

**LAW FOR  
THE ENCOURAGEMENT OF  
INVESTMENT IN VIETNAM**



**OFFICE OF THE BOARD OF INVESTMENT  
INVESTMENT SERVICE CENTER**

REPUBLIC OF VIETNAM  
MINISTRY OF ECONOMY  
INVESTMENT SERVICE CENTER

LAW No 4/72, Dated June 2, 1972

**REGULATING INVESTMENT  
IN VIETNAM**

« I hereby declare the determination of the Government of the Republic of Viet-Nam to promote the rapid economic development of this country. The Government will provide encouragement and assistance for the expansion of investment and exports ».

**EXTRACT FROM THE PROCLAMATION OF  
THE PRESIDENT OF THE REPUBLIC OF VIETNAM  
ON INVESTMENT AND EXPORT PROMOTION**

*November 15, 1971.*

**In case of ambiguity in the translation,  
please refer to the Vietnamese text. For  
further explanation, please consult :**

**The Office of the Board of Investment,  
INVESTMENT SERVICE CENTER.**

*100, Tu-Do SAIGON*

**Tel. 99.971-99.972-94.318**

# CONTENTS

<b>Chapter I</b>	<b>General Provisions. . . . .</b>	<b>7</b>
<b>Chapter II</b>	<b>General Conditions of Eligibility</b>	<b>9</b>
<b>Chapter III</b>	<b>Privileges and Guarantees . .</b>	<b>10</b>
<b>Chapter IV</b>	<b>Provisions Relating to Foreign Capital. . . . .</b>	<b>17</b>
<b>Chapter V</b>	<b>Supplementary Fiscal Advan- tages . . . . .</b>	<b>20</b>
<b>Chapter VI</b>	<b>Procedures . . . . .</b>	<b>21</b>
<b>Chapter VII</b>	<b>Institutions to Encourage the Mobilization of Capital . . .</b>	<b>25</b>
<b>Chapter VIII</b>	<b>Final Provisions. . . . .</b>	<b>26</b>

## APPENDIX

**Proclamation of the President of the Republic  
of Vietnam on Investment and Export Promotion  
on November 15, 1971.**

# REPUBLIC OF VIETNAM

## LAW No 4/72 DATED JUNE 2, 1972 REGULATING INVESTMENT IN VIETNAM

As provided by the Constitution of the Republic  
of Vietnam dated April 1, 1967

After debate and vote of the National Assembly

## THE PRESIDENT OF THE REPUBLIC OF VIETNAM

hereby promulgates Law No 4/72 dated June 2,  
1972 "REGULATING INVESTMENT IN VIETNAM",  
the text of which reads as follows :

### CHAPTER I

#### GENERAL PROVISIONS

**Article 1.** This Law sets forth measures to encourage investment in Vietnam.

**Article 2.** This Law applies to all new investments made in Vietnam by a Vietnamese national or a foreigner, whether person or body corporate.

**Article 3.** Recognized as a new investment is any investment made by means of :

- new capital to establish a new enterprise ;
- new or reinvested capital to expand an existing enterprise.

**Article 4** Capital investment may be made in :

- a) — Vietnamese currency ;
- b) — foreign exchange transferred from abroad into Vietnam ;
- c) — intangible assets such as patents, trade marks, manufacturing processes ;
- d) — equipment, tools, spare parts, etc .. either available locally or imported into Vietnam without foreign exchange.

The above are classified into two categories :

- internal capital owned by Vietnamese or foreigners in Vietnam ; and
- external capital introduced into Vietnam from overseas.

**Article 5.** An approved investment may be made by :

- a) purchase of shares in an enterprise registered in Vietnam, either when formed or expanded ; or
- b) establishment or expansion of a sole proprietorship enterprise.

## CHAPTER II

### GENERAL CONDITIONS OF ELIGIBILITY

**Article 6.** An enterprise is eligible to receive the privileges provided by this Law if :

a) its activities are included in the Government priority list ; and

b) its initial investment amounts to :

— more than ten million piasters (VN\$ 10,000,000) in the case of an agricultural, fishery or mineral exploration enterprise ;  
or

— more than twenty million piasters (VN\$ 20,000,000) in the case of an industrial or other enterprise.

The initial investment made in foreign currency shall be calculated at the official rate of exchange which prevails on the date of application.

The amount of the foregoing initial investment may be changed by Joint Order of the Ministries of Economy and Finance as the economic and financial situation warrants and upon recommendation of the Board of Investment, (hereinafter referred to as The Board)



Exploration for and exploitation of petroleum are governed separately by Petroleum Law No. 011/70.

**Article 7.** If the expansion of an existing enterprise meets all conditions in Articles 5 and 6, it may be approved for the privileges provided by this Law.

**Article 8.** If an enterprise receives the guarantees and privileges provided by this Law, it may not transfer fixed assets for five years, from the date of signature of the Order of Approval. If assets are obliged by force majeure to be transferred, this shall be authorized by a Joint Order of the Ministries of Economy and Finance upon recommendation of the Board. This Joint Order shall determine which assets are to be taxed as well as the amount of tax

### CHAPTER III

#### PRIVILEGES AND GUARANTEES

**Article 9.** An approved enterprise shall enjoy the following fiscal privileges :

1. exemption for five years following the date of signature of the Order of Approval from :

— registration fees and stamp duty on deeds related to its establishment and increases of capital.

— taxes and fees related to the acquisition of real estate to be used for the approved project.

— taxes on business licences and real property.

2. exemption from fees for mortgaging fixed assets to be used as collateral for a loan needed to implement the approved project.
3. exemption from prepayment of the provisional quarterly installment of the tax on income resulting from transferable securities. This exemption shall be in effect until the first distribution of profit.
4. exemption from import duties on imported machinery, equipment and spare parts necessary for the operation of the approved project.
5. exemption from urban land and building tax related to the approved project for five years commencing with the year of completion of construction.

- 6 exemption until the end of the fifth harvest year from tax on the land of an approved agricultural project with a deferred crop yield.
6. (bis). exemption for the first five years of production from land surface and volumetric tax on exploitation of mines and quarries.
7. exemption from profit tax

*a* — for an industry, for five years after start- up of its operation ;

*b* — for an agricultural project with a deferred crop yield. until the end of the fifth harvest year.

However, exemption from the business profit tax will end when the total distributed profit equals the amount of invested capital. If an enterprise is a sole proprietorship, the net profit may be deducted from the proprietor's total taxable income until the amount paid to him equals his invested capital.

8. exemption from tax on income from transferable securities for dividends distributed to shareholders out of tax-free profits as defined in Paragraph 7 of this Article.

9. exemption from tax on income from transferable securities in respect of reserves used for capital increase.
10. exemption from registration tax on transferable securities in respect of loans made by government financial institutions and commercial banks.
11. exemption for taxes on royalties and patents for five years from start-up of a project.
12. exemption for three years from taxes on salaries and remuneration paid by an approved enterprise to technicians who are recognized by the Board as essential for the operation of the enterprise.
13. exemption from export duties for five years commencing with the year during which the first export is made.
14. if operations during any one business year result in a deficit, this deficit may be charged against profit earned during the following business year and may be deducted therefrom for purposes of the tax on profits. If this profit is not enough to meet the entire deficit of the previous business year, the deficit balance may be carried forward to subsequent business years until the fifth business year after the year in which the deficit was sustained.

However, with respect to a corporation, a deficit accumulated during the first five years of operation may be carried forward to the three following business years.

15. in the context of Article 9 of this Law, the start-up year of operations is taken to be the first year in which an enterprise receives income from the sale of its products or services.

**Article 10.** An approved enterprise may establish during the fiscal or calendar year when acquired, a depreciation rate of twenty per cent (20%) of the fixed assets in addition to the normal rate.

**Article 11.** The rate of depreciation on the equipment of an approved project shall be determined by the Board and strictly adhered to by the enterprise from the date of start-up.

**Article 12.1)** An approved enterprise may accumulate reserves from undistributed profits which shall be provisionally exempted from the business profit tax when used :

*a* — to increase capital ; or

*b* — to expand by means of equipment.

2) An enterprise which has accumulated reserve funds as indicated in paragraph 1, shall within nine months from the end of the fiscal year, submit its capital increase or expansion plan to the Board :

*a* — If the plan is approved, the enterprise shall implement it within the period specified by the Board ; in such case the provisional exemption from profit tax on the undistributed profit shall become definitive ;

*b* — If the plan is disapproved, such undistributed profit shall be included in the taxable profit ;

*c* — If the plan is approved by the Board, but is not implemented within the specified period, such undistributed profit shall also be included in the taxable profit, except in cases of force majeure or other reasonable causes recognized by the Board.

**Article 13.** The Government shall guarantee not to compete with private enterprises established under this Law, with the exception of enterprises of government or mixed ownership which are already or about to be established when the new private investment project is approved.

The Government shall protect locally made products, except when it is determined by the Economic and Finance Committee that such products cannot substitute for imported ones because their quality is below the standard established by the Vietnamese Institute of Standards, or because their price is too unfavorable for the consumer.

The Government shall guarantee, within the limit of its foreign exchange reserves, to allocate promptly and sufficiently foreign exchange for the import of machinery, spare parts and raw materials.

The Government shall facilitate the exit and entry of industrialists and technicians.

**Article 14.** The Government shall guarantee not to nationalize enterprises enjoying investment privileges under this Law.

**Article 15.** The Government may authorize enterprises enjoying investment under this Law to obtain loans from abroad, to purchase, or purchase on credit or lease equipment. This authorization simply means that the Government shall authorize transfer of foreign exchange to liquidate the loan or to pay for the equipment purchased on credit.

## CHAPTER IV

### PROVISIONS RELATING TO FOREIGN CAPITAL

**Article 16.** An approved foreign enterprise enjoying investment privileges under this Law shall be treated equally with a Vietnamese enterprise.

The percentage of shares owned by foreigners in an approved enterprise shall not be limited.

**Article 17.** Resident and non-resident foreigners, or non-resident Vietnamese, who have invested foreign capital in Vietnam shall be authorized by the National Exchange Office to transfer abroad :

- 1) total net profit realized annually ;
- 2) any disinvested external capital after the enterprise enjoying investment privileges of the present Law has been in operation for more than five (5) years

The transfer of this disinvested capital shall be made :

- a) up to the total amount of the capital originally invested and as subsequently increased in accordance with Article 5,



b) in the same currency as that in which the investment was made, and

c) by annual installments, each not exceeding twenty per cent (20%) of the external capital originally invested and as subsequently increased.

**Article 18.** Any share held by foreigners and non-resident Vietnamese may be assigned among themselves if so authorized by the Ministries of Economy and Finance upon recommendation of the Board. Transfer to resident Vietnamese may be made without such authorization.

**Article 19.** Resident and non-resident foreigners who have invested external capital in Vietnam may transfer their shares :

- 1) to Vietnamese in exchange for Vietnamese piasters which may be transferred abroad as provided in Article 17 above ; and
- 2) to other foreigners for foreign exchange. The right to transfer such capital as provided in Article 17 shall be vested in the foreign transferees.

**Article 20.** An approved foreign enterprise shall be authorized by a Joint Order of the Ministries of Economy and Finance, to buy real estate (buildings, lands...) necessary for its

operations within the limits as specified in the investment project ; and need not follow procedures specified in Ordinance No. 26 of April 20, 1956 for the acquisition of real estate by foreigners.

**Article 21.** In case an approved enterprise is set up in the form of a stock company, all shares owned by foreign investors or non-resident Vietnamese shall be registered.

**Article 22.** An approved enterprise shall be authorized to bring into Vietnam foreign technicians necessary for its operations.

A technician whose admission is approved by the Board shall be authorized to transfer his salary to his family abroad in accordance with the exchange regulations in force.

**Article 23.** An enterprise which manufactures products under licence or with foreign technical assistance shall be authorized to transfer abroad royalties and licence fees. The period during which an approved enterprise may remit a royalty payment and licence fees and their amounts proportionate to the sales of an enterprise shall be determined by the Board.

**CHAPTER V**  
**SUPPLEMENTARY FISCAL ADVANTAGES**

**Article 24.** In addition to the privileges stipulated in Chapters III and IV, an approved enterprise may enjoy supplementary privileges if :

- a) the initial investment is at least ten times the minimum provided in Article 6, paragraph b ; or
- b) for two consecutive years, its annual production is at least twenty five per cent (25%) higher than that approved by the Board ; or
- c) it invests in cultivation of plants and trees which cultivation requires many years before realization of profits ; or
- d) it exports annually after five years from date of approval, processed goods or domestic raw materials having a value at least equal to the initial investment as stipulated in Article 6, paragraph b ; or
- e) it establishes factories in an area, classified by the Board as a priority development area, an underdeveloped area or an area difficult of access ; or

f) it employs more than 500 Vietnamese workers.

**Article 25.** An enterprise which has qualified under Article 24, may be granted prolongation of privileges stipulated in Chapter IV for one to five years.

Moreover, beyond such period or the period stipulated in Article 9, those taxes previously exempted under this Article may be reduced by ten per cent (10%) to fifty per cent (50%) each year, up to a maximum of five years.

The Board shall determine the extent to which the supplementary privileges shall be granted and base such determination upon the enterprise's capability and rate of development and the extent to which it has exceeded the minimum level stipulated in Article 24. In respect of an enterprise which has qualified under Section c, Article 24 of this Law, the Board shall take into consideration the extent to which it benefits its locality as well as any special problems which have been solved in its establishment and operation.

## CHAPTER VI

### PROCEDURES

**Article 26.** Based upon the opinion of the Board, privileges prescribed by this Law shall be granted by Joint Order of the Ministries of Economy and Finance.

Supplementary privileges stipulated in Article 24 shall be granted by Joint Order of the Ministries of Economy and Finance, based upon the opinion of the Board.

**Article 27.** The Board shall study and give its opinion on all matters relating to the implementation of this Law and particularly in respect of

- a) investment applications ;
- b) approval or disapproval of an application ;
- c) the follow-up on the operation of an approved enterprise for the period during which it enjoys the investment privileges.

The prior opinion of the Board is obligatory.

**Article 28.** The Prime Minister shall determine by Decree the membership of the Board.

It shall consist of 7 to 11 members, of whom (as representatives of the private business community)

— one shall be nominated by the Chambers of Commerce and Industry ; and

— one shall be nominated by the Confederation of Handicraft and Industry of Vietnam.

**Article 29.** The Board shall examine applications for investment on the basis of the following criteria :

- a) contribution of the project to national income ;
- b) utilization of domestic raw materials, and particularly of agricultural surpluses ;
- c) improvement of the balance of payment and the utilization of manpower ;
- d) degree of expertise of a project, and its efficiency and location.

After promulgation by Joint Order as provided in Article 26, an enterprise shall enjoy the privileges under this Law, in part or in full, as determined by the Board.

**Article 30.** The Board shall give its opinion about an investment application within two months, after submission to the Office of the Board.

- 2) The Ministries of Economy and Finance shall promulgate a Joint Order within one month after the Board has given its opinion.
- 3) Opinions relative to other applications in connection with the investment of an approved enterprise shall be expressed within three months from date of submission of the application to the agency concerned.

Thereafter if no opinion has been expressed by the competent authority, such applications shall be deemed to have been approved and shall be regularized within one month.

**Article 31.** An enterprise shall begin to implement its approved project within the period specified by the Board.

**Article 32.** The Government shall establish an Office of the Board of Investment which shall be responsible for assisting an entrepreneur to implement his approved project.

**Article 33.** A Joint Order of the Ministries of Economy and Finance may be revoked only by another Joint Order of these Ministries for following reasons :

- a) the enterprise fails to begin to implement its project within the period stipulated in Article 31 except in case of force majeure duly recognized ; or
- b) the enterprise has deliberately falsified information in its application ; or
- c) the enterprise changes the objectives of the approved project.

**Article 34.** A Joint Order which revokes privileges conferred under this Law shall authorize an enterprise to operate in a non-privileged status.

If an enterprise ceases its operation, its owner may transfer annually, up to twenty per cent (20%) of the disinvested external capital, in total not to exceed the amount of the external invested capital.

In respect of Paragraph b, of Article 33, an enterprise which has falsified information shall pay to the Government all taxes from which it was exempted during the period when it enjoyed the investment privileges, and it shall be subject to all sanctions in force.

## CHAPTER VII

### INSTITUTIONS TO ENCOURAGE THE MOBILIZATION OF CAPITAL

**Article 35.** To encourage the mobilization of investment capital, the Government may authorize the establishment of stock-exchanges.

The location of a stock-exchange and its operating procedures ; the issue, purchase and sale of securities ; regulations dealing with securities brokers ; and control and other procedures relating to stock-exchanges, shall be governed by a Decree of the Prime Minister.

**Article 36.** To encourage participation by investors in all walks of life, the Government may authorize the establishment of " Investment Associations with Variable Capital " based upon the following principles :



- to mobilize private savings by offering shares in these associations ; and
- to utilize these savings to purchase exchange securities.

The organization, management and control procedures of the "Investment Associations with Variable Capital" shall be governed by a Decree of the Prime Minister.

## CHAPTER VIII

### FINAL PROVISIONS

**Article 37.** This Law shall be in force from the date of its promulgation. However an enterprise having made an investment prior to that date which still enjoys the privileges of Decree-Law No. 2/63 dated February 14, 1963 may select one of the following :

- 1) it may continue to enjoy the privileges of Decree-Law 2/63. (However, with respect to privileges limited as to time, an enterprise shall enjoy them until the expiration of the period for which they were granted);  
or

2) it may request that it enjoy the privileges of this Law, obtaining therefore a Joint Order of the Ministries of Economy and Finance, after recommendation by the Board, provided that it :

a) is still within the period of enjoyment of privileges set forth in Decree -Law No. 2/63 ; and

b) confirms refusal of those privileges, particularly the right to transfer disinvested capital ; and

c) meets all conditions stipulated by this Law. With respect to privileges limited as to time, the authorized period of enjoyment is the time provided by this Law less the period already enjoyed under Decree-Law No. 2/63.

**Article 38.** A resident or non-resident foreigner who has invested internal capital in Vietnam shall be authorized to transfer abroad his net annual return.

**Article 39.** Procedures implementing this Law shall be established by a Decree of the Prime Minister.

**Article 40.** All provisions related to investment which are contrary to this Law are hereby superseded.

This Law shall be promulgated by urgent procedure and shall be published in the Official Journal of the Republic of Vietnam (Cong Bao Viet Nam Cong Hoa)

*Saigon June 2, 1972*

**NGUYEN-VAN-THIEU**

# APPENDIX

## PROCLAMATION OF THE PRESIDENT OF THE REPUBLIC OF VIETNAM ON INVESTMENT AND EXPORT PROMOTION

*November 15, 1971*

I hereby declare the determination of the Government of the Republic of Viet-Nam to promote the rapid economic development of this country. The Government will provide encouragement and assistance for the expansion of investment and exports.

1. The economic development policy of the Government rests on the principle of private ownership and free enterprise. The Government believes that only in a healthy business environment can the private sector contribute most effectively to economic and social progress.

Private initiative and entrepreneurship are called upon to play the leading role in all sectors of the economy.

2. Within the framework of the national development strategy, the Government warmly welcomes foreign investment in Viet-Nam. Foreign investors shall enjoy all privileges and incentives available by law to Vietnamese investors.

3. A new and progressive Investment Law will be enacted to provide generous privileges and guarantees to investors, both domestic and foreign.

4. Expansion of exports is an objective of the highest priority in the national endeavor to achieve economic independence.

5. All necessary measures will be undertaken to foster an invigorating business climate and lay the foundation for a growing and healthy industrial sector capable of meeting the challenge of domestic and international competition.

6. The Government will implement a program of fundamental reform to eliminate distortions and inefficiencies in the exchange, trade, and tax system, and to promote a viable and dynamic economy.

7. Along with the above reform program, the following measures will be undertaken.

a. Administrative procedures will be simplified and streamlined to remove all impediments to investors ;

b. Agencies responsible for investment promotion will be reorganized and strengthened to assist investors with integrity and dedication;

c. Banking and credit institutions will be offered special inducements to expand the scope of their activities so that savings will be available for productive investment on favorable terms;

d. A capital market will be established to facilitate the mobilization of medium and long term capital;

e. An Economic Development Fund will be established with an initial capitalization of VN\$ 10 billion to provide medium-and long - term financing for investment projects;

*f.* Regulations and procedures on importation of machinery, spare parts, and raw materials will be simplified to maximum extent in the spirits of free trade;

*g.* Unnecessary control of exports will be removed to permit businessmen to explore all opportunities for expanding exports;

*h.* A National Council for Export Promotion with the participation of governmental agencies and representatives of the private sector will be established to plan, coordinate, and promote export activities.

8. In the effort to develop a healthy and viable economy the Government will pursue a policy of flexible and rational protection which will provide domestic infant industries with favorable conditions for growth while enhancing the competitiveness of their products at home as well as abroad.

The protection policies of the government will not support inefficient industries with no prospect for progress.

9. The export and production policies set forth in this declaration will be the guiding principles for all government agencies directly or indirectly involved in the task of economic development.

I shall personally ensure that the above stated policies are carried out. I call upon my fellow citizens to dedicate themselves to the cause of national progress with the full confidence that the Vietnamese people will successfully meet the challenge of economic development.

OFFICE OF THE BOARD OF INVESTMENT  
INVESTMENT SERVICE CENTER

100, TU-DO ST. SAIGON

P. O. Box : 8516

Cable Address : INVESTCENTER SAIGON

Tel. 99.971 - 99.972 - 99.973

**E 72-01**

