

Navigating Restrictions: Vietnam's Inbound Capital Flows

Alitium
Level 5, L'Mak Signature Building
147 Hai Ba Trung, District 3
Ho Chi Minh City
Vietnam

P: +84 (28) 3535 6460
E: vietnam@alitium.com

Contact
Phuong Vo
Managing Partner
phuong.vo@alitium.com

Phung Nguyen
Accounting & Tax Partner
phung.nguyen@alitium.com

Matthew Lourey
Chairman & Advisor
mlourey@alitium.com

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Understanding Regulations and Policies for Foreign Investors and Their Funds Flows Into Vietnam

Vietnam imposes stringent capital controls, making it essential for investors to carefully understand the regulations governing the transfer of funds into (and out of) the country. Those unfamiliar with the requirements, or who act on misguided advice, risk having their investments effectively “trapped” or significantly jeopardised. Oversight of foreign exchange and cross-border capital flows falls under the State Bank of Vietnam (SBV), which administers a structured account framework. When properly followed, these regulations enable foreign investors to move funds both into and out of Vietnam with confidence.

The most critical element with Vietnam's capital control framework involves the roles of the **Direct Investment Capital Account (DICA)** and the **Indirect Investment Account (IIA)**. Understanding the requirements and nuances with these accounts makes compliance with banking and capital regulations essential.

The Legal Pillars Governing Capital Inflows

The key legal foundations for foreign capital movements into (and out of) Vietnam includes:

- Law on Investment 2020, governing both direct and indirect investment.
- Decree 31/2021/ND CP and Decree 09/2018/ND CP, which detail investment procedures.
- Key foreign exchange regulations from the SBV:
 - Circular 06/2019/TT NHNN, outlining DICA requirements.
 - Circular 03/2025/TT NHNN, effective June 16, 2025, redefining IIA usage.
 - Circular 12/2022/TT NHNN and Circular 08/2023/TT NHNN, on foreign loan registration and management.
 - Decree 26/2025/ND CP, reinforcing SBV's enforcement capabilities.

Together, these regulations form the compliance architecture for account management, fund transaction, and regulatory reporting, thus facilitating foreign investors capital flows across Vietnam's borders.

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The Direct Investment Capital Account (DICA)

A DICA is a specialised bank account, denominated either in a foreign currency or in VND, designated exclusively for foreign (direct) investment transactions into and out of Vietnam. It is established by the Vietnamese company/entity it relates to at a licensed bank in Vietnam. Note: slightly different regulations for Business Cooperation Contracts (BCC) or a Public-Private Partnership (PPP) investor.

When is a DICA Required?

A DICA must be opened in the following circumstances:

1. Upon incorporation of a Foreign Direct Investment (FDI) company in Vietnam with a foreign Investment Registration Certificate (IRC).
2. When foreign ownership in a Vietnamese company rises above 50% of charter capital, either through acquisition or merger, triggering reclassification from domestic to foreign-invested, requiring a DICA within 12 months.
3. For PPP or BCCs without establishing a separate entity, to channel capital and repatriate profits.

This ensures that all foreign-owned or foreign-controlled enterprises have a clear designated capital bank account to channel their equity, dividends, acquisitions, and foreign loan repayments through when sending funds into or out of Vietnam.

Timing and Sequencing

Investors must open a DICA upon IRC issuance before capital injections take place. Specifically, newly incorporated FDI enterprises are required to transfer their committed charter capital into the DICA within 90 days of receiving their Enterprise Registration Certificate. As a general rule, banks will not allow funds to flow through the DICA until inbound transfer commitments are completed, and even then each transaction must be supported by compliant documentation for transaction in accordance with SBV requirements.

Further, there is an explicit expectation that funds injected into a DICA come from a foreign bank account specifically in the name of the party for who the contribution is being made, and vice versa. For example, If Foreign Company A, Inc. is acquiring capital in a Vietnamese company, the funds that Foreign Company A, Inc. sends to the DICA held by the Vietnamese company are to come from a foreign bank account held explicitly in the name of Foreign Company A, Inc. and not from a third party.

Account Operations and Closure

Under Circular 06/2019, only one a DICA may exist (although there can be both a foreign currency and a VND version) for each Vietnamese entity. For foreign loans, one additional secondary foreign loan account can be opened per bank. If the enterprise's foreign ownership dips below 50%, or it becomes publicly listed, it must close its DICA, after which foreign investors need to revert to using an IIA.

The Indirect Investment Account (IIA)

Circular 03/2025 renamed the Indirect Investment Account (IIA), which was previously known as the Indirect Investment Capital Account (IICA), which is defined as a single-purpose VND account for indirect investments by non-resident foreign investors. The account is used for foreign investors to acquire securities or to contribute capital into private Vietnamese firms where DICA regulations are not triggered. Investors may open one IIA per bank, with additional accounts permitted where tied to a separate securities account.

Circular 03/2025 prohibits IIAs from being used for term deposits or savings and forbids joint ownership. All transfers must include stated purposes (eg, securities purchases). Notarisation or legalisation of documents is no longer specifically required for opening an IIA, but can still be requested by banks based upon their internal procedures.

Foreign Loan Capital Management

Foreign inbound loans are an important treasury and structuring tool for foreign investors, yet these remain strictly regulated in many circumstances. Circular 12/2022 mandates registration of medium- and long-term loans (1 year or greater) with the SBV within 30 working days of contract execution, extendable to up to 60 working days in specific case, while short-term loans (not exceeding 1 year) do not have the same obligations and provide significantly more regulatory flexibility.

Circular 08/2023 details requirements for domestic borrowers in order to register loans, including usage plans and proportional limits on loan amounts based on approved investment value. It also requires borrowers to detail their financial use plans and any refinancing structures.

Correct Account Channelling, Registration and Compliance

Foreign loan proceeds must be credited into the DICA, or into a designated Foreign Loan Account that aligns with the contractual currency, and never into normal current bank accounts.

Medium and long-term Loans not registered within the stipulated window (i.e 30 working days or 60 working days) may be penalised up to VND 60 million, and are likely to be deemed non-compliant. Registered loans must be used solely for the stated purpose, with the diversion of funds for other uses is prohibited. Short term loans cannot be utilised for medium or long term purposes, unless registered in advance.

Foreign-to-Equity Conversion

Foreign loans may be converted to capital/equity, but only upon regulatory approval. There is more flexibility in the conversion to capital, however pre-existing non-compliance can make the process more challenging.

Capital Contributions, Delays, and Dividends

Capital contributions must adhere to the timeline within the IRC or ERC and be paid directly into the DICA or IIA. Delays or underpayments can result in financial sanctions and, in the worst case, there is the risk of losing Investment Certificates or having compulsory capital reduction reflecting the unpaid amounts.

Foreign investors receiving dividends from their Vietnamese investments must route funds through the DICA or IIA, accompanied by tax compliance for withholding (where required), ensuring both tax and capital control compliance.

Common Mistakes and Compliance Gaps

Foreign investors frequently make the following recurring errors, each which can be avoided with the appropriate advice and planning in advance:

1. Late or incomplete capital contributions: Missing deadlines for contributing capital into the Vietnamese entity may result in the DICA being frozen, so that further injections or capital transfers cannot proceed. Rectification is complicated, and usually involves penalties, with the worst case being the potential dissolution of the company.
2. Depositing loans into standard bank accounts: Not following the requirement to use the DICA or designated foreign loan accounts is common, but this failure makes the later repatriation of the loans extremely difficult, with tax authorities often deeming the incorrect loan receipt as taxable income.
3. Misdirection of funds into wrong accounts: Instances include using IIAs for direct investment or vice versa, often triggering retroactive corrections, scrutiny and penalties.
4. Non-registration of loans: Although short-term loans don't always require registration, where these loans are to be extended, or where medium-term loans are issued without registration, penalties will arise and corrective actions can be drawn out, reducing the ability to manage treasury and capital needs.
5. Incorrect Parties Remitting Funds: Foreign inbound capital in the DICA must come from the investor's bank account, and not from a third party's account. Failure can result in funds being rejected by the receiving bank (that administers the DICA), or later penalties upon inspection where the capital injection is deemed non-compliant and therefore not treated as capital.

Legal Risks and Consequences

Non-compliance can result in a range of implications, each equally problematic. These implications can stack in practice, with penalties, revocation and inability to repatriate funds all potentially arising simultaneously for the same event:

- **Penalties:** Administrative fines up to VND 60 million for late loan registration or misallocated funds.
- **Project delays:** DICA accounts can be frozen pending documentation when regulations are not followed in full, stalling critical transactions.
- **Investment revocation:** Misaligned capital inflows risk triggering asset deregistration or revocation of investment certifications.
- **Loss of flexibility:** Unregistered or misused loans cannot be legally converted into equity, requiring alternative financing structures, often at short notice.

Actions and Outcomes

Vietnam's inbound capital control regime, anchored in the DICA and IIA frameworks and foreign loan requirements, requires disciplined understanding and proactive compliance from foreign investors before undertaking transactions. Recent reforms further underscore this need by revising ownership thresholds, tightening account regulations, and enforcing new procedures.

By thoroughly planning account setups, meeting deadlines, ensuring account-specific transfers, registering foreign loans, and staying vigilant during ownership transitions, investors can avoid infrastructure failures, penalties, or ownership disputes.

Through strategic engagement with experienced banks, advisors, and cross-border coordinators, foreign investors can successfully harness Vietnam's economic growth in confidence.

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


This article is intended to provide an overview of recent updates to tax regulations. While it aims to present useful insights, it is important to note that the content shared here should not be considered as formal legal or financial advice. For specific guidance on tax obligations or legal matters related to your business, we strongly recommend consulting with a qualified professional, such as a tax advisor or legal expert or directly reach out to us.


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