

Doing Business 2011

Vietnam

**Making
a Difference for
Entrepreneurs**

COMPARING BUSINESS REGULATION IN 183 ECONOMIES



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1818 H Street NW
Washington, DC 20433
Telephone 202-473-1000
Internet www.worldbank.org

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Contents

Introduction
and Aggregate Rankings

5 - Year Measure of
Cumulative Change

Starting a Business

Dealing with
Construction Permits

Registering Property

Getting Credit

Protecting Investors

Paying Taxes

Trading Across Borders

Enforcing Contracts

Closing a Business

Doing Business 2011
Business Reforms

Doing Business 2011: Making a Difference for Entrepreneurs is the eighth in a series of annual reports investigating regulations that enhance business activity and those that constrain it. *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 9 stages of a business's life are measured: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2011* are current as of June 1, 2010*. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The Doing Business methodology has limitations. Other areas important to business such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions, are not studied directly by Doing Business. To make the data comparable across economies, the indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policymakers in designing reform.

The data set covers 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 18 in the Middle East and North Africa and 8 in South Asia, as well as 30 OECD high-income economies.

The following pages present the summary Doing Business indicators for Vietnam. The data used for this economy profile come from the Doing Business database and are summarized in graphs. These graphs allow a comparison of the economies in each region not only with one another but also with the "good practice" economy for each indicator.

The good-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other countries. These good-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 10.

More information is available in the full report. *Doing Business 2011: Making a Difference for Entrepreneurs* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the Doing Business website (www.doingbusiness.org).

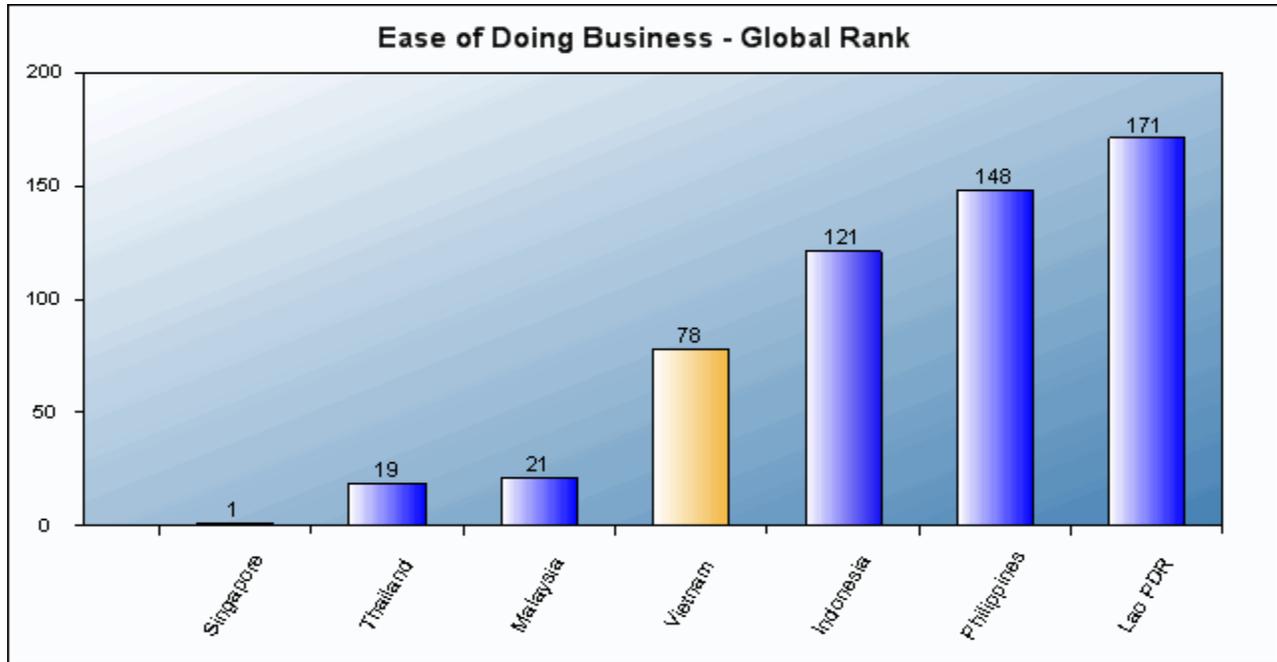
* Except for the Paying Taxes indicator that refers to the period January to December of 2009.

Note: 2008-2010 Doing Business data and rankings have been recalculated to reflect changes to the methodology and the addition of new economies (in the case of the rankings).

Economy Rankings - Ease of Doing Business

Vietnam is ranked 78 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

Vietnam - Compared to global good practice economy as well as selected economies:



Vietnam's ranking in Doing Business 2011

Rank	Doing Business 2011
Ease of Doing Business	78
Starting a Business	100
Dealing with Construction Permits	62
Registering Property	43
Getting Credit	15
Protecting Investors	173
Paying Taxes	124
Trading Across Borders	63
Enforcing Contracts	31
Closing a Business	124

Summary of Indicators - Vietnam

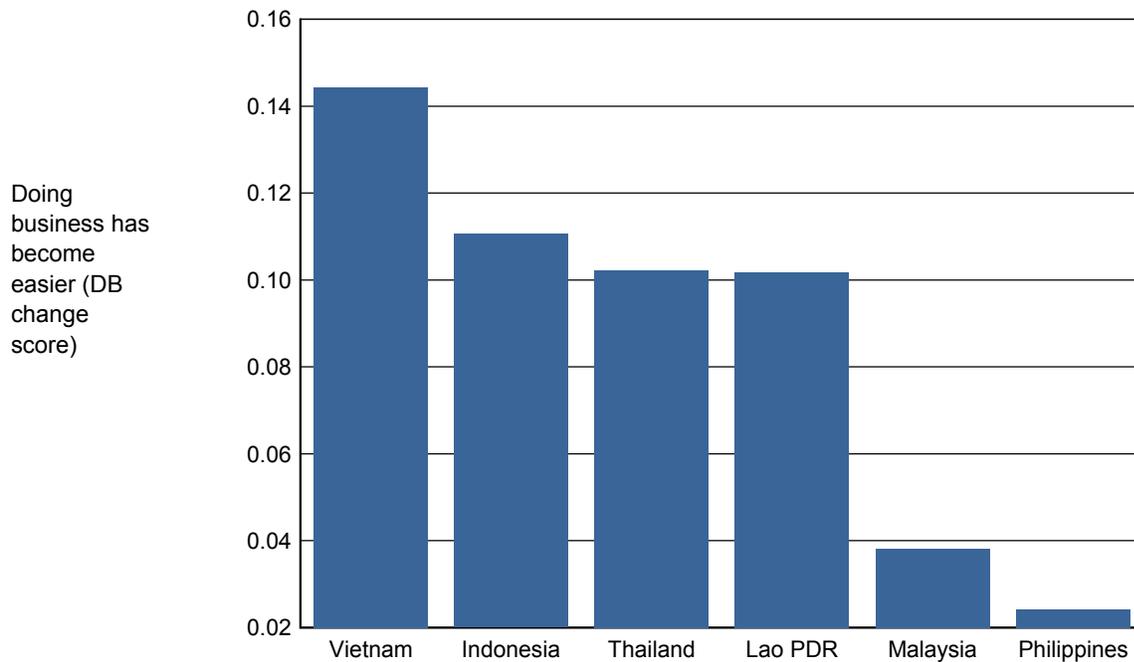
Starting a Business	Procedures (number)	9
	Time (days)	44
	Cost (% of income per capita)	12.1
	Min. capital (% of income per capita)	0.0
Dealing with Construction Permits	Procedures (number)	13
	Time (days)	194
	Cost (% of income per capita)	128.4
Registering Property	Procedures (number)	4
	Time (days)	57
	Cost (% of property value)	0.6
Getting Credit	Strength of legal rights index (0-10)	8
	Depth of credit information index (0-6)	5
	Public registry coverage (% of adults)	26.4
	Private bureau coverage (% of adults)	0.0
Protecting Investors	Extent of disclosure index (0-10)	6
	Extent of director liability index (0-10)	0
	Ease of shareholder suits index (0-10)	2
	Strength of investor protection index (0-10)	2.7
Paying Taxes	Payments (number per year)	32
	Time (hours per year)	941
	Profit tax (%)	12.5
	Labor tax and contributions (%)	20.3
	Other taxes (%)	0.3
	Total tax rate (% profit)	33.1
Trading Across Borders	Documents to export (number)	6
	Time to export (days)	22
	Cost to export (US\$ per container)	555
	Documents to import (number)	8
	Time to import (days)	21
	Cost to import (US\$ per container)	645

Enforcing Contracts	Procedures (number)	34
	Time (days)	295
	Cost (% of claim)	28.5
Closing a Business	Recovery rate (cents on the dollar)	18.6
	Time (years)	5.0
	Cost (% of estate)	15

The 5 year measure of cumulative change illustrates how the business regulatory environment has changed in 174 economies from *Doing Business 2006* to *Doing Business 2011*. Instead of highlighting which countries currently have the most business friendly environment, this new approach shows the extent to which an economy's regulatory environment for business has changed compared with 5 years ago.

This snapshot reflects all cumulative changes in an economy's business regulation as measured by the Doing Business indicators—such as a reduction in the time to start a business thanks to a one-stop shop or an increase in the strength of investor protection index thanks to new stock exchange rules that tighten disclosure requirements for related-party transactions.

This figure shows the distribution of cumulative change across the 9 indicators and time between *Doing Business 2006* and *Doing Business 2011*



Many economies have undertaken reforms to smooth the starting a business process in stages—and often as part of a larger regulatory reform program. A number of studies have shown that among the benefits of streamlining the process to start a business have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities. Economies with higher entry costs are associated with a larger informal sector and a smaller number of legally registered firms.

Some reform outcomes

In Egypt reductions of the minimum capital requirement in 2007 and 2008 led to an increase of more than 30% in the number of limited liability companies.

In Portugal creation of One-Stop Shop in 2006 and 2007 resulted in a reduction of time to start a business from 54 days to 5. In 2007 and 2008 new business registrations were up by 60% compared with 2006.

In Malaysia reduction of registration fees in 2008 led to an increase in registrations by 16% in 2009.

What does Starting a Business measure?

Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration
- Post registration (for example, social security registration, company seal)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- No professional fees unless services required by law

Paid-in minimum capital (% of income per capita)

- Deposited in a bank or with a notary prior to registration begins

Starting a Business: getting a local limited liability company up and running
Rankings are based on 4 subindicators



Case Study Assumptions

- Doing Business records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business.
- Any required information is readily available and that all agencies involved in the start-up process function without corruption.

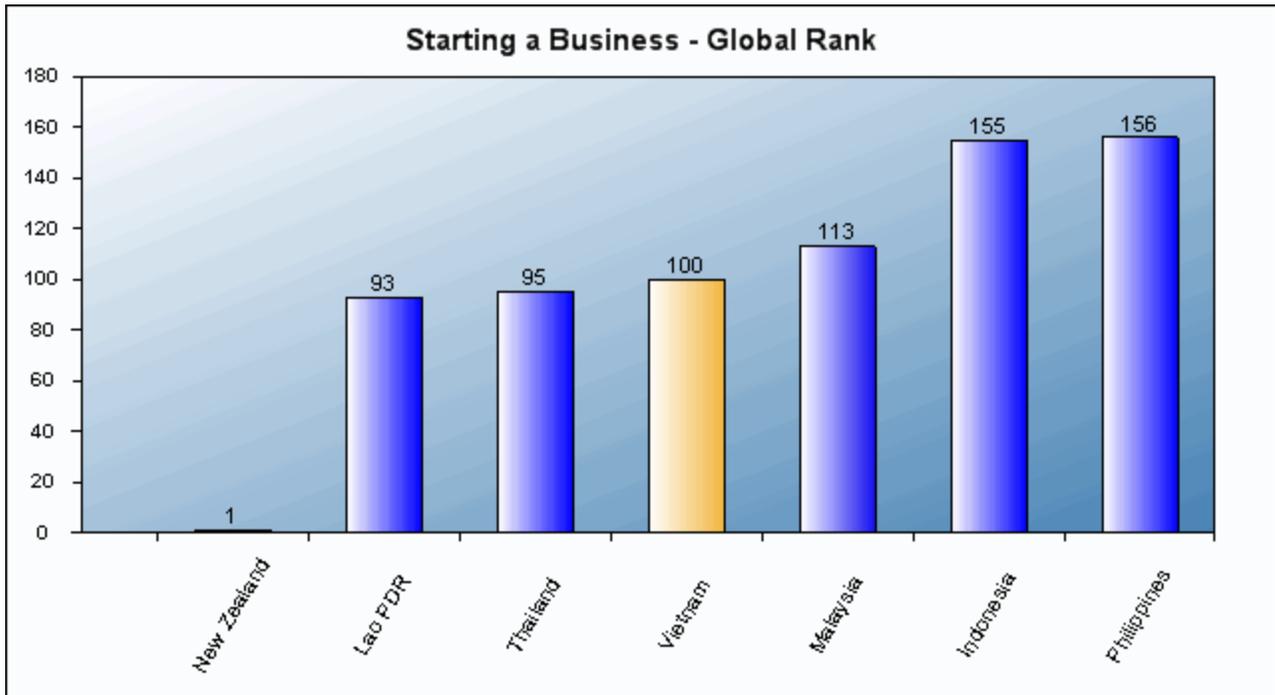
The business:

- is a limited liability company, located in the largest business city
- conducts general commercial activities
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has at least 10 and up to 50 employees
- does not qualify for investment incentives or any special benefits
- leases the commercial plant and offices and is not a proprietor of real estate

1. Benchmarking Starting a Business Regulations:

Vietnam is ranked 100 overall for Starting a Business.

Ranking of Vietnam in Starting a Business - Compared to good practice and selected economies:



The following table shows Starting a Business data for Vietnam compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)	Min. capital (% of income per capita)
Denmark*			0.0	
New Zealand*	1	1		0.0

<i>Selected Economy</i>				
Vietnam	9	44	12.1	0.0

<i>Comparator Economies</i>				
Indonesia	9	47	22.3	53.1
Lao PDR	7	100	11.3	0.0
Malaysia	9	17	17.5	0.0
Philippines	15	38	29.7	6.0
Thailand	7	32	5.6	0.0

* The following economies are also good practice economies for :

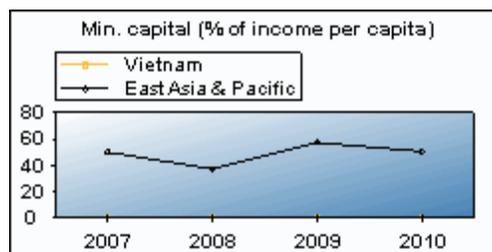
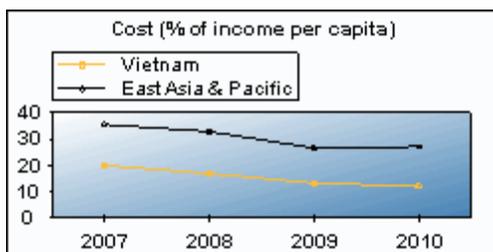
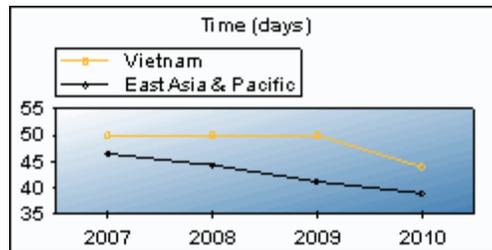
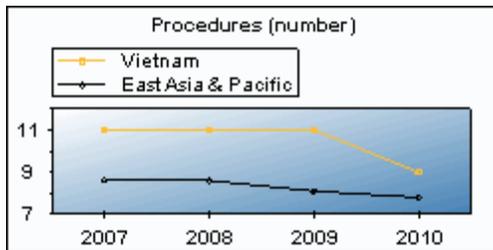
Procedures (number): **Canada**

Cost (% of income per capita): **Slovenia**

2. Historical data: Starting a Business in Vietnam

Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	114	100
Procedures (number)	11	11	11	9
Time (days)	50	50	50	44
Cost (% of income per capita)	20.0	16.8	13.3	12.1
Min. capital (% of income per capita)	0.0	0.0	0.0	0.0

3. The following graphs illustrate the Starting a Business sub indicators in Vietnam over the past 4 years:



What are the time, cost, paid-in minimum capital and number of procedures to get a local, limited liability company up and running?



This table summarizes the procedures and costs associated with setting up a business in Vietnam.

STANDARDIZED COMPANY

Legal Form: cong ty trach nhiem huu han - Private Limited

Liability Company

City: Ho Chi Minh City

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Check the proposed company name; obtain a business registration certificate as well as a tax registration certificate from the local business registration office under the Department of Planning and Investment	14	VND 1,200,000
2	Make a company seal	6	VND 267,500
3	Registration of the sea-sample at the Police Department	4	VND 20,000
4	Open a bank account	1	no charge
5	Publish announcement in a daily newspaper	5	VND 700,000
6	Buy pre-printed VAT invoices from the Municipal Taxation Department or obtain and print self-printed VAT invoices	14	VND 20,000
7 *	Register with the local labor office to declare use of labor (Municipal Department for Labor, Invalids and Social Affairs).	1	no charge

8	Register employees with the Social Insurance Fund for the payment of health insurance and social insurance.	1	no charge
9 *	Register for trade union with Vietnam General Confederation of Labour	7	no charge

* Takes place simultaneously with another procedure.

Starting a Business Details - Vietnam

Procedure 1 Check the proposed company name; obtain a business registration certificate as well as a tax registration certificate from the local business registration office under the Department of Planning and Investment

Time to complete: 14

Cost to complete: VND 1,200,000

Comment: In accordance with Section II Article 4 of Joint Circular 05/2008/TTLT-BKH-BTC-BCA dated 29 July 2008, the business registration office of the Department of Planning & Investment, the applicant has to submit documents stipulated in article 15 of Decree 88 and also a Declaration of Tax Information in the prescribed format set out in the Joint Circular and in that case, the business registration office of the Department of Planning & Investment will issue a Business and Tax Registration Certificate to the enterprise. Forms can now be downloaded, and the application can be submitted online. The Business Registry Office must verify the online application for completeness and correctness and reply via email within 5 days from the day of the received application. If the application must be revised, the Business Registry Office must reply once again within a day of application revision. The registrant must submit the original application and related documents within 10 days of submitting the correct online application and must receive the license on the same day.

Procedure 2 Make a company seal

Time to complete: 6

Cost to complete: VND 267,500

Comment:

Procedure 3 Registration of the sea-sample at the Police Department

Time to complete: 4

Cost to complete: VND 20,000

Comment: Seal-making is governed by Decree 58/2001/ND-CP (dated August 24, 2001), amended by Decree 31/2009/ND-CP (dated April 1, 2009). Most business transaction documents must be signed and stamped before they are considered valid and legal. Pursuant to Circular No. 78/2002/TT-BTC of the Ministry of Finance (dated September 11, 2002), the fee for the seal's certificate of registration is VND 20,000. The seal will be registered by the police division. This is in accordance with Article 5 of the Joint Circular 05/2008/TTLT-BKH-BTC-BCA dated 29 July 2008. The representative has to lodge a copy of the Business and Tax Registration Certificate and also present his or her identity card.

Procedure 4 Open a bank account**Time to complete:** 1**Cost to complete:** no charge

Comment: Each bank requires a different minimum deposit to open an account. For instance, whereas Vietcombank requires the fixed amount of VND 5 million for an account in VND and USD 500 for one in USD, Asian Commercial Bank requires VND 1 million for a VND account and US 100 for a USD account. To open the account, the bank requires a bank-issued application form, the company seal, the company's business registration certificate, and the resolution of the management board on the authorized signatures.

Procedure 5 Publish announcement in a daily newspaper**Time to complete:** 5**Cost to complete:** VND 700,000**Comment:****Procedure 6 Buy pre-printed VAT invoices from the Municipal Taxation Department or obtain and print self-printed VAT invoices****Time to complete:** 14**Cost to complete:** VND 20,000

Comment: To obtain VAT invoices, company founders must submit the following documents to the Municipal Tax Department:

- Managing director's delegation of authority to the procurement agent (contact the Tax Department to buy invoices).
- Application for buying preprinted invoices (standard form available).
- Identify card of the procurement agent.
- Business registration certificate and copy.
- Tax registration certificate and copy.

After receiving the company's completed application, the Municipal Tax Department schedules an appointment for invoice purchase within 5 days. During this 5-day period, a tax officer visits the company's office to certify its existence and issue the company a certification of the company office location. Note that the first purchase is restricted to not more than two books (100 copies).

To register for self-printing of invoices, company founders must submit an application on a standard form, along with (a) a sample self-printed invoice, including all statutory details; (b) a map showing the location of the company's office or copy of the lease contract if the premises are leased, certified by the ward commune people's committee; (c) the general director's identification card; (d) a copy of the business registration certificate; and (e) and the tax registration certificate and copy.

It may take 7–10 days to register the self-printed invoices with the Municipal Taxation Department, and more time for the company to self-print the invoices.

It may take 7–15 days for printing the invoices at a printer authorized by the General Taxation Department of Vietnam. After having the invoices printed and before using them, the company must register the invoice serial numbers with the Municipal Taxation Department.

Procedure 7 Register with the local labor office to declare use of labor (Municipal Department for Labor, Invalids and Social Affairs).**Time to complete:** 1

Cost to complete: no charge

Comment: Within 30 days of starting operations, the employer must register all employees and their qualifications with the Labor Office (in conformity with set forms). The relationship between the employer and its employees are regulated by the Labor Code and set forth in labor contracts.

Procedure 8 Register employees with the Social Insurance Fund for the payment of health insurance and social insurance.

Time to complete: 1

Cost to complete: no charge

Comment: The company must register with the Social Insurance Fund all employees who have contracts for 3 months or longer. The employer must complete a form provided by the Hanoi Social Insurance and include the following information: the employee name and date of birth, salary (as stated in the labor contract), the social insurance book serial number (for employees already issued with those books), a certified copy of the company's business registration certificate, and a copy of each labor contract.

The Social Insurance Office will issue an insurance registration book for each new employee that was not issued such book by the previous employer. The employer is responsible for paying social and health insurance contributions for each employee. Since the health insurance merged with the social insurance funds, payment is made (monthly or quarterly) directly to the Social Insurance Fund. Health insurance certificates are issued during the first month of the year.

Procedure 9 Register for trade union with Vietnam General Confederation of Labour

Time to complete: 7

Cost to complete: no charge

Comment: The employer must register with the local trade union or industry trade union (as defined below) no later than 6 months from the date it starts operations. This procedure is mandated by Article 3 of Decree 96/2006/ND-CP (dated September 14, 2006), Providing Guidelines for Implementation of Article 153 of Labour Code on Provisional Executive Committees of Trade Unions in Enterprises.

The term "trade union" includes (a) provincial or municipal-level confederations of labor under the Vietnam General Confederation of Labour; (b) central-level industry trade unions; (c) trade unions of corporations under the Vietnam General Confederation of Labor; (d) confederations of labor of districts, towns, and provincial cities; (e) local-level industry trade unions, (f) trade unions of processing zones, industrial zones, and high-tech zones; (f) trade unions of corporations; and (g) superior trade unions of other establishments. These trade unions are responsible for establishing a trade union for the company, according to the provisions of the Labour Code, the Law on Trade Unions, and the Charter of the Trade Union of Vietnam, to represent and protect the lawful and legitimate rights and interests of the employees and the labor collective.

If a company trade union is not established within 6 months, the superior trade union shall appoint a provisional executive committee of the trade union to represent and protect the lawful and legitimate rights and interests of the employees and the labor collective. This mandate is provided for by the Labour Code, the Law on Trade Unions, and the Charter of the Trade Union of Vietnam. The term of the provisional executive committee of the trade union and the extension of that term is subject to the regulations of the Vietnam General Confederation of Labor.

In many economies, especially developing ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally, leading to hazardous construction. Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

Some reform outcomes

In Burkina Faso, a one-stop shop for construction permits, "Centre de Facilitation des Actes de Construire", was opened in May 2008. The new regulation merged 32 procedures into 15, reduced the time required from 226 days to 122 and cut the cost by 40%. From May 2009 to May 2010 611 building permits were granted in Ouagadougou, up from an average of about 150 a year in 2002-06.

Toronto, Canada revamped its construction permitting process in 2005 by introducing time limits for different stages of the process and presenting a unique basic list of requirements for each project. Later it provided for electronic information and risk-based approvals with fast-track procedures. Between 2005 and 2008 the number of commercial building permits increased by 17%, the construction value of new commercial buildings by 84%.

What does the Dealing with Construction Permits indicator measure?

Procedures to legally build a warehouse (number)

- Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates
- Completing all required notifications and receiving all necessary inspections
- Obtaining utility connections for electricity, water, sewerage and a land telephone line
- Registering the warehouse after its completion (if required for use as collateral or for transfer of warehouse)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes

Case Study Assumptions

The business:

- is a small to medium-size limited liability company in the construction industry, located in the economy's largest business city
- is 100% domestically and privately owned and operated
- has 60 builders and other employees
- has at least one employee who is a licensed architect and registered with the local association of architects

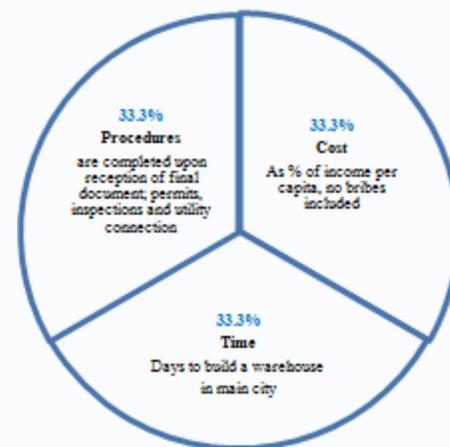
The warehouse:

- is a new construction (there was no previous construction on the land)
- has 2 stories, both above ground, with a total surface of approximately 1,300.6 sq. meters (14,000 sq. feet)
- has complete architectural and technical plans prepared by a licensed architect
- will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and a land telephone line
- will be used for general storage of non-hazardous goods, such as books
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements)

Dealing with Construction Permits:

Building a warehouse

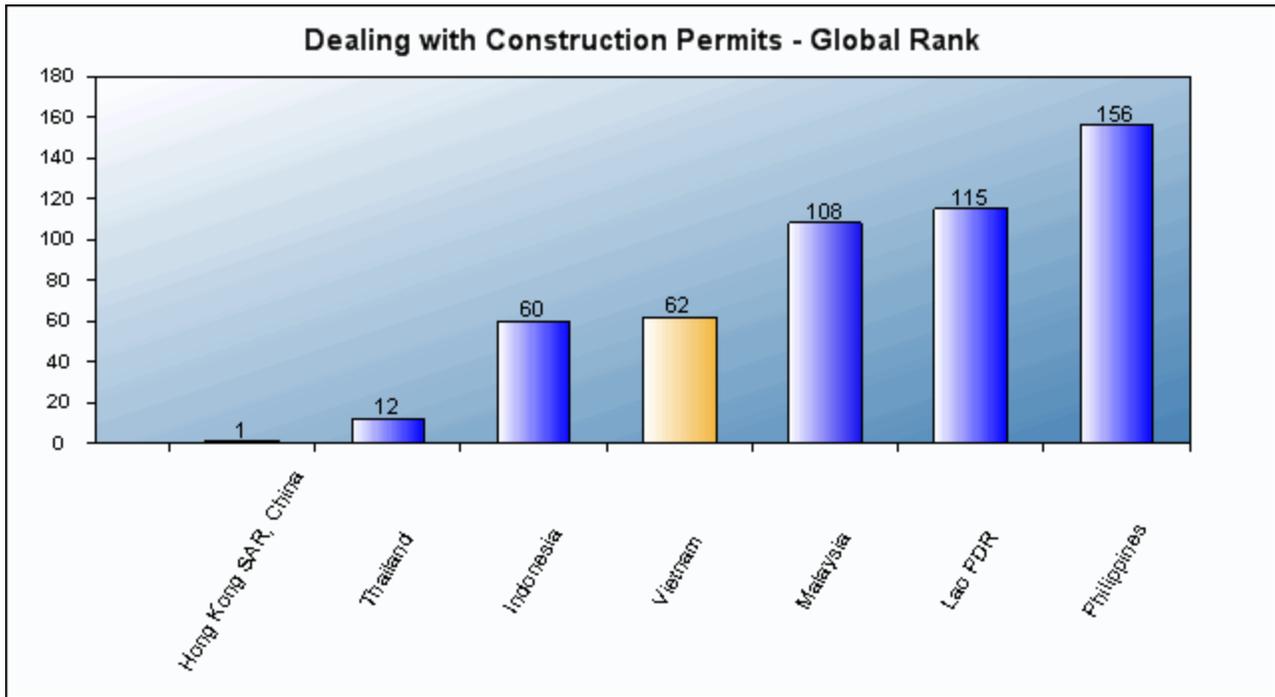
Rankings are based on 3 subindicators



1. Benchmarking Dealing with Construction Permits Regulations:

Vietnam is ranked 62 overall for Dealing with Construction Permits.

Ranking of Vietnam in Dealing with Construction Permits - Compared to good practice and selected economies:



The following table shows Dealing with Construction Permits data for Vietnam compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)
Denmark	6		
Qatar			0.8
Singapore		25	

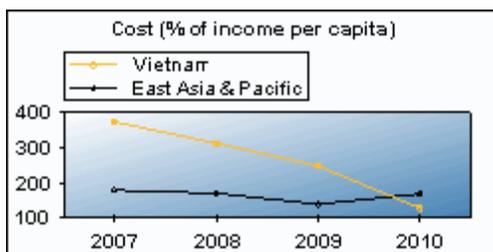
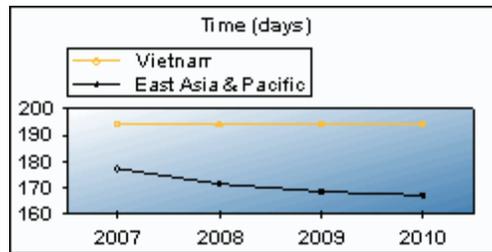
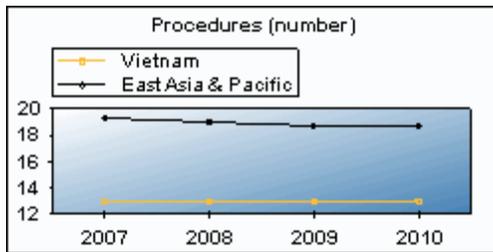
<i>Selected Economy</i>			
Vietnam	13	194	128.4

<i>Comparator Economies</i>			
Indonesia	14	160	173.3
Lao PDR	24	172	131.3
Malaysia	25	261	7.9
Philippines	26	169	778.5
Thailand	11	156	9.5

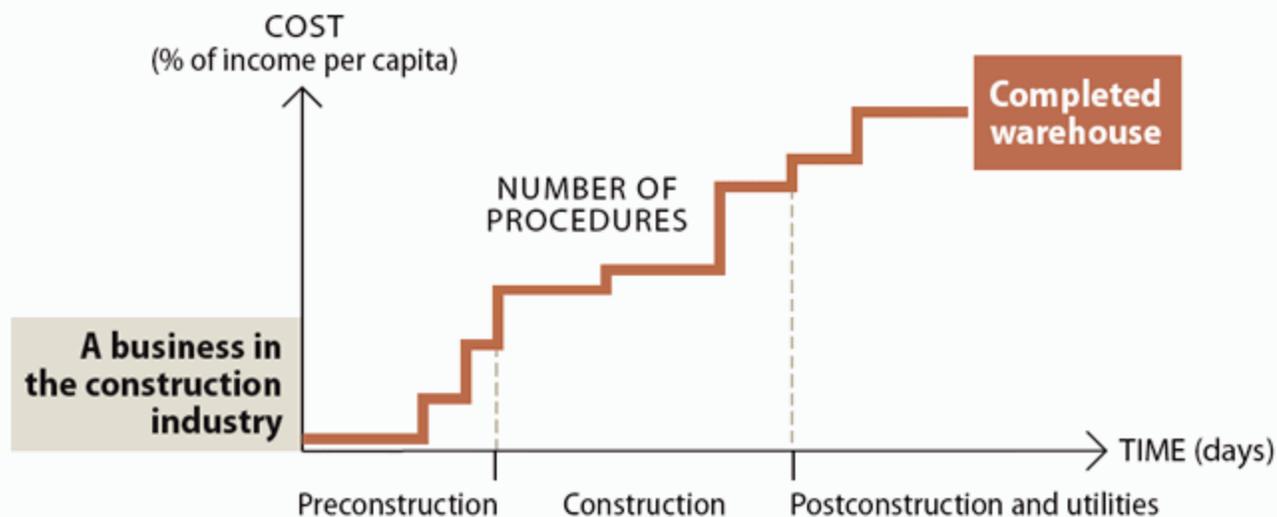
2. Historical data: Dealing with Construction Permits in Vietnam

Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	70	62
Procedures (number)	13	13	13	13
Time (days)	194	194	194	194
Cost (% of income per capita)	373.6	313.3	248.1	128.4

3. The following graphs illustrate the Dealing with Construction Permits sub indicators in Vietnam over the past 4 years:



What are the time, cost and number of procedures to comply with formalities to build a warehouse?



The table below summarizes the procedures, time, and costs to build a warehouse in Vietnam.

BUILDING A WAREHOUSE
City: Ho Chi Minh City

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Request and obtain construction permit from the District Department of Construction of Ho Chi Minh City	90 days	VND 100,000
2	Receive inspection by the Department of Construction of Ho Chi Minh City	1 day	no charge
3	Receive inspection from the municipality after completion of foundation works	1 day	no charge
4	Receive inspection from the municipality at completion of building surroundings	1 day	no charge
5	Request power connection	1 day	VND 680,000
6 *	Receive inspection by power provider	1 day	no charge
7 *	Connect to power services	20 days	no charge

8 *	Request water and sewage connection	1 day	VND 4,000,000
9 *	Receive inspection by water company	1 day	no charge
10 *	Connect to water and sewage services	14 days	no charge
11 *	Request and connect to phone line	7 days	VND 800,000
12	Notify and receive inspection from the municipality after completion of building	1 day	no charge
13	Register the building at the Department of Construction of Ho Chi Minh City	90 days	VND 17,825,000

* Takes place simultaneously with another procedure.

Dealing with Construction Permits Details - Vietnam

Procedure	1	Request and obtain construction permit from the District Department of Construction of Ho Chi Minh City
Time to complete:		90 days
Cost to complete:		VND 100,000
Agency:		Department of Construction of Ho Chi Minh City (Municipality)
Comment:		<p>The decision to grant a construction permit is made by the Chairman of the People's Committee, at the provincial level, and the Director of the Department of Construction. The following documents are required:</p> <ul style="list-style-type: none">- Application letter (in the approved form).- A copy of the land use rights certificate with abstracts from the real estate registry or an outline of the construction site. Land is national property in Vietnam. Only a business could be the holder of the land-use right. It is assumed that the BuildCo already holds the land-use certificate.- Business license.- One set of construction designs. <p>If deemed necessary, the Department of Construction consults any of the following related offices:</p> <ul style="list-style-type: none">- Office of the Chief Architect.- Office for Land Planning.- Office for Land Management.- Department of Culture.- Department of Health.- Department of Natural Resources and Environment.- Fire Protection Office.- Department of Public Traffic and Transportation.- Local National Defense Office. <p>Each consultation separately takes 10 days. However, the Department of Construction is required to abide by the overall time limit of 30 working days to issue or refuse the license. In practice, this time limit is seldom met. The application form can be obtained at the local department of construction. It is currently required for a construction company to go to the office and obtain the form. Internet download is not possible yet. After obtaining a construction permit, within a time limit of 7 working days prior to the date of commencement of construction of the warehouse, BuildCo is required to provide written notification of the commencement date to the People's Committee at the district level where the warehouse is located. (See Article 68.2 (a) of the Law on Construction No. 16/2003/QH11, dated November 16, 2003.)</p>
Procedure	2	Receive inspection by the Department of Construction of Ho Chi Minh City
Time to complete:		1 day
Cost to complete:		no charge
Agency:		Department of Construction of Ho Chi Minh City (Municipality)
Comment:		<p>This inspection and the following ones are not stipulated by specific regulations. However, because the authority is mandated to supervise the inspections, these do take place in practice.</p>
Procedure	3	Receive inspection from the municipality after completion of foundation works

Time to complete: 1 day

Cost to complete: no charge

Agency: Department of Construction of Ho Chi Minh City (Municipality)

Comment: The company must notify the Department of Construction at the different stages of construction and suspend construction until the department visits the site 3 days after the notification.

Procedure 4 Receive inspection from the municipality at completion of building surroundings

Time to complete: 1 day

Cost to complete: no charge

Agency: Department of Construction of Ho Chi Minh City (Municipality)

Comment: The company must notify the Department of Construction at the different stages of construction and suspend construction until the department visits the site a week after the notification.

Procedure 5 Request power connection

Time to complete: 1 day

Cost to complete: VND 680,000

Agency: Ho Chi Minh City (HCMC) Power Company

Comment: It is advisable that the company apply for the power connection during, or even prior to, the start of construction, so that the electricity provider can make any necessary installations during the construction process.

According to information from the Ho Chi Minh City Power Company, there is now no charge for obtaining power connection if BuildCo wishes to install only open-air cables. If BuildCo wished to install underground cables, the power connection cost would depend on the labor cost and the usage fee for underground cables. For industrial purposes, underground cables would be required.

The connection becomes operational within 7 working days from the date of submission of the power connection application file. An online application is possible through the Web site of the HCMC Power Company. In such a case, an employee from the HCMC Power Company contacts BuildCo to obtain necessary documents for the application.

The power connection application file consists of the following documents:

- Notarized copy of the land use right certificate, or any other document relating to the warehouse.
- Notarized copy of the identity card of the legal representative of BuildCo.
- Notarized copy of the business registration certificate of BuildCo.

Procedure 6 Receive inspection by power provider

Time to complete: 1 day

Cost to complete: no charge

Agency: Ho Chi Minh City (HCMC) Power Company

Comment: Employees from the HCMC Power Company contact BuildCo within 2 working days from the date of submission of the application for power connection to conduct an on-site inspection.

Procedure 7 Connect to power services

Time to complete: 20 days

Cost to complete: no charge

Agency: Ho Chi Minh City (HCMC) Power Company

Comment:

Procedure 8 Request water and sewage connection

Time to complete: 1 day

Cost to complete: VND 4,000,000

Agency: Ho Chi Minh City (HCMC) Water Supply Company

Comment: Different areas in Ho Chi Minh City are covered by different public water companies. Therefore, BuildCo is required to contact the relevant water company and submit the following documents:

- The application form (available at the water company).
- A notarized copy of the business registration certificate of BuildCo.

The costs of obtaining water/ sewage connection depend on the usage capacity of the warehouse, as well as on its exact location in relation to the main water lines. The standard water meters cost approximately VND 1.5 million.

Procedure 9 Receive inspection by water company

Time to complete: 1 day

Cost to complete: no charge

Agency: Ho Chi Minh City (HCMC) Water Supply Company

Comment:

Procedure 10 Connect to water and sewage services

Time to complete: 14 days

Cost to complete: no charge

Agency: Ho Chi Minh City (HCMC) Water Supply Company

Comment:

Procedure 11 Request and connect to phone line

Time to complete:	7 days
Cost to complete:	VND 800,000
Agency:	VNPT Group
Comment:	The time frame for requesting and receiving telephone service depends on the district in which BuildCo is located. The cost varies between VND 545,454 and VND 727,272 (decided by the director of each provincial post office). (see http://www.vnpt.com.vn)

Procedure 12 Notify and receive inspection from the municipality after completion of building

Time to complete:	1 day
Cost to complete:	no charge
Agency:	Department of Construction of Ho Chi Minh City (Municipality)
Comment:	At the end of construction, the Department of Construction visits the site to confirm that the building was built according to the master plans, rules, and regulations. BuildCo must provide written notification of the completion of construction.

Procedure 13 Register the building at the Department of Construction of Ho Chi Minh City

Time to complete:	90 days
Cost to complete:	VND 17,825,000
Agency:	Department of National Resources and Environment
Comment:	<p>The cost for registering ownership of the warehouse should include an administrative fee of VND 500,000 (about USD 31.25) and a registration fee of 1% of the warehouse value. For the registration fee, the value of the construction contract signed between BuildCo and the construction contractor will be taken as the warehouse value, provided that it is higher than the minimum value calculated by the Tax Department based on the minimum unit price as provided for by the People's Committee of Ho Chi Minh City.</p> <p>The application file should be submitted to the Department of Construction of Ho Chi Minh City. According to Decree 95/2005/ND-CP (dated July 15, 2005), On Issuance of Certificates of Ownership of Residential Houses and Construction Works, the work carried out by the Department of Construction may take 55 working days, including time for taking measurements or checking the measurements of the construction works, if any; reviewing the application file; submitting the file for approval and signature; and notifying the applicant to make payment of financial obligations (e.g., payment of the registration fee at Tax Department). Decree 95/2005/ND-CP also states that the applicant must pay all financial obligations within 60 working days from the date of receipt of the notification from the Department of Construction.</p>

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. *Doing Business* records the full sequence of procedures necessary for a business to purchase a property from another business and transfer the property title to the buyer's name. In the past 6 years 105 economies undertook 146 reforms making it easier to transfer property. Globally, the time to transfer property fell by 38% and the cost by 10% over this time. The most popular feature of property registration reform in these 6 years, implemented in 52 economies, was lowering transfer taxes and government fees.

Some reform outcomes

Georgia now allows property transfers to be completed through 500 authorized users, notably banks. This saves time for entrepreneurs. A third of people transferring property in 2009 chose authorized users, up from 7% in 2007. Also, Georgia's new electronic registry managed 68,000 sales in 2007, twice as many as in 2003.

Belarus's unified and computerized registry was able to cope with the addition of 1.2 million new units over 3 years. The registry issued 1 million electronic property certificates in 2009.

What does the Registering Property indicator measure?

Registering Property: transfer of property between 2 local companies

Rankings are based on 3 subindicators

Procedures to legally transfer title on immovable property (number)

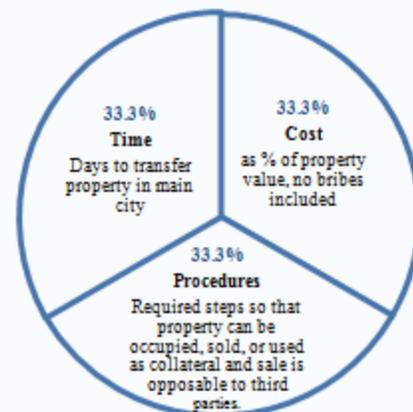
- Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration in the economy's largest business city
- Post registration (for example, transactions with the local authority, tax authority or cadastre)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior personal contact with officials

Cost required to complete each procedure (% of property value)

- Official costs only, no bribes
- No value added or capital gains taxes included



Case Study Assumptions

The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned.
- Are located in the periurban area of the economy's largest business city.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

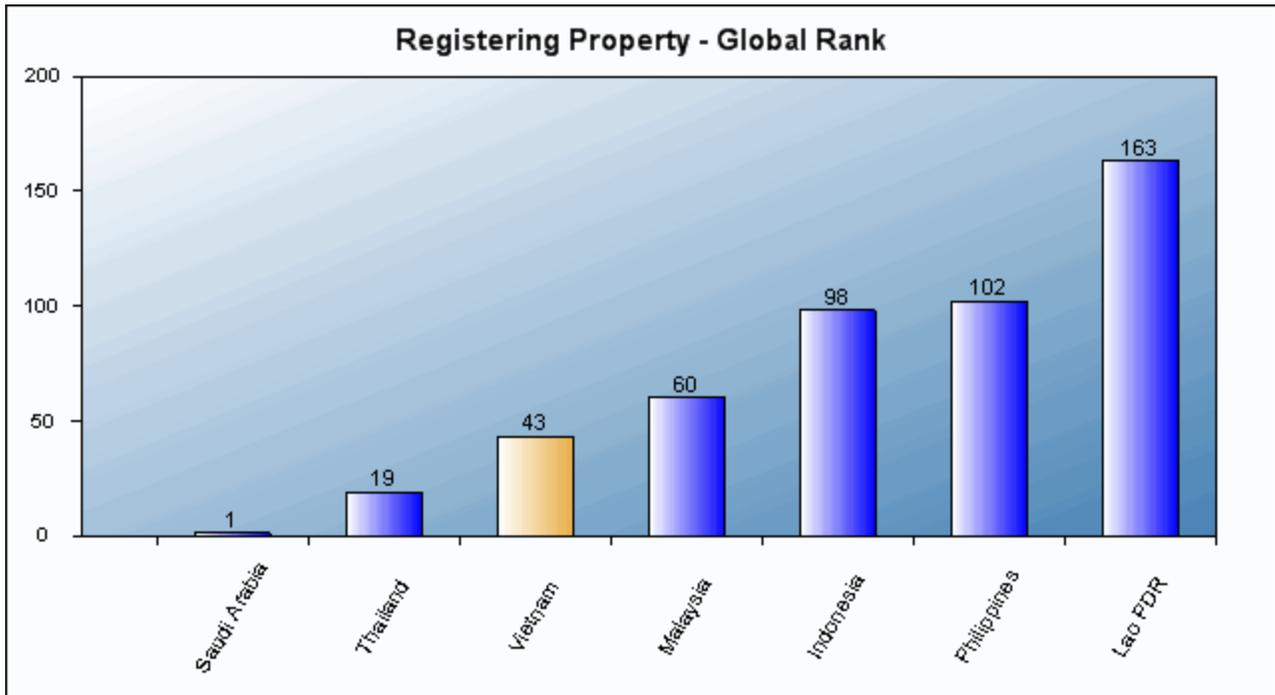
The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of a 557.4 square meters (6,000 square feet) land and 10 years old 2-story warehouse of 929 square meters (10,000 square feet) located on the land. The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. The property will be transferred in its entirety.

1. Benchmarking Registering Property Regulations:

Vietnam is ranked 43 overall for Registering Property.

Ranking of Vietnam in Registering Property - Compared to good practice and selected economies:



The following table shows Registering Property data for Vietnam compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of property value)
New Zealand*		2	
Norway*	1		
Saudi Arabia			0.0

<i>Selected Economy</i>			
Vietnam	4	57	0.6

<i>Comparator Economies</i>			
Indonesia	6	22	10.9
Lao PDR	9	135	4.1
Malaysia	5	56	2.5
Philippines	8	33	4.3
Thailand	2	2	4.3

* The following economies are also good practice economies for :

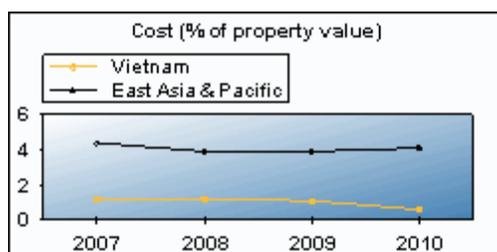
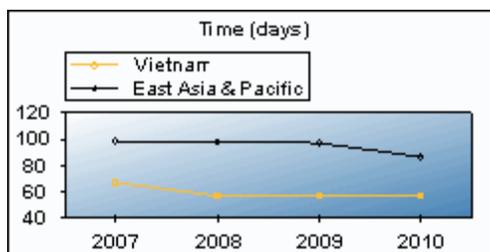
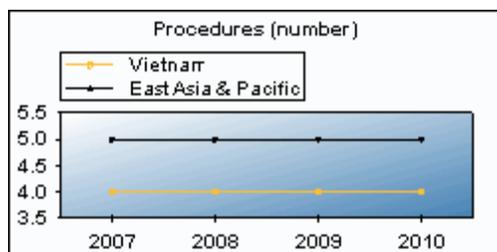
Procedures (number): United Arab Emirates

Time (days): Saudi Arabia, Thailand, United Arab Emirates

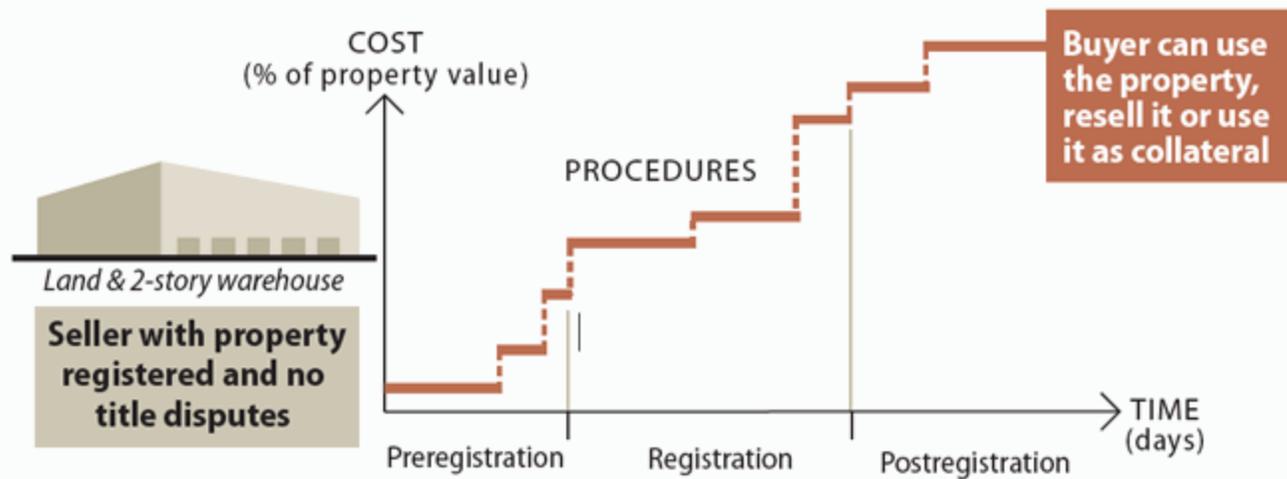
2. Historical data: Registering Property in Vietnam

Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	39	43
Procedures (number)	4	4	4	4
Time (days)	67	57	57	57
Cost (% of property value)	1.2	1.2	1.1	0.6

3. The following graphs illustrate the Registering Property sub indicators in Vietnam over the past 4 years:



What are the time, cost and number of procedures required to transfer a property between 2 local companies?



This topic examines the steps, time, and cost involved in registering property in Vietnam.

STANDARDIZED PROPERTY

Property Value: 911,444,973.58

City: Ho Chi Minh City

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Build a dossier on land-use right transfer	1 day	VND 4,000
2	The transferor and transferee will sign the contract which will be witnessed and certified by a notary located in the same area as the property	2-12 days	0.1% of the property value

3	The parties pay income tax on assignment of the land-use right and the registration fee at the relevant District Department of Taxation	25-30 days	The registration fee (paid by the transferee) is 0,5% (Circular 79/2008/TT- BTC dated 15/9/2008 replaced Item II Section II Circular 95/2005/TT- BTC guiding on registration fee). The tax rate of the income tax from the assignment of land use right (paid by the transferor) is 25% (Based on Part G Section II.2 Circular 130/2008/TT-BTC dated 26/12/2008 guiding of implementation of Corporate income tax). The transferor is required to declare the corporate income tax for each time of transferring property. The taxation authority will base on the declaration to record, adjust the payable tax and issue a tax notice to the taxpayer within 3 working days from the day of receiving such declaration. (Part G Section II & III Circular 130/2008/TT-BTC dated 26/12/2008 guiding on implement of corporate income tax).
4	The land-use right transferee shall register the right to use land	15-30 days	VND 20,000

Registering Property Details - Vietnam

Procedure	1	Build a dossier on land-use right transfer
Time to complete:		1 day
Cost to complete:		VND 4,000
Comment:		Parties buy a land use right transfer contract (standard form). The dossier includes: Land-use right (LUR) certificate, Decision or Resolution of the highest decision-making body of the company regarding the LUR transfer, and company's legal status documents.
Procedure	2	The transferor and transferee will sign the contract which will be witnessed and certified by a notary located in the same area as the property
Time to complete:		2-12 days
Cost to complete:		0.1% of the property value
Agency:		Notary Public
Comment:		<p>The land use right transfer contract shall be made in duplicate, one for the seller and another for the buyer. This contract must be notarized by the public notary where the land is located (based on Decree 181/2004/ND-CP Guiding the Implementation of the Land Law (Government, October 29, 2004, as amended on January 27, 2006) , Art. 119.1.b)</p> <p>The dossier for the public notary office includes: (i) Request for notarization of the contract or transaction on the standard form; (ii) Final draft of the contract or transaction; (iii) Copy of the applicant's personal papers; (iv) Copies of other documents relevant to the contract or transaction which the law stipulates must be available (Article 35 of Law No. 82-2006-QH11 on Notarization, effective as of 1 July 2007)</p> <p>The time-limit for notarization shall not exceed 2 working days in the case of a complex contract or transaction, this time-limit may be extended but not beyond 10 working days (Article 38 Law on Notarization No. 82/2006/QH11 take effect in 1/7/2007). If the value of property or contract from VND100,000,000 to below VND 1,000,000,000 notary fee is 0,1 % the value of property or the value of property transferring contract. (Interministerial Circular 91/2008/TTLT-BTC-BTP dated 17/10/2008 replaced Interministerial Circular 93/2001/TTLT-BTC-BTP guiding the Regime on Collection, Payment and Management of Fees and Charges from Confirmation and Public Notary).</p>
Procedure	3	The parties pay income tax on assignment of the land-use right and the registration fee at the relevant District Department of Taxation
Time to complete:		25-30 days
Cost to complete:		The registration fee (paid by the transferee) is 0,5% (Circular 79/2008/TT- BTC dated 15/9/2008 replaced Item II Section II Circular 95/2005/TT- BTC guiding on registration fee).The tax rate of the income tax from the assignment of land use right (paid by the transferor) is 25% (Based on Part G Section II.2 Circular 130/2008/TT-BTC dated 26/12/2008 guiding of implementation of Corporate income tax).The transferor is required to declare the corporate income tax for each time of transferring property. The taxation authority will base on the declaration to record, adjust the payable tax and issue a tax notice to the taxpayer within 3 working days from the day of receiving such declaration.(Part G Section II & III Circular 130/2008/TT-BTC dated 26/12/2008 guiding on implement of corporate income tax).

Agency: District Department of Taxation

Comment: The registration fee (paid by the transferee) is 0,5% (Circular 79/2008/TT- BTC dated 15/9/2008 replaced Item II Section II Circular 95/2005/TT- BTC guiding on registration fee). The tax rate of the income tax from the assignment of land use right (paid by the transferor) is 25% (Based on Part G Section II.2 Circular 130/2008/TT-BTC dated 26/12/2008 guiding of implementation of Corporate income tax). The transferor is required to declare the corporate income tax for each time of transferring property. The taxation authority will base on the declaration to record, adjust the payable tax and issue a tax notice to the taxpayer within 3 working days from the day of receiving such declaration (Part G Section II & III Circular 130/2008/TT-BTC dated 26/12/2008 guiding on implement of corporate income tax).

Procedure 4 The land-use right transferee shall register the right to use land

Time to complete: 15-30 days

Cost to complete: VND 20,000

Agency: Land Use Right Registration Office

Comment: The Land Use Right Registration Office is the prescribed authority but it has not been established in Ho Chi Minh City. Its functions are currently being performed by the Housing and Land Information and Registration Center.

The dossier consists of the following documents: 1. The land use right contract (original certified by the State notary public); 2. The certificate of land use right (original and one copy); 3. The voucher of payment of land use fee or land rental (original and one copy) 4. The certificate of business registration of the transferee (certified true copy); 5. The actual state drawing of the land lot (released by the District Urban Control Office); 6. An explanation on intended land use by the transferee; 7. The registration fee receipt.

After fulfilling all financial obligations, land use right certificate grantees shall receive the amended land use right certificates.

Through two sets of indicators, *Doing Business* assesses the legal rights of borrowers and lenders with respect to secured transactions and the sharing of credit information. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through either a public credit registry or a private credit bureau. Credit information systems mitigate the ‘information asymmetry’ in lending and enable lenders to view a borrower’s financial history (positive or negative), providing them with valuable information to consider when assessing risk. Credit information systems benefit borrowers as well, allowing good borrowers to establish a reputable credit history which will enable them to access credit more easily. The Legal Rights Index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. Sound collateral laws will enable businesses to use their assets, especially movable property, as security to generate capital while having strong creditor’s rights has been associated with higher ratios of private sector credit to GDP.

Some reform outcomes

After Vietnam’s new Civil Code was enacted in 2005, a decree further clarified the provisions governing secured transactions. Since the inclusion of the new provisions, the number of registrations increased from 43,000 (2005) to 120,000 (end of 2008).

In 2008, when Zambia established a private credit bureau, its database initially covered about 25,000 borrowers. Thanks to a strong communication campaign and a central bank directive, coverage has grown 10-fold in the past 2 years, exceeding 200,000 by the beginning of 2010.

What do the Getting Credit indicators measure?

Strength of legal rights index (0–10)

- Protection of rights of borrowers and lenders through collateral laws
- Protection of secured creditors’ rights through bankruptcy laws

Depth of credit information index (0–6)

- Scope and accessibility of credit information distributed by public credit registries and private credit bureaus

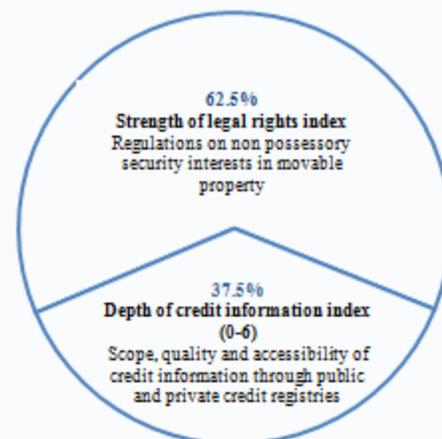
Public credit registry coverage (% of adults)

- Number of individuals and firms listed in public credit registry as percentage of a adult population

Private credit bureau coverage (% of adults)

- Number of individuals and firms listed in largest private credit bureau as percentage of a adult population

Getting Credit: collateral rules and credit information



Note: Private bureau coverage and public credit registry coverage are measured but do not count for the rankings.

Case Study Assumptions (applying to the Legal Rights Index only)

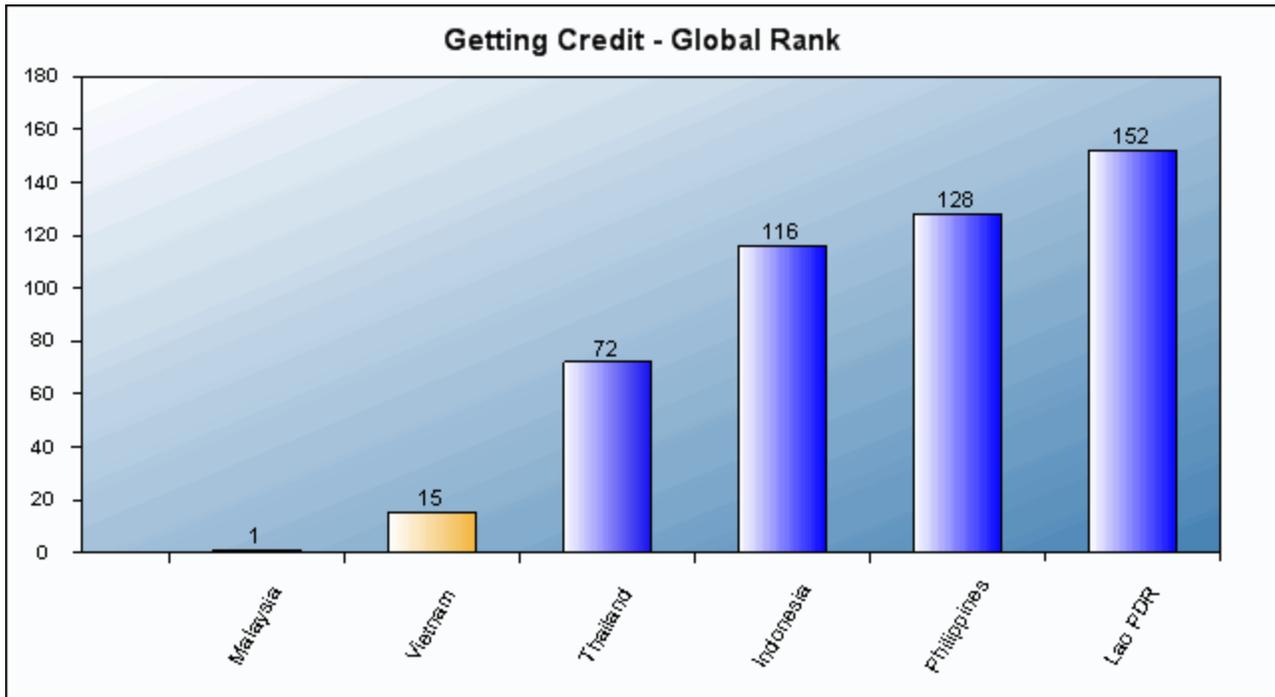
The Debtor

- is a Private Limited Liability Company
- has its Headquarters and only base of operations in the largest business city
- obtains a loan from a local bank (the Creditor) for an amount up to 10 times income (GNI) per capita
- Both creditor and debtor are 100% domestically owned.

1. Benchmarking Getting Credit Regulations:

Vietnam is ranked 15 overall for Getting Credit.

Ranking of Vietnam in Getting Credit - Compared to good practice and selected economies:



The following table shows Getting Credit data for Vietnam compared to good practice and comparator economies:

Good Practice Economies	Strength of legal rights index (0-10)	Depth of credit information index (0-6)	Public registry coverage (% of adults)	Private bureau coverage (% of adults)
New Zealand*				100.0
Portugal			67.1	
Singapore*	10			
United Kingdom		6		

<i>Selected Economy</i>				
Vietnam	8	5	26.4	0.0

<i>Comparator Economies</i>				
Indonesia	3	4	25.2	0.0
Lao PDR	4	0	0.0	0.0
Malaysia	10	6	62.0	100.0
Philippines	3	3	0.0	7.4
Thailand	4	5	0.0	35.7

* The following economies are also good practice economies for :

Strength of legal rights index (0-10): Hong Kong, China, Kenya, Kyrgyz Republic, Malaysia

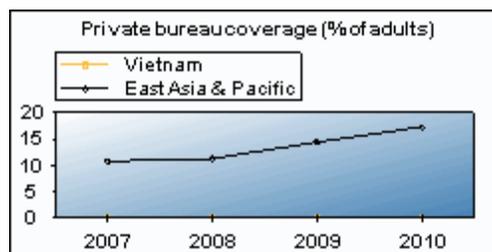
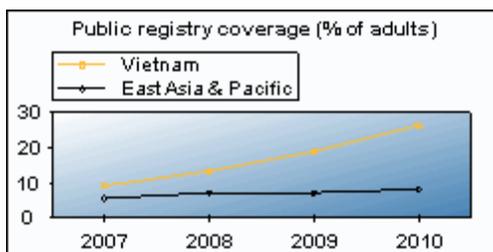
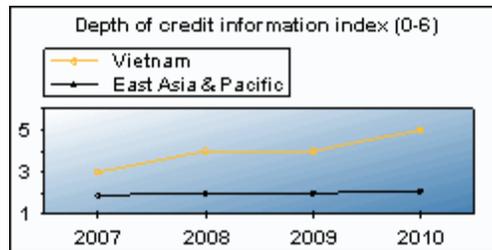
Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States

27 countries have the highest credit information index.

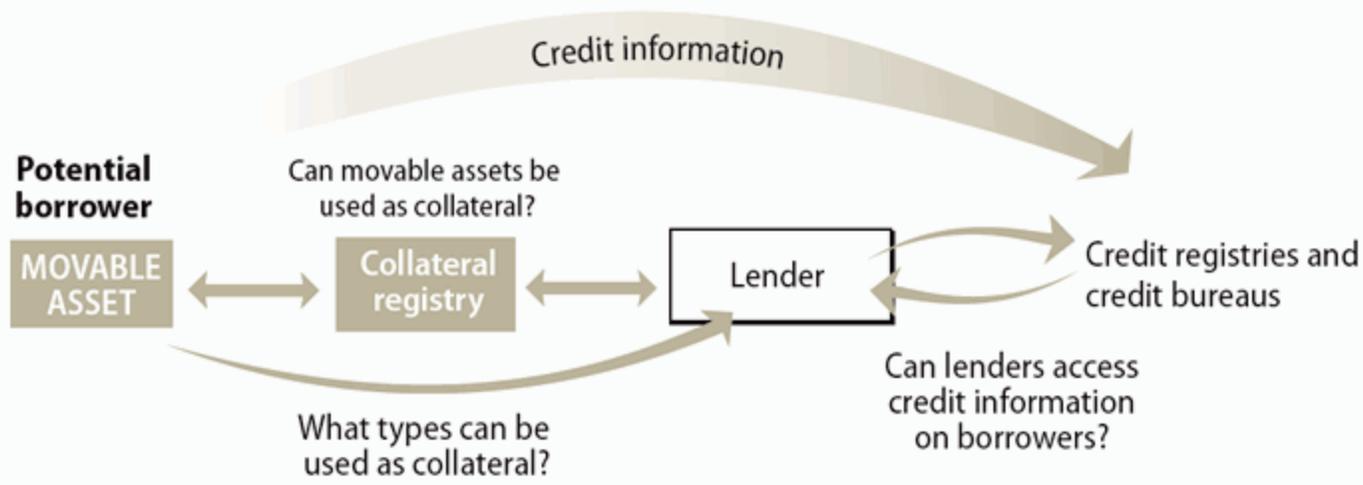
2. Historical data: Getting Credit in Vietnam

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	30	15
Strength of legal rights index (0-10)	8	8	8	8
Depth of credit information index (0-6)	3	4	4	5
Private bureau coverage (% of adults)	0.0	0.0	0.0	0.0
Public registry coverage (% of adults)	9.2	13.4	19.0	26.4

3. The following graphs illustrate the Getting Credit sub indicators in Vietnam over the past 4 years:



**Do lenders have credit information on entrepreneurs seeking credit?
Is the law favorable to borrowers and lenders using movable assets as collateral?**



The following table summarize legal rights of borrowers and lenders, and the availability and legal framework of credit registries in Vietnam.

Getting Credit Indicators (2010)			Indicator
Private bureau coverage (% of adults)	Private credit bureau	Public credit registry	5
Are data on both firms and individuals distributed?	No	Yes	1
Are both positive and negative data distributed?	No	Yes	1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	No	No	0
Are more than 2 years of historical credit information distributed?	No	Yes	1
Is data on all loans below 1% of income per capita distributed?	No	Yes	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	No	Yes	1
Coverage	0.0	26.4	
Number of individuals		0	16,500,000
Number of firms		0	459,140

Strength of legal rights index (0-10)**8**

Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?

Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?

Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?

May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?

Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ?

Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ?

Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?

Do secured creditors have absolute priority to their collateral in bankruptcy procedures?

During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?

Does the law authorize parties to agree on out of court enforcement?

Stronger investor protections matter for the ability of companies to raise the capital needed to grow, innovate, diversify and compete. This is all the more crucial in times of financial crisis when entrepreneurs must navigate through defiant environments to finance their activities. Using 3 indices of investor protection, *Doing Business* measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gains. Since 2005, 51 economies have strengthened investor protections as measured by *Doing Business*.

Some reform outcomes

In Indonesia, an economy that consistently improved its laws regulating investor protections, the number of firms listed on the Indonesia Stock Exchange increased from 331 to 396 between 2004 and 2009. Meanwhile, market capitalization grew from 680 trillion rupiah (\$75 billion) to 1,077 trillion rupiah (\$119 billion).

After Thailand amended its laws in 2006 and 2008, more than 85 transactions that failed to comply with the disclosure standards were suspended. Thirteen were deemed prejudicial and were therefore canceled, thus preventing damage to the companies involved and preserving their value. Companies were not deterred either, as more than 30 new companies joined the stock exchange since 2005 bringing the number of listed companies to 523.

What do the Protecting Investors indicators measure?

Extent of disclosure index (0–10)

- Who can approve related-party transactions
- Requirements for external and internal disclosure in case of related-party transactions

Extent of director liability index (0–10)

- Ability of shareholders to hold the interested party and the approving body liable in case of a prejudicial related-party transaction
- Available legal remedies (damages, repayment of profits, fines, imprisonment and rescission of the transaction)
- Ability of shareholders to sue directly or derivatively

Ease of shareholder suits index (0–10)

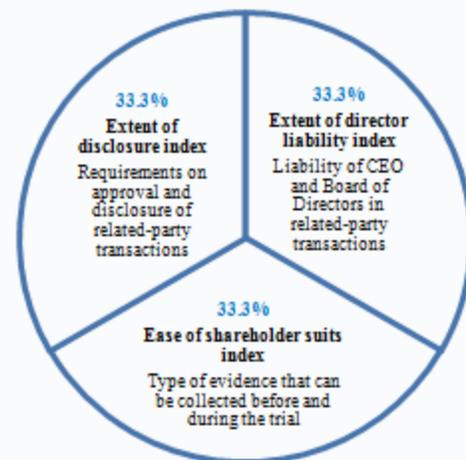
- Documents and information available during trial
- Access to internal corporate documents (directly or through a government inspector)

Strength of investor protection index (0–10)

- Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices

Protecting Investors: minority shareholder rights in related-party transactions

Rankings are based on 3 subindicators



Case Study Assumptions

The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least a large private company with multiple shareholders),
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.

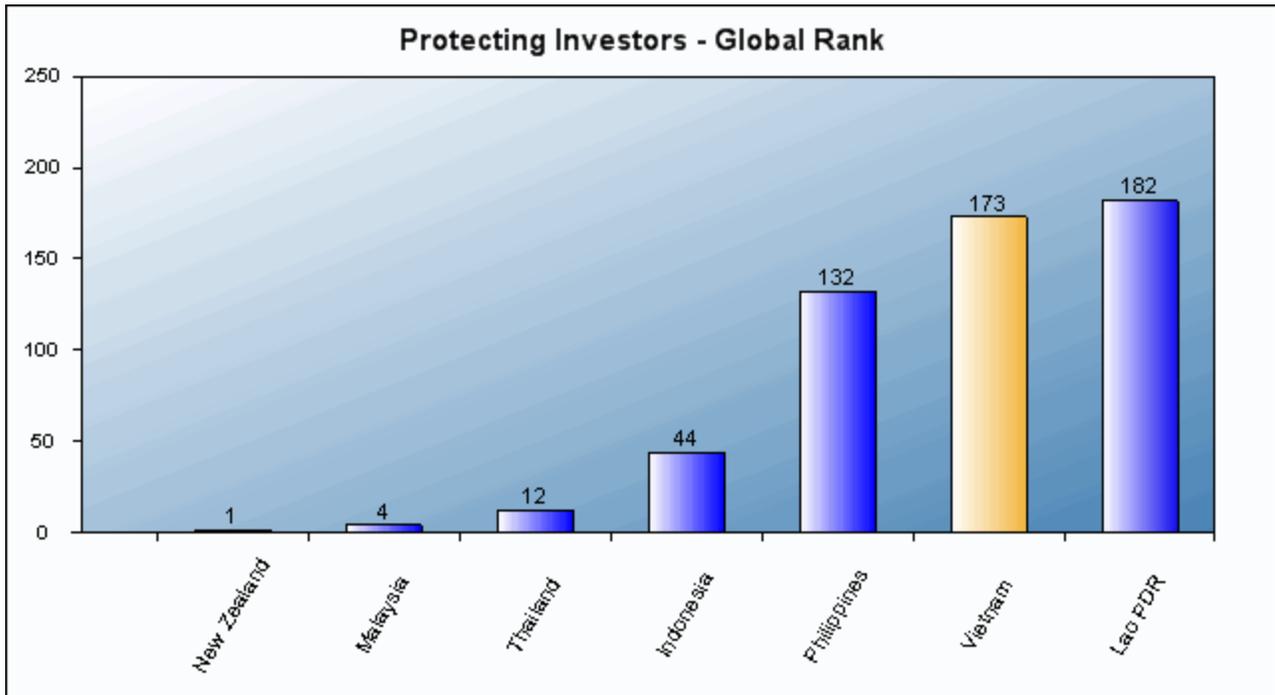
The transaction

- Mr. James, a director and the majority shareholder of the company, proposes that the company purchase used trucks from another company he owns.
- The price is higher than the going price for used trucks, but the transaction goes forward.
- All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to the purchasing company.
- Shareholders sue the interested parties and the members of the board of directors.

1. Benchmarking Protecting Investors Regulations:

Vietnam is ranked 173 overall for Protecting Investors.

Ranking of Vietnam in Protecting Investors - Compared to good practice and selected economies:



The following table shows Protecting Investors data for Vietnam compared to good practice and comparator economies:

Good Practice Economies	Strength of investor protection index (0-10)
New Zealand	9.7

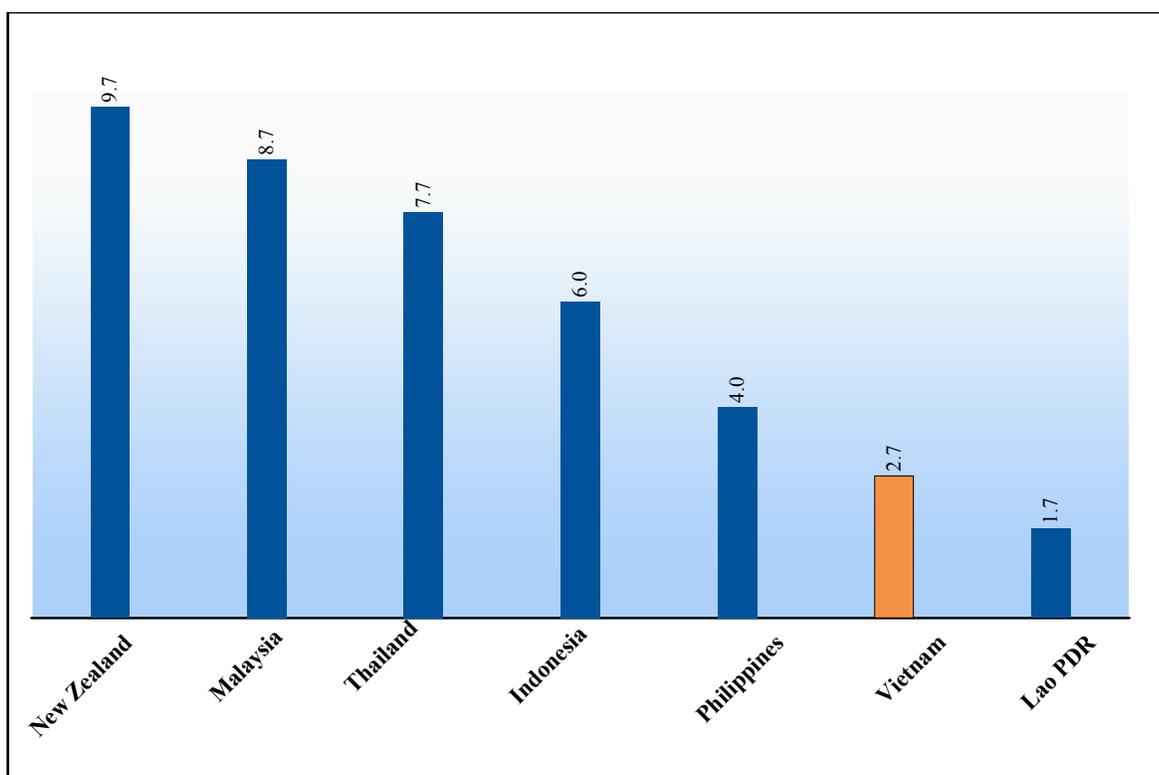
<i>Selected Economy</i>	
Vietnam	2.7

<i>Comparator Economies</i>	
Indonesia	6.0
Lao PDR	1.7
Malaysia	8.7
Philippines	4.0
Thailand	7.7

2. Historical data: Protecting Investors in Vietnam

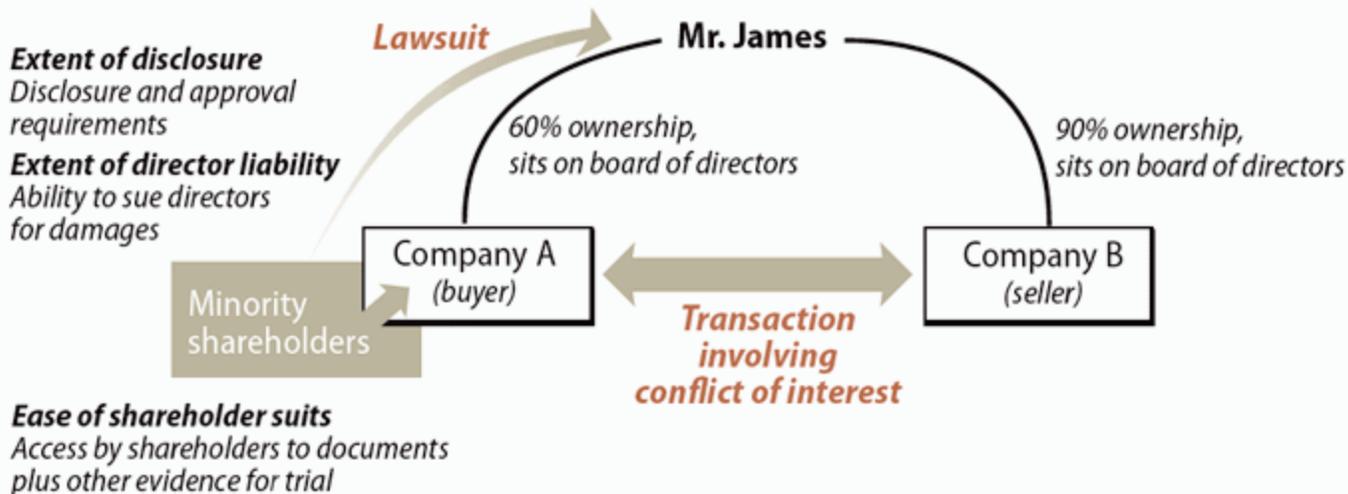
Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	172	173
Strength of investor protection index (0-10)	2.7	2.7	2.7	2.7

3. The following graph illustrates the Protecting Investors index in Vietnam compared to best practice and selected Economies:



Note: The higher the score, the greater the investor protection.

How well are minority shareholders protected against self-dealing in related-party transactions?



The table below provides a full breakdown of how the disclosure, director liability, and shareholder suits indexes are calculated in Vietnam.

Protecting Investors Data (2010)	Indicator
Extent of disclosure index (0-10)	6
What corporate body provides legally sufficient approval for the transaction?	2
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	0
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	2
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	2
Whether an external body must review the terms of the transaction before it takes place?	0
Extent of director liability index (0-10)	0
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	0
Whether shareholders can hold the approving body (the CEO or board of directors) liable for the damage that the Buyer-Seller transaction causes to the company?	0
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	0
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	0

Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	0
Whether fines and imprisonment can be applied against Mr. James?	0
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	0
Ease of shareholder suits index (0-10)	2
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	0
Whether the plaintiff can directly question the defendant and witnesses during trial?	2
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	0
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	0
Whether the level of proof required for civil suits is lower than that of criminal cases?	0
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	0
Strength of investor protection index (0-10)	2.7

Taxes are essential to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. *Doing Business* data show that economies where it is more difficult and costly to pay taxes have larger shares of informal sector activity. More than 60% of economies have reformed in the last 6 years and are starting to see concrete results.

Some reform outcomes

Colombia introduced a new electronic system for social security and labor taxes in 2006 and by 2008 the social security contributions collected from small and medium-size companies rose by 42%, to 550 billion pesos.

Mauritius reduced the corporate income tax rate from 25% to 15% and removed exemptions and industry-specific allowances in 2006 and saw their corporate income tax revenue grow by 27% in the following year, and in 2008/09 it increased by 65%.

What do the Paying taxes indicators measure?

Tax payments for a manufacturing company in 2009
(number per year adjusted for electronic or joint filing and payment)

- Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)
- Method and frequency of filing and payment

Time required to comply with 3 major taxes (hours per year)

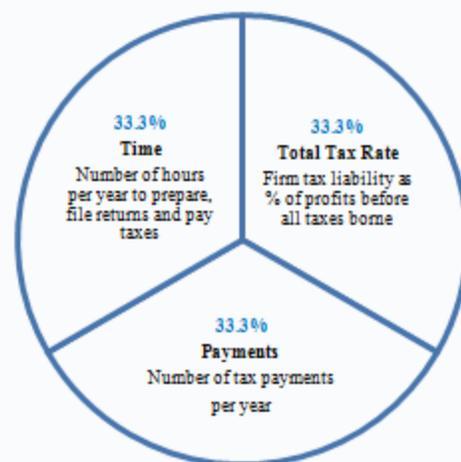
- Collecting information and computing the tax payable
- Completing tax return forms, filing with proper agencies
- Arranging payment or withholding
- Preparing separate tax accounting books, if required

Total tax rate (% of profit)

- Profit or corporate income tax
- Mandatory social contributions and labor taxes paid by the employer
- Property and property transfer taxes
- Dividend, capital gains and financial transactions taxes
- Waste collection, vehicle, road and other taxes

Paying Taxes: tax compliance for a local manufacturing company

Rankings are based on 3 subindicators



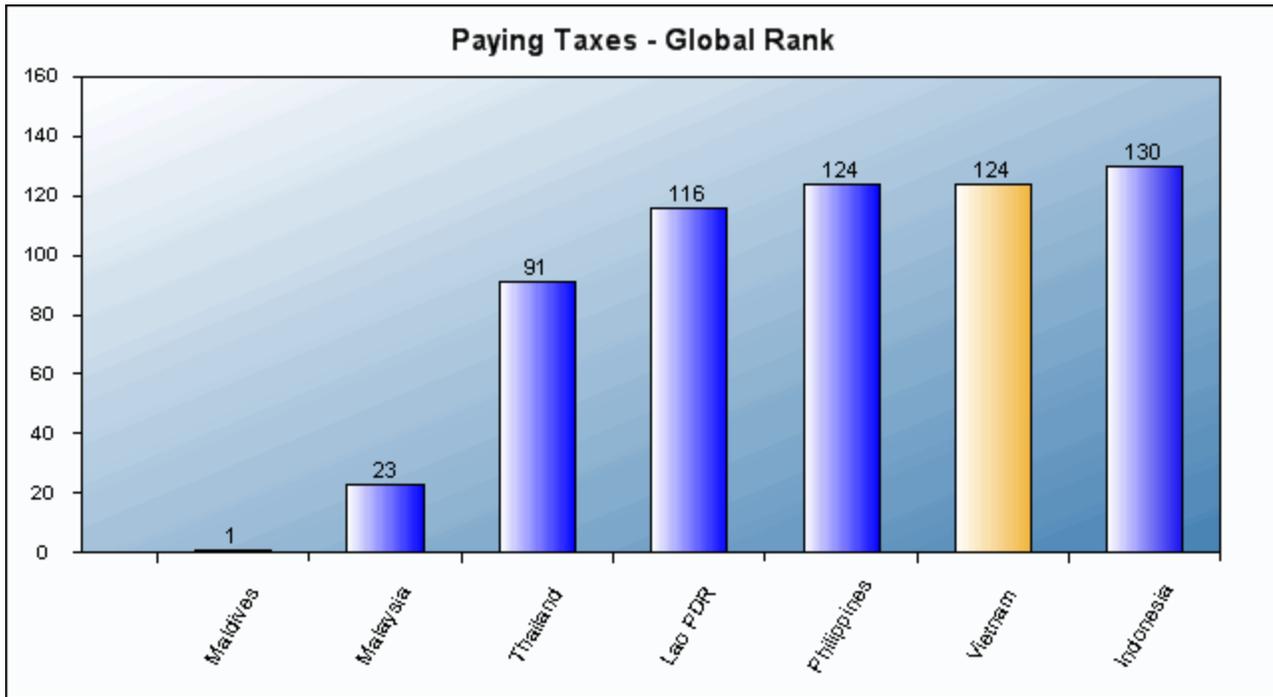
Case Study Assumptions

- TaxpayerCo is a medium-size business that started operations 2 years ago.
- Tax practitioners are asked to review its financial statements, as well as a standard list of transactions that the company completed during the year.
- Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government
- Taxes and mandatory contributions include corporate income tax, turnover tax, all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

1. Benchmarking Paying Taxes Regulations:

Vietnam is ranked 124 overall for Paying Taxes.

Ranking of Vietnam in Paying Taxes - Compared to good practice and selected economies:



The following table shows Paying Taxes data for Vietnam compared to good practice and comparator economies:

Good Practice Economies	Payments (number per year)	Time (hours per year)	Total tax rate (% profit)
Maldives*	3	0	
Timor-Leste			0.2

<i>Selected Economy</i>			
Vietnam	32	941	33.1

<i>Comparator Economies</i>			
Indonesia	51	266	37.3
Lao PDR	34	362	33.7
Malaysia	12	145	33.7
Philippines	47	195	45.8
Thailand	23	264	37.4

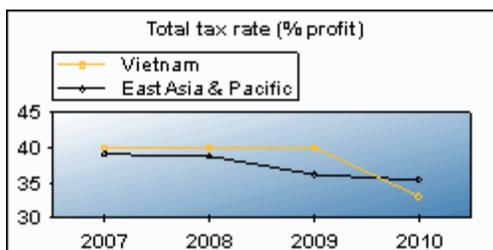
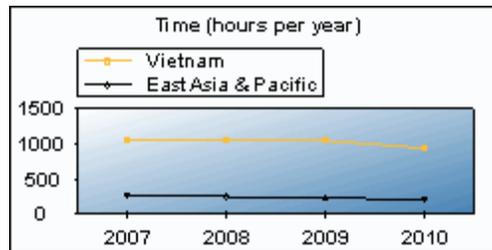
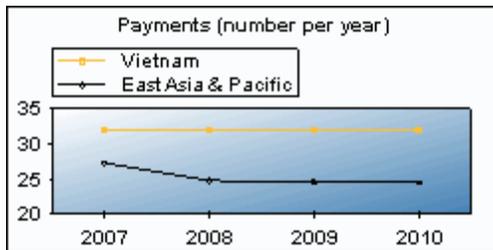
* The following economies are also good practice economies for :

Payments (number per year): Qatar

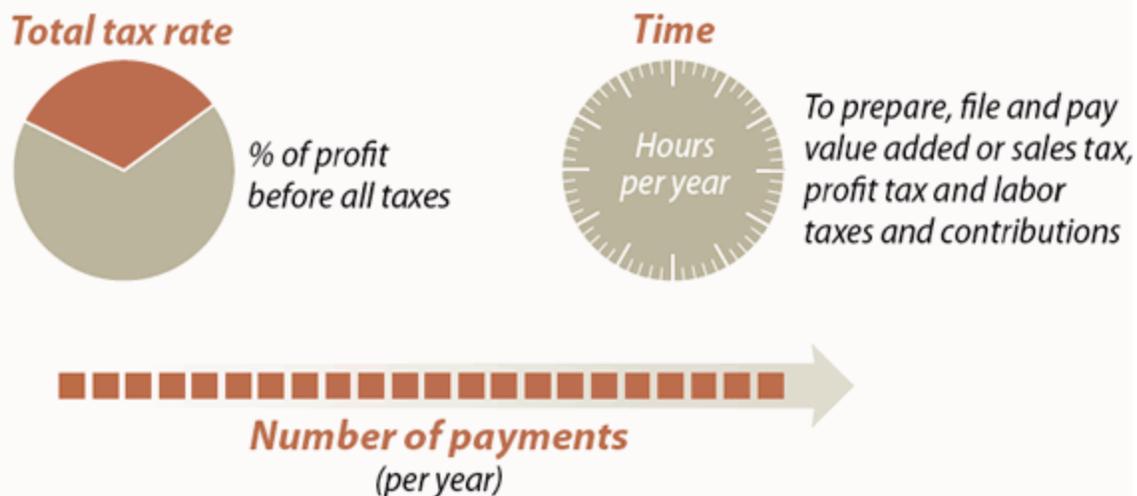
2. Historical data: Paying Taxes in Vietnam

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	146	124
Total tax rate (% profit)	40.1	40.1	40.1	33.1
Payments (number per year)	32	32	32	32
Time (hours per year)	1050	1050	1050	941

3. The following graphs illustrate the Paying Taxes sub indicators in Vietnam over the past 4 years:



What are the time, total tax rate and number of payments necessary for a local medium-sized company to pay all taxes?



The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in Vietnam, as well as measures of administrative burden in paying taxes.

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Value added tax (VAT)	12		336	10.0%	value added		
Business Licensing Tax	1			fixed fee (VND 1,000,000)		0.20	
Fuel tax	1			5.0%	fuel consumption	0.20	
Income tax from transfer of land use rights	1			25.0%	capital gains	0.90	
Unemployment insurance	0	paid jointly		1.0%	gross salaries	1.10	
Health insurance contributions	0	paid jointly		2.0%	gross salaries	2.30	
Corporate income tax	5		233	25.0%	taxable profit	11.60	
Social Security contributions	12		372	15.0%	gross salaries	16.90	
Totals	32		941			33.1	

Making trade between countries easier is increasingly important for business in today's globalized world. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. Trade facilitation tools such as electronic data interchange systems, risk-based inspections, and single windows help improve an economy's trading environment and boost firms' international competitiveness. *Doing Business* trade indicators take into account documents, cost and time associated with every procedure for trading a standard shipment of goods by ocean transport. Research indicates that exporters in developing countries have much more to gain by a 10% drop in their trading costs than from a similar decrease of the tariffs applied to their products in global markets.

Some reform outcomes

In Georgia, reducing customs clearance time by a day has led to operational savings of an estimated \$288 per truck, or an annual \$133 million for the country's whole trading community given the growing amount of cross-border trade in recent years.

In Korea, predictable cargo processing times and rapid turnover by ports and warehouses provide a benefit to the Korean economy of some \$2 billion annually.

What do the Trading Across Borders indicators measure?

Trading Across Borders: exporting and importing by ocean transport

Rankings are based on 3 subindicators

Documents required to export and import (number)

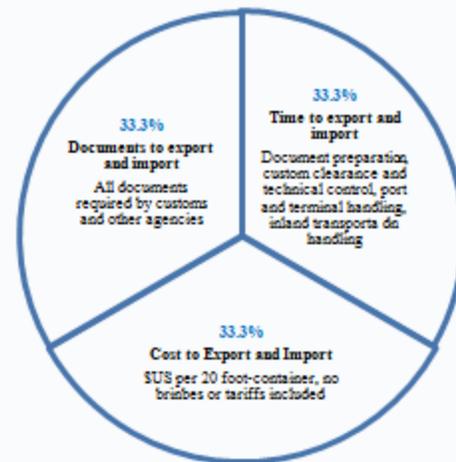
- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

Time required to export and import (days)

- Obtaining all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include ocean transport time

Cost required to export and import (US\$ per container)

- All documentation
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Official costs only, no bribes



Case Study Assumptions

The Business

- Has at least 60 employees and is located in the economy's largest business city
- Is a private, limited liability company, which exports more than 10% of its sales. It is fully domestically owned and does not operate in an export processing zone or an industrial estate with special export or import privileges

The traded product

- Is transported in a dry-cargo, 20-foot full container load; weighs 10 tons and is valued at \$20,000
- Is not hazardous or include military items; it does not require special phytosanitary or environmental safety standards, refrigeration or any other special environment
- Is one of the economy's leading export or import products

1. Benchmarking Trading Across Borders Regulations:

Vietnam is ranked 63 overall for Trading Across Borders.

Ranking of Vietnam in Trading Across Borders - Compared to good practice and selected economies:



The following table shows Trading Across Borders data for Vietnam compared to good practice and comparator economies:

Good Practice Economies	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
Denmark*		5				
France	2			2		
Malaysia			450			
Singapore					4	439

<i>Selected Economy</i>						
Vietnam	6	22	555	8	21	645

<i>Comparator Economies</i>						
Indonesia	5	20	704	6	27	660
Lao PDR	9	48	1860	10	50	2040
Malaysia	7	18	450	7	14	450
Philippines	8	15	675	8	14	730
Thailand	4	14	625	3	13	795

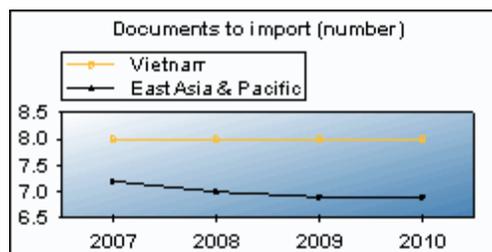
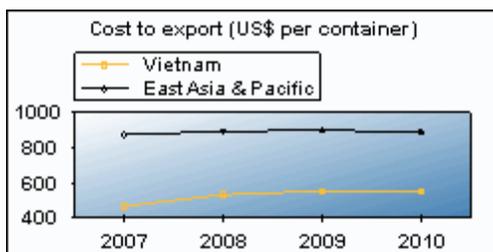
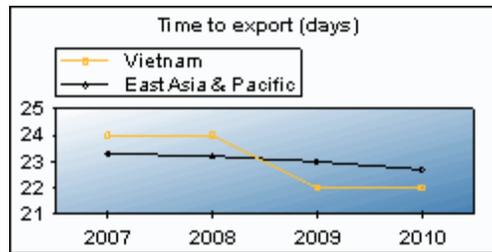
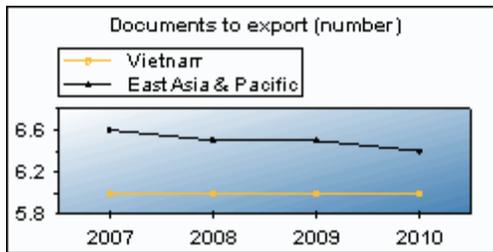
* The following economies are also good practice economies for :

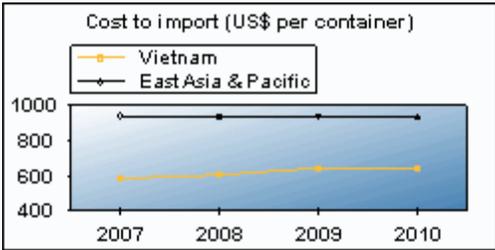
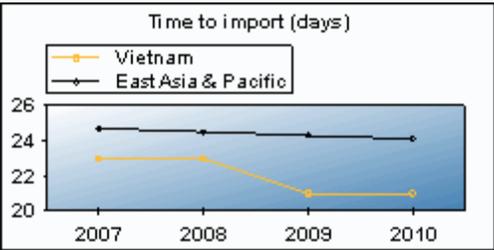
Time to export (days): Estonia

2. Historical data: Trading Across Borders in Vietnam

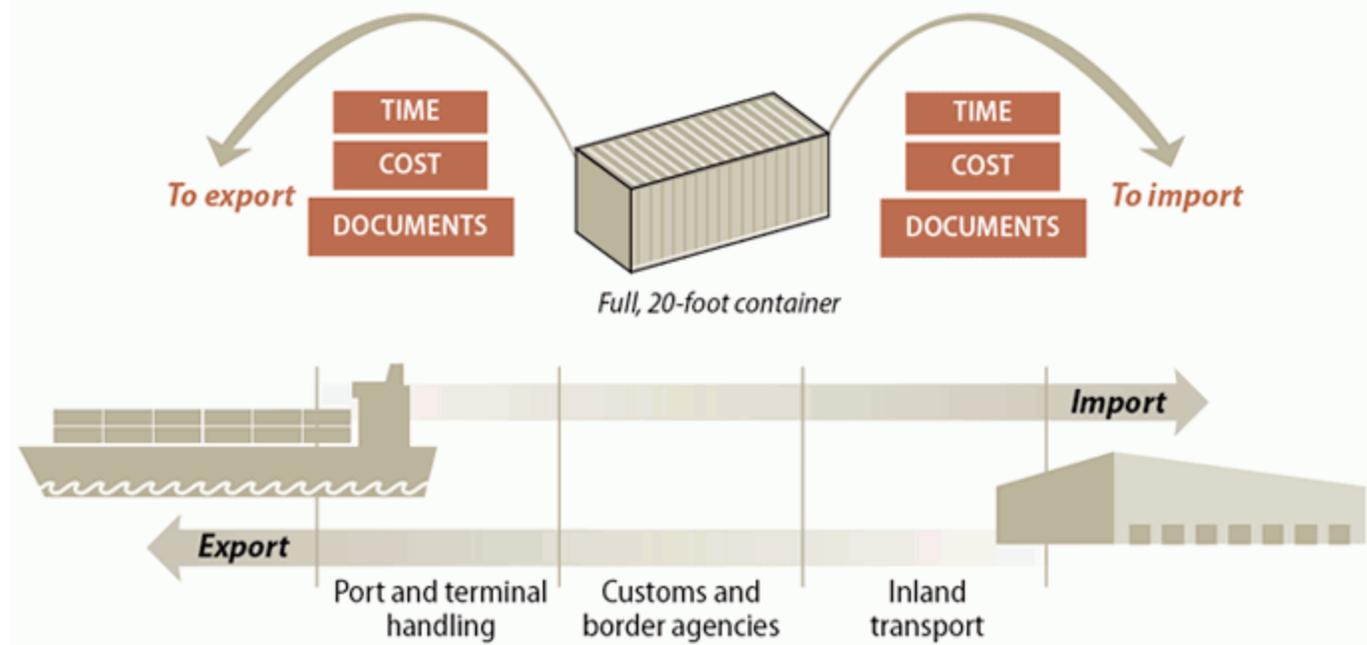
Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	59	63
Cost to export (US\$ per container)	468	533	555	555
Cost to import (US\$ per container)	586	606	645	645
Documents to export (number)	6	6	6	6
Documents to import (number)	8	8	8	8
Time to export (days)	24	24	22	22
Time to import (days)	23	23	21	21

3. The following graphs illustrate the Trading Across Borders sub indicators in Vietnam over the past 4 years:





How much time, how many documents and what cost to export and import across borders by ocean transport?



These tables list the procedures necessary to import and export a standardized cargo of goods in Vietnam. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	12	125
Customs clearance and technical control	4	100
Ports and terminal handling	3	150
Inland transportation and handling	3	180
Totals	22	555

Nature of Import Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	12	95
Customs clearance and technical control	4	95
Ports and terminal handling	4	175
Inland transportation and handling	1	280
Totals	21	645

Documents for Export and Import

Export

- Bill of lading
- Certificate of origin
- Commercial invoice
- Customs export declaration
- Packing list
- Technical standard/health certificate

Import

- Bill of lading
- Cargo release order
- Commercial invoice
- Customs import declaration
- Inspection report
- Packing list
- Technical standard/health certificate
- Terminal handling receipts

Well functioning courts help businesses expand their network and markets. Where contract enforcement is efficient, firms have greater access to credit and are more likely to engage with new borrowers or customers. *Doing Business* measures the efficiency of the judicial system in resolving a commercial sale dispute before local courts. Following the step-by-step evolution of a standardized case study, data relating to the time, cost and procedural complexity of resolving a commercial lawsuit are collected through study of the codes of civil procedure and other court regulations, as well as through surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

Some reform outcomes

In Rwanda the implementation of specialized commercial courts in May 2008 resulted in a significant decrease of the case backlog, and contributed to reduce the time to resolve a commercial dispute by nearly 3 months.

In Austria a "data highway" for the courts that allows attachments to be sent electronically has produced savings of €4.4 million in postage alone.

What do the Enforcing Contracts indicators measure?

Enforcing Contracts: resolving a commercial dispute through the courts

Rankings are based on 3 subindicators

Procedures to enforce a contract (number)

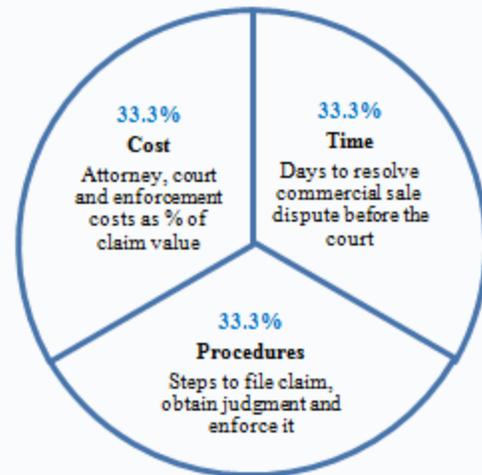
- Any interaction between the parties in a commercial dispute, or between them and the judge or court officer
- Steps to file the case
- Steps for trial and judgment
- Steps to enforce the judgment

Time required to complete procedures (calendar days)

- Time to file and serve the case
- Time for trial and obtaining judgment
- Time to enforce the judgment

Cost required to complete procedures (% of claim)

- No bribes
- Average attorney fees
- Court costs, including expert fees
- Enforcement costs



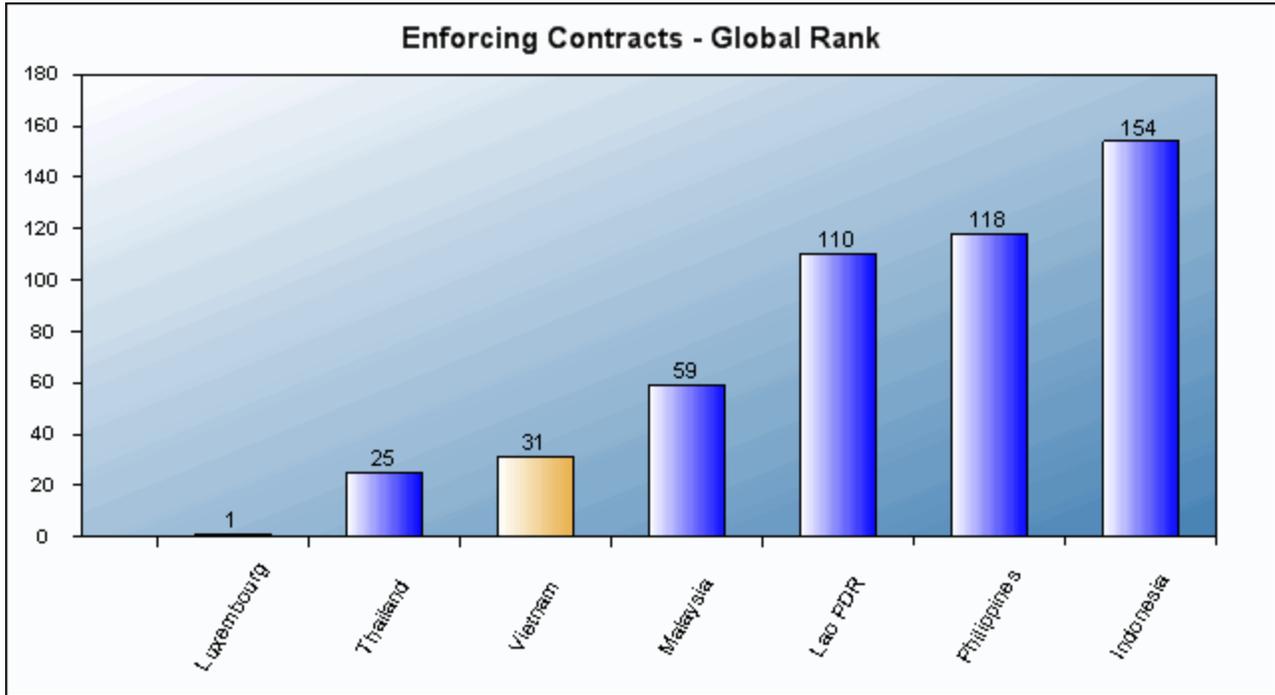
Case Study Assumptions

- Seller and Buyer are domestic companies
- Buyer orders custom-made goods, then does not pay
- Seller sues Buyer before competent court
- Value of claim is 200% of GNI per capita
- Seller requests pre-trial attachment to secure claim
- Dispute on quality of the goods requires expert opinion
- Judge decides in favor of Seller, no appeal
- Seller enforces judgment through a public sale of Buyer's movable assets.

1. Benchmarking Enforcing Contracts Regulations:

Vietnam is ranked 31 overall for Enforcing Contracts.

Ranking of Vietnam in Enforcing Contracts - Compared to good practice and selected economies:



The following table shows Enforcing Contracts data for Vietnam compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of claim)
Bhutan			0.1
Ireland	20		
Singapore		150	

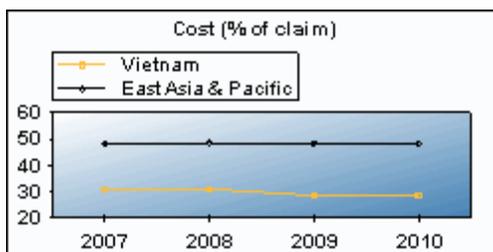
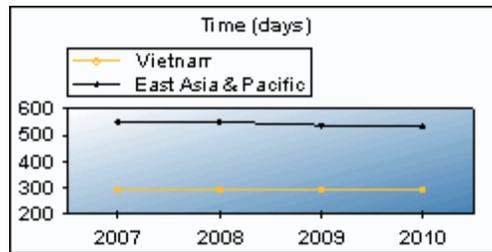
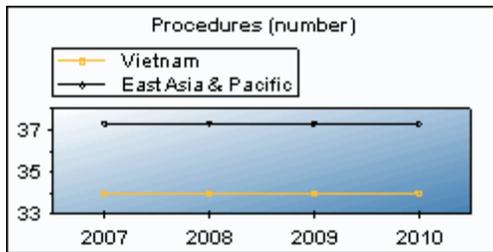
<i>Selected Economy</i>			
Vietnam	34	295	28.5

<i>Comparator Economies</i>			
Indonesia	40	570	122.7
Lao PDR	42	443	31.6
Malaysia	30	585	27.5
Philippines	37	842	26.0
Thailand	36	479	12.3

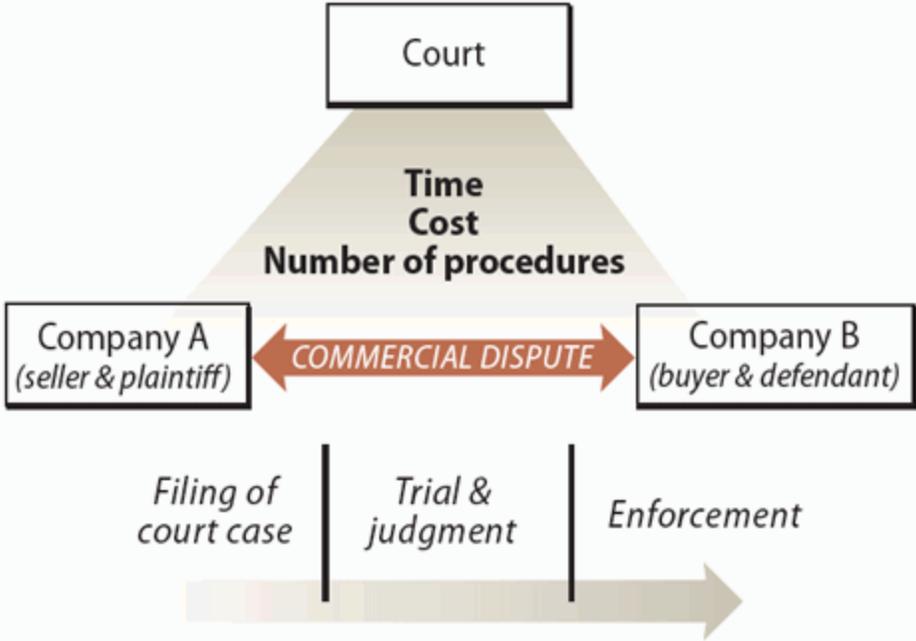
2. Historical data: Enforcing Contracts in Vietnam

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	31	31
Procedures (number)	34	34	34	34
Time (days)	295	295	295	295
Cost (% of claim)	31.0	31.0	28.5	28.5

3. The following graphs illustrate the Enforcing Contracts sub indicators in Vietnam over the past 4 years:



What are the time, cost and number of procedures to resolve a commercial dispute through the courts?



This topic looks at the efficiency of contract enforcement in Vietnam.

Nature of Procedure (2010)	Indicator
Procedures (number)	34
Time (days)	295
Filing and service	25.0
Trial and judgment	120.0
Enforcement of judgment	150.0
Cost (% of claim)*	28.50
Attorney cost (% of claim)	21.0
Court cost (% of claim)	5.0
Enforcement Cost (% of claim)	2.5

Court information: Ho Chi Minh City District ("Tòa Án Nhân Dân Quận")
People's Court

* Claim assumed to be equivalent to 200% of income per capita.

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in businesses' speedy return to normal operation and increase returns to creditors. By improving the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses, and thereby improve growth and sustainability in the economy overall.

Some reform outcomes

A study of the 2005 bankruptcy reform in Brazil found that it had led to an average reduction of 22% in the cost of credit for Brazilian companies, a 39% increase in overall credit and a 79% increase in long-term credit in the economy. The purpose of the reform was to improve creditor protection in insolvency proceedings.

Following the introduction of debtor-in-possession reorganizations in Korea in 2006, the number of reorganization filings increased from 76 in 2006 to 670 in 2009.

What does the Closing a Business indicator measure?

Closing a Business: insolvency proceedings against local company

Time required to recover debt (years)

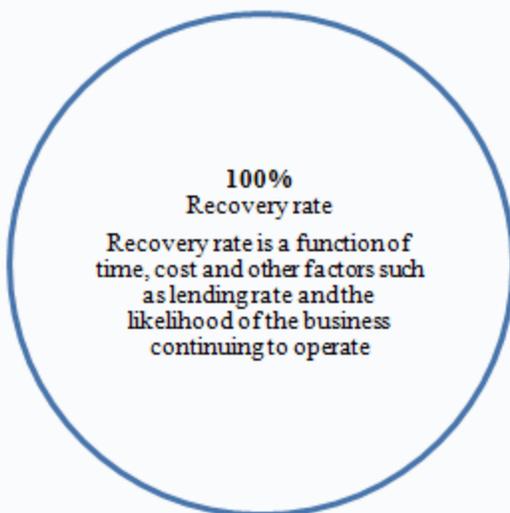
- Measured in calendar years
- Appeals and requests for extension are included

Cost required to recover debt (% of debtor's estate value)

- Measured as percentage of estate value
- Court fees
- Fees of insolvency administrators
- Lawyers' fees
- Assessors' and auctioneers' fees
- All other fees and costs

Recovery rate for creditors (cents on the dollar)

- Measures the cents on the dollar recovered by creditors
- Present value of debt recovered
- Costs of the insolvency proceedings are deducted
- Depreciation of furniture is taken into account
- Outcome for the business (survival or not) affects the maximum value that can be recovered



Case Study Assumptions

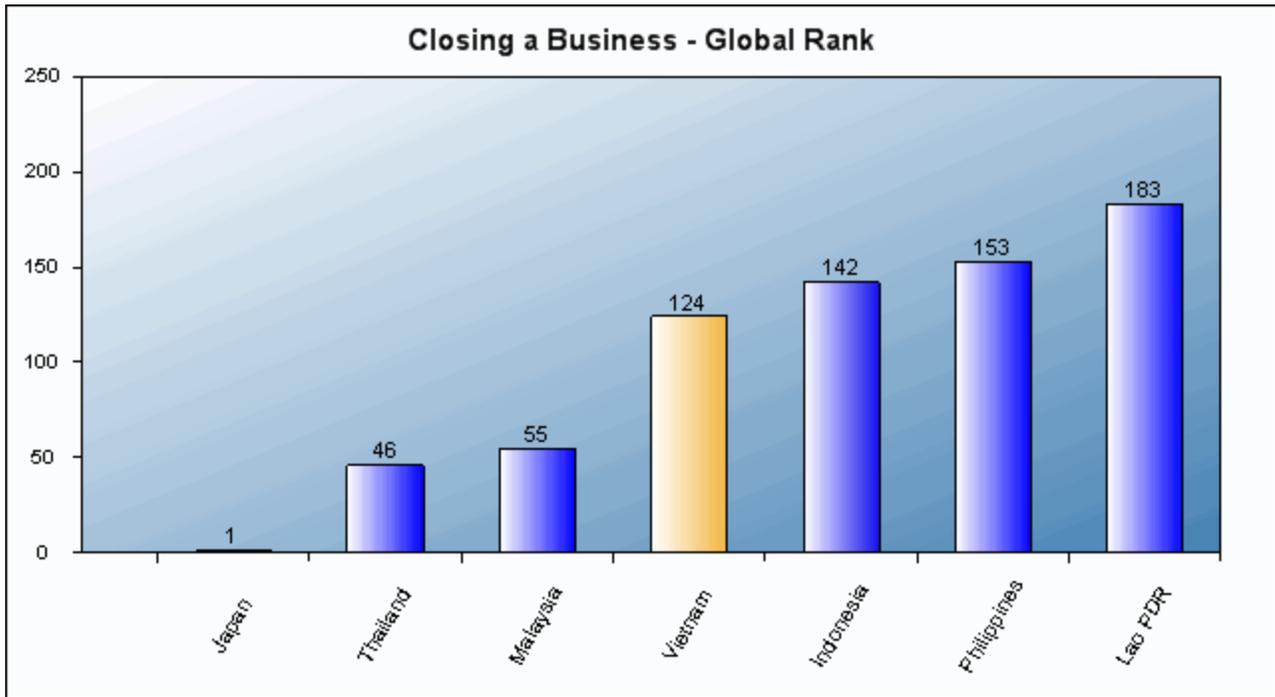
The Company

- is domestically owned
- is a limited liability company operating a hotel
- operates in the economy's largest business city
- has 201 employees, 1 secured creditor and 50 unsecured creditors
- has a higher value as a going concern and a lower value in a piecemeal sale of assets

1. Benchmarking Closing Business Regulations:

Vietnam is ranked 124 overall for Closing a Business.

Ranking of Vietnam in Closing Business - Compared to good practice and selected economies:



The following table shows Closing Business data for Vietnam compared to good practice and comparator economies:

Good Practice Economies	Recovery rate (cents on the dollar)	Time (years)	Cost (% of estate)
Ireland		0.4	
Japan	92.7		
Singapore*			1

<i>Selected Economy</i>			
Vietnam	18.6	5.0	15

<i>Comparator Economies</i>			
Indonesia	13.2	5.5	18
Lao PDR	0.0	no practice	no practice
Malaysia	39.8	2.3	15
Philippines	4.5	5.7	38
Thailand	43.5	2.7	36

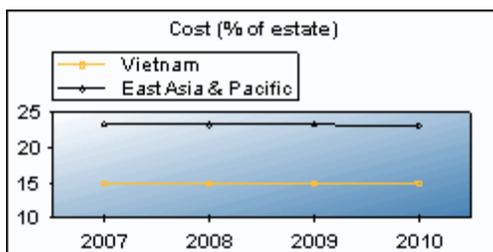
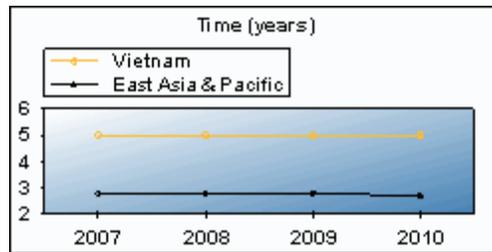
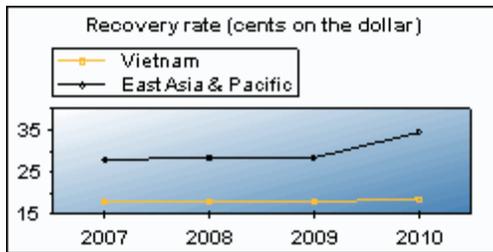
* The following economies are also good practice economies for :

Cost (% of estate): Colombia, Kuwait, Norway

2. Historical data: Closing Business in Vietnam

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	125	124
Time (years)	5.0	5.0	5.0	5.0
Cost (% of estate)	15	15	15	15
Recovery rate (cents on the dollar)	18.0	18.0	18.0	18.6

3. The following graphs illustrate the Closing Business sub indicators in Vietnam over the past 4 years:



Since 2004 Doing Business has been tracking reforms aimed at simplifying business regulations, strengthening property rights, opening access to credit and enforcing contracts by measuring their impact on 10 indicator sets . * Nearly 1,000 reforms have had an impact on these indicators. *Doing Business 2011*, covering June 2009 to June 2010, reports that 117 economies implemented 216 reforms to make it easier to start a business. 64% of economies measured by Doing Business have reformed this year, focusing on easing business start-up, lightening the tax burden, simplifying import and export regulations and improving credit information systems.

The top 10 most-improved in Doing Business 2011

Economy	Indicator									
	Starting a Business	Dealing with Construction Permits	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business	Employing Workers
Kazakhstan	✓	✓				✓	✓			
Rwanda		✓		✓			✓			
Peru	✓	✓	✓				✓			
Vietnam	✓	✓		✓						
Cape Verde	✓		✓				✓			
Tajikistan	✓				✓	✓				
Zambia	✓						✓	✓		
Hungary		✓	✓			✓			✓	
Grenada	✓		✓				✓			
Brunei Darussalam	✓					✓	✓			

✓ Positive Change
 ✗ Negative Change

* For *Doing Business 2011* the Employing Workers indicator is not included in the aggregate ease of doing business ranking.

Summary of changes to business regulation in top 10 most improved economies in *Doing Business 2011* and selected comparator economies.

Brunei Darussalam	Brunei Darussalam made starting a business easier by improving efficiency at the company registrar and implementing an electronic system for name searches. Brunei Darussalam reduced the corporate income tax rate from 23.5% to 22% while also introducing a lower tax rate for small businesses, ranging from 5.5% to 11%. The introduction of an electronic customs system in Brunei Darussalam made trading easier.
Cape Verde	Cape Verde made start-up easier by eliminating the need for a municipal inspection before a business begins operations and computerizing the system for delivering the municipal license. Cape Verde eased property registration by switching from fees based on a percentage of the property value to lower fixed rates. Cape Verde abolished the stamp duties on sales and checks.
Grenada	Grenada eased business start-up by transferring responsibility for the commercial registry from the courts to the civil administration. The appointment of a registrar focusing only on property cut the time needed to transfer property in Grenada by almost half. Grenada's customs administration made trading faster by simplifying procedures, reducing inspections, improving staff training and enhancing communication with users.
Hungary	Hungary implemented a time limit for the issuance of building permits. Hungary reduced the property registration fee by 6% of the property value. Hungary simplified taxes and tax bases. Amendments to Hungary's bankruptcy law encourage insolvent companies to consider reaching agreements with creditors out of court so as to avoid bankruptcy.
Indonesia	Indonesia eased business start-up by reducing the cost for company name clearance and reservation and the time required to reserve the name and approve the deed of incorporation. Indonesia reduced its corporate income tax rate. Indonesia reduced the time to export by launching a single-window service.
Kazakhstan	Kazakhstan eased business start-up by reducing the minimum capital requirement to 100 tenge (\$0.70) and eliminating the need to have the memorandum of association and company charter notarized. Kazakhstan made dealing with construction permits easier by implementing a one-stop shop related to technical conditions for utilities. Kazakhstan strengthened investor protections by requiring greater corporate disclosure in company annual reports. Kazakhstan speeded up trade through efforts to modernize customs, including implementation of a risk management system and improvements in customs automation.
Lao PDR	Lao PDR replaced the business turnover tax with a new value added tax.
Malaysia	Malaysia eased business start-up by introducing more online services. Malaysia's introduction of online stamping reduced the time and cost to transfer property.
Peru	Peru eased business start-up by simplifying the requirements for operating licenses and creating an online one-stop shop for business registration. Peru streamlined construction permitting by implementing administrative reforms. Peru introduced fast-track procedures at the land registry, cutting by half the time needed to register property. Peru made trading easier by implementing a new web-based electronic data interchange system, risk-based inspections and payment deferrals.
Philippines	The Philippines eased business startup by setting up a one-stop shop at the municipal level. The Philippines made construction permitting more cumbersome through updated electricity connection costs. The Philippines reduced the time and cost to trade by improving its electronic customs systems, adding such functions as electronic payments and online submission of declarations.
Rwanda	Rwanda made dealing with construction permits easier by passing new building regulations at the end of April 2010 and implementing new time limits for the issuance of various permits. Rwanda enhanced access to credit by allowing borrowers the right to inspect their own credit report and mandating that loans of all sizes be reported to the central bank's public credit registry. Rwanda reduced the number of trade documents required and enhanced its joint border management procedures with Uganda and other neighbors, leading to an improvement in the trade logistics environment.

Tajikistan	Tajikistan made starting a business easier by creating a one-stop shop that consolidates registration with the state and the tax authority. Tajikistan strengthened investor protections by requiring greater corporate disclosure in the annual report and greater access to corporate information for minority investors. Tajikistan lowered its corporate income tax rate.
Thailand	Thailand made registering property more costly by repealing a 2-year temporary tax reduction for property transfers. Thailand temporarily lowered taxes on business by reducing its specific business tax for 12 months.
Vietnam	Vietnam eased company start-up by creating a one-stop shop that combines the processes for obtaining a business license and tax license and by eliminating the need for a seal for company licensing. Vietnam made dealing with construction permits easier by reducing the cost to register newly completed buildings by 50% and transferring the authority to register buildings from local authorities to the Department of National Resources and Environment. Vietnam improved its credit information system by allowing borrowers to examine their own credit report and correct errors.
Zambia	Zambia eased business start-up by eliminating the minimum capital requirement. Zambia eased trade by implementing a one-stop border post with Zimbabwe, launching web-based submission of customs declarations and introducing scanning machines at border posts. Zambia improved contract enforcement by introducing an electronic case management system in the courts that provides electronic referencing of cases, a database of laws, real-time court reporting and public access to court records.



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