

Key Changes in the New Law on Construction (Vietnam)

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1. Introduction

On December 10th, 2025, the National Assembly of Vietnam passed the new Law on Construction ("New LOC"), which will take effect on July 1st, 2026. This legislation comprehensively improves Vietnam's construction laws, aiming to streamline administrative procedures, decentralize management, promote digital transformation, and adopts international contractual practices in the construction sector.

2. Highlights of the New LOC

2.1 Project Control: The "One-Procedure" Principle

- Abolition of Redundant Appraisal: Under the current Law on Construction, state authorities are required to appraise the technical or construction drawing design after the basic design phase. The New LOC eliminates this requirement. Instead, the responsibility for appraising, reviewing, and approving the detailed construction design now rests entirely with the investor, following the approval of the feasibility study report.
- "One Procedure" Principle: Current regulation requires state authority's review of both the feasibility study report and the designs. As such, the New LOC simplifies the requirement to a single administrative procedure from project preparation to construction commencement: the approval of the feasibility study report. Once this report is approved, the investor may proceed directly to construction, significantly reducing both time and costs.

2.2 Reformed Project Categorization

The New LOC introduces a revised framework for project categorization. Previously, projects were classified based on their funding sources, such as public, private, or mixed funding. Under the new system, projects are now categorized according to their investment type: public investment, public-private partnerships (PPP), and ordinary business investment, which facilitates alignment between relevant public, PPP, and investment laws and construction activities, thereby enhancing legal coherence and strengthening regulatory oversight.

2.3 Broader Construction Permit Exemptions

- Project-Based Exemption: As noted above, projects will be subject to a single procedure only, namely the appraisal of their feasibility study report. The works within those projects are explicitly exempt from the requirement to obtain construction permits.
- Individual House Exemption: The New LOC expands exemptions for individual houses with fewer than seven floors and a gross floor area of less than 500 square meters, provided that they are located outside special planning zones.
- Transitional Provisions: For construction works that were issued a permit under the current law but will be classified as exempt under the New LOC, there is no requirement to amend the permit even if the design is modified.

2.4 Decentralization and Local Management

The New LOC enhances the authority and responsibility of local People's Committees in managing construction quality and urban order. The provincial-level People's Committee is now wholly responsible for managing construction order and quality within its jurisdiction, and is planned to be delegated the authority to administer the majority of licensing procedures as guided by the Government.

2.5 Digitalization and Transparency

The development and use of a National Database on Construction Activities are emphasized. This database is intended to simplify and standardize dossiers and information sharing across agencies, while also enhancing the digitalization and efficiency of processes related to construction licensing.

2.6 Key Contractual Concepts

- Liquidated Damages: Construction contracts may now include explicit provisions allowing parties to "pre-determine compensation amounts" for specific breaches. This may serve as an equivalent to liquidated damages and offers investors and contractors increased certainty and minimizes disputes regarding damage assessments, such as in non-performance or delays.
- Force Majeure Events (Frustration): The concept of force majeure is now formally recognized in the New LOC. However, the statute employs an exhaustive list approach and appears to limit customizations by the parties, making its nature more similar to frustration clauses than to the broader force majeure agreements commonly used in construction contracts.
- Change in Circumstance (Hardship): Originally introduced by the Civil Code 2015, this concept is referenced in the New LOC, albeit with fewer details.
- Contract Language Priority: If agreed upon by the parties, foreign contract languages are now

acceptable as the controlling language of the contract, although a Vietnamese version remains mandatory.

- Contract Law: Civil law is now expressly cited as applicable to construction contracts, thereby resolving the previously ambiguous hierarchy between commercial and civil laws, aside from the supremacy of construction law.

2.7 Construction Dispute Resolution

The New LOC takes dispute resolution a big step forward compared to the current law's straightforward process of negotiation, mediation, arbitration, or court. While both laws emphasize negotiation, the New LOC goes further by introducing international practices, probably including FIDIC-style Dispute Adjudication Boards (DABs) and Dispute Avoidance/Adjudication Boards (DAABs), which were missing from the old framework. It also reinforces the role of arbitration, giving priority to domestic arbitration for public and PPP projects and allowing international mechanisms only when they comply with treaties or receive official approval and they must be agreed by the parties in the relevant construction contract. Notably, the New LOC permits dispute resolution costs to be included in project budgets. Accordingly, the New LOC marks a shift from a basic approach to a more structured, globally aligned system that promotes contractual autonomy and proactive dispute management.

3. Conclusion

The New LOC reflects Vietnam's efforts to modernise the legal framework of its construction sector by tackling present legislative and practical issues. Although these reforms are promising and well-received, further government direction is necessary for their effective implementation, and some changes will require additional testing and refinement through real-world application.

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