

industry, and is a significant concern for potential investors in, and exporters to, Vietnam.

The government realizes smuggling is a problem that has been difficult to control in the past and it has introduced proposals to control it; nevertheless, the problem remains and must be restrained if the country wants to continue to attract foreign business people.

Graft and Corruption

There are no written rules or policies to contend with graft and corruption, but it is established throughout Asia and very resistant to change. In June 1990, the Government of Vietnam mounted a campaign to fight corruption. However, anyone contemplating trade with or investment in Asia must learn to live with the perils of corruption by recognizing and dealing with it appropriately.

To be successful in Asia, the business person must differentiate between corruption, tips, rewards, and special payments. For these reasons, it is advisable to employ able personnel who can handle company dilemmas, who know the system and can assist in recognizing the suitable form of action, who have good communication skills and contacts, and are able to communicate effectively in Vietnamese. A good employee can expedite many processes from government appointments to visa acquisitions.

It is not only important to understand the economic and political realities of the country, but the conflicting cultural considerations as well.

Import and Export Tariffs

All imported and exported goods are subject to tariffs. Exemptions on import duties on various items exist for companies with foreign invested capital and those engaged in business cooperation contracts. Import duties and sales tax may be applicable if any of the imported products are sold in Vietnam.

TAXATION

The taxation system in Vietnam is administered by the Tax Department of the Ministry of Finance. Five forms of taxation are applicable to foreign investors in Vietnam:

- Direct taxation of profits
- Tax on profits remitted abroad
- Business and sales tax
- Taxes on the exploitation of natural resources
- Taxation of employee income

Direct Taxation of Profits

Companies with foreign investment in Vietnam are liable for a corporate income tax between 15 and 25 percent of actual profits. The rate of tax will depend on whether the enterprise has invested in a priority category, which has a rate between 15 and 20 percent, or a standard category, which has a rate between 21 and 25 percent.

To qualify for the priority category rate, the venture must satisfy two of the following six standards:

- The prescribed capital must be at least US\$20 million.