

BUSINESS ESTABLISHMENT IN VIETNAM: BRANCH OR SUBSIDIARY?

Based on questions raised by international investors, we'd like to sketch out key differences between a branch and subsidiary (to be based in Vietnam) for overseas companies. The below will help you figure out why most investors decide to go for subsidiaries instead of branches (except for commercial banks).

Criterion	Branch	Subsidiary	Note
Licensing authority	Department of Industry & Trade (DIT)	Department of Planning & Investment (DPI)	In our experience, DPI is more supportive and cooperative than DIT
Legal Status	Unclear. In theory, it's not a Vietnamese legal entity, subject to the parent company's existence and operation.	Clear: Vietnamese legal entity, 100% independent from parent company, if any	For this reason, when you submit a branch application, it's very likely that DIT will recommend you go for a subsidiary as a better option.
Duration	5 years (but not exceeding the remaining duration of the parent company – if any)	Infinite (forever)	
Requirement for the applicant	An overseas company that's been in operation for at least 5 years.	Not required of number of years in operation.	A start-up can apply for a subsidiary, but not a branch, in Vietnam.
Tax Resident	Yes	Yes	
Accounting reporting	Full accounting reporting requirements	Full accounting reporting requirements	
Audit requirement	Yes	Not addressed by law (unclear)	