



**INDOCHINE
COUNSEL**

Business Law Practitioners



VIETNAM

Investment Guide

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Abbreviation

ASEAN	The Association of South East Asian Nations
BCC	Business Cooperation Contract
DICA	Direct Investment Capital Account
DPI	Provincial Department of Planning and Investment
DOIT	Provincial Department of Industry and Trade
ERC	Enterprise Registration Certificate
EZs	Economic Zones
EPZs	Export Processing Zones
FIE	A foreign invested enterprise (or “economic organization with foreign investment capital” as defined under the Investment Law)
FTA	Free Trade Agreement
IICA	Indirect Investment Capital Account
IRC	Investment Registration Certificate
IZs	Industrial Zones
MOF	Ministry of Finance
M&A	Mergers and Acquisitions
RO	Representative Office
SBV	State Bank of Vietnam
VSD	Vietnam Securities Depository
WTO	World Trade Organization

Introduction

Vietnam has transitioned from a command economy to one with strong market features over the last 30 years. After the “Đổi Mới” (or ‘economic renovation’ policy - a key aim of which was to open Vietnam to foreign investment) was introduced in 1986, the country initiated participation in a series of international organizations such as ASEAN and the WTO and signed multiple FTAs in the hopes that foreign investors would be impressed with a new Vietnam in terms of an open business and investment environment.

In recent years, Vietnam's has focused on the private market to attract foreign investors. Despite the outbreak of Covid-19, Vietnam's attractive investment environment, which includes low costs, a strong labor market, and FTAs, has made it a popular destination for foreign investors.

In 2021, according to the Foreign Investment Agency (FIA)¹, Vietnam attracted more than US\$31 billion in foreign direct investment, among which, the manufacturing and processing sector received the largest amount of investment (58.2 percent of total foreign direct investment pledges) followed by electricity production and distribution (23 percent).

In this Vietnam Investment Guide, we present an overview of certain noteworthy market-entry and investment related matters, such as common forms for foreign investment, foreign investment restrictions and investment incentives for investment projects in Vietnam.

Regulatory Framework and Legislation

Investment activities of foreign investors in Vietnam are primarily governed by investment related international treaties / agreements (to which Vietnam is a member) and local laws.

WTO Commitments

Vietnam joined the WTO in 2007, one of the main consequences of which is the opening of many sectors to foreign investment under specific commitments on the WTO accession of Vietnam (the “**WTO Commitments**”). On the other hand, the WTO Commitments also allow Vietnam to restrict market access in respect of several industries and businesses.

Other International Treaties / Agreements

Numerous trade commitments have been made by Vietnam besides the WTO Commitments. Most importantly those include:

- (a) international treaties with countries being members of the ASEAN (in an effort to establish a

¹ The agency attached to the Ministry of Planning and Investment (MPI):
<https://fia.mpi.gov.vn/en/>

single market in the region) including, amongst others, the ASEAN Comprehensive Investment Agreement (ACIA), the ASEAN Free Trade Agreement (AFTA), and the ASEAN Framework Agreement on Services (AFAs); and

- (b) important new-generation FTAs, including the European and Vietnam Free Trade and Investment Agreements (EVFTA and EVIA), and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Local Laws and Regulations

Vietnam has embarked on a vast program to reform its legal and regulatory framework for investment, including those undertakings considered conditions precedent to Vietnam's WTO accession, and frequently amends the local laws to adapt to the significant changes in the market economy. Key local laws relevant to foreign investors in Vietnam are the Law on Investment No. 61/2020/QH14 (the "**Investment Law**") and the Law on Enterprise No. 59/2020/QH14 (the "**Enterprise Law**"), which were both released on 17 June 2020 and took effect from 1 January 2021. The Investment Law and the Enterprise Law contain remarkable changes with an aim to make Vietnam a more attractive investment destination.

Common Forms of Foreign Investment

Under the Investment Law, foreign (inward) investment forms are no longer grouped under direct or indirect investment, even though the terms / concepts of "direct investment" and "indirect investment" are still mentioned in several guiding regulations.

There are three common forms of foreign investment as follows, amongst others:

- (a) Establishment of a commercial presence in Vietnam, i.e., an RO, Branch, or setting up an FIE to implement an investment project;
- (b) Capital contribution or purchase of shares / stakes; and
- (c) Business cooperation contract.

Establishment of a Commercial Presence

Establishment of an RO (Representative Office)

ROs are a common form of early or initial establishment for foreign corporate investors who are looking to invest or do business in Vietnam. An RO is allowed to conduct market surveys and undertake a number of commercial promotion activities permitted by the laws of Vietnam. The key limitation of the scope of activities of an RO is that it is not allowed to engage in any "direct profit-making" activities.

For setting up an RO, an investor will need to obtain operation licenses from the DOIT, or the Zones Management Authority (if the RO is located in the IZs, EZs, EPZs, or high-tech zones), which requires

the foreign investor to have, *inter alia*, at least one (1) year of active operation in its home jurisdiction. With respect to certain highly-regulated industries (like insurance or banking), the operation licenses will be issued by other governmental authorities (not the DOIT) in accordance with relevant laws, e.g., operation licenses for the RO of foreign insurance companies and foreign banks are issued by, respectively, the MOF or the SBV, in accordance with the Law on Insurance Business and the Law on Credit Institutions.

Establishment of a Branch

A branch is a dependent unit of the foreign corporate investor, which is permitted to conduct commercial activities / “direct profit-making” activities in Vietnam in accordance with the law of Vietnam or an international treaty to which Vietnam is a member.

The foreign corporate investor is required to be duly established and operating under the laws of their home country for at least five (5) years to be eligible to apply for the establishment of the branch in Vietnam. Applications for branch operation licenses are submitted to, and issued by the MOIT as the licensing authority. The timeline for issuance of branch operation licenses is seven (7) working days from the date of submission.

In practice, a branch is not a common form of commercial presence in Vietnam, and this form of investment is only open for foreign investors engaging in certain sectors like banking, financial and construction services.

Establishment of an FIE (Foreign Invested Enterprise)

Foreign investors who want a direct commercial presence in Vietnam and do not want to inherit an existing business can set up a (new) FIE, which may be either a wholly owned subsidiary / 100% foreign invested enterprise (“**100%FIE**”), or a joint venture (“**JV**”) with foreign or Vietnamese partners.

Regardless of which specific option / type of enterprise is to be adopted, a foreign investor must (i) register for an investment project, the approval for which will be in the form of an IRC, to be issued by the DPI, or if the FIE is located in the IZs, EZs, EPZs, or high-tech zones, to be issued by the Zones Management Authority, and (ii) upon completion of obtaining the IRC, obtain an ERC to be issued by the DPI. It normally takes around one (1) month for completion of the whole process.

The IRC and ERC mark just the beginning of the legal life of the FIE, after that, a number of subsequent administrative formalities / post-licensing procedures will be required, e.g. tax registration, bank account opening, etc.

For further details of setting up a new FIE in Vietnam, you can find and check out our recent publication on this matter at our website [here](#).

Capital Contribution or Purchase of Shares / Stakes

Private Equity

Foreign investors may acquire contributed capital / shares in a target company being an existing (private) Vietnamese enterprise. For such acquisition, a foreign investor will be required to obtain an approval from the DPI or the Zones Management Authority (as applicable) for proceeding with the transaction (the “**M&A Approval**”), which takes fifteen (15) working days for issuance, if the acquisition of the foreign investor results in:

- (a) an increase in the ownership ratio of each foreign investor in the target company engaging in business sectors with market entry restrictions for foreign investors;
- (b) an increase in foreign ownership in the target company from less than 50% to more than 50% of the charter capital; or
- (c) an increase of foreign ownership in the target company where ownership already exceeds 50% of the charter capital; or
- (d) utilisation of land in a national security sensitive area (e.g. coastal area).

Upon obtaining the M&A Approval, a foreign investor can proceed with the relevant registration procedure at the DPI for recording their information as the new foreign investor / shareholder of the target company, and obtain the written confirmation for the same from the DPI, which takes three (3) working days for completion.

Public Equity

Foreign investors may also invest in Vietnam by way of investment via Vietnam’s stock exchange. For trading securities (either listed or unlisted), a foreign investor will be required to (i) obtain a trading code from the VSD (which is the single central securities depository), and (ii) open an IICA (indirect investment capital account) at a licensed (commercial) bank in Vietnam. Depending on the investor's preferred level of investment supervision, the foreign investor may trade their securities through a securities company, an authorized transaction representative or a local fund manager.

There exists a 50% cap on foreign investment in listed shares and public companies operating in businesses and industries having conditions applicable to foreign investors. If there is no room for foreign investors in a particular listed company, orders from foreign investors will not be processed through the trading system.

Business Cooperation Contract (BCC)

Different from the previous options which are entitled the foreign investor to hold a legal entity established and operating in Vietnam, a business cooperation contract (“**BCC**”) is a contractual arrangement between a foreign investor and domestic partner(s), under which the parties (i) establish a coordination board to perform the BCC (of which the functions, duties, and powers are as agreed by the parties in the BCC), and (ii) may establish an operating office (“**BCC Operating Office**”) in Vietnam to act as its representative during the performance of the BCC.

The investors must obtain the IRC for the performance of the BCC, and (*if there is a BCC Operating Office to be set up*) a registration certificate for operation of the BCC Operating Office, from the DPI or

the Zones Management Authority (as applicable), each of which takes fifteen (15) working days upon receipt of a valid application dossier.

Even though a BCC Operating Office is not considered a legal entity, it can open a bank account, have a seal, employ foreign and local staff, and execute commercial contracts within the scope of activities as set out in the IRC and the BCC.

Foreign Investment Restrictions

Market Access Restrictions

As a member of the WTO and as signatory to other international treaties, Vietnam has committed to open many sectors to foreign investment, however, Vietnam is still allowed to restrict market access in respect of several industries and businesses. The application of such restrictions will follow the set of rules regulated by the Vietnamese government.

The Vietnamese government divides business sectors that foreign investors can access into two (2) main groups:

- (a) sectors for which there has not yet been market entry approval / market access is not yet allowed for foreign investors, as listed in List A of Appendix I of Decree 31, such as journalistic activities or trading industrial property representative services; and
- (b) sectors in which market entry / foreign investment is conditional, as listed in List B of Appendix I of Decree 31, in which foreign investors are allowed to engage provided they satisfy market-access conditions prescribed under the international treaties to which Vietnam is a signatory (notably the WTO Commitment) and the local laws (as applicable). The applicable market entry conditions comprise the ratio of foreign ownership, forms of investment, scope of investment operation, professional and financial capacity, and other specialized conditions.

For business sectors which are not included in any group above, the market access restrictions applicable to foreign investors are the same as those applicable to domestic investors. This is also a remarkable change introduced by the Vietnamese government under the Investment Law, which is called the “negative-list” approach.

Foreign Ownership Limitations

In general, there are certain circumstances in which foreign investment is restricted in terms of ownership ratios, *inter alia*:

- (a) foreign investment in certain sectors for which the foreign investors must establish a JV with Vietnamese partners, such as: Electronic games business (CPC 964), which require at least 51% Vietnamese shareholding; Film production services (CPC 96112), which require at least

- 49% Vietnamese shareholding, etc.;
- (b) foreign investment in banking services, i.e., if a foreign bank wants to acquire shares in a Vietnamese-established joint stock bank, the total foreign equity must not exceed 30% of the charter capital (registered equity) of such bank;
 - (c) foreign investment in public / listed companies, i.e., there exists a 50% cap on foreign investment as mentioned above; and
 - (d) state-owned enterprises undergoing the process of equitization, for which the specific foreign ownership limits are specified in the equitization plan.

Investment Capital Accounts and Remittance of Profits

DICA (Direct Investment Capital Account)

FIEs which are established by foreign investors and which have obtained an IRC (including 100%FIEs and JVs), and local enterprises which are acquired by foreign investor(s) which result in the foreign ownership accounting for 51% or more of its charter capital (collectively, the **“FDI Enterprise”**), must open a DICA. If the foreign direct investment is through a BCC, the foreign investor must open a DICA on its own account.

All foreign direct investment related transactions are to be handled through the DICA, i.e., from receipt of capital contribution from the foreign investors to transfer of shareholdings to profits repatriation and other allowed transactions. Foreign investors are permitted to remit their profits annually at the end of the fiscal year upon (i) fulfilling all financial obligations towards the State and submitting the corporate income tax (CIT) returns of that fiscal year to the tax department, or (ii) termination of the investment. The foreign investor is required to submit a notification of profit remittance abroad to the tax department at least seven (7) working days prior to the date of profit remittance.

An FDI Enterprise is responsible for maintaining its DICA, however, if the FDI Enterprise is listed, or the foreign ownership share of the FDI Enterprise drops below 51%, the foreign investor must close the DICA and open an IICA (as specified below) and conduct procedures for indirect investment.

IICA (Indirect Investment Capital Account)

A foreign investor will have to open an IICA for making indirect investment in Vietnam. In general, an IICA is a purpose-built account which allows foreign investors to disburse and receive funds related to their indirect investments. One foreign investor may only open one IICA at a time.

The foreign investor will need to deposit the foreign currency in his/her foreign currency account and exchange the currency for VND, before funding the money into the IICA. Once the money gets into the IICA, the foreign investor can start making their indirect investments, and receive the proceeds received therefrom.

For remittance of profits and other lawful income overseas gained from indirect investment activities, the foreign investor is entitled to use VND in the IICA in order to purchase foreign currency at an

authorized credit institution and subsequently remit the same overseas.

Investment Protection and Investment Incentives

Investment Protection

Vietnamese legislation clearly specifies the government's responsibilities regarding investment protection. The Investment Law formally states that the Vietnamese government must treat both local and foreign investors equally, and there shall be no priority to domestic goods, services or vendors compared to those of foreign investors.

The State also recognizes the freedom to conduct investment activities of foreign investors, i.e., a foreign investor has the right to act in sectors that are not prohibited by the law, and protects the lawful ownership of foreign investors over their property, investment capital, income and also other lawful rights and interests. The lawful assets of foreign investors in Vietnam will generally not be subject to appropriation or confiscation by any local authorities. In specific special circumstances where the assets are nationalized or appropriated by administrative measures in accordance with the Law on Compulsory Purchase and Requisition of Property, foreign investors will be entitled to reasonable compensation based on the market-price mechanism.

For qualified investment projects which are entitled to investment incentives, if there occurs a 'change-of-law' event which may provide a new or more favorable investment incentive, the foreign investors will be granted such new or more favorable incentive for the remaining term of the investment projects. On the other hand, if the change of law results in less favorable investment incentives, the current investment incentives will remain applicable and unchanged.

Investment Incentives

In Vietnam, investment incentives are applicable to both foreign and domestic investors. Investment incentives are provided in the following forms: (i) Lower tax rates for the whole duration of investment term or a part thereof; exemption from and reduction of tax rates; (ii) Import duty exemption for fixed assets; and (iii) Reduction/exemption of land rental.

Eligibility

The investment incentives and support are available for the following types of projects²:

- (a) Projects engaging in one of the following high-demand sectors, *inter alia*:
 - (i) High-tech activities, high-tech ancillary products; research and development;
 - (ii) Production of new materials, new energy, clean energy, renewable energy;
 - (iii) Preschool education, compulsory education, vocational education; and

² Article 15, the Investment Law.

- (iv) Medical examination and treatment; production of medicines, medicine ingredients, essential medicines, medicines for prevention and treatment of sexually transmitted diseases, vaccines, biological, herbal medicines, orient medicines; scientific research into preparation technology and/or biotechnology serving creation of new medicines.
- (b) Projects implemented in one of the following special locations:
 - (i) Administrative divisions in disadvantaged areas or extremely disadvantaged areas;
 - (ii) Industrial parks, export-processing zones, hi-tech zones, economic zones; and
 - (iii) Rural areas that employ at least 500 workers.
- (c) Projects with large capital investment, i.e., the project in which the capital investment is VND6,000 billion or more, and the minimum amount of at least VND6,000 billion is disbursed within three (3) years from the day on which the investment registration certificate or decision on investment policies is issued.

Tax Incentives

Corporate Income Tax (CIT) Incentives³

CIT incentives⁴ may be granted to new investments projects which are:

- (a) operating in regulated encouraged sectors – *Scenario 1 (By Sectors)*;
- (b) located in investment encouraged areas / location – *Scenario 2 (By Location)*; or
- (c) having a huge scale of business – *Scenario 3 (By Scale of Business)*.

Scenario 1 - By Sectors

Sectors of Investment Project	Incentive		
	Preferential tax rate	Tax exemption	50% reduction of CIT payable
<ul style="list-style-type: none"> ✓ High technology, scientific research and technological development; ✓ Development of especially important infrastructure facilities of the state (water plant, power, road, etc.); ✓ Production of software; 	10% in 15 years	4 years	The next 9 years following the tax exemption period

³ Under Article 15, Decree No. 218/2013/ND-CP supplemented by Clauses 14 and 15, Article 1 of Decree No. 12/2015/ND-CP and guided by Article 19 of Circular No. 78/2014/TT-BTC. Under Article 16, Decree No. 218/2013/ND-CP; Article 20, Circular No. 78/2014/TT-BTC. The content guiding this Article in Circular No. 78/2014/TT-BTC is amended by Article 12 and Article 14.2 of Circular No. 96/2015/TT-BTC.

⁴ Include: (i) A preferential tax rate of 10%, 15%, or 17%, (ii) tax reduction, and (iii) tax exemptions.

Sectors of Investment Project		Incentive		
		Preferential tax rate	Tax exemption	50% reduction of CIT payable
✓ Environment protection; and/or ✓ Supporting industries				
Socialised projects	located in geographical areas with difficult / especially difficult socio-economic conditions ("Area A") ⁵	10% for the whole project's duration	4 years	The next 9 years following the tax exemption period
	NOT located in Area A			The next 5 years following the tax exemption period
Farming, husbandry, processing of regions; forestry in difficult regions; production of plant varieties, animal breeds; production of salt; preservation of agriculture products, aquaculture products and foods, etc.		10% for whole project's duration	N/A	N/A
Farming, husbandry, processing of agriculture and aquaculture products NOT located in Area A		15% for whole project's duration	N/A	N/A
Manufacturing of steel, energy saving products, machinery and equipment serving agriculture, forestry, fisheries and salt production, traditional crafts, etc.		17% for 10 years	N/A	N/A

Scenario 2- By Location

Location of investment project	Incentives		
	Preferential tax rate	Tax exemption	50% reduction of CIT payable
✓ Area A; ✓ Economic zones; or ✓ High-technology zones	10% in 15 years	4 years	The next 9 years following the tax exemption period
Geographical area with difficult socio-economic condition ("Area B") ⁶	17% in 10 years	2 years	The next 4 years following the tax exemption period
Industrial parks, except for industrials parks in favorable socio-economic conditions locations	N/A	2 years	The next 4 years following the tax exemption period

Scenario 3 - By Scale of Business

Investment incentives are granted to manufacturing projects (excluding those in product manufacture

⁵ The list of specific Area A is provided in Appendix B of this Guide.

⁶ The list of specific Area B is provided in Appendix B of this Guide.

subject to special sales tax or those in mineral resources exploitation) having either:

Total investment project capital	CIT incentives		
	Preferential tax rate	Tax exemption	50% reduction of CIT payable
VND6,000 billion or more ⁷	10% for 15 years	4 years	The next 9 years following the tax exemption period

Incentives on Import Tax

The import duty exemptions may be applicable for certain goods, some key categories of which include:

- (a) Goods temporarily imported, then re-exported, for the purposes of exhibition; cultural, sport or similar events; product research and development, etc. provided they meet certain requirements;
- (b) Goods imported to form fixed assets in incentivized locations or business sectors, including machinery and equipment, material and spare parts for such machinery and equipment; specialized means of transportation; and construction materials (that are not available in Vietnam);
- (c) Materials and supplies that are not available in Vietnam and imported in the direct service of production of IT products, software, digital content and education;
- (d) Goods imported/exported serving environmental protection purposes;
- (e) Goods imported into the domestic market from non- tariff zones — which are manufactured, processed, recycled, assembled in non-tariff zones without using imported raw materials/components;
- (f) Materials, construction materials for manufacturing purposes of high-tech enterprises, science and technology enterprises;
- (g) Goods imported to fulfil export processing contracts with foreign entities; and
- (h) Goods imported for the production for exports.

Land Rental Incentives

⁷ The capital must be disbursed within three (3) years from the issuance date of the IRC or the Investment Policy Approvals, and the project must have the minimum annual revenue of at least VND10,000 billion or more than 3,000 employees by the fourth (4th) year of operation.

Projects	Exemption period
Projects engaging in Incentive Industries or new business development bases	3 years
Projects located in Area B	7 years
Labor-intensive projects in rural areas using at least 500 labors ⁸ (“ Labor-Intensive Projects ”)	
Projects located in: <ul style="list-style-type: none"> ✓ Area A; ✓ especially investment encouragement / incentive industries and trades⁹ (“Special Incentive Industries”); or ✓ investment encouragement / incentive industries and trades (“Incentive Industries”) in Area B 	11 years
Labor-Intensive Projects engaging in Incentive Industries	
Mega-projects having total capital of at least VND6,000 billion ¹⁰ (“ Capital Mega Project ”)	
Projects located in Area B, which are engaging in either Special Incentive Industries or Incentive Industries	15 years
Labor-Intensive Projects engaging in Special Incentive Industries	
Capital Mega Project engaging in Incentive Industries	
Labor-Intensive Projects engaging in Special Incentive Industries in Area A	Whole project period
Capital Mega Project engaging in Special Incentive Industries	

Investment Support

Eligibility

Investment support does not apply to all foreign investors, but only the following types of enterprises:

- (a) Small and medium enterprises;
- (b) High-tech enterprises;
- (c) Science and technology enterprises and organizations;
- (d) Enterprises investing in agriculture and rural areas; and
- (e) Enterprises investing in education and law dissemination.

⁸ Meaning the investment projects located in the rural areas using at least 500 full-time employees signing labor contract of more than one year since official operation (excluding those doing commercial housing business, or those manufacturing products subject to special sales tax [except automotive] or those exploiting mineral resources).

⁹ The list of Special Incentives Industries is provided in Item A – Appendix 1 of this Guide.

¹⁰ Mega-projects (excluding those doing commercial housing business, or those manufacturing products subject to special sales tax (except automotive) or those exploiting mineral resources), having total capital of VND6,000 billion or more, disbursed within three (3) years since being licensed.

Forms of investment support

(a) Support for training and development of human resources

The State will use its budget to support enterprises to improve their production and business management capacity, quality and efficiency of their operations, and guide the planning, organization and management of activities to support resource development, and pay for courses and training courses.

(b) Credit support / State Investment Credit

Forms of State Investment Credit	<ul style="list-style-type: none"> ✓ Investment loans ✓ Investment credit guarantee ✓ Post-investment support
Eligible borrowers	<p>Clients have investment projects on the List of projects eligible for State Investment Credit attached to Decree No. 32/2017/ND-CP (“Decree 32”), including, <i>inter alia</i>, investment projects (i) using high technologies, (ii) manufacturing hi-tech products on the list of high technologies issued by the Prime Minister; or (iii) manufacturing products being outcomes of scientific and technological research of science and technology enterprises in accordance with current laws</p>
Lending conditions	<ul style="list-style-type: none"> ✓ Having full legal capacity and having carried out the prescribed investment procedures; ✓ The investment project in need of the State Investment Credit, subject to appraisal and evaluation by the Vietnam Development Bank as being efficient and capable of repaying the loan; ✓ Having an equity capital for the project implementation equal to at least 20% of the total project investment capital. The specific level shall be considered and decided by the Vietnam Development Bank to suit the financial capability of the investor and conform to the project’s debt payment plan, except for special projects decided by the Prime Minister; ✓ Providing loan security under the Decree 32 and relevant regulations; ✓ Having no non-performing loan owed to any credit institutions by the time the Vietnam Development Bank considers the provision and disbursement of a loan; ✓ Having purchased property insurance from an insurance business lawfully operating in Vietnam for the loan security property; and ✓ Observing the regulations on accounting, annual financial statements and audit of annual financial statements in accordance with law
Loan limit	<p>The maximum State Investment Credit for the project is 70% of the total investment capital of such project (excluding mobilized capital)</p>
Loan terms	<p>To be determined according to the capital recoverability of projects and debt payment ability of borrowers to suit production or business characteristics of projects but must not exceed 12 years (and 15 years for</p>

	group-A investment projects), unless otherwise extended by the Prime Minister
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(c) Support for technology transfers

Conditions for receiving supports	<ul style="list-style-type: none"> ✓ Having an investment project which are either listed in Appendix I or Appendix II of this Guide; ✓ Having a technology transfer agreement, or Technology Transfer Agreement Registration Certificate (if so required by the laws) issued by the provincial People's Committee or the Ministry of Science and Technology, as applicable; and ✓ Having the technology transfer for such the investment project
Types of support	<ul style="list-style-type: none"> ✓ Lending loans with preferential interest rate and/or granting interest subsidies to the enterprises for carrying out technology transfer; and/or ✓ Providing supportive fund for performing science and technology tasks or direct support
Levels of funding	<ul style="list-style-type: none"> ✓ The levels of funding shall apply to the funds (i) from national science and technology programs; (ii) from the funds used for developing science and technology of enterprises, ministries and governmental agencies; (iii) from the state budget used for science and technology; and (iv) from other funding sources; ✓ The loans used for transferring technology of the project shall be granted an interest subsidy of up to 2% per year by the National Technology Innovation Fund or Science and Technology Development Fund of the ministries or governmental agencies; and ✓ If an enterprise takes out loans to transfer technology of a project, it shall receive loans with preferential interest rates as prescribed in the regulations of the funds or credit institutions which provide concessional loans

(d) Support for market development, information provision

Support for market development is a support to solve difficulties in the output product market for enterprises with the organization and implementation of the National Trade Promotion Program, which is in charge of the implementation by the Ministry of Industry and Trade.

This program includes trade promotion activities such as collecting information about markets, customers and goods; building a database of export markets; search for export markets; organizing trade fairs and exhibitions; organizing international conferences on export goods in Vietnam; promoting Vietnamese brands of goods and services, etc. These activities are carried out in accordance with the provisions of the Law on Foreign Trade Management 2017.

(e) Support for research and development

Research and development support is regulated in the Law on Science and Technology 2013.

The State implements research and development support for enterprises and investment projects by ensuring the research and development capacity of science and technology organizations; at the same time building and developing the science and technology market.

In addition, in order to strengthen domestic research capacity, the Law on Science and Technology 2013 also provides regulations on the use of the State budget to purchase inventions, designs, technical documents and technological know-how to serve research and development; science and technology market development.

Investment Project of Startups / SMEs

Relaxation of Investment Conditions for Startups

As mentioned in the Section “*Common Forms of Foreign Investment*”, a foreign investor who wishes to establish an enterprise in Vietnam will need to obtain an IRC. However, under the current Investment Law, this requirement is not applied if the enterprise to be incorporated is a small and medium-sized startup, innovative enterprise or an innovative startup investment fund (collectively, the “**Startups**”), i.e., the foreign investor will not need to have an investment project, nor obtain an IRC.

Support for the SMEs

In addition to other supports (which are granted to other type of enterprises as mentioned above), for those Startups categorized as SMEs¹¹, they will be entitled to the following specialized incentives, including:

Support in technology

Reimbursement of up to 50% (up to VND100 million per year) of each:

- (a) the value of the advisory contract for digitalization of the enterprise, in terms of business processes, administration processes, manufacturing processes, technological processes and conversion of business model;
- (b) the cost of leasing, buying solutions for digitalization for automation, improvement of efficiency of business processes, administration processes, manufacturing processes, technological processes in the enterprise and conversion of business model;
- (c) the value of the advisory contract for establishment of intellectual property rights;

¹¹ Under Article 4.1 of the Law on SMEs, an SME is defined as either a micro-enterprise, small enterprise or medium-sized enterprise having the annual average number of employees who participate in social insurance is not greater than 200; and (A) having total capital not greater than VND100 billion, or (B) the enterprise’s revenue of the previous year not greater than VND300 billion.

management and development of products and services with protected intellectual property rights; and

- (d) the value of the advisory contract for technology transfer that is appropriate for the enterprise.

Support in information

SMEs will be provided with an account on the SME Assistance Portal (*in Vietnamese: Cổng thông tin quốc gia hỗ trợ doanh nghiệp nhỏ và vừa*), at the website: www.business.gov.vn, and may access the following information thereon free of charge:

- (a) Information about plans, programs, projects and activities related to the assistance for SMEs;
- (b) Business guidelines, credit, markets, products, technologies and enterprise incubation; and
- (c) Other information requested by the SMEs in accordance with the laws.

Support in consultancy

SMEs will receive counseling about personnel, finance, manufacturing, sale, market, internal administration and other contents relevant to their business operation (except counseling about administrative procedures and legal advice according to relevant laws) as follows:

- (a) 100% of the value of the advisory contract but not exceeding VND50million/year/enterprise for micro-enterprises, not exceeding VND70million/year/enterprise for women-owned micro-enterprises, micro-enterprises with high female employment and micro-enterprises that are social enterprises;
- (b) Reimbursement of up to 50% of the value of the advisory contract but not exceeding VND100million/year/enterprise for small enterprises, not exceeding VND150million/year/enterprise for women-owned small enterprises, small enterprises with high female employment and small enterprises that are social enterprises; and
- (c) Reimbursement of up to 30% of the value of the advisory contract but not exceeding VND150million/year/enterprise for medium enterprises, not exceeding VND200million/year/enterprise for women-owned medium enterprises, medium enterprises with high female employment and medium enterprises that are social enterprises.

Support in development of human resources

There will be online training for startups and business administration into the support policy for human resources development in SMEs. SMEs can freely access and join lectures on the online training systems of the Ministry of Planning and Investment, the provincial People's Committees as well as online training courses, or have direct interaction with other SMEs via existing teaching tools on smart devices (e.g. Zoom or Microsoft Teams).

Support in interest rates

This support will be provided (exclusively) to the innovative startup SMEs and SMEs participating in industry clusters and value chains. When obtaining medium and long-term loans from credit institutions, these SMEs will be supported by the State budget with subsidised interest rates at rate of maximum 2% per year.

Appendix 1 - List of Industries Entitled to Special Investment Incentives

Special Incentive Industries

I. High-Tech, Information Technology (IT), and Support Industries	
1.	Application of high-technology on the List of high-tech with priority for investment in development as decided by the Prime Minister.
2.	Manufacture of products on the List of high-tech products in which development is encouraged as decided by the Prime Minister.
3.	Manufacture of support industry products as decided by the Prime Minister.
4.	High-tech incubation and high-tech incubation enterprises; venture investment in high-tech development; application, research and development of high-tech in accordance with the law on high-tech; and manufacture of bio-technological products.
5.	Manufacture of important software products, digital items, and IT products; software services and other services remedying breakdowns in information safety and protecting confidentiality of information in accordance with the law on IT.
6.	Production of recycled and clean energy, and energy from processed waste.
7.	Production of composite materials, various types of light building materials, and rare materials.
II. Agriculture	
1.	Afforestation; taking care of, growing, protecting and developing forests.
2.	Cultivation and breeding, processing and preserving agriculture, forestry, and aquaculture products.
3.	Production, generation, and hybridization of seeds, animal breeds, and forestry and aquaculture seeds.
4.	Production, exploitation, and refining of salt.
5.	Deep sea fishing and aquaculture using up-to-date fishing methods; logistic services for the fishing industry; construction of establishments for building fishing vessels and the construction of fishing vessels.
6.	Sea salvage services.
III. Environmental Protection and Infrastructure Construction	
1.	Concentrated collection and treatment of waste; recycling and reuse of waste.
2.	Construction and commercial operation of infrastructure in industrial zones, export processing zones, high-tech zones and within functional areas of economic zones.
3.	Investment in development of water plants, power plants, water supply and discharge systems; in bridges, roads, and railways; in airports, sea ports and river ports; in airports and air terminals and in other specially important infrastructure works as decided by the Prime Minister.
4.	Development of public transport in urban areas.
5.	Investment in construction, management and commercial operation of markets in rural areas.
IV. Culture, Socialization, Sport and Medical Health	
1.	Construction of social residential housing and resettlement housing.

2.	Investment in commercial operation of establishments providing sanitation services to prevent and fight against epidemics.
3.	Scientific research into pharmaceutical technology and bio-technology in order to manufacture new types of medicines.
4.	Production of raw materials to make basic and essential medicines including medicines to prevent and fight social diseases; vaccines, medical bio-products, medicines from pharmaceutical materials, and traditional medicines; medicines for which patents or related monopolies are about to expire; application of progressive technology and bio-technology to produce curative medicines satisfying international GMP standards; and production of packaging which directly contacts the medicine inside it.
5.	Investment in establishments producing methadone.
6.	Investment in commercial operation of sports centres for elite athletes and sports centres for disabled people; construction of sporting establishments with equipment and facilities for holding international standard competitions; and training establishments for specialized physical education and sports.
7.	Investment in commercial operation of geriatric centres, psychiatric centres, centres for treatment of Agent Orange sickness; centres for the care of elderly people, disabled people, orphans and homeless youth.
8.	Investment in commercial operation of centres for medical treatment – education, labour, social affairs; of drug and tobacco detoxification centres; and of HIV/AIDS treatment centres.
9.	Investment in commercial operation of national museums and of people's cultural houses; singing and dancing groups performing national music and dance; theatres and film studios, film printing establishments; fine art and photography exhibition centres; production and repair of national musical instruments; renovation and conservation of museums, cultural houses and fine art schools; investment in commercial operation of establishments and villages which introduce and develop traditional crafts.

Incentive Industries

I. Science and Technology, Electronics, Mechanical Engineering, Production of IT and IT Materials	
1.	Manufacture of products on the List of important mechanical engineering products as decided by the Prime Minister.
2.	Investment in research and development (R&D).
3.	Production of steel billets from iron ore, high-grade steel and alloys.
4.	Production of coke coal and carbon coal.
5.	Production of energy saving products.
6.	Production of petrochemicals, pharmaceutical chemicals, basic chemicals, and technical plastic-rubber components.
7.	Production of products with an added value of thirty (30) per cent or more (in accordance with guidelines of the Ministry of Planning and Investment).
8.	Manufacture of automobiles and their accessories, and shipbuilding.

9.	Production of electronic components, accessories and detailed electronic parts not on List A above.
10.	Manufacture of instruments, machine tools, equipment, spare part and machinery servicing production of agricultural, forestry, aquaculture and salt products; of food processors, and of irrigation equipment not on List A above.
11.	Manufacture of materials to replace chrysotile.
II. Agriculture	
1.	Cultivation and breeding, growing, harvesting and processing pharmaceutical materials; preservation and conservation of gene sources and other types of rare and special pharmaceutical materials.
2.	Production and refining of feed for cattle, poultry and fisheries.
3.	Scientific and technical services in support of cultivation of crops, animal husbandry, aquaculture and protection of plants and livestock.
4.	New construction, reconstruction and upgrading of abattoirs; preservation and processing of poultry and cattle on a concentrated industrial scale.
5.	Construction and development of concentrated raw material zones servicing industrial processing.
6.	Exploitation of marine or aquaculture products.
III. Environmental Protection and Construction of Infrastructure	
1.	Construction and development of industrial infrastructure groups.
2.	Construction of apartments for workers in industrial zones, export processing zones, high-tech zones and economic zones; construction of student hostels and residential housing for people entitled to social welfare policies; and investment in construction of functional urban zones (comprising kindergartens, schools and hospitals) servicing the citizens.
3.	Dealing with oil spills and remedying other disasters such as avalanches, landslides, damage to river and sea walls, to dams, reservoirs and other environmental disasters; application of other technology aimed at reducing gas emission causing the glass-house to affect and affecting the ozone layer.
4.	Investment in commercial operation of exhibition centers for goods, logistic centers, goods storage.
IV. Education, Culture, Socialization, Sports and Medical Health	
1.	Investment in commercial operation of infrastructure at educational and training establishments; investment in development of non-public schools and educational establishments at all levels including pre-schools, secondary schools and trade vocational training centers.
2.	Manufacture of medical equipment, and construction of storage facilities for pharmaceutical materials and reserves of medical drugs in case of natural disaster, fire or dangerous epidemics.
3.	Production of raw materials to make medicines and drugs being protection agents, insecticides, drugs for preventing and curing diseases in animals and aquatic creatures.
4.	Investment in biology testing laboratories, of establishments assessing feasibility of drugs, and of establishments satisfying good practice standards for the production, preservation and testing of drugs used in forestry.

5.	Investment in research and certification by scientific establishments of oriental and traditional medicines, and formulation of standards for certification of oriental and traditional medicines.
6.	Investment in commercial operation of sports and training establishments including sports and training clubs, stadiums and swimming pools; and establishments producing and repairing sports training equipment and facilities.
7.	Investment in commercial operation of public libraries and cinemas.
8.	Investment in construction of cemeteries and crematoriums.
V. Other Sectors	
1.	Activities of people's credit funds and of micro-finance institutions.

Appendix 2 - List of Geographical Areas Entitled to Investment Incentives

No.	Province/City	Area A - Areas with especially difficult socio-economic conditions	Area B - Areas with difficult socio-economic conditions
1.	Bắc Kạn	All districts, townships and cities	
2.	Cao Bằng	All districts and Cao Bằng City	
3.	Hà Giang	All districts and Hà Giang City	
4.	Lai Châu	All districts and Lai Châu City	
5.	Sơn La	All districts and Sơn La City	
6.	Điện Biên	All districts, townships and Điện Biên City	
7.	Lào Cai	All districts	Lào Cai City
8.	Tuyên Quang	Na Hang, Chiêm Hóa, Lâm Bình Districts	Hàm Yên, Sơn Dương, Yên Sơn Districts and Tuyên Quang City
9.	Bắc Giang	Sơn Động District	Lục Ngạn, Lục Nam, Yên Thế, Hiệp Hòa Districts
10.	Hòa Bình	Đà Bắc, Mai Châu Districts	Kim Bôi, Kỳ Sơn, Lương Sơn, Lạc Thủy, Tân Lạc, Cao Phong, Lạc Sơn, Yên Thủy Districts
11.	Lạng Sơn	Bình Gia, Đình Lập, Cao Lộc, Lộc Bình, Tràng Định, Văn Lãng, Văn Quan, Bắc Sơn Districts	Chi Lăng, Hữu Lũng Districts
12.	Phú Thọ	Thanh Sơn, Tân Sơn, Yên Lập, Cẩm Khê Districts	Đoan Hùng, Hạ Hòa, Phú Ninh, Thanh Ba, Tam Nông, Thanh Thủy, Cẩm Khê Districts
13.	Thái Nguyên	Võ Nhai, Định Hóa, Đại Từ, Phú Lương, Đồng Hỷ Districts	Phổ Yên, Phú Bình Districts

No.	Province/City	Area A - Areas with especially difficult socio-economic conditions	Area B - Areas with difficult socio-economic conditions
14.	Yên Bái	Lục Yên, Mù Căng Chải, Trạm Tấu Districts	Trần Yên, Văn Chấn, Văn Yên, Yên Bình Districts, Nghĩa Lộ Township
15.	Quảng Ninh	Ba Chẽ, Bình Liêu Districts, Cô Tô Island District and provincial islands	Vân Đồn, Tiên Yên, Hải Hà, Đầm Hà Districts
16.	Hải Phòng	Bạch Long Vĩ, Cát Hải Island Districts	
17.	Hà Nam		Lý Nhân, Thanh Liêm, Bình Lục Districts
18.	Nam Định		Giao Thủy, Xuân Trường, Hải Hậu, Nghĩa Hưng Districts
19.	Thái Bình		Thái Thụy, Tiền Hải Districts
20.	Ninh Bình		Nho Quan, Gia Viễn, Kim Sơn, Tam Điệp, Yên Mô Districts
21.	Thanh Hóa	Mường Lát, Quan Hóa, Quan Sơn, Bá Thước, Lang Chánh, Thường Xuân, Cẩm Thủy, Ngọc Lặc, Như Thanh, Như Xuân Districts	Thạch Thành, Nông Cống Districts
22.	Nghệ An	Kỳ Sơn, Tương Dương, Con Cuông, Quế Phong, Quỳnh Hợp, Quỳnh Châu, Anh Sơn Districts	Tân Kỳ, Nghĩa Đàn, Thanh Chương Districts and Thái Hòa Township
23.	Hà Tĩnh	Hương Khê, Hương Sơn, Vũ Quang, Lộc Hà, Kỳ Anh Districts	Đức Thọ, Nghi Xuân, Thạch Hà, Cẩm Xuyên, Can Lộc Districts
24.	Quảng Bình	Tuyên Hóa, Minh Hóa, Bố Trạch Districts	Other remaining districts and Ba Đồn Town
25.	Quảng Trị	Hướng Hóa, Đa Krông Districts, Cồn Cò Island District and provincial islands	Remaining districts
26.	Thừa Thiên Huế	A Lưới, Nam Đông Districts	Phong Điền, Quảng Điền, Phú Lộc, Phú Vang Districts and Hương Trà Township
27.	Đà Nẵng	Hoàng Sa Island District	
28.	Quảng Nam	Đông Giang, Tây Giang, Nam Giang, Phước Sơn, Bắc Trà My, Nam Trà My, Hiệp Đức, Tiên Phước, Núi Thành, Nông Sơn, Thăng Bình Districts and Cù Lao Chàm Island	Đại Lộc, Quế Sơn, Phú Ninh, Duy Xuyên Districts
29.	Quảng Ngãi	Ba Tơ, Trà Bồng, Sơn Tây, Sơn Hà, Minh Long, Bình Sơn, Tây Trà, Sơn Tịnh Districts and Lý Sơn Island	Nghĩa Hành District

No.	Province/City	Area A - Areas with especially difficult socio-economic conditions	Area B - Areas with difficult socio-economic conditions
		District	
30.	Bình Định	An Lão, Vĩnh Thạnh, Vân Canh, Phù Cát, Tây Sơn, Hoài Ân, Phù Mỹ Districts	Tuy Phước District
31.	Phú Yên	Sông Hinh, Đồng Xuân, Sơn Hòa, Phú Hòa, Tây Hòa Districts	Sông Cầu Township; Đông Hòa, Tuy An Districts
32.	Khánh Hòa	Khánh Vĩnh, Khánh Sơn Districts, Trường Sa Island District and provincial islands	Vạn Ninh, Diên Khánh, Cam Lâm, Ninh Hòa Districts, Cam Ranh City
33.	Ninh Thuận	All districts	Phan Rang City – Tháp Chàm
34.	Bình Thuận	Phú Quý District	Bắc Bình, Tuy Phong, Đức Linh, Tân Linh, Hàm Thuận Bắc, Hàm Thuận Nam, Hàm Tân Districts ⁵
35.	Đắk Lắk	All districts and Buôn Hồ Township	Buôn Ma Thuột City
36.	Gia Lai	All districts and townships	Pleiku City
37.	Kon Tum	All districts and cities	
38.	Đắk Nông	All districts and townships	
39.	Lâm Đồng	All districts	Bảo Lộc City
40.	Bà Rịa - Vũng Tàu	Côn Đảo District	Tân Thành, Châu Đức, Xuyên Mộc Districts
41.	Tây Ninh	Tân Biên, Tân Châu, Châu Thành, Bến Cầu Districts	Remaining districts
42.	Bình Phước	Lộc Ninh, Bù Đăng, Bù Đốp, Bù Gia Mập, Phú Riềng Districts	Đồng Phú, Chơn Thành, Hớn Quản Districts; Bình Long, Phước Long Townships
43.	Long An	Đức Huệ, Mộc Hóa, Vĩnh Hưng, Tân Hưng Districts	Kiến Tường Township; Tân Thạnh, Đức Hòa, Thạnh Hóa Districts
44.	Tiền Giang	Tân Phước, Tân Phú Đông Districts	Gò Công Đông, Gò Công Tây Districts
45.	Bến Tre	Thạnh Phú, Ba Tri, Bình Đại Districts	Remaining districts
46.	Trà Vinh	Châu Thành, Trà Cú Districts	Cầu Ngang, Cầu Kè, Tiểu Cần Districts; Trà Vinh City
47.	Đồng Tháp	Hồng Ngự, Tân Hồng, Tam Nông, Tháp Mười Districts and Hồng Ngự Township	Remaining districts

No.	Province/City	Area A - Areas with especially difficult socio-economic conditions	Area B - Areas with difficult socio-economic conditions
48.	Vĩnh Long		Trà Ôn, Bình Tân, Vũng Liêm, Mang Thít, Tam Bình Districts
49.	Sóc Trăng	All districts and Vĩnh Châu Township, Ngã Năm Township	Sóc Trăng City
50.	Hậu Giang	All districts and Ngã Bảy Township	Vị Thanh City
51.	An Giang	An Phú, Tri Tôn, Thoại Sơn, Tịnh Biên Districts and Tân Châu Township	Châu Đốc City and remaining Districts
52.	Bạc Liêu	All districts and townships	Bạc Liêu City
53.	Cà Mau	All districts, islands and provincial islands	Cà Mau City
54.	Kiên Giang	All districts, islands, provincial islands and Hà Tiên Township	Rạch Giá City
55.		Economic zones, high-tech zones (including a concentrated information technology (IT) zone established in accordance with Government regulations)	Industrial zone or export processing zone established in accordance with Government regulations

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