



GUIDE TO DOING BUSINESS IN VIETNAM



DN LEGAL

CONTENTS

1.	Introduction	1
2.	Foreign Investment in Vietnam	9
3.	Setting Up a Business in Vietnam	22
4.	Corporate Governance and Compliance	33
5.	Financing of Projects.....	42
6.	Taxation and Financial Reporting	46
7.	Competition Law and Regulations.....	52
8.	Contract Law and Management	56
9.	Employment	61
10.	Real Estate	66
11.	Dispute Resolution	76



Introduction

1. Introduction

1.1 Purpose of This Guide

This Guide by DN Legal is designed to support businesses in navigating Vietnam's legal and regulatory landscape in 2025. Building on the context of Vietnam's dynamic economy, evolving legal system, and recent reforms outlined below, the Guide offers a practical and structured overview for foreign investors, entrepreneurs, and professionals seeking to operate with confidence in the Vietnamese market.

It will help readers to:

- Understand the most relevant laws and recent changes in areas such as investment, company formation, tax, employment, real estate, contracts, and dispute resolution. Where applicable, we note how Vietnamese practice may differ from international norms.
- Follow the regulatory steps across the business lifecycle, from initial market entry and entity setup to operational compliance, sector-specific issues, and eventual exit or restructuring. The Guide mirrors real business progression, making it easy to locate information by stage.
- Apply the insights to real-world planning and decision-making. This includes identifying permits, understanding timelines, anticipating regulatory costs, recognising ownership restrictions, and designing governance structures that align with local rules.

While this Guide is not a substitute for legal advice, it serves as a valuable starting point. With a clearer understanding of Vietnam's legal framework, businesses can reduce risk, make informed decisions, and approach the market with greater clarity and strategic foresight.

1.2 Overview of Vietnam's Business Environment

Vietnam in 2025 stands out as a dynamic and rapidly evolving economy. Over the past decade, the country has sustained strong GDP expansion, driven by export-led manufacturing, a youthful and increasingly skilled workforce, and rising foreign direct investment. Political stability under its single-party socialist republic provides a predictable policy environment, with the Communist Party of Vietnam (**CPV**) guiding national development through a pragmatic blend of socialist principles and market reforms. Meanwhile, Vietnam's civil law-based legal system continues to evolve, gradually aligning with international standards through trade agreements and treaty commitments.

Recent reforms reflect Vietnam's commitment to modernising governance and deepening global integration. In 2025, several ministries were consolidated to streamline policy-making and prioritise sustainability, while the CPV's Central Committee and other state bodies were significantly downsized to improve efficiency and reduce bureaucracy.

A major milestone came with Resolution No. 68, issued in May 2025, which positions the private sector as a central engine of economic growth. The resolution promotes entrepreneurship, simplifies regulatory procedures, and clarifies corporate

liability. Together with ongoing legal reforms and Vietnam's expanding network of trade agreements, this marks a strategic shift toward the country's 2045 ambition of attaining high-income status.

With a population nearing 100 million, a strategic location in Southeast Asia, and access to key global markets, Vietnam offers significant opportunities for businesses. However, navigating its complex and evolving regulatory environment remains essential. Legal modernisation is at the heart of Vietnam's development strategy, and understanding the country's legal and business framework is critical to long-term success.

1.3 Overview of Vietnam's Legal system

Vietnam's legal framework is founded on the 2013 Constitution as amended on 1 July 2025, and it operates under the unified leadership of the CPV. The CPV's guiding role shapes all branches of government (legislative, executive and judiciary) and ensures that legal instruments align with national objectives.

The interplay between governmental bodies and legal instruments creates a coherent yet evolving regulatory environment. While the National Assembly enacts core laws, the Government and ministries issue subordinate regulations to operationalise these provisions.

Simultaneously, provincial and local authorities adapt national policies to grassroots conditions. Navigating this layered system equips businesses with clarity on who holds decision-making authority and which legal texts govern specific commercial activities.

1.3.1 CPV Leadership

The Constitution recognises the CPV as the "leading force" of state and society. CPV Congresses set strategic directions, while the Politburo and Central Committee translate those decisions into policy. All senior appointments in the legislature, executive and judiciary are subject to CPV's endorsement, ensuring uniformity across institutions.

1.3.2 Legislative Branch

The National Assembly is Vietnam's highest representative body, comprising 500 deputies elected for five-year terms. It enacts and amends the Constitution and laws, approves socio-economic plans and budgets, and ratifies international treaties. The Standing Committee of the Assembly exercises legislative functions between sessions, issuing ordinances and resolutions to clarify or supplement existing laws.

1.3.3 Executive Branch

The executive power is vested in the President and the Government, led by the Prime Minister.

- President: Serves as head of state, commander-in-chief of the armed forces and chief diplomatic representative.

- Prime Minister: Heads the Government, supervises ministries, issues Prime Ministerial decisions and directs provincial People's Committees.
- Ministries and ministerial agencies: Implement national policies, regulate specific sectors and issue technical guidelines through circulars and decisions.

1.3.4 Judicial Branch

Judicial authority is exercised through the People's Courts and People's Procuracies.

- People's Courts handle civil, criminal, and administrative cases across three tiers: Regional People's Courts, Provincial People's Courts, and the Supreme People's Court (which serves as Vietnam's highest judicial body). These courts ensure the resolution of legal disputes and uphold the rule of law.
- People's Procuracies oversee prosecutorial functions and supervise the legality of judicial processes, including investigations, trials, and enforcement. They play a vital role in maintaining legal compliance and accountability within the justice system.

Judges and procurators are appointed or removed by the National Assembly, subject to approval by the CPV, reinforcing centralised coordination and political oversight of the judiciary.

1.3.5 Local Administration: Two-Tier Model

Since 1 July 2025, Vietnam operates a two-tier subnational system, eliminating district-level governance to streamline administration. This reform reduces overlapping procedures and accelerates policy implementation at provincial and commune levels.

Tier	Administrative Level	Number of Units	Key Responsibilities
Central	General Secretary President National Assembly (headed Chairman of National Assembly) Government (headed by Prime Minister)	–	Formulate national laws, foreign affairs, defence, macro policy
Provincial/ City	28 Provinces 6 centrally-governed cities	34	Enforce national laws; issue local regulations; economic planning
Commune	Communes, wards and special zones	3,321	Civil registration; land allocation; grassroots public services

1.3.6 Hierarchy of Legal Instruments

Vietnam's legal system features a hierarchy of normative documents, each with defined authority and scope. In case of conflict, the higher-level instrument prevails over lower-level ones.

Legal Instrument	Issuing Authority	Function
Constitution	National Assembly	Establishes state structure, CPV leadership and fundamental rights
Codes and Laws (collectively Laws)	National Assembly	Provide core legal framework for economy, civil affairs, criminal justice, labour and administration
Ordinances & Standing Committee Resolutions	Standing Committee of the National Assembly	Clarify or supplement laws between Assembly sessions
Government Decrees & Resolutions	Government	Detail implementation procedures, assign agency duties and set enforcement mechanisms
Prime Ministerial Decisions & Directives	Prime Minister	Issue sector-wide policy instructions and urgent measures
Ministerial Circulars & Decisions	Ministries & ministerial agencies	Provide technical guidelines and procedural clarifications for specific sectors
Provincial/Municipal Regulations	People's Councils of provinces/cities	Regulate local land use, licensing fees, environmental permits and economic incentives
Official Letters & Dispatches	Ministries, agencies, People's Committees	Offer non-normative but binding clarifications on legal interpretation and case-by-case directives

1.4 Abbreviations and Defined Terms

For the reader's ease of reference, the following table provides a list of abbreviations and key terms used throughout this Guide. Understanding these definitions is essential for interpreting the legal and commercial concepts discussed in the subsequent chapters.

Abbreviation/Term	Definition
BCC	Business Cooperation Contracts; contractual arrangements for project cooperation without creating a new legal entity
BOD	Board of Directors

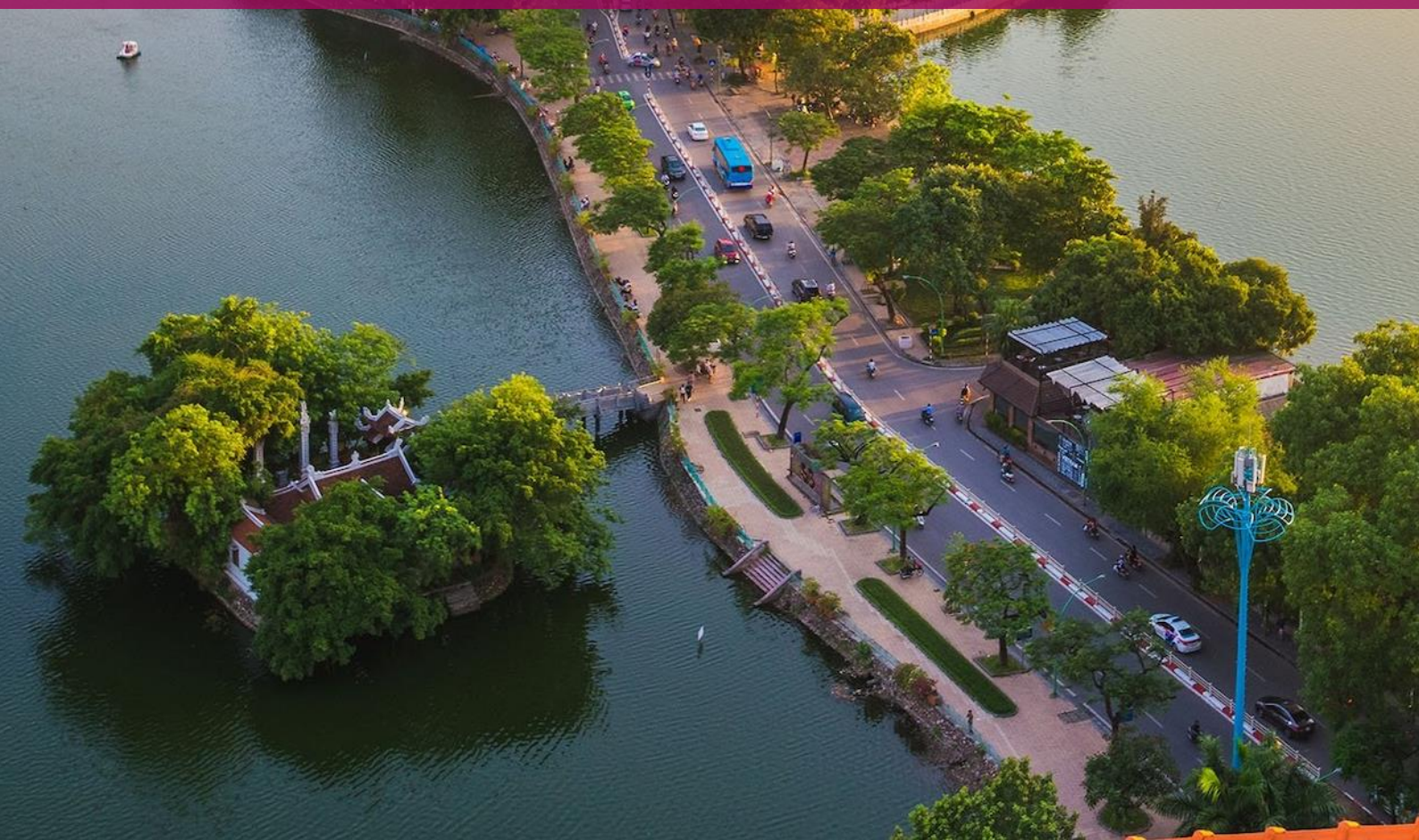
Abbreviation/Term	Definition
BOO	Build-Own-Operate; a type of Public Private Partnership model
BOT	Build-Operate-Transfer; a type of Public Private Partnership model
BTO	Build-Transfer-Operate; a type of Public Private Partnership model
CIT	Corporate Income Tax
CPV	Communist Party of Vietnam
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
DAE	Department of Agriculture and Environment
DOHA	Department of Home Affairs
DOIT	Department of Industry and Trade
DOF	Department of Finance
DTA	Double Tax Agreement
EIA	Environmental Impact Assessment
ENT	Economic Needs Test; a test that may be required for opening multiple retail outlets
EPC	Engineering, Procurement and Construction
EPZ	Export Processing Zones; areas focused on producing goods for export
ERC	Enterprise Registration Certificate
ESOP	Employee Stock Ownership Plan
EVFTA	EU-Vietnam Free Trade Agreement
EZ	Economic Zones; large areas designated for multi-sectoral development
FCT	Foreign Contractor Tax; a framework for applying VAT and CIT to foreign entities without a permanent establishment in Vietnam
FIE	Foreign-Invested Enterprise
FX	Foreign Exchange

Abbreviation/Term	Definition
GMS	General Meeting of Shareholders; the highest authority in a JSC
HI	Health Insurance
HKIAC	Hong Kong International Arbitration Centre
ICC	International Chamber of Commerce
IFRS	International Financial Reporting Standards
IP	Industrial Parks; areas dedicated to industrial production
IPP	Independent Power Projects
IRC	Investment Registration Certificate
IZ	Industrial Zone
JSC	Joint Stock Company; an enterprise whose charter capital is divided into shares
LLC	Limited Liability Company; a legal entity where owners' liability is limited to their capital contribution
LUR	Land Use Right; the right to occupy and use land for a specific purpose
LURC	Land Use Rights Certificate; document evidencing land use rights
MAE	Ministry of Agriculture and Environment
MOF	Ministry of Finance
MOH	Ministry of Health
PIT	Personal Income Tax
PPA	Power Purchase Agreement
PPP	Public Private Partnership
R&D	Research and Development
RCEP	Regional Comprehensive Economic Partnership
RO	Representative Office; a limited form of foreign presence for liaison and market research
SBV	State Bank of Vietnam
SI	Social Insurance

Abbreviation/Term	Definition
SIAC	Singapore International Arbitration Centre
SPV	Special Purpose Vehicle
SSC	State Securities Commission
UI	Unemployment Insurance
USD	United States Dollar
VAS	Vietnamese Accounting Standards
VAT	Value-Added Tax
VCC	Vietnam's National Competition Commission
VIAC	Vietnam International Arbitration Centre
VMC	Vietnam Mediation Centre
VND	Vietnamese Dong
WTO	World Trade Organization



Foreign Investment in Vietnam



2. Foreign Investment in Vietnam

2.1 Foreign Ownership Limits and Market Access Framework

Vietnam permits up to 100% foreign ownership in most sectors, although notable restrictions apply in sensitive areas. The Investment Law 2020 (amended in 2025), together with Vietnam's commitments under the World Trade Organization (**WTO**), guarantees national treatment. This means foreign investors can operate under the same conditions as domestic ones, except in restricted industries.

Vietnam adopts a "Negative List" approach to foreign investment. This list explicitly identifies sectors where foreign ownership is either prohibited or subject to limitations. For all other sectors not included on the list, foreign investors are generally free to own and operate businesses without restriction. This structure provides clarity and predictability for those assessing market access.

2.1.1 Prohibited Sectors

Certain industries are entirely closed to foreign investors, primarily for reasons of national security, public order or cultural sensitivity. These include state monopoly services such as specific publishing and media activities, military and security services, narcotics-related operations, wildlife hunting and the mining of rare minerals. As of 2023, 25 sectors were fully prohibited. These exclusions reflect Vietnam's intent to safeguard sovereignty and public welfare, and foreign investors are barred from any participation in these areas.

2.1.2 Conditional Sectors

In sectors deemed "conditional", foreign investment is permitted but subject to ownership caps, joint venture requirements or other regulatory conditions. These vary by industry:

- **Telecommunications:** Infrastructure-based services are capped at 49% foreign ownership, while non-infrastructure services may allow up to 65%, in line with WTO commitments.
- **Banking and Finance:** A single foreign investor may own up to 20% of a local bank's charter capital, with total foreign ownership capped at 30%. In exceptional cases, such as the restructuring of underperforming banks, the Prime Minister may approve higher limits.
- **Aviation:** Foreign ownership in Vietnamese airlines is limited to 34%, reflecting strategic national interests.
- **Broadcasting and Press:** Foreign investment is either prohibited or permitted only through joint ventures with state entities, due to the sector's role in shaping public discourse.
- **Retail and Distribution:** While 100% foreign-owned retail companies are allowed, opening multiple outlets may trigger an Economic Needs Test (**ENT**), unless the outlets are under 500m² and located in approved zones. Additionally, foreign investors are prohibited from distributing certain products, such as pharmaceuticals and explosives, but may be approved for the distribution of

crude oil, rice, sugar, recorded visual materials, books, newspapers, and magazines if they meet certain requirements.

- **Logistics, Freight Forwarding and Advertising:** These sectors have historically required joint ventures with Vietnamese partners. Although many restrictions have eased, nuanced conditions may still apply.

2.1.3 Unrestricted Sectors

In sectors not listed as prohibited or conditional, foreign investors are generally free to own up to 100% of a company's equity. This includes a wide range of industries such as manufacturing, information technology, education with specific conditions for universities and trading subject to licensing. Over time, Vietnam has shifted many sectors from restricted to open status, signalling a clear trend towards liberalisation and a welcoming stance on foreign capital.

2.1.4 Public Companies and Stock Market Rules

Foreign ownership in listed companies is governed by securities law and sector-specific regulations. If a company operates in a restricted sector, the applicable cap applies to its shares. Otherwise, many public companies allow up to 100% foreign ownership. Since 2015, Vietnam has removed the blanket 49% cap on foreign ownership in listed firms, except where specific limits are legislated. Where no cap is defined, a default limit of 49 to 50% applies. Banks remain subject to a 30% aggregate cap. These rules are codified in Decree 155/2020 and related regulations, providing a structured framework for foreign participation in Vietnam's capital markets.

2.1.5 Influence of International Treaties

Vietnam's commitments under trade agreements such as the CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership), EVFTA (EU-Vietnam Free Trade Agreement), RCEP (Regional Comprehensive Economic Partnership) and various bilateral treaties have shaped its foreign investment regime. These agreements often require Vietnam to liberalise access in selected service sectors. Where protective measures are permitted, they are incorporated into domestic law. As a result, foreign investors must consider both Vietnamese legislation and treaty obligations when evaluating investment opportunities. The interplay between international commitments and national regulations ensures gradual but steady progress towards greater openness.

2.2 Practical Investment Considerations

Foreign investors in Vietnam must consider both the Investment Law and sector-specific regulations when establishing a new company or acquiring shares. The licensing authority evaluates the proposed business activity to determine eligibility. Investment is prohibited in certain sectors, permitted with conditions such as ownership caps or joint venture requirements in others, and allowed up to 100% ownership in unrestricted sectors. For instance, foreign ownership in media is banned, while consulting services are fully open.

Some industries, including banking and real estate, are governed by separate laws that impose additional requirements. These may include minimum capital thresholds

or mandates for Vietnamese majority ownership. Commercial banks, for example, must maintain at least 51% domestic ownership, consistent with the 30% foreign cap. Investors must assess both general and sector-specific rules to ensure compliance.

2.3 Investment Structure, Duration of Project, Mandatory Capital Requirements, and Securing Land

When considering investment in Vietnam, foreign investors must factor in the available investment structures, the typical duration for projects, mandatory capital requirements, and the unique system for securing land.

2.3.1 Investment Structures

Foreign investors have several options for establishing a business presence in Vietnam. The most common forms of investment include establishing a new enterprise (either wholly owned or as a joint venture), acquiring an existing enterprise, setting up a branch or representative office, or entering into contractual arrangements like Business Cooperation Contracts (**BCCs**) or Public Private Partnerships (**PPPs**). Each structure has specific implications for direct presence, liability, and operational scope.

- **Establishing a New Enterprise:** Foreign investors desiring a direct presence without inheriting an existing business can set up a new enterprise, which can be a wholly owned subsidiary or a joint venture with foreign or Vietnamese partners. This involves registering an ‘investment project’ and then establishing an enterprise to implement it.
- **Acquiring an Existing Enterprise:** Investors can also enter Vietnam by acquiring all or part of an existing enterprise. This route often requires external regulatory approvals, with specific requirements depending on the target entity’s sector, legal form (limited liability company or joint-stock company), the foreign ownership ratio following acquisition, and whether the company holds land in sensitive areas. For example, acquiring 51% or more of an unlisted company, any stake in an unlisted company operating in a ‘*conditional*’ sector, or a stake in a company holding land located on islands, in border communes/wards/townships, coastal communes/wards/townships, or other areas affecting national defence and security, typically requires approval from the local Department of Finance (**DOF**).
- **Opening Branches and Representative Offices:** As alternatives to establishing or acquiring an enterprise, Vietnam’s Law on Commerce permits certain foreign business entities to establish a branch or a representative office. Both require licenses from relevant authorities.
 - A branch can be established only in specific WTO committed sectors, such as banking, insurance, securities, and legal services.
 - A representative office can be set up by any foreign business entity aiming to explore and facilitate commercial opportunities in Vietnam through market research, marketing, liaising with authorities, and overseeing contract implementation, without engaging in direct profit-making activities.

- **Contractual Arrangements:** Businesses may use contractual arrangements like BCCs, which are contractual relationships akin to partnerships that do not create a new legal entity but are licensed for specific projects. Historically common in sectors like oil and gas or telecommunications, BCCs involve parties cooperating on a project and sharing profits without forming a separate legal entity.
- **Public Private Partnerships (PPPs):** These are investment forms conducted through time limited cooperation between the State and private investors via a PPP project contract, primarily for infrastructure projects or public services.

For a detailed comparison of these main investment structures, please refer to Section 3.1 (Types of Business Entities).

2.3.2 Duration of Project

The duration of an investment project in Vietnam is a crucial factor that needs to be determined and stipulated in the Investment Registration Certificate (**IRC**) for foreign invested enterprises. Generally, foreign invested projects are granted for a term of 50 years. In specific circumstances, such as large-scale projects, projects located in areas with difficult socio-economic conditions, projects in high-tech zones, high-tech industrial parks, or digital technology infrastructure, as well as projects entitled to special investment incentives and support, the term may be extended to 70 years (including the original term). While special cases proposing up to 99-year land leases were previously considered for special administrative economic zones, they have not been generally implemented.

When the approved term expires, the State may repossess the land, providing compensation for any remaining assets as per current law. Alternatively, the investor may apply for an extension. Such extensions must not result in the project term exceeding the statutory maximum (i.e., 50 years, or 70 years in certain cases as noted above). Extensions are typically granted if the land is still to be used for the same or a similar purpose, and the investor has complied with the law. For foreign individuals who own residential property on a 50-year term, an extension is generally expected to be granted unless special circumstances apply.

PPP project contracts also have specific terms that define the duration of the cooperation between the State and the private investor for the project's implementation, management, and operation.

2.3.3 Mandatory Capital Requirements

Vietnam does not impose a universal minimum charter capital requirement for all types of businesses. However, certain regulated sectors mandate specific minimum legal capital amounts. For instance:

- The **real estate business** sector *historically* required a minimum equity capital of VND 20 billion.
- The **finance and banking** sector has substantial capital requirements. To establish a securities brokerage firm, a minimum capital of VND 50 billion is required by law. For a commercial bank, the minimum charter capital is currently VND 3,000 billion.

- The **education** sector imposes specific capital thresholds. Regulatory investment requirements for private education in Vietnam vary significantly by level and capacity. For kindergartens, the minimum is VND 30 million per student. Establishing a general education institution (from primary to high school) requires at least VND 50 billion, while universities must meet a threshold of VND 1,000 billion. Notably, these figures exclude land use costs.
- The **transportation** sector imposes significant capital requirements. For example, a company conducting aviation business must have minimum charter capital ranging from VND 100 billion to VND 700 billion, depending on fleet size.
- The **healthcare** sector generally permits foreign service providers to establish 100% foreign-owned hospitals, joint ventures with Vietnamese partners, or enter into business cooperation contracts. Minimum investment capital is USD 20 million for a hospital, USD 2 million for a polyclinic, and USD 200,000 for a specialised clinic. These thresholds do not apply to investors from countries that are members of the ASEAN Framework Agreement on Services (AFAS) or the EU-Vietnam Free Trade Agreement (EVFTA).
- The **insurance** sector imposes substantial minimum charter capital requirements, depending on the type of business. Life insurers require between VND 750 billion and VND 1,300 billion; non-life and health insurers between VND 400 billion and VND 500 billion. Reinsurers must have between VND 500 billion and VND 1,400 billion, depending on the scope of business (life, non-life, health).
- The **labour and vocational education** sector imposes both deposit and statutory capital requirements. Labour outsourcing companies must place a deposit of VND 2 billion, while employment service providers require a deposit of VND 300 million. For vocational education institutions, investment capital must come from lawful sources and exclude the value of land use rights. Minimum thresholds are VND 5 billion for vocational training centres, VND 50 billion for intermediate schools, and VND 100 billion for colleges.
- The **post and telecommunication** sector imposes minimum capital and network investment commitments, depending on the scope of operation and use of radio frequency spectrum. For networks without spectrum, charter capital ranges from VND 5 billion to VND 100 billion, with investment commitments of VND 15 billion to VND 300 billion over the first three years, depending on whether the network is provincial, regional, or nationwide. For networks using spectrum, charter capital ranges from VND 100 billion to VND 300 billion, with investment commitments of VND 300 billion to VND 1,000 billion over three years.
- For foreign invested enterprises, the IRC will stipulate both the charter capital (equity contributed by investors) and the overall 'investment capital' of the project. The difference between these amounts is referred to as 'loan capital,' representing the amount the entity is permitted to borrow via medium and long-term loans. While there is no official thin capitalisation rule in general cases, authorities often apply a 70:30 debt to equity ratio when approving projects, though this may vary depending on the sector.
- For most companies, the charter capital must be fully contributed within 90 days from the date of issuance of the Enterprise Registration Certificate (**ERC**). Failure

to meet this deadline may lead to required adjustments to the registered charter capital and potential administrative fines.

2.3.4 How to Secure Land for the Project

A fundamental principle of Vietnam's Constitution and Land Law is that all land is collectively the property of the people of Vietnam and managed by the State. Therefore, no individual or entity, whether Vietnamese or foreign, is permitted to 'own' land in terms of holding indefeasible title. Instead, land users can gain access to land through land use rights.

- **Land Use Rights (LURs):** These rights permit individuals, households, organisations, or enterprises to occupy and use land for a specific purpose. LURs are documented by a Land Use Rights Certificate (**LURC**), often referred to as the "Red Book". The LURC specifies the holder of the rights, the area, location, purpose (e.g., residential, commercial, agricultural), and duration of the rights. Holding LURs generally allows for the sale, transfer, lease, mortgage, or inheritance of these rights, subject to specific conditions.
- **Foreign Investor Land Rights:** Foreign investors cannot directly own land. Instead, they may, via a subsidiary established in Vietnam, lease or receive land allocation depending on the intended purpose, typically for a term of 50 or 70 years. When a foreign invested enterprise (**FIE**) leases land from the State or receive land allocation, it receives an LURC in the company's name for the specified term, effectively gaining control over the land to build, use, transfer, or mortgage the leasehold interest within the approved project scope and with authorities' consent (as the case may be). An FIE must meet specific conditions for foreign investors according to the Law on Investment to implement projects using land.
- **Land Allocation versus Lease:** Domestic entities (Vietnamese companies or citizens) can obtain land through allocation (for residential or long-term stable use, often with an upfront land use fee) or lease (typically for businesses, with annual or one-time lump sum rent). For projects falling under a specific list, the State is responsible for land clearance (compensation, relocation) and will allocate or lease 'clean land' to investors. Investors may advance compensation funds, which can be offset against land rent or land use fees.
- **Land Classification and Use Purpose:** Each land parcel is assigned a specific use purpose (e.g., agricultural, residential, commercial, industrial). This purpose dictates land rental fees or taxes and the permitted activities on the land. Changing the land use purpose requires State permission and often an additional land use fee. If land is left idle for too long, the State can impose a surcharge or even recover the land.
- **Mortgage and Capital Contribution:** LURs can serve as capital contributions to joint ventures, particularly in real estate JVs. They can also be mortgaged to banks as security for loans. While foreign lenders cannot directly take security over real property, they can mortgage their land lease rights to eligible credit institutions in Vietnam. The enforcement of such security by foreign lenders can be challenging in practice, often relying on the cooperation from the securing party or resorting to dispute resolution.

- **Compulsory Land Acquisition:** The State retains the power to recover land (eminent domain) for national defence, security, or economic development projects of national importance. If an investor's land is affected by such recovery, they should be compensated based on land prices determined by the competent authority and the remaining value of investments. Land compensation processes can be complex, and foreign businesses often rely on the State or local partners to clear and hand over land free of occupants.

2.4 Special Economic Zones and Incentives

Vietnam has established numerous special zones and incentive schemes to attract investment, offering tax breaks, land privileges, and streamlined administration in specific geographic areas or for certain projects. While Vietnam does not have “free economic zones” in the same way as some other countries, it features various designated zones that are designed to stimulate development by clustering industries and providing investors with benefits.

Key types of zones and their associated incentives include:

2.4.1 Industrial Parks (IPs) and Export Processing Zones (EPZs)

- Industrial Parks are areas dedicated to industrial production, while Export Processing Zones are a subset focused on producing goods for export.
- Enterprises within IPs and EPZs often benefit from ready infrastructure (e.g., factories, utilities) and one stop administrative services.
- Incentives typically include simplified import and export procedures. Businesses operating in EPZs benefit from customs-free import of raw materials and are exempt from export duties. In addition, companies that meet certain conditions (such as producing goods primarily for export or operating in encouraged sectors) may qualify for corporate income tax incentives. Vietnam has more than 250 industrial parks across the country, which have served as major hubs for foreign direct investment in manufacturing, especially in sectors such as electronics and garments.

2.4.2 Economic Zones (EZs)

- Vietnam has approximately 18 coastal Economic Zones and several border gate economic zones. These are large areas, often encompassing a city or provincial region, designated for multi sectoral development, including industry, tourism, and services.
- Investors in an EZ typically receive preferential tax rates, tax holidays, and reduced land rental fees. For example, many EZs offer a CIT rate of 10% for the first 15 years (compared to the standard 20%), along with an exemption from CIT for the first 4 years of profitability and a 50% CIT reduction for the subsequent 9 years.
- They may also receive an exemption on import duties for equipment and materials that form fixed assets or are not produced domestically.

- Land use incentives are common, with projects potentially receiving land rent exemptions for a number of years or even for the entire project life in highly encouraged cases. Examples include the Chu Lai Open EZ and Phu Quoc EZ.

2.4.3 High Tech Parks

- These are specialised zones concentrating on technology and research and development (R&D). Notable examples include Saigon Hi Tech Park in Ho Chi Minh City and Hoa Lac Hi Tech Park in Hanoi.
- Projects in high tech parks often qualify for the highest tier of incentives if they meet criteria related to high technology content or R&D. Incentives can include very low CIT rates (sometimes 10% for 15 years, or even 5% for particularly significant projects), along with extended tax holidays, import duty exemptions on technology equipment, and support for infrastructure.
- High tech enterprises may also receive non-tax incentives, such as easier immigration procedures for foreign experts and state grants for R&D, as part of Vietnam's strategy to enhance its position in the value chain.

2.4.4 International Financial Centres

Building on Vietnam's strategic push to establish International Financial Centres (**IFCs**) in Ho Chi Minh City and Da Nang under Resolution 222/2025/QH15 dated 27 June 2025, a new legal framework introduces significant incentives designed to attract global financial players. These special policies apply to registered IFC members, strategic investors, and other participants. Key incentives and operational flexibilities include:

- **Accounting Standards:** IFC members are permitted to adopt International Accounting Standards (**IAS**) or other recognised standards from developed countries, aiming to reduce administrative burdens for foreign entities.
- **Tax Incentives:**
 - **Corporate Income Tax (CIT):** Projects in priority sectors receive a 10% preferential rate for up to 30 years, with a full exemption for up to 4 years and a 50% reduction for up to 9 subsequent years. Other IFC projects get a 15% preferential rate for up to 15 years, with a full exemption for up to 2 years and a 50% reduction for up to 4 subsequent years.
 - **Personal Income Tax (PIT):** Exempt until 2030 for employment income from management, technical, scientific, or specialised roles, and for income from transferring shares or capital contributions in IFC members.
 - **Import-Export Tax:** Preferential duties apply to goods and services supplied to/from overseas markets. Import duties are exempt for machinery, equipment, software, raw materials, supplies, and components used to form fixed assets in IFC infrastructure projects, provided they cannot be domestically produced.
- **Land Access Incentives:** Both domestic and foreign companies within the IFC are allowed to use LURs as collateral for loans from foreign banks, provided the

land has been fully paid for upfront. Projects in priority sectors and critical public-private partnership (**PPP**) infrastructure projects may receive priority access to “clean land”, potentially avoiding compensation and resettlement processes.

- **Streamlined Construction Procedures:** Construction processes are significantly simplified, primarily requiring registration of technology and environmental compliance, and submission of a start notice with a verified technical-economic report.
- **Regulated FinTech Sandbox Mechanism:** Sandbox testing is permitted with approval, allowing entities to be exempt from certain standards, conditions, and licensing requirements. They are generally shielded from administrative, disciplinary, and civil liabilities to the Government for issues arising from objective factors, with potential government compensation support for civil liabilities in such cases.
- **Dispute Resolution:** Commercial disputes can be resolved through Vietnamese courts, arbitration (Vietnamese or foreign), or an international arbitration centre established within the IFC. Arbitral awards from the IFC’s international arbitration centre are final and binding, with no cancellation or refusal of recognition procedures under Vietnamese law, and waivers of the right to challenge such awards are officially recognised.

2.4.5 Incentives by Geography (Disadvantaged Areas)

- Apart from formal “zones”, Vietnam’s laws also grant incentives for investment in areas facing difficult socio-economic conditions, such as remote mountainous provinces or poor regions. These areas often overlap with existing Economic Zones or industrial parks.
- In practice, investing in a manufacturing project in a poor border province, for example, could offer similar tax breaks to those found in a designated EZ. The government regularly publishes a list of localities that qualify for “encouraged area” incentives. Projects in these areas could receive a CIT rate of 10% for 15 years, a 4-year tax exemption followed by 9 years at half rate, and other benefits, even if not located within a formal zone.

2.4.6 Sector Specific Incentives

- In addition to geographic zones, Vietnam provides special incentives for projects in certain sectors deemed strategically important, such as high tech, renewable energy, infrastructure, education, and healthcare. These can be viewed as a form of “thematic zone” incentive, applying nationwide.
- For instance, large manufacturing projects involving technology transfer or in supporting industries may receive preferential tax treatment anywhere in Vietnam, provided they meet specific scale and content conditions. Similarly, a PPP infrastructure project might receive land rent exemptions or government support regardless of its location.

In summary, Vietnam’s special economic zones and incentive schemes form a cornerstone of its FDI policy. Investors should explore whether their project qualifies

for these benefits based on its location or industry, as this can significantly improve project economics. It is crucial to always consult the current incentive laws and zone regulations, as these can be updated. Proper application and documentation are essential to secure the incentives, typically managed during the investment licensing phase when the project is registered with its incentive status.

2.5 Public Private Partnership

Public Private Partnerships (**PPPs**) are a key model for financing and delivering large-scale infrastructure and industrial projects in Vietnam. Rather than relying solely on the financial strength of the sponsors, PPPs are structured around the projected cash flows of the project itself. This is typically achieved through the creation of a Special Purpose Vehicle (**SPV**), a dedicated project company whose assets and contracts serve as collateral for financing.

Vietnam has increasingly adopted PPPs to meet its growing infrastructure demands, particularly in sectors such as energy, transportation, water treatment, waste management, healthcare, and education. Common PPP models include Build-Operate-Transfer (**BOT**), Build-Own-Operate (**BOO**), and Build-Transfer-Operate (**BTO**). These structures allow private investors to participate in public infrastructure development while earning returns from long-term project revenues.

2.5.1 Legal Framework and Eligible Sectors

The Law on Public Private Partnership Investment 2020, effective from 1 January 2021, provides the legal foundation for PPP projects in Vietnam. It replaced earlier regulations governing BOT, BT, BOO, and BTO arrangements and introduced a unified framework for PPP investment.

Eligible sectors under the PPP Law include:

- Transport infrastructure (roads, ports, airports, railways)
- Power generation and transmission (excluding hydropower and state monopolies)
- Water resources and irrigation
- Clean water supply and wastewater treatment
- Waste management and disposal
- Healthcare services and facilities
- Education and vocational training
- Information technology infrastructure

To qualify as a PPP project, the minimum total investment must be:

- VND 200 billion for infrastructure and IT projects
- VND 100 billion for healthcare and education

- VND 100 billion for projects in areas with difficult or especially difficult socio-economic conditions

2.5.2 Key Features of PPP Project Finance

PPP projects in Vietnam are typically financed using project finance principles, which include:

- **Non-recourse or limited recourse financing:** Lenders rely on the project's cash flows and assets for repayment, rather than full sponsor guarantees. Sponsors may provide limited support during construction or until key milestones are met. Due to country-specific risks, such as regulatory changes or non-standard contract terms, some sponsor support is often required until the project reaches operational stability.
- **Use of an SPV:** The project is executed by a dedicated company whose sole purpose is to develop, own, and operate the project. This structure isolates project risks and finances from the sponsors' other operations, providing clarity for lenders and regulators.
- **Contractual framework:** A network of contracts underpins the project, including:
 - A concession agreement or Power Purchase Agreement (**PPA**) with a government entity or utility
 - Engineering, Procurement and Construction (**EPC**) contract
 - Operations and Maintenance (**O&M**) contract
 - Supply agreements for inputs

These contracts are critical to securing financing and allocating risks among parties. Lenders assess the strength and enforceability of these agreements as part of their due diligence.

- **High debt-to-equity ratio:** PPP projects often involve 70% to 80% debt and 20% to 30% equity, with long-term repayment periods of 10 to 20 years or more. This structure allows sponsors to leverage future project income while minimising upfront capital requirements.
- **Government support:** While the PPP Law limits blanket guarantees, the government may offer incentives such as land allocation, tax exemptions, or revenue-sharing mechanisms. In some cases, minimum revenue guarantees or foreign exchange protections may be negotiated, though these are now more selectively applied.

2.5.3 Typical PPP Structure

A standard PPP arrangement involves forming a project company in Vietnam, often as a JSC. This company will be used to:

- Secure a long-term revenue contract, such as a PPA with Vietnam Electricity (**EVN**)

- Lease land from the provincial government
- Engage contractors through EPC and O&M agreements
- Receive equity contributions from sponsors (e.g. 30%)
- Obtain loans from a syndicate of banks (e.g. 70%), secured by project assets and receivables

This structure enables sponsors to undertake large projects with modest equity investment, while lenders gain security through project contracts and assets.

2.5.4 Key Participants

PPP projects involve multiple stakeholders:

- **Sponsors:** Equity investors or developers, including foreign utilities, infrastructure funds, and Vietnamese conglomerates
- **Lenders:** Typically a syndicate of banks, including international, local, and development banks, as well as Export Credit Agencies (**ECAs**)
- **Advisors:** Legal, technical, and financial experts who help structure the deal and assess risks
- **Off-takers:** Entities purchasing the project's output, such as EVN for power or the Ministry of Transport for toll roads
- **Contractors and suppliers:** Responsible for construction, operation, and input supply, often providing performance guarantees or vendor financing
- **Government authorities:** May offer support through land clearance, tax incentives, or equity participation in strategic projects

2.5.5 Risks and Considerations

Foreign investors should be aware of regulatory and currency risks. For example, converting VND revenue into USD for foreign loan repayments can be affected by exchange rate fluctuations or restrictions imposed by the State Bank of Vietnam (**SBV**). Legal risk also arises from changes in law or the absence of international-standard contract terms, particularly in PPAs.

Project finance transactions in Vietnam often use foreign law, such as English law, for loan agreements, while Vietnamese law governs local contracts and security arrangements. These deals are complex and require multiple government approvals, careful structuring, and experienced advisors to ensure successful implementation.

A large, weathered stone hand sculpture is the central focus, its fingers curled to support a bridge. The hand is positioned as if holding the bridge steady. The bridge has a red metal railing and a walkway where several people can be seen. The background is a vast, green forested valley under a blue sky with scattered white clouds. The overall scene is one of natural beauty and human engineering.

Setting Up a Business in Vietnam

3. Setting Up a Business in Vietnam

3.1 Types of Business Entities

Foreign investors in Vietnam have several options for establishing a business presence. The most common types of business entities include Limited Liability Companies (**LLCs**) and Joint Stock Companies (**JSCs**). Dependent forms such as Branches and Representative Offices of foreign companies are also available. Additionally, Partnerships and BCCs exist, though they are less frequently utilised by foreign investors. The choice of the appropriate vehicle depends on factors such as the number of investors, the desired governance structure, and specific regulatory requirements of the industry.

Here is a breakdown of the common business entities:

3.1.1 Limited Liability Company (LLC)

An LLC is a widely adopted form for foreign direct investment in Vietnam. It is a legal entity separate from its owners, with the owners' liability limited to the extent of their capital contributions.

- **Ownership Structure:** An LLC can be established by a single owner (a Single Member LLC) or by multiple owners (a Multi Member LLC). A Multi Member LLC can have between 2 and 50 members, who can be either individuals or corporations.
- **Capital Contributions:** Members contribute charter capital (equity) to the LLC. Generally, no specific minimum capital is required, except for certain regulated sectors that impose legal capital thresholds. The charter capital must typically be contributed within 90 days from the date of the company's incorporation for most sectors.
- **Liability:** Members are liable for the company's debts and obligations only up to the amount of capital they have contributed to the company. Their personal assets are generally protected, unless they have personally guaranteed loans or violated the law, such as by abusing the company to commit fraud.
- **Governance:**
 - A Multi Member LLC is not legally required to have a Board of Directors. Its highest decision-making body is typically a Members' Council, which includes all members or their authorised representatives. The Members' Council appoints a Chairman and may also designate a General Director (CEO) to oversee daily operations. An Inspection Committee may be established if certain thresholds are met, for example, when the State holds more than 50% of the charter capital or voting shares.
 - A Single Member LLCs is governed either by an owner's council or by an owner's representative acting in place of the Members' Council. If the Single Member LLC is owned by an organisation, Vietnamese law only requires the appointment of an Inspector to supervise the company on behalf of the owner, if the owner is a State-owned enterprise. This structure ensures oversight in the absence of multiple members.

- **Fundraising:** LLCs are not permitted to issue shares or public bonds, making them unsuitable for raising capital from the public or listing on a stock exchange. To increase capital, LLCs typically rely on additional contributions from existing members or the admission of new members, provided the total number of members does not exceed the legal limit of 50.

3.1.2 Joint Stock Company (JSC)

A JSC is an enterprise whose charter capital is divided into shares, which are held by three or more organisations or individuals. Shareholders' liability is limited to the amount of their contributed capital.

- **Ownership Structure:** A JSC must have at least 3 shareholders, with no upper limit on the number of shareholders. This structure allows for broad ownership, including potentially hundreds or thousands of shareholders in the case of a publicly traded company.
- **Share Structure:** JSCs divide their charter capital into shares of equal par value. They can issue common shares and, as permitted by law, may issue preference shares (e.g., redeemable or cumulative dividend preference shares). Upon incorporation, initial shareholders must subscribe to all shares, and subsequent capital raising can be done by issuing new shares to existing shareholders or new investors.
- **Governance:** A JSC has a more complex management structure.
 - The **General Meeting of Shareholders (GMS)** is the highest authority, comprising all shareholders. The GMS must meet and convene at least once a year to decide on major issues such as financial statements, dividend distribution, and the election of the Board.
 - A **Board of Directors (BOD)** is elected by the shareholders, with typically between 3 and 11 members. In a public company, at least one-third of BOD members must be independent, as per corporate governance rules.
 - The BOD appoints a **General Director (CEO)** to manage daily operations, who may also serve as a BOD member.
 - Larger JSCs or public JSCs are required to have an **Inspection Committee** under the BOD if they have more than 11 shareholders or a corporate shareholder holding more than 50% of shares. The Inspection Committee provides independent oversight of financial reports and management activities.
- **Fundraising:** JSCs can mobilise capital by issuing shares, bonds, or other securities. They can list on stock exchanges, provided they meet certain conditions such as minimum capital, profitability, and shareholder base. This makes JSCs an ideal choice for larger ventures or those requiring continuous fundraising. For foreign investors, establishing a JSC may be legally mandated in some sectors, such as commercial banks, due to their regulatory framework.

3.1.3 Branches and Representative Offices

These forms represent a presence in Vietnam but differ significantly from LLCs and JSCs in terms of legal personality and operational scope.

- **Branch of a Foreign Company:** A branch is not a separate legal entity but functions as an extension of a foreign parent company, licensed to conduct business in Vietnam.
 - **Permitted Activities:** Branches are typically permitted only for specific sectors, primarily in trading, banking, insurance, securities, legal services, computer and related services, management consultancy, and construction. Many other sectors do not allow foreign branches, instead requiring the establishment of a local company.
 - **Eligibility:** To establish a branch in Vietnam, the foreign company must generally have been operating for at least 5 years in its home country.
 - **Operations and Liability:** A branch can conduct commercial activities as permitted by its license, generate revenue, and is subject to Vietnamese tax on its operations, similar to local companies. However, the foreign parent company bears **full liability** for the branch's obligations, as the branch is not a limited liability entity separate from the parent.
 - **Licensing:** Both branches and representative offices must be licensed by the relevant authorities.
- **Representative Office (RO):** An RO represents the most limited form of foreign presence in Vietnam. It essentially functions as a liaison office and is not permitted to engage in direct profit-making commercial activities.
 - **Activities:** An RO can be established by any foreign business entity to conduct market research, promote the business, liaise with the head office regarding trade and investment, and oversee the implementation of contracts in Vietnam.
 - **Revenue and Costs:** An RO cannot issue invoices or generate revenues in Vietnam; it operates as a cost centre, with its operations funded by the foreign parent company.
 - **Establishment and Compliance:** ROs are relatively easy to set up and have minimal compliance requirements, primarily involving registration with the Department of Industry and Trade and submitting annual activity reports.
 - **Contractual Authority:** ROs cannot sign contracts in their own name; all business transactions must ultimately be contracted by the foreign parent company abroad.

3.1.4 Other Forms of Investment

- **Partnership:** Vietnam's Enterprise Law recognises partnerships, primarily used by certain professional service firms such as auditing or law firms. A partnership requires at least two individual general partners who are unlimitedly liable for the partnership's obligations. It may also include limited partners who contribute capital but do not participate in management. Due to the unlimited liability of

general partners and overall complexity, partnerships are generally uncommon for foreign investors, except in specific regulated sectors.

- **Business Cooperation Contract (BCC):** A BCC is a contractual arrangement between two or more parties (which can be companies or individuals, local or foreign) to cooperate on a business project and share profits, without forming a separate legal entity. Historically, BCCs had been used in industries such as oil and gas or telecommunications before the law permitted 100% foreign owned enterprises. While less common for foreign investors today, they remain an option if specific flexibility is required or if mandated by law for certain projects, such as some build operate transfer (**BOT**) infrastructure projects or in sectors not fully open to incorporation. Under a BCC, each party is typically issued an Investment Registration Certificate (**IRC**) for the project and jointly implements it, sharing outputs as agreed. Each party contributes capital or resources and receives a share of the production, rather than forming a new company. The foreign party may establish an operating office and, together with the Vietnamese party, set up a coordinating board in Vietnam to implement the BCC.

A key decision for foreign investors in Vietnam is whether to establish a wholly foreign-owned enterprise (100% foreign-owned LLC or JSC) or a joint venture with a local partner. Both structures are generally permitted under Vietnamese law, except in restricted sectors. Joint ventures can offer strategic advantages such as local market expertise, established relationships, and compliance with mandatory local ownership requirements in certain industries. However, they require careful partner selection and well-defined agreements covering profit sharing, decision-making authority, share transfers, and mechanisms for resolving deadlocks. Many investors favour full ownership for greater control, unless a local partner provides substantial added value or is legally required.

Foreign investors typically choose between forming an LLC or a JSC, depending on ownership structure and capital needs. LLCs are suitable for wholly-owned projects with straightforward equity arrangements, while JSCs are preferred when broader shareholding is anticipated or a public listing is planned. Branches are permitted only in select sectors, and representative offices offer a non-commercial presence for market research or liaison purposes. Other forms, such as partnerships and BCCs, are used in specialised cases. The choice of entity influences the business registration process, corporate governance obligations, and ongoing compliance requirements.

Regardless of the structure selected, all enterprises must undergo formal registration and licensing in accordance with Vietnamese law before commencing operations.

3.2 Registration Process

Establishing a business in Vietnam involves a multi-step registration process that includes obtaining an investment license (for foreign investors) and an enterprise registration certificate, along with other post registration procedures. While the process has been streamlined in recent years, it can still take several weeks to a few months, depending on the project's complexity and the need for sector specific approvals.

The typical steps, necessary documents, timeline, and associated costs are outlined below:

3.2.1 Registration Steps

Stage 1: Investment Registration Certificate (IRC)

- Any new business with foreign ownership, even as low as 1%, that constitutes a “foreign investment project” not involving the acquisition of existing shares, generally requires an IRC under Vietnamese law.
- The IRC serves as an official recognition of the project and foreign investor’s information, including the project’s scope, registered capital, and eligibility for incentives.
- **Application:** The application is submitted to the provincial Department of Finance (**DOF**) or the Management Board of the Industrial Zone (**IZ**) or Economic Zone (**EZ**) if the project is located within such a zone. The application dossier typically includes an investment proposal, details of the investor’s identity, project objectives, scale, capital (charter capital and any loan capital), project location, duration, and commitments regarding environment and land use. For corporate investors, notarised and legalised copies of incorporation documents are required. Individual investors are required to submit their passport copies.
- **Approval Criteria:** While Vietnam has largely removed the requirement for advance “investment approval” for most projects, it remains necessary for large or conditional projects. Many projects can receive an IRC automatically, usually within a target of 15 business days, if all documents are in order. However, certain projects, such as those with large capital exceeding VND 5,000 billion, or those in sensitive sectors like education, telecommunications, transport, or real estate, may require an in-principle approval from the People’s Committee or a higher authority, which extends the processing time.
- **Outcome:** The IRC specifies the investor’s name, project name, investment objectives and scope, capital, location, and the project’s duration. It functions as the official foreign investment license.

Stage 2: Enterprise Registration Certificate (ERC)

- After obtaining the IRC, the investor must proceed with establishing the legal entity by applying for an ERC.
- **Application:** The application is submitted to the Business Registration Authority.
- **Outcome:** The ERC, equivalent to a certificate of incorporation in other jurisdictions, grants legal personality to the enterprise from its date of issue.
- **Timeline:** The ERC is typically processed within a target of 3 to 5 business days.

Stage 3: Post-Incorporation Procedures: Once both the IRC and ERC have been obtained, several additional steps are necessary before the company can fully commence its operations:

- **Bank Account and Capital Contribution:** The company must open a capital bank account in Vietnam to receive the foreign investment capital. The foreign investor is generally required to transfer the charter capital into this account within **90 days** of the ERC issuance for most companies. Timely capital contribution is important, as delays can lead to charter adjustments or fines.
- **Obtain Other Licenses:** Depending on the specific industry, additional licenses or permits may be required before operation (as detailed in Section 3.3). For example, a foreign owned company engaging in trading may need a Trading License for certain products, and specific permits are required for services like tourism, logistics, or education.
- **Tax Registration:** Although a tax code is integrated with the ERC, the company must register with the local tax office for ongoing tax filings, obtain approval for printing VAT invoices, or register for e-invoice services.
- **Company Seal and Dossier:** The enterprise may use one or multiple corporate seals after notifying the licensing authority and publishing the seal sample on the national business registration website. The company must also prepare statutory books, such as the Register of Members (for LLCs) or Share Register (for JSCs), and minutes books for meetings.
- **Labour and Social Insurance Registration:** If employees are to be hired, the company must register with the labour department and set up social insurance accounts within 30 days of commencing the employment.
- **Trading Office Setup:** Securing a lease for an office or factory is necessary, and the address must comply with zoning regulations (e.g., a factory cannot be registered at a location not zoned for industry). Often, a lease agreement in principle is required during the IRC application stage to demonstrate the project's location. After establishment, the lease must be finalised in the company's name.
- **Banking:** Beyond the capital account, an operating account is needed for everyday transactions. Any foreign loans above a certain threshold must be registered with the State Bank of Vietnam (**SBV**).

3.2.2 Necessary Documents

A basic list of documents typically required includes:

- **For Corporate Investors:** Certificate of incorporation (or equivalent) and corporate charter/bylaws from the home country; board resolution or power of attorney authorising the establishment of the Vietnam company and appointing a representative; audited financial statements or a bank letter to prove financial capacity (may be required for large projects).
- **For Individual Investors:** Notarised copy of passport.
- **For All Cases:** A Project Proposal and possibly a simplified feasibility study outlining business activities, market, scale, labour, and environmental commitments (especially if seeking incentives); a lease agreement or

Memorandum of Understanding (MOU) for the office/factory location; and a draft Charter of the new company.

- **For Joint Ventures:** A Joint Venture Agreement between foreign and local investors or a clear assignment of capital contributions in the application.

All foreign language documents must be translated into Vietnamese and duly notarised and authenticated.

3.2.3 Timeline

For a straightforward case, such as a foreign investor establishing a 100% LLC in a services sector that does not require in-principle approval, a typical timeline might be:

- **Week 1-2:** Preparation of all necessary documents (translation, notarisation, legalisation). Securing an office lease agreement.
- **Week 3-5:** Submission and processing of the IRC application.
- **Week 6-7:** Submission and processing of the ERC application.
- **By Week 8-10:** The company is typically fully ready to commence operations, with tax code, seal, bank account, and capital in place.

If higher level approvals or complex sectors are involved, the process can extend by several weeks or months. For example, a conditional project might require an in-principle approval that could take 1 to 2 months before the IRC is issued. Construction projects may need additional location clearance, further extending the timeline.

3.2.4 Costs

Government fees for registration are relatively modest. The official fee for IRC issuance is not substantial, and the ERC issuance fee is very low (e.g., in 2023, around VND 100,000 to VND 200,000). Publishing the public announcement of company formation might cost an additional VND 100,000. The majority of setup costs are associated with:

- **Document preparation:** Including translations and notarisation, which can amount to several hundred US dollars if numerous documents are involved.
- **Legal or consulting services:** Professional fees for engaging local experts to manage the process.
- **Charter capital:** This is the investment fund itself, not a fee. However, some industries require a minimum capital, which can be substantial (e.g., real estate business previously required VND 20 billion, banking requires significantly more). Authorities may scrutinise whether the chosen charter capital is sufficient for the proposed business plan.
- **Commercial leasing:** Deposits for office or factory leases can be a significant overhead cost.

- **Additional permits:** Licensing for specific permits may incur separate fees (e.g., a foreign trading license fee, though minor, may involve proving a capital deposit).

Overall, establishing a basic foreign owned company can generally be completed within 1 to 2 months with diligent preparation in straightforward cases. Vietnam has endeavoured to simplify procedures through online application portals for ERCs, and some provinces are highly efficient. However, investors should still budget time for potential unexpected delays, such as requests for clarification or the need to correct errors in documents. It is advisable to engage a local service or law firm to manage the process, unless one is very familiar with the requirements, to ensure coordination between steps and compliance.

Once the company is established, it becomes the vehicle for the investor to conduct business. The next step involves obtaining any necessary industry specific operating licenses.

3.3 Licensing Requirements

Depending on the nature of the business, a newly established enterprise in Vietnam may need to obtain additional licenses or permits before it can legally operate within its specific industry. Vietnam classifies certain business activities as ‘*conditional*’, meaning they require satisfying specific conditions and obtaining appropriate licenses or certificates beyond just general business registration.

Licensing requirements generally fall into two broad categories:

- **Industry Specific Licenses:** Special permits required to engage in regulated sectors.
- **General Business Licenses/Permits:** Cross-cutting requirements applicable to many businesses.

Here are examples of each:

3.3.1 Industry Specific Licenses

Vietnam maintains a list of conditional business lines, numbering nearly 227 as per recent counts in the Investment Law’s appendix, which necessitate additional licensing. Some examples include:

- **Trading/Distribution:** A foreign invested company intending to engage in wholesale or retail distribution of goods (e.g., opening shops or selling products in Vietnam’s market) must obtain a Business License (for trading) from the Department of Industry and Trade (DOIT). If the company plans to open multiple retail outlets beyond the first, an ENT approval might be required, although recent reforms have waived the ENT for establishments under 500m² in many cases. This license ensures the company is permitted to import and sell specific categories of products.
- **Food and Beverage:** Restaurants or food production facilities must secure food safety and hygiene certificates. Alcohol distribution requires a specific liquor trading license.

- **Manufacturing in Special Sectors:** If producing certain regulated products, such as pharmaceuticals or chemicals, certificates of Good Manufacturing Practice (GMP) or chemical handling permits may be required.
- **Pharmaceuticals and Medical:** Establishing a pharmacy or pharmaceutical company necessitates licenses from the Ministry of Health (**MOH**), including pharmaceutical practice certificates for the responsible pharmacist and a permit to trade in drugs. Medical clinics or hospitals require clinic operation licenses from the MOH or provincial Department of Health (**DOH**) and must meet stringent facility and personnel criteria.
- **Education:** Setting up a foreign invested educational institution, such as an international school or vocational training centre, requires an education license from the Ministry or Department of Education and Training. Conditions include curriculum approval, minimum facilities, and teacher qualifications.
- **Telecommunications/IT:** Providing telecommunications services requires a telecom license from the Ministry of Information and Communications, with categories for network versus non network services. IT services may need a permit if dealing with cybersecurity, as a cybersecurity product business requires a license.
- **Finance and Banking:** These sectors are heavily regulated. To establish a bank or finance company, a licence must be obtained from the SBV, which involves substantial capital requirements and fit and proper criteria for key personnel. Insurance companies require a licence from the Ministry of Finance (**MOF**), while securities companies must be approved by the State Securities Commission (**SSC**). These licences impose significant capital thresholds, such as a minimum of VND 50 billion for a securities brokerage firm and VND 3,000 billion for a commercial bank.
- **Tourism:** Travel agencies that serve inbound or outbound tourism must obtain an International Tour Operator License from the Vietnam National Administration of Tourism, which typically requires a bank deposit (tourism service escrow) and employment of licensed tour operator staff.
- **Construction/Architecture:** Companies providing construction services often need construction operation permits for certain large-scale projects, and individual engineers must hold practising certificates.
- **Mining/Energy:** Exploration or mining of natural resources requires mining licenses. Power generation projects need power operation licenses.
- **Logistics:** Freight forwarding, shipping agency, or warehousing may require special registrations, with some covered under a general trading license while others, like maritime transport, necessitate a Vietnam Maritime Administration license.

3.3.2 General Business Licenses/Permits

These are cross-cutting requirements that many businesses must adhere to:

- **Fire Prevention and Fighting Certificate:** Required for buildings and facilities above a certain size or risk category, such as factories, schools, and large offices. Businesses must have their facility inspected by the fire police for adequate extinguishers, alarms, and emergency exits, and obtain a fire safety certificate.
- **Environmental Impact Assessment (EIA) or Environmental Permit or Environmental Registration:** Manufacturing projects, large developments, and any project with potential environmental impacts must prepare an environmental impact report and secure approval from environmental authorities (DAE or MAE). Smaller projects may only need to register a commitment to environmental protection. The new Law on Environmental Protection 2020 classifies projects by impact level, with some requiring EIA before construction and others a simpler environmental permit.
- **Planning and Construction Permits:** If the business involves constructing a facility (e.g., factory, building), a construction permit from local construction authorities is needed, unless the project is located in a zone where a one stop shop covers this. In cases involving a change in land use purpose, an approval for land allocation or lease must be obtained.
- **Labour Related Registrations:** Within 30 days of establishment or starting operations, employers must register their use of labour with local labour authorities by submitting a form listing employees. If employing 10 or more employees, companies are required to register their internal labour rules with the labour department. Companies must also conduct workplace safety registration if operating in sectors with occupational hazards.
- **Social Insurance Registration:** This is mandatory when the company hires employees, applicable to any entity with even one employee under a labour contract.
- **Business Signage:** Businesses in Vietnam are legally required to display a sign at their premises with the company name in Vietnamese (English is optional).
- **Data Protection/Cybersecurity:** Certain businesses, such as those in IT or online services collecting user data, must comply with the Cybersecurity Law. Some may need to host data locally or obtain cybersecurity approval if critical information infrastructure is involved. E-commerce sites are required to notify or register with the Ministry of Industry and Trade's e-commerce management portal.

In most cases, key regulatory bodies include the Ministry of Industry and Trade (e-commerce, trade), Ministry of Finance (insurance, accounting), State Bank of Vietnam (finance), Ministry of Health (pharmaceuticals, food safety), and Ministry of Culture, Sports and Tourism (entertainment, travel), plus local departments.

After registering a business, companies must secure all required licences before operating. This involves identifying conditional business lines, meeting legal requirements (e.g. staffing, capital, premises), and applying promptly. Though some procedures are streamlined, multiple agencies may be involved. Missing licences can cause delays, such as customs holds or banking refusals. A clear licensing strategy is essential for compliance and smooth business operations in Vietnam.

An aerial night photograph of a city. A large, modern building with a blue-lit facade is the central focus. It is surrounded by other buildings, streets with cars, and trees. The scene is illuminated by city lights, creating a vibrant urban atmosphere.

Corporate Governance and Compliance

4. Corporate Governance and Compliance

4.1 LLC versus JSC - Governance and Organisational Structure

Vietnam's Law on Enterprises delineates distinct governance structures and compliance obligations for Limited Liability Companies (**LLCs**) and Joint Stock Companies (**JSCs**). Understanding these differences is crucial for effective company management. Below, we compare key aspects: Management Structure, Ownership Structure, Organisational Hierarchy, Decision Making Process, Internal Controls, and Financial Reporting for both LLCs and JSCs.

4.1.1 Management Structure

- **LLC:** The management structure of an LLC is generally simple and flexible. Both Multi Member LLC and Single Member LLC must appoint a Director or General Director, who is responsible for day-to-day operations and typically serves as the legal representative. In addition, a Single Member LLC owned by an organisation is required to appoint an Inspector to oversee the company on behalf of the owner, ensuring internal supervision and accountability.
- **JSC:** A JSC has a more complex, layered structure. It features a Board of Directors (**BOD**) elected by the shareholders, which typically comprises 3 to 11 members. The BOD appoints a General Director (CEO) to manage daily operations. Public JSCs often have independent BOD members and may be required to have an Inspection Committee.

4.1.2 Ownership Structure

- **LLC:** Can be owned by a single member (Single Member LLC) or by 2 to 50 members (Multi Member LLC). It cannot issue shares or public bonds, and capital increases are typically made through additional contributions from existing members or the admission of new members within the 50 member limit. Capital transfers usually involve pre-emptive rights for existing members.
- **JSC:** Requires a minimum of 3 shareholders, with no upper limit on the number of shareholders. JSCs have charter capital divided into shares, enabling them to issue shares and bonds to raise capital, and potentially list on stock exchanges. Shares are generally freely transferable, except for initial lock-ups for founders.

4.1.3 Organisational Hierarchy

- **LLC:** The organisational structure is relatively straightforward. The primary governing body for a Multi Member LLC is the Members' Council, which may act as a board. An Inspection Committee or Controller is optional unless certain thresholds are met, or if the LLC is state-owned or particularly large. The hierarchy typically flows from Owners/Members to the Chairman of the Members' Council, then to the General Director, and finally to employees.
- **JSC:** Presents a more structured organisational chart. Shareholders exercise their ownership rights through the General Meeting of Shareholders (**GMS**), which is the highest authority. The BOD is the collective governance body. An Inspection Committee is required for JSCs with 11 or more shareholders or a

corporate shareholder holding over 50% of shares. This board provides independent oversight of financial reports and management. JSCs tend to separate ownership and management more distinctly, especially when not all shareholders are involved in daily operations.

4.1.4 Decision Making Process

- **LLC:** Decisions are typically made by the Members' Council, often requiring a 65% vote or as specified in the company charter. Resolutions can also be passed by written consent if permitted by the charter.
- **JSC:** Decisions are made by the GMS, with voting thresholds typically at 51% or 65% depending on the issue. An Annual Shareholders' Meeting is mandated within four months of the fiscal year end. Extraordinary GMS meetings can be convened by major shareholders or the BOD. Formal notice and proxy procedures are required. The BOD also holds regular meetings, usually quarterly.

4.1.5 Internal Controls

- **LLC:** Internal controls are generally simplified, with oversight primarily managed directly by the members or the parent company. There are fewer formal requirements compared to JSCs.
- **JSC:** Features a more structured internal control environment, particularly for public companies, which often include internal audit and supervisory mechanisms. Rules regarding conflicts of interest and oversight of related party transactions are more pronounced.

4.1.6 Financial Reporting

- **LLC:** LLCs must follow VAS, prepare annual financial statements, and undergo audits if foreign-invested or above certain size thresholds. These statements are submitted to tax and licensing authorities but are not publicly disclosed unless required.
- **JSC:** JSCs, especially listed ones, face stricter reporting rules. Public JSCs must publish quarterly, semi-annual (auditor-reviewed), and annual audited financial statements. Non-listed JSCs may still be deemed "public companies" if they have 100+ shareholders and charter capital of at least VND 10 billion, subjecting them to oversight by the State Securities Commission. Annual financial statements must be approved by the General Meeting of Shareholders within four months of year-end, alongside reports from the Board of Directors and Inspection Committee. Vietnam is gradually transitioning to IFRS, with selected JSCs expected to adopt it for consolidated reporting by 2025.

4.2 Corporate Compliance Obligations

Once a business is operational in Vietnam, it must adhere to ongoing compliance obligations related to corporate administration. These include timely reporting, tax filings, labour compliance, and maintaining accurate corporate records.

Here are the major recurring compliance tasks and requirements:

4.2.1 Annual (and Ongoing) Business Registration Maintenance

Companies are required to notify the Business Registration Authority of any changes in key registered information. For an LLC or JSC, changes such as the company's name, address, increases or decreases in charter capital, changes in the legal representative, additions or removals of business lines, or changes in founding shareholders (for JSCs within the first 3 years) or company owners (for Single Member LLCs) must be filed within a set period (usually 10 days from the change) to ensure its Enterprise Registration Certificate (**ERC**) is amended. Failure to comply can result in penalties. Additionally, enterprises, particularly foreign invested enterprises (**FIEs**), often must submit an annual report on their operations to the licensing authority, providing a brief update on investment project implementation.

4.2.2 License Maintenance

If the company holds special licenses (as discussed in Section 3.3), some of these may require periodic renewal or reporting. For example, a food safety certificate might need a renewal every 3 years. A tour operator license may require maintaining a bank deposit and employing a certain number of licensed guides annually. Companies should diarise all license expiration dates.

4.2.3 Tax Compliance

- Companies must file monthly or quarterly Value Added Tax (**VAT**) returns (depending on revenue size) and pay VAT to the tax office by the 20th (for monthly) or 30th (for quarterly) of the following month.
- Corporate Income Tax (**CIT**) provisional quarterly reports (or provisional payments) are required, along with an annual CIT finalisation return within 90 days of the fiscal year end (typically December 31). Any tax due must be paid by this deadline.
- Personal Income Tax (**PIT**): Companies must withhold PIT from employee salaries and remit it monthly or quarterly, and file PIT returns quarterly, plus an annual finalisation on behalf of employees by the end of March.
- Foreign Contractor Tax (**FCT**): If the company makes payments to foreign vendors for services, it may need to withhold this tax and declare it accordingly.
- Financial Statements: As noted, annual financial statements should be audited (if required) and submitted to the tax authority and the Department of Finance (**DOF**), typically by the end of March of the following year.
- Vietnamese tax administration is increasingly electronic. Companies are required to use the General Department of Taxation's e-filing system and the mandatory e-invoice system, which since 2022 requires invoices to be issued through approved platforms and reported in real time to tax authorities. As of July 2025, businesses must also register for a digital business e-ID to access online tax and administrative services, with non-compliance risking disruption to digital filings.
- Non-compliance with tax obligations, such as late filing or payment, triggers penalties and interest.

4.2.4 Accounting and Record Keeping

Companies must maintain accounting books and records in Vietnam in Vietnamese language (bilingual is sometimes permitted). Records, including general ledgers, journals, and inventory books, must be kept. Supporting documents, such as invoices and contracts, typically must be archived for 10 years. There is also a requirement to register the accounting system (e.g., chart of accounts, accounting period) with authorities when starting the business.

4.2.5 Labour Compliance

- Within 30 days of establishment or commencement of operations, employers must register their use of labour with the local labour authorities.
- **Labour Contracts:** All employees must have written labour contracts if the employment term exceeds one month. Contracts can be fixed term (up to 36 months) or indefinite term. Fixed term contracts can generally be renewed only once before converting to indefinite term ones.
- **Work Permits for Foreign Employees:** If the company employs foreign nationals, each of such employees is generally required to obtain a work permit from the Department of Home Affairs (**DOHA**), unless they are qualified for an exemption. Work permits are typically valid for up to two years and are renewable. In addition, the employer must obtain approval for the use of foreign labour by submitting an annual foreign labour usage report to the authorities.
- **Social Insurance and Payroll:** Companies must register employees for social insurance (**SI**), health insurance (**HI**), and unemployment insurance (**UI**). Mandatory contributions are made by both the employer and employee. The employer's contribution is approximately 21.5% of gross salary, while the employee contributes about 10.5% (applied up to a salary cap). These contributions are declared and paid monthly to the social insurance fund.
- **Labour Reports:** Annually, typically by mid-year, companies must report their labour situation to the labour department (e.g., number of employees, any accidents). Periodic reports on workforce changes are also required.
- **Compliance with Working Conditions:** Employers must adhere to working hour limits (normal 8-hour day, maximum 40 hours overtime per month), provide mandatory rest days, annual leave, and comply with regulations on overtime payment and minimum wage.
- **Trade Union:** After 6 months of operation, a company is expected to facilitate the formation of a grassroots trade union if employees desire. Regardless of whether a union is formed, the company must contribute an amount equal to 2% of the payroll to the trade union fund monthly.

4.2.6 Statutory Meetings and Resolutions

Corporate compliance includes holding required meetings:

- **LLCs:** The Members' Council should meet at least annually. Minutes and resolutions must be prepared and signed to document decisions, especially approvals of financial statements and profit distribution.

- **JSCs:** The Annual GMS must be convened. Documents such as meeting notices, proxy forms, minutes, and resolutions must be properly prepared and retained. The BOD of a JSC should meet regularly, typically each quarter or as needed, with minutes recorded.
- Companies must also file certain resolutions with authorities. For example, a JSC must notify the business registry of changes in board members, and an LLC must file changes to its General Director.

4.2.7 Changes in Investment Project

For foreign invested companies, significant changes to the investment project (e.g., scope, location, investment capital, operational duration) may necessitate amending both the Investment Registration Certificate (**IRC**) and the ERC. Compliance requires obtaining these amendments before implementing any changes.

4.2.8 Transfer Pricing and Related Party Transactions

If the company engages in related party transactions (common for subsidiaries buying from or selling to their parent companies), it must comply with transfer pricing documentation requirements. Vietnam requires an annual related party transactions disclosure form and, depending on size, the maintenance of a Local File, Master File, and Country by Country report. This is a specialised compliance area aimed at ensuring pricing adheres to arm's length principles.

4.2.9 Intellectual Property (IP)

While not mandatory compliance, companies using a specific trademark should register it with the National Office of Intellectual Property to protect against infringement. If using licensed technology, the technology license may need to be registered with authorities if it is an agreement between a foreign and local entity.

4.2.10 Statutory Insurance and Safety

Companies in certain industries must procure specific insurance policies. Examples include fire and explosion insurance for businesses with fire hazards (e.g., gas stations, large warehouses) and professional liability insurance for sectors like medical practitioners or insurance brokers. Periodic safety inspections (e.g., for boilers, lifts) are also required if applicable.

4.2.11 Dissolution and Reporting

If a company decides to dissolve, a formal process is required, including notification to tax authorities and creditors, and a public announcement, culminating in removal from the registry. If a company, during its operation, temporarily ceases its business (suspends its operations), it must notify the business registry in advance. Such suspension can be permitted for up to 2 consecutive years.

4.3 Statutory Rights of Shareholders and Members

Both LLC members and JSC shareholders in Vietnam are granted certain statutory rights under Vietnamese law, designed to protect their interests, particularly those of minority investors. Understanding these rights is fundamental for effective corporate governance and for investors to exercise proper oversight.

Here are the key statutory rights for members and shareholders:

4.3.1 For Multi-member LLC Members

- **Right to Participate and Vote:** Members have the right to participate in the Members' Council and vote on decisions in proportion to their capital share. Each member's voting power corresponds to their percentage of charter capital, unless the company charter stipulates a different voting mechanism.
- **Right to Access Information:** LLC members can examine the company's records, books, and financial statements. Managers are obligated to provide full and truthful information upon valid member's request regarding the company's operations and finances.
- **Right to Receive Profits:** Members have the right to receive distributed profits (essentially dividends) in proportion to their ownership, provided that the company has fulfilled its tax and other financial obligations.
- **Pre-emptive Rights:** If another member wishes to transfer their capital contribution, existing members generally have the right of first refusal to purchase that stake pro rata to their current holdings. This mechanism helps prevent unwanted outside parties from entering the company without giving current members an opportunity to maintain their stakes.
- **Right to Dissolve or Request Dissolution:** Members have the right to dissolve the company or request its dissolution if the term expires, or if certain conditions are met. They can also request a court to order dissolution if a deadlock causes severe damage or if management engages in illegal operations.
- **Right to File a Lawsuit:** Members have the right to file a lawsuit against the Chairman or Director on behalf of the company if these individuals breach their fiduciary duties and cause harm to the company. This is similar to a derivative action, though the procedural definitions may not be as clear as in common law systems.
- **Right to Request Meetings:** If a member or group of members holds more than 10% (or a smaller percentage if specified in the charter) of the LLC's charter capital, they can request the convening of a Members' Council meeting to address important issues.
- **Rights in Corporate Restructuring:** In cases of merger, consolidation, or conversion, members have a right to approve these decisions and to be treated fairly, for example, by receiving appropriate value for their stake if they choose to exit rather than become part of a new entity.
- **Single Member LLC:** For a Single Member LLC owned by an individual, that owner naturally holds all rights. If owned by an organisation, the owner must appoint an authorised representative to exercise rights and can replace that person at any time.

4.3.2 For JSC Shareholders

- **Right to Participate and Vote:** Shareholders have the right to participate in the GMS and vote on decisions proportional to their shareholding. This applies to decisions on annual financial statements, profit distribution, election of the Board of Directors, and other fundamental matters.
- **Right to Access Information:** Shareholders can review the company's charter, minutes of GMS meetings, financial statements, and other relevant documents. Publicly listed JSCs are subject to stringent disclosure requirements, including publishing their charter, annual financial reports, and reports from BOD members and inspectors on their website.
- **Right to Receive Dividends:** Shareholders have the right to receive dividends, in proportion to their share ownership, from company profits after taxes and statutory reserve requirements are met.
- **Pre-emptive Rights (New Share Issuances):** Shareholders typically have the pre-emptive right to purchase newly issued shares in proportion to their existing shareholding, thereby helping to prevent dilution of their ownership stake.
- **Right to Transfer Shares:** Shares in a JSC are generally freely transferable, unless subject to statutory lock up periods (e.g., for founding shareholders in the first 3 years) or restrictions in shareholder agreements. Changes in major shareholders must be reported to the licensing authority.
- **Right to Request GMS Meeting:** A shareholder or group of shareholders holding 5% or more of the total voting shares for a continuous period of 6 months has the right to request an extraordinary GMS meeting to address specific issues. If their ownership is 10% or more, they can request to review and resolve violations by the Board of Management or Inspection Committee.
- **Right to Sue Board/Director:** Shareholders can file lawsuits against the Board of Directors or General Director if these individuals breach their duties and cause damage to the company.
- **Rights in Corporate Restructuring:** Shareholders have the right to approve major corporate changes such as mergers, consolidations, divisions, or conversions, and to be treated fairly in such processes.

4.4 Duties of Corporate Directors and Managers

Corporate directors, executives, and key managers in Vietnam are subject to explicit legal duties under the Law on Enterprises and related legislation, designed to ensure they act in the best interests of the company and its owners. These duties closely resemble fiduciary duties found in other jurisdictions. The main duties include:

4.4.1 Duty of Care and Diligence

Individuals in management positions (e.g., Members' Council chairman, Board members, Director/General Director) must perform their functions prudently and to a standard of care expected of a competent manager. This includes making informed decisions and proactively seeking information relevant to the company's business. Negligence causing harm to the company can lead to liability.

4.4.2 Duty of Loyalty

Managers must act honestly and in the best interests of the company and all shareholders or members, avoiding situations where personal interests conflict with those of the company. This includes:

- **Avoiding conflicts of interest:** Managers cannot divert business opportunities that the company could benefit from to themselves or to another company in which they hold an interest.
- **Not abusing their position for personal gain:** For example, refraining from using company assets for personal business.
- **Not competing against the company's business** without proper disclosure and consent.
- **Disclosing any interest:** Managers and board members with interests in transactions or other companies must notify the company and abstain from participating in conflicting decisions.

4.4.3 Duty to Avoid Unauthorised Gain

If a manager obtains any benefit (financial or otherwise) by using information or their position related to the company without approval, they may be required to return that benefit to the company.

4.4.4 Duty to Disclose

Key managers must disclose conflicts. In JSCs, related-party transactions above a threshold need GMS or BOD approval (excluding interested members) to ensure fairness and transparency.

4.4.5 Statutory Obligations

Managers must ensure the company complies with all applicable laws, including tax, labour, and environmental regulations. For example, a General Director has a duty to organise proper accounting and tax filing. Failure to do so, leading to legal violations by the company, can result in administrative penalties or, in certain cases, criminal liability (e.g., intentional tax evasion).

4.4.6 Duty to Convene Meetings

The chairman of an LLC's Members' Council or a JSC's BOD must convene meetings as legally required (e.g., annual meetings, or extraordinary meetings if conditions trigger any of those meetings). Failure to do so constitutes a breach of their duty to uphold governance processes.

4.4.7 Confidentiality

Managers have a duty not to disclose confidential company information to outside parties, particularly if such disclosure could harm the company. This duty often extends for a reasonable period even after they leave the company or as stipulated by contract.

An aerial photograph of a wind farm at sunset. The sky is a mix of blue and orange, with scattered clouds. Several white wind turbines are visible, with one in the foreground being particularly prominent. A semi-transparent pink banner is overlaid across the middle of the image, containing the text "Financing of Projects" in white. The ground is a green field with some roads and small trees.

Financing of Projects

5. Financing of Projects

Vietnamese businesses, including domestic and foreign-invested enterprises, typically rely on shareholder equity and domestic or international debt under a legal framework governing capital structure, loan terms and foreign-exchange transactions. Central to this framework, the State Bank of Vietnam (**SBV**) issues banking and financing regulations, enforces prudential standards, governs registration for medium- and long-term foreign loans, oversees foreign-currency accounts and regulates cross-border payments to ensure financial stability.

5.1 Borrowing in Vietnam and Offshore

For most companies, debt financing is primarily secured through bank loans, which may be obtained from Vietnamese commercial banks or foreign financial institutions:

- **Mandatory Capital Requirements:** Vietnam does not impose a universal minimum charter capital requirement for all businesses. However, certain regulated sectors such as real estate, finance, and banking require specific minimum legal capital amounts. For instance, a securities brokerage firm must have at least VND 50 billion, while a commercial bank requires VND 3,000 billion.
- **Debt to Equity Ratio:** For FIEs, the Investment Registration Certificate (**IRC**) stipulates both the charter capital (equity) and the total investment capital of the project. The difference between these figures represents loan capital. Although there is no formal thin capitalisation rule applicable in general, authorities often apply a 70:30 debt-to-equity ratio when approving projects, subject to sector-specific variations.
- **Capital Contribution Timeline:** In most cases, charter capital must be fully contributed within 90 days from the issuance date of the Enterprise Registration Certificate (**ERC**). Failure to comply may result in adjustments to the registered capital and potential administrative penalties

5.2 Banking Regulations and Foreign Exchange Issues

Foreign debt and cross-border payments are strictly regulated by the SBV and commercial banks.

- **Foreign Loan Registration:** Medium and long-term foreign loans must be registered with the SBV prior to drawdown. Short-term foreign loans are generally exempt from registration unless the repayment period is extended beyond one year, or if there is outstanding principal including deferred interest one year after the initial withdrawal and it remains unpaid within 30 working days. Any amendments to registered loan terms such as repayment schedules typically require re-registration. Foreign loans not guaranteed by the government are also subject to annual overall loan limits set by the Prime Minister.
- **Foreign Currency Accounts:** Borrowers must use a designated foreign loan and repayment account at a single bank for both withdrawal and repayment. FIEs must use their direct investment capital account for medium and long-term foreign loans in the same currency, but may choose between this account or a foreign loan and repayment account for short-term loans.

- **Foreign Exchange (FX) Risk:** Where loans are denominated in foreign currency such as USD but project revenues are in VND, there is a risk of VND depreciation. This may be mitigated through partial USD indexation in tariffs or the use of hedging instruments, although long-tenor hedging can be costly. Vietnam's foreign currency control regime governs cross-border payments.
- **Currency for Transactions:** Transactions between members of an International Financial Centre (*IFC*) may be denominated, valued, and settled in foreign currencies. This offers greater flexibility compared to existing restrictions under the Ordinance on Foreign Exchange Control 2005. Fundraising from foreign organisations and individuals for IFCs is now subject primarily to reporting and disclosure requirements, removing the previous need for SBV pre-approval.

5.3 Security and Enforcement

- **Types of Security Interests:** Vietnam's Civil Code permits various forms of security interest. Common types used in project financing include:
 - Mortgages over project assets, including immovable assets such as land-use rights, plants, buildings and movable assets such as equipment, machinery, inventory, receivables, bank accounts, contractual rights, proceeds.
 - Pledge of shares or capital contributions in the project company. Enforcement may be subject to foreign ownership limits and regulatory approvals.
 - Guarantees issued by sponsors and government guarantees for certain projects.
 - Assignment of project contracts and accounts. Lenders often require collateral assignment of key contracts such as Power Purchase Agreements, EPC contracts and control over project bank accounts.
- **Perfection of Security Interests:** For most movable assets, registration with the National Registration Agency for Secured Transactions is required to establish priority and enforceability against third parties. For immovable assets, mortgage contracts must be notarised and registered with specialised agencies such as the land registry under the Department of Agriculture and Environment (DAE) to be effective.
- **Limitations for Foreign Lenders:** Vietnamese law permits project companies to mortgage land-use rights and attached assets only with credit institutions licensed in Vietnam. Foreign lenders cannot directly take security over real property in Vietnam for cross-border loans. An onshore security agent, typically a Vietnamese commercial bank, may act on behalf of a lender consortium.
- **Mortgage Rights for Incentivised Projects:** Under the Land Law 2024, economic organisations benefiting from land rent reductions or exemptions as investment incentives now enjoy the same rights and obligations as if they had paid rent in full, including the right to transfer and mortgage their Land Use Rights (*LURs*). However, if such LURs are transferred before lease expiry, the previous user must repay the reduced or exempted rent to the State. This repayment obligation takes priority over private debts in liquidation scenarios.

- **Enforcement of Security:**

- *Pre-insolvency:* A secured lender may enforce collateral upon borrower default. Enforcement methods may be contractually agreed, including auction, private sale or asset takeover.
- *Post-insolvency:* Enforcement rights are temporarily suspended within five working days of a bankruptcy application being accepted. Court permission is required to proceed. The judge determines how security assets are handled and may suspend enforcement until bankruptcy is declared. Secured debts are paid out, and any surplus value of security assets must be included in the insolvent entity's estate.



Taxation and Financial Reporting

6. Taxation and Financial Reporting

6.1 Overview of Vietnam's Tax System

Vietnam's tax system encompasses several key taxes applicable to businesses and individuals, primarily Corporate Income Tax (CIT), Value-Added Tax (VAT), and Personal Income Tax (PIT).

6.1.1 Corporate Income Tax (CIT)

- The standard CIT rate in Vietnam remains 20% of taxable profits, applicable to most industries and to both domestic and foreign enterprises. Higher rates, ranging from 32% to 50%, apply to companies operating in sectors such as petroleum, gas, and mineral resources. Preferential rates of 15% or 17% may be available for small businesses or those in encouraged sectors, subject to specific conditions, such as revenue thresholds or location in areas with difficult socio-economic conditions.
- Taxable profit is calculated as revenue minus deductible expenses and carried forward losses. Losses may be carried forward for up to 5 consecutive years to offset future taxable income, but loss carryback is not permitted. Deductible expenses must be supported by proper documentation and comply with Vietnamese tax regulations.
- CIT is typically filed and paid annually, with provisional quarterly tax payments required. These provisional payments must cover at least 80% of the final annual CIT liability to avoid late payment interest. Final CIT returns are submitted after the end of the fiscal year, along with audited financial statements if applicable.
- Dividends paid by a foreign-invested company to corporate investors are not subject to additional tax, provided the profits have already been taxed at the corporate level. However, dividends paid to individual shareholders or individual members of a Multiple Member LLC are subject to 5% personal income tax. Branch profits are taxed at the same CIT rate as subsidiaries, and there is no separate branch profits tax on repatriation.

6.1.2 Value-Added Tax (VAT)

- VAT is a consumption tax applied at each stage of production and distribution of goods and services. The standard VAT rate is 10%.
- A reduced rate of 5% applies to certain essential or beneficial goods and services, such as clean water, teaching aids, unprocessed agricultural products, and some medical equipment.
- 0% VAT applies to exported goods and services, including those consumed outside Vietnam or within tariff-free zones, allowing for input VAT refunds.
- Many goods and services are VAT exempt, including financial services, medical and educational services, and transfer of land use rights. Businesses dealing with exempt items generally cannot credit input VAT.

- VAT is filed monthly or quarterly, with net VAT calculated as output VAT minus input VAT. Excess input VAT credits can be carried forward or refunded in certain cases. Use of e-invoices became mandatory since 2022, requiring companies to issue invoices through approved electronic systems and report them in real-time to tax authorities.

6.1.3 Personal Income Tax (PIT)

- PIT is levied on individual incomes.
- Tax residents in Vietnam (defined as individuals who are present in the country for 183 days or more in a year or who have a regular place of residence) are subject to personal income tax on their worldwide income. Employment income is taxed at progressive rates ranging from 5% to 35%, after deductions for personal and dependent allowances.
- Non-residents are taxed only on Vietnam-sourced income, typically at a flat rate (e.g., 20% on employment income).
- Other sources of income such as capital gains, royalties and rental income are subject to PIT at varying rates depending on the nature of the income. Dividends paid to individual shareholders by Vietnamese companies are subject to a final withholding personal income tax of 5%, which the distributing company must withhold and remit, notwithstanding the corporate income tax already applied to the profits.
- Employers are responsible for withholding PIT from salaries monthly and filing annual PIT returns on behalf of employees.
- Vietnam has signed more than 80 Double Tax Agreements (DTAs), which can help reduce or eliminate tax on certain types of income earned by expatriates or on cross-border payments to foreign entities. These agreements aim to prevent double taxation and promote international investment and labour mobility.

6.1.4 Other Taxes

- **Import and Export Duties:** Levied on goods crossing Vietnam's borders, with rates varying based on the origin country and applicable trade agreements. Exports are generally encouraged, so only a few goods are subject to export duties.
- **Foreign Contractor Tax (FCT):** Not a separate tax, but a framework for applying VAT and CIT to foreign organisations or individuals conducting business in Vietnam without a permanent establishment. FCT applies to income from goods and services supplied by foreign contractors, including certain import and export arrangements carried out within Vietnam. The Vietnamese counterparty, bank, or stock exchange may be responsible for withholding these taxes. There are two payment methods: the deduction method, which requires the foreign contractor to have a permanent establishment in Vietnam and comply with Vietnamese accounting standards, and the deemed method, where VAT and CIT are withheld at source based on a fixed percentage of taxable turnover. Royalty and licence fees are generally subject to a 15% withholding tax on gross revenue, while interest on offshore loans is subject to a 5% withholding tax.

- **Special Sales Tax (Excise Tax):** Applied to specific goods and services, such as cigarettes, alcoholic drinks, and certain luxury services, with rates ranging from 10% to 70%.
- **Natural Resources Tax:** Imposed on the exploitation of natural resources (e.g., crude oil, minerals).
- **Land Rental/Land Use Fee:** Companies leasing land from the state pay annual land rent or a lump sum land use fee.
- **Social Insurance Contributions:** Mandatory payments by employers and employees covering social insurance, health insurance, and unemployment insurance, which significantly add to labour costs.

6.2 Tax Incentives and Exemptions

Vietnam actively uses tax incentives to attract investment in certain sectors and regions, primarily through Corporate Income Tax (CIT) breaks, import duty exemptions, and land rental exemptions.

6.2.1 CIT Incentives

- **Preferential CIT Rates:**
 - A 10% corporate income tax rate for 15 years is commonly granted to projects in high technology, scientific research, software development, renewable energy, environmental protection, or those located in areas with challenging socio-economic conditions or designated economic or high-tech zones. Certain sectors such as education and healthcare may be eligible for the 10% rate for the entire duration of the project.
 - A 17% rate for 10 years applies to projects that meet specific criteria, often located in less disadvantaged regions or involving qualified expansion activities.
 - In exceptional cases, large and nationally significant projects, such as innovation centres or major manufacturing ventures involving technology transfer, may be granted a 5% rate for up to 37 years.
- **Tax Holidays and Reductions:**
 - A typical incentive package includes four years of full exemption from corporate income tax, followed by nine years at a 50% reduced rate. The exemption period begins from the first year the project generates taxable profits or the fourth year of revenue, whichever occurs first.
 - Certain priority projects may qualify for an extended package of 6 years of exemption and 13 years of 50% reduction, depending on the sector, location, and scale of investment.
- **Eligibility:** CIT incentives are granted based on:
 - **Encouraged sectors:** Such as high-tech, software, renewable energy, environmental protection, education, and healthcare.

- **Encouraged locations:** Areas with difficult or extremely difficult socio-economic conditions or designated Economic Zones.
- **Project size:** Large projects meeting capital and disbursement thresholds can qualify for extended incentives.
- If a company engages in multiple business activities, corporate income tax incentives apply only to income generated from the incentivised activity. Existing projects generally retain their approved incentives even if future policy changes occur.

6.2.2 Other Tax Incentives

- **Import Duty Exemptions:** Often provided for equipment and materials that form fixed assets or are not produced domestically, particularly in Economic Zones.
- **Land Rental Exemptions:** Projects may receive land rent exemption for a number of years or even the entire project life in encouraged cases.

6.3 Financial Reporting Standards and Requirements

Businesses in Vietnam must maintain accounts and prepare financial statements according to Vietnamese accounting regulations.

- **Vietnamese Accounting Standards (VAS)**
 - The Ministry of Finance has issued 26 Vietnamese Accounting Standards, which are primarily based on earlier versions of international standards. Together with the Enterprise Accounting System, which includes the chart of accounts, prescribed forms, and bookkeeping rules, these standards establish the core framework for accounting practices in Vietnam.
 - Required financial statements include a Balance Sheet, Income Statement, Cash Flow Statement, and Notes to Financial Statements, typically prepared annually.
 - VAS differs from IFRS, particularly in its limited use of fair value and historical cost focus and does not fully apply the concept of comprehensive income or the single lease model (IFRS 16).
- **IFRS Roadmap**
 - The Ministry of Finance has announced a roadmap for adopting IFRS, with voluntary application permitted since 2022. By 2025 or 2027, IFRS will become mandatory for consolidated financial statements of State-owned enterprises, listed companies, and large financial institutions. However, VAS will continue to be used for statutory reporting purposes.
- **Audit Requirements**
 - All foreign-invested enterprises (**FIEs**) in Vietnam are required to have their annual financial statements audited by independent auditing firms. Listed companies and large-scale companies are also subject to mandatory audits.

Audited statements must be submitted to tax authorities and licensing authorities.

- **Publication and Fiscal Year**

- Listed companies must publish their financials on exchanges and company websites. Meanwhile, public companies which are defined as having at least 100 shareholders and being unlisted must submit their financial reports to the State Securities Commission (**SSC**).
- The fiscal year is usually the calendar year, but companies can apply to use a different fiscal year.
- VND is the default reporting currency.



Competition Law

7. Competition Law

7.1 Overview of Competition Law in Vietnam

Vietnam's competition law aims to ensure fair market competition by prohibiting anti-competitive conduct and regulating mergers that could restrict competition. The primary legislation is the Competition Law 2018, effective from July 2019, which modernised Vietnam's antitrust framework towards an "effects-based" approach.

- The law applies to all enterprises operating in or affecting the Vietnamese market, including foreign companies whose conduct impacts Vietnam.
- Vietnam's National Competition Commission (**VCC**) is established under the Ministry of Industry and Trade, which is responsible for investigating anti-competitive cases, reviewing mergers, and issuing decisions.
- The law addresses 4 main areas:
 - Anti-competitive agreements
 - Abuse of dominant or monopoly position
 - Economic concentrations (mergers & acquisitions) that could undermine the market competitiveness, and
 - Unfair competition practices.
- Vietnam's competition regime applies to both horizontal conduct (between competitors) and vertical conduct (between suppliers and distributors). It also has extraterritorial reach, meaning that conduct occurring outside Vietnam may still fall under its scope if it produces anti-competitive effects within the Vietnamese market.

7.2 Anti-Competitive Practices

Anti-competitive practices are categorised into restrictive agreements and abuse of dominant position.

- **Restrictive Agreements**
 - **Per se prohibitions:** Agreements banned outright regardless of market impact, including bid-rigging, agreements to eliminate or exclude competitors, and horizontal agreements on price-fixing, market sharing, or output restriction.
 - **Effects-based prohibitions:** Other agreements, both horizontal and vertical (e.g., resale price maintenance, tying arrangements, exclusive dealing), are prohibited if they substantially lessen the market competitiveness.
 - **De minimis exemption:** Certain agreements may be exempt from Vietnam's competition rules if the parties' combined market share falls below specified thresholds, typically under 5% for horizontal agreements and under 15% for vertical agreements. Additional exemptions may apply to agreements that

deliver efficiencies or technical progress, but extreme restrictive agreements (such as price-fixing or market allocation) are strictly prohibited and cannot benefit from these exemptions.

- **Abuse of Dominant Position**

- An enterprise is considered dominant if it has either a market share of at least 30% or “substantial market power”.
- Collective dominance is also recognised when each of two enterprises occupies at least 20% of the market share or when each of three enterprises covers at least 10% and together they hold a combined market share of 50% or more.
- Prohibited acts by dominant firms include: selling goods/services below cost to exclude competitors, limiting production/supply, tying arrangements, discriminatory pricing, and unreasonably restricting market access.

7.3 Merger Control and Notification Requirements

Vietnam regulates mergers and acquisitions (referred to as economic concentrations) that may lead to anti-competitive effects. Transactions must be notified to the VCC prior to completion if they meet specified notification thresholds, such as turnover, market share, or transaction value criteria.

- **Transactions Covered:** The law covers mergers, consolidations, acquisitions (of control or major assets/shares), and the creation of joint ventures. Even the formation of a new JV by independent firms can be reviewed. There is no specific exception for intra-group restructurings.
- **Notification Thresholds:** A transaction must be notified to the VCC prior to closing if any of the following conditions is met:
 - **Total assets in Vietnam** of either party (or its affiliated group) exceed VND 3,000 billion (approx. US\$129-130 billion) in the preceding fiscal year.
 - **Total revenue in Vietnam** of either party (or its affiliated group) exceeds VND 3,000 billion.
 - **Transaction value** is VND 1,000 billion (approx. US\$43 billion) or more.
 - The **combined market share** of the parties in any relevant market in Vietnam is **20% or more**. If one party already has at least 20% of the market share, any acquisition by or of that party will trigger notification requirement.

The above thresholds are calculated on a consolidated group basis.

- Special thresholds apply to insurance companies, securities companies, and credit institutions (e.g., the total assets of VND 15 trillion is the threshold for insurance/securities companies).
- The law provides for extraterritorial jurisdiction, meaning foreign-to-foreign or offshore transactions can be captured if they meet thresholds, even if only one party has assets/turnover in Vietnam.

- **Review Process:** Vietnam employs a two-phase merger review process:
 - **Phase 1 (Preliminary Assessment):** 30 days. If no substantial anti-competitive effects are found, the deal is cleared. Approximately 90% of filings are cleared at this phase.
 - **Phase 2 (In-Depth Review):** Up to 90 days (with a possible 60-day extension). The VCC assesses potential competition concerns. Outcomes can be unconditional clearance, conditional clearance (with divestitures or behavioral commitments), or a prohibited merger if anti-competitive harms cannot be remedied.
 - **Suspension:** A notifiable merger must not be consummated until the clearance is obtained.
 - **Penalties for Non-compliance:** Failure to notify or proceeding the transactions without any approval can result in fines of up to 5% of the offending company's turnover.

An aerial photograph of a coastal area, likely in Southeast Asia, featuring turquoise water, numerous limestone karsts, and a large number of floating fish traps. A semi-transparent red banner is overlaid across the middle of the image.

Contract Law

8. Contract Law

8.1 Key Principles of Contract Law in Vietnam

Contracts in Vietnam are primarily governed by the Civil Code, which applies to all types of contracts, and the Commercial Law, which specifically regulates commercial and profit-oriented agreements. Together, these laws provide a legal framework that broadly aligns with international contracting principles, while incorporating distinct local legal concepts and practices that parties should carefully consider when drafting and negotiating agreements.

- **Freedom to Contract and Limitations:** Parties are generally free to negotiate terms, provided the contract's subject and content are not illegal or against social morals. Illegal contracts shall be deemed null and void.
- **Formation:** A contract is formed through an offer and acceptance. Silence is generally not acceptance unless agreed upon or customary.
- **Form Requirements:** Contracts can be oral, written, or by conduct. However, certain contracts must be in writing to be valid or enforceable, such as real estate transfers (which also require notarisation), technology transfer, franchising, and labour contracts. The use of a company chop (seal) is no longer legally required for validity, with a signature by the legal representative being sufficient.
- **Language:** Contracts may be drafted in a foreign language; however, a certified Vietnamese translation is required for use in court or when submitted to government authorities. To ensure clarity and enforceability, bilingual contracts (presenting both Vietnamese and foreign language versions) are commonly used in practice.
- **Parties and Capacity:** Signatories must have legal capacity and proper authority (e.g., legal representative or delegated person).
- **Good Faith Principle:** Parties must negotiate and perform contracts in good faith, implying honesty and cooperation.
- **Void and Voidable Contracts:** Contracts can be void ab initio (e.g., due to lack of capacity, misunderstanding, deception, duress, illegality, or non-compliance with formalities). If a contract is void, the general remedy is restitution.
- **Civil versus Commercial Contracts:** In business-to-business transactions, the Commercial Law generally takes precedence over the Civil Code in cases of conflict, provided that its provisions do not contradict certain fundamental principles established under the Civil Code.

8.2 Essential Contract Clauses

- **Key Commercial Terms:**
 - Parties and Scope: Clear identification of parties and the purpose of the agreement.

- Term and Termination: Duration, effective date, grounds for termination (for cause, for convenience), and consequences of termination.
- Price and Payment Terms: Clear pricing, currency (VND for domestic, foreign for cross-border transactions), payment timing, method, and late payment interest/penalties.
- Obligations of Parties: Detailed duties, quality specifications, and responsibilities for obtaining permits.
- Representations and Warranties: Assurances regarding capacity, goods/services conformity, and intellectual property.
- **Risk and Liability Clauses:**
 - Delivery and Risk of Loss: Specifying Incoterms for clarity on responsibilities during transit.
 - Inspection and Acceptance: Defining process for defect notification and rejection.
 - Warranty and Remedy: Stating exclusive remedies for defects (e.g., repair or replacement).
 - Limitation of Liability: Common to exclude consequential damages and cap direct damages (often to contract value). Such limitations are allowed if not unconscionable or against public interest.
 - Indemnification: Allocating specific risks, such as third-party claims or IP infringement.
 - Force Majeure: Defining events (unforeseeable, unavoidable) and their effect (excused performance, potential termination if prolonged).
- **Other Important Clauses:**
 - Confidentiality: Obliging parties to protect sensitive information.
 - Intellectual Property: Clarifying ownership and license terms for IP.
 - Governing Law and Dispute Resolution: Crucial for enforceability.

Governing Law: Vietnamese law is default for domestic contracts. For contracts with a “foreign element” (e.g., foreign party, overseas performance), choice of foreign law is permitted, provided it does not contradict “fundamental principles of Vietnamese law”. However, real property and labour contracts in Vietnam must be governed by Vietnamese law.

Dispute Resolution: Options include Vietnamese courts or arbitration (domestic or international). Many foreign businesses prefer arbitration (e.g., VIAC, SIAC) for neutrality, English proceedings, and enforceability under the New York Convention.

- **General Provisions:** Boilerplate clauses like Entire Agreement, Amendments (must be in writing), Assignments, No Waiver, Severability, and Notices. Electronic signatures are recognised if parties agree.

8.3 Drafting and Negotiating Contracts

- **Language and Clarity:** Use clear, precise language. For bilingual contracts, ensure professional translation and specify which version prevails.
- **Negotiation Style:** Be mindful of Vietnamese politeness and indirectness. Patience and relationship-building are valued.
- **Legal Compliance:** Ensure terms do not violate Vietnamese law and that necessary government approvals (e.g., technology transfer registration, franchise registration) are factored into the timeline.
- **Formalities:** While not legally mandatory, the use of a company chop (seal) is still common practice. Decide on the number of original copies. Notarisation is generally not required for business contracts but may be requested for major property deals or license applications.
- **Dispute Resolution Planning:** Discuss and agree on dispute resolution mechanisms upfront. Consider VIAC as a local arbitration option.
- **Financial and Tax Considerations:** Contracts should clearly specify the currency of payment, bearing in mind that Vietnamese foreign exchange regulations require domestic transactions to be denominated in VND. For cross-border payments, parties should also account for applicable withholding tax obligations on remittances to overseas entities, which may vary depending on the nature of the payment and any relevant tax treaties.
- **Negotiation Protocol:** Preliminary documents such as MOUs or Term Sheets are commonly used to record key terms before drafting the full contract. It is important to explicitly clarify whether these documents are intended to be legally binding, as ambiguity may lead to disputes over enforceability.
- **Local Legal Advice:** Engaging Vietnamese lawyers is crucial for reviewing drafts and ensuring compliance with local laws and practices.

8.4 Contract Enforcement and Remedies

- **Performance and Cure:** Parties are expected to perform obligations fully. The breaching party may be given a chance to cure the breach.
- **Damages:** The non-breaching party can recover actual and direct losses, including loss of profit, if proven with reasonable certainty. Vietnamese Commercial Law allows parties to agree on limitation of liability.
- **Penalty:** Contracts may stipulate a predetermined penalty for breach. Under the Commercial Law, this penalty is generally capped at 8% of the value of the breached obligation. The non-breaching party typically cannot claim additional damages for the same breach unless explicitly stated in the contract.

- **Specific Performance:** Courts or arbitral tribunals can order the breaching party to carry out their obligations, if feasible.
- **Contractual Right to Terminate:** A party can unilaterally terminate a contract for a “substantial breach” (one that prevents the other party from achieving its contractual purpose).
- **Mitigation of Loss:** The non-breaching party has a duty to take reasonable steps to mitigate damages.
- **Enforcement via Court/Arbitration:**
 - **Court:** Requires filing a Statement of Claim with supporting evidence (translated to Vietnamese). The court will review and accept the case, attempt mediation, and hold a trial.
 - **Arbitration:** An arbitral award is final and binding, and if not voluntarily complied with, can be recognised and enforced by a Vietnamese court.
- **Statute of Limitations:** Generally 2 years from the time the breach occurred or was discovered for contract claims.
- **Practical Enforcement:** If a court judgment is not voluntarily complied with, the case is transferred to the Civil Judgment Enforcement Agency, which has authority to freeze bank accounts, seize assets, and conduct auctions to recover the owed amounts. However, enforcement can be slow and challenging, particularly if the debtor actively resists or attempts to evade payment.

Employment



9. Employment

9.1 Hiring Practices

9.1.1 Work Permits for Foreign Employees

- **Mandatory:** Generally, expatriate employees working for more than 3 months are required to obtain a work permit. Limited exemptions exist, such as certain board members, heads of representative offices, short-term assignments.
- **Employer Responsibility:** The employing company is responsible for obtaining the work permit, which is tied to a specific position and employer. A new permit is needed for changes in position or employer.
- **Application Process:** Involves providing proof of qualifications (bachelor's degree or higher for *experts* with more than 3 years of experience, 1-year training for *technical workers* with more than 3 years of experience), health check, criminal background check, and employer paperwork (e.g., labour demand approval).
- **Duration:** Each work permit has a maximum term of 24 months and can be renewed once for subsequent terms (another 24 months), after which a new application is required.
- **Compliance Risks:** Hiring foreigners without work permits can lead to fines for the employer and potential deportation for the employee. In terms of timing, the process of obtaining a work permit can take 4-6 weeks or more.

9.1.2 Local Employment Regulations

- **Labour Code 2019:** The main governing law. It broadly defines “employees” to include those working under agreement, paid, managed, and supervised by an employer, requiring caution when drafting contracts with independent contractors.
- **Labour Contracts:** Written contracts are mandatory for employment terms over 1 month. Contracts can be fixed-term (up to 36 months) or indefinite term. A fixed-term contract can be renewed only once before converting to an indefinite term.
- **Probation Period:** Up to 60 days for skilled/managerial roles, 30 days for most others. Probationary salary must be at least 85% of the full wage.
- **Non-Discrimination:** Discrimination in employment is prohibited on the basis of gender, race, social background, religion, and other protected characteristics. While these principles are provided under the law, practical enforcement remains uneven, and employers should take proactive steps to ensure fair treatment and inclusive practices
- **Protected Categories:** Special protections exist for female employees (e.g., no dismissal due to pregnancy, lighter work), and strict rules for hiring minors.

- **Trade Unions:** Employees have the right to form or join a trade union. Employers cannot obstruct union formation and must contribute 2% of payroll to the trade union fund monthly, even if no active union exists. Unions are involved in supervising CBAs, salary scales, and internal labour regulations.
- **Onboarding:** Employers must register new employees with the social insurance office within 30 days, create a personnel dossier, and issue a formal record of employment.
- **Outsourcing/Contractors:** Individuals performing regular, ongoing work may be legally classified as employees, even if engaged under a service contract. This means employers should exercise caution when hiring independent contractors or freelancers, as misclassification can trigger employment obligations under the Labour Code. The use of manpower supply services (third-party labour providers) is permitted but strictly regulated, requiring compliance with licensing and labour protection rules.

9.2 Employee Rights and Benefits

9.2.1 Wages and Working Hours

- **Minimum Wage:** Vietnam applies region-based minimum wages, which are updated periodically. From 1 July 2025, the monthly minimum wages are:

Region I: VND 4,960,000

Region II: VND 4,410,000

Region III: VND 3,860,000

Region IV: VND 3,450,000

Employees with vocational qualifications must be paid at least 7% above the applicable regional minimum.

- **Working Hours:** Normal hours are 8 per day and 48 per week (often 5-day week in foreign companies).
- **Overtime:** Capped at 40 hours per month (200 hours per year, 300 in special circumstances). Overtime pay rates are at least 150% on weekdays, 200% on weekly days off, and 300% on public holidays.
- **Rest Breaks:** Employees are entitled to at least one 24-hour day off per week, and a daily break of at least 30 minutes.

9.2.2 Leave and Holidays

- **Public Holidays:** 11 public holidays annually, fully paid. If a holiday falls on a weekend, employees get the next weekday off. Expatriate employees may also get an additional paid day off for their traditional new year and their country's national day.
- **Annual Leave:** Minimum of 12 business days of paid annual leave per year, increasing by 1 day for every 5 years of service with the same employer.

- **Sick Leave:** Paid by the social insurance fund (not directly by employer) if the employee has social insurance coverage and medical certification.
- **Maternity and Paternity Leave:** Female employees receive 6 months of maternity leave for childbirth, with 100% of average salary paid by the Social Insurance fund. Fathers get 5-14 business days of paternity leave, also paid by Social Insurance.
- **Other Leave:** Paid leave for marriage (3 days), child's marriage (1 day), and immediate family death (3 days).

9.2.3 Social Insurance, Health Insurance and Unemployment Insurance (SI, HI, UI)

- **Mandatory Contributions:** Both employer and employee contribute monthly. Current rates (2025) are approximately **Employer: 21.5%** (17% SI, 3% HI, 1% UI, 0.5% occupational accident) and **Employee: 10.5%** (8% SI, 1.5% HI, 1% UI) of gross salary (up to a salary cap).
- **Benefits:** Covers pensions, survivor's benefits, sick leave, maternity, occupational disease/accident. Expats contributing to SI can get a lump-sum payout when leaving Vietnam permanently. Unemployment benefits are available if an employee loses their job after contributing UI for at least 12 months.

9.2.4 Discipline and Termination

- **Discipline:** Employers can discipline for misconduct (reprimand, salary delay, demotion, dismissal) following a formal process with a disciplinary hearing.
- **Termination by Employer:** "At-will" termination is not recognised. Unilateral termination is only allowed in specific situations (e.g., persistent poor performance, prolonged illness, redundancy due to restructuring) and requires advance notice. Illegal termination can lead to reinstatement or compensation (e.g., 2 months' salary plus back pay).
- **Resignation:** Employees can resign with notice (30 days for definite, 45 for indefinite contracts) without employer consent.
- **Labour Disputes and Resolution:** Labour disputes in Vietnam are resolved through a combination of mediation, arbitration, and court proceedings. Individual disputes may be settled via mediation by a labour mediator or brought directly before the People's Court, which is generally viewed as favouring employees. Commercial arbitration is not recognised as a valid method for resolving employment-related disputes; only labour mediators, labour arbitration councils, and courts are authorised to handle such cases. Collective disputes follow a tiered process involving conciliation, review by a labour arbitration council, and, if unresolved, the legal right to strike.

9.3 Employee Stock Ownership Plan (ESOP)

9.3.1 Overview of ESOP in Vietnam

- An Employee Stock Ownership Plan (ESOP) is a benefit policy for key employees in multinational companies, allowing them to become shareholders of holding companies through bonus shares or preferential share purchases.
- In Vietnam, ESOPs issued by foreign companies to Vietnamese employees have been regulated as a form of indirect foreign investment and were subject to the foreign exchange control of the State Bank of Vietnam (**SBV**).

9.3.2 Legal and Regulatory Considerations

- The most significant change, effective 12 August 2024, is the abolition of the requirement for SBV approval or registration of ESOP implementation. This aims to reduce administrative burdens and costs for local entities and increase employee participation.
- **Types of Share Awards:** An offshore parent may award shares as (i) free shares or (ii) a grant of share awards with preferential conditions where employees are not required to remit funds abroad. While Circular 23/2024/TT-NHNN does not enumerate specific forms, it can include stock appreciation rights, restricted shares, stock options, etc.. No funds may be remitted abroad by Vietnamese employees or the local entity to acquire shares, even at a discount.
- **Oversight Shift:** Management of ESOP implementation is now primarily vested in local merchant banks where ESOP-implementing accounts are opened. Banks may request documents to examine the ESOP's legality and can refuse transactions at their discretion.
- **Reporting Requirements:** Reporting to SBV is now monthly instead of quarterly, due by the 12th day of the following month. Reports must be in writing and by email, declaring inbound ESOP-related funds with bank confirmation.
- **Previously-Registered Plans:** Plans that previously permitted outward remittance of funds must be adjusted. For plans registered before August 12, 2024, a one-year adjustment period is provided, but new share acquisitions must be structured without outbound funds.

9.3.3 Structuring and Administering ESOP

- **Payments:** ESOP payments from the offshore parent to Vietnamese subsidiary employees must still pass through a special foreign currency account before being deposited to individual participant bank accounts.
- **Dividends and Proceeds:** Accrued dividends and proceeds from share sales for Vietnamese employees are remitted through this special account and then transferred to the employees' bank accounts in Vietnam.
- **Tax Withholding:** The local entity is responsible for withholding Personal Income Tax (PIT) on ESOP payments.

An aerial photograph of a city at sunset. The sky is a mix of orange, pink, and blue. A prominent skyscraper, the Burj Khalifa, stands out in the center. In the foreground, a multi-lane highway bridge spans a body of water, with light trails from cars. The city's lights are visible in the background, and a small island with buildings and greenery is in the lower left.

Real Estate

10. Real Estate

10.1 Land Use Rights and Ownership

In Vietnam, a foundational principle of the legal system is that all land is collectively the property of all the people of Vietnam and is managed by the State. Consequently, no individual or entity, whether Vietnamese or foreign, is permitted to hold indefeasible “ownership” of land in the way understood in common law systems. Instead, what a person or entity acquires is a “land use right” (**LUR**). This concept is fundamental to real estate transactions in the country.

Evidencing LUR and the ownership of assets located on land are formally evidenced by a “Certificate of Land Use Right, House Ownership and Other Assets attached to Land”, commonly referred to as a Land Use Rights Certificate (**LURC**). Historically, separate **Red Books** (for land use rights) and **Pink Books** (for house ownership) existed, but these have been unified into a single certificate. The LURC specifies the holder of the rights, the area, location, designated purpose of the land (e.g., residential, commercial, agricultural), and the duration of the rights. Holding LUR enables the holder to sell, transfer, lease, mortgage, or inherit those rights, subject to specific conditions.

10.1.1 Methods of Acquiring Land Use Rights

A land user can gain access to land use rights through several mechanisms:

- **Allocation from the State:** This typically involves the State granting LURs for a definite or indefinite period. For residential purposes, land allocated to Vietnamese individuals is for an indefinite period, offering stable and long-term use. For investment purposes, foreign-invested enterprises can be allocated land for the construction of residential housing for sale or lease, usually for a definite period of up to 50 years, not exceeding the duration of the relevant investment project. A land user who has been allocated land and paid land use fees generally has broad rights to assign (sell), lease, donate, or mortgage those rights, or contribute them as capital into a joint venture.
- **Leasing from the State:** Both domestic and foreign-invested enterprises, as well as Vietnamese individuals, can lease land from the State for agricultural, production, and business purposes. This includes land designated for investment projects in agriculture, forestry, aquaculture, and salt production; for public purposes with a commercial objective; for tourism, office operations, and other service-related activities; for the construction of rental social housing; and for use within industrial zones, clusters, high-tech parks, and worker dormitories located in industrial areas. The maximum lease terms are generally 50 years, though in certain cases of national importance, a 70-year term may be permitted. The term cannot, however, exceed the duration of the relevant investment project, though extensions are possible but not guaranteed. Lessees paying annual rental generally cannot mortgage or contribute their land use rights, but can mortgage or contribute assets built on the land. In contrast, a land user who pays the full land rental upfront (lump sum) may transfer, sub-lease, mortgage, or contribute their land use rights in a manner similar to those who have been allocated land.

- **Sub-leasing from Developers:** In specifically designated zones, such as industrial, export-processing, and high-tech zones, developers lease land from the State and then sub-lease it to other enterprises, including foreign-invested enterprises, after completing infrastructure development. If the developer paid land rental on a lump sum basis, they may collect rent either annually or as a lump sum from sub-lessees.
- **Transfer from an Existing Land User:** Land users with the right to assign their LURs can generally transfer them to any Vietnamese individual or domestic enterprise. However, foreign-invested enterprises and foreign individuals are generally not permitted to acquire LURs from existing land users. Exceptions apply where foreign-invested enterprises acquire LURs through capital contributions from a Vietnamese enterprise, or through transfers from land users located in designated special zones.
- **Capital Contribution by an Existing Land User:** LURs can be contributed as capital into a joint venture, which is a common practice in real estate joint ventures, where a Vietnamese party contributes land rights while a foreign party provides cash and expertise.

10.1.2 Foreign Investors' Specific Land Rights

Foreign investors are unique in Vietnam's land regime. They cannot directly "own" land but are granted rights to use land for their investment projects. Foreign investors typically establish a locally incorporated entity (a foreign-invested enterprise) in Vietnam to gain access to land. That entity may acquire land use rights through the following forms:

- Leasing land from the State;
- Acquiring land use rights allocated by the State for the implementation of a residential project;
- Subleasing land or acquiring land transfers in designated special zones;
- Acquiring land use rights through capital contribution from an eligible land user;
- Acquiring land use rights via land allocation or lease pursuant to a dispute resolution decision (by Court or Arbitration) or auction outcome;
- Acquiring capital in the form of land use rights.

The typical term for land use rights under the above arrangements is 50 or 70 years for special projects.

10.1.3 Foreign Individuals' Property Rights

Since 1 July 2015, restrictions on foreign individuals purchasing residential houses in Vietnam have been significantly relaxed. A foreign individual with a valid entry stamp is generally permitted to purchase and own residential properties within housing development projects that are not located in areas requiring national defence or security protection. However, certain restrictions apply: the total number of units owned by foreigners cannot exceed 30% of the total apartments in one building, or 250 villas/townhouses within an administrative ward. The ownership

term for foreign individuals is typically limited to 50 years, which could be renewed for another 50 years subject to discretion of the authorities. An exception applies to foreign individuals married to Vietnamese citizens, who may acquire indefinite ownership. Foreign owners generally have the same rights as Vietnamese owners, including the rights to sell, mortgage, lease, contribute as capital, donate, and bequeath the property. Foreign-invested organisations, representative offices, or branches of foreign organisations operating in Vietnam are permitted to buy and own residential property exclusively for their staff accommodation purposes.

10.1.4 Mortgage and Security over Land Use Rights

Land use rights (whether allocated or leased with lump sum rental payment) can be mortgaged to banks as security for loans. However, foreign lenders generally cannot directly take security over real property (including land and assets attached to land) in Vietnam to secure their cross-border foreign loans. This limitation is a significant challenge in project finance where real property assets are often the most valuable. In practice, domestic lenders (Vietnamese credit institutions) are the primary parties permitted to hold mortgages over LURs. For foreign lenders, alternative structures are often employed to provide comfort, such as taking security over shares at an offshore parent company level. Despite these challenges, the Land Law 2024's change allowing the mortgaging of LURs even with rent exemption/reduction, albeit with a potential obligation to repay the exempted rent upon transfer, marks a notable evolution. Security over land-based wind turbines and solar panels remains unclear under current law as to whether they are considered assets attached to land (which cannot be mortgaged to foreign lenders) or movable assets. Similarly, the status of assets attached to sea areas (like offshore wind turbines) is ambiguous, with the general perception that they may be treated as movable assets.

10.1.5 Compulsory Land Acquisition (Expropriation)

The State reserves the right to recover land (a concept akin to eminent domain or expropriation) for purposes of national defense, security, national interest, or for socio-economic development projects of national importance. If an investor's land is recovered, they are entitled to compensation based on land prices determined by the competent authority and the remaining value of their investments. While the Land Law 2024 aims to clarify and streamline this process, land compensation can still be a contentious issue, particularly when it involves the relocation of local residents for new developments.

10.1.6 Risk of Land Revocation

Investors should be aware that if land is left idle for too long (typically more than 12 months with no activity or 24 months behind schedule for a project), the State can impose a land use surcharge or even recover the land for non-use. This policy aims to prevent land speculation and ensure the timely implementation of approved projects. Additionally, failure to pay land rent or land use fees can lead to the State taking back the land.

10.1.7 Key developments under the Land Law 2024 (effective 2025):

- **Definition of Foreign Invested Economic Organisation (FIEO):** The Land Law 2024 introduces a more nuanced definition of FIEO, which impacts land use rights. It may be interpreted that enterprises with less than 50% direct foreign

ownership might no longer be considered FIEOs for Land Law purposes, potentially gaining similar land use rights as purely domestic organisations. Conversely, enterprises with more than 50% direct or indirect foreign ownership would likely still be classified as FIEOs. This distinction is critical as domestic organisations generally have broader land use rights and obligations compared to FIEOs.

- **Shift to Annual Land Rental Payments:** The Land Law 2024 indicates a major shift towards land leases with annual payments for various types of land, including “non-agricultural production and business land”. While this method offers cost advantages upfront, it means the annual amount is subject to adjustment over time. Crucially, under the prior law, land users paying annual rent were not permitted to transfer or mortgage their LURs, a significant drawback for project financing.
- **Mortgage Rights for Incentivised Projects:** A significant change under the Land Law 2024 is that economic organisations (both domestic and FIEOs) benefiting from land rent reduction or exemption (as an investment incentive) will now enjoy the same rights and obligations as if they paid land rent in full, including the right to transfer and mortgage their LURs. This is a material improvement for projects like renewable energy, which were often exempt from land rent and thus faced difficulties in using land as security for financing under the old law. However, if such LURs are transferred before the lease expires, the previous user will be obligated to pay back the reduced/exempted rent to the State, a debt that would have higher priority than debts to private entities in a liquidation scenario.
- **Land for PPP Projects:** Land used for Public Private Partnership (**PPP**) projects can also be eligible for land rent exemption and reduction.
- **Streamlined Land Acquisition by State:** The Land Law 2024 clarifies the “socio-economic development” purposes for which the State can recover land, providing a non-exhaustive list of 32 items. For projects falling within this list, the State is responsible for land clearance (compensation, relocation), revoking land from existing users, and allocating/leasing “clean” land to investors. Investors may advance compensation money, which can be offset against land rent/fees. This aims to address prolonged land clearance issues, especially by basing compensation prices closer to actual market rates determined annually, potentially speeding up the process.
- **Arbitration for Land Disputes:** The Land Law 2024 explicitly allows parties to choose Vietnamese commercial arbitration to resolve “disputes arising from commercial activities relating to land”. This marks a departure from the Land Law 2013, which only recognised People’s Committees and courts as dispute resolution venues. While this is a welcome expansion of options, further clarification is needed on what constitutes a qualifying “commercial activity” to ensure the enforceability of arbitral awards in land-related matters.

10.2 Lease Agreements and Property Transactions

For most businesses establishing a presence in Vietnam, the primary mode of securing premises will be through lease agreements for office space or factory

facilities. Additionally, other property transactions, such as buying buildings or transferring land use rights, are subject to specific regulations.

10.2.1 Commercial Lease Agreements

- **Duration:** Commercial leases for offices or retail spaces typically last around five years. There is no legal maximum for lease duration, but practical terms often align with the land use term of the underlying property or common business practices (e.g., 2 to 3-year terms for offices with renewal options). Leases for land or factories in industrial zones can be longer, often 10 to 30 years, when sub-leasing from an industrial zone developer.
- **Rent and Deposits:** By law, rent must be quoted and paid in VND due to restrictions on foreign exchange control. However, in practice, landlords and tenants often quote rent in USD for convenience. Landlords commonly require a security deposit (usually equivalent to around three months' rent), and rent escalation may vary depending on the grade of the property. The deposit is intended to cover potential damages or defaults and is refundable at the end of the lease. Rent escalation clauses, such as a 5 to 10% increase every two or three years, or adjustments linked to the Consumer Price Index (CPI) are a common feature of lease agreements.
- **Fit-out and Restoration:** Tenants typically require the landlord's consent for interior fit-out or renovation plans. The lease agreement should clearly specify the ownership of these improvements (whether they can be removed by the tenant at the end of the lease or left without compensation) and outline the tenant's obligations for restoring the premises to their original condition upon vacating, unless otherwise agreed.
- **Maintenance:** Generally, the landlord is responsible for structural maintenance and the upkeep of common areas in multi-tenant buildings, often providing services like security and cleaning for a separate service fee. The tenant is usually responsible for interior maintenance and utility payments within their leased space.
- **Termination:** Unilateral early termination by a tenant is usually subject to penalties, unless the landlord breaches the agreement (e.g., by failing to maintain the premises, rendering them unusable). Landlords may permit early termination clauses with advance notice and a specified penalty (e.g., forfeiture of the security deposit).
- **Insurance:** The landlord is typically responsible for procuring mandatory insurances for the entire building, including fire insurance, which is compulsory under Vietnamese law. Tenants may be required to purchase specific insurances, such as public liability insurance or business interruption insurance.
- **Lease Survival:** A lease agreement generally survives if the owner sells the leased premises, as provided by the Real Estate Law 2014. Similarly, if the owner faces bankruptcy or foreclosure, it usually does not impact leaseholds, unless otherwise stipulated in the relevant leases.

10.2.2 Factory or Land Leases in Industrial Zones

Foreign manufacturers often lease land or ready-built factory spaces within industrial parks. These leases are typically long-term, sometimes extending to the expiry of the industrial zone's overall land use term (e.g., through 2045). Rent is frequently paid upfront for the entire term or in periodic installments. These contracts, while often standardised, should be carefully reviewed for provisions concerning the right to transfer the lease to a new investor, utility connections, usage restrictions, and compliance with the industrial zone's specific regulations. In addition to rent, management fees are often charged annually per square meter for the maintenance and infrastructure of the zone.

10.2.3 Taxes and Fees on Property Transactions

Several taxes and fees are typically incurred in property transactions:

- **Seller's Obligations:** The seller (if a company) pays corporate income tax (**CIT**) on any profit derived from the sale of the real estate. For individuals selling property, a personal income tax (**PIT**) of 2% of the gross sale price applies.
- **Buyer's Obligations:** The buyer typically pays value-added tax (**VAT**) if it is a sale of an asset on land (at a 10% rate), but the transfer of land use rights is generally VAT-exempt. A registration fee of 0.5% of the property value is also paid for the registration of land use rights changes.

10.2.4 Due Diligence in Property Transactions

Thorough due diligence is essential before entering any property transaction. It is crucial to verify the seller's or landlord's title by checking the LURC and other relevant legal documents to ensure valid rights, absence of disputes, and confirmation that all property taxes are paid. Any existing land mortgages must be released before or at the time of transfer. While seller warranties are not as common as in other jurisdictions, they are often included in real estate mergers and acquisitions involving foreign investors, where sellers typically provide representations and warranties that the property is free of encumbrances.

10.2.5 Condominium Ownership by Foreign Individuals

For foreign individuals who purchase a condominium, they receive a "pink book" (unified LURC) with a 50-year term for the land use rights associated with the unit. They retain the right to resell the unit to another eligible buyer. If sold to a Vietnamese citizen, the LURC converts to an indefinite term for that Vietnamese purchaser. A foreigner can also lease out their apartment to tenants, but they must register the temporary residence of the tenants with the authorities and pay 5% PIT on the rental income, plus 5% VAT if their annual rental revenue exceeds VND 100 million.

In summary, property transactions and lease agreements in Vietnam are distinct due to the land regime, where land ownership rests with the State. While the legal framework supports various forms of property use and transaction, foreign investors must adhere to specific rules and often engage in thorough due diligence and local legal consultation to ensure compliance and mitigate risks.

10.3 Zoning and Land Use Regulations

Zoning and land use regulations are pivotal in Vietnam, dictating how land can be utilised and what types of structures can be built in specific areas. These regulations are primarily governed by the Land Law, Construction Law, and various urban planning laws, ensuring that development aligns with national and local socio-economic strategies.

10.3.1 Land Use Planning and Classification

Vietnam's government establishes master plans that designate land for specific purposes, such as agricultural, residential, commercial, or industrial use, at various administrative levels, from national to ward/commune. The LURC for each parcel explicitly states its approved "land use purpose" (e.g., "for building office and commercial centre" or "for perennial crops"). It is a legal violation to use land for a purpose inconsistent with that specified on its LURC.

- **Land Conversion:** To change the designated use purpose of land (e.g., from agricultural to industrial for a factory), permission must be obtained from the local People's Committee, and potentially higher authorities for larger areas. This process usually entails paying a land use fee, which is the difference in land value between the current and proposed purposes. Certain land categories, such as rice paddy land, are protected for national food security, requiring central government approval and adherence to allocated quotas for conversion.
- **Multiple Use of Land:** The Land Law 2024 notably allows for land to be used for multiple purposes, providing greater flexibility for project development.

10.3.2 Construction Permits and Approvals

Before any construction or significant renovation work can commence, a company must obtain a Construction Permit from the local Department of Construction. This permit is crucial unless the project falls under specific exemptions, such as certain small detached houses or projects within certified industrial zones with approved detailed plans. To obtain a Construction Permit, applicants must submit proof of land use rights, approved design drawings prepared by licensed architects and engineers, and various other clearances. These include a fire safety design appraisal from the fire police for large buildings, as well as environmental permits such as approval of an EIA report, if required. The permit outlines the building's specifications, including the number of floors, height, and intended function. Any construction that exceeds these authorised specifications is considered illegal and may result in fines or enforced demolition. Upon completion of construction, formal acceptance from the relevant authorities is required in order to legally commence operations within the building.

10.3.3 Environmental Regulations

Environmental protection is a growing concern in Vietnam, with stringent regulations in place. Projects that have a potential impact on the environment, such as industrial facilities or large real estate developments, are required to prepare an EIA report or an Environmental Protection Plan, which must be approved by the relevant environmental authorities (Ministry of Agriculture and Environment (**MAE**) or provincial Department of Agriculture and Environment (**DAE**)) before construction. The EIA report outlines specific measures and undertakings to minimise adverse environmental impacts. Non-compliance with environmental regulations can impede

project progress. Post-construction, periodic environmental monitoring reports must be submitted, and facilities discharging wastewater or emissions require specific permits (e.g., wastewater discharge permit, air emission permit) and must comply with national technical standards. Enforcement of pollution laws has become stricter, with severe breaches potentially leading to facility closure or criminal liability for managers. International lenders often require adherence to standards like IFC Performance Standards, which may exceed local legal requirements, for projects they finance.

10.3.4 Fire Safety Regulations

Vietnam enforces strict fire prevention regulations requiring, building design approval and inspection by the Fire Police and operational compliance. Building designs, particularly for factories, offices, apartments, and commercial centers, must be approved by the Fire Police at the design stage and undergo inspection upon completion. Compliance includes ensuring adequate firefighting equipment, alarm systems, and emergency exits meet established standards. Business establishments are also mandated to conduct regular fire training and drills for their staff, and a fire safety certificate is necessary to operate certain venues like bars or hotels.

10.3.5 Urban Planning Constraints

In urban areas, specific planning constraints apply, such as height limits in historic zones (e.g., central Hanoi and Ho Chi Minh City) and regulations on building setbacks from roads or maximum floor-area ratio (FAR). These details are outlined in the Construction Master Plans (e.g., 1/2000 or 1/500 zoning plans). It is advisable to obtain a zoning extract from the planning authority for any prospective site to understand permissible construction parameters. Any deviation from these plans, such as building taller than permitted, would necessitate an application for a plan adjustment, which can be a lengthy administrative process with uncertain outcomes.

10.3.6 Land Use Tax and Fees

Land users are generally required to pay an annual Land Use Tax, which functions similarly to a property tax, albeit typically at a relatively low rate for businesses based on the area and value of the land. If land is leased from the State with annual rent payments, this rent is paid according to the lease agreement rather than a separate tax. However, if a lump sum was paid for long-term land use, only a minimal annual tax applies thereafter. The State can impose a surcharge or even recover land if it is left idle for too long (e.g., more than 12 months with no activity or 24 months behind schedule for a project), a measure to discourage land speculation.

10.3.7 Residential versus Commercial Separation

Using property for a purpose other than its designated zoning can result in fines. For instance, operating an office in an apartment designated for residential use is technically not permitted, though it may occur in practice for small representative offices. Similarly, a warehouse should not be used as a retail shop if it is not zoned for commercial retail. Mixed-use buildings have specific allocations, and businesses must ensure their intended use aligns with the permitted use for the specific space they occupy.

10.3.8 Special Zones and Streamlined Procedures

Businesses located within special economic zones or industrial parks often benefit from streamlined regulatory processes, as the zone's management board may act as a "one-stop shop" for various approvals. These zones have their own internal master plans and building guidelines. Environmental and construction approvals may be simpler due to the zone's overarching EIA approval or shared infrastructure. However, the Land Law 2024 has changed the role of management boards in economic zones, transferring land leasing and clearance responsibilities to provincial authorities.

10.3.9 Compliance and Enforcement

Compliance with zoning and land use regulations is enforced by various government authorities, including the Ministry of Agriculture and Environment, the Ministry of Construction, and local People's Committees. Inspections are common, triggered by complaints or as part of routine checks. Violations can lead to a range of penalties, including:

- **Fines:** For example, building without a permit or deviating from approved designs can result in significant financial penalties.
- **Forced Remediation:** This may involve tearing down unpermitted extensions or ceasing an unapproved land use.
- **Project Suspension or License Revocation:** In severe cases, particularly for industrial plants causing serious pollution, operations might be ordered to halt until issues are rectified, or licenses could be revoked.

Foreign businesses should be particularly vigilant to ensure full understanding and compliance with land-related paperwork, as historical issues have arisen from assumptions about local partners handling permits.

An aerial photograph of a tea plantation. The tea bushes are arranged in neat, curved rows that follow the contours of a hillside. A narrow, light-colored dirt path runs vertically through the center of the plantation. In the lower half of the image, a person wearing a bright red jacket, a white skirt, and a white hat is walking away from the viewer along the path. The overall scene is lush and green, with the vibrant red of the person's clothing providing a strong contrast.

Dispute Resolution

11. Dispute Resolution

11.1 Overview of Dispute Resolution Mechanisms

Businesses in Vietnam can resolve disputes through negotiation, mediation, arbitration, or court litigation.

- **Negotiation:** This is the preferred first step in Vietnamese business culture, often formalised by a contract clause requiring a period of negotiation before formal proceedings.
- **Mediation:** Mediation can be informal or through formal institutions like the Vietnam Mediation Centre (**VMC**). The Law on Commercial Mediation (2017) supports out-of-court mediation, and a successful settlement agreement can be recognised and enforced by a court. Mediation is confidential and can preserve business relationships. Vietnamese courts also have a pre-trial mediation step.
- **Arbitration:** Arbitration is a private method of dispute resolution well-established under the Law on Commercial Arbitration 2010. It is conducted by private arbitral tribunals, with the main domestic body being the Vietnam International Arbitration Centre (**VIAC**). Foreign institutions (e.g., SIAC, HKIAC, ICC) may be used if specified in the contract. Arbitration requires an agreement in the contract, and parties may choose the governing law and arbitral rules. Proceedings rely on written submissions and oral arguments, with evidence primarily gathered by the parties. There is no formal discovery phase. Arbitration can be conducted in a foreign language (English is common), is often faster than court litigation, and generally involves higher upfront costs. Awards are final and binding, with no appeals on merits. Vietnam is a member of the 1958 New York Convention, allowing recognition and enforcement of foreign arbitral awards.
- **Litigation in Courts:** Disputes can be resolved in the People's Courts. Vietnam's court system is divided into Regional, Provincial, and Supreme People's Courts. Commercial disputes involving foreign parties typically begin at the Regional People's Court, with appeals heard by the Provincial People's Court. The Supreme People's Court handles further appellate review through its Appellate Divisions. Economic courts handle business disputes, labour courts handle employment cases, and administrative courts handle government actions. Proceedings rely on written submissions and oral arguments, with evidence primarily gathered by the parties. There is no formal discovery phase. Court processes can take months to years, and court fees are relatively low. Judgments are binding but may be subject to appeals. Foreign court judgments are generally not directly enforceable in Vietnam unless a treaty or reciprocal arrangement exists, which is rare.

11.2 Enforcement of Foreign Judgments and Awards

- **Foreign Court Judgments:** Vietnamese courts generally do not enforce foreign court judgments unless there is a specific bilateral treaty or reciprocal arrangement between Vietnam and the issuing country. If no treaty exists, a foreign judgment cannot be directly enforced; the party would have to initiate a new lawsuit in Vietnam on the underlying cause of action, with the foreign judgment serving only as evidence.
- **Foreign Arbitral Awards:** As a signatory to the 1958 New York Convention, Vietnam enforces foreign arbitral awards. The award creditor files a request for recognition and

enforcement with a Vietnamese provincial court where the debtor is domiciled or has assets. The court does not re-litigate the merits but checks formal aspects, mirroring New York Convention Article V grounds. Recognition should be processed within 2-4 months, but in practice, it can take 6+ months. Once recognised, the foreign award is treated like a Vietnamese court judgment for enforcement purposes.

11.3 Summary comparison between court litigation and arbitration

	Court Proceedings (Litigation)	Arbitration
Cost	Lower official fees. Court fees are set by law and are generally much lower than arbitration fees (e.g. ~VND 42 million for a VND 1 billion dispute). However, a lengthy court case can incur additional expenses (translation of documents, notarisation, multiple appeals). Overall, litigation usually costs less upfront.	Higher upfront fees. Parties must pay arbitrators and administrative fees, which can make arbitration roughly twice as expensive as court for the same dispute value. On the plus side, arbitration may avoid some extra costs associated with drawn-out litigation (fewer procedural delays and no appeal-related costs).
Duration	Generally slower. A typical first-instance court case takes about 12–18 months to get a judgment. If the decision is appealed, the process can extend by another year or more, so total litigation time can reach 2–3 years (or longer in complex cases).	Faster resolution. Many arbitration cases in Vietnam conclude in around 6 months once the tribunal is in place. VIAC rules cap most proceedings at 9 months, and in practice awards are often delivered well within that timeframe. This means disputes resolved by arbitration finish much sooner than those referred to court.
Formality	Highly formal process. Litigation follows the Civil Procedure Code's strict rules. Proceedings are conducted in Vietnamese, and all evidence must meet formal requirements (e.g. foreign documents must be legalised and officially translated). The court process is rigid and procedural, with little flexibility in how the case is run.	Flexible process. Arbitration procedures can be tailored by the parties. For example, parties can choose a different language for proceedings, set their own timetable, and agree on procedure rules. The environment is less formal than a courtroom, allowing more informal handling of evidence and hearings.
Language	Must be in Vietnamese. Translation will be required for foreign parties.	Can be conducted in a foreign language (English is common).

	Court Proceedings (Litigation)	Arbitration
Confidentiality	Public by default. Court hearings are open to the public and case filings/judgments are part of the public record. This openness can expose sensitive information and draw unwanted attention to the dispute.	Private and confidential. Arbitration hearings are closed, and arbitrators must keep matters confidential. Details of the dispute and the award are not disclosed publicly, which helps maintain trade secrets and business reputations.
Enforceability	Domestic enforcement, limited abroad. Court judgments are enforceable in Vietnam through local enforcement agencies. Internationally, Vietnamese judgments are hard to be enforced unless a treaty exists (Vietnam does <i>not</i> widely recognise foreign court judgments, and vice versa).	Globally enforceable. Arbitral awards are recognised under the New York Convention and can be enforced in numerous countries abroad. Vietnamese courts likewise will enforce foreign arbitration awards that meet the specific legal conditions. This broad enforceability makes arbitration ideal for cross-border disputes.
Expertise	Generalist judges. Judges are assigned by the court and have strong legal training, but parties cannot choose them. Judges may not have specific industry expertise and will apply general law to all cases. Specialised technical knowledge must usually come from expert witnesses rather than the judge's own background.	Chosen specialists. Parties can select arbitrators with relevant expertise for their case; for example, an arbitrator experienced in maritime law for a shipping dispute. This ability to pick someone who "speaks the language" of the industry can lead to a more informed and appropriate decision for complex disputes.
Appeal	Appealable.	Final (no appeal).

For more information, please contact



Dao Nguyen

Founding Partner

dao@daonguyenlegal.com



Anh Le

Managing Partner

tuananh@daonguyenlegal.com



Quan Nguyen

Head of Corporate and M&A

quan@daonguyenlegal.com



Giang Phan

Head of Real Estate and Hospitality

giang@daonguyenlegal.com

Visit us at www.daonguyenlegal.com

President Place, Level 3, 93 Nguyen Du, Sai Gon Ward, Ho Chi Minh City, Vietnam

T: +84 28 3827 2418

F: +84 28 3827 2419