

# Enterprise Law 2014 – an institutional breakthrough for Vietnam’s economy



**By Pham Thi Thanh Huyen**

On November 26, 2014, the same promulgation day of Investment Law 2014, the National Assembly of Vietnam promulgated a new enterprise law with many positive new regulations and meaningful reforms (Enterprise Law 2014), which will take effect from July 1, 2015 and replace the current Enterprise Law 2005. Through this new law, the policy-makers are expecting to boost the freedom of businesses and alleviate many of the remaining stumbling blocks in the economy. Below are some highlights and comments on various key changes under Enterprise Law 2014.

**A declaration of the freedom to conduct business**

Enterprise Law 2014 represents a major step forward in liberalisation of the business environment in Vietnam by declaring, for the first time, the principle of freedom of business, as enterprises will have the right “to freely conduct business in the lines which are not prohibited by law”. In light of this principle, Enterprise Law 2014 removes regulations on conducting business activities specified in the business registration certificate (ERC). The ERC as a ‘birth certificate of an enterprise’ will no longer record business lines of enterprises, and they only have to meet the business eligibility requirements when operating conditional business lines stipulated by laws. However, enterprises still need to notify the competent business registration agency of its business lines and make the same available at the National Informative Gate of Enterprise Registration (NIGER).

To work hand-in-hand with Enterprise Law 2014 for attracting investment in Vietnam, the list of prohibited business lines and conditional business lines is also significantly decreased under Investment Law 2014 (to be effective from July 1, 2015), which will include only six prohibited business lines and 267 conditional business lines, instead of 51 and 386 respectively under the current regulations.

**Separation of enterprise registration and investment project registration**

The new regulations separate the processes of investment registration from business registration. This is totally modified from the current provision where the investment certificate could also act as the ERC in case of establishment of a foreign-owned enterprise. Under Enterprise Law 2014, an enterprise established by either foreign investor or domestic investor shall also be granted an ERC within three working days only.

Under Investment Law 2014, an investment registration certifi-

cate is only required for a project invested in by a foreign investor or Vietnam-based company involved with 51 percent foreign capital, and may be obtained within 15 days (or just five working days for mega-projects which have obtained an investment policy decision as required by the law).

**Reduction of majority vote in a joint stock company (JSC)**

To be more in line with international standards, the required voting thresholds for passing an ordinary and special resolution in a JSC would be reduced to 51 percent and 65 percent respectively, instead of 65 percent and 75 percent as required by the current law.

**Noted reform of the rules on company seal and representative-at-law of company**

Currently, the issuance and usage of company seals is regulated by the Ministry of Police. However, in line with Enterprise Law 2014, companies will have the right to determine the form, number and content of the company seal. They are obliged to notify the form of the seal to the business registration agency in order to post the seal publicly on the NIGER.

Also under Enterprise Law 2014, a company can assign more than one person to be the representative-at-law of the company. The company charter shall regulate the specific number, management title, rights, duties and obligations of the business legal representative. With a lot of significant changes and reforms, it is expected that Enterprise Law 2014, along with Investment Law 2014, will bring radical improvements to the Vietnam business environment and mobilise more capital and resources for production and business activities in the coming years.

**Indochine Counsel**

*Ho Chi Minh City Office*

Unit 4A2, 4th Floor, Han Nam Office Bldg.  
65 Nguyen Du, District 1, Ho Chi Minh City, Vietnam  
Tel: (84) 8 3823 9640 / Fax: (84) 8 3823 9641  
**Email: [huyen.pham@indochinecounsel.com](mailto:huyen.pham@indochinecounsel.com)**

*Hanoi Office*

Unit 705, 7th Floor, CMC Tower  
Duy Tan Street, Cau Giay District  
Hanoi, Vietnam  
Tel: (84) 4 3795 5261 / Fax: (84) 4 3795 5262  
**Email: [hanoi@indochinecounsel.com](mailto:hanoi@indochinecounsel.com)**  
**[www.indochinecounsel.com](http://www.indochinecounsel.com)**