

MOF Calls for Further Changes to the Investment Law: Streamlining Vietnamese Investment

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Ministry of Finance Seeking Further Changes to Vietnam's Law on Investment

The Ministry of Finance ("MOF") has recently proposed amendments to the Investment Law, signaling a potential shift in how both inbound and outbound investments will be regulated in Vietnam. While still at the proposal stage, these changes could significantly reshape approval procedures, licensing requirements, and investor rights.

Key Features of the Proposal

1. Removal of licensing requirements for outward investment

A key feature of the proposal is the plan to eliminate licensing requirements for outward investment by Vietnamese enterprises:

- Vietnamese enterprises would no longer need approval from the MOF to invest abroad.
- Instead, investors would register fund transfers with the State Bank of Vietnam, supported by host-country documents (e.g., investment license, incorporation certificate, or capital contribution agreement).
- Oversight would shift from licensing individual projects to monitoring foreign exchange flows, allowing authorities to suspend or block transactions in case of non-compliance.

2. Simplifying Investment Policy Approval (IPA)

Another notable proposal concerns the adjustment to the scope of projects that require Investment Policy Approval ("IPA").

IPA is a process whereby an authority approves key elements of an investment project, including its objectives, location, scale, implementation schedule, duration, the identity or selection of the investor, and any special mechanisms or incentives (if applicable).

Under current regulations, certain types of projects must obtain IPA before being issued an Investment Registration Certificate ("IRC"). Depending on the nature and scale of

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Proposed Changes to Investment Laws

the project, IPA may be granted by the National Assembly, the Prime Minister, or the Provincial People's Committee. Where IPA is required, only after IPA is obtained can the IRC, which formally records the investor's project registration, be issued.

In practice, this sequencing often prolongs project timelines. The MOF therefore proposes narrowing the categories of projects that require IPA. Going forward, only projects with material socio-economic, environmental, land, natural resources, or strategically important infrastructure or national security implications would remain subject to this higher-level scrutiny. Administrative bodies at provincial levels (e.g., People's Committees) will now have broader authority over such approvals, reducing the need for escalations to the Prime Minister or National Assembly - except for select high-stakes or exceptional projects.

For other projects (i.e. projects not subject to IPA), procedures would be simplified. In particular, the IRC would only be required where the project is carried out by foreign investors or by economic organizations with more than 50% foreign ownership.

3. Equal treatment of foreign and domestic investors

Under the Ministry of Finance's proposal:

- Foreign investors could establish economic organizations in Vietnam without being tied to a specific project, similar to domestic investors.
- Conditional business sectors may be further reduced, with regulation increasingly shifting toward technical standards.

Summary Table: Key Reforms at a Glance

Reform Area	Current Framework	Proposed Change
Inward Investment	IPA applies extensively across numerous categories of projects.	Limited to high-impact sectors; others require only IRC
Outward Investment	Ministerial approval required	Fund transfer registration with SBV; documentation from host country suffices
Foreign Investor Entry - Establishing a New Company in Vietnam	Must predefine project before establishing in Vietnam	No prior project needed; equal to domestic investors
Business Conditions	Multiple regulated sectors and conditional industries	Targeted cuts; regulation via standards instead of blanket controls

Practical Outlook

The Ministry of Finance has unveiled this landmark revision to the Investment Law, proposing sweeping reforms poised to dramatically simplify procedures and dismantle the outdated "xin – cho" ("ask and grant") paradigm. This initiative represents an important move toward modernizing Vietnam's investment framework and enhancing both domestic and overseas investment activities.

At this stage, the MOF's recommendations remain proposals, and further discussion among government bodies is expected before any amendment process formally begins. Investors should closely monitor developments, as changes could have material impact on both structuring and compliance strategies in Vietnam.

Note: This commentary draws upon information published in local press. The proposals remain at a policy discussion stage.

For any further questions you may have, please reach out to us at vietnam@alitim.com


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