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LEGAL BRIEFING

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VIETNAM'S NATIONAL RESOLUTION ON GLOBAL FINANCIAL HUB – FOREIGN EXCHANGE FREEDOM, WORK PERMIT EXEMPTIONS, AND MAXIMUM TAX INCENTIVES

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On June 27, 2025, the National Assembly of Vietnam officially adopted Resolution No. 222/2025/QH15 on the development of an International Financial Center (IFC) in Vietnam. Resolution 222 outlines the core objectives of establishing the IFC, which include attracting international capital, fostering innovation in financial services, particularly fintech and green finance. The proposed locations for the IFC include Ho Chi Minh City and Da Nang, two urban centers with existing infrastructure, human capital, and international connectivity that position them well to become financial hubs. The development of the IFC is planned in phases, with initial institutional and legal frameworks being introduced in 2025–2026, followed by infrastructure and ecosystem development in the 2026–2030 period. This landmark resolution, which will take effect on September 1, 2025, sets out a comprehensive framework to transform Vietnam into a competitive and innovative player in the global financial system.

Resolution on the International Finance Center - Key Highlights

- *Membership Rights in the International Financial Center*

IFC members include licensed or registered financial institutions, investment funds, and businesses operating within the Center. Enterprises listed in the Fortune Global 500 or among the top 10 financial institutions in Vietnam (excluding banks, securities, and insurance companies) are automatically recognized as members without the need for registration. However, banks and investors in securities and insurance must establish a legal presence and obtain licensing from the relevant authorities. Each member will be issued a unique identification number, equivalent to a corporate registration number.

- *Establishment of New Asset Trading Platforms*

The Resolution allows for the creation of new and specialized trading platforms within the IFC. These include platforms for commodities and derivatives; carbon credits; cultural and art assets; rare precious metals; green financial products; and other innovative trading platforms based on market needs and future development trends.

- *Liberal Foreign Exchange Policy*

Under current Vietnamese law, the use of foreign currencies is generally prohibited, except in specific cases such as transactions with foreign entities or current transactions. This creates significant limitations for businesses operating domestically, restricting their ability to freely engage in international trade or manage foreign investments without adhering to stringent regulations.

In contrast, the IFC offers a more flexible and business-friendly approach. Members of the IFC are allowed to conduct transactions in foreign currencies, both with other IFC members and with foreign individuals or organizations. This flexibility significantly eases international trade and investment activities, allowing for smoother financial operations without the constraints imposed by Vietnam's national foreign exchange laws.

However, while the IFC offers such flexibility, transactions involving non-members within Vietnam still have to adhere to the country's existing foreign exchange regulations. Despite this limitation, the ability to freely transact in foreign currencies within the IFC, including capital inflows and outflows via foreign currency accounts at licensed banks, provides a substantial advantage over the more rigid foreign exchange framework applied in the rest of Vietnam. This makes the IFC a far more attractive and efficient environment for international business transactions..

- *Controlled FinTech Regulatory Sandbox*

The Resolution introduces a controlled regulatory sandbox for financial services utilizing new technologies not yet covered by existing laws. This framework allows for time-bound testing of innovative products and services, subject to oversight by the IFC's governing authority, encouraging digital transformation and financial innovation.

- *Preferential Corporate and Personal Income Tax Regimes*

For **Corporate Income Tax (CIT)**, the IFC provides a 10% tax rate for up to 30 years for priority sectors, with a full exemption for the first 4 years and a 50% reduction for the next 9 years. Non-priority sectors benefit from a 15% rate for up to 15 years, with exemptions and reductions in the initial years. This is a marked improvement compared to Vietnam's framework, where the most favorable CIT incentives apply only in special economic zones or disadvantaged areas. While Vietnam offers up to 4 years of full tax exemption and a 50% reduction for the following 9 years for these areas, the maximum duration for the preferential 10% rate is capped at 15 years for priority sectors. Additionally, Vietnam does not provide a 15% CIT rate for non-priority sectors, while the

IFC offers this rate for 15 years. This makes the IFC's incentives significantly more attractive due to their longer duration and broader applicability.

In terms of **Personal Income Tax (PIT)**, the IFC offers full exemptions for foreign and Vietnamese experts, managers, and skilled workers until 2030, along with exemptions for income from capital transfers (such as shares and equity) of IFC members. This blanket PIT exemption is far more advantageous than Vietnam's current framework, which imposes PIT rates ranging from 2% to 20%, with a progressive tax scale for salaries from 5% to 35%. Vietnam's exemptions are limited to specific income sources, such as agricultural income and government bond interest, and do not extend to experts, managers, or income from capital transfers. In contrast, the IFC's broad PIT exemptions make it a far more favorable environment for skilled professionals and capital market activities.

Thus, the IFC's tax policies offer superior benefits in terms of longer duration, broader sector coverage, and more comprehensive exemptions, making it a more attractive option compared to the current tax incentives available in Vietnam.

- *Simplified Entry and Labor Regulations*

The labor and entry policies under the IFC represent a significant improvement over the more restrictive regulations applied within the broader territory of Vietnam.

Under current Vietnamese law, foreign workers are required to obtain a work permit, and the number of foreign employees in a company is often subject to approval, alongside other compliance requirements such as labor demand approvals. Additionally, foreign workers are generally required to participate in Vietnam's social and unemployment insurance schemes, even if they are already contributing to equivalent foreign schemes.

In contrast, the IFC introduces a much more liberalized and flexible approach. Foreign workers in the IFC who meet specific expertise criteria are exempt from the work permit requirement, significantly simplifying the process for hiring skilled international talent. Moreover, there is no cap on the number of foreign employees, and there is no need to seek approval for labor demand, giving businesses in the IFC greater flexibility to hire as needed. Foreign workers can also choose whether or not to participate in Vietnam's social and unemployment insurance schemes, with the option to be partially exempt if they are already covered by equivalent foreign schemes.

These more flexible labor policies within the IFC create a more attractive environment for foreign talent and businesses, offering greater operational flexibility compared to the national labor regulations, which can be burdensome and restrictive for foreign workers and employers in Vietnam.

- *Incentives on Land Use, Construction, and Environment*

Strategic investors are allowed to mortgage land-use rights and attached assets to obtain financing from foreign financial institutions. Construction projects in the IFC do not require construction permits, only registration of environmental and technological compliance. For priority sectors, strategic investors may be granted land without auction or tender procedures, significantly streamlining project implementation.

- *Dedicated Dispute Resolution Mechanisms*

A specialized Court for the IFC may be established under the Law on the Organization of People's Courts. Additionally, the IFC may host an International Arbitration Center with jurisdiction over disputes among participants, excluding those involving the exercise of state authority. This allows for more efficient, specialized, and investor-friendly dispute resolution mechanisms.

Golden Opportunities for Businesses

- *For Domestic Investors*

Scaling Operations and Global Competitiveness: Vietnam's local financial institutions and large enterprises, particularly those in the Fortune Global 500 or among the top 10 financial entities (excluding banks, securities, and insurance firms), gain automatic IFC membership, unlocking exclusive benefits. The resolution's tax incentives significantly lower operational costs, enabling enterprises to invest in advanced technologies, skilled personnel, and market expansion. For instance, enterprises can establish holding companies within the IFCs to streamline capital mobilization, facilitating international growth. The introduction of new trading platforms for commodities, derivatives, carbon credits, cultural assets, rare precious metals, and green financial products allows domestic investors to diversify their portfolios and engage in emerging sectors. By participating in these markets, Vietnamese firms can enhance their global competitiveness and forge strategic partnerships with international players.

Empowering SMEs and Startups: Small and medium enterprises (SMEs) and startups stand to benefit from enhanced access to foreign capital and partnerships. The IFCs serve as a conduit for connecting local businesses with global financial institutions, enabling SMEs to secure funding for scaling operations and developing innovative products. The FinTech regulatory sandbox, a cornerstone of the IFC framework, allows startups to test cutting-edge financial solutions, such as blockchain-based platforms or digital payment systems, in a controlled environment. Moreover, personal income tax (PIT) exemptions for experts, managers, and high-skilled workers until 2030 help attract top talent, enabling SMEs to build robust teams capable of driving technological advancements.

- *For International Investors*

A Magnet for Foreign Direct Investment: Vietnam's IFCs offer a compelling environment for foreign direct investment (FDI) in finance, real estate, and technology. The liberalized foreign exchange policy allows transactions in foreign currencies among IFC members and unrestricted capital inflows and outflows through licensed banks. This flexibility reduces financial risks and enhances liquidity, making Vietnam an attractive destination for multinational corporations. In addition, CIT incentives alongside PIT exemptions for foreign experts until 2030, lower the cost of doing business for foreign investors and make Vietnam a potential cost-effective alternative to established financial hubs like Singapore and Hong Kong, particularly for firms in finance and technology.

Innovation through FinTech and New Markets: The IFCs' controlled FinTech regulatory sandbox is a game-changer for tech-driven investors. This framework allows companies to test innovative financial products, such as blockchain, digital payments, and tokenized assets, in a low-risk environment overseen by the IFC's governing authority. This is particularly appealing to startups and global tech firms looking to scale solutions in a high-growth market like Vietnam. On the other hand, with the new asset trading platforms for green financial products, carbon credits, and cultural assets, international investors can capitalize on Vietnam's commitment to initiatives like the Just Energy Transition Partnership (JET-P), leveraging platforms for carbon credits to tap into the growing demand for sustainable investments.

Simplified Regulations and Reduced Risks: Flexible labor and land-use policies significantly lower entry barriers for multinational firms. Foreign workers with specialized expertise are exempt from work permit requirements, and there are no caps on foreign employee numbers, enabling companies to build diverse, high-caliber teams. Additionally, strategic investors can mortgage land-use rights to foreign financial institutions and bypass traditional construction permit processes, streamlining project implementation in real estate and infrastructure. Finally, yet importantly, the establishment of a specialized IFC court and an International Arbitration Center, using English as the primary language, provides efficient, investor-friendly dispute resolution mechanisms. These measures reduce operational risks and enhance confidence, particularly for international investors unfamiliar with Vietnam's legal system.

Legal Hurdles in Vietnam's IFC: What Investors Need to Watch Out For

While the IFC promises a liberal and investor-friendly framework, there remain critical legal considerations that both domestic and foreign investors must navigate with caution. First and foremost, the governance structure and applicable legal regime in the IFC will differ significantly from Vietnam's traditional regulatory framework. Investors must pay close attention to special licensing requirements, sector-specific eligibility criteria, and the unique legal status of IFC member entities, particularly when engaging in cross-border transactions, using foreign currencies, or operating within newly introduced asset trading platforms (e.g. carbon credits, digital assets, or financial derivatives). Additionally, although the Resolution introduces a regulatory sandbox for financial innovation, it remains subject to oversight and discretionary approval by the IFC's governing body. This creates uncertainty for businesses developing novel fintech products or experimenting with blockchain-based services, as legal clarity may be limited during the testing phase. One area of potential legal risk is dispute resolution. While the Resolution allows for specialized courts and international arbitration, the structure, procedures, and enforceability of these mechanisms are still under development. Investors should not assume these bodies will mirror international standards unless explicitly confirmed in contracts or secondary legislation.

To reduce exposure to legal uncertainties, investors should take several straightforward steps. First, engage qualified local legal counsel early in the market entry process, particularly one familiar with Vietnam's IFC framework and cross-border finance. Second, structure contracts carefully, including jurisdiction and dispute resolution clauses, while ensuring alignment with Vietnamese law and the expected IFC rules. Third, keep up with secondary regulations and implementing guidelines, which will likely shape the practical application of the Resolution in the coming months and years.

Conclusion

Resolution No. 222/2025/QH15 marks an important turning point in Vietnam's economic and legal landscape, laying the foundation for a modern, internationally integrated financial ecosystem giving investors great business opportunities. However, the IFC model introduces a separate set of legal and institutional rules, some of which are still in development. As such, businesses must proceed strategically, engaging local expertise, preparing contractually for evolving norms, and actively monitoring regulatory updates.

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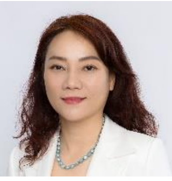

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