

Legal Update

Vietnam's New Law on Investment

Vietnam's Law on Investment 2025, which came into effect on 1 March 2026, comes at a pivotal moment in the country's legal and economic evolution. Following a year of sweeping administrative restructuring, corporate governance reform and policy recalibration, the government has turned its focus toward modernising the investment framework to better support capital inflows and outbound expansion.

As highlighted in our previous updates, Vietnam is undergoing one of its most comprehensive reform cycles since the Đổi Mới era, with a clear emphasis on improving administrative efficiency, enhancing transparency and positioning itself as a competitive regional hub. Within this broader context, the new Law on Investment represents a targeted but meaningful step toward reducing procedural friction, refining market access conditions and facilitating cross-border investment flows. While not a complete overhaul, the amendments introduce several practical changes that will directly affect how investors structure and implement their investments in Vietnam.

1. Notable changes under the Law on Investment 2025

A. Greater flexibility in the sequencing of IRC and ERC

One of the most notable developments under the Law on Investment 2025 is the increased flexibility in the process of obtaining an Investment Registration Certificate ("IRC") and an Enterprise Registration Certificate ("ERC").

Under the previous framework, foreign investors were generally required to obtain the IRC before proceeding with the ERC, resulting in a rigid, sequential process. In practice, this often created significant delays, as the IRC application, particularly for projects involving conditional business lines, can be both time-consuming and substantively complex. It typically requires detailed regulatory assessment, consultation with relevant authorities and, in certain cases, additional approvals or clarifications, all of which can materially extend timelines.

The Law on Investment 2025 introduces a more flexible approach, allowing adjustments to the sequencing of IRC and ERC depending on the nature and structure of the investment project. The practical significance of this change is considerable. By enabling investors to obtain the ERC earlier in the process, businesses may establish their legal presence in Vietnam without being held back by the longer and more uncertain IRC timeline. This allows for preparatory activities, such as opening bank accounts, securing office space and initiating operational set-up, to proceed in parallel with the investment approval process.

In effect, this reform reduces procedural bottlenecks and aligns the licensing process more closely with commercial realities. It signals a clear shift toward a more facilitative and business-oriented regulatory regime, particularly for projects where early corporate establishment is critical to execution.

B. Reduction and rationalisation of conditional business lines

The 2025 Law on Investment continues the government's broader effort to simplify market access by reducing and refining the list of conditional business lines. This reform builds on a consistent policy trajectory in recent years, under which hundreds of business conditions have been removed or streamlined as part of Vietnam's wider administrative overhaul and pro-business agenda. A key feature of the new law is the further narrowing of sectors subject to conditional investment, with a number of lower-risk and commercially driven activities, such as certain trading and distribution activities, logistics support services not involving core transport operations, basic consulting and intermediary services, and selected education support services, being removed from the conditional list. This reflects a clear policy direction: where regulatory risks are limited, sector-specific licensing is being phased out in favour of general enterprise and specialised laws.

At the same time, for sectors that remain conditional, the new law places greater emphasis on clarity and consistency. It seeks to reduce ambiguity by more clearly defining applicable conditions and aligning them across relevant legislation, thereby addressing longstanding issues of overlap and inconsistent interpretation between authorities. The conditional business lines regime is now more focused and risk-based, with regulatory oversight concentrated in sensitive or highly regulated sectors such as financial services, telecommunications, healthcare, energy, and areas involving land, natural resources or national defence.

For investors, these changes reduce unnecessary barriers to entry in non-sensitive sectors while improving predictability for projects that remain subject to conditions.

Clearer rules and reduced regulatory overlap allow for more accurate upfront structuring and compliance planning. Overall, the reforms signal a shift toward a more targeted and proportionate regulatory framework, supporting Vietnam's broader objective of facilitating investment while maintaining appropriate safeguards.

C. Easing of procedures for outward investment

Another important feature of the latest Law on Investment is the simplification of procedures governing outbound investment by Vietnamese investors.

Historically, outward investment has been subject to a rigid and multi-layered approval process. Investors were required to obtain an Outbound Investment Registration Certificate ("OIRC"), supported by extensive documentation, including detailed project proposals, foreign exchange arrangements and, in some cases, approvals from multiple authorities depending on the nature of the investment. In practice, this often resulted in prolonged timelines, particularly for projects involving regulated sectors or significant capital transfers.

The new law introduces a more streamlined and structured approval framework. It clarifies and, in certain cases, narrows the categories of outbound investments requiring prior approval, allowing others to proceed under simplified registration or notification procedures. Documentation requirements have been rationalised, with reduced duplication across authorities, and there is a greater emphasis on post-licensing supervision, such as reporting and foreign exchange compliance, rather than extensive upfront scrutiny in all cases.

Beyond procedural efficiency, the reform reflects a broader policy shift toward supporting the internationalisation of Vietnamese enterprises. As domestic corporates grow in scale, the government is increasingly encouraging outbound expansion to enhance competitiveness and access new markets, resources and technology. These changes are expected to facilitate more efficient overseas expansion, strengthening Vietnam's role not only as a destination for investment, but also as an emerging source of regional capital.

2. Policy signals: what the Law on Investment 2025 tells us about Vietnam's direction

The new Law on Investment should not be viewed in isolation. Rather, it forms part of a broader pattern of reforms that collectively signal a shift in Vietnam's economic governance model.

A. From control to facilitation

The relaxation of procedural constraints, particularly around licensing and outbound investment, reflects a transition from a control-oriented approach toward a facilitative regulatory framework. This aligns with the government's broader push to create a more service-oriented and efficient administration.

B. Continued commitment to administrative simplification

The reduction of conditional business lines and the streamlining of investment procedures are consistent with Vietnam's ongoing efforts to eliminate regulatory overlap and reduce compliance costs. This is particularly significant given that, for many years, investors have identified overlapping licensing requirements, inconsistent interpretations between authorities and evolving regulatory conditions as key challenges when operating in Vietnam.

Against this backdrop, the current changes signal a clear responsiveness from the government to longstanding concerns raised by the business community. By narrowing the scope of conditional sectors and clarifying applicable requirements, the authorities are taking concrete steps to address regulatory fragmentation and improve the predictability of the investment environment. This builds on Vietnam's broader track record of removing and simplifying thousands of business conditions in recent years, and reinforces a sustained policy commitment to making the jurisdiction more transparent, efficient and investor-friendly.

C. Integration into global capital flows

By easing outward investment and improving inbound procedures, Vietnam is positioning itself not only as a destination for foreign direct investment but also as a source of capital and regional investment activity.

D. Alignment with broader economic strategy

These changes complement wider policy priorities, including digital transformation, green growth and the development of international financial centres. Together, they point toward a more sophisticated, globally integrated and innovation-driven economy.

3. Practical implications and key takeaways for investors

For foreign investors, the new investment legal framework is expected to facilitate faster and more efficient market entry. Greater flexibility in the sequencing of IRC and ERC processes allows for better alignment between investment structuring and execution, while the reduction in conditional business lines improves clarity on market access from the outset. In parallel, streamlined procedures reduce administrative burden, particularly for standard or non-sensitive projects.

That said, investors should be mindful that liberalisation at the entry stage is accompanied by increased regulatory expectations in areas such as compliance, transparency and corporate governance.

For domestic investors, the changes are equally significant. Simplified outbound investment procedures create more practical pathways for overseas expansion, while reduced domestic regulatory constraints support scaling and integration into regional and global value chains. Vietnamese corporates are increasingly positioned to operate not only as recipients of foreign capital, but also as active investors abroad.

Key takeaways include:

- Greater emphasis on efficiency and predictability: The reforms aim to reduce uncertainty in investment planning by streamlining procedures and clarifying regulatory requirements, addressing a longstanding concern for investors in Vietnam.
- Simplification and reduction of regulatory overlap: The new law reflects continued efforts to eliminate duplicative approvals and inconsistent interpretations, resulting in a more coherent and business-aligned licensing framework.
- A more targeted, risk-based regulatory approach: Regulatory scrutiny is increasingly focused on sensitive sectors, while lower-risk activities are liberalised, allowing for more efficient allocation of both regulatory and business resources.
- Liberalisation alongside stronger compliance expectations: While entry processes are becoming more facilitative, there is a parallel shift toward enhanced transparency, governance and post-licensing compliance obligations.
- Alignment with Vietnam's broader growth strategy: The changes support Vietnam's wider objectives of global integration, competitiveness and sustainable growth, reinforcing its position as an increasingly attractive investment destination.

While the changes under Law on Investment 2025 may appear incremental in isolation, their broader significance lies in the direction of travel. The law reinforces Vietnam's transition toward a more open, facilitative and internationally aligned investment environment.

Viewed alongside recent developments, including government restructuring, corporate governance reforms and strategic initiatives such as the establishment of international financial centres, Law on Investment 2025 forms part of a coherent and sustained policy agenda. For investors, the message is clear: Vietnam is not only open for business, but is actively refining its regulatory framework to support more efficient, predictable and scalable investment. Those who adapt early to this evolving landscape will be best positioned to capture the next phase of growth.

Further information

Should you have any questions on Vietnam's New Law on Investment or how this development may affect you or your business, please get in touch with the team at PDLegal.

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