

Vietnam Legal Update: February 2026

Asia Newsletter

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1. Introduction

2026 is expected to mark a significant paradigm shift in Vietnam's legal system and foreign investment environment. Most notably, the regulatory philosophy appears to be transitioning from a traditional model of strict pre-approval and procedure-oriented approach to a market-driven governance model featuring post-approval supervision and self-responsibility. On the macroeconomic front, total foreign direct investment (FDI) in Vietnam exceeded USD 28.54 billion as of the end of September 2025, marking a robust 15.2% year-on-year increase. On the legal front, key laws impacting companies' operations continue to be enacted.

2. Innovations in Foreign Investment Access under the 2025 Revised Investment Law (Effective March 2026)

The amended Investment Law, which became effective on March 1, 2026, includes provisions designed to improve the investment environment for foreign investors. However, detailed guidelines, such as decrees specifying procedural details, have yet to be clarified, necessitating continued close monitoring of practical implementation trends.

(1) Advance Issuance of Enterprise Registration Certificates (ERC)

The traditional sequence has been changed, allowing companies to obtain an ERC and establish a legal entity prior to applying for an Investment Registration Certificate (IRC).

Impact on practice: The early establishment of a corporation is expected to enable the early leasing of office space and opening of bank accounts, as well as the receipt of preparatory expenses directly as VAT invoices in the name of the local corporation and their recording in official accounting books.

(2) Green Lane (Special Fast Track) System

A system has been introduced to simplify administrative procedures for high-quality FDI projects located in specific areas, such as economic zones and high-tech parks. Many administrative procedures, such as investment policy decision-making procedures, environmental impact assessments, and construction permits, have been simplified, or are subject to exemptions.

(3) Easing of Entry Barriers

Approximately 38 sectors have been removed from the "Conditional Investment and Business Sectors" subject to foreign investment restrictions, removing barriers to entry in various service sectors. Specifically, prior to this amendment, businesses operating in these sectors were required to obtain strict prior approvals, such as

sublicenses, before commencing operations. The sectors affected by this deregulation include the following categories:

- **Logistics, Trade, and Customs-Related:** Customs clearance services, commercial appraisal services, temporary import/re-export businesses for specific goods (special consumption tax items, frozen foods, used goods, etc.), multimodal transport services
- **IT and Data:** Data center services, IT infrastructure construction and software development for land information systems, land database construction services
- **Construction and Real Estate:** Architectural services, construction investment cost management services, construction activities by foreign contractors, condominium management and operation services
- **Specialized Services & Human Resources:** Tax procedure services, insurance assistance services, employment and worker dispatch services, overseas study consulting services
- **Other Services:** Automobile warranty and maintenance services, shipbuilding and ship repair services, record storage (archiving) services, cosmetic surgery services, animal quarantine services, calibration, testing, and verification services for measuring instruments, art performances, fashion shows, beauty pageant and modeling contest organization services, and others.

Removal of these sectors from the conditional list has three major regulatory and practical implications, as summarized below.

(i) Challenges Under the Former "License-First (Pre-Approval System)"

Previously, to conduct business in sectors designated as "Conditional Investment and Business Fields," companies could not legally commence operations (such as providing services or recording sales) until they not only completed basic incorporation procedures (like acquisition of an ERC or IRC) but also obtained specific, advance "sublicenses" or "business eligibility certificates" from the ministry or agency with jurisdiction over the relevant business. This prior approval process was time-consuming and labor-intensive, significantly delaying market entry and increasing compliance costs for companies.

(ii) Transition to "Standard Business Sectors" and Immediate Commencement of Business

The requirement to obtain an individual license as a prerequisite for the commencement of business has been waived for the sectors removed from the list by this amendment. Consequently, businesses in these sectors can begin operations immediately upon completing the incorporation process, without any waiting period.

(iii) Introduction of a "Post-Inspection" Mechanism

Instead of requiring prior permits, the Vietnamese government will publish technical standards and business requirements with which each operation must comply. Companies will operate their businesses on their own responsibility after meeting these standards, and authorities will manage the market through "post-inspection" to verify compliance after the commencement of business. This deregulation brings clear benefits, and dramatically lowers market entry barriers and initial costs, particularly for startups, where speed is critical, and foreign companies seeking to enter the market.

3. Extraordinary Support for the Private Sector and Innovation under Politburo Resolution No. 79 and Decree 20/2026

From January to February 2026, Vietnam's leadership made a series of policy decisions that will fundamentally redesign the nation's economic structure. At the core of this effort are Politburo Resolution 79 on the strategic restructuring of state-owned enterprises (SOEs), National Assembly Resolution 198 and Government Resolution 139 establishing special mechanisms to support private economic development, and Decree 20/2026/ND-CP, the specific implementing regulation.

(1) Resolution 79's Implications for SOE "Withdrawal and Concentration"

Politburo Resolution No. 79, issued on January 6, redefines the role of state-owned enterprises (SOEs) in Vietnam's national economy under a long-term vision toward 2045. The resolution calls on SOEs to establish corporate governance frameworks aligned with international standards and to pursue efficient operations based on market principles rather than administrative directives. While SOEs—which account for approximately 29% of Vietnam's GDP—continue to maintain overwhelming dominance in terms of total assets and market share, the key insight to be drawn from the resolution lies between the lines. It represents a clear policy intention for SOEs to concentrate their managerial and financial resources on truly strategic and national security sectors, such as advanced infrastructure, defense, and core industries, while systematically withdrawing from inefficient or non-strategic areas. The substantial economic space thereby created is expressly intended to be opened up to the private sector and foreign capital.

In fact, the resolution strongly encourages infrastructure development and the provision of public services through expanded public-private partnerships (PPPs) and the mobilization of social resources.

This means significantly expanded opportunities for strategic investment in the privatization (equity listing) process of state-owned enterprises and new entry into sectors previously monopolized by state-owned enterprises.

(2) Innovative Tax Incentives and Ecosystem Support Under Decree 20/2026

Decree 20/2026 introduced substantial tax incentives to fill the space created by the restructuring of state-owned enterprises and foster the private sector as the primary driver of the national economy. These incentives focus on innovation, research and development (R&D), and building a startup ecosystem.

Supported Areas	Key Incentives and Mechanisms Under Decree 20/2026	Impact and Implications for Businesses
Full Corporate Income Tax (CIT) Exemption	<p>Newly established SMEs (Small and Medium Enterprises): Full tax exemption for 3 years from the date of issuance of the first Enterprise Registration Certificate (ERC).</p> <p>Innovative startups, innovative startup investment fund management companies, and other special organizations: Full tax exemption for 2 years, followed by a 50% reduction in CIT for the subsequent 4 years.</p>	<p>Significant preferential treatment compared to conventional SME tax rates (e.g., 15%). However, this treatment does not apply to SME companies newly established through M&A, corporate splits, or legal form conversions, which are excluded to prevent tax avoidance.</p> <p>Innovative startups, innovative startup investment fund management companies, and other special organizations must account for income separately.</p>
Strong Promotion of Research and Development (R&D)	<p>Allows a 200% super deduction (special deduction) on actual expenses incurred for qualified R&D activities when calculating corporate income tax.</p> <p>Up to 20% of taxable income can be contributed tax-free to the "Science, Technology, Innovation, and Digital Transformation Fund" (double the previous standard).</p>	<p>This provides extremely strong financial incentives for manufacturers to elevate Vietnam from a mere "low-cost assembly base" to a high-value-added "global R&D hub and design center."</p>
Personal Income Tax (PIT) Exemption	<p>Startup equity transfers: Exempts PIT on capital gains earned by individuals from transferring equity stakes or shares in innovative startups (excluding transfers to listed companies).</p> <p>Highly Skilled Personnel: Exempt PIT on salaries</p>	<p>Venture Capital (VC) and angel investor exit environment dramatically improved. Accelerates the shift from investment structures traditionally routed through tax havens to direct</p>

	and remuneration for specialists and scientists working at innovative startups or R&D centers for the first two years, followed by a 50% reduction for the next four years.	holdings in Vietnam. Reduces the cost of attracting talented foreign engineers.
Access to Business Infrastructure and Land	High-tech companies, SMEs, and innovative startups receive a 30% reduction in land rental fees for the first five years at designated facilities, such as industrial parks and technology incubators.	Directly reduces initial investment burdens. Support for facility leasing through public real estate management organizations also will be provided.
Management Capability & DX Support	The state budget will provide free digital platforms, such as accounting software compatible with electronic invoices and digital signatures, for SMEs and micro-enterprises. The government covers 100% of training costs for management, accounting, taxation, and human resources.	This elevates the governance and accounting standards of local companies at the end of the supply chain, reducing compliance risks (such as joint liability for fraudulent accounting or tax evasion) for companies sourcing locally.

To maximize these incentives, strict compliance with eligibility requirements for the targeted technology sectors is essential. It is vital to collaborate with specialized accounting and law firms from the outset to ensure proper registration of business objectives and establish internal regulations (such as fund management rules).

4. Strengthening Enforcement of Digital Economy, Data Privacy, and Cybersecurity Legislation

The Vietnamese government is strengthening legal frameworks in cyberspace.

(1) Implementation of the New Personal Data Protection Law (PDPL) and Risk of Substantial Fines

The "Decree on Personal Data Protection (Decree 13/2023/ND-CP)," which had been in effect since July 2023, has now been replaced by the new "Personal Data Protection Law (PDPL)" passed by the National Assembly on June 26, 2025, which took effect on January 1, 2026. The Ministry of Public Security (MPS) is the competent authority for this law, and the Ministry of Information and Communications (MIC) is involved also.

The PDPL establishes comprehensive data subject rights (including the right to know regarding interactions with AI), obligations for data controllers and processors, restrictions on the sale of personal information, limitations on marketing activities, and strict requirements for cross-border data transfers. It is important to note that enforcement efforts have been strengthened. During the first half of 2025, prior to implementation of the new law, Vietnamese authorities reportedly uncovered 56 illegal data trading businesses involving more than 110 million personal information records. Penalties for companies that cause data breaches or compliance violations can be assessed at levels up to 5% of the previous year's total revenue, comparable to the massive fines that can be imposed under the EU's GDPR (General Data Protection Regulation), depending on the nature of the violation.

All Data Protection Impact Assessments (DPIAs) updated after January 1, 2026, must comply fully with the new law's standards. Companies operating B2C businesses, and manufacturers that share the personal information of thousands of factory workers with parent companies, must go beyond superficial revisions to privacy policies. They urgently need to re-implement data mapping, strict consent acquisition processes, and the development of incident response plans.

(2) Cybersecurity and Data Localization

In parallel with the PDPL, regulations based on the 2018 Cybersecurity Law (Law No. 24/2018/QH14) and the related, detailed rules set forth in Decree 53/2022/ND-CP have been strengthened also. This regulatory tightening includes obligations for specific telecommunications operators and internet service providers to store

user data domestically (data localization) and establish physical facilities within Vietnam. A new Cybersecurity Law is scheduled to take effect on July 1, 2026, and is expected to introduce stricter security standards for critical information systems and enhanced enforcement against prohibited content.

(3) Responsibilities of Platform Operators in the E-Commerce Sector

The new e-commerce law (LEC 2025) imposes the following regulations on foreign e-commerce platform operators active in Vietnam:

- **Online ordering functionality:** Operators managing e-commerce platforms for sales must establish and designate an "Authorized Entity" within Vietnam.
- **Without online ordering functionality:** Operators of intermediary platforms or e-commerce platforms on SNS (e.g., live commerce) are obligated to designate an "Authorized Representative."

In addition, under Decree 37/2026/ND-CP, which took effect on January 23, 2026, platform operators are responsible for publicly disclosing complete labeling information (including seller details) for all listed products and are obligated to retain business operation data, including consumer feedback, for a minimum of five years.

5. ESG Compliance in Global Supply Chains and the New Chemical Substances Law

The wave of ESG (Environmental, Social, and Governance) legislation, centered on European and American markets, no longer remains confined to regional regulations. It has direct ripple effects on the global supply chain management that makes Vietnam a key production hub.

(1) Ripple Effects of Supply Chain Due Diligence Directives (CSDDD, etc.)

The European Union's "Corporate Sustainability Due Diligence Directive (CSDDD)" and Germany's "Supply Chain Due Diligence Act (SCDDA)" legally require covered large enterprises to identify, prevent, and remedy human rights violations (child labor, forced labor, lack of occupational health and safety, etc.) and environmental destruction. As a direct result of this extraterritorial application, EU companies and Vietnamese suppliers whose end customers are companies that supply parts to EU firms are being required by their clients to provide extremely advanced ESG compliance documentation. For example, for renewable energy projects and electric vehicle (EV) products, traceability to raw materials extraction sources and calculation of greenhouse gas (GHG) emissions across the entire supply chain are increasingly becoming mandatory contractual requirements.

Vietnamese companies unable to establish internal systems to meet these requirements—such as compliance with labor standards and strict adherence to environmental protection laws—face the risk of being ruthlessly excluded from global supply chains.

(2) Comprehensive Overhaul of Regulatory Architecture under Vietnam's New Chemical Substances Law (Effective January 2026)

In step with rising ESG demands, Vietnam's domestic environmental regulations also are becoming more sophisticated. The new "Chemical Substances Law (Law No. 69/2025/QH15)," which became effective in January 2026, is not a partial revision of previous laws but a complete overhaul (reset) of the entire regulatory framework for chemical substance management.

- **Mandatory Adoption of GHS:** The UN's "Globally Harmonized System of Classification and Labelling of Chemicals (GHS), Revision 2nd Edition and Later" has been fully incorporated as the binding standard for hazard classification and information communication. Consequently, everything from creating Safety Data Sheets (SDS) for chemicals to product labeling and import declarations must strictly comply with GHS.
- **Expanded Regulation to "Product-Contained Chemicals":** The most significant feature of this law is the express expansion of its regulatory scope, which goes beyond chemicals and includes "hazardous

chemicals in products and goods." Manufacturers and importers are obligated to monitor and manage the content and concentration of chemicals throughout the entire life cycle—from the procurement of raw materials, through production, to final product shipment—and to declare and report this information batch-by-batch via the National Chemical Substance Database.

- **Market Access Requirements and Strict Customs Inspection:** Substances not listed in Vietnam's National Chemical Inventory are deemed "new chemical substances," for which mandatory strict technical evaluation and registration prior to market entry is required.

Compliance with this law is essential for companies exporting chemicals, electronic components, automotive parts, textiles, daily necessities, and other items to Vietnam, or for companies manufacturing in Vietnam. At customs, frequent cargo detentions and clearance refusals occur due to GHS misclassification, incomplete SDS, or missing import declarations. This can cause significant operational disruption, potentially halting production lines, and requires careful attention.

6. Transition to Data-Driven Governance in Real Estate and Construction

Vietnam's real estate sector has long been plagued by information asymmetry, opaque rights relationships, and cumbersome, bureaucratic administrative procedures. However, a series of laws and regulations set to take effect in 2026 may change this situation.

(1) Assigning "Electronic Identification Codes" to All Real Estate (Decree 357/2025)

Pursuant to Decree 357/2025/ND-CP, which became effective March 1, 2026, all residential and real estate assets in Vietnam (including without limitation apartments, single-family homes, and specific plots/floors within construction projects) will be assigned unique "Digital ID Codes."

- **Code Structure:** Each code consists of up to 40 alphanumeric characters, and is generated automatically by the system based on the land parcel ID, project/construction code, location code, and property type.
- **Consistency and Tracking:** The code is consistently maintained and used throughout the entire life cycle of the property (including ownership transfers via sale, leasing, and the establishment/cancellation of mortgages).
- **Centralized Management and Interoperability:** The code and property information are registered in a national database, centrally operated by the Ministry of Construction. Notaries, banks, and transaction parties can instantly verify rights relationships and project progress (total investment amount, land use scale, etc.) through this official digital channel.

When companies (real estate developers, funds, financial institutions) engage in real estate M&A transactions or project financing in Vietnam, they traditionally incur substantial legal costs and spend significant time eliminating transfer risks and performing title searches (verifying rights relationships). The new electronic identification codes are expected to enhance the accuracy and speed of due diligence.

(2) Shift in Governance Philosophy under the Construction Law (2025 Edition)

The "2025 Construction Law" came into effect in July 2026. The previous statute, the 2014 Construction Law, emphasized prior "evaluation and approval" by state agencies, which often caused project delays.

The new law is seen as shifting the approach from a "pre-approval system" to a "post-supervision system." For example, the scope of design evaluations conducted by state agencies has been reduced significantly, and now is limited only to large-scale projects with a significant impact on public safety. Developers have clear legal accountability for project execution, consultants are responsible for their professional capabilities, and contractors are responsible for actual construction work. As part of deregulation, measures to enhance liquidity for small-scale real estate development also have been introduced. These include exempting residential buildings under seven stories from the obligation to obtain construction permits and reducing the payment

obligation when converting garden land to residential land to 30%.

7. Labor-Related Updates (Effective February 2026)

The following legal amendments came into effect in February 2026. The legal, HR, and accounting departments of Vietnamese companies are likely to need to update internal regulations and systems to ensure compliance.

- **Establishment of a New Public Holiday, "Vietnam Culture Day"**: Based on Resolution 80-NQ/TW issued in January 2026, November 24 of each year has been officially designated a public holiday, "Vietnam Culture Day." Corporate HR departments must review their 2026 annual business calendars, factory shift schedules, and payroll systems (including holiday premium pay settings) immediately.
- **Full Digitization of Social Insurance and Health Insurance (Circular 09/2026/TT-BTC)**: Circular No. 9 of the Ministry of Finance took effect on February 3, 2026, and officially launched the "Electronic Social Insurance (SI) Handbook" and "Electronic Health Insurance (HI) Card," which are generated via the National Insurance Database and fully legally equivalent to traditional paper documents. Medical institutions and relevant authorities are expressly prohibited from requesting paper insurance cards when electronic versions are presented. This significantly advances the paperless transformation of corporate HR and labor management while also serving as a countermeasure against fraud risks, such as identity lending.

8. Summary and Recommendations

(1) Fundamental overview of investment structure and expansion plans

It is desirable to consider maximizing the financial benefits provided by the "advance acquisition of ERC" under the new investment law and the overwhelming speedup of procedures provided by the "green lane."

(2) Ensure full compliance with extraterritorial applicability of ESG and data privacy regulations

It may be necessary to respond to ESG audit requirements for supply chains, originating from the European CSDDD, the full implementation of GHS in Vietnam's new chemical substance law, and the entry into force of the Personal Data Protection Law (PDPL), which carries the risk of enormous fines (up to 5% of sales). Particularly in manufacturing, it is recommended that companies establish systems to prevent operational disruptions, like customs seizures, by performing legal due diligence and chemical traceability audits across the entire local supply chain, including subcontractors.

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