

# LEGAL ALERT

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## **Law on Investment 2025: Refining the Legal Framework and Advancing Administrative Reform in the Investment Sector**

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The Law on Investment 2025 (the “**LOI 2025**”), effective from 1 March 2026, further refines the legal framework governing investment activities in Vietnam amid increasing demands for administrative reform, simplification of procedures, and enhancement of international competitiveness—particularly in connection with the development orientation of the International Financial Centers in Ho Chi Minh City and Da Nang. This article highlights several notable amendments introduced under LOI 2025 and their potential legal implications for Vietnam’s investment landscape.

### **1. Foreign investors may establish an economic organization prior to project approval**

Article 19.2 of LOI 2025 recognizes the right of foreign investors to establish an economic organization in Vietnam without being required to first obtain approval for an investment project, provided that market access conditions applicable to foreign investors are satisfied.

This represents a significant departure from the previous “project-first, company-after” approach. From a policy perspective, this adjustment reflects a more flexible view of investment preparation activities and acknowledges the practical need for foreign investors to establish a legal presence in Vietnam at an early stage for market research, investment promotion, and project structuring.

However, under the current draft guiding Decree, within six (06) months from the establishment date of the economic organization, the investor must complete the procedures to obtain an Investment Registration Certificate (“IRC”); failing which, the entity must carry out dissolution procedures. As presently drafted, this requirement may create practical concerns, since failure to obtain the IRC within the statutory timeline—rather than merely filing the application—may result in mandatory dissolution, even where delays arise from authority consultations (e.g., security or defense agencies) or force majeure events.

## **2. Clarification of projects subject to investment policy approval**

LOI 2025 improves legislative clarity by specifying a closed list of projects subject to investment policy approval. Under Article 24, twenty (20) categories of projects require such approval, primarily covering major infrastructure projects, land- or sea-use projects, environmentally sensitive projects, and projects located in areas relevant to national defense and security.

Regarding authority, LOI 2025 maintains the decentralization mechanism whereby most projects fall under the competence of provincial People's Committees or industrial zone authorities. Only a limited number of special projects remain under the Prime Minister's authority, and no projects are subject to approval by the National Assembly. This allocation of authority reflects continued efforts to streamline procedures, shorten processing timelines, and enhance local autonomy.

## **3. Simplification of outbound investment procedures**

Under the new framework, the scope of outbound investment projects requiring an Outward Investment Registration Certificate is significantly narrowed, primarily applying to large-scale projects (subject to thresholds to be specified in a guiding Decree) or projects in conditional outbound sectors.

For most other projects, investors are required only to register foreign exchange transactions with the State Bank of Vietnam for capital remittance purposes. This approach signals a clear shift from a "prior approval" model to one focused on capital flow supervision and reporting obligations, while maintaining necessary safeguards for projects potentially affecting national financial and monetary security.

## **4. Special investment procedures**

The new special investment procedure expands its scope to cover all investment projects located in industrial parks, export processing zones, high-tech zones, concentrated digital technology zones, free trade zones, international financial centers, and functional zones within economic zones (except projects subject to investment policy approval by the Government), rather than being limited to certain high-tech sectors as previously.

Projects registered under this mechanism are exempt from several ex ante procedures, including investment policy approval, technology appraisal, environmental impact assessment, detailed planning approval, and construction permit requirements. Instead, investors provide commitments to comply with applicable legal conditions, standards, and technical regulations. Prior to construction commencement, investors must submit a commencement notice together with the required technical-economic construction report and appraisal report. The Investment Registration Certificate remains the legal basis for land allocation or lease, land-use conversion, and subsequent state management procedures.

This special mechanism establishes a more streamlined and flexible regulatory pathway and is expected to play a pivotal role in attracting capital inflows, strategic investors, and high-quality financial institutions, particularly in connection with international financial center projects.

Overall, LOI 2025 reaffirms Vietnam's consistent reform orientation in investment legislation, emphasizing procedural simplification, decentralization of authority, and enhanced transparency in state management of investment activities. Beyond technical legislative improvements, these

reforms contribute to shaping a more facilitative and competitive legal environment for investment in the next stage of Vietnam's economic development.

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