

July 30, 2020

## MAJOR CHANGES TO LAW ON INVESTMENT 2020 & LAW ON ENTERPRISE 2020

On June 17, 2020, the National Assembly has passed the new Law on Investment and the new Law on Enterprise, whose major changes will take effect as from January 1, 2021. In comparison with the applicable laws, the new laws include the following notable changes:

### A. LAW ON INVESTMENT 2020

#### 1. Forbidden and Conditional business lines

- **Abolition of debt collecting services**

Debt collecting services is excluded from the list of Conditional business lines and listed in the Forbidden business lines. However, the companies licensed to perform such services are allowed to operate until the new Law on Investment taking effect on January 1, 2020

- **Amendment to the list of Conditional business lines**

Conditional business lines are the business lines in which the investment must satisfy certain conditions for reasons of national defense and security, social order and security, social ethics, or public health.

The new Law on Investment abolishes conditions for 22 business lines such as commercial arbitration, and franchising and logistics services...

In addition, several sectors have been added to the list that is subject to conditional market access, including:

1. Tobacco detoxication provision services;
2. HIV/AIDS treatment;
3. Elderly care;
4. Water sanitization;
5. Architectural services;

6. Import press distribution services;
7. Electronic identification and authentication services;
8. Fishing vessel registration; and
9. Fishing vessel crew training, among others.

## **2. Investment incentives**

The subjects entitled to investment incentives are expanded from 5 to 7 groups including additional subjects in each group. Particularly, the two additional groups include:

1. Investment project for creative start-up, innovation center, research and development center.
2. Investment in and distribution of product chains of small and medium-sized enterprises; business investment in technical facilities supporting small and medium-sized enterprises, incubators of small and medium-sized enterprises; business investment in a working area to support small and medium-sized enterprises in their start-up creativity according to the provisions of the law on supporting small and medium-sized enterprises.

## **3. Expansion of investment project**

Upon the expiration of the investment project, the following projects are not allowed to get extension of their term of operation:

1. Investment projects using outdated technology, potentially causing pollution of the environment and natural resources; and
2. Investment projects in cases where the investors must transfer without compensation of assets to the Vietnamese State or Vietnamese parties.

## **4. Simplification of the investment procedure**

The following projects are exempted from the investment procedures and obtaining a IRC (Investment Registration Certificate) provided that they meet the required conditions:

1. Establishment of an enterprise that is an innovative start-up or investment fund.
2. Transactions which will not result in increasing the foreign ownership ratio in the target enterprise.

## **B. LAW ON ENTERPRISE 2020**

### **1. Information of managers**

According to the Law on Enterprise 2020, the company will be no longer required to notify the authority in case of changing information of managers (name, nationality, identification number) as follows:

*This alert is provided for general informational purposes only. Any information contained in this should not be considered as legal advice and is not intended to be a substitute for legal counsel on any subject matter.*

1. Members of the Board of Directors of the joint-stock company;
2. Members of the Board of Inspectors or the Inspector;
3. The Director or General Director.

## 2. Company seal

In addition to the physical company seal, a digital signature as stipulated in the laws on electronic transactions can also be used as a corporate seal. Furthermore, the company will not be required to notify the authority of the seal specimen before using the seal.

## 3. Capital Contribution Time Limit

Regarding a limited liability company and a joint stock company, a member or shareholder must contribute the capital properly within 90 days from the issuance date of the Enterprise Registration Certificate. However, if a member or shareholder contributes capital in assets, the time for transport, import and transfer of ownership of assets will not be subject to the aforementioned prescribed time period.

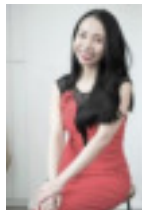
## 4. State-owned Enterprise

Under the current laws, a state-owned enterprise means an enterprise in which the State holds 100% of the charter capital. The Law on Enterprise 2020 is redefining a state-owned enterprise as an enterprise in which the State holds more than 50% of the charter capital or voting shares.

Our teams remain mobilized to answer your questions. Please contact:



**Olivier Monange**  
Partner  
monange@dsavocats.com



**Dang Ngoc Huong**  
Vietnam Partner  
dangngochuong@dsavocats.com