

# Processing Activities

Foreigners can hire local companies and foreign-invested companies for processing of goods of all kinds, except for goods on the lists of goods the import and export of which is prohibited or temporarily suspended. With respect to goods on the lists of goods the import and export of which is subject to issuance of a permit, business entities may only enter into processing contracts after they have been issued with a permit by the MMOIT. The processing contract must be in writing or in another form with equivalent legal validity in accordance with the Commercial Law, and must minimally include certain prescribed terms.

## Legislation

Local processing for foreigners are being governed by the Commercial Law dated 14 June 2005; Decree No.187/2013/ND-CP dated 20 November 2013 of the Government making detailed provisions for implementation of the Commercial Law with respect to international purchases and sales of goods, and agency for sale and purchase, processing and transit of goods involving foreign parties, as amended and supplemented by Decree No.77/2016/ND-CP dated 1 July 2016 of the Government); and Circular No.38/2015/TT-BTC dated 15 August 2011 of the MOF on customs procedures, customs supervision and inspection, export tax, import tax, and tax administration applied to exported and imported goods.

## Contents of the Contract

Having the similar contents of a formal economic contract, a processing contract must include: Names and addresses of contracting parties and of the party directly conducting the processing; name and quantity of processed products; price for processing; time-limit for and method of payment; list, quantity and value of imported raw materials, sub-materials and supplies and domestically produced raw materials, sub-

materials and supplies (if any) for processing; levels of use of raw materials, sub-materials and supplies; level of consumption of supplies and wastage rate of raw materials in processing; list and value of machinery and equipment leased, lent or donated for the purpose of processing (if any); measures to treat scrap and discharged waste and principles for dealing with leased or borrowed machinery and equipment and with left-over raw materials, sub-materials and supplies upon termination of the processing contract; location and time of goods delivery; trade mark of goods and origin appellations of goods; and duration of validity of contract. Trademark and the origin of goods in relation to the processing activities are normally falling within the responsibilities of the foreign principals.

As a matter of fact, a list defining quantities and values of input raw materials, auxiliary materials and supplies for processing activities with a defined rate of consumption and waste, and a list defining values of the machinery and equipment leased, borrowed or donated for processing service, should be present in the contract. Dealings on relevant equipment are also contracted due to the fact that equipment are often leased to local processors from foreign principals in most cases. Both input materials and equipment can be imported into Vietnam on the basis of temporary import and re-export.

### **Permitted Activities**

Foreign principals are entitled to receive and remit abroad finished products, surplus input materials and leased equipment. To supervise the local processing activities and guide on technical issues, foreign experts can be seconded to Vietnam by foreign principals.

### **Taxation**

Input materials and equipment serving for the local processing activities are in principle, being exempted from taxes prevailing in Vietnam.