VIETNAM – NEWS AND REGULATIONS

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# TOP NEWS

## Legal Alert - Vietnam - First draft Decree on mechanisms and policies to encourage the development of rooftop solar power systems for self-consumption purpose

*Dr. Oliver Massmann, Duane Morris Vietnam LLC*

To address the yet-to-be-addressed legal issues from the National Power Development Plan VIII (***PDP 8***) regarding rooftop solar power projects, on 9 April 2024, the MOIT proposed the Draft Decree on development of rooftop solar power (***Draft Decree***) to the Government. The Draft Decree introduces the following notable provisions:

(i) ***Scope of application***: According to Article 1 of the Draft Decree, the Decree will only regulate rooftop solar power projects for the self-consumption purposes.

(ii) ***Definition of rooftop solar power (RTS) system***: Unlike Decision No. 13/2020/QD-TTg of the Prime Minister on incentives for development of solar power in Vietnam where RTS system is defined to have the maximum capacity of less than 1MW, the Draft Decree provides that there should be no maximum capacity for RTS system. In other words, RTS System with the maximum capacity exceeding 1MW can be recognized and regulated under this Decree.

(iii) ***Investment models***: The Draft Decree regulates both grid-connected and off-the-grid RTS systems whereby (iii1) grid-connected systems must adhere to the planned capacity under the PDP 8 while any electricity surplus can be exported to the grid free of charge and (iii2) off-the-grid systems are not subject to the planned capacity while no electricity surplus can be exported to the grid. It is worth noting that grid-connected projects, under the Draft Decree, require registration with the local competent authority regarding investment, trade, construction, fire prevention and fighting, and environment aspects of such projects. On the other hand, off-the-grid projects are not required to be registered but notification to the corresponding provincial People’s Committee before operation is required.

(iv) ***Incentives***: For investors making their investment into RTS systems under the Draft Decree, such investors are entitled to the following incentives (iv1) not being required to convert the land use purpose; (iv2) not being required to include the RTS systems into the national power plan; and (iv3) tax incentives according to the prevailing regulations on tax.

In conclusion, the Draft Decree provides regulations and policies to encourage the implementation of RTS systems for self-consumption purposes. However, there remain unclear issues, i.e. the coverage of DPPA scheme, FOL requirement that need to be addressed in the next draft/official Decree. It is expected that the official Decree can be issued within this year or early 2025.

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Please do not hesitate to contact Dr. Oliver Massmann under [omassmann@duanemorris.com](mailto:omassmann@duanemorris.com) if you have any questions or want to know more details on the above. Dr. Oliver Massmann is the General Director of Duane Morris Vietnam LLC.

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## VIETNAM – LATEST GUIDE TO CONTRACT MANUFACTURING AND TOLLING AGREEMENTS

*Dr. Oliver Massmann, Duane Morris Vietnam LLC*

**I. VAT and Customs**

In many cases, the principal in the contract manufacturing relationship owns some or all of the raw materials, work-in-process and finished goods throughout the manufacturing process. The principal and many of the suppliers are typically outside of the manufacturing jurisdiction.

*1. What Are The VAT, Customs And Related Costs (e.g. Broker Fees) That Arise When A Foreign Principal Has Goods Drop-shipped Into Your Jurisdiction To The Local Contract Manufacturer? In Particular, Is There Any Non-recoverable VAT? Are There Strategies For Avoiding Or Reducing This VAT Cost?*

Most regulations on the Vietnamese VAT regime are included in the Law on Value Added Tax No. 13/2008/QH12 of the National Assembly, as amended by Law No. 31/2013/QH13 and Law No. 71/2014/QH13.

Under Article 17.3 of the Law on Tax Management 2019, importers are obliged to pay tax in full and in a timely manner, including the VAT.

This norm includes the concept of drop shipping, which means an arrangement between a seller and the manufacturer or distributor of a product to be sold. According to the arrangement, the product will be shipped to the buyer directly by the manufacturer or distributor and not by the seller. This definition can be understood as an alternative form of import. The law does not make any differences on the way that goods are delivered. Therefore drop shipping is not subject to tax exemptions or reductions.

It should be noted that no VAT is raised for goods in transit or transhipment or crossing Vietnamese borders as well as goods temporarily imported and re-exported and goods temporarily exported and re-imported. There are no further special regulations for drop shipping supplies.

*2. In Many Cases The Principal Supplies Equipment That The Local Contract Manufacturer Uses In The Manufacturing Process. This Equipment May Remain In The Local Jurisdiction For A Substantial Period Of Time. Any Addition VAT Or Customs Issues That Are Unique To The Capital Equipment That The Principal May Import?*

Capital equipment is not subject to the catalogue of VAT exemptions. According to the Law on Amendments to the Law on Value Added Tax 2013, the following objects are exceptionally not subject to VAT: “Machinery, equipment, parts, and materials that cannot be produced at home and need to be imported to serve scientific research, technological development; machinery, equipment, parts, specialized vehicles, and materials that cannot be produced at home and need to be imported to serve petroleum exploration; airplanes, oil rigs, and ships that cannot be produced at home and must be imported to form fixed assets, or need to be hired from foreign partners to serve production, business, or to lease back.”

*3. Have There Been Any Recent Developments That Impact The VAT, Customs And Related Costs Applicable To Such Structures?*

On 25 March 2015, the Ministry of Finance issued Circular No. 38/2015/TT-BTC, according to which machinery and equipment suitable for investment field, target, and scale of the investment project, satisfying other certain conditions, imported as fixed assets of investment projects in the fields or areas eligible for preferential import tax are exempted from taxes.

Vietnam’s accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) on 14 January 2019 and its ratification of the EU-Vietnam Free Trade Agreement (EVFTA) on 1 August 2020 have eliminated import and export taxes for numerous tariff lines. For instance, nearly 100% of Vietnam's exports to the EU will be eliminated import tax after the 10-year journey of EVFTA. So far, this is the highest level of commitment a partner gives Vietnam in a trade agreement. This is especially meaningful when the EU has been one of the two largest export markets of the country.

**II. Permanent Establishment**

*1. As Noted Above, The Principal May Own Raw Materials, Work-In-Process And Finished Goods In The Local Jurisdiction. Is There Any Significant Risk That The Principal Could Have A Local PE Due To The Fact That It Has Such Inventory In The Country? Does It Matter Whether The Principal Has A Local Warehouse?*

In Vietnam companies overseas conducting business activities through resident establishments in Vietnam are liable to pay corporate income tax.

According to the definition in Article 2.3 of the Law on Corporate Income Tax, Resident establishment means a business establishment through which a company overseas conducts all or a part of its business activities in Vietnam. A resident establishment of a company overseas can take different forms that are listed in the Law on Corporate Income Tax.

This list includes a representative in Vietnam that has authority to enter into contracts in the name of the oversea company or a representative that is not competent to enter into contracts on behalf of the foreign company but regularly engage in delivery of goods or provision of services in Vietnam.

This very broad reference might also include principals with assets as named above. These elements are not likely to form the risk of a permanent establishment in Vietnam but the authorities decide about permanent establishments on a case-by-case basis.

Where a treaty on avoidance of double taxation to which the Socialist Republic of Vietnam is a signatory contains different provisions relating to resident establishments, such treaty shall prevail over local laws as determined therein.

*2. Does The Answer Change If The Principal Also Owns Capital Equipment That It Has Provided To The Local Contract Manufacturer?*

The ownership of capital by the principal does not necessarily bear the risk of a permanent establishment.

*3. In Many Cases The Local Contract Manufacturer Purchases The Raw Materials (Either In Its Own Name Or As A Purchasing Agent Acting On Behalf Of The Principal) Because It Knows The Production Schedule Better Than The Principal. In Addition, In Some Cases The Contract Manufacturer May Have More Leverage With The Suppliers. Please Address Any Additional PE Issues That May Arise If The Contract Manufacturer Also Acts As A Purchasing Agent On Behalf Of The Principal.*

The Law on Corporate Income Tax provides that the business conducted by a company overseas can be regarded as a resident establishment if the company has an agent that has authority to enter into contracts in the name of the company overseas. Given this the situation above might likely give rise to a PE.

*4. In Certain Cases, The Principal Will Have Its Own Employees Or Agents In The Factory To Supervise The Contract Manufacturer, Provide Quality Assurance And Sometimes Technical Information. To What Extent Would Independent Or Dependent Agents (That Do Not Have Contract Concluding Authority) Providing Such Services, Combined With The Other Facts Set Forth Above, Result In A PE For The Principal. To The Extent That Actual Employees Or Staff May Result In A PE, Can The Principal Avoid The PE By Forming A Local Subsidiary To Employee The Staff? If So, Can The Subsidiary Be Compensated On A Cost Plus Basis?*

Considering the aforementioned definition of a resident establishment under Law on Corporate Income Tax, if the principal wants to avoid having a PE issue, he/she might establish a Representative Office [“RO”] to perform the tasks named above. This is possible as long as the RO is not doing business.

According Commercial Law and its guiding Decrees, any foreign business entity that has lawful business registration in accordance with the law of the foreign country and has operated for at least 01 (one) year shall be issued with a license to establish a representative office in Vietnam.

*5. To The Extent That A PE May Arise In Any Of The General Fact Patters Described Above, Comment On Whether Additional Income Would Be Attributable To The PE. Can The Principal Argue That It Has Paid An Arm’s Length Gee Such That There Is No Additional Income That Such Be Taxed In The Jurisdiction? If So, What Transfer Pricing Methodologies Would Typically Be Used To Determine The Amount Of Income Attributable To The PE?*

If there are no special rules in tax agreements, the principal can calculate on an arm’s length basis.

The Ministry of Finance has released a Circular on Transfer Pricing that requires companies to make a full self-assessment of their profits, calculated on an arm’s length basis. According to this Circular, companies will be required to declare the related party transactions in a prescribed form and submit it within 90 days from the year end. Furthermore, the Circular provides an obligation for companies to maintain transfer-pricing documentation to set out the evidence that they have taken place on arm’s length terms.

If companies fail to comply with these terms they risk double taxation and penalties.

**III. Local Incentives**

*1. Is The Taxpayer’s Ability To Obtain A Tax Incentive Or Holiday Diminished By Operating Under A Risk-Stripped Structure Where The Local Entity Receives Cost Plus Remuneration?*

Exemptions from and reductions of Corporate Income Tax are listed in Law on Corporate Income Tax 2008, Circular 78/2014/TT-BTC, Circular 151/2014/TT-BTC and Circular 96/2015/TT-BTC.

Tax incentives are provided in cases of encouraged investments. This term covers enterprises located in special export processing zones, enterprises that export a certain percentage of the manufactured goods or enterprises with a certain number of Vietnamese employees or laborers.

The contract manufacturer may carry forward their losses of a financial year to offset against future profits for a maximum of 5 years after the year incurring loss. The enterprise can freely choose how to allocate the loss to the later 5 years. When the 5 years period has lapsed but the loss has not been fully carried forward, the loss cannot be carried forward to the next year.

*2. Is The Taxpayer’s Ability To Obtain A Tax Incentive Diminished By The Lack Of Locally Owned Intangible Property?*

Vietnam tax law does not address this issue.

*3. Are There Any Other Aspects In Contract Manufacturing Structures That May Impact A Taxpayer’s Ability To Obtain A Tax Incentive Or Holiday?*

Law on Investment 2021 and its guiding Decree No. 31/2021/ND-CP include an extensive list of projects entitled to tax incentives. Depending on the project’s location, business lines, number of employees, etc., the tax incentives include exemption or reduction of CIT, import tax or land rental fees.

**IV. Conversion And Transfer Pricing Issues**

In many cases, U.S. and European multinationals initially establish their local manufacturing operations in Asia as buy/sell entities because they have a local income tax holiday or exemption of some kind for a period of years. The local entity may even own intangibles and bears risk. When the local holiday or exemption ends (or the CFO decides the tax rate is too high), the parent may wish to convert the local entity into a contract manufacturer for a principal in a low-tax jurisdiction to reduce the income earned locally.

*1. In Some Jurisdictions, The Local Authorities May Find That The Local Entity Owns Some Goodwill Or Going Concern Value As A Result Of Its Historic Operations. The Authorities May Assert Capital Gains Tax And Possibly Dividend Withholding Tax On Value Of The Goodwill Or Going Concern Value On The Theory That The New Principal Is Somehow Acquiring The Goodwill Or Going Concern Value In Connection With The Conversion. Is This An Issue In Your Jurisdiction? If So, What Planning Steps Can Be Taken To Minimize This Cost?*

This issue is not relevant in Vietnam.

*2. In Many Cases, The Local Contract Manufacturer Is A Wholly-Owned Subsidiary Of The Principal. In Such Cases, The Principal May Wish To Compensate The Contract Manufacturer On A Cost Plus Basis, With The Uplift Being A Percentage Of The Manufacturing Costs (And Not The Value Of The End Product). Is This Approach Viable In Your Jurisdiction and What Issues/Exposures Arise In Connection With The Use Of Cost Plus Transfer Pricing?*

Transfer pricing rules in Vietnam require that the enterprise pays and Vietnam receives a reasonable rate of return on its activities as if the parties were unrelated [the arm’s length principle]. Vietnamese tax law does not provide special rules regarding cost plus transfer pricing.

For more information on the above, please do not hesitate to contact the author Dr. Oliver Massmann under [omassmann@duanemorris.com](mailto:omassmann@duanemorris.com). Dr. Oliver Massmann is the General Director of Duane Morris Vietnam LLC, and the only foreign lawyer presenting in Vietnamese language to members of the NATIONAL ASSEMBLY OF VIETNAM.

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# BANKING & FINANCE

## Central bank injects VND36 trillion into banking system

*TST*

Vietnam’s central bank has injected VND36 trillion into the banking system through open market operations (OMO).

On April 23, nine banks borrowed VND36 trillion from the State Bank of Vietnam (SBV) at an annual interest rate of 4.25% for a 14-day period, a slight increase from the previous rate of 4%.

Simultaneously, the central bank continued issuing bonds, with VND2.15 trillion worth of debt issued with a 28-day term and a yearly coupon rate of 3.73%. This move follows the maturity of a bond tranche issued on March 26, pumping VND3.7 trillion into the market.

Through bond issues and OMO, a net amount of VND25.5 trillion was funneled into the market on April 23. These money injections ensure ample liquidity for banks, keep interest rates as low as possible, and alleviate pressure on the exchange rate by narrowing the interest rate gap between the Vietnamese dong and the U.S. dollar in the interbank market.

The central bank quoted the central exchange rate between the dong and the dollar at VND24,275 on April 23, a VND3 increase from the previous day.

On April 19, the bank sold foreign currency to banks with a negative foreign currency balance at a rate of VND25,450 per dollar.

“This is a strong measure by the central bank to alleviate market concerns, ensure market liquidity, and meet the legitimate demand for foreign currency in the economy,” said Pham Chi Quang, head of the SBV’s Monetary Policy Department.

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**Banks propose raising small loan cap to $15,700**

*VNA*

Credit institutions have proposed to raise the cap of small loans not requiring feasible capital use plans and related person information from VND100 million to VND400 million ($15,710).

The proposal was made as the State Bank of Vietnam (SBV) has recently published draft amendments to a circular of the central bank regulating lending activities of credit institutions and foreign bank branches to customers.

Accordingly, for small loans not exceeding VND100 million, borrowers will not have to provide feasible capital use plans and related person information to credit institutions.

The draft policy aims to simplify procedures for granting loans with small value, which will contribute to creating more favourable conditions for customers to access bank credit for daily life and consumption demands to minimise illegal usury. Besides, it will help banks expand lending activities.

According to the latest statistical report of the General Statistics Office, Vietnam’s GDP per capita in 2023 is estimated to reach about VND101.9 million.

Therefore, the mark of VND100 million is the legal basis for the drafting committee to research and propose that a small loan is worth VND100 million in the draft circular.

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# ECONOMY

## Ha Noi promotes development of private economic sector

*VNS*

Hà Nội is striving to develop many private economic models by the end of 2025, and improve business quality and efficiency of innovative enterprises.

Hà Nội is striving to develop many private economic models by the end of 2025, and improve business quality and efficiency of innovative enterprises.

Growth rate of Hà Nội's private economic sector is also set to be higher than the overall growth rate of the municipal economy.

This is part of a plan issued by the Hà Nội People's Committee to implement the Government's Action Programme on private economic development for the period 2023-25.

It aims to create favourable conditions for the private economy to have quick and sustainable development with growth in quantity, scale and quality of private firms. Those contribute to the gross regional domestic products (GRDP), create jobs and improve income of the people in the city.

The city also strives to have more than 439,000 enterprises by 2025 and 600,000 units by 2030. Of which, it will have 152,700 newly established enterprises in the period 2021-25.

To complete these targets, the municipal people's committee has deployed some key tasks and solutions.

It continues to improve mechanisms and policies with synchronous and consistent manners, creating a favourable investment and business environment for development and participation in market of the private economic sector; and promoting fair competition.

The city will develop infrastructure and increase ability approaching to resources of the private economy. It focuses on supporting the private economy to innovate technology, develop human resources and improve productivity.

In addition, it is necessary to improve the efficiency of State management for private economic development.

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**Standard Chartered revises down Vietnam’s GDP growth forecast in 2024 to 6%**

*VNA*

Standard Chartered Bank has lowered Vietnam’s GDP growth forecast in 2024 to 6% from the previous 6.7% due to lower-than-expected Q1 growth and global trade headwinds.

However, it is still an improvement from 5% in 2023. The country’s Q1 [GDP growth](https://e.vnexpress.net/news/business/economy/two-scenarios-for-gdp-growth-this-year-planning-ministry-4730342.html) moderated to 5.7% (from 6.7% in Q4-2023). The bank lowered Q2 year-on-year growth forecast to 5.3% (from 6.3%) and Q3 to 6%. But Q4 growth is expected to be recovered to 6.7%.

According to Standard Chartered’s economist in its recent macro-economic updates about Vietnam, trade, a key source of growth and investment for Vietnam also faces short and long term challenges. However, Vietnam’s recovery remains intact despite risks. Retail sales growth was still robust in Q1.

Standard Chartered also lowers 2024 inflation forecast to 4.3% from 5.5 % to reflect lower-than-expected Q1 inflation. The bank expects rates to stay on hold at 4.5% until end-Q3 and could be raised by 50 bps in Q4 in response to growth-driven inflation.

"Vietnam is improving its position in global supply chains. Foreign investment continues to be attracted by a favorable investment environment and potential ramp-up of U.S.-China trade tensions," said Tim Leelahaphan, Economist for Thailand and Vietnam, Standard Chartered. "With economic recovery starting to gain momentum, we think there will be less need to provide monetary policy support", he added.

According to Tim, there is a balanced view on the Vietnamese given improvements on the external front and reserve rebuilding. Strong export growth provides some support for the currency. Imports point to further gains. The bank forecasts a current account surplus of 3.5% GDP in 2024.

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# INVESTMENT

**Taiwan's Giant Group to build $120 million bicycle factory in Binh Duong**

*VIR*

Taiwanese bicycle manufacturer Giant Group is planning to build a factory costing $120 million in the southern province of Binh Duong.

The information was shared at a meeting between Mai Hung Dung, Standing Vice Chairman of Binh Duong People's Committee, and Bonnie Tu, chairperson of [Giant Group,](https://vir.com.vn/search_enginer.html?p=search&q=Giant%20Group&s_cond=1&f_d=&t_d=23-04-2024) on April 22.

At the meeting, Bonnie Tu said that Giant Group already has a factory in VSIP II-A with a first-phase investment of $60 million. The factory will have an annual capacity of one million bicycles.

"During our time in Binh Duong, Giant Group has identified many opportunities to scale up its operations and development. Provincial authorities have consistently supported the group," she said.

Tu said the group will build another manufacturing factory in VSIP III with an investment of $120 million. Hopefully, provincial leaders will continue to support the group in completing legal procedures to carry out the project on schedule, she added.

In response, Dung lauded Giant's expansion plan, and directed relevant departments to accelerate the project's implementation. He stated that Binh Duong is committed to promoting efficient production and investment.

The latest investment also signifies Giant Group's efforts to build its supply chain in Vietnam for both domestic consumption and export. According to Statista, the bicycle market in Vietnam has been experiencing significant growth. Revenue in the market is expected to show an annual growth rate (CAGR 2024-2028) of 2.98 per cent, resulting in a projected market value of $99.94 million by 2028.

In 2024, the bicycle industry will need to address excess inventories challenge and the uncertainties of the general economic environment, but Europe and North America continue to show strong demands for performance-level products, and the new cycling culture in China will continue to support further business growth.

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**Masan completes $250-million equity raise from Bain Capital**

*VIR*

Masan Group Corporation (HOSE: MSN) has successfully completed a $250-million equity raise from Bain Capital, a world-leading private investment firm with approximately $180 billion of assets under management.

Converted at VND25,356 per USD, the almost historically high USD/VND exchange rate, the investment results in a positive net cash impact of VND6.23 trillion, which will significantly strengthen the balance sheet of the company. [Masan](https://vir.com.vn/search_enginer.html?p=search&q=Masan) will continue to actively explore alternative options to deleverage and reduce interest expenses with a target net debts/earnings before interest, taxes, depreciation, and amortisation of <3.5x.

As the leading consumer-focused corporation in Vietnam, Masan is trusted among international financial institutions, which enabled the company to raise $1.5 billion in the past two years from global capital markets.

In the fourth quarter of 2023, the company successfully hedged 100 per cent long-term USD-debt exposure with favourable terms via cross currency swaps, and $950 million notional has been converted to VND at 23,937 with interest fixed at 8.93 per cent per annum.

Interest rate swaps combined with FX forwards include $45 million of principal payment in 2024 at a rate of 24,005; $300 million has a fixed interest rate of 6.48 per cent per annum for 5 years with a 1-year FX at 23,790 to mitigate both currency and interest risks. As a result, the recent appreciation of the USD did not materially affect the company's earnings.

On April 20, Techcombank (TCB), Masan's associated company, also approved a plan to pay a 15 per cent cash dividend. Having 19.9 per cent economic interest in TCB, Masan is expected to receive over VND1 trillion ($39.4 million) in cash in the next six months, allowing the company to further deleverage.

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# PROPERTY

# New apartments in Hanoi sell out despite rising prices

*VE*

Most apartment projects launched in Hanoi last quarter are fully sold despite being high-priced at more than VND60 million (US$2,360) per square meter.

Earlier this month Minh Ngoc of Ha Dong District went to see a new project in the western part of the city that was scheduled for handover by the last quarter of 2025 in the hope of finding her dream home.

But hope quickly turned to disappointment: Most units had been sold though the sale had only been announced recently.

There were nearly 600 apartments, all priced at over VND60 million per square meter, but had been snapped up within a few weeks.

Seeing Ngoc’s frustration, her real estate agent informed her about another project right next door.

This one has not been put on sale by the developer yet, but its apartments are expected to be priced at around VND68 million and handed over by late 2025 at the earliest.

The agent advised her to place a VND50-100 million deposit to get into the "priority booking list" when the project is officially launched.

Ngoc says: "The agent said there is no guaranteed I will get my desired apartment even with the deposit since some units in good locations are much sought after. But they will repay my deposit if I cannot buy the unit that I want."

This made her even more anxious as her family of four was still living in a rented house even as the prices of both old and new apartments were [rising by the week](https://e.vnexpress.net/news/property/speculators-tactic-inflates-hanoi-old-apartment-prices-experts-4734343.html).

In the first three months of 2024 around 2,300 new apartments entered the market, mostly in the premium segment with prices of VND60-120 million per square meter, according to property consultancy CBRE.

Nearly 2,000 have been sold, an absorption rate of nearly 87%, it says.

The firm cited a project in Tay Mo Ward, Nam Tu Liem District, as an example of the high demand for new apartments in Hanoi.

The project has around 2,200 units that have yet to be officially listed for sale.

The minimum price is expected to be VND66 million per square meter, but over 4,000 reservations have been made to buy so far, CBRE says.

At another new project nearby, 80% of its 700 units costing above VND56 million per square meter were sold in the first quarter, it adds.

According to real estate firm Dat Xanh Services, there was a 15% year-on-year increase in absorption rate in the [Hanoi apartment market](https://e.vnexpress.net/news/property/hanoi-apartment-market-will-skew-towards-high-priced-segment-analysts-4722842.html) despite prices of high-end apartments (VND60-100 million per square meter) rising by 5-10% and those of mid-priced apartments (VND45-60 million) by 15-20% from a year earlier.

Danh Ngoc, head of the brokerage department at a large city-based real estate firm, says inventory from previous years is also garnering much interest now.

When the apartment market was inactive last year, his company had to introduce several incentive schemes, one of which allowed buyers to return their apartment within 18 months if they did not like it.

Over 100 three- and four-bedroom apartments in a residential area in Thanh Tri District were returned.

These units were all sold within a month after the Tet (Lunar New Year) holidays, which ended on Feb. 14, Ngoc says.

"Since mid-February more customers have been looking to buy apartments to flip or rent out because bank deposit interest rates have decreased."

Similarly, old inventories at some apartment projects in Hoai Duc District were also sold out, he adds.

As demand catches up with supply, developers are no longer offering many promotions or huge discounts as they did in the first half of last year.

A recent survey found that while policies such as zero interest until handover, early payment discounts and complimentary furniture packages continued in the first quarter, they were much less generous.

The discounts were 3-10% as against 20% in early 2023.

Higher costs also caused developers to cut down on discounts and promotions in the first quarter, Dat Xanh Services explains.

Experts think that with [legal hurdles set to be removed in 2025](https://e.vnexpress.net/news/property/will-real-estate-prices-increase-or-decrease-after-revised-land-law-4699593.html), apartment supply in Hanoi and surrounding areas might see a major jump with 101 projects pumping out 84,400 units in the next few years.

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**Real estate 'golden triangle' heats up**

*VIR*

The 'real-estate fever' in the 'golden triangle' of Ho Chi Minh City-Binh Duong-Dong Nai has been attributed to Ho Chi Minh City's price pressures and the building of key transportation infrastructure developments, with many new projects that connect the southeast economic region with other areas implemented since the start of the year.

These include the Ho Chi Minh City-Moc Bai Expressway project phase 1, with a total investment of about $870 million and a length of about 50km. The project is being urgently reviewed by the Ministry of Planning and Investment (MPI) with efforts being made to start construction before April 30.

The expressway, starting in Binh Duong and ending at the border with Binh Phuoc province, is scheduled to begin construction on September 2, with a total investment of $725 million. Additionally, highways connecting Bien Hoa-Vung Tau, Dau Giay-Tan Phu, and Tan Phu-Lien Khuong are also under construction. These projects should serve as catalysts for future real estate growth in the south.

Ngo Quang Phuc, CEO of Phu Dong Group said, "Venturing further from the city to find affordable housing in a nice, clean environment is becoming increasingly common. However, not every project attracts buyers, and only those located in areas with decent infrastructure, connectivity, and amenities are being noticed."

In Binh Duong, Phu Dong Group is preparing to announce the Phu Dong Sky One project in Di An city, with an average price of above $1,333 per square metre, with handover expected in December 2025. Picity Sky Park is another proposed development for this area.

Danh Khoi Group will launch phase 2 of its Astral City project in Thuan An city in the second quarter of this year. Further out, in the new city of Binh Duong, CapitaLand commenced The Orchard project on February 28, a component of the Sycamore urban area.

The formation of the Ho Chi Minh City-Long Thanh-Dau Giay Expressway corridor has driven the development of the real estate market in Dong Nai, where the supply of apartments is still limited, and where buyers predominantly seek plots of land and town houses.

Dong Nai People's Committee issued a plan on April 10 to auction land use rights for 2024, meaning the rights to use 18 land plots of over 470 hectares and valued at $212.5 billion will be auctioned. The plots are located in Bien Hoa city and the districts of Long Thanh, Trang Bom, Cam My, and Thong Nhat.

Another reason for the wave of real estate projects in Binh Duong and Dong Nai is the fact that the Ho Chi Minh City market is under tremendous pressure, meaning buyers are being priced out. According to a real estate market report released by Savills in January, Ho Chi Minh City no longer has properties priced below $83,300 per unit, with 90 per cent of transactions falling within the range of $83,300-$208,300.

"Between 2024 and 2026, we expect the majority of apartments being supplied will focus on the $208,000- $417,000 segment. Therefore, homebuyers in Ho Chi Minh City may consider shifting their purchases to properties in neighbouring areas such as Binh Duong, Dong Nai, and Long An, where prices are more affordable," said Giang Huynh, deputy director and head of the Market Research Department at Savills.

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

**Outlook positive for Vietnam's wind power**

*VIR*

Vietnam witnessed some positive developments for wind power projects, reflecting the country's commitment to transition to net-zero by 2050.

According to Global Wind Report 2024 by the Global Wind Energy Council (GWEC), following a difficult year for [wind](https://vir.com.vn/search_enginer.html?p=search&q=wind%20energy) in 2022 in Vietnam, 2023 showed some positive developments.

Early in 2023, Vietnam issued a new price ceiling for “transitional projects” (projects which have a power purchase agreement but missed the October 2021 feed-in tariff deadline), which resulted in 822MW of onshore and intertidal projects being commissioned by year-end.

The government also issued the long-awaited Power Development Plan VIII (PDP8) last May. The PDP8 sets the energy strategy for the country for 2021-2030. It includes a target for onshore wind of 21.8GW by 2030, up from the roughly 5GW of installed capacity by end of 2023. The target for offshore wind is 6GW by 2030 (with no installations currently), rapidly increasing thereafter to 91GW by 2050.

These ambitious targets for wind energy reflect the commitment of Vietnam to transition to net-zero by 2050, a pledge made by the prime minister at COP26 in 2021. The next step is to have a PDP8 Implementation Plan and detailed regulatory framework to turn the targets into reality.

In addition to the roughly 5GW of onshore and intertidal projects installed by end of 2023, there is another 3GW of transitional projects in the process of power purchase agreements (PPA) negotiation with Vietnam Electricity (EVN).

The Ministry of Industry and Trade (MoIT) issued the price ceiling for these projects (about 20-25 per cent lower than the previous FIT prices) and each project must renegotiate a new PPA with EVN.

The terms of the new PPA are viewed as less favourable for developers.

For example, the MoIT only allows projects that have all necessary permits to dispatch during the negotiation process, and they will enjoy a tariff of only 50 per cent of the ceiling price in this period. The difference between the 50 per cent tariff and the final tariff will be paid once the negotiations are finished.

According to the GWEC, the government needs to issue new policy and legal frameworks before any new onshore and intertidal wind projects can be constructed. New wind projects must also enter into a PPA negotiation process with EVN to determine the price – a process which will remain until MoIT issues a new auction for wind projects in the coming years.

The council also pointed out that Vietnam does not have any real offshore wind projects, only intertidal projects located near to the shore.

The 2030 target for offshore wind in PDP8 is very ambitious, and divided by region: 2,500MW in the North, 500MW in the central region, 2,500MW in the south central region and 1,000MW in the south.

In addition, the PDP8 also has a target for offshore wind projects for export. While there isn’t a specific volume designated for offshore wind, the total electricity export capacity for renewable energy is estimated to range between 5-10GW by 2030.

One project has already been identified and received a site survey licence: PTSC & Sembcorp, linked to the governments of Vietnam and Singapore, respectively, was approved as a special case by the prime minister.

The regulatory framework for offshore wind in Vietnam is underdeveloped. Coupled with the typical development and construction timeline of six to eight years for offshore wind projects, achieving the connection of the first generation of offshore wind by 2030 will be challenging.

The development of the new legal and regulatory frameworks is time-consuming, and potentially new law(s) are needed, which in Vietnam typically takes two to three years.

Many of the new regulations also cross multiple ministries and government departments. Recognising these hurdles, the GWEC has been advocating for the establishment of an inter-ministerial task group to accelerate the process – a measure which the government initiated in late 2023.

The GWEC has proposed a type of fast-track or pilot mechanism to be applied for the first offshore wind projects. The government has signalled that it is open to a pilot scheme, but what shape this will take is still unclear.

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**Vietnam boosts electricity output to meet rising demand**

*TST*

###### In response to increasing power consumption, the Ministry of Industry and Trade has revised upwards its electricity production plan for this year.

The adjusted plan now targets total electricity output and imports of 310.6 billion kWh for the entire year, an increase of nearly four billion kWh compared to the previous projection.

Outlined in Decision No. 924, the ministry’s plan emphasizes the need to step up electricity supply, especially during peak dry season months. Total electricity production and imports during this period have been raised by over two billion kWh to approximately 111.47 billion kWh.

To ensure sufficient fuel for electricity generation, suppliers of coal, gas, and oil have been urged to maintain adequate supply levels, particularly during peak demand periods.

The Vietnam Electricity Group (EVN) has been tasked with updating its supply plan for both peak months and the entire year, with a directive to report significant demand or supply fluctuations for timely adjustments and minimal operational disruptions.

State-owned energy companies, including the Vietnam Oil and Gas Group (PVN) and Vietnam National Coal and Mineral Industries Group (Vinacomin), have been assigned the responsibility of ensuring continuous fuel supply for power generation.

According to data from EVN, in the first quarter of 2024, commercial electricity production surged to 62.66 billion kWh, an 11.42% increase compared to the same period in 2023.

Notably, electricity production in key cities like HCMC and Hanoi saw significant growth, with HCMC recording a 12.8% increase and Hanoi witnessing a 10.64% rise. Similarly, the Northern Power Corporation reported a notable uptick of 9.87% in electricity production.

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# LEGAL

**Incentive policy drafted to promote settlement of weak credit institutions**

*VNS*

The move was made as the settlement progress of specially controlled credit institutions has been slow.

The State Bank of Vietnam (SBV) has proposed an incentive policy on the reserve requirement ratio for credit institutions (CI), which receives the compulsory transfer of specially controlled credit institutions, to promote the settlement of the weak credit institutions.

Under a draft circular to amend Circular 30/2019/TT-NHNN, the SBV states credit institutions, which receive specially controlled credit institution transfers, will have their reserve requirement ratio reduced by 50 per cent.

The move was made as the settlement progress of specially controlled credit institutions has been slow.

According to a report of the State Audit of Vietnam (SAV), progress in handling weak credit institutions, including OceanBank, GPBank and CBBank, is still slow as it has lasted for many years (since 2015).

The extension of the handling has led to an increase in the expected capital sources that have been used to aid the handling through special loan forms because the weak banks have reported consecutive losses.

By the time of the audit in August 2023, the handling of the three banks was only at the stage of the Government's approval of the mandatory transfer policy, and determining the bank value.

According to current legal regulations, DongA Bank must be transferred to another bank because its equity is negative.

Therefore, the SAV recommended that the SBV speed up the handling of weak banks.

The SBV should coordinate with agencies to urgently speed up the compulsory transfer of the poor-performing banks, the SAV said.

According to the SAV, relevant agencies must propose monitoring and intervention measures in accordance with the law to avoid losing the property of the State and people and ensure the safety and stability of the banking system.

According to the SAV’s report, the financial situation of the banks was still very difficult. Specifically, bad debts and mortgaged assets remained high; equity was negative; while accumulated losses continued to increase and failed to meet safety regulations in banking activities.

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**Vietnam Proposes Overhaul of Value Added Tax Law to Boost Revenue and Competitiveness**

*VET*

## Government Pushes for Amendment to Value Added Tax Law, Adding 12 Taxable Goods

In a bid to streamline tax policies and bolster revenue streams, the Vietnamese government has just tasked the Ministry of Finance to provide a significant overhaul of the Value Added Tax (VAT) Law.

This initiative aims to align with domestic economic realities and international best practices.

**Broadening the Tax Base: 12 New Taxable Goods Identified**

Discussions at the government level highlight the intricacies and implications of this extensive legislative endeavor.

Beyond revenue augmentation, the amendments aim to cultivate an environment conducive to domestic production, exports, and economic growth.

By harmonizing VAT policies with international norms, policymakers envision incentivizing investment, spurring consumption, and facilitating exports.

The proposed amendments seek to expand the tax base by including 12 additional goods and services under VAT, notably fertilizers, specialized machinery and equipment for agricultural production, and offshore fishing vessels. This shift departs from the previous framework, which exempted these items from VAT obligations.

Subjecting fertilizers to a 5% VAT rate aims to level the playing field for domestic producers and enhance their competitiveness. The measure is expected to fortify the agricultural sector, a cornerstone of Vietnam's economy.

In tandem with expanding the tax base, the proposed amendments prioritize enhancing the efficiency and transparency of VAT refund mechanisms. The Ministry of Finance undertakes a meticulous review of existing regulations to refine these mechanisms and minimize administrative bottlenecks.

**Embracing Consultative Processes and Institutional Reforms**

Central to the amendment process is the government's commitment to inclusive policymaking and institutional reform. Extensive consultations with stakeholders aim to solicit diverse perspectives and refine the draft legislation.

Aligning with broader policy directives underscores Vietnam's commitment to fostering a conducive business environment and promoting socio-economic development.

As Vietnam navigates towards economic resilience and sustainability, proposed amendments to the Value Added Tax Law represent a pivotal step in fortifying the country's fiscal framework.

By broadening the tax base, enhancing competitiveness, and streamlining administrative processes, policymakers aspire to navigate the evolving economic landscape with agility and foresight.

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