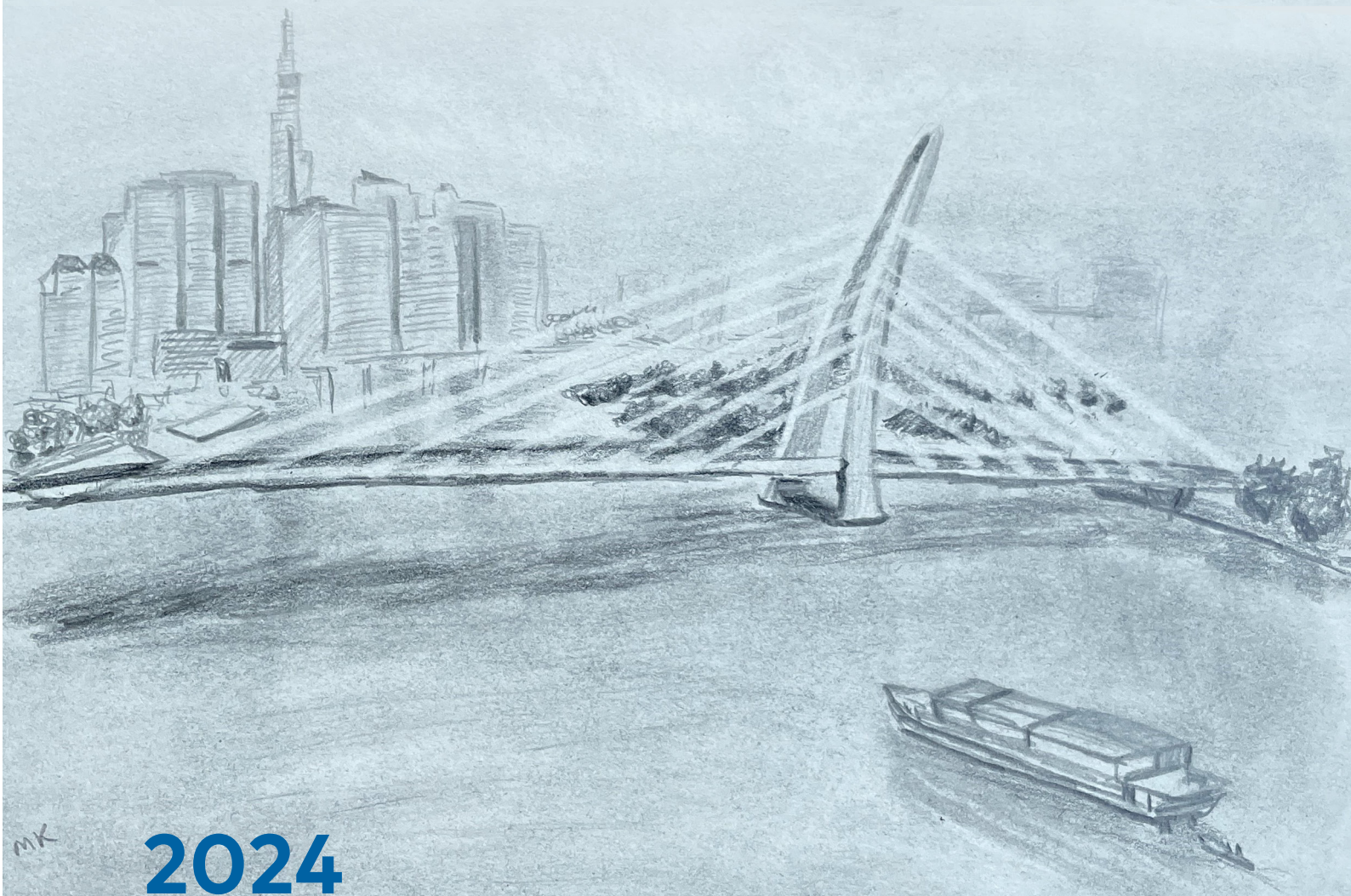


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Legal and Tax

# PROJECT FINANCE GUIDE: VIETNAM



2024

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# 2024 - TRENDS, SECTORS, EXPECTATIONS



It can be expected that the demand for project financing, in particular for large cross-border investment projects, will continue to grow in 2024.

This report aims to respond to most frequently asked queries that lenders and borrowers raise when considering the use of project financing. Most of the comments assume that the relevant project is of substantial size and complexity, and that the loan has long tenor.

**Key sectors:** The sectors for which project financing would likely be most relevant include:

1. Energy (in particular, renewables);
2. Manufacturing;
3. Real estate.

**GDP growth:** Asian Development Bank forecasts Vietnam's GDP growth rate at 6% in 2024.<sup>1</sup>

**FDIs:** It can be anticipated that foreign direct investments will be one of the key drivers for the economy development and implementation of new projects.

**Cross-border trade and manufacturing:** Vietnam is a party to a very large number of international, regional and bilateral treaties, that make it highly attractive for manufacturers to have production assets and operations in the country.

However, in addition to focus on exports, it can be observed that a growing number of businesses (in particular in manufacturing) are becoming focused on the support on internal demand of Vietnam's economy and population.

**Industrial parks** are particularly popular among newcomers foreign investors for implementing their projects. The number of industrial parks continues to grow in different parts of the country. Each plot would typically be connected to all relevant utilities, roads and other infrastructure. This allows each investor to essentially just "plug-and-play" the new manufacturing facilities, focus on their construction, operation and financing aspects, and by-pass the often complicated and time-consuming land acquisition process.

**Investment incentives:** a broad system of investment incentives (covering, among others, corporate income tax, land use rate and other duties) is already in place ([LINK](#)). There has also been a start ([LINK](#)) of the development of taxation policy in relation to the global minimum tax.

**Climate commitments of Vietnam:** Vietnam is following a number of strong commitments in the area of climate change, which support policies' focus on development of renewable energy projects.

**Specifics of project finance structures:** overall, parties typically seek to implement project finance structures consistently with those used internationally. The key specifics is driven by:

- Foreign exchange regime, namely the requirements for regulator's approval for foreign loans, and specific requirements set in regulation with respect to the permitted purpose of use of loans; and
- Limitations on the use of immovable assets as security for foreign loans.

<sup>1</sup> <https://www.adb.org/where-we-work/viet-nam/economy>.

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### CORPORATE AND REGULATORY ASPECTS IMPACTING THE STRUCTURE

- 4 *Which corporate vehicle can act as borrower*
- 4 *Investment and corporate registrations of the project company*
- 4 *Key project approvals*
- 4 *What is the regime for project company's outward cash flows from Vietnam (e.g. profits remittance)?*
- 5 *What is the land use regime (in particular by foreign-owned companies)*
- 6 *What impacts on the size of the loan that can be provided*
- 6 *Foreign project financing for Vietnamese borrowers – key steps and structuring considerations*

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### FINANCING AND SECURITY

- 7 *What are the major approvals required?*
- 9 *Can a Vietnamese project company open a bank account abroad?*
- 9 *What types of security can be offered by a Vietnamese borrower and are there any restrictions applicable to security for loans from foreign lenders?*
- 11 *Is it possible to take security over "any and all assets" of the debtor, like a floating charge?*
- 11 *What are the major perfection requirements for security and how difficult is the process?*
- 12 *Sponsor support / guarantees*
- 12 *In enforcement scenario – what are the available ways of realization of charged assets?*
- 12 *What is the status of secured creditor in bankruptcy proceedings*
- 13 *What is the legal framework for green financing?*

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### TAXATION ASPECTS OF FINANCE AND SECURITY ARRANGEMENTS

- 15 *What are the standard key tax rates?*
- 15 *Is there withholding tax on interest under offshore loans?*
- 15 *Is there any stamp duty requirement?*
- 15 *Is notarization required and what are the fees?*

This is a preview extract from a publication.

Please contact **Ms. Le Thi Thanh Thuy** at  
[thuy.le@vdb-loi.com](mailto:thuy.le@vdb-loi.com) to request a full version.

# VDB Loi

## Ho Chi Minh Office

Level 16, Unit 1638

Bitexco Financial Tower

2 Hai Trieu Street, Ben Nghe Ward

District 1, Ho Chi Minh City 700000

T: +84 708 283 668

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