Business registration in Viet Nam: the past

1. The objective of this paper is to describe selected elements of commercial legal entity registration reforms that were undertaken with UNIDO assistance in Viet Nam to elicit discussion on similar features and potential complementarities of administrative and statistical business registers at a platform of statistics agency representatives. As a result, the paper does not cover the full scope of business registration reforms in the country.

2. Registration of commercial entities, or as we call it in this paper, “business registration” is a public service provided by the Government in Viet Nam. This is in line with global trends: in Africa, the Middle East, and in the Asia-Pacific regions, business registration services are provided by Government agencies. In the Americas and Europe, only in a small number of countries (less than 10 percent of the total), Chambers of Commerce may be the service provider. In remaining cases in these regions, the service is provided by Government agencies.

3. Viet Nam has a highly decentralized public administration system, with much power vested in its 63 Provincial Governments (Provincial People’s Committee and its Departments). Although some public services are delivered through a vertically and fully integrated administrative structure from central level to provinces (e.g. taxation since late 1990s and more recently statistical services since 2010), most public service production and delivery is the responsibility of provincial government departments, based on centrally issued regulations.

4. Registration of commercial legal entities is a decentralized service, with each province having a “Registrar” and the Business Registration Office (BRO), financed and staffed by the provincial government.
5. In 2008, it took an average of 15 days to register a new business in Viet Nam. While an improvement over past performance, entrepreneurs lost considerable time and effort with procedures: they had to first obtain a business code from the BRO in their locality; then apply for a tax code at the provincial Tax Office, and then approach the provincial Public Security Office to obtain a permit to carve a company seal, further coming back to register their seal when it is carved. At every stop, forms that required same or similar information had to be filled out; same supporting documents had to be submitted; people had to stand in queues for days and travel back and forth. Informal gift giving was frequently used to move up the different queues.

6. In November 2008, the Ministry of Planning and Investment (MPI), in collaboration with 63 provincial BROs, the General Department of Tax (GDT), under the Ministry of Finance (MOF), 63 provincial Tax Offices and the Ministry of Public Security (MPS) implemented “business registration reform”, with assistance from UNIDO, the United Nations Industrial Development Organization. The reform programme received financial support from NORAD; the Norwegian Agency for Development, SECO; Switzerland’s State Secretariat for Economic Affairs and UNIDO.

7. Challenges that UNIDO assistance on business registration reforms aimed to reduce were the costs and risks of doing business in the country:

- BROs used to have highly varying service standards and practices, creating relatively large time and out-of-pocket costs for businesses.
- While all elements of registered information of a business were open to public access according to law, information on entities was extremely difficult to access and disseminate. This increased the risks of doing business in Viet Nam.
- Business names, essentially an asset for any business, overlapped. For example, thousands of commercial entities were allowed to used “hòa bình”, meaning “peace” as their business name. Reputations were put at risk.
- There was a continuous discussion on the number of firms in Viet Nam at any time: policy makers, researchers, the business community and the public did not know what the real situation was; evidence based policy making suffered. Figures on the total number of firms provided by the General Statistics Office (GSO) were always lower than those declared by the General Department of Taxation (GDT), which in turn was lower than those announced by the Ministry of Planning and Investment. Concerned organizations had to defend their positions all the time.

8. The decentralized nature of service production and delivery and other related factors increased the costs and risks of doing business in the country:

- Although BROs had to use the same regulations issued at the central level, there were, in effect, 63 separate commercial registries and operations, implementing different day-to-day business practices with staff having varying professional skills.
• There was no consolidated registry of commercial entities in the country, making it impossible, for example, to reserve business names; overlaps were inevitable.

• Moreover, some legal requirements in effect could not be enforced: according to the Enterprise Law, one physical person can only own a single sole proprietorship in Viet Nam. Without a consolidated national registry, this legal requirement was not possible to check, let alone to enforce.

• Each BRO identified commercial entities with an ID, but the BRO issued IDs were not unique.

• Only about 6-7 BROs used information technologies and each at a different level.

• Recording and archiving information on commercial entities was mostly paper based, with the paper business registration certificate having “legal” value, similar to an identity card/passport for a physical person.

• There was only a weak central level institution (a Division in a Department of MPI) for regulating, providing guidance and training, and resolving issues in the area of business registration in the country.

Business registration reforms: the present

9. Reforms were comprehensive; inter-institutional collaboration set the stage initially for the simplification and in some cases, combination of regulations used by MPI, MOF and MPS and later, facilitated operational level cooperation, Figure 1.

![Figure 1: National Business Registration System (NBRS), ABR, Viet Nam, 2014](image)

10. A unique ID recognized by all participating agencies was instituted by legislation as part of reforms. The Agency for Business Registration (ABR) was established under the Ministry of Planning and Investment. With capacity development at the central and provincial levels to establish and operate the National Business Registration System (NQRS), all provincial BROs
started using the same computerized workflows when registering a new business or amending the legal record of an already established enterprise. ICT systems deployed were built using a “thin-client architecture” to minimize operational and maintenance costs at local levels.

11. As of April 2013, the NBRS was complemented with e-signature, e-payment, on-line registration and on-line information facilities at www.businessregistration.gov.vn, also with assistance from UNIDO. On-line business registration, business name checks and amendment of own records are now enabled. The NBR(S) Portal also provides on-line information services, including access to financial statements of shareholding companies and is financially sustainable.

12. As of end of July 2014, NBRS had records of 911,504 commercial entities, consisting of firms and their subsidiary units such as branches and factory locations. In July, new registrations, amendments and dissolutions were 60,641, 155,240 and 10,163, respectively.

![Figure 2: New registrations, amendments, dissolutions, ABR, Viet Nam, 2014](image)

13. UNIDO’s technical assistance, with funding from SECO, continues up to end 2017, for the incorporation of all business entities in NBRS, including foreign invested enterprises that are subject to a different registration and licensing scheme.

**Good practice lessons learned in the Viet Nam case**

**Unique IDs**

14. It is essential to uniquely and unambiguously identify commercial entities. NBRS identifies commercial entities with a unique ID that is used both as the commercial entity’s business registration ID and as its taxpayer identification number (TIN). In fact, NBRS opted to use the TIN, instead of creating its own unique ID. The unique ID may have up to 13 digits:

\[
N1N2N3N4N5N6N7N8N9N10N11N12N13, \text{where:}
\]

- \(N1N2\) denote provinces, as regulated by the Law on Public Administration;
- The next 7 digits, \(N3N4N5N6N7N8N9\), is sequential, from 0000001 to 9999999;
- \(N10\) is a calculated control digit.
• A 10 digit ID identifies a parent enterprise or an independent taxpayer.
• A 13 digit ID identifies subsidiary units of a parent enterprise, where N11N12N13 is sequential, from 001 to 999.

Inter-institutional collaboration

15. Since UNIDO and MPI (responsible for the commercial registry) aimed to reduce costs of legal entity registration for the business community, one objective was to eliminate multiple submissions of same data elements of an enterprise record in registration processes, including those used by sister administrative agencies. An obvious partner in the “market entry” context was the General Department of Tax, under the Ministry of Finance (MOF).

16. Incorporation of the simpler “tax registration” data and processing requirements into the “commercial entity registration” processes and procedures and use of a shared unique ID were targeted as the first step in the reform process. This seemingly simple proposition required:
   a) Devolution of responsibilities/tasks from the MOF to MPI (e.g. collection of data specific to tax code registration on the commercial legal entity registration form on behalf of MOF); not an easy task when two strong Ministries are concerned;
   b) Amendment of existing regulations and issuance of new, joint regulations; and
   c) Identification and implementation of technical solutions to facilitate collaboration, also involving ICT.

17. Although both parties spent much effort, the end result was worthwhile:
   • Business community benefited, as the separate step of tax registration was eliminated.
   • Provincial tax offices benefited, as they no longer have to deal with the procedures for issuing a TIN. Because tax registration data elements were combined with of commercial entity registration, currently, relevant data of every new enterprise flows electronically to the GDT systems from the NBRS, the national commercial registry.
   • Since the NBRS and GDT systems “talk” to each other through a dedicated data line 24/7, GDT also receives updated enterprise records when amendments are made in the NBRS in real-time.

Access to information

18. By law, shareholding (joint stock) companies, whether their shares are listed on the stock exchange or held privately are required to make their financial statements publicly available in Viet Nam. The commercial registry is the administrative agency that is mandated to make financial statements available to the public upon demand.
19. Institutional collaboration between MPI and MOF was also used for electronic transfer of audited, annual financial statements of shareholding companies directly into the related entity records in NBRS, resulting in yet another cost reduction for the business community due to elimination of separate filing costs. Moreover, businesses benefited most from improved transparency and risk reduction created by easy access to financial statements of their business partners, Figure 3.

Data verification

20. Another significant collaborative MPI/NBRS-MOF/GDT activity that is underway and will continue into the foreseeable future is use of data sharing as a verification tool by both parties. Through data verification exercises, GDT was able to identify enterprises that had “suspended their operations, without having complied with their tax obligations”. These entities were placed on an active follow up track to retrieve tax revenues.

Figure 3: Archive of a BRO prior to NBRS (2008)

21. On the NBRS side, “enterprises that had ceased operations after having complied with their tax obligations, but had not informed the commercial register of their inactive status or asked to be stricken off the register” were discovered. BROs were instructed to conclude each of these cases according to legal provisions. Data verification continues to support data quality improvements in the NBRS as a whole, with significant impact on the quality of information services provided to the business community and policy makers.

22. Currently, NBRS information is also shared with the General Statistics Office (GSO) and the Ministry of Public Security (for seal registration), in batch, although a more organic relationship is desirable, particularly with the GSO.

23. Continuous and direct electronic transfer of commercial legal entity registration, amendment and dissolution information from NBRS to the statistical register could be used in updating the statistical business register on an on-going basis. The NBRS uses the 4-digit Vietnam Industrial Standard Classification (based on ISIC) for identifying business activities of commercial legal entities. If the GSO also opts to use the “shared” unique ID, data verification exercises between NBRS and GSO could be implemented and prove mutually beneficial for all parties.
Use of information and communication technologies (ICT)

24. Deployment of information and communication technologies (ICT) has been indispensable in achievements. In addition to facilitating a jointly used unique ID and data sharing, ICT improved service production and delivery standards and practices. All internal BRO workflows in the registration process are now standardized and conducted electronically; including legal ‘system’ checks running in the back, as the registration process progresses to its conclusion.

25. Standardization of workflows in BROs has greatly assisted training of over 600 registration officers in 63 provinces and enhanced the motivation of internal users of NBRS to contribute to further simplification of requirements burdening both the business community and the administrators.

26. ICT use also helps produce valuable management information to benchmark and to further improve functional, operational and organizational effectiveness and efficiency in the whole system, including human resources.

Electronic registration and information services

27. Since April 2013, applicants can register or amend their records on-line using e-signature and e-payment facilities, track the status of their application and access information services, including the E-gazette through the NBR Portal, Figure 4.

28. To date, the most sought after information has been the E-gazette, which shows in real-time newly registering enterprises and main elements of their registered information. Viewing and downloading from E-gazette is free of charge. There are also additional information services that are fee-based and customized services, usually for large customers like banks, the credit information bureaus and other information service providers such as Dunn & Bradstreet, etc.

29. Electronic registration is still not well known and used, although its prospects for the future seem bright, considering the high level of internet penetration in Viet Nam.
30. Special information services are provided to Government by ABR on business dynamics. Among these, a report showing registrations and dissolutions by sub-sector, geography, legal form and some other variables have proven most popular for members of the Cabinet and is regularly created for every Cabinet meeting.

Concluding remarks

31. In summary, the following broad lessons emerge from the Viet Nam case on commercial legal entity registration reforms:

a) Establishing institutional collaboration has not been easy, with high start-up costs for parties concerned. However, once established, it has proven to be a profitable investment for all.

b) Inter-institutional collaboration has been mutually beneficial for the commercial and the tax registries. There’s also scope for similar mutually beneficial collaboration between the statistical business registry and the commercial registry, even if it may not be as clearly apparent.

c) The desire and commitment to use ICT has been instrumental in driving reforms in other areas: e.g. agreement to share the use of a unique ID, which led to simplification of administrative processes and procedures creating broader benefits for the business community, policy makers and the public.

d) High level political commitment, as in any endeavor, has been a critical success factor.

ENDNOTES

1 International Business Registers Report 2014, the European Commerce Registers’ Forum (ECRF), Sundsvall, Sweden, May 2014.

2 Business Registration Reform in Viet Nam: A situation analysis of the reform and of UNIDO support (UNIDO), Vienna, Austria, 2011.