KPMG

Legal Update

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VIETNAM'S NEW INVESTMENT REGULATIONS: WHAT INVESTORS NEED TO KNOW

On 3 September 2025, the Government issued Decree **No. 239/2025/ND-CP**, amending and supplementing Decree No. 31/2021/ND-CP which details and guides the implementation of the Law on Investment ("**Decree 239**"). This new decree clarifies and introduces new changes, with significant implications for project development, investment incentives, and the M&A process in Vietnam. Decree 239 takes effect as from 3 September 2025.

KEY TAKEAWAYS FOR INVESTORS

1. Flexible approach to project operational term

- **What's New**: A practical change is the "performance over age" rule. In particular, Decree 239 abolishes the previous rule that prevented projects from extending their operational term if they used machinery and equipment more than 10 years old. This is a major relief for manufacturing enterprises.

  Instead of an age-based restrictions, projects will now be assessed based on operational efficiency. The new criteria include:

  - The machinery must comply with National Technical Standards (QCVN) for safety, energy efficiency, and environmental protection.
  - Its output or efficiency must be at least 85% of its designed capacity.
  - The consumption of raw materials or energy must not exceed 15% of its designed consumption.

- **Impact on business operations**: These changes reduce administrative burdens and prevent unnecessary capital expenditure by removing the requirement to evaluate individual pieces of old machinery and allows businesses to continue using equipment that is still functional and efficient.

2. Market access opened in sensitive sectors

- **What's new:** Decree 239 moves sensitive industries from the negative market access list to the conditional market access list for foreign investors. These include:

  - Manufacturing and trading of weapons, explosives, and supporting tools.
  - Manufacturing of military materials and equipment.
  - Trading in military apparel and equipment.

- **Impact on foreign investment:** This is a significant development for investors in the defence and security industries. While specific and stringent conditions will apply, this change creates a legal pathway for foreign businesses with relevant expertise to participate in these highly specialised sectors in Vietnam for the first time.

3. Investment incentive locations

- **What's new:** Decree 239 introduces a new method for determining investment incentive areas at the commune-level, outlining a majority-based and tie-breaker rule. For the former, the newly formed commune will adopt the incentive status of the majority of the former communes it comprises. For the latter, the new commune will be granted the higher level of investment incentive (e.g., if the newly formed commune is formed from an equal number of “difficult” and “especially difficult” areas, it will be classified as an “especially difficult” area).
- **Impact on investment decisions:** This is a crucial clarification for investors whose projects are located in newly formed administrative units as a result of recent cadastral mergers or restructuring. This change makes it easier for investors to forecast potential investment incentives for projects in areas undergoing administrative reorganisation and ensures that the potential for investment incentives is not lost.

4. Hybrid application process for investment registration

- **What's new:** Investment licensing authorities apply a dual online and paper-based submission for investment registration applications. Applicants are required to use a digital signature (token) to submit their application dossier through the National Investment Portal. Following the online submission, a corresponding physical (paper) dossier must also be filed with the relevant licensing authority.
- **Impacting on licensing process**: If not anticipate promptly, this new requirement can cause delays to corporate compliance process, or the implementation timeline in M&A transaction, especially for foreign investors. Acquiring a digital token, navigating the online portal, and coordinating the dual submission can be complex and lead to delays if not handled correctly.

  To that end, foreign investors must closely stay updated for the new licensing rules and anticipate potential delay to the estimated business/transaction timeline, or if engaging licensing agencies, should appropriately empower them with access to the relevant digital accounts for dual online and paper submission.

5. Focus on the digital economy and technology

- **What's new:** The decree consistently adds “concentrated digital technology zones” (in Vietnamese, khu công nghệ số tập trung), placing them alongside Industrial Zones, Export Processing Zones, and Hi-Tech Zones. “Concentrated digital technology zones” are now officially included in the list of areas eligible for investment incentives, being treated as “areas with especially difficult socio-economic conditions” – the highest tier of investment incentives available in Vietnam, and several business activities relating to concentrated digital technology are treated as business eligible for investment incentives.
- **Impact on investment opportunities:** This change is to align with the specialised Law on Digital Technology Industry (taking effect as from 1 January 2026). Furthermore, it shows a strong indicator of Vietnam's strategic priority to attract high-value investment into Vietnam's digital economy. By creating an investment legal framework for this, Vietnam is actively positioning itself as a regional hub tech-focused industries, in line with its national digital transformation goals.

Conclusion: A more certain investment environment

Decree 239 is the Government's effort to address practical challenges that investors have been struggling with. These changes represent another step by the Government to create a more stable and predictable legal environment for investors.

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