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Industry Spotlight

# FOREIGN-OWNED DATA CENTER ENTERPRISES IN VIETNAM

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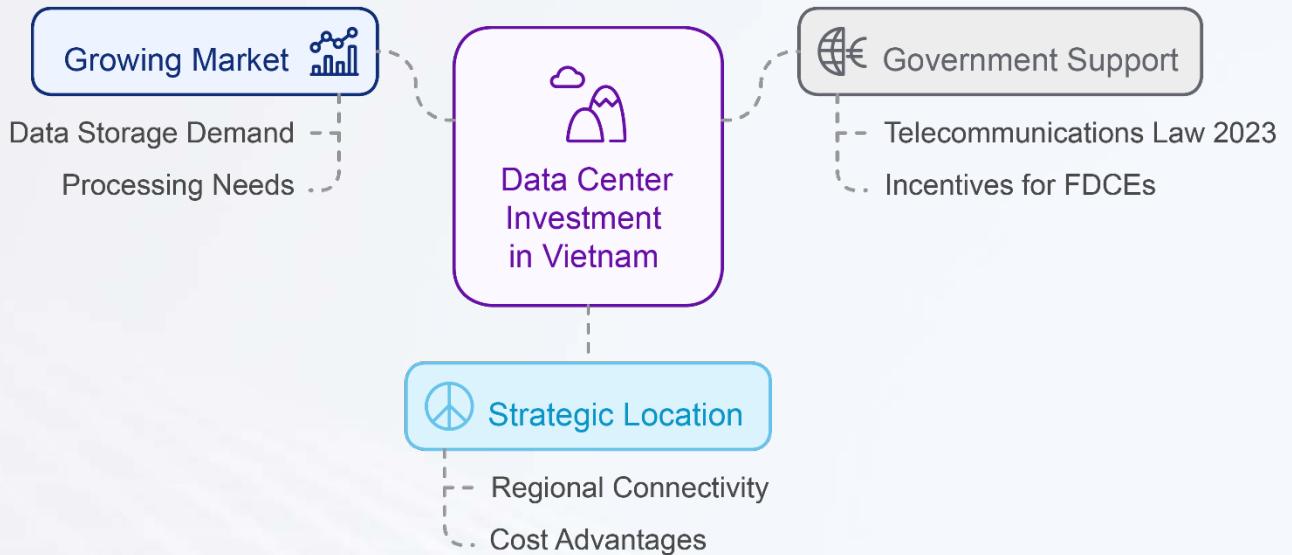
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# Why Vietnam? —



## Growing Market

- The demand for data centers is skyrocketing because of rising demand for data storage and processing.

## Government Support

- With the Telecommunications Law 2023, **freshly** effective from July 1, 2024, and other incentives, Vietnam opens its doors to wholly foreign-owned Data Center Enterprises (FDCEs).

## Strategic Location

- Positioned at the heart of Southeast Asia, Vietnam offers regional connectivity and cost advantages.

# Licenses and Procedure for FDCEs

## STAGE 1: ESTABLISHMENT

Foreign investors can own FDCEs through:

### 1.1. Greenfield Projects:

- Step 1: Applying for **Investment Policy Approval (IPA)** if required (e.g., projects providing telecommunication services with network infrastructure, state land allocation or lease, or those with national security considerations).
- Step 2: **Selection of Investor** by any one of the following methods: Auction of the land use right, tendering for selection of an investor, approval of an investor, or approval of IPA concurrently investor
- Step 3: If an IPA is not required, skip Step 1 and Step 2. Proceed to obtain an **Investment Registration Certificate (IRC)**.
- Step 4: Obtain an **Enterprise Registration Certificate (ERC)**.

### 1.2. Mergers & Acquisitions (M&A):

- Apply for **M&A approval** before acquiring or contributing shares in existing enterprises which have already obtained the ERC

## STAGE 2: LAND USE RIGHTS

**Obtain a Certificate of Land Use Rights (LURC) through one of the following methods:**

- **Option 1:** Direct lease with the State.
- **Option 2:** Sublease with the infrastructure development company in Special Zones.
- **Option 3:** Capital contribution with local partners.

# Licenses and Procedure for FDCEs

## STAGE 3: CONSTRUCTION

**Step 1:** Obtain the required permits and approvals, including:

- Approval of the environmental impact assessment (EIA) Report.
- Construction permit.
- Firefighting and prevention design approval.

**Step 2:** After completing construction, obtain the following acceptance documents

- Acceptance minutes for construction completion.
- Acceptance minutes for fire prevention and firefighting system installation.

## STAGE 4: OPERATION PHASE

Before launching services, FDCEs must ensure full regulatory compliance:

**4.1.** Apply for a **Declaration of Conformity** to confirm the Data Center meets:

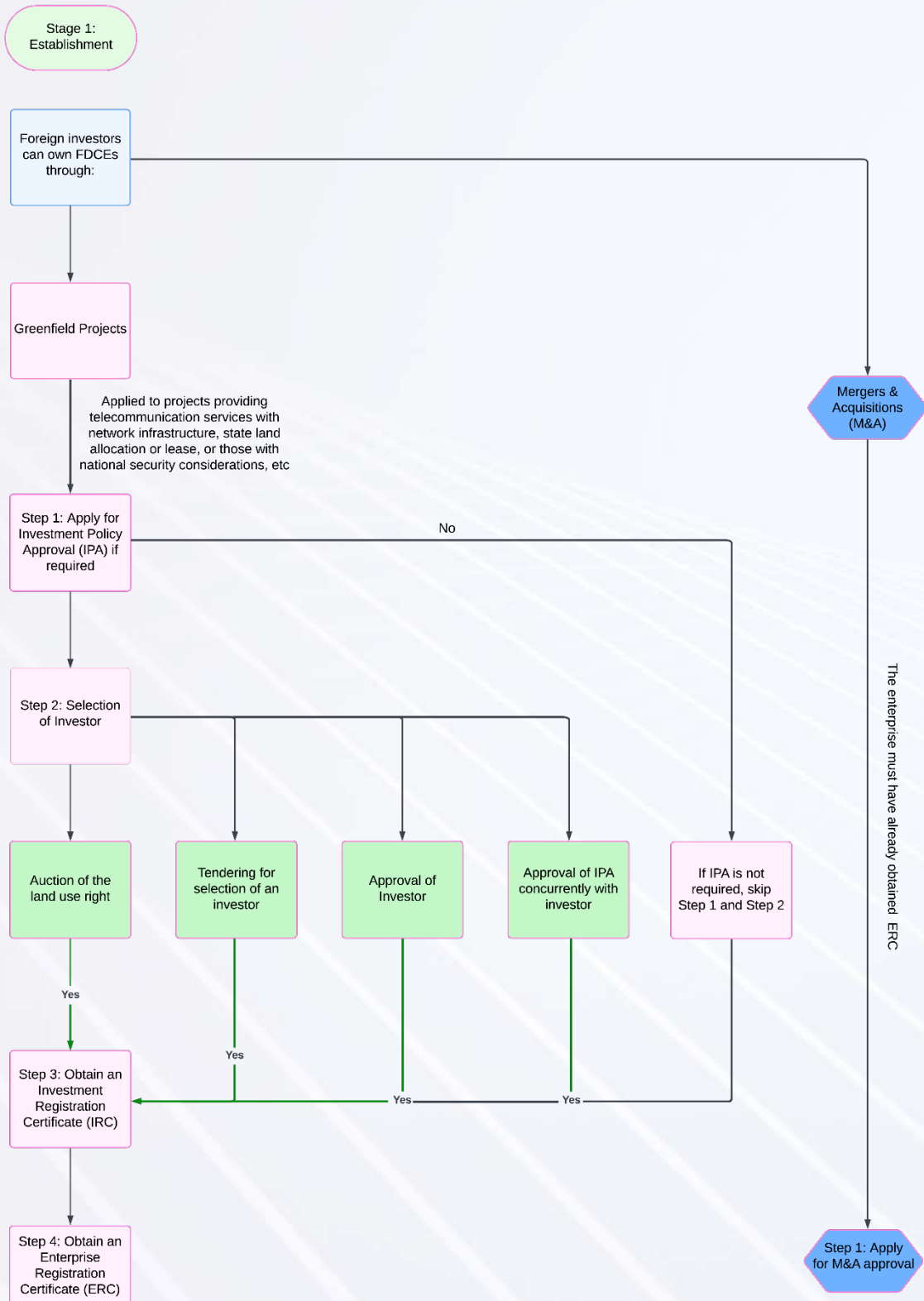
- Relevant safety standards.
- Compliance with National Standards and Technical Regulations.

**4.2.** Apply for a **Certification of Registration** for specific services of Data Center with the Vietnam Telecom Authority.

**4.3.** Secure **Sub-Licenses** for additional services (if applicable), including:

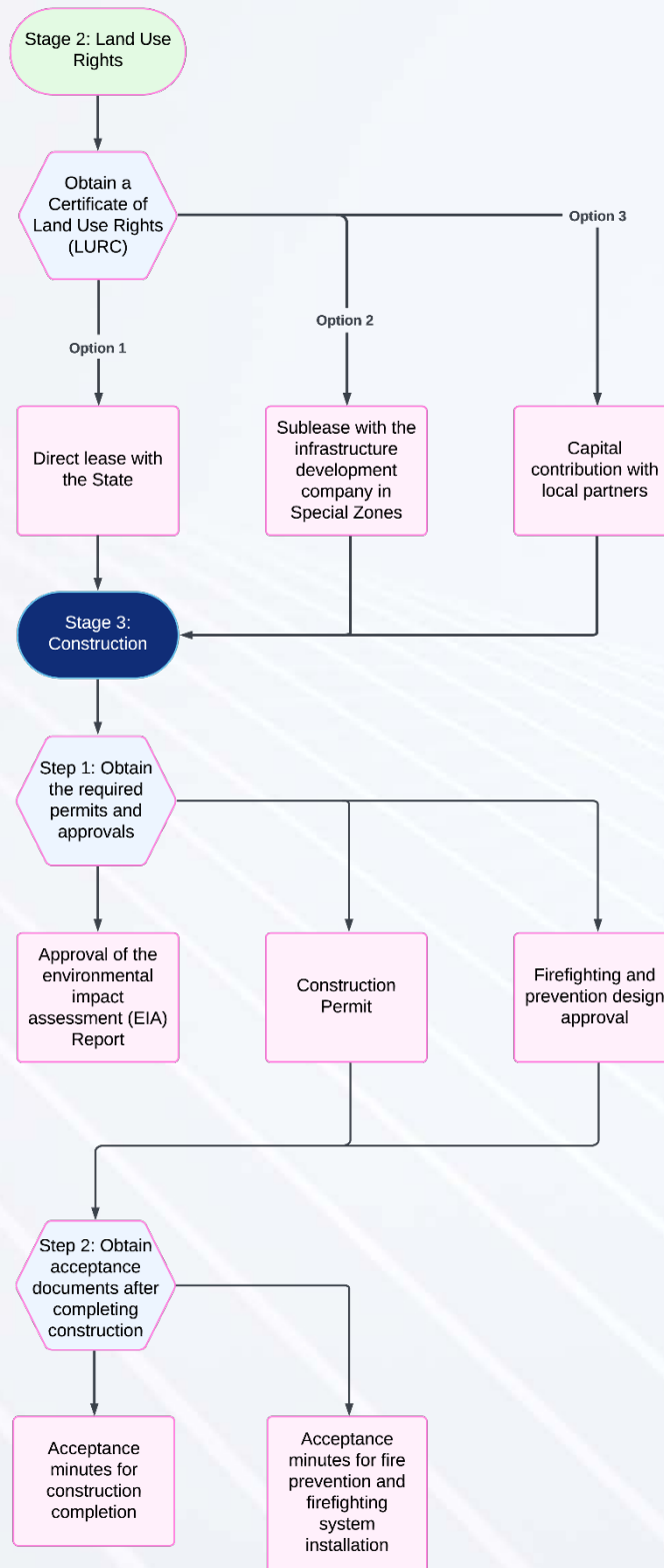
- **Internet access service** (valid for up to 10 or 15 years).
- **Cyber-information security services** (valid for up to 10 years).
- **Encrypted services** (valid for up to 10 years).

# Licenses and Procedure for FDCEs

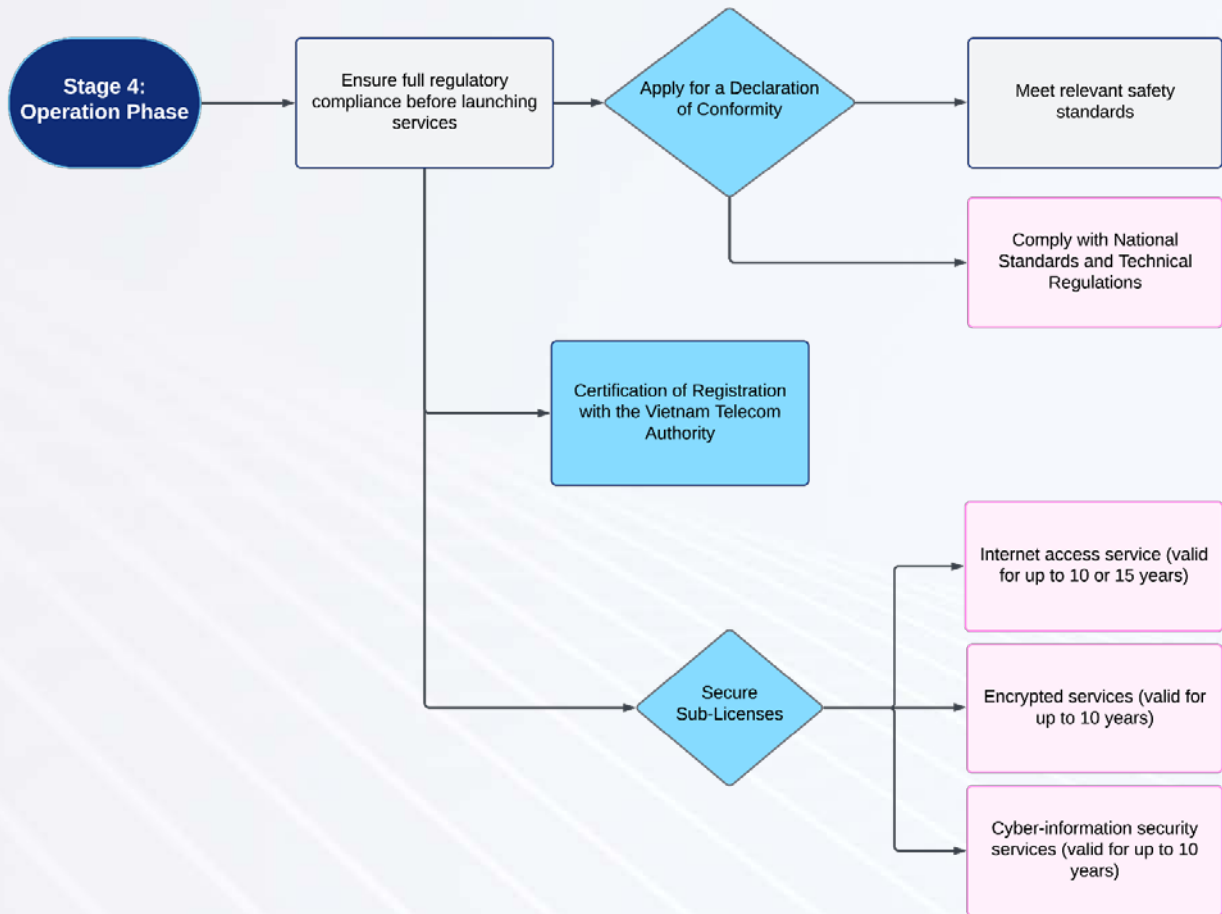




# Licenses and Procedure for FDCEs



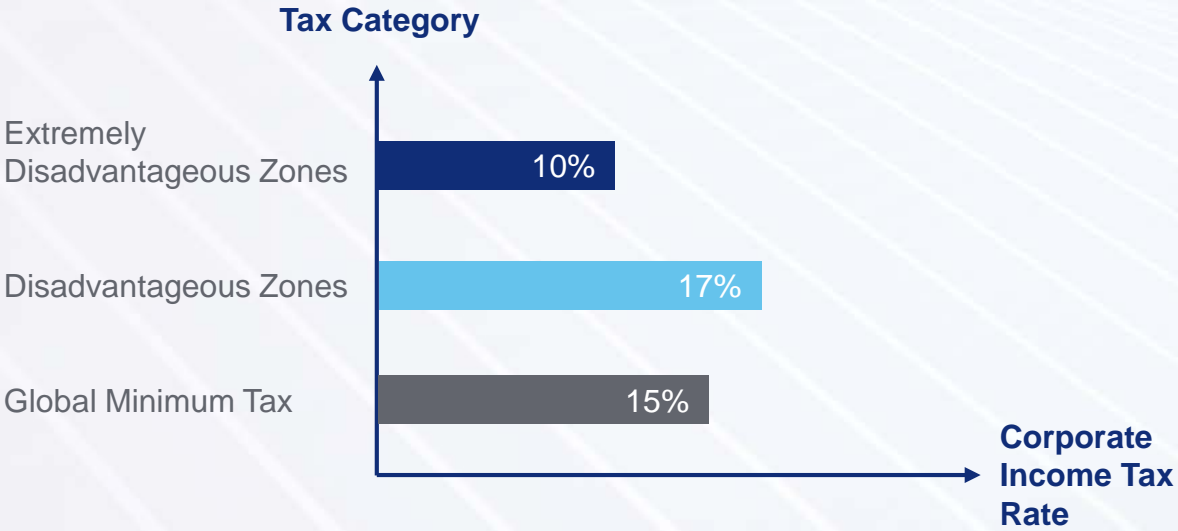
# Licenses and Procedure for FDCEs



# Incentives for Data Centers

## 1. Tax Benefits:

- If located in **extremely disadvantageous zones**: 10% CIT for 15 years, CIT exemption for the first four (4) years and a 50% reduction for the next nine (9) years.
- **In disadvantageous zones**: 17% CIT for 10 years, CIT exemption for the first two (2) years and a 50% reduction for the next four (4) years
- Starting from 1 January 2024, Vietnam will enforce a **global minimum income tax of 15%** for multinational corporations with consolidated revenue of €750 million (approx. \$800 million) or more over two (2) years within a four-year span, with some exceptions. Therefore, FDCEs will be required to pay the tax differential either to their parent country or to Vietnam if they benefit from a tax rate in Vietnam that is lower than 15%.



Tax Benefits & Minimum Tax in Vietnam

## 2. Land Rent Exemptions:

- Up to **11 years** depending on the location of Data Center.



# Additional Information —

## 1. Energy Solutions for Sustainable Operations

Besides purchasing electricity from Vietnam Electricity (EVN), FDCEs can opt for eco-friendly energy sources, including:



- Development of rooftop solar power for self-production and self-consumption.
- Direct Power Purchase Agreements (DPPA) with private providers.

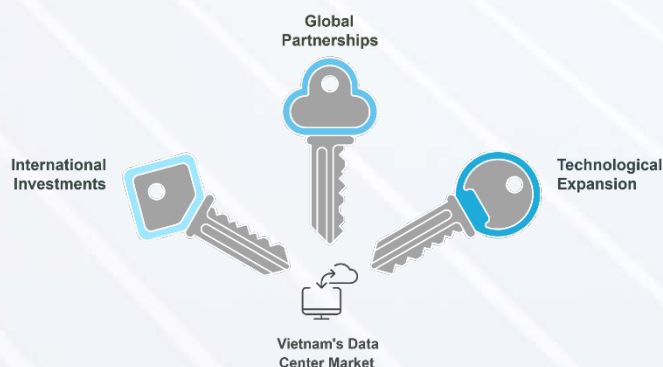
## 2. Business Requirements

- Complying with National Standard and Technical Regulations before and during the operation.
- Having services and technical plans that are compatible with the relevant technical standards and regulations
- Ensuring the safety and security of telecommunication infrastructure and cyber information.
- Complying with the regulations on personal data protection and restriction of the transfer of Vietnamese personal data outside of Vietnam.

# Impressive Market Movements

## Vietnam has already attracted the attention of global giants and investors:

- At the end of 2021 and the beginning of 2022, Worldwide DC Solution Pte. Ltd. (Singaporean investor) obtained licenses to implement the 1Hub Data Center Project, wholly owned by Singaporean investor, located in Saigon Hi-Tech Park.
- NTT Global Data Centers Holding Asia Pte. Ltd. (Singaporean investor) and its local partner established NTT Global Data Centers HCMC1 Limited Liability Company to develop a data center project in Saigon Hi-Tech Park.
- STT Vietnam DC Pte. Ltd. (Singaporean investor) and its local partner **(1)** are implementing the STT VNG Ho Chi Minh City 1 Data Center Project through their joint venture VNG Data Center Joint Stock Company, and **(2)** plan to establish the STT VNG Ho Chi Minh City 2 Data Center Project in the Tan Thuan Export Processing Zone, Ho Chi Minh City.
- Gaw Capital Partners (Hong Kong investor) plans to develop a data center at the Saigon Hi-Tech Park.
- Alibaba has announced plans to establish a data center in Vietnam.
- Companies like Supermicro (American investor) has entered the market through partnerships with local Vietnamese companies.



These developments signal Vietnam's potential as a thriving destination for data center investments, driven by its favorable business environment and growing data storage and processing demand.

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