


# *Setting up or changing to a related party importer or distributor in Vietnam?*





While 100% Foreign Owned Enterprises (FOE) were already entitled to engage in the import and export of most products in Vietnam, distribution activities (except for certain restricted goods) by 100% FOE were only allowed since 1 January 2009.

Although Vietnam has not yet fully opened up its market for all products and sectors, more foreign MNCs are exploring the possibilities to set up their own trading and distribution company in Vietnam in stead of using third parties.

### ***What does this mean to me?***

Despite the complex and time consuming investment certificate application process and post licensing procedures, the establishment of a 100% FOE in Vietnam may also create opportunities to realise potential import duty savings as typically the setting up of a 100% FOE has an impact on current import prices and transfer prices as a result of:

- A shift in allocation of profit from one entity to another
- A shift in responsibility for certain functions from one entity to another
- A change in the transaction structure
  - removal of a third party import/export company
  - removal of a third party distribution intermediary
- Changes in pricing levels that exceed normal commercial margins of fluctuation

Thus, when deciding on setting up or changing to a 100% FOE in Vietnam, it is vital to understand the potential savings opportunities as well as the implications it may have on current transfer prices and import prices.

### ***How can PwC help?***

- We can assist you in identifying opportunities that will optimize your prices from a customs and transfer pricing perspective as a result of the newly set up 100% FOE
- We can assist you in proactively approaching tax and customs authorities before setting up the 100% FOE to explain the change in transfer prices / import prices
- Assist you in reaching agreement on new transfer prices and import prices with tax and customs authorities
- Providing technical support for your transfer prices or import prices where they are being challenged by the Vietnamese authorities.

For more information, please contact:

#### **David Fitzgerald**

Tax Partner  
Tel: [+84 8] 8230 796, ext:1500  
david.fitzgerald@vn.pwc.com

#### **Nguyen Hong Son**

Customs and International Trade Services  
Tel: [+84 8] 8230 796, ext:1509  
nguyen.hong.son@vn.pwc.com

#### **Jason Donovan**

Senior Lawyer/ Legal Services  
Tel: [+84 8] 8230 796, ext:1522  
jason.donovan@vn.pwc.com