

wts china
威韬商务咨询

Chinese go-global

- FDI in Vietnam, Malaysia, Indonesia | 2026



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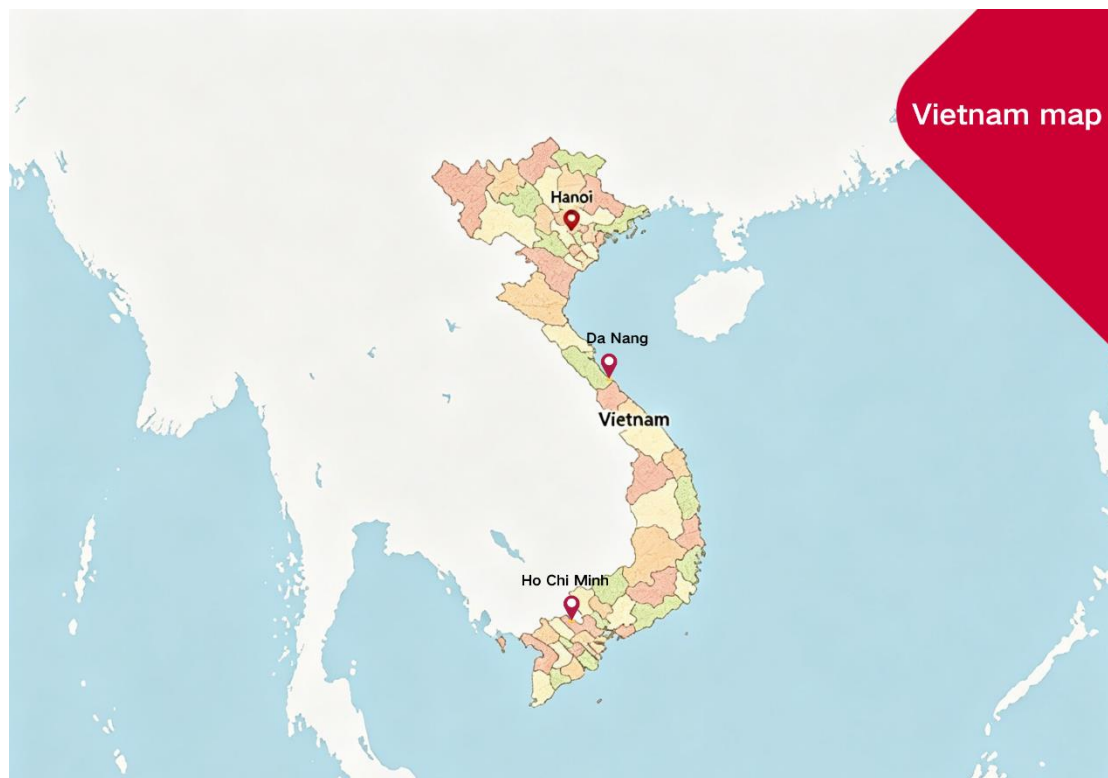
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Vietnam

Vietnam stands as a highly attractive destination for foreign direct investment in Southeast Asia due to its unique geographical location, stable political system, and young demographic structure. Strategically located in the heart of Southeast Asia, Vietnam offers seamless connectivity with other economies in the region, enabling efficient cross-border business collaboration. With a population exceeding 100 million and an average age of just 35, Vietnam boasts abundant labor resources and competitive labor costs, making it a preferred choice for foreign investors engaged in labor-intensive and manufacturing industries.

Geographically, foreign direct investment in Vietnam is concentrated in three core hubs: the Northern region, the Central region, and the Southern region, each featuring distinctive industrial clusters and investment advantages to accommodate different types of foreign investment projects.



The Northern hub is centered around Hanoi, the capital city, and includes Haiphong. Adjacent to the Chinese border, this region hosts numerous high-tech industrial parks and export-oriented industrial zones, serving as a core area for cross-border processing trade linked to China's industrial chain.

In 2025, the Northern region absorbed approximately 700 hectares of additional industrial land, with an industrial park occupancy rate of around 80%. The average industrial land price is about 139 US dollars per square meter, representing a cost-effective option for investors. Hanoi, as the core city of the Northern region, prioritizes the development of robotics, biotechnology, and software industries.

The Hoa Lac High-Tech Park, covering around 1,500 hectares, is the largest high-tech park in Vietnam, providing comprehensive industrial support for high-tech foreign investments. Furthermore, the Northern region enjoys convenient international maritime transport; it is close to China's Shenzhen Port and Hainan Island, with a shipping time of only three to five days from Shenzhen or Hainan to the ports near Hanoi.

1. Popular FDI Destinations

Vietnam

The Southern hub is dominated by Ho Chi Minh City, Vietnam's economic center, which has formed a large-scale industrial belt focusing on textiles, electronics manufacturing, and other mature sectors. This is the most industrially developed region in Vietnam, with an industrial park occupancy rate as high as 89%. The average industrial land price is approximately 170 US dollars per square meter, which remains affordable despite being higher than that in the Northern region, suitable for large-scale and mature manufacturing foreign investment project.

The Central hub is centered on Da Nang and includes Quang Nam. It possesses major international ports and several industrial parks, focusing on machinery manufacturing, electronics, and shipbuilding. On 1 July 2025, the regional integration of the Central hub took effect to streamline infrastructure and land allocation across the economic zone. Currently, the region focuses on machinery, electronics, and shipbuilding, and plans to expand into oil and gas logistics, advanced maritime industries, and other emerging sectors in the future to create new growth opportunities for foreign investment.



For Chinese investors planning to establish factories or trading companies in Vietnam for product assembly or further processing, with products mainly exported to the US or European markets, priority should be given to locations near mature manufacturing clusters and international ports to reduce logistics costs and improve supply chain efficiency. The specific location choice depends on the investor's industry and applicable incentive policies; the Northern region is suitable for projects close to the Chinese border, while the Southern and Central regions are ideal for export-oriented investments thanks to their access to international ports.



1. Popular FDI Destinations

Malaysia

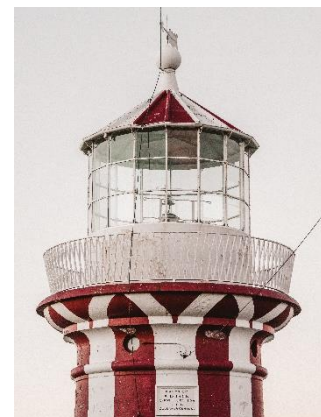
Malaysia is geographically divided into Peninsular Malaysia and East Malaysia, with Peninsular Malaysia as the core area for foreign direct investment. Peninsular Malaysia borders Thailand to the north and Singapore to the south, adjacent to the Malacca Strait, one of the world's most critical shipping lanes. The recently launched Maharani Project enables ship-to-ship transfers in deep seas, further enhancing Malaysia's shipping and logistics advantages and facilitating the import and export of goods for foreign-invested enterprises.



Key investment hotspots in Peninsular Malaysia are divided into five core areas, each with distinctive industrial positioning and competitive advantages.

Penang, the northernmost core city on Peninsular Malaysia close to Thailand, is known as the Silicon Valley of the East, generating about 5% of the global semiconductor industry revenue. It has a mature supply chain for integrated circuit (IC) design and semiconductor manufacturing, supported by well-connected sea and air transport, making it the preferred location for foreign investment in electronics and semiconductors.

The Central region, encompassing Kuala Lumpur (the national capital) and Selangor, is Malaysia's political, economic, and commercial center with a dynamic business environment. It attracts a large number of multinational companies to set up regional or even global headquarters. The region has a young population with a median age of about 30 and a stable democratic political environment, with no incidents affecting the investment climate. Malaysia has achieved record-high approved investment for four consecutive years, demonstrating strong investment appeal. Manufacturing activities are distributed across most parts of Malaysia, with specialized clusters in furniture, semiconductors, and other sectors, all connected to major ports.



Malaysia

The Southern region, centered on Johor, received the largest incremental foreign investment in 2024 and 2025, driven primarily by data center development, alongside manufacturing-related investments. Forest City in Johor, developed in collaboration with Country Garden, offers 0% corporate income tax for 20 years for single-family offices, with simple and clear eligibility criteria, making it a highly attractive option for foreign investors. Adjacent to Singapore, manufacturers in Johor can export products to Singapore via land routes and leverage Singapore's global supply chain network.



The Central and Southern regions are favorable choices for foreign investors. The Central region, as the capital core, is suitable for headquarters economy and high-end manufacturing projects, while the Southern region benefits from proximity to Singapore and tax incentives, accommodating data centers, manufacturing, single-family offices, and other investments. Both regions have superior shipping and export conditions to meet the logistics needs of foreign investors.

The East Coast region is home to the Malaysia-China Kuantan Industrial Logistic Park, a key project for bilateral economic and trade cooperation, and has a mature oil and gas sector. Geographically closer to China in terms of shipping routes, it is suitable for Chinese investors engaged in cross-border logistics and oil and gas-related industries.

East Malaysia includes Sabah and Sarawak in Borneo, neighboring Brunei, Indonesia, and the Philippines. Accessible by short boat trips, the region not only has a well-developed oil and gas industry but also hosts pioneering renewable energy projects in hydrogen and clean energy.

Significant investments have been made in electric vehicle (EV) batteries in the Central region, while semiconductor investments are concentrated in Penang. Malaysia's investment climate is mature and diversified, with investment distribution varying by industry.



1. Popular FDI Destinations

Indonesia

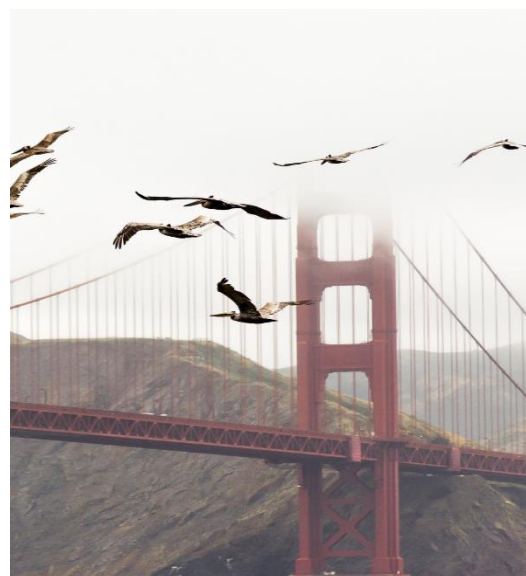
Indonesia is an archipelagic country consisting of approximately 17,000 islands, the most populous member of the Association of Southeast Asian Nations (ASEAN) with a population of 280 million, offering a vast domestic consumer market for foreign investors. Foreign direct investment in Indonesia is concentrated in Java, Sumatra, Sulawesi, Papua, and other major islands. The government has designated Special Economic Zones (SEZs) and Free Trade Zones (FTZs) as core carriers for foreign investment, each with differentiated preferential policies and industrial orientations.



Java Island is Indonesia's political and economic center, where Jakarta, the capital, is located. West Java features a well-developed industrial ecosystem with integrated supplier networks, road and rail access, making it the most popular destination for foreign investors, including numerous Chinese investors engaged in manufacturing and small-scale processing projects.

Central Sulawesi is rich in nickel, a critical raw material for EV batteries, attracting large-scale Chinese investment in nickel development and EV battery manufacturing.

North Maluku also has abundant nickel resources, and Java Island hosts a strong petrochemical industrial cluster.



Indonesia

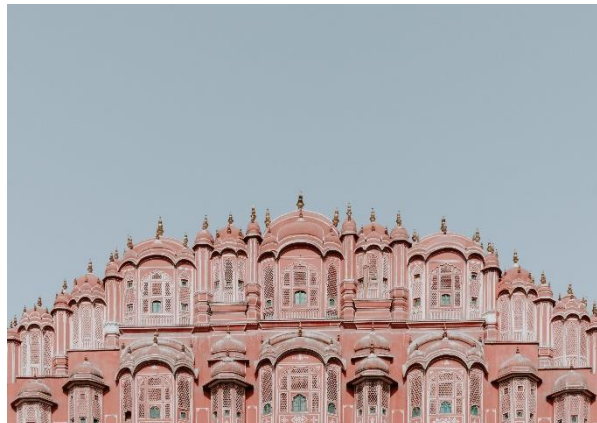


Indonesia's Free Trade Zones are mainly located near Singapore and Malaysia, with Batam Island FTZ only a 30-minute shipping distance from Singapore, ideal for assembly and manufacturing operations. These zones offer substantial tax incentives for indirect taxes related to import and export activities, enabling seamless cross-border cargo flows and significantly reducing trade costs for foreign investors.

Special Economic Zones cover tourism, manufacturing, resource development, and other sectors, with Bali as a well-known tourism-oriented SEZ. The core incentive of SEZs is a tax holiday, offering 0% corporate income tax for 5 to 10 years, extendable under certain conditions, supported by convenient import and export facilities to attract foreign investment.

The large domestic market is a major draw for foreign investors in Indonesia, who typically penetrate the market through local manufacturing, assembly, representative offices, or cooperation with local distributors.

In recent years, various Chinese EV brands have assembled vehicles locally, gaining popularity due to their cost advantage compared with Japanese and European models.



Vietnam

Vietnam has implemented four major customs policy adjustments affecting the operations of foreign-invested enterprises: on-the-spot legalization, origin accountability for “Made in Vietnam” labeling, stricter compliance scrutiny on substantial transformation, and green channel access.

The on-the-spot legalization regime, effective 1 July 2025, allows import and export transactions to occur within Vietnam without physical cross-border movement of goods, while still being treated as international trade for customs and tax purposes. This policy reduces logistics costs and time, simplifying supply chain operations for foreign-invested enterprises and domestic buyers. Eligible export transactions enjoy a 0% VAT rate, but enterprises must comply with full customs procedures, submit complete documentation, use correct commodity codes, and may claim import duty refunds if goods are further processed for final export. Access to this regime requires full supporting documents.



Origin accountability has been strengthened to address origin fraud, where foreign goods were mislabeled “Made in Vietnam” to evade tariffs or obtain preferential treatment. A new decree effective 23 January 2026, tightens control over the use of “Made in Vietnam” labels. Enterprises using this label bear full legal responsibility for origin declarations, must maintain detailed records of sourcing, manufacturing, and assembly, and are subject to random verification by authorities. Mislabeling or false origin claims result in full legal liability. Goods imported from China must be labeled “Made in China” unless they meet Vietnam’s origin requirements.

Vietnam customs has also intensified compliance scrutiny on substantial transformation to verify the authenticity of origin, while optimizing green channels to improve clearance efficiency for compliant enterprises.



Malaysia

Malaysia's customs policy adjustments focus on certificate of origin (COO) management, anti-dumping duties, and domestic tax regime reform.

Historically, Malaysia issued two types of COO: preferential COOs by the Ministry of International Trade and Industry (MITI) for lower tariff rates, and non-preferential COOs by chambers of commerce for regulatory purposes. Since May 2025, non-preferential COOs for exports to the United States must be issued by MITI, while chambers continue to issue such COOs for other destinations. This change enhances scrutiny to prevent transshipment or mere re-labeling to improperly claim benefits, without altering the origin criteria themselves.



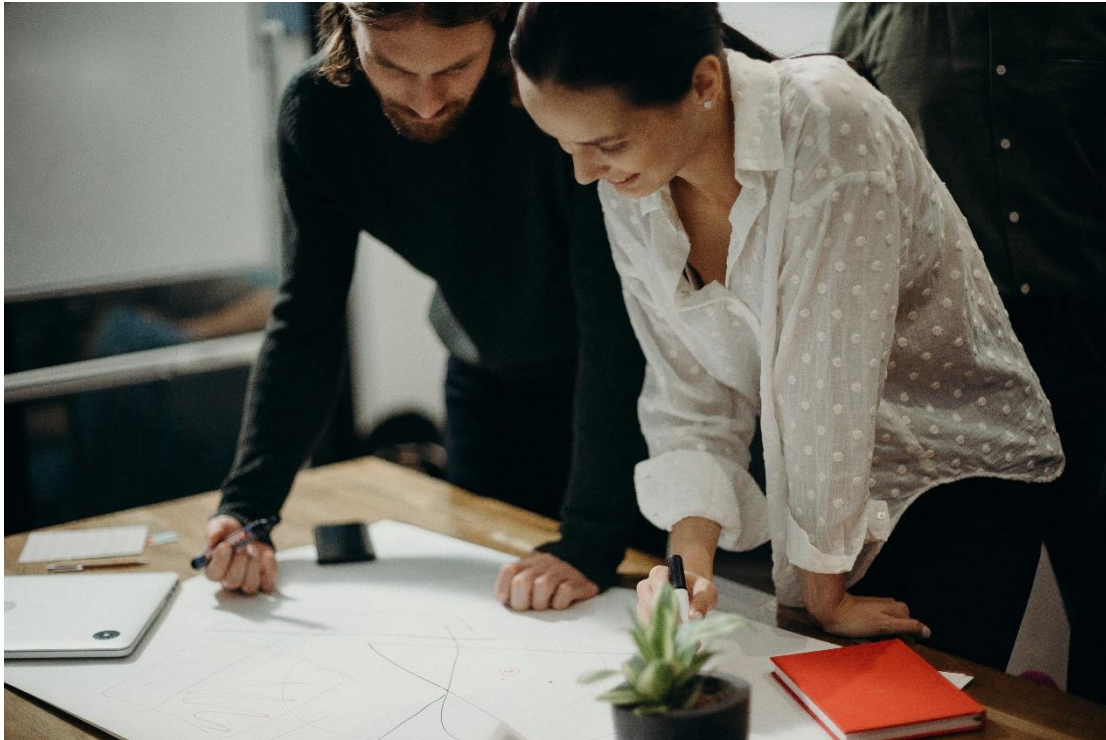
Malaysia's parliament has amended the anti-dumping duty law to protect domestic industries from dumping. As one of the first countries to sign a reciprocal trade agreement with the US, Malaysia maintains neutral and balanced trade relations with major economies including China, the Middle East, and India.

Malaysia has abolished the Goods and Services Tax (GST) and adopted a Sales and Service Tax (SST) regime, which differs significantly from GST in its application to capital equipment and data center investments. Enterprises in free zones are exempt from SST and import duties, while those outside free zones may apply for equivalent tax treatment if their export ratio reaches 80%.



Indonesia

Indonesia has tightened the requirements for Certificates of Origin (COOs) under free trade agreements with ASEAN, China, and the US. For Chinese goods exported to Indonesia, preferential tariff COOs are issued by designated authorities, with clear guidelines on substantial transformation criteria, including changes in HS codes, regional value content, domestic content, and specific processing requirements. Cross-agency coordination between customs, the Ministry of Trade, and chambers of commerce has been enhanced to ensure compliance with origin rules for FDI purposes.



There have been cases of COO non-compliance leading to disputes in tax courts, where importers may lose preferential tariff treatment. Most disputes are resolved in favor of importers with complete documentation, as customs assessments are often arbitrary.



Indonesia permits two categories of legal transshipment: goods remaining on board during transit through Indonesian waters, and goods unloaded into customs-controlled temporary storage facilities with prior notification. Anti-dumping and anti-subsidy measures are rarely applied due to stringent evidentiary requirements; when imposed, additional duties range from 2% to 10%.

3. FDI Environment and Network

Vietnam

Vietnam's FDI reached approximately 38 billion US dollars in 2025, stable compared to 2024, with manufacturing accounting for 56.5% of total FDI, remaining the backbone of Vietnam's export-oriented economy. The Vietnamese government is actively promoting industrial upgrading from a low-cost labor hub to a knowledge-based, high-value-added economy, exemplified by Nvidia shifting its focus from chip manufacturing to R&D and AI in Vietnam, supported by targeted tax incentives.



Vietnam has expanded its free trade agreement (FTA) network since the late 1980s, including the EU-Vietnam FTA (EVFTA) signed in 2018, which gradually eliminates bilateral tariffs to zero. Vietnam also maintains FTAs with China and other major trading partners. The country implements the Global Minimum Tax (GMT) at 15% for large enterprises such as Samsung and Intel to align with international tax standards.

Foreign investors face equity restrictions in certain controlled or restricted sectors, which may require joint ventures with Vietnamese partners, with local partners holding minority or majority stakes depending on the sector. Chinese investors must verify industry-specific foreign equity limits before investment.



3. FDI Environment and Network

Malaysia

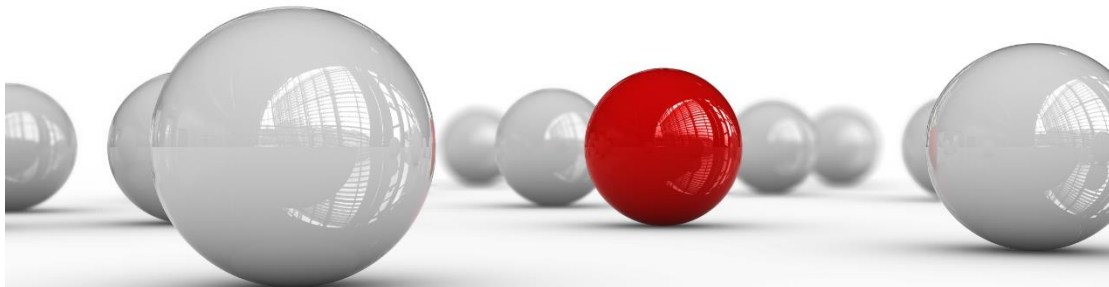
Malaysia has abolished general local equity requirements, retaining them only in specific sectors such as banking, logistics, wholesale and retail trade, and oil and gas. Most sectors, especially manufacturing, allow 100% foreign ownership. Unlike Vietnam, Malaysia does not have an FTA with the EU, but benefits from agreements including RCEP (Regional Comprehensive Economic Partnership). Enterprises with an 80% export ratio, whether inside or outside free zones, may apply for free zone-equivalent tax treatment, exempting them from import and sales taxes.



Malaysia's registered FDI reached 285 billion ringgit (approximately 72 billion US dollars) in 2025, a record high for the fourth consecutive year. Singapore is the top immediate investor, followed by China; China has been Malaysia's largest trading partner for 16 consecutive years as of 2024. The services sector, driven by data centers, accounts for a large share of investment, while manufacturing remains strong, led by electronics and semiconductors.

Malaysia implemented the GMT in January 2025 and introduced Strategic Investment Tax Credits compliant with OECD rules. Tax incentives are flexible and customizable, not limited to a fixed sector list. Malaysia aims for net-zero emissions by 2050 and plans to introduce carbon tax on iron, steel, and energy sectors by 2026 to align with the EU's CBAM (Carbon Border Adjustment Mechanism), though implementation may be delayed.

There is no withholding tax on dividend repatriation, and no foreign exchange controls, making profit remittance free. The difference between direct investment from China and via Singapore lies mainly in exit taxation: capital gains tax treatment may be more favorable through other jurisdictions due to the limited provisions in the Malaysia-Singapore Double Tax Agreement.



3. FDI Environment and Network

Indonesia

Indonesia attracted approximately 31.5 billion US dollars in FDI in 2025, creating 2.7 million jobs. The government prioritizes downstream processing of raw materials, banning exports of unprocessed gold, copper, nickel, and bauxite to force local processing, attracting large Chinese investment in nickel and EV battery production.

Most sectors are open to 100% foreign ownership, except for SMEs and certain protected sectors requiring joint ventures. Foreign-invested companies (PT PMA) must meet a minimum investment of 10 billion rupiah ($\approx 600,000$ US dollars) and minimum paid-up capital of 2.5 billion rupiah ($\approx 150,000$ US dollars). Indonesia has FTAs with ASEAN, Japan, Australia, and other partners.

The downstream policy, combined with tax incentives, has driven significant investment in mineral processing and electronic vehicle (EV) battery manufacturing, aligning with global new energy trends and attracting Chinese resource and new energy investors.

Vietnam

The standard Corporate Income Tax (CIT) rate in Vietnam is 20%, which has remained stable for several years. In May 2025, under Resolution 198/2025/QH15, Vietnam introduced new incentives for small and medium-sized enterprises (SMEs), including foreign-invested SMEs. Newly established SMEs are entitled to a full CIT exemption for up to three years, starting from the date of their Business Registration Certificate.

In addition, the Corporate Income Tax Law No. 67/2025/QH15, effective 1 October 2025, introduced preferential CIT rates for smaller enterprises based on revenue thresholds:

- 15% CIT rate for micro-enterprises with annual revenue below VND 3 billion.
- 17% CIT rate for SMEs with annual revenue between VND 3 billion and VND 50 billion.

These reduced rates are designed to encourage micro-suppliers and SMEs to integrate into domestic and global supply chains.

Beyond SME-specific incentives, Vietnam continues to offer preferential tax policies for projects in priority sectors (such as high technology, education, healthcare, and renewable energy) or in special economic zones. These incentives typically include a 4-year full exemption, followed by a 50% reduction for the next 9 years, and in some cases a preferential 10% CIT rate for up to 15 years.

Importantly, both foreign-invested and domestic enterprises are subject to the same CIT framework, ensuring equal treatment under Vietnamese tax law.

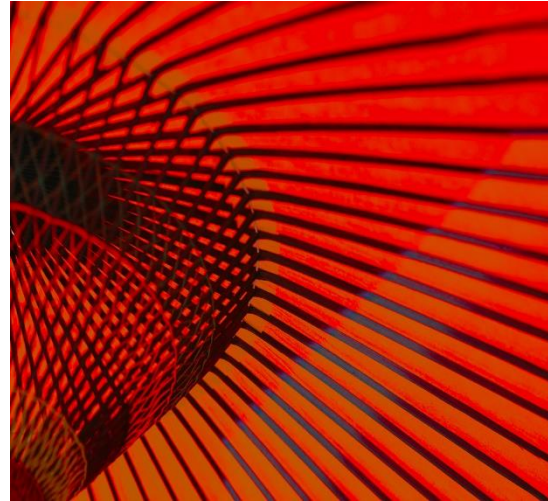
The standard VAT rate is 10%, reduced to 8% until 31 December 2026. Exports of goods and services are subject to 0% VAT with sufficient proof of non-consumption in Vietnam. FCWT (Foreign Contractor Withholding Tax) applies to services and rentals provided by foreign entities, at a typical combined rate of 5% VAT plus 5% CIT (total 10%), withheld by the Vietnamese service recipient.



Malaysia

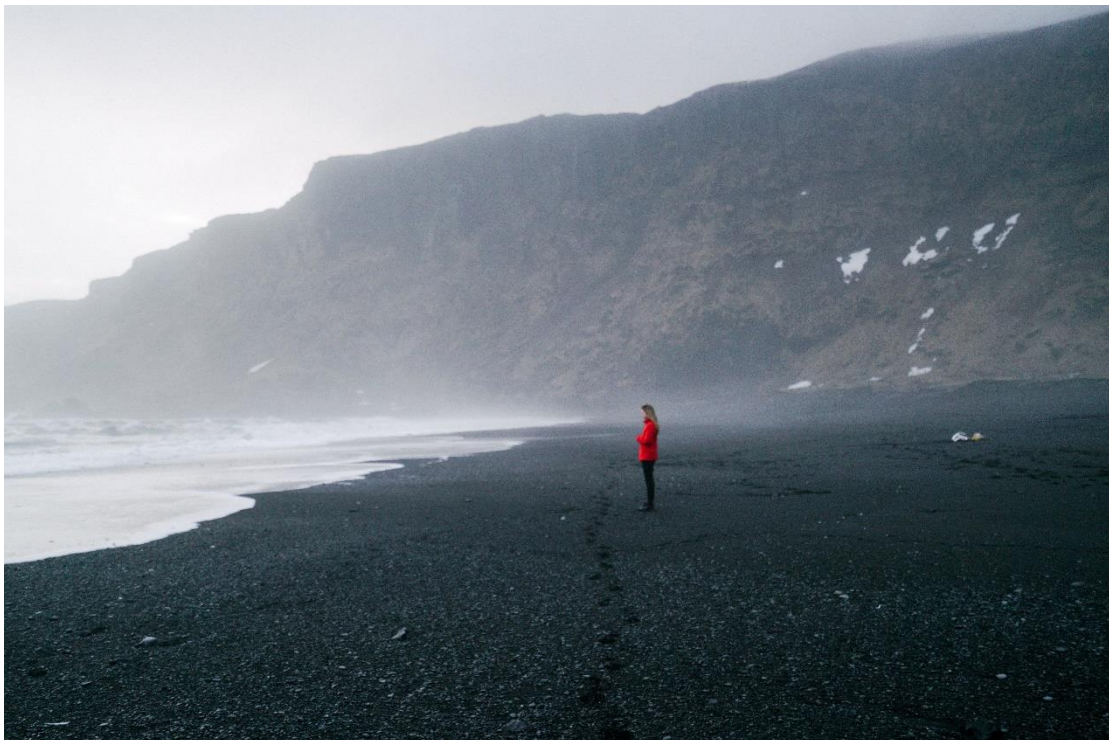
Malaysia's standard CIT rate is 24%, with 15% and 17% rates available only to domestic SMEs. Foreign investors may obtain preferential rates of 10%, 15%, 5%, or 0% via tax holidays based on technology, location, and investment value. Investment Tax Allowances (ITA) cover 70%–100% of qualifying capital expenditure, carry-forwardable without time limits.

Malaysia does not have a single long-term tax incentive policy, with the standard incentive period ranging from 10 to 15 years. However, enterprises may reapply for tax incentives by making additional investments in technology, expanding production and upgrading operations, etc., so as to achieve long-term continuation of the preferential policies. Under the investment tax allowance scheme, enterprises are permitted to deduct eligible capital expenditures from their taxable income at a rate of 70% to 100%. The unused amount of such allowance may be carried forward indefinitely until fully deducted. Some enterprises may achieve long-term zero-tax burden operations through this policy.



Withholding tax rates are 10% for services, royalties, and commissions, 15% for interest (reduced to 10% under tax treaties). The Labuan regime may exempt interest withholding tax. Chinese contractors performing on-site projects over 6 months are subject to 13% non-final withholding tax and must file tax returns in Malaysia.

Digital platforms with annual sales over 500,000 ringgit (≈ 1 million yuan) to Malaysian consumers must register and charge 10% sales tax; digital service providers exceeding the threshold are subject to 8% service tax. Non-registration may result in penalties and potential future access restrictions.



Indonesia

Indonesia's standard CIT rate is 22%, 19% for listed companies. Tax holidays are available for SEZ investments: 100% CIT exemption for 5–20 years for investments ≥ 500 billion rupiah (≈ 33 million US dollars), 50% exemption for 5 years for investments ≥ 100 billion rupiah (≈ 6 million US dollars). Investment Tax Credit offers 30% CIT deduction over 6 years for investments $\geq 150,000$ US dollars, plus accelerated depreciation and extended loss carryforward.

Withholding tax applies to dividends, interest, royalties, and services, a major source of tax disputes. Tax authorities reconcile financial statement expenses with withholding tax filings. The standard VAT rate is 11%, with 0% for exports. SEZs, bonded zones, and FTZs offer import duty and tax relief. Super deductions of 300% apply to R&D and 200% apply to Vocational training expenses.

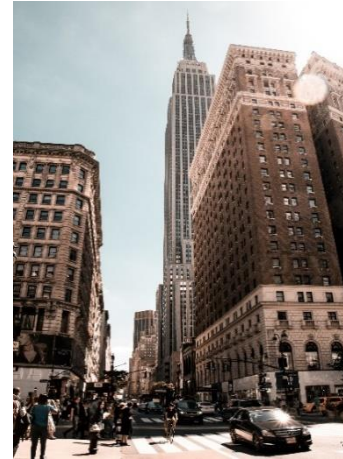
Tax audits are frequent, especially for VAT refunds, with disputes taking 3 – 4 years to resolve, often in favor of compliant taxpayers. Key compliance areas include expense-withholding tax reconciliation and revenue-VAT reconciliation.



Vietnam

Foreign investors in Vietnam require an Investment Registration Certificate (IRC) and Enterprise Registration Certificate (ERC). Under the 2026 Investment Law, enterprises may obtain ERC first before IRC, allowing early contract signing, employment, and capital injection, though the risks of failing to obtain IRC remain unclear. Investors must confirm industry openness to foreign ownership and secure necessary licenses.

A Direct Investment Capital Account (DICA) is mandatory for capital injection, ensuring fund traceability. Profit and capital repatriation are allowed after tax clearance, with proper documentation. Cross-border trade and service payments require supporting contracts and documents to avoid bank rejection.

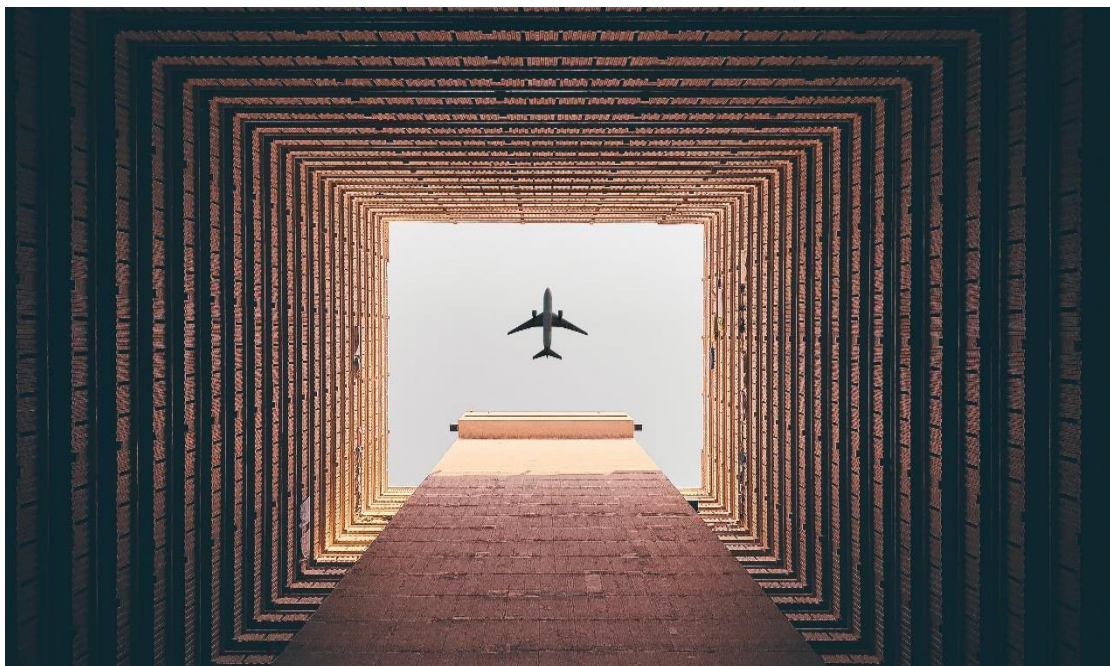


Malaysia

Malaysia's regulatory framework is liberal, allowing 100% foreign ownership in most sectors. There are no foreign exchange controls, and dividend repatriation is free of withholding tax. Export-oriented enterprises benefit from simplified customs and tax incentives. Digital tax registration is required for cross-border e-commerce and services above thresholds. Tax incentives are flexible and negotiable based on investment value and technology contribution.

Indonesia

Foreign investment in Indonesia is conducted through PT PMA, with minimum paid-up capital of 150,000 US dollars. There are no foreign exchange controls; enterprises may hold foreign currency accounts with Bank Indonesia reporting. Export proceeds must be repatriated but may be freely re-exported with documentation. Cross-border service and royalty payments are subject to withholding tax and creditable reverse VAT, with transfer pricing compliance required.



China

WTS China, a Chinese member firm of WTS Global based in Shanghai, provides a comprehensive range of finance and tax services to multinational and Chinese enterprises. Operating with a "local roots, global reach" philosophy, WTS China leverages its international network spanning over 100 countries to deliver pragmatic and efficient cross-border solutions via a team of experienced professionals led by a senior former Big Four partner.

Vietnam

WTS-affiliated firm in Vietnam (called RBA WTS Tax), a partner of WTS China, provides comprehensive support for Chinese investors, including tax advisory, licensing, legal services, transfer pricing, and M&A tax services. The team has Mandarin-speaking staff, with main offices in Ho Chi Minh City and a branch in Hanoi, covering all investment hubs in Vietnam.

Malaysia

WTS-affiliated firm in Malaysia (called Tratax) offers full tax services, including direct/indirect tax, investment incentives, and licensing. The firm has Mandarin-speaking professionals, based in Kuala Lumpur, serving clients nationwide including Penang, Sabah, and Sarawak. It is ranked top 11 for M&A tax and top 7 for indirect tax in Malaysia, advising Fortune 500 companies and large-scale transactions.

Indonesia

WTS Indonesia provides end-to-end FDI support: tax advisory, structure design, repatriation strategy, tax incentive application, company registration, business licensing via the OSS system, and tax dispute resolution. The firm collaborates with local legal partners and has a strong track record in assisting multinational clients with tax controversies and compliance.



C O N T A C T S

China

WTS China

Ened Du

Partner

ened.du@wts.cn



Vietnam

RBA WTS Vietnam

Julien Tran

Managing Partner

j.tran@rba-asia.com



Malaysia

TraTrax

Thenesh Kannaa

Executive Director

thenesh@tratax.my



Indonesia

WTS Indonesia

Tomy Harsono

Partner

tomy.harsono@wtsindonesia.com

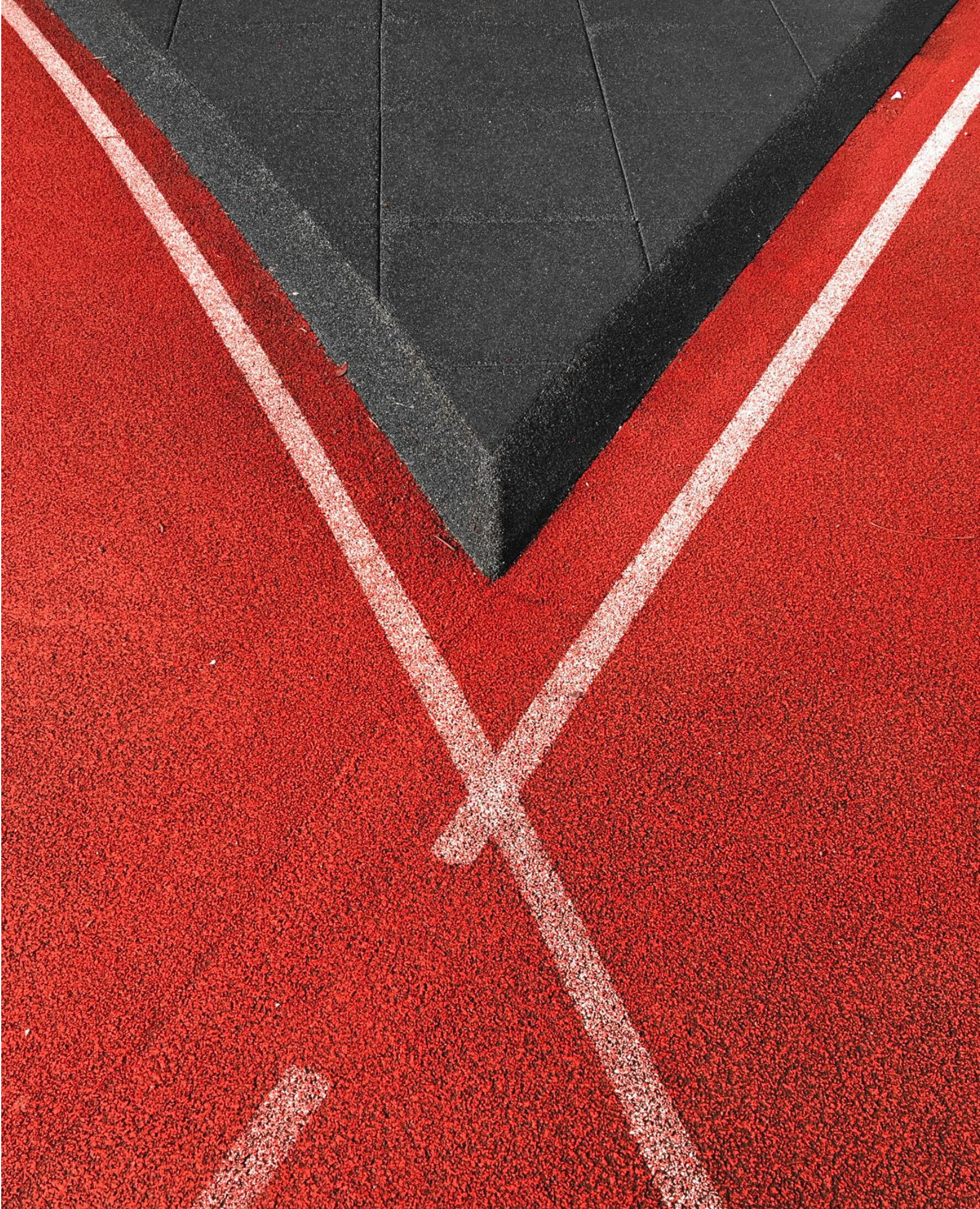


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WTS China

Unit 06-07, 20th Floor, Building 1, Shengbang International Tower,
No.1318 North Sichuan Road, Hongkou District, Shanghai, China 200080

M: 021-5047 8665

E: info@wts.cn

W: www.wts.cn

