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**DISSIMILARITIES IN FOUNDING A LEGAL BUSINESS ENTITY IN FINLAND
AND VIETNAM**

Interested Issues: Business Forms, Procedures, Taxation, Accounting and Auditing, Employment, Insurance and Business Culture

**DISSIMILARITIES IN FOUNDING A LEGAL BUSINESS ENTITY IN FINLAND
AND VIETNAM FOR FINNISH INVESTORS**

Interested Issues: Business Forms, Procedures, Taxation, Accounting and Auditing, Employment, Insurance and Business Culture

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ABSTRACT

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The thesis aim at providing general information in some essential legal matters of founding a business entity in Finland and Vietnam, as well as an overview on differences between the two markets. The thesis is completed by analysing data, conducting questionnaires, and comparing the situation in the related field so that it could portrait the most fundamental factors which need to be noticed by interested entrepreneurs.

The theory of internationalization is introduced in the theoretical section to clarify the stages that enterprises needs to go through to enlarge their business to the international scale. Since foreign investment is the focus of the study, it is emphasized with details of two investment types and their comparison.

The outcome presents the contrast in all aspects referred in this work. Amongst them, dissimilarities in procedures, labor and business culture are the most noticeable. Along with the research results, tips are recommended to help investors limit difficulties.

Keywords: foreign investment, legal entity, business establishment, differences, regulations, business cultures

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1 INTRODUCTION

Southeast Asia, consisting of Vietnam, is anticipated to replace China to become the biggest manufacturer of the world in the next decade. In other words, the market of labour and consumption of the region in general and Vietnam in particular is considered as extraordinarily attracting for foreign investors. In the list of 93 countries and territories directly investing in Vietnam, Finland is placed 53rd (Vietnam Ministry of Foreign Affairs 2012, cited 15.05.2015), although it has strengths in information technology, shipbuilding, wood industry, paper production, clean water supply and other industries, which could lead to numerous opportunities for investment.

Possessing a strategic location with a long-side coast connecting to the Pacific Ocean, younger population, lower production, labour and other costs than some nearby nations, Vietnam is now an important destination for foreign investors. What is more, this country is in the age of opening and growing, thus, demands for development of education, technology, infrastructures, which also lay amongst the Finland's strengths, are especially strong. In fact, many Finnish enterprises, including major software companies, have contacted the Finnish Embassy in Vietnam for the market information. That shows the demand of learning about the Vietnamese market is real and a comprehensive information system would be a huge assistance.

It is in that situation that the subject of the thesis was formed. The questions are "what are the differences in establishing a legal business entity in Vietnam and Finland for Finnish investors?" and "which ones should be noticed the most?" The aim is to gain understandings of the following issues:

- Real practices of a business making, covering the issues of business types, procedures, taxation, accounting and auditing, employment and insurance and business culture;
- The most out-standing dissimilarities.

The answers to the research question could clarify inquiries, or supplement information on the interested markets, or even suggest a new destination for Finnish firms which plan to go to Asia. Exceptionally, it is called "golden-time" because the two parties pledged to support all the means for the cooperation enhancement.

The content comprises theoretical and practical parts. In the first section, the definition of internationalization, foreign investment and the role of culture in international business are discussed. The later part provides general rules of enterprise establishment in two countries and concentrates on comparing the study interests. Finally, the results emphasize the most outstanding contrasts that a company should pay attention.

The study was undertaken by applying the qualitative methods via document analysis and open-ended questionnaires. The work aims to understand the regulations, needed founding steps, and realistic practices and experience in Vietnam and Finland and the distinction between them in order to provide Finnish entrepreneurs with better awareness of their homeland and oversea environments.

The purpose of data analysis is to acquire a knowledge of the existing requirements and regulations in each matter as well as the related and influential cultural elements in starting up a business. From the collected data, dissimilarities are searched and noted. Needed information of each country is arranged in an interleaved order so that readers can compare the issues with ease.

Along with the desktop research, two separate questionnaires were created to send to experts in the subject located in Vietnam and Finland. They include open questions about the real facts of Finnish entrepreneurs in the two places. Ten questions were sent to the representative of Finpro Vietnam through email as to obtain information about the current situation of Vietnam's investment environment, Finnish investment trend, as well as common problems and advices to overcome. On the other hand, a questionnaire of six questions was also emailed to the managing director of Ms.Revisor to discover the reality of Finnish entrepreneurship, common problems and solutions. The two questionnaires share almost the same content so that the author can draw conclusion of the dissimilarities based on the received answers.

2 FOREIGN INVESTMENT

2.1 Internationalization

Internationalization refers to international activities associated to foreign markets that a firm makes when it wishes for growth. Especially in the globalization age, the integration increases which speeds up the internationalization and creates opportunities for enterprises to expand worldwide. In the perspective of network, "internationalization means that firms develop business relationships in networks in other countries" (Laine & Kock 2000, 5).

Theatrically, an enterprise has to go through these forms: domestic company, international company, multinational company, global company or transitional company.

Domestic company refers to a company whose commercial affairs occur within its home state. It does not have to face issues of strange currency, culture or regulations. When the enterprise grows to an extent that demands it to spread out the markets or products abroad, it may step up to the next level to become an international organization.

An international organization has no investment activities or presence outside its home country. Its operations may include importing, exporting, licensing and franchising.

Multinational company is a big scaled organization that directly invest and possesses physical assets in one or more nations other than its home country. It may function in importing and exporting, manufacturing by leasing plant or by cooperating with local manufacturers, and other investment. However, it solely owns business in a few selected states with localized strategies.

Global company has only one headquarter normally based in the home country and spreads investment in several foreign countries under one strategy for products, brand image and message to maintain low costs.

Transitional companies are those who invest in various countries. A world head quarter exists with national headquarters that have a share of right for decision-making, R&D, and marketing. Therefore, their products and brand image may vary to suit the local preferences.

2.2 Foreign Investment

When an organization or individual in one country financially or physically invests in a company located in another country, it is called foreign investment. In other words, it means the movement of tangible or intangible assets such as capital, technology, and management from this nation to another in order to gain complete or partial management to create profit. (Sornarajah 2010, 8.)

There are a few methods to classify the foreign investment. Most known amongst them are foreign direct investment and foreign indirect investment (or portfolio foreign investment)

Foreign Direct Investment

Direct investment happens when a foreign organization or person directly invest and manage a business which is purchased or established. It involves physical assets i.e. plants, equipment, offices, and operation control.

FDI can be undertaken in form of Greenfield investment (GI) or mergers and acquisitions (M&A). GI means establishing a new enterprise and is popular when investing in developing countries, while M&A means purchasing and merging between enterprises. This channel has become more popular in the recent years and mainly happens in developed or newly industrialized nations.

FDI provides investors with better conditions for opening and occupying new markets and gaining high profit outside of their own countries where the competition is becoming severe for them. Some of the advantages are lower labour and operating costs, lower expenses and cheaper natural resources. As a result, the profit is maximized. What is more, investors can enjoy incentives from developing nations' governments to attract foreign investment.

However, the investment path can be hindered by weaknesses of infrastructure, transportation or legislation. It boosts investment-receiving countries to reform their policies as to maintain their attraction.

Foreign Indirect Investment

FII is when a company or institution who do not belong to the management group acquires securities or position in another company such as shares, bonds, or equities in a foreign stock market, but the share ownership is not attached with management or control on that entity, as according to the definition in the sixth edition of the Manual published 2009 by International Monetary Fund, the holders must hold no more than 10% of a company's shares.

With FII, investor expect a quick return of profit on their capital. The transactions generally happen easily and quickly which boost the economy in good conditions, and vice versa, flow money away from a country in crisis.

In comparison with FDI, FII is easily to implement and more favorable to small and medium sized organizations. It does not expect a large amount of capital, and interests arrive rapidly and can be invested in both long and short term. However, foreign investors joining in a financial market face high risks of losing money without a way to gain it back. Also, they cannot file a suit to a foreign stock exchange for their loss as the international law protects solely direct investment. Furthermore, FII does not offer the right of management for investors which happen in FDI. Although FDI demands a large amount of capital and assets, it brings about huge profit and advantages, in the long term, including the share of markets in the host countries, lower production and labor costs or on-the-spot abundant natural sources.

Because the FDI requires a long and complicated route, the author will mainly focus on analyzing the most interested issues to become physical entity in Finland and Vietnam. It will covers several legal matters related to business forms, procedures, taxation, accounting and auditing, employment and culture which is discussed in the next part. Besides, other practical considerations for the implementation of foreign investment are also mentioned.

2.3 The Role of Culture in International Business

Culture is an abstract element, that's why there are various versions in culture definition. Hofstede in 1984 stated that culture is a collective programming of mind that separates people of one group from another (V. Meyer, B. Meyer & Murphy 2006, cited 26.05.2016). A more recent definition says "culture is the characteristics and knowledge of a particular group of people, defined by everything

from language, religion, cuisine, social habits, music and arts” (Zimmermann 2015, cited 26.05.2016).

The globalization era has aroused strong waves of international trade and culture integration all over the world. That means trade barriers are removed between many nations in the same or distinct regions, and the people from every part of the globe have more intense interaction in business and social life. Obviously, the exchange between cultures happens as a result.

Because of the diversity feature of culture, a conflict can come as a consequence and harm the business negotiations if people from distant cultures misinterpret or fail to understand the actions of each other. Therefore, learning about an external culture to which future investment goes is a vital and indispensable task for a successful business. Furthermore, being aware of distinction in cultural rules and behaviors will help businessmen harmonize themselves in the international environment, adapt to the local standards and avoid culture shock.

In general, culture plays an extremely important role in the business operation, thus, understanding cross-culture brings about advantages in negotiation, opportunities in expanding the network and better marketing and development strategy making.

3 BUSINESS SET-UP IN FINLAND AND VIETNAM - OVERVIEW

3.1 Forms of Business

3.1.1 Finland

Basically, in Finland, there are four forms of enterprise for an investor to select namely sole trader, partnerships, limited company and co-operative.

- **Sole trader**

This business is owned by one person with or without his/her fully responsible for all liabilities spouse under one name. The owner is. Traders may choose the single entry or double entry bookkeeping.

This form of business is the most suitable for micro-enterprises which are mainly based on the entrepreneurs' own professional skills. This does not create an independent legal entity. There is no actual company which could, for example, conclude agreements. All contracts and business activities in this business are performed by a private person, or in other words, an entrepreneur, and his/her personal actions. These thoughts limit the growth of the business. For instance, in case of expansion, it is impossible to find an investor to raise the capital because it does not issue shares. It is difficult as well to have credit from the financial institutions.

Anyone who are residents in the European Economic Area (EEA) can start business in Finland. Otherwise, a license issued by the National Board of Patents and Registration of Finland (NBPR) is need to start doing business. The registration is done by applying the form Y3 as well as a personnel form to the Finnish Trade Register and to the Finnish Central Tax Administration.

- **Partnerships**

A partnership needs at least two members to be established, one of whom can be a legal entity (an organization). At least one partner must be resident in the EEA. Otherwise, a license from the National Board of Patents and Registration of Finland (NBPR) is needed to start a business. In overall, there are two kinds: general partnerships and limited partnerships.

In general partnerships, all members must be liable for the business operations. Besides money, they can contribute work as investment.

A limited partnership has at least one active and one sleeping partner. The active have the rights of decision making and must be legally responsible for the business, while the sleeping must contribute money and assets to gain interests but do not participate in any decision making or the legal side unless agreed otherwise.

An agreement is made between partners including their enterprise's details, contribution, rights and obligations and regulations and other related issues. Along with the original agreement, the forms of Y2 and personnel must be filled in and registered to the Finnish Trade Register and to the Finnish Central Tax Administration.

- **Limited Company (Oy)**

A limited company is founded by at least one person or organization with all shares registered. Shareholders can be inhabitants out of the EEA area and their liabilities are based on the extent of their capital contribution. The shareholders have the right to make decisions on company's issues. The more shares they own, the more powerful their votes are. A limited liability company may be a public limited company or a private limited company. For private limited company, the minimum share capital must be EUR 2,500 and public limited company share capital must be EUR 80,000. Public limited company may acquire additional capital by selling new shares on the stock market. A private limited company is not permitted to publish shares in the stock market.

The managing tasks belong to the board of directors. In a public limited company there should be at least three members of the Board of Directors and the Managing Director. A private limited company is not forced to choose the Managing Director and it is enough if there is only one member in the Board of Directors.

The capital must be deposited in the company's bank account before registration. In case of non-cash assets, there must be a statement from an authorized auditor enclosed in the memorandum to confirm that the assets have the equivalent financial value to the price. Finally, it would be advisable to draw up an agreement between shareholders to avoid possible future disputes.

- **Co-operative**

A co-operative is a joint group owned by its members. When a member no longer stays in the co-operative, his/her capital contribution is returned. The members are legally responsible for the co-operative to the extent of their capital investment. Each person has one vote and has the right to participate in decision making.

A board of the co-operative must be elected to manage and represent it. It is optional to assign a managing director. If a managing director is appointed, this must be mentioned in the memorandum of association.

Similarly to a limited company, the Y1 and its appendix are filled in to register to the Finnish Trade Register, attached with a memorandum of association within three months since the signing day.

3.1.2 Vietnam

Due to the nature of the economy and politics, apart from some common forms with Finland, Vietnam allows a few more special types of enterprise for foreigners.

- **Wholly-Foreign-Owned Enterprises**

This investment vehicle can be applied when there is at least one foreign investor. As fully described in the name, this kind of business provides investors with full power over their investment. Apart from the fields of banking, insurances, real estate and a few others, there is no regulation on the minimum amount of capital. Investors can establish their firms in form of limited liability or public limited (shareholding).

Limited Liability Company (LLC) is an entity which becomes legal since the day the business registration document is issued. Its members may be organizations or an individuals and are responsible for the liabilities in proportion to their contributed capital to the company. A LLC can be set up as a multi-member limited liability company (MLLC) or single member limited liability company (SLLC). Most of the rules are the same between them, except for the following points:

- A SLLC can be created by one organization or person, compared to the fact that a MLLC must have from two to fifty members. If the number exceeds 50, the form of the enterprise must be changed to be a shareholding (joint-stock/ public liability) company.
- In the MLLC, the highest decision-making body is the Board of Members (also called Members' Council) while in the SLLC, the right belongs to the owner.

In general, an LLC must have a director or general director who could be assigned to be the firm's legal representative. This person is responsible for daily business, and has the right to appoint at least one person to perform his tasks.

One more character of an LLC is that it cannot issue shares. However, it can increase the charter capital by calling for the raise of capital from members, or by admitting new members. Last but not least, the company must have an internal chief accountant although it is tolerated for the first operation year.

On the other hand, a public limited company (Shareholding Company) are processed under the same rules as an LLC, but it can public its shares to the stock market.

- **Joint Venture**

This type of investment happens in the co-operation between Vietnamese and foreign partners. A legal entity can be formed as an LLC or PPL which are mentioned previously. Foreign investors can also buy capital contributions or shares from an existing Vietnamese firm.

There is no rule on the minimum capital for investors. Normally, the Vietnamese side offers the rights for the use of land and money, the foreign side takes care of capital, machinery, tools, techniques, and so on.

- **Partnerships**

A partnership company is a legal entity owned by at least two individuals under one name. This business vehicle is suitable for specific professional fields such as law or auditing. Similarly to partnerships in Finland, it is divided into two types, namely unlimited (general) and limited partnerships.

In an unlimited partnership, members are legally responsible for all obligations of with their assets. Meanwhile, partners of a limited partnership are liable solely for their proportional contributed capital. In fact, this form is not as common as others.

- **Business Cooperation Contract (BBC)**

A BBC is an investment contract signed between domestic and foreign investors to co-operate and share profits but it does not produce a legal entity. The number of parties is not limited. A BBC must be licensed for business operation in some areas such as oil industry, telecommunications, and other fields. All parties are independent for their liabilities. In the contract, capital contribution, profit share, rights and obligations of participating parties should be mentioned.

This form has advantages of easy conduction, quick implementation, short-term investment, quick turn-over, and time-saving on legal procedures for a new entity establishment.

- **Build-operate-transfer (BOT), build-transfer-operate (BTO), build-transfer contracts (BT) and Public Private Partnerships (PPP)**

The three types of contract are meant for public infrastructure projects related to public transportation and utilities. These special forms of enterprise provide foreign investors with opportunities to fund in national large-scaled projects which are essential for development in such a developing country as Vietnam.

BOT

BOT contract is another form of investment signed between a competent state agency and an investor to build and operate an infrastructure facility within a certain period of time to collect the capital and profits. When it expires, the investor must transfer the facility to the government without any compensation.

The contract regulates rights and obligations of two parties regarding building, operating and transferring. To implement the contract, the investor must establish a BOT enterprise to directly conduct the project or hire an external organization to be in charge of the project with a condition that the BOT enterprise still holds the responsibilities.

BTO

BTO is similar to BOT with a reversed order. The investor must establish a BTO enterprise to directly conduct the project or hire an external organization to be in charge of the project with a condition that the BOT enterprise still holds the responsibilities.

When the construction is completed, it must be transferred to the government. After that, the investor will be granted with the rights to make profits on the facility within a fixed term.

BT

BT contract is signed between a competent state agency and an investor to build and transfer an infrastructure facility to the Vietnamese government. In return, the investor has the right to perform another project to collect the capital and earn profits, or a payment will be made in accordance to the agreement.

Public Private Partnerships (PPP)

PPP contract is used when the government associates with an investor to develop an infrastructure and public-service-providing project. On the government's side, the capital does not exceed 30% of the total capital, unless the cases considered by the prime minister. The investor must create an enterprise to implement the project. The contract contains the project's purposes, scope, content,

rights and obligations of two partners in design, construction, operation and management. The investor will earn profits from the facility operation.

- **Representative Office (RO)**

A RO can be a simpler choice for new - entry enterprises. A license by the Ministry of Trade or an equivalent authorized industrial agency is required. The duty of an RO is to observe the market movement for company's product/ service promotion, establish and enhance the collaboration with partners in the area.

Although an RO has the right to employ local people, it doesn't have commercial rights. "It is typically a dependent unit of its parent company, forbidden to generate its own profits and enter directly into contracts unless a legally authorized power of attorney is granted. ROs are strictly forbidden to issue invoices, easing the accounting and tax compliance burden for foreign traders." (Vietnam Briefing 2015, cited 14.05.2016.) Due to the restrictions, only one office is allowed to be present in one province/ city with sufficient facilities solely for its functions.

- **Branch Office**

A branch does not create an independent entity in Vietnamese law. In other word, it's a subsidiary of a foreign entity and is allowed to generate profits as long as the activities are within the operation scope of its parent company. The parent company must also have at least 5 years in operation in its home state before setting up a branch in Vietnam.

It should be noticed that not all companies are permitted to establish a branch. With a limited number, branches are opened only in the industries of law, banking, insurance, crediting, tobacco, limited trading and tourism.

3.2 Procedures

3.2.1 Finland

The registration of a business is made at the Finnish Trade Register (www.prh.fi → trade register) after paying the fees and depositing capital into a bank, if required. This application is also used for the enrolment of tax at source, employers and VAT with the Finnish Central Tax Administration.

The business ID of an enterprise will be issued when it is marked in the Finnish Business Information System. The ID must be visible in invoices and agreements, contracts, and needed for interacting with the Finnish Trade Register and the Finnish Central Tax Administration, and other things.

In the labour registration to the Finnish Central Tax Administration, there are two cases to be included:

- Two more employees are employed in a calendar year; or
- Six or more non-permanent employees are working at the same time.

If the salaries are paid in the short-term or to only one worker, it is not required for labour enrolment.

The final step of the process is VAT which is registered through the same application form of business registration. If a company operates a business for which VAT is payable, requesting for VAT registration will be mandatory. However, no registration is required if turn-over for the accounting period (12-month) stays below €8,500. The company with turn-over below €8,500 can voluntarily be VAT registered if it operates its business commercially on an ongoing basis.

Some sectors have been left outside the scope of VAT taxation. These sectors are expressly listed in the law and they include selling real property and apartments or flats in housing companies, healthcare services, and social services. If a business company only sells these goods or services, it will not be deemed liable to pay VAT. According to the Finnish Tax Administration, the general rate of VAT (24 %) is effective for most goods and services. Food, animal feed, restaurant services, meal catering services is levied for 14 %. Besides, VAT on books, medicine, services relating to

physical exercise and sports, movies, entrance to cultural events and to entertainment events, transport of passengers, accommodation, and TV licenses is 10 %.

3.2.2 Vietnam

Licensing procedures:

To officially do business in Vietnam, an investor needs an investment certificate which is obtained by submitting an application. There are two cases for an investor to consider:

- Case 1: For the projects which is under VND300 billions of capital (approximately USD16 million) and do not belong to the group of conditional sectors and special investment, registration is required. It takes about 15 working days to issue an investment certificate.
- Case 2: For the projects which is above VND300 billions of capital (approximately USD16 million) and belong to the group of conditional sectors and special investment (national projects), an evaluation is a must. The process takes 20 to 25 working days for the approval. In case of special investment and projects with the capital of USD75 million or more, the Prime Minister is responsible for approving and the waiting time is about 37 working days.

The local People's Committee where a foreign invested enterprise plans to invest has the approval authority. However, if the business is aimed to locate in a special zone such as high tech zone or industrial zone, the Board of Management of that zone is authorized for license approval.

Post licensing procedures

After receiving the investment certificate, still there are some steps to follow:



Figure 1: Post- Licensing Procedures

In comparison with the Finnish system, Vietnam owns a more complex stage which may lead to the waste of time and the lack of transparency, bureaucracy, and even bribery when administrators may ask investors to pay for faster processing instead of offering guides. This is an alarming problem the government is trying to solve as to protect the benefit for investors.

3.3 Taxation

3.3.1 Finland

Taxable income

In Finland, taxation is different in each form of business. The tax is levied on business income which includes capital income (or investment income) and earned income. Capital income refers to

income from sales, renting, and interest from capital and other earnings, under the rate of 30% for the income of EUR 40,000 and 32% for a higher amount.

Earned income, meanwhile, covering salaries, wages, social welfare, is taxed on the basis of income level, or progressive tax scale.

➤ **Sole trader taxation**

For a private trader, the company's income is the owner's income. The capital income can be either 0% or 10% or 20% of the net assets of the previous year, depending on the owner's selection. The rest of the total amount is called earned income. In the first operating year, the capital income is counted based on the last day's net assets of that accounting term.

Figure 2: Sole Trader Taxation (Finnish Enterprise Agencies 2014, cited 26.10.2015)



➤ **Partnerships taxation**

The business income is divided to each member which comprises capital (flat tax rate of 30%) and earned income (progressive tax rate). The investment income accounts for 20% at the maximum

of the net assets. Sleeping partners obtain the interests on their investment as capital income with flat tax rate of 30% for the income of EUR 40,000 and 32% for a higher amount.

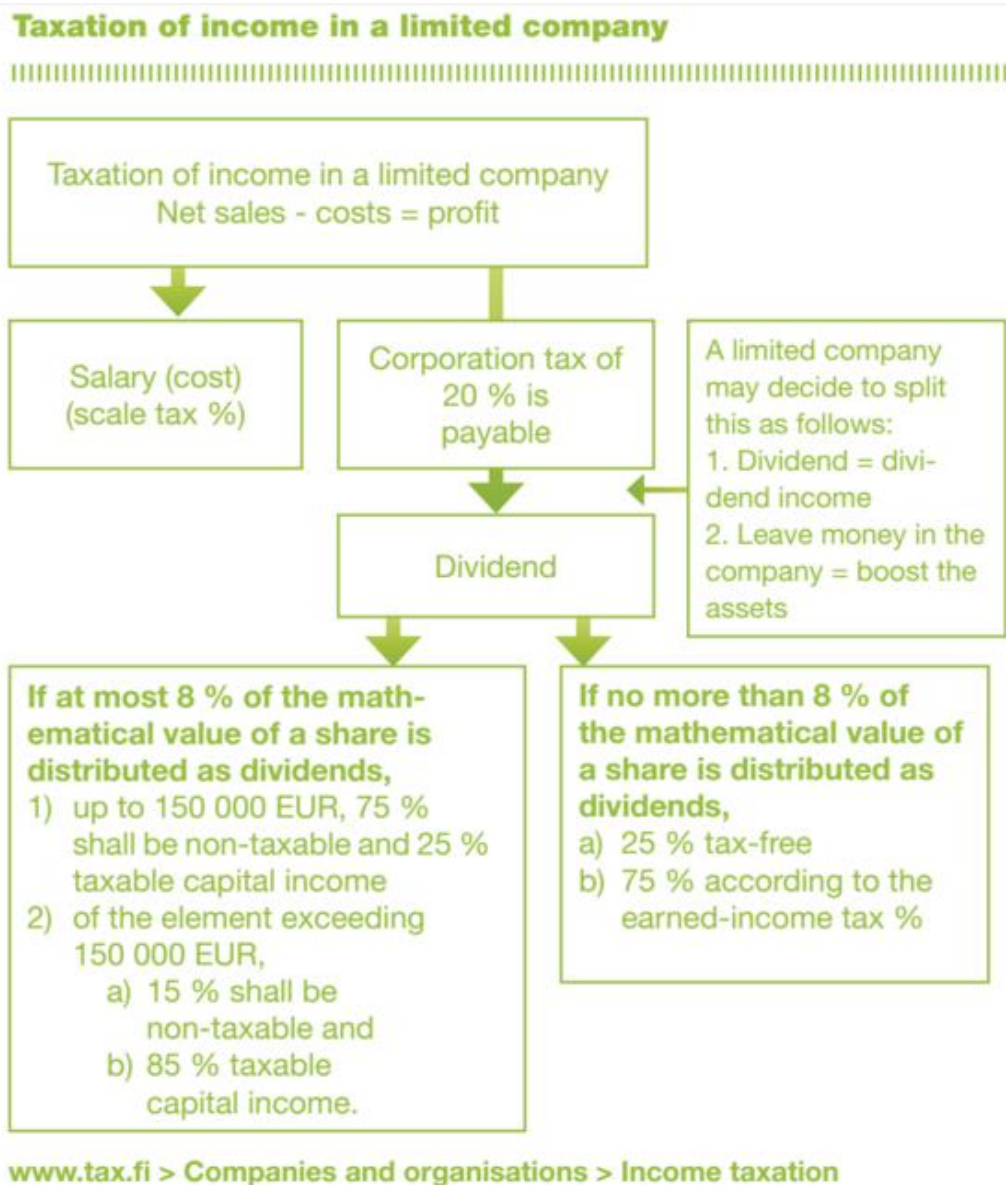
➤ **Limited company taxation**

The taxes on a LLC and its shareholders are independent, which means the company pays its own income tax of 20%. Company's profit is distributed to shareholders in form of dividends. If they are paid by a public limited company, they comprise 85% taxable capital income and the rest of 15% tax-free income. For a limited company, the tax on dividends (profit) depends on the volume and mathematical value (8%) of its shares. There are cases to consider:

- Dividends are distributed at most 8% of the total value of one's shares, and:
 - + Dividends worth maximum of EUR 150,000 will contain 25% of taxable capital income and 75% of non-taxable income.
 - + Dividends exceeding EUR 150,000 will contain 85% as taxable capital income and 15% as non-taxable income.
- Dividends are higher than 8% of the total value of one's shares: the excessive amount of that 8% will be divided into 75% as taxable earned income (salary income) and 25% as non-taxable income. In this case, a shareholder must pay tax for salary income from the excessive money, following the progressive scale.

A company located in Finland receiving dividends from a domestic one or from an EU or tax treaty country is not required to pay tax (UHY 2015, 13). Otherwise, a tax rate of 20% is imposed on the dividends.

Figure 3: Limited Company Taxation (Finnish Enterprise Agencies 2014, cited 26.10.2015)



➤ **Co-operative taxation**

The standard tax rate for a co-operative is 20%. Profit from cooperative capital is also income of its members. If the amount is EUR 5,000 or lower, it is not subject to tax. Otherwise, taxable capital income will account for 75% of the interest, 25% is free of tax.

VAT

According to the Finnish tax administration, most goods and services are subject to VAT of 24%. However, for food, animal feed, restaurant services, meal catering services, the tax rate is only 14% and 10% is imposed on books, medicine, sports, entertainment, transportation, accommodation, and TV licenses. Businesses with no more than EUR 8,500 of revenue in an accounting period are not liable for VAT and do not need VAT registration.

Import duties

The duty rates are regulated to be from 0% to 17%. Some electronic items are free of duties such as laptops, cameras and so on. Besides, for some certain products, the duty tax can differ between producing countries. Simultaneously, the rule of VAT is also applied for imported products.

3.3.2 Vietnam

There are some differences in the tax system in Vietnam, compared to Finland. Investing in Vietnam, an enterprise should be acknowledge of a list of main taxes which contains:

- **Corporate income tax:** imposed on all income from business activities in goods and services, capital and property transfer, renting.
Tax incentives of 10% to 20% are applied for encouraged sectors i.e. healthcare, education, technology, or on special economic zones which in hard economic conditions. Normally, the standard tax rate is 25%. Higher tax is levied on petroleum or natural resource industry at 32% to 50%.
- **Personal income tax:** imposed on any income in forms of investment, salaries, wages, transfer, inheritances, prize-winning and others. For a Vietnamese citizens and foreigner working in Vietnam (with 183 days of presence in Vietnam, or having a regular location in Vietnam and being a non-tax resident of another country), the tax is deducted from one's worldwide income with a rate ranging from 5% to 35%. For work related to business occurring in Vietnam but is done oversea, tax rate of 20% is applied on the income derived from it.
- **Value added tax:** most goods and services for production, business and consumption are subject to this tax with the standard VAT rate of 10%. The rates of 0% and 5% are applied in special fields such as agriculture or exporting.

- **Special sales tax:** imposed on some particular goods and services including imported vehicles, alcoholic drinks, tobacco, service of golf, casino, etc. Export goods is not a subject to this category.
- **Import duties:** preferential (for Most Favoured Nation); special preferential (for ASEAN and EU members) and ordinary tax rates (for other countries) are meant for goods imported from different nations, depending on specific agreements between them and Vietnam. Vietnam and Finland signed a Double Taxation Treaty in 2001 and it has been in effect since 2002. Furthermore, foreign invested companies and BBC partners are excluded in the list when importing specific goods for their fixed assets. Plus, no tax is put on raw materials for producing goods for exporting within 275 days. An application may be needed for the tax preference.
- **Foreign contractor tax:** aiming at organizations or individuals having business in Vietnam without a Vietnamese entity. The standard rate is 10% but it changes on each case, relying on the accounting system, and other issues.

3.4 Accounting and Auditing

3.4.1 Finland

Accounting and bookkeeping are regulated to be an obligation to all enterprises under the Finnish Accounting Act. Daily bookkeeping shall comprise either paper or electronic purchase and sales invoices, salary statements and bank statements. When a company buys a service from an accounting firm, the electronic invoices will be synchronized to the firm of accountants so that all the work can be processed.

An accounting period lasts for 12 months regardless of the starting month. The first period may be either shorter or longer than 12 months but not exceeding 18 months, and can be adjusted. For an entrepreneur professional who uses single entry bookkeeping, the accounting period must be a calendar year.

An annual report and financial statements must be signed and submitted by the end of an accounting period, following the requirements of the Finnish Accounting Act, Finnish Accounting Decree and Community Law. The auditor must be a professionally competent person and independent from an enterprise's management. Auditing includes an examination of the

accounting, financial statements and administration of the enterprise during the accounting period. In Finland, the titles for authorized auditors are KHT and HTM (the beginning of 2016 HT). KHT, Authorized Public Accountant (APA) is approved by Central Chamber of Commerce and lower level auditor, HTM, approved accountant is approved by local Chamber of Commerce.

Private entrepreneurs do not need to have an audit conducted. The auditing obligation on other forms of business is conditional on the size of the business. If a corporation meets no more than one of the following conditions in both the closing accounting period and in the accounting period preceding it, it does not need to appoint an auditor:

- The total amount of balance sheet is more than EUR 25 million
- Net sales or corresponding revenue surpasses EUR 50 million
- More than 300 employees are employed averagely.

If a business is subject to public trading or if at least two of the above conditions are met in the most recent accounting period, at least one of the auditors must be a KHT auditor or a KHT corporation.

3.4.2 Vietnam

Foreign invested enterprises as well as all Vietnamese enterprises must follow the Vietnamese Accounting Standards and System (VAS) which consists of Vietnamese Accounting System and Vietnamese Accounting Standards, published by the Ministry of Finance (MOF).

The VAS indicates:

- Rules on recording transactions, containing the use of accounting names and codes.
- Standard chart of accounts, bookkeeping journals, financial statement and disclosure template
- Vietnamese language must be used with or without another foreign language, in accounting records.

- Vietnamese currency (VND) is applied, except for special cases. In the financial statements, foreign currency must be converted into VND in accordance to the exchange rate on the reporting date and verified by an auditor.

If a company would like to use a system other than VAS, it must seek approval from the MOF. The acceptance would only be granted for specific industries or extraordinary cases.

An accounting period (fiscal year) is normally a calendar year (12 months) regardless of the starting day. It can begin on the first day of any quarter and end on the last day of the previous quarter of the following year. If the first accounting period is shorter than 90 days, it will be grouped into the next fiscal year to become the first accounting period, as long as the whole period is shorter than 15 consecutive months.

Annual financial reports must be filed within 90 days since the end of the accounting period. Basically, they contain a balance sheet; income statement; cash flow statement; and explanation notes to the financial statements.

Regarding accounting staff, a start-up must employ a chief account who is recognized by the MOF. He/she can also be a foreigner with a certificate of public accounting or auditing issued by a foreign professional organization that is recognized by MOF; or a certificate of chief accountant or professional accounting / auditing practice from MOF. Plus, the appointed accountant must have at least two-year-experience in the related field and has permitted to live and work in Vietnam for at least one year.

According to the law, all FIEs must be audited once a year. The audit contract must be signed no later than 30 days prior to the closing day of the entity's accounting period and the chosen auditing firm must be permitted to operate in Vietnam. Also, an audited enterprise is obligated to provide well-timed and complete information and explanations to the auditor.

3.5 Employment and Insurance

3.5.1 Finland

There is a so-called Collective agreement between the employer's federation and employee's trade union to secure the rights and interests for hired people, such as shorter working time, longer holidays and minimum pay. Even if an employer is not involved in such an agreement, it must set the salary based on the usual common level for a certain job. The agreement is very powerful and bring several benefits to employees, but on the other hand it causes drawbacks to employers when the benefits are always improved, meaning that the labor and other related costs always rise by time.

Figure 4: Salary in Finland in 2014 (FinPro 2015, cited 15.05.2016)



TOTAL EARNINGS BY OCCUPATION	
Full-time employees monthly earnings EUR in 2014	
Legislators, senior officials and managers	6,037
Professionals	4,180
Technicians and associate professionals	3,344
Clerks	2,634
Service workers and shop and market sales workers	2,471
Skilled agricultural and fishery workers	2,351
Craft and related trades workers	2,971
Plant and machine operators and assemblers	2,991
Elementary occupations	2,277

The contract between the employer and the employee can be determinate or indeterminate term. The fixed-term contract is allowed only in special circumstances. The employment can be terminated by the employer for acceptable reasons, based on the Employment Contracts Act. Depending on the length of employment, the notice periods for termination are different. Details are indicated in Table 1 and Table 2

Table 1: Notice period for termination by employer (Lex Mundi 2012, cited 27.12.2015)

Termination by employer	
Duration of employment	Notice period
0 – 1 year	14 days
1 – 4 years	1 months
4 – 8 years	2 months
8 – 12 years	4 months
Over 12 years	6 months

Table 2: Notice period for termination by employee (Lex Mundi 2012, cited 27.12.2015)

Termination by employee	
Duration of employment	Notice period
0 – 5 years	14 days
Over 5 years	1 month

Unjustified dismissal will lead to compensation, which could be equal to 3 - 24 months' pay in accordance to the law. In contrast, within the period of trial, which last for 4 months at most, the contract can be cancelled.

Average working hours is 40 hours for each week during the year. Besides, maximum overtime is limited to 138 hours within 4 months and 250 hours in a year. Apart from that, workers in Finland enjoy fully paid continuous vacations of 24 days during summer period, which can be adjusted to minimum 12 continuous days and the rest before the following vacation begins.

In Finland, employers are responsible for their employees' pension insurance which is monthly paid EUR 57.51 as included in salary or as compensation. The employee's pension contribution is 5.7% along with the contribution of 2.12% for social security and 1.15% for unemployment insurance. Still, there are two more types of insurance namely accident insurance and group life that are paid only by employers.

All foreigners working for a Finnish organization are entitled to the same benefits. To work in Finland, it is required to have a residence permit for citizens outside the EEA and Switzerland.

3.5.2 Vietnam

According to the Labor Code, a foreign firm can employ both Vietnamese citizens and expatriates directly or through agencies, with the condition that the foreign labor force of that firm accounts for only 3% of the totality. The registration of employees and periodical staff-reports are required by the local labor department. Also, to work in Vietnam, an expatriate needs work permit issued by the ministry of Labor or local labor department. Citizens from some countries are exempt from visa to Vietnam within 15-30 days, namely: Finland, Denmark, Norway, Sweden, Japan, Korea, and some of the ASEAN members. However, "the work permit requirement is waived for capital-contributing members or owners of limited liability companies, members of the board of the management of shareholding companies, and lawyers, among others" (Lee, Trinh & Svanberg 2013, cited 12.04.2016).

Besides, a labor contract between the employer and employee can fall into one of the 3 forms: contract with indeterminate term; contract with determinate term (1-3 years); and seasonal contract shorter than 12 months. The contract can be terminated for reasonable reasons and the termination must be inform about 45; or 30; or 3 days in advance depending on the type of contract.

Plus, in one week, employees should work for about 40 to 48 hours and are allowed to have 200 overtime hours a year. An employee has the right to take 12 days of annual leaves. The period can be prolonged upon the working duration for the company. Also, all public holidays are fully paid.

What is more, the government regulated particular minimum amounts of salaries for each region across the nation. The salary level depends not only on the mentioned category, but also on the field and the status of a company. Although in Vietnam wages are generally low in comparison with other countries, the total costs may rise after adding security or insurance and other administration fees. Expatriates normally are paid higher than the Vietnamese, as they tend to hold the key positions in a foreign enterprise.

Figure 5 Source Cascade Asia Advisors (2015)

2016 Minimum Monthly Wage by Zone			
Zone	Locations	VND	USD
1	Urban areas in Hanoi and Ho Chi Minh City	3,500,000	162
2	Rural areas in Hanoi and Ho Chi Minh City. Urban areas in Can Tho City, Da Nang and Hai Phong.	3,100,000	138
3	Provincial cities and districts in provinces including Bac Ninh, Bac Giang, Hai Duong, and Vinh Phuc.	2,700,000	120
4	Remaining locations	2,400,000	107

To an employer, insurance is as important as other matters. In Vietnam, there are three statutory types of insurance namely: Social insurance (SI); unemployment insurance (UI); and health insurance (HI). Among them, HI is the only one that expatriates are entitled to.

Both employers and employees must contribute to the payment of insurance in different proportions, but the amount is no more than 20 times of the minimum salary of VND 1,050,000/month (equivalent to USD 50). If a company has fewer than 10 workers, it is not required to have UI contribution.

Table 3: Social Security Contribution in Vietnam (KPMG 2011, cited 27.10.2015)

Contributor	Social insurance	Health insurance	Unemployment insurance
Employer	18%	3%	1%
Employee	8%	1.5%	1%

3.6 Business Culture in Short

Culture is always an interesting part in doing business and should be taken into careful consideration when interacting between distinct cultures to avoid conflicts.

3.6.1 Finland

Finns are known for being good at managing time. It means they optimize their working time and follow their schedule to finish as much work as they can. Being on time in a meeting or an appointment is completely important. If you are going to be late for more than five minutes, it is advised to call in advance for explanation and apologies.

Finland is a country of equality, regardless of age, sex, position, and religion. Women's roles are highly valued in the society and they are treated well. Handshaking is a common practice in greeting for both genders. As Finnish people tend to be silent, it is considered rude to raise your voice during conversation. As important is to make eye contact to show your attention as well as wait until the partner finishes speaking to express your opinion. Normally, the Finns always prepare for the meeting carefully and make decisions quickly. They go straight to the point by skipping small talks and avoid mentioning private issues. When greeting, the titles of a person can be skipped.

Verbal commitment is considered serious and as valid as the written form. Even in the form of spoken words, it also means an agreement has been made. Written agreements are meant for re-confirmation and legal documents.

The business processes in Finland are guided clearly by the law and can be implemented quickly and smoothly, creating a comfortable environment for establishing and carrying on an enterprise. Doing business in Finland, therefore, is easier than in other markets with complicated procedures. Although short-term and long-term business collaboration are both important to Finns, it is not necessary for two parties to know each other in advance because for them a new business relationship can be established based on the contract and their counterpart's abilities, rather than a social relationship. Plus, once invited to restaurant or sauna – an outstanding part of Finnish culture, it means you have gained the confidence and you should be present without discussing about business.

Finland is among the countries of least corruption thanks to its transparency in administration and law application. That's why, gift-giving is not a considerable part in doing business for the Finns. Yet, small gifts can be exchanged on visit or after a completed deal.

3.6.2 Vietnam

In contrast to Finland, Vietnam has a very typical style of Asian countries which were born into the agricultural culture where people are more generous about time. People may not be punctual for work or an appointment. However, it is essential to be on time for an important or official meeting because it indicates interest and politeness to your business partner.

Not similar to Finnish culture, in Vietnam, people are not equal. Respect to a person increases by his/ her age and position in an organization. There are also specific Vietnamese words for each role in a conversation, which means you cannot address everyone you meet by one word like "you" in English or Finnish. Also, the oldest or most important person is always in preferences in all activities, such as: entering the room first, or sitting first, and so on. Additionally, the Vietnamese prefer to be called with their professional titles that sometimes go with their first name. Hand-shaking is acceptable with a slight bow and great smile to express the politeness and friendliness. During a meeting, it is advised to not exchange a long direct eye contact and be patient with the silence of the partner since it may occasionally takes time for them to go to a decision or an answer.

Generally, Vietnam has a relationship-oriented culture. An agreement more refers to trust and relationship commitment than the contract's monetary values. In other words, it means Vietnamese parties tends to cooperate with the ones they know and trust. Therefore, establishing relationships plays the key role. The broader the network you are in, the smoother your business is. In essence, social relationships are the base for business relationships. Small talks are important as it gives the chance to learn and understand each other. Private issues such as family or personal hobbies and life events are common topics because they bring familiar and comfortable feelings and asking about your partner shows the care and kindness. To a certain point, the talk will turn into the business topic.

Luncheons and dinners are part of the business etiquette to enhance the relationship. Gift-giving is also a need to present the appreciation. However, bribery is a serious issue and the law is tightened. Hence, to avoid it, a gift should not be too valuable and not go along with any purposes other than friendliness.

4 QUESTIONNAIRES & RESULTS

Questionnaires

In order to find out the realistic situations in Finland and Vietnam, two different questionnaires were conducted with the cooperation of two organizations who are experts of Finland and Vietnam. Finpro is a public organization to support Finnish small and medium sized enterprises to expand internationally. The questionnaire designed for Finpro was sent via email to its representative in Vietnam. It included ten questions to search for the elements that a Finnish enterprise may face in Vietnam, the investment trend and advisory. The answers were provided by Eija Tynkkynen, who is Commercial Counsellor in Finpro (Vietnam).

The second questionnaire was created for MS.Revisor Ltd – a Finnish auditing company which provides services in auditing, consultation, professional training and others. Company's managing director Juha Kerimaa agreed to support the thesis by offering information based on his professional understandings and experience about the Finnish entrepreneurship.

The two questionnaires were collected and the information was selected before being compared. They can be found in the appendix 1 & 2.

Results

According to Finpro, Vietnam is attracting more and more Finnish investors. There are currently more than 120 Finnish companies that have activities in the country. Approximately 70% of them choose to cooperate with local distributors or agents. About one fourth of the firms (30) have actual legal presence in Vietnam, most of whom are in forms of wholly-foreign owned enterprise or representative office. They are mainly small and medium enterprises focusing technology, software development and sales, education, security solutions, infrastructure development/planning and consulting, renewable energy, machinery, equipment and tools.

In fact, the set-up procedures in Vietnam are still considered to be complicated, but they have been improved with the government's nonstop efforts to simplify the stages of process by building up electronic administrative services in the very near future and information channels to fully and

effectively provide detailed instructions on foreign investment procedures as well as to minimize the complication.

In addition, bureaucracy may be one factor that hinders the speed of the process. However, it also depends a lot on company's preparation, budget for buying service from experts, service quality, and the familiarity with the Asian business style. On the other hand, the fact that some administrative workers do not have good training or update to new regulations can cause a pause or inconvenience.

What is more, Vietnam and Finland are in two sides of the globe, it normally takes too much time and budget for travelling between places. It also requires a huge amount of time to learn about the market, and to find a trustworthy local partner for co-operation. Meanwhile, time is absolutely needed to establish and maintain a business relationship, which is the most highlighting cultural feature in doing business in Vietnam. However, Finnish entrepreneurs were said to be impatience for that and they do not have sufficient networks. Plus, sticking with the market is necessary to ensure a long term commitment because it could take about two years or more to start to make profits. All the factors lead to hesitation of investment from Finnish investors.

Yet, Vietnam is amongst other busy Southeast Asian countries, entering Vietnam can be an option in order to conquer nearby markets afterward and vice versa. The economy is growing and creates many investment opportunities in the mentioned sectors (i.e. education, solutions, technology, consultancy and others). Because the market develops and the purchasing power increases, demands on modern goods and services also rise. So far, they have been the outstanding points that attract Finnish investors.

In the near future, Vietnam is still a promising and attracting destination for investors from Finland. The content of investment might not dramatically change, with perhaps preferences for services and solutions. The awareness of Vietnam relative to other Southeast Asian nations tend to be improved, but the willingness to invest rely as well on a company's offering and its target consumers/ buyers.

On the other hand, Finnish companies in their homeland are normally fall in the categories of limited liability or sole trader with business set up in a small to very small scale. The truth is while the amount of new companies is decreasing, the number of sole trader (which is not an entity) is

increasing. The most favorable business fields are services and technology. Because many of them are established by unemployed technical people after the government financial support, their life cycle tends to come to an end when the aid runs out

Unfortunately, bureaucracy is still part of setting up business in some industries. For instance, to join in the transportation industry, it requires plenty of license, financial assets deposit and special degrees with restricted number of entrepreneurs and vehicles; or in the restaurant business, many rules of hygiene and licenses are requested. Furthermore, in the public sector, there are too many employees working on license and permit and monitoring companies complying with the regulations. The government has made an attempt to reduce the process, but due to that more rules have been generated. However, despite of some existing issues, Finland is still famous for effective and smooth administration, with the e-services went into effect 3 years ago which boost the speed and transparency.

Regarding the entrepreneurs themselves, it is reported that they lack an understanding of market, financial situation and economic basis. As important is the attitude when switching into running their own business. It is essential to invest a lot more time to do the research and keep learning. In addition, Finland is not ideal for all kind of businesses resulted from expensive labor and overall costs, insufficient suitable employees, and small market.

Finally, just like other countries, business relationships play an important role in Finland. People are interested in short-term and long-term compromise. Sometimes, a relationship can last long enough to turn into a social personal relationship but it may take quite a long time. However, collaboration can happen even when two parties do not know each other in advance, because trust and relationships are born from qualification. In general, a relationship stays professional and a business decision is not affected by personal emotion. Finnish businessmen are willing to stay in connection for a deal through email or Skype after the first meeting.

5 CONCLUSIONS

5.1 Dissimilarities in founding a legal entity in Vietnam and Finland

Both the documentary analysis and questionnaires contribute to demonstrating the differences in the two countries in all aspects. Plenty of numbers, statistics and facts have been gathered in the third chapter in order to describe the practices and requirements needed to found a business that a Finnish businessman should pay attention. Most important is the support from Finpro and Ms.Revisor Ltd in order to complete a full picture of Vietnam and Finland business situation.

Firstly, due to the economic status, Vietnam demands upgrade in all areas, such as technology, infrastructure, transportation, manufacture, education, healthcare, and many other essential industries. The fact leads to the variety of options in that Finnish investors can choose one out of ten forms of business to open in Vietnam, while they basically have four choices in the home country. Small sized companies in forms of limited liability along with sole trader in Finland and representative office in Vietnam currently is the trend. In the future, there seems to be no considerable change in preferable fields, services and technology are predicted to be still the main stream.

Secondly, the procedures in Vietnam shows a big gap between two countries in term of administrative process. In Finland, it is streamlined to make convenience and effectiveness with the support from e-service which is what Vietnamese government is pledging to implement in the coming time. Therefore, in Vietnam, it takes more time to go through this step to obtain the investment certificate. While a company can come to existence in Finland by applying and paying the fees, in Vietnam it firstly needs to be classified by two cases whereby an evaluation might be a must before being approved by the Prime Minister rather than the Local People's Committee as regularly. Still, a few more steps must be completed before the license arrives. Besides, bureaucracy in some industries is the problem Finland is facing because of complex requirements and strict regulations. Sadly, the situation in Vietnam seems to be more worrying in that the law is not complete yet, the operation is not transparent, and the procedures are still complicated, long-waiting for tax filing. Not only that, the public human resources do not have enough competence to follow the constant change to meet the demands of the market. The procedures, thus, might last

longer. In contrast, if investors are not aware of the rules and well-prepared for the documents, they can by themselves postpone their step into a new playground. For a smooth go, it is advised to be patient in learning about the interested market, waiting and selecting a good consulting/ law firms to handle this stage.

Regarding taxation, Vietnam has an advantage over Finland when its VAT is only 10% compared with 24% in this Nordic country. Generally, the tax systems are dissimilar and tax on most things in Finland is higher than in Vietnam. Furthermore, Vietnam has tax incentive policies for foreign companies operating in Vietnam and has signed treaties with many nations to lower or even remove the tax barrier. Those efforts are meant to partly relieve the pressure for investors. Additionally, Vietnam follows its own accounting and auditing standards while Finland complies with the international standards. However, according experts, there is no significant difference between them (Russell Bedford KTC 2016, cited 15.05.2016).

Vietnamese employees have, in overall, a much lower salary standard and longer work hours than the Finns because of shorter annual leaves. Yet, in Finland, employees together with employers pay contribution for 3 out of 5 categories of social security, but in Vietnam, both are obliged to contribute to only 3 types of insurance. In other words, the burden of labor costs is relieved if business occurs in Vietnam.

Finally, the figure below is the conclusion drawn from information of the culture part. By that, it indicates how far apart the two cultures are. The perspectives of time, verbal communication, eye-contact and others are opposite in two sides. However, there are some similarities and differences in the meaning of “business relationships”.

In Finland and Vietnam, people expect to work with those who they know and trust. Relation, thus, is important in both countries. In Finland, they trust someone on the basis of his/her qualification and contracts, and business relation comes for the short term or long-term sake, but it takes a lot of time to revolve. Yet, it's still a professional relationship because Finns do not tend to mix private and work lives. In contrast, once a Vietnamese decides to be your partner, he/ she obviously expects the long-term co-operation. Initially, drinking, dinning, luncheons, sport playing, and talking about private issues are common. All of them are meant to create a social relationship which will turn into a business one when two sides feel comfortable and trust is established. To be clearer, time must be invested in socialization and expanding the network, especially when Vietnamese

people prefer face to face discussion rather than developing it through the internet. The reason is when they do interacting activities together, the Vietnamese observe, analyze and decide whether one person is trustworthy and potential to become their future partner. Furthermore, one relationship will generate another, which means the broader the personal networks you are in, the more supports you gain from those people to make your business go smoother and easier.

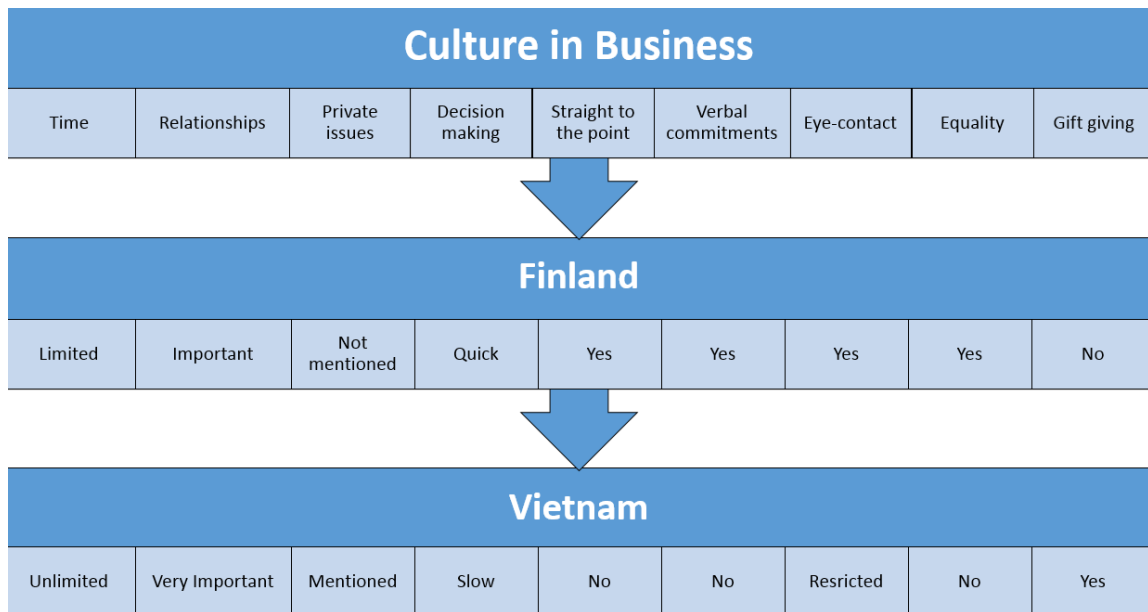


Figure 6: Business Culture in Finland and Vietnam

5.2 Summary

To sum up, dissimilarities are found in all aspects mentioned in the thesis namely forms, procedures, taxation, accounting and auditing, employment, insurance and business culture. Among them, procedures, employment, and business culture cause significant contrast. Procedures and culture might delay the investment process if investors are not patient to study a new market, wherever they plan to go. Meanwhile, the advantages of employment in Vietnam may encourage Finnish enterprises to hit the road.

According to experts from Finpro and Ms. Revisor, Finnish entrepreneurs lack market understandings and do not thoroughly consider their financial situation and unexpected expenses

that possibly occur. Therefore, some tips are suggested to help them prevent mistakes in the home state and in Vietnam, which are:

- Building relationship: Because it's not convenient to travel across a long distance, after the first meetings, normally the Finns continue keeping in touch via email or Skype which is not favorable for Vietnamese counterparts. Since relationship plays the key role in Vietnam, it is advised to spend enough time for direct interaction, not only for the coming cooperation, but also to expand the network which is what Finnish companies actually do not have enough in Vietnam.
- Be well-prepared: investors can speed up their entry process by carefully preparing all necessary papers beforehand and by buying good service from qualified auditing/ law firms. They do have wide connections in their field and experience in the market to make sure the service is well done.
- Be aware of the financial situation: it is important to pay attention to taxation, labor law, accounting, cost accounting and marketing to see if the desired business is profitable in Finland or in another country and how large the entrepreneur's capacity is.
- Be aware of the new market: a smart investor chooses the fittest market and considers which part of the country to enter first, searching for first customers and doing thorough investigation of the market. These steps can be handled by utilizing third parties or Finnish international public organizations.

6 DISCUSSION

Nowadays, foreign investment is an indispensable activities when global trade grows. Finland investing in Vietnam – a low cost country – is not out of the trend, specifically when the amount of investment is anticipated to keep increasing in the near future. That facts lead to the demand on information of the Vietnam market. Actually, there are numerous data created by prestigious consulting companies to support investors. However, they solely provide a single picture of one country and it is hard to find any comparison which shows the differences and brings about a deeper understanding. As a person who was born into Vietnam but have experiences in the Finland, I wish to design a new source of information of two sides to point out dissimilarities and suggestion that may be practically helpful for Finnish investors.

Before comparing interested issues, related data was collected from many sources such as e-books, e-journals, e-articles and instructing materials of many consulting companies and Vietnamese and Finnish public organizations. The next step of doing a questionnaire to Ms. Tynkkynen (Finpro office in Vietnam) was suggested by the thesis supervisor, Mr. Aro, to boost the value of the research by inserting real facts to clarify the differences. Thereafter, I decided to create another questionnaire content for an expert of the Finland market – Mr. Kerimaa (Ms.Revisor. Ltd). By gathering their answers, I drew a conclusion on the real situations in the two countries.

That process required long-time searching and learning to finally find out the different points and signalize the most important elements, which are the main purposes of this thesis. Further research might focus on the more detailed analysis of the labor quality, standards and labor costs to make the overall image even more complete. For any investors, understanding every aspects related to setting up a business is utterly essential to prevent obstacles on the path ahead. This means not only regulations need to be paid attention to, but also culture which forms our habits and customs in both normal and business lives.

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APPENDICES

This section consists of the thesis questionnaires, a list of consulting companies in Vietnam and a few useful information links.

QUESTIONNAIRE TO FINPRO OFFICE IN VIETNAM

APPENDIX 1

1. What is the investment trend of Finnish enterprises in Vietnam in terms of:
 - a) Business forms (Limited Liability Company, Partnerships, Business Cooperation Contract, or branch, etc)
 - b) Size (large, medium or small)
 - c) Field (technology, education, construction, manufacture, etc)
 - d) Amount (is it increasing or decreasing)

2. Regulations, law and investment policy have been improved by years, does it really help speed up the registration processes and simplify the procedures? And how?

3. Does government bureaucracy hinder a company's registration process? Have you ever experienced in your business or heard of any case?

4. What are the most frequent difficulty and common mistakes Finnish companies make when entering Vietnam?

5. In your experience:
 - a) What are the most important factors (labor force, natural resources, geography, law, political/economic environment, culture, etc) that make a Finnish investor *hesitate* to invest in Vietnam?
 - b) What are the most important factors (labor force, natural resources, geography, law, political/economic environment, culture, etc) that *attract* Finnish investors to invest in Vietnam?

6. What is your assessment of the Finnish investment willingness in Asia in the future:
 - a) How may it change? May it increase or decrease?
 - b) Would it change in any other way in the future for example the duration and content of the investment?

7. How about Finnish willingness to invest in Vietnam in relation to other Asian countries in the future, in your prediction:
 - a) Would the Finns' willingness to invest in Vietnam increase or decrease relative to other Asian countries?
 - b) Would the duration and content of the investment change in Vietnam compare to other Asian countries in the future?

8. In your opinion, what kind of investments could be perhaps preferable to Finns in Vietnam in the future?

9. What do you think/ expect to change for better investment conditions for foreign investors in general and Finnish investors in particular?

10. If you would have an advice for Finnish enterprises who are thinking/ planning to invest in Vietnam, what would it be?

1. What is the investment trend of (most) Finnish enterprises in terms of:
 - a) Business forms (Limited Liability Company, Partnerships, , etc)
 - b) Size (large, medium or small)
 - c) Amount of new start-up companies (is it increasing or decreasing),
 - d) (Optional) Which fields are the most favorable? (technology, construction, etc)

2. How about government bureaucracy, does it exist in Finland? Does the registration process create any obstacles for new enterprises?

3. Can all stages of registration be done on the internet? How long the e-service has it been in use?

4. What are the most frequent difficulties and common mistakes Finnish companies make when setting up?

5. How is a business relationship important when doing business in Finland?

6. If you would have an advice for future Finnish businessman (to avoid mistakes), what would it be?

The information of the following companies was found through google search and on <http://vtown.vn/en/category2.html> – a supporting website of which the administrator is Washin Engine Co.,Ltd. The list does not include all consulting firms in Vietnam.

No.	Company	Services	Contact
1	Deloitte Vietnam	Tax, audit, financial advisory and enterprise risk	Hanoi: +84 4 6288 3568 HCMC: +84 8 3 9100 751 deloittevn@deloitte.com http://www2.deloitte.com/vn/en.html
2	Ernst and Young Vietnam	Tax, financial advisory, audit and assurance	HCMC: +84 8 3824 5252 eyHCMC@vn.ey.com http://www.ey.com/VN/en
3	KPMG Vietnam	Audit, tax, advisory, market entry	HCMC: +84 8 3821 9266 Hanoi: +84 (4) 3946 1600 kpmgHCMC@kpmg.com.vn http://www.kpmg.com/VN/en/Pages/default.aspx
4	Rödl & Partner	Audit, accounting, tax, legal and business consulting services	HCMC: +84 (8) 38 24 42 25 hochiminhstadt@roedl.pro http://www.roedl.com/locations/asiapacific/vietnam.html

5	UHY	Audit, accounting, advisory, cooperate tax, finance, legislation, consultation	Hanoi: +84 4 3755 7446 HCMC: +84 8 3820 4899 uhy-info@uhyvietnam.com.vn infohcm@uhyvietnam.com.vn http://www.uhy.vn
6	ECOVIS	Audit, taxation, accounting, BPO, business start up, management consultation	Hanoi: +84 4 3 9350 990 HCMC: +84(8)39 300 488 http://www.ecovis.com/index.php?id=vietnam-en
7	AASC Limited	Accounting, auditing and financial consultancy, and tax and determining the value of enterprises.	Hanoi: (84)4 3824 1990 http://aasc.com.vn/web/index.php/en/
8	Crowe Horwath Vietnam	Audit, Tax, Advisory, risk, accounting, outsourcing, japan desk, in-house training	Hanoi: +84 4 2220 8334 / 37 HCMC: +848 3827 8516 / 19 https://www.crowehorwath.net/vn/
9	Mazars	Business start-up assistance, audit and assurance, accounting and business process outsourcing, payroll outsourcing, international and local taxation, financial advisory services, transfer pricing in Vietnam, international desks.	Hanoi: +84 4 39 36 10 31 contact-hanoi@mazars.vn HCMC: +84 8 38 24 14 93 contact-hcm@mazars.vn http://www.mazars.vn/Home/Contact-us/Our-people2

10	Unistars International Auditing	Auditing, accounting, bookkeeping, taxation, internal control	Hanoi: +84 4 3 793 2296 info@unistars.vn http://www.unistars.vn/vn
11	DFK Vietnam Auditing	Accounting, auditing, consulting, tax, risk management and pricing transfer service	Hanoi: + 84 4 6266 3006 hn@dfkvietnam.com HCMC: +84 8 3868 3306 hcmc@dfkvietnam.com http://www.dfkvietnam.com/
12	SouthernSky Associates (SSA)	Litigation; - Legal Consulting; - Representative for clients (except litigation); - Other Legal services.	HCMC: +84822202215 info@ssac.com.vn http://ssac.com.vn/home/index.php?lang=en
13	Viet Dragon Auditing Consulting	Auditing, accounting, tax, advisory	+84 8 62 871 151 http://www.vdac.com.vn
14	PwC	Audit & assurance, advisory, legal, tax	Hanoi: +84 4 3946 2246 HCMC: +84 8 3823 0796 http://www.pwc.com/vn/en.html
15	Kreston ACA Vietnam	Auditing, tax, consultation, corporate finance	+844 625 12 901 http://www.krestonaca.vn/index.php?lang=en
16	TMF Group	Everything from business set up to on-going accounting and reporting, corporate secretarial, and	Hanoi: +84 4 3944 9733 HCMC: +84 8 3910 2262 http://www.tmf-group.com/en/where-we-are/asia-pacific/vietnam#na

		human resources and payroll.	
17	Freshfields Bruckhaus Deringer Vietnam	Investigation, investment fund services, M&A, crisis management, contracts, dispute, tax	Hanoi: +84 4 38247 422 HCMC: +84 8 38226 680 http://www.freshfields.com/en/Vietnam/
18	HSK Vietnam Audit	Auditing, tax, bookkeeping, financial report preparation, advisory, consulting, review and other services	Hanoi: (0)4 3574 7056 HCMC: (0)8 3939 0195 s.murakami@hskv.com.vn http://hskv.com.vn/
19	Amnet Vietnam	Legal, accounting services, back office solution, consultation, management, HR, training, website design and image processing	Hanoi: +84(4)3795 0571 http://amnetvn.com/
20	Grant Thornton (Vietnam) Limited	Audit, taxation, advisory	Hanoi: (844)3755 6080 HCMC: (848) 3820 8368 http://www.nexiaacpa.com/vi/
21	BDO Vietnam	Audit, advisory and tax services	Ha Noi: +84 (04) 37833911/12/13 HCMC: +84 (08) 39110033 bdo@bdo.vn http://www.bdo.vn/

22	AAC Auditing and Accounting Company	Auditing, accounting, finance and investment advisory, tax advisory, training and staffing services	HCMC: +84 8 39102235 aac@dng.vnn.vn http://www.primeglobal.net/company/aac-auditing-and-accounting-company
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FOREIGN INVESTMENT INSTRUCTION

The Ministry of Planning and Investment of Vietnam has created a portal (<https://vietnam.eregulations.org>) for introducing investment procedures to start a business in 7 cities namely: Hanoi, Hochiminh City, Binh Dinh, Danang, Hai Duong, Phu Yen, Vinh Phuc. It indicates actual customs from the point of view of investors, consisting of: contacts, forms, requirements, regulations, costs, and time required.

THE BRIEF OF THE PROCEDURES

On Worldbank Group website, there is a summary on procedures need, the order of the registration process along with fees and duration. Viewers can also compare it with data of other 188 economies. It can be retrieved at <http://www.doingbusiness.org/data/exploreeconomies/vietnam/starting-a-business>

SALARY IN VIETNAM

Salary for various jobs and positions in the latest years were collected and can be viewed by clicking:

http://outsourcetit.no/wp-content/uploads/2015/10/2015-Adecco_Vietnam_Salary_Guide.pdf

<https://www.robertwalters.com.vn/content/dam/robert-walters/country/vietnam/files/salary-survey/vietnam-salary-survey-2016.pdf>

ATTORNEY COMPANIES IN VIETNAM

The website of "The Legal 500" (<http://www.legal500.com/c/vietnam/directory>) recommends a list of tens of law companies operating in Vietnam, including Vietnamese and international ones. Their services cover foreign investment, insurance, employment, tax, banking and other legal aspects. Yet, they are not all law firms in Vietnam. Further details on each company are shown by clicking each name.