

Bond Market Costs and Taxation

This chapter details the typical costs incurred by issuers and investors in the Viet Nam bond market, with a particular emphasis on costs associated with bond or note issuance and settlement.

For ease of reference, the descriptions of the types of costs are given in the context of the actions to be taken by issuers or investors (as explained in this document) and follow the life cycle of a bond or note in the Viet Nam bond market.

A. Costs Associated with Debt Securities Issuance

Fees and charges applicable to activities in the Viet Nam bond market are typically regulated or capped by the regulatory authorities. Specific circulars issued by the MOF state the possible fee tariffs for market institutions and participants to observe.

As one example, Circular No. 242/2016/TT-BTC, which came into effect on 1 January 2017, defines the price range permitted for the provision of services by market institutions to market participants in the securities market in Viet Nam. The circular superseded all earlier regulations on securities services pricing.

1. Registration of Bond Issuance and Approval from the State Securities Commission (Mandatory for Public Offers)

Issuers wishing to issue debt securities via a public offering need to apply to the SSC for approval. The SSC issues a registration certificate for such public offering and collects a fee for the review and approval process, and the issuance of said certificate. Please also see Chapter II.E for a complete description of the SSC's review and approval process.

Pursuant to Circular No. 67-2014-TT-BTC, issued by the MOF on 21 May 2014, a fee scale applies for the registration of securities, including debt securities, with the SSC (Table 6.1).

Table 6.1: Fee for Securities Registration Certificate by the State Securities Commission

Proposed Securities Issuance Amount	Fee Rate
Under VND50 billion	VND10 million
From VND50 billion to less than VND150 billion	VND20 million
From VND150 billion to less than VND250 billion	VND35 million
VND200 billion or above	VND50 million

VND = Vietnamese dong.

Source: State Securities Commission, based on Circular No. 67/2014/TT-BTC, dated 21 May 2014.

http://www.ssc.gov.vn/ubck/faces/oracle/webcenter/portalapp/pages/en/legaldocumentdetail.jspx;jsessionid=1mTFbYWTgwLp2FvgIXhPJbGhNFZYj1hjyTNWpwxTRBZgwFN8lyQB!2105881361!490282670?dDocName=APPSSCGOVVN162103710&_afLoop=31023924819148794&_afWindowMode=0&_afWindowId=null#%40%3F_afWindowId%3Dnull%26_afLoop%3D31023924819148794%26dDocName%3DAPPSSCGOVVN162103710%26_afWindowMode%3D0%26_adf.ctrl-state%3D1942fch2t_4

The fee is payable by the issuer upon issuance of the registration certificate by the SSC. The same fee scale also applies for the additional issuance of debt securities.

2. Underwriter Fee (Mandatory for Public Offering)

In the case of debt securities, underwriters may be securities companies or commercial banks. The use of an underwriter, or multiple underwriters, as the case may be, is mandatory for the issuance of debt securities via a public offering.

An underwriter will charge a fee that is typically commensurate with the effort and risk of taking over part or all of a debt securities issue from the issuer and which may be subject to negotiations between issuer and underwriter. Pursuant to Circular No. 242/2016/TT-BTC, underwriting fees may be charged at between 0.5% and 2.0% of the total value of securities issued through a guaranteed offering. In the case of a private placement, the underwriting fee or issuing agent fee is fully negotiable. In either case, the fee is payable by the issuer.

3. Initial Securities Registration Fee at Vietnam Securities Depository (Mandatory)

Securities issued in the Viet Nam market, including debt securities, must be deposited in VSD in order to be eligible for trading on the exchanges, settlement, and transfer. The issuer needs to pay a registration fee, officially known as the “initial securities registration fee,” within 5 working days after VSD issues the certificate of initial securities registration. The initial registration fee rate is determined by the total value of the issued securities (Table 6.1).

Besides the initial registration fee, VSD also charges an additional registration fee of VND5 million for any additional securities deposited.

Table 6.2: Initial Securities Registration Fee at the Vietnam Securities Depository

Securities Registration Value	Fee Rate
Securities registration value under VND80 billion	VND10 million
Securities registration value from VND80 billion to less than VND200 billion	VND15 million
Securities registration value from VND200 billion or more	VND20 million

VND = Vietnamese dong.

Source: Hanoi Stock Exchange, based on Circular No. 241/2016/TT-BTC, dated 11 November 2016.
<https://hnx.vn/en-gb/van-ban-phap-ly.html>

B. Costs Associated with Debt Securities Listing

Issuers may list their debt securities on HNX or HOSE (please see Chapter III.I for details on eligibility and listing process). A listing is subject to the review and approval of the respective exchange and incurs a number of fees, both one-time and recurring.

The fees mentioned below are not applicable to government bonds, government-guaranteed bonds, and local government bonds.

1. Initial Listing Registration Fee

HNX and HOSE levy an initial listing registration fee for corporate bonds and notes, payable at the time the issuer applies for the listing. The initial listing registration fee is a one-time fee set at VND10 million and is billed to the issuing organization. In the event of a change in the initial listing registration, a change fee of VND5 million is applicable.

2. Annual Listing Management Fee

In addition to the initial listing registration fee, the exchanges also impose an annual listing management fee, which is intended to defray the costs of the exchange of providing the platform and services for the listing of securities.

The fee rate for the listing management fee is based on the listing value of the securities (Table 6.3).

Table 6.3: Annual Listing Management Fee on Exchanges in Viet Nam

Listing Value	Fee Rate
Listing value under VND80 billion	VND15 million
Listing value from VND80 billion to less than VND200 billion	VND20 million
Listing value of VND200 billion or more	VND20 million plus 0.001% of listing value (not exceeding VND50 million)

VND = Vietnamese dong.

Source: Hanoi Stock Exchange, based on Circular No. 241/2016/TT-BTC, dated 11 November 2016.
<https://hnx.vn/en-gb/van-ban-phap-ly.html>

C. Ongoing Costs for Issuers of Securities

Ongoing costs arise from service providers appointed by the issuer for the provision of services throughout the lifecycle of the debt securities. These services typically include the representative of bondholders' function, as well as charges incurred at the central depository.

1. Fee for Representative of Bondholders (Mandatory for Public Offers)

Securities companies or commercial banks may be appointed to act as the representative of bondholders; under prevailing regulations, the appointed party must be a member of VSD. The service is provided throughout the lifecycle of the debt securities. Please see Chapter III.Q for a definition of the function and a description of the service provided by a representative of bondholders.

According to Circular 242/2016/TT-BTC, the fee for representing bondholders is capped at 0.1% of the total value of the issued bonds or notes. The fee is paid by the issuer. The actual fee charged may be subject to negotiations between issuer and service provider.

D. Costs for Deposit and Withdrawal of Securities

The issuer is required to deposit the issued securities at VSD under prevailing regulations. Securities are typically kept on a book-entry basis, in the form of electronic records only.

The initial registration of securities attracts an initial securities registration fee (see section A.3 for details). If a public offering is made, the issued securities have to be registered at VSD. After that, the securities owner can deposit them at VSD via a depository member.

A withdrawal of individual physical certificates of debt securities from VSD is not possible.

E. Costs Associated with Securities Trading

Fees and charges that may be applied by the stock exchanges in Viet Nam, as well as those levied by VSD, are regulated in Circular No. 241/2016/TT-BTC, dated 11 November 2016. The securities trading related fees with relevance for the bond market are detailed in this section for easy reference.

1. Exchange Related Fees

HNX and HOSE levy a number of fees for the provision of access to their platforms and systems, and for other services provided. These fees are charged to the trading members but may be recovered from investors on an out-of-pocket expenses basis, or as part of their own fee schedule for services to investors.

a. Trading Member Management Fee

Trading members of HNX and HOSE incur an annual trading member management fee of VND20 million, across all trading platforms and systems.

b. Terminal Equipment Use Fee

HNX and HOSE provide access to their trading platforms and systems for their trading members. This access is charged for each terminal, or access point, on the trading floor and other departments within a member's premises. The current terminal equipment use fee is VND20 million per member per annum.

Trading members are also liable to pay an initial connection fee once they become members of the exchange, as well as a periodical connection maintenance fee on an annual basis. It costs VND150 million for the first-time connection and VND50 million per member per annual for maintenance.

c. Trading (Transaction) Fee

Any trade in debt securities—including corporate bonds, government bonds, T-bills, government-guaranteed bonds, and local government bonds—on HNX or HOSE incurs a trading fee for the trading members on the sell-side and buy-side. The fees are billed monthly by the exchange and must be paid by the trading member by the 15th of the following month.

For debt securities, the trading fee is set at 0.06%, or 6 basis points, of the value of the trade.

d. Trading (Transaction) Fee for Repo Transactions

Fees for repo transactions on the exchange are charged to trading members based on the term of the repo (Table 6.4). Repo transaction fees are billed monthly by the exchange and must be paid by the trading member by the 15th of the following month.

Table 6.4: Repurchase Transaction Fees on Exchange

Tenure of the Repo Transaction	Fee Rate
Term up to 2 days	0.0005% of trading value
Term from 3 to 14 days	0.004% of trading value
Term of more than 14 days	0.0075% of trading value

Source: Hanoi Stock Exchange, based on Circular No. 241/2016/TT-BTC, dated 11 November 2016. <https://hnx.vn/en-gb/van-ban-phap-ly.html>

2. Brokerage Commission

Brokerage commission is payable by investors to securities companies carrying out their orders on HNX and HOSE. Pursuant to Circular 242/2016/TT-BTC, securities companies may set their brokerage commission for equities and fund certificate transactions within the range of 0.15%–0.5% of the trading value of the securities. For transactions in debt securities, however, no specific fee range is prescribed and no cap applies for brokerage commission; hence, the commission is likely set by agreement between securities companies and their clients.

In cases where the government is divesting its stake in a listed company, e.g. in the event of a public offering of a former SOE, the brokerage commission may not exceed 0.03% of the trading value, with a cap of VND3 billion per transaction. Some special conditions may apply in such cases and are subject to consideration by the MOF.

3. Transaction Charges

Commercial banks buying or selling bonds and notes for the clients are not charging brokerage commission because banks are not members of the exchange. At the same time, commercial banks may participate as trading members of the HNX bond trading system only. Currently, there are 28 commercial banks using the HNX bond trading system. Banks only trade for proprietary purposes and do not supply trading brokerage service for clients (also see Chapter IV for details on the trading of debt securities in Viet Nam).

Commercial banks may recover their trading expenses through separate fees charged to customers. Alternatively, commercial banks may build any such fees into the price or yield quoted to investors.

F. Costs for Safekeeping, Settlement, and Transfer of Bonds and Notes

Circular No. 241/2016/TT-BTC, issued by the MOF in November 2016, regulates the fees and charges that may be applied by VSD, being a state-owned entity under the governance of the SSC and, ultimately, the MOF. Fees applicable to the safekeeping, settlement, and transfer of bonds and notes are explained in this section. The fees are typically incurred by VSD members (i.e., securities firms and commercial banks acting as custodians) on their accounts maintained directly with VSD and may be passed on to investors as out-of-pocket expenses. Depository members are also subject to a depository member management fee of VND20 million per annum.

1. Securities Depository Fee

VSD levies a securities depository fee on the deposited securities balances by its depository members. The securities depository fee is calculated daily on the account balances by debt securities but charged monthly. The daily deposited securities balance is calculated at the end of the day, once VSD has completed all settlement and transfer activities between accounts.

The securities depository fee is billed to depository members at VND0.2 per bond unit—a unit represents a nominal value of VND100,000—per month and is payable before the 15th of the following month.

2. Securities Transfer (Transaction) Fee

VSD applies a securities transfer fee for each settlement transaction between depository members (i.e., where the securities are transferred between the accounts of different depository members). The securities transfer fee for debt securities is billed at VND0.5 for each transfer of a nominal securities unit (standard denomination; in the case of bonds the unit is VND100,000) per securities code; the maximum fee amount per transaction is VND500,000.

Transfers between accounts or positions held by the same depository member are not chargeable and may be affected by the depository member through their VSD system access directly. If an ownership transfer occurs, an ownership transfer fee shall be applied. The securities transfer fee also does not apply to the settlement and transfer of debt securities as a result of transactions under the open market operation of SBV and its constituent institutions.

3. Trade Error Correction Fee

VSD also levies a fee in the event that a settlement party entered incorrect information into VSD settlement process. The trade error correction fee is charged at VND500,000, and is to be paid by the party responsible for the error.

4. Securities Ownership Transfer Fee

Some types of transfers of ownership of debt securities occur in VSD not as a result of transactions on the exchange but due to other underlying transactions, such as offers, donations, or inheritance of assets. The SSC has approved a list of acceptable underlying transactions for which an ownership transfer outside of the exchange may be carried out in VSD (see also Chapter III.M for details on ownership transfers).

The securities ownership transfer fee for debt securities is set at 0.005% of the value of the ownership transfer and is payable by the party receiving the ownership transfer within 5 days after VSD confirms the securities ownership transfer.

G. Fees Related to Securities Borrowing and Lending Transactions

According to Circular No. 10/2017/BTC-TT, besides outright and repo transaction, the HNX bond trading system will offer two more products, Sell and Buy Back and Bond Borrowing and Lending. These two products are to be offered in the course of 2018 and have a similar trading fee to repo transactions.

VSD is providing securities borrowing and lending services as part of its product offering. Securities for lending are made available by depository members or their investor clients with long positions, for which the investors receive a fee once their securities are lent out. Please see Chapter IV.G for further details.

Securities borrowing is available to depository members primarily to avoid settlement failure. For their service of facilitating securities borrowing and lending transactions, VSD is charging 10% of the loan interest per transaction, which is borne by the borrower; a minimum fee of VND500,000 per transaction applies. Depository members have to collect service fees from their investor clients who are securities borrowers to pay VSD accordingly.¹⁵

H. Taxation Framework and Requirements

1. General Overview

In Viet Nam, tax policy is determined by the MOF and tax collection and enforcement is carried out by the General Department of Taxation of the MOF.

The main types of taxes that investors in debt securities need to be aware of when doing business in the country are corporate income tax (CIT), personal income tax for individuals, indirect taxes (such as value-added tax [VAT]), and special sales tax.

In Viet Nam, all these taxes are imposed at the national level. There are no local, state, or provincial taxes.

¹⁵ Information based on Deutsche Bank AG Domestic Custody Services. 2009. Market Guide Vietnam.

2. Duties and Taxes for Institutional Investors in the Bond Market in Viet Nam

Foreign institutional investors, including foreign investment funds, which have no legal presence in Viet Nam, are subject to income tax on a deemed basis. The deemed income tax (deemed CIT) rate is 0.1% of the securities sale proceeds for each transaction.

Table 6.5 provides an overview of the tax regime for nonresident Institutional Investors in the Viet Nam securities market. Details and the application of the individual types of tax are explained in the subsequent sections.

Table 6.5: Duties and Taxes on Debt Securities for Nonresident Institutional Investors in Viet Nam

Duties and Tax	Type of Bond	Tax Rate (%)
Corporate Income Tax	Government	Exempt from tax for interest income
	Corporate	Deemed basis (see capital gains tax)
Withholding Tax	Government	Exempt
	Corporate	5%
Capital Gains Tax	Government	0.1% of total sales proceeds (considered part of income tax)
	Corporate	
Stamp Duty	Universal	N/A
Value-added tax	Universal	N/A

N/A = not applicable.

Source: Compiled by ADB consultants for SF1 from public domain sources.

For listed bonds, the securities company (broker) is responsible for withholding, reporting, paying, and finalizing applicable taxes with the General Department of Taxation on behalf of the investors.

3. Corporate Income Tax

Generally, an enterprise established under Vietnamese law must pay tax on a worldwide basis and, as such, income from sources outside of Viet Nam is taxable. In line with the objective of making Viet Nam a more attractive investment location, the standard CIT rate has been repeatedly decreased over the past few years from 28% to 25% in 2009, and to 22% in 2014 and 20% in 2016.

Nonresident institutions pay income tax on a deemed basis, with regard to any gains from the sale of debt securities; please see section 5 for details.

4. Withholding Tax

According to MOF Circular No. 111/2013/TT-BTC, dated 15 August 2013, resident and nonresident investors are exempt from tax on interest from government bonds.

Nonresident investors are required to pay 5% withholding tax on income from coupons of (corporate) debt securities. The tax is to be withheld on payment day and the responsibility for a correct withholding lies with the issuing company.

5. Capital Gains Tax

Capital gains tax is not a separate tax in Viet Nam, but is part of the CIT or personal income tax applied for capital transfer. Gains derived from the sale of a securities transactions are subject to a 20% CIT. This is generally referred to as capital assignment profits tax. Although it is not a separate tax as such, the taxable gain is determined as the excess of the sale proceeds less purchase cost and transfer expenses.

A tax rate of 20% on the income generated or a flat rate of 0.1% on the total sale proceeds will apply, depending on whether the transfer is considered a transfer of capital or transfer of securities, or whether the transferor is an individual or an organization.

Gains from the sale or disposal of debt securities (considered a “transfer of securities”) by a nonresident institution are subject to CIT on a deemed basis at the rate of 0.1% of the total sale proceeds. The securities firm servicing the nonresident investor as seller is responsible for the application of the correct amount of tax.

6. Stamp Duty

Stamp duty is payable on all transfers of paper documents bearing a sum of money, including promissory notes and securities of all types. The amount is payable based on the nominal value of the instrument. Stamp duty (formally known in Viet Nam as a Registration Fee) only applies on the required registration of ownership of certain assets, including buildings, land, and transportation vehicles with a rate ranging from 0.5% to 20%.

Stamp duty does not apply to the book-entry securities transactions in Viet Nam.

7. Value-Added Tax

At the time of the compilation of the Viet Nam Bond Market Guide, the VAT standard rate was 10%. VAT applies to domestic service provision in the securities market. VAT does not apply when invoicing nonresident investors for services rendered in Viet Nam.

There are 26 categories of business transactions for which VAT is exempt, including financial transactions. For transactions in government bonds, VAT is not applied.

8. Double Taxation Agreements

Double taxation agreements (DTAs) are treaties signed by Viet Nam with other countries that specify tax exemption on income derived from investments, whereby investors are only liable to pay income tax in one country as a means of inducing foreign investment.

Viet Nam had executed DTAs with more than 70 countries at the time the Viet Nam Bond Market Guide was compiled. For information on applicable DTAs and any qualifying comments, it is recommended to contact a professional tax advisor to address individual tax situations and avoid any possible misinterpretation of the present taxation regime in Viet Nam in relation to the country of residence of the investor.

9. Tax Concessions or Exemptions for Nonresident Investors

In Viet Nam, there are no tax concessions specifically for nonresident investors in the securities market, other than those available under existing DTAs (see section 6).