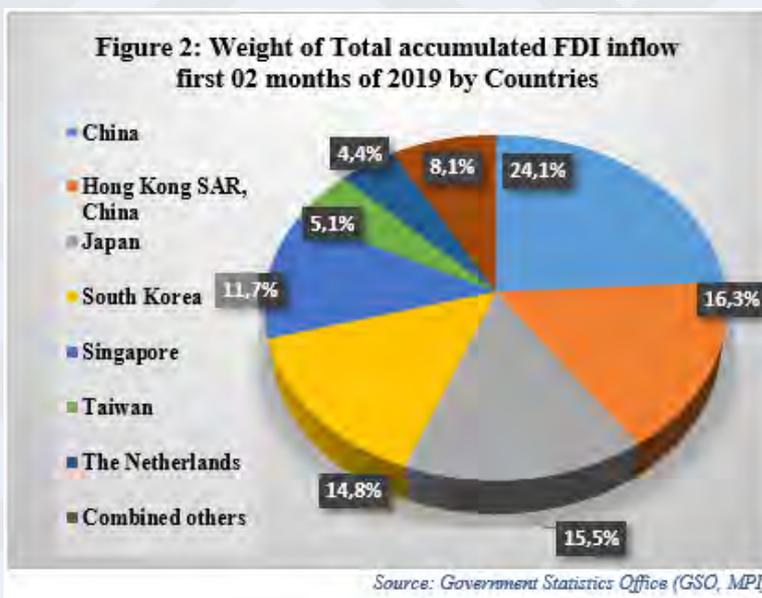
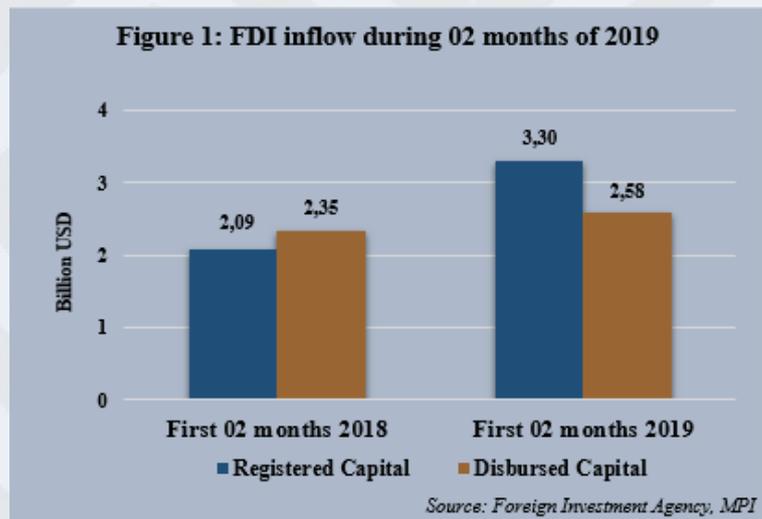




Vietnam Macroeconomic Performance - February 2019

The legal framework updates would influence the investment environment and national economy. Thus, in following section, NDTC & Partners would briefly describe herewith some highlights regarding most significant variations of macroeconomic indicators during February and first 02 months of 2019.

Accumulative registered FDI inflow during the first 02 months of this year recorded a considerable plummet of 57.8% y-o-y, whereas accumulated disbursed capital also witnessed an increase but in a slower rate of 8.9% increase y-o-y (Figure 1).



Unlike the previous period, China and its Hong Kong SAR stay at leading positions of accumulated FDI inflow during the first 02 months of this year of combined weight of 40% total accumulated FDI inflow, combining and leveling at an accumulative value of around 1 billion USD (Figure 2).

Real estate and manufacturing keeps being the most interested sectors for foreign investors during the first 02 months of the year, accounting for almost 90% of total accumulated FDI inflow, leveling at 0.273 billion USD and 1.87 billion USD, respectively.

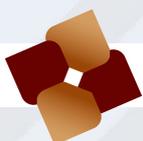


Figure 3: Industrial Production Index first 02 months of 2019 (% y-o-y to 2018's)

Coal & lignite	7.5 %	Rubber & plastic products	13.7 %
Crude oil & natural gas	(7.9) %	Non-metal mineral products	7.8 %
Food products	10.0 %	Metals	35.8 %
Beverages	10.0 %	Prefabricated metal products	2.5 %
Tobacco	(2.4) %	Electronic, computing & optical products	5.2 %
Textile	11.5 %	Electric equipment	9.2 %
Clothes	10.8 %	Motor vehicles	20.9 %
Leather & related products	8.9 %	Furniture	13.8 %
Paper & paper products	7.4 %	Power generation & supply	9.5 %
Chemical & chemical products	12.8 %	Water extraction, treatment & supply	4.8 %
Medicine, pharmaceutical chemistry	(12.4) %	Waste collection, treatment & destruct; waste cycling	10.0 %

Source: Government Statistics Office (GSO, MPI)

Industrial Production Index (IPI) recorded a growth of 9.2 % y-o-y during the first 02 months of 2019, with manufacturing sector in general still being the main growth driver, albeit confronting deceleration trend, following by power generation and distribution sector (Figure 3).

In brief, macroeconomic growth has been still majorly driven by the FDI groups while domestic counterparts remained unenergetic.

Trade balance of each month has been fluctuating since last February, reaching a trough in last May and this February and peak last September (Figure 4).

Aggregate Export turnover for the first 02 months of 2019 is estimated at USD 36.68 billion (+5.9% y-o-y to 2018's) whilst aggregate import turnover leveled at USD 36.76 billion (+7.5% y-o-y to 2018's). The slight trade deficit during the period mainly came from export acceleration of FDI corporates at a lower rate than import acceleration of domestic businesses.

Weighted aggregate Inflation rate has continuously decelerated since 2017's June (at 4.15% CPI) until last April (at 2.80% CPI), then slightly accelerated in the past three quarters, then declining again during the first 02 months of 2019, leveling at 2.60% in February (Figure 5).

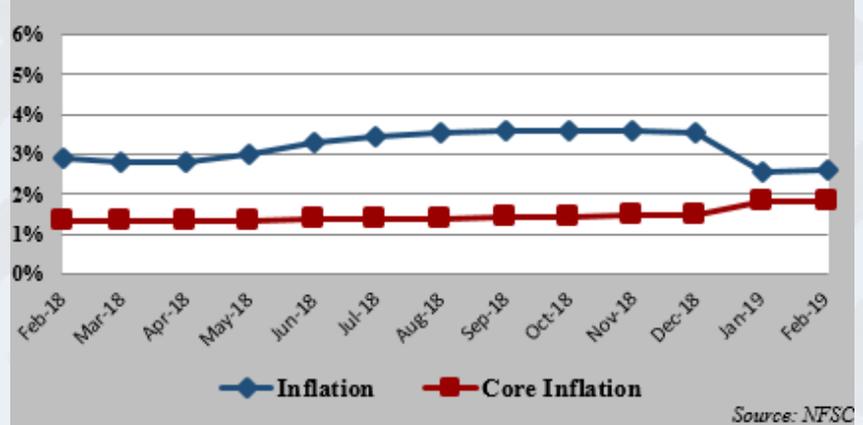
Core inflation has remained under 2% since last June, aggregately reached 1.82% in this February (% y-o-y change to 2018's).

Figure 4: Exports - Imports and Trade Balance, February 2019

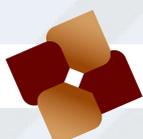


Source: GSO, MPI

Figure 5: Weighted Aggregate Inflation and Core Inflation by February 2019, % y-o-y change to 2018's



Source: NFSC





Mr. Nguyen Do Tung Cuong
Chairman & Managing Partner

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