VIETNAM – NEWS AND REGULATIONS

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# TOP NEWS

## POTENTIAL RATIFICATION OF CONVENTION 87 OF THE INTERNATIONAL LABOUR ORGANIZATION (ILO) BY VIETNAM

*Dr. Oliver Massmann, Duane Morris Vietnam LLC*

***Introduction and Vietnam's Commitment to ILO Standards***

In 2023, during a meeting with foreign experts, officials-in-charge from the Ministry of Labour, War Invalids and Social Affairs (***MOLISA***) announced the anticipated ratification of Convention No. 87 (***Convention 87***) of the ILO concerning Freedom of Association and Protection of the Right to Organise. This ratification is expected to occur in October 2024.

As a member of the ILO, Vietnam is obligated to uphold the core labour principles outlined in the 1998 ILO Declaration on Fundamental Principles and Rights at Work. This declaration designates Convention 87 as one of the ten essential conventions. As of October 2022, 157 out of the ILO's 187 member states have ratified Convention 87, and Vietnam has faced persistent encouragement from other member countries to join suit as soon as feasible.

***Key provisions of Convention 87***

It is worth noting that Convention 87 establishes the following fundamental rights:

(i)           Employee Right to Unionize: Employees have the right to freely establish and join trade unions of their choosing without seeking prior permission.

(ii)          Trade Union Autonomy: Trade unions have the right to conduct their internal affairs independently, including the issuance of charters and the implementation of internal regulations, electing representatives, and developing and implementing work plans.

(iii)         Right to Join Higher-Level Organizations: Trade unions have the right to join higher-level labor organizations, aligned with their occupational and regional spheres, both domestically and internationally. These higher-level organizations enjoy the same rights as grassroots unions.

(iv)         Protection from Government Interference: Labor organizations have the right to operate without being dissolved or suspended by the government's competent authorities.

***Conclusion***

In summary, the anticipated ratification of Convention 87 by Vietnam signifies their commitment to upholding core labor rights and aligning themselves with international labor standards.

We will keep you updated on any relevant information on this subject as it becomes available.

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Please do not hesitate to contact Dr. Oliver Massmann under omassmann@duanemorris.com or any other lawyer listed in our office list if you have any questions on the above. Dr. Oliver Massmann is the General Director of Duane Morris Vietnam LLC.

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## KEY TASKS SET OUT BY THE PRIME MINISTER FOR THE YEAR 2024 AND THE EMERGING MARKET STATUS FOR VIETNAM - WHAT YOU MUST KNOW

*Dr. Oliver Massmann, Duane Morris Vietnam LLC*

On 15 February 2024, the Prime Minister Pham Minh Chinh promulgated Directive No. 06/CT-TTg on the implementation of key tasks after the 2024 Lunar New Year Holiday (“**Directive 06**”). According to Directive 06, the Prime Minister highly appreciates the efforts of relevant ministries, localities, and people for preparation and organization for the 2024 Lunar New Year. However, as the 2024 Lunar New Year Holiday has passed, the Prime Minister points out that problems are required to be solved and work must be carried out right after the holiday without any delay. Accordingly, it is necessary to continue to urgently implement the assigned tasks and solutions relating to promotion of production and business, creation of jobs and livelihoods for people. Under Directive 06, the following key tasks for the competent authorities are urged to be implemented:

(i) Acceleration of the construction progress of important national transport infrastructure projects such as Eastern North – South Highway, Dong Dang (Lang Son) – Tra Linh (Cao Bang) Highway, Ninh Binh – Nam Dinh – Thai Binh – Hai Phong Highway, Ring Road No. 4 of Hanoi, Ring Road No. 3 of Ho Chi Minh City, Long Thanh International Airport, Terminal T3 of Tan Son Nhat International Airport, 500Kv transmission line from Quang Trach (Quang Binh) to Pho Noi (Hung Yen), etc.;

(ii) Acceleration of the progress of preparation for the 5-Year Land Use Plan from 2021 to 2025 to be submitted to the Ministry of Natural Resources and Environment;

(iii) Acceleration of the preparation of human resource development project for the semiconductor industry in 2024 – 2030 period to train approximately 50 – 100 thousand semiconductor chip engineers;

(iv) Operation of fiscal policy for expansion in a reasonable and focused manner. To focus on effectively implementing financial and state budget tasks in 2024; to strictly manage revenue sources, to thoroughly save, especially regular expenses and non-urgent expenses according to Resolution 01/NQ-CP of the Government and Directive No. 01/CT-TTg of the Prime Minister; to propose a plan to use the source of increase central budget revenue in 2023;

(v) Cooperation between the Ministry of Finance, the State Bank of Vietnam and the Ministry of Planning and Investment to urgently handle outstanding issues to upgrade the stock market from frontier market to emerging market. The result for this task must be reported to the Prime Minister by 30 June 2024. In this regard, Duane Morris Vietnam LLC has published an article on 6 April 2023 the position and potential of Vietnam to reach the emerging market whereby the action plan for Vietnam was clearly set out. Please kindly refer to our article “Vietnam From a Frontier Market to an Emerging Market – What You Must Know” on this matter. It is worth noting that, by reaching the emerging market status, Vietnam is expected to attract trillions of dollars in the future;

(vi) Management of credit growth in 2024 to reach 15% with with adjustments appropriate to macroeconomic developments, inflation and meeting the capital needs of the economy; and

(vii) Cooperation between the Ministries to issue the guiding decrees and circulars for the Amended Law on Housing and Amended Law on Real Estate Business

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# BANKING & FINANCE

# PM seeks further lending rate cuts

*VNE*

Prime Minister Pham Minh Chinh has asked the State Bank of Vietnam (SBV) to immediately take measures to continue cutting lending interest rates and enhance access to credit to support businesses and individuals, in a directive signed on March 5 to strengthen the management of credit growth in 2024.

In Directive No. 18/CD-TTg, Prime Minister Chinh asked the SBV to ensure the supply of sufficient credit and foreign exchange to meet capital demand in the economy and ensure the safety of the credit system.

He required that the banking sector make public the average lending interest rates of credit institutions.

The SBV has been instructed to closely monitor the domestic and global economic situation and actively and flexibly manage monetary policies to ensure a timely response.

The central bank is also directed to enhance inspections, examinations, control, and the strict supervision of the use of credit growth quotas by credit institutions. This process aims to ensure that credit is concentrated in priority and key sectors, to serve the development needs of businesses and individuals.

Directive No. 18 strictly prohibits unauthorized lending, especially preferential lending to leadership and relevant individuals at credit institutions. The Prime Minister has also asked the SBV and relevant authorities to implement measures to control inflation and minimize bad debts at weak credit institutions.

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**Over $383mln in corporate bonds issued in 2M**

*VNE*

More than VND9.4 trillion ($383 million) worth of corporate bonds were issued in the opening two months of 2024, a three-fold increase compared to the same period last year, according to MB Securities (MBS).

Issuances in February, however, were down 87 per cent against January, reaching VND1 trillion ($40.8 million).

Since early in the year, the construction and construction materials sector has recorded the highest value in corporate bond issuances, at nearly VND5.8 trillion ($236.7 million).

It was followed by real estate, with VND2.6 trillion ($10.6 million).

MBS has estimated that some VND200 trillion worth of corporate bonds will mature in 2024, a year-on-year rise of 4 per cent. The real estate and banking sectors account for 58 per cent and 8 per cent, respectively.

Regarding government bonds, as of February 28, the State Treasury had raised more than VND37.4 trillion ($1.526 billion), fulfilling 9 per cent of the annual plan.

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# ECONOMY

**Foreign-invested groups to assist localities in attaining export turnover growth**

***VIR***

Many localities expect soaring growth in export turnover of electronics and electric products in 2024 thanks to the contribution of new facilities expected to come into operation soon.

The central province of Nghe An has set a target to acquire nearly $700 million in export turnover from electronic products, spare parts, and components for the whole year, equalling one-quarter of the export value of the province this year. The total number of electronic products and parts is expected to touch nearly 600 million.

Nghe An is currently the only locality in the country that has gathered the five big electronics names of Foxconn, Luxshare, Goertek, Everwin, and JuTeng.

This year, many facilities invested by these manufacturers will be taken into operation, such as Everwin Precision Technology Vietnam’s $115 million plant, phase 1. It is designed to make 270 million products per annum. The Hong Kong manufacturer - a supplier of components for Apple, Xiaomi, and Huawei - plans to export all products to the United States and China.

Meanwhile, Goertek Precision Industry’s $100-million first phase, also expected to start operation this year, covers 40 hectares at WHA Industrial Zone 1 in Nghe An province and will have an annual capacity of over 380 million products. Almost all products will be exported to China, the US, or South Korea for partners such as Samsung, Amazon, Google, Sony, Microsoft, and Meta.

Last year, Nghe An’s total export turnover exceeded the $3 billion mark for the first time, reaching $3.11 billion; of which goods exports reached about $2.5 billion.

Ho Phi Trieu, deputy director of Nghe An Department of Planning and Investment, said, “The breakthrough growth in attracting foreign capital in recent years is the basis for the province to expect a high target in export turnover of the electronics sector. It is a feasible target because almost all investors are eager to implement their projects. At the same time, we are aiming to draw in new projects in the high-tech sector.”

Other localities known as production hubs for big electronic manufacturers expect more contribution from FIEs in promoting export turnover this year.

In the northern province of Bac Ninh, Amkor Technology is currently a strategic manufacturing partner of many of the world’s top chip companies such as Qualcomm, Samsung, Foxconn, LG, and SK Hynix. In addition, Vietnam is also an important production hub of Amkor.

Thus, the export turnover from plants in Vietnam will also contribute an important part to the group’s revenue. The Vietnamese plant’s size will be only behind Amkor’s South Korean factory. According to the plan, it will invest about $1.6 billion before 2035 on building a state-of-the-art facility in Bac Ninh.

However, the general economic figures of localities can take a bump when such massive groups are involved deeply. In 2023, Samsung Vietnam was forecast to have gained approximately $57 billion in export turnover, lower than the figures of the previous two years. As a result, the regional GDP growth of Bac Ninh province fell by 6.18 per cent compared to last year.

Elsewhere, Dong Anh Quan, director of Bac Giang Investment and Promotion Centre, told VIR, “FIEs contribute a pivotal part in the export turnover of the province. In Bac Giang, the contribution comes from key manufacturers such as Foxconn, Luxshare, and its members. We especially expect a strong contribution from Hana Micron Vina, which started operations in September last year. Our mission is to support them to help accelerate disbursement.”

Statistics published by the General Statistics Office show that in 2023, FIEs played a crucial role in Vietnamese economic growth, which is demonstrated through their contribution to export revenue, job creation, and the formation of supply chains in key export industries, especially in electronics and machinery. In particular, such groups account for 99.6 per cent of phones, over 98 per cent of computers, 93 per cent of machinery.

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**Steel industry to see optimistic export prospects in year ahead**

***VOV***

With positive signs recorded for steel exports in the first months of the year, the steel industry is anticipated to enjoy brighter export prospects this year, according to industry insiders.

The General Department of Vietnam Customs reported Vietnam exported 1.54 million tonnes of iron and steel between the beginning of the year and mid-February, raking in nearly US$1.1 billion in export earnings, up 65% volume and 66.2% in value.

Most notably, January alone saw iron and steel exports record impressive three-digit growth in several markets such as Italy (114%), the United States (419%), and Malaysia (625%).

The average export steel price in February rose by 0.6% to US$713 per tonne from the previous month, while two-month steel price declined by 1.7% to US$711 per tonne against the same period last year.

Industry insiders noted that the steel industry is projected to see a wealth of opportunities for breakthroughs this year thanks to favourable factors from export markets.

According to MB Securities Joint Stock Company (MBS), with the gradual rebound since the end of 2023, construction steel prices are forecast to increase by 6% to US$607 per tonne on average this year.

Most notably, the price difference between Vietnamese and Chinese steel currently stands at only US$30 per tonne, lower than the average of US$50 per tonne seen over the past two years, which is expected to help Vietnamese steel products not suffer any price competition pressure from Chinese rivals.

Over the medium term, when the real estate market enters a recovery cycle in 2025 as expected, construction steel prices will likely continue to increase by 8% to US$664 per tonne.

However, the Vietnam Steel Association pointed out that the steel industry is anticipated to face a number of challenges related to new policies enforced by China and the EU, along with issues on green transformation, emission reduction, and trade defense policies.

Local steel enterprises are therefore required to closely follow the consumption demand in export markets to proactively devise concrete plans moving forward.

Over the long term, they are advised to actively renovate technology, focus on green transformation and green production to reduce carbon emissions, and enhance management capacity over accounting systems in accordance with international standards in order to minimise the risk of trade defence measures.

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# INVESTMENT

**Taiwan's Pegavision Corporation breaks ground on a $200 million medical equipment factory**

*VIR*

Taiwan-headquartered Pegavision Corporation broke ground on a factory for manufacturing and assembling optical products and medical equipment in Thai Binh province on March 5.

Pegavision Corporation's $200 million factory will specialise in research, development, production, and sales of optical products and [medical equipment](https://vir.com.vn/search_enginer.html?p=search&q=medical%20equipment). The factory will span10 hectares in Lien Ha Thai Industrial Park (IP).

Once operational in 2028, the factory is expected to employ 1,140 workers and produce 600 million items per year. The factory is expected to generate a revenue of VND2.8 trillion ($113.3 million) per year, contributing VND82 billion ($3.3 million) to the state budget annually.

Pegavision Corporation was established in 2009 with headquarters in Taiwan, focusing on the research, development, and production of soft contact lenses and medical optical devices. This profession uses high-tech, modern, and environmentally friendly machines. Pegavision is certified for quality by ISO13485, GMP, Japan FMA, Europe CE, Taiwan TFDA, China NMPA, snd US FDA. The company's products are supplied to Japan, S Korea, the United States, and Europe.

Pegavision Corporation is the 11th investor in Lien Ha Thai IP to start construction of a factory. Five other projects are in the pipeline in 2024 and investors are completing procedures for establishing legal entities and applying for construction permits.

By the end of this year, all 16 projects are slated to come into operation and operate at full capacity. They are expected to employ 39,600 workers, facilitating the workforce transition from agriculture to the industrial sector.

Nguyen Quang Hung, Standing Vice Chairman of Thai Binh People’s Committee, said, “The project is of a large scale with modern technology, which is in line with the province’s investment attraction strategy. At the same time, we highly appreciated the choice and investment decision of Pegavision Corporation in Lien Ha Thai IP. After selecting the investment location, Pegavision Corporation has actively implemented investment procedures to break ground on the project.”

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**Thailand’s WHA Group plans 1,200-hectare industrial park in Ba Ria-Vung Tau**

*VIR*

Thailand’s WHA Group has made a proposal to invest in the Chau Duc service-urban-industrial park on an area of 1,200 hectares in Ba Ria-Vung Tau province.

The proposal was shared by chairwoman and managing director Jareeporn Jarukornsakul at a meeting with provincial authorities on March 1.

Jarukornsakul noted that Chau Duc district has ample potential for development. Under the newly approved provincial planning for 2021-2030 with a vision to 2050, an area of 4,200ha has been earmarked for industrial land development in the district.

If implemented, it will be the second-largest project in Vung Tau, trailing behind the 1,500-ha Chau Duc Industrial Park (IP).

Nguyen Van Tho, Chairman of Ba Ria-Vung Tau People’s Committee, said that the province is calling for investors to construct industrial park infrastructure in Chau Duc district. The province will create advantages for investors, including WHA Group, to engage in the project.

WHA Group has been present in Vietnam since 2017 with its first project in Nghi Loc district, Nghe An province, with a scale of nearly 1,900ha. WHA Group has recently proposed other IP projects covering hundreds of hectares in Thanh Hoa and Quang Nam provinces.

Jarukornsakul shared that WHA Group plans to invest at least $1 billion in Vietnam in the next five years to develop smart and eco-friendly industrial parks. It also aims to lure secondary projects with a total investment capital of over $5 billion.

Ba Ria-Vung Tau is home to a number of large projects by Thai investors, notably Long Son Petrochemical Complex invested by SCG Group (Thailand). The project boasts investment capital exceeding $5 billion, making it one of the largest foreign-invested projects in the southern province. The complex is in trial operation and will be put into commercial operation in March 2024.

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# PROPERTY

# Bottom of FormMapletree Logistics Trust to acquire properties in Vietnam and Malaysia

*VIR*

Mapletree Logistics Trust Management Ltd., as manager of [Mapletree Logistics Trust](https://vir.com.vn/search_enginer.html?p=search&q=Maple%20Tree) (MLT) announced on February 29 the proposed acquisition of logistics properties located in Malaysia and in Vietnam.

The agreed property values of the single Malaysian and two Vietnamese properties are $117.3 million and $52 million, respectively. The valuations represent discounts of approximately 0.2 per cent and 1.1 per cent from the independent valuations obtained by HSBC Institutional Trust Services (Singapore) Limited, as trustee of MLT, and Mapletree Logistics Trust Management, respectively.

Ng Kiat, CEO of Mapletree Logistics Trust Management, said, “Stepping up our portfolio rejuvenation efforts, we have announced or completed over S$200 million ($148.5 million) of divestment since the start of the year, thereby releasing capital which can be redeployed towards acquisitions in Kuala Lumpur, Ho Chi Minh City and Hanoi to capture emerging Asia’s growth potential. At the same time, developed Asian markets, which account for the majority of our revenue base, continue to provide stability to MLT’s portfolio.”

The proposed acquisitions are in line with the MLT's strategy of active portfolio rejuvenation through accretive acquisitions of modern, well-located properties in key logistical hubs. This strategy is complemented by selective divestment of properties with older specifications, which enable the redeployment of capital towards investments in modern logistics properties with higher growth potential.

Comprising three strategically located Grade A warehouses in Malaysia and Vietnam, these acquisitions will deepen MLT’s network connectivity in these growth markets and position the company to capitalise on favourable demand drivers for logistics space, such as growing consumption and greater focus on supply chain diversification.

The acquisitions will increase the firm's exposure in Malaysia and Vietnam, from 24 assets to 27 assets, where robust economic growth and increasing urbanisation are expected to boost consumption and underpin demand for logistics space.

MLT’s acquisitions of three modern, Grade A logistics facilities position the company to meet the evolving demands of tenants, while capturing the rent premiums commanded by modern warehouses over traditional facilities.

Specifically, the Vietnamese properties comprise a logistics asset in Binh Duong province (Mapletree Logistics Park 3) and a logistics asset in Hung Yen province (Hung Yen Logistics Park I). The Malaysian property is located in Shah Alam, one of Malaysia’s major industrial regions, with proximity to Kuala Lumpur City Centre and Port Klang.

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**Difficulties gradually on the wane in real estate sector**

*VIR*

The real estate market boasts great expectations ahead of a series of amended laws and favourable interest rate policies.

CapitaLand Development (CLD) the real estate development arm of Singapore’s CapitaLand Group, last week kicked-off two of its largest-ever housing projects.

With an estimated investment capital of approximately S$1.12 billion ($796.9 million), Sycamore plans to build CapitaLand’s first large-scale residential project in Vietnam with more than 460 low-rise villas and about 3,300 apartments, with a total construction area of about 593,000 square metres.

Also last week, CLD started construction of its Lumi Hanoi project. Located on a prime site in the west of Hanoi, Lumi Hanoi has a projected total gross development value of about $760 million and offers about 4,000 units.

Ronald Tay, CEO of CLD Vietnam said, “Vietnam is one of three core markets for CLD, and we hold a long-term view of our business in the country. Despite the uncertainties in the nation’s real estate sector, we remain confident of securing compelling investment opportunities by leveraging our almost three decades of on-the-ground experience and strong financial standing.”

“We are on the lookout for attractive opportunities across various asset classes, with a focus on the residential and commercial sectors over the near term,” Tay added. “Our long-term vision is to become a developer of choice on Vietnam’s sustainable urbanisation journey, contributing to the country’s economic success through quality real estate products and services.”

Vinhomes also last week started construction on The Opus One apartment complex in Vinhomes Grand Park Urban Area, located in Thu Duc of Ho Chi Minh City.

The project provides four buildings of more than 2,000 apartments to the market with a total capital of more than $154 million. The project is expected to open for sale in Q2 and be completed in 2026.

In Binh Duong province, Phat Dat Real Estate Development JSC in February started construction of Thuan An 1, only three weeks after being licensed. It is expected to accelerate sales in the first half of this year.

Challenges remain

According to the Vietnam Association of Real Estate Brokers, 2024 will be a year full of opportunities and challenges, with positive moves in supply and demand, especially in the development of affordable and social housing.

Chairman Nguyen Van Dinh said that the participation of investors will help narrow the gap between supply and demand, and make the market more stable.

“From the third quarter of 2024, the market will start to go up, the opportunity to buy houses at the bottom price will no longer exist. Therefore, the first and second quarter of 2024 are considered the last waves for investors to grasp,” Dinh said.

For people with real housing needs, he said that this was an opportunity to buy a house because this period was a time that businesses were forced to restructure and adjust selling prices at the lowest level to survive. “In the context of positive economic growth, real estate prices will certainly increase faster than incomes,” Dinh said.

Meanwhile, Le Hoang Chau, chairman of the Ho Chi Minh City Real Estate Association, said the real estate market was moving in a positive direction. “The difficulty is gradually decreasing. Towards the end of the year, more transactions will be reported in different projects. The ability of real estate businesses to withstand and overcome headwinds has also improved. It’s forecast that market growth will return in the second half of 2024,” Chau said.

Real estate expert Tran Khanh Quang added that this was the bottom price level for real estate, and a market for buyers.

“Currently, 20-30 per cent of investors with available cash in their pockets are hunting favourite properties in a good location and good price. These people have investing blood in them and are just waiting for the product to meet their investment needs, and have complete legal requirements before giving a final decision,” Quang said.

Facts and figures

Meanwhile, Savills’ Ho Chi Minh City real estate market report for the fourth quarter of 2023 shows that the apartment segment is experiencing many short-term challenges.

For primary supply in Ho Chi Minh City in 2023, there were only were more than 10,700 units, the lowest number in the past 10 years. In Q4 alone, primary supply was 7,600 units, down 5 per cent on-year. New supply accounts for 37 per cent of primary supply.

A positive point in Savills data is that in 2024, new supply is expected to increase four-fold compared to 2023.

Meanwhile, according to data from Batdongsan.com.vn, the real estate market at the beginning of this year has more positive signs in terms of interest and number of postings from real estate buyers, compared to a year previously.

Data from this unit shows that the demand for searching for real estate for sale nationwide in January increased by two-thirds, and the number of real estate listings also increased by just over half compared to the same period in 2023.

The number of real estate searches nationwide started to increase from the second day of Lunar New Year and kept increasing strongly. By the 10th day of Lunar New Year, it reached an increase of 124 per cent compared to the week before.

Dinh Minh Tuan, director of Batdongsan.com.vn in the southern region, said that land plots outside and inside projects were the most sought after by buyers.

“Specifically, in January, the number of searches for land in Hanoi increased by 110 per cent, and project land increased by 77 per cent compared to the same period last year,” Tuan said. “Meanwhile, the number of searches for apartments in Hanoi increased by 71 per cent. Similarly, in Ho Chi Minh City, search demand increased from 71 to 73 per cent for land plots while apartments had an increase of 59 per cent only.”

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| Nguyen Nhat Truong, director Marketing and Customer Services, SeaholdingsThis will be the year to lay the foundation for a new development cycle of the real estate market. However, we still cannot expect a big push at this time because the market has to gradually strengthen its confidence and solid foundation, creating momentum for a new cycle.At that time, affordable housing will be the first real estate segment to enter the recovery phase because demand in this segment is always be high.Seaholdings will continue to launch products that meet legal, aesthetic, and quality standards as well as financial solutions to increase our capability to meet buyer’s real demand.Dinh Nhat Hanh, general director Khai Hoan Land GroupThe real estate market has passed the most difficult period. This is a good sign for the market to recover strongly from 2024 forward. Khai Hoan Land also aims to recruit 10,000 land investment specialists to supplement and rebuild its powerful sale team.In 2024, we will develop and distribute 10 key projects nationwide. To achieve business goals, strengthening the sales force is understandable. However, reaching 10,000 sales staff will be no easy task.Initially, when setting this number, we were somewhat apprehensive because the current difficulties of the real estate market were not good conditions to entice staff. But Khai Hoan Land has many competitive advantages to complete this recruitment goal, and we are determined to reach this target. |

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# OIL&GAS&[ENERGY](http://tuoitrenews.vn/society)&MINING

**Erex to build new biomass plant in Tuyen Quang**

*VIR*

Japan's Erex Co., Ltd. held a groundbreaking ceremony on March 6 for its biomass power plant in the northern mountainous province of Tuyen Quang.

With an investment of almost VND480 billion ($19.5 million), the [Erex](https://vir.com.vn/search_enginer.html?p=search&q=Erex) Sakura Tuyen Quang biomass power plant will sit on 3.3 hectares in Long Binh An Industrial Park and produce 150,000 tonnes of wood pellets and 150,000 tonnes of wood chip products per year. The pellets can be used as fuel for thermal power plants, heaters, food dryers, and others.

The project is slated to go into operation next year and will create employment for the province and facilitate its economic recovery.

Hitoshi Honna, representative director and president of Erex Co., Ltd., said, "The new plant will help Vietnam realise its net-zero obligations while providing a stable source of electricity. Vietnam has ample biomass resources, so using biomass such as wood waste as a sustainable energy source will be the key to achieving Vietnam's energy self-sufficiency."

Nguyen Van Son, Chairman of Tuyen Quang People’s Committee, said, "This biomass power plant is the first Japanese-invested project in the locality. Tuyen Quang has already attracted 20 foreign-invested projects from 17 foreign investors, worth $340 million. The province has also received aid from many international partners, including Japan, who have provided support for 25 projects worth an additional $1.4 million. We believe Erex's project will pave the way for more Japanese investments in the province."

The development of the Erex Sakura Tuyen Quang biomass power plant is part of Erex's ongoing expansion in Vietnam. Specifically, the Japanese renewable energy company has plans to develop 14 biomass power plants in Vietnam with a total capacity of 1,060MW.

The development sites for these projects are planned across 12 provinces. The ground-breaking ceremony for a plant in the northern province of Yen Bai was held last July, and the company has proposed ventures in biomass power plants in several other localities.

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# PV Gas to supply LNG for industrial production from March 15

*VNE*

## *Move to follow integrated LPG / CNG / LNG business model.*

The PetroVietnam Gas Joint Stock Corporation (PV Gas) plans to supply liquefied natural gas (LNG) for industrial production following the integrated LPG / CNG / LNG business model from March 15, the corporation announced recently.

LNG has become an important source of fuel for many countries around the world, used by power plants and industrial and urban areas as well as means of transport such as ships, trains, and heavy trucks to reduce environmental damage.

PV Gas officially put the Thi Vai LNG terminal in southern Ba Ria-Vung Tau province into operation last October, with a storage capacity of 180,000 cu m.

The terminal can handle an average of 1 million metric tons of LNG a year.

The corporation plans to kick off construction of the second phase of the Thi Vai terminal to increase its capacity to 3 million tons of LNG a year. This phase is scheduled for operations from 2026.

It also plans to build the Son My LNG terminal in south-central Binh Thuan province and to build terminals in the northern and central regions to ensure supply to the domestic market.

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# LEGAL

# Mixed tax regime not yet applied on beer and alcohol products

*VNS*

This decision is made in accordance with the Prime Minister-approved tax system reform strategy by 2030 and the country's commitments upon joining the World Trade Organization (WTO).

The Government has decided not to apply the mixed tax regime on beer and alcohol products.

This was stated in the newly-promulgated Resolution No 25/NQ-CP on the building of the amended Law on Special Consumption Tax.

According to the resolution, the Government basically agreed with the content of receiving, explaining, and revising the dossier proposing to develop the amended Law on Special Consumption Tax in Report No 25/TTr-BTC which was submitted by the Ministry of Finance (MoF) on February 6, 2024.

Government is aligned on not adding new content regarding the calculation of mixed taxes for beer and alcohol products to the proposal.

This decision is made in accordance with the Prime Minister-approved tax system reform strategy by 2030 and the country's commitments upon joining the World Trade Organization (WTO).

Regarding the progress of submitting the law project, the resolution clearly stated that the Government has proposed to the National Assembly Standing Committee to include the law project in the 2024 Law and Ordinance development program during the 7th session in May 2024.

Comments will be sought from the National Assembly on the law project during the 8th session in October and approve it during the 9th session in May 2025.

At the same time, the Government has tasked the Ministry of Finance with finalizing the law-making proposal documents and submitting them to the Ministry of Justice for the necessary procedures to add this law project to the 2025 Law and Ordinance development programme. Additionally, adjustments will be made to the 2024 and 2025 Law and Ordinance development programmes.

Previously, there was a concern among businesses and experts regarding a regulation in the proposed amendment to the Law on Special Consumption Tax. The concern revolved around whether to include an absolute tax calculation method and a mixed tax calculation method or not.

Experts point out that relative, absolute and mixed tax calculations each have their own advantages and disadvantages. Specifically, the absolute tax calculation method is favoured for its simplicity and ease of implementation.

Many countries have utilised this method to restrict the production and consumption of items that are detrimental to health. However, a major shortcoming is that it fails to adjust adequately to price fluctuations during periods of inflation or deflation.

On the other hand, we have not currently applied the mixed or absolute tax calculation method for alcohol and beer products, so the advantages of this method are still in the research process, but in practice it has not been proven.

If an absolute tax rate is applied on the number of litres of product, the price of high-end lines will be more profitable, while the price of popular lines which Vietnamese enterprises account for the majority will be pushed up, thereby affecting production and the competitiveness of Vietnamese beer producers.

As for the mixed tax regime, the special consumption tax on premium beer products will increase from 65 to 75 per cent. Meanwhile, popular beer, will be increased from current 65 to 85 per cent. Therefore, low-income consumers are subject to higher taxes than high-income consumers.

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**Debates on proposed VAT Law Amendments over revenue thresholds**

***VNS***

 Many stakeholders argue that the Ministry of Finance's proposed threshold of VNĐ150 million is still relatively low.

In the proposed amendments to the Value Added Tax (VAT) Law, the Ministry of Finance has put forward a revision that would require individuals and household business with an annual revenue of VNĐ150 million (US$6,250) to pay VAT, an increase of VNĐ50 million from the current threshold. However, this proposal has sparked a range of differing opinions and concerns.

The ministry argues that since the 2013 amendment to the VAT Law, which supplemented some provisions of the 2008 VAT Law, the Consumer Price Index (CPI) has seen a significant increase. Therefore, adjusting the revenue threshold for individuals and household business to reflect these price fluctuations is deemed necessary.

Furthermore, the Ministry of Finance asserts that increasing the revenue threshold for VAT would not result in additional compliance costs or administrative procedures. Instead, it would enhance tax transparency.

However, many stakeholders argue that the proposed threshold is still relatively low. They suggest that industry-specific considerations should be taken into account.

In its feedback to the Ministry of Finance, the Vietnam Chamber of Commerce and Industry (VCCI) recommends the drafting agency consider raising the revenue threshold for tax-exempt households and individual businesses to a range of VNĐ180 million to VNĐ200 million.

Moreover, VCCI suggests that the Ministry of Finance should consider industry-specific classifications, similar to the direct tax calculation method used in the distribution and supply sector. This would involve setting a higher threshold for goods distribution compared to services and construction.

The highest proposed threshold came from representatives from Quảng Ngãi Province who have suggested to raise it to VNĐ300 million, while other agencies proposed believed lower levels were the best way forward. The Ministry of Transport suggested VNĐ250 million, while the Vietnam Tax Consultants' Association (VTCA) recommended a threshold of between VNĐ180 million and VNĐ240 million.

According to VTCA, Decree 07 stipulates that the standard income for poor households in rural areas is VNĐ1.5 million per person per month, and in urban areas is VNĐ2 million per person per month. Therefore, someone earning VNĐ18 million a year would be considered "poor or near-poor".

VTCA's calculations suggest that, assuming a 10 per cent tax rate for the commercial business sector, the taxable income would be around VNĐ10 million. This means that after a business earns VNĐ150 million, the additional value would be VNĐ15 million, even below the national poverty standard.

Meanwhile, Dr Nguyễn Ngọc Tú, a lecturer at Hanoi University of Business and Technology, highlighted a discrepancy in the tax rates for business households and individuals. He explained that under current regulations, business households and individuals are subject to a flat corporate income tax rate of 1.5 per cent per year, calculated based on the previous period's revenue. This tax rate includes a 1 per cent VAT and a 0.5 per cent personal income tax.

Tú noted that this tax rate for individuals with revenue over VNĐ100 million is not in line with the Personal Income Tax Law, which the Minister of Finance has also considered outdated. Currently, the Ministry of Finance is seeking feedback on a draft Resolution to adjust the current personal income tax deduction of VNĐ11 million per month for taxpayers, equivalent to VNĐ132 million per year, excluding personal deductions. Therefore, personal income tax payers with two dependents will not be required to pay tax.

Tú argued that the proposal to increase the revenue threshold to VNĐ150 million per year is unreasonable because the VAT and personal income tax rates are not aligned. While individual wage earners must pay personal income tax, business individuals must pay both personal income tax and VAT simultaneously.

He recommended that when making adjustments to tax laws, the tax authority should consider the compatibility of the entire tax system. Additionally, Tú suggested that the Ministry of Finance could regulate tax calculations using the self- method, which would be adjusted annually based on the CPI price slide announced by the Ministry of Planning and Investment.

Considering the impact on the State budget, in the latest draft amendment to the VAT Law, the Ministry of Finance maintains the proposed VAT revenue threshold for individuals and household business at VNĐ150 million.

According to the Ministry of Finance, this threshold is "based on inflation and actual conditions".

Raising the tax reduction threshold for household business to VNĐ180 million as some proposals suggest, the Ministry of Finance believes, would affect the State budget revenue in localities, especially those with low revenue.

In addition, this regulation would not encourage household business and individuals to switch to enterprises, as enterprises must pay VAT when they generate revenue.

For this matter, Nguyễn Văn Được, head of the Consultancy Board of the Vietnam Tax Consultants' Association, believes that internal sources can offset budget revenue shortfalls. He highlights the inadequacy of the advisory rate for presumptive tax on business households, leading to revenue loss. He suggests that taxation should review the process and check for fraudulent acts to ensure the security of flat tax revenue.

Được emphasised that the revenue threshold of VNĐ150 or VNĐ180 million is not the primary factor influencing households' decisions to start a business. Instead, they consider factors such as the institution, business environment, tax policy, and administrative procedures.

The Ministry of Finance plans to submit the draft law to the National Assembly for consideration and feedback at the 7th session meeting in May 2024 and to be passed at the 8th session in October 2024.

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