

**DECREE No. 24/2000/NP-CP OF JULY 31, 2000 SETTING FORTH DETAILED
REGULATIONS FOR IMPLEMENTING THE LAW ON FOREIGN INVESTMENT IN VIETNAM
THE GOVERNMENT,**

Pursuant to the Law on the Organization of the Government dated September 30, 1992;

Pursuant to the Law on Foreign Investment in Vietnam dated November 12, 1996 [and] the Law dated June 9, 2000 Amending [and] Supplementing a Number of Articles of the Law on Foreign Investment in Vietnam;

**Chapter I
GENERAL PROVISIONS**

Article 1. Scope of application

This Decree makes detailed regulations on the implementation of the FIL in Vietnam dated 12 November 1996, the Law on Amendments and Additions to a number of Articles of the FIL in Vietnam dated 16 May 2000 (hereinafter referred to as the FIL).

Foreign investments in industrial zones ("IZ") and export processing zones ("EPZ"); foreign investments under Built-Operate-Transfer ("BOT") contracts, Built-Transfer-Operate ("BTO") contracts and Built-Transfer ("BT") contracts; foreign investments in the areas of disease examination and treatment, education and training, scientific research shall comply with the provisions of this Decree and other relevant provisions of laws.

International credit activities, operations of branches of foreign companies in Vietnam, and other forms of indirect investment and trade are beyond the scope of this Decree.

Article 2. Objects participating in co-operation and investment

Entities participating in investment co-operation in accordance with the provisions of the FIL in Vietnam shall include:

1. Vietnamese enterprises:
 - State owned enterprises established in accordance with the Law on State owned Enterprises;
 - Co-operatives established in accordance with the Law on Co-operatives;
 - Enterprises belonging to socio-political organizations;
 - Enterprises established in accordance with the Law on Enterprises.
2. Establishments specialized in disease examination and treatment, education and training, scientific research which satisfy the criteria stipulated by the Government;
3. Foreign investors;
4. Foreign invested enterprises ("FIE");
5. Overseas Vietnamese;
6. State bodies authorized to enter into BOT, BTO and BT contracts.

Article 3. Lists and selections of investment projects

1. To issue together with this Decree:
 - List of specially encouraged projects;
 - List of encouraged projects;
 - List of encouraged areas for investment;

- List of conditional investment fields;
- List of unlicensed investment fields.

Based on the economic and social development planning and orientation for each period, the Ministry of Planning and Investment ("MPI") shall co-ordinate with ministries, branches and People's Committees of provinces and cities under central authority (hereinafter referred to as provincial People's Committee) to submit to the Prime Minister for consideration and amendments of the above lists.

2. Investors are allowed to take the initiative to select investment projects, investment partners, investment forms, investment duration, areas, ratios of legal capital contribution, product consumption markets, except the projects included in the list of sectors in which investment will not be licensed and the list of sectors in which licensing of investment is conditional as stipulated in the appendix attached to this Decree.

Article 4. Governing laws

1. During its operation in Vietnam, an entity participating in investment co-operation as stipulated in article 2 of this Decree must comply with the provisions of the FIL in Vietnam, the provisions of this Decree and other relevant provisions of the laws of Vietnam.
2. In cases where Vietnamese law does not yet provide for dealing with particular situations relating to foreign investment in Vietnam, the parties may agree in the contract to apply foreign laws provided that such agreement is not inconsistent with the provisions of the laws of Vietnam.

Article 5. Languages used

Documentation of an investment project and official correspondence with State bodies of Vietnam must be prepared in Vietnamese or in Vietnamese and a commonly used foreign language.

Chapter II FORMS OF INVESTMENT

Article 6. Business Co-operation Contract ("BCC")

A BCC is a document signed by two or more parties (hereinafter referred to as the parties to a BCC) which stipulates the responsibilities of, and the sharing of business results between, the parties for the purposes of commencing business investment in Vietnam without creating a legal entity.

BCCs for the exploration for or exploitation of oil and gas and a number of other natural resources in the form of a production sharing contract shall be governed by the provisions of the law on petroleum, the relevant law and the FIL in Vietnam.

Article 7. Contents of a BCC

A BCC must contain the following principal matters:

1. Names, nationalities and addresses of the duly authorized representatives of the parties to the BCC; the business address or the address of the project.
2. Objectives and scope of business.
3. Contribution of the parties to the BCC, the sharing of business results, and the schedule for performance of the contract.
4. Main products and the ratio of products for export and products for domestic consumption.

5. Duration of the contract.
6. Rights and obligations of the parties to the business co-operation contract.
7. Financial principles.
8. Amendments and termination of the contract and conditions of assignment;
9. Sanction, dispute resolution.

In addition to the above matters, parties to a BCC may agree upon other matters in a BCC.

A BCC must be signed by authorized representatives of the parties to a BCC, and shall be effective as from the date of issuance of the investment licence.

Article 8. Co-ordination board

During the course of doing business, where necessary, parties to a BCC may by agreement establish a co-ordination board to co-ordinate activities and perform the BCC.

Co-ordination board is not the leading body of parties to a BCC. Functions, duties and powers of the co-ordination board shall be agreed by the parties.

Article 9. Operation Office

A foreign party to the BCC shall be allowed to establish an operation office in Vietnam to represent investors in carrying out the BCC and shall be responsible for the activities of this office.

The branch of the foreign party shall be allowed to have a seal and an account, recruit employees, sign economic contracts and conduct other business activities within the scope stipulated in the BCC and the investment licence.

The operation office the foreign parties must register with the licensing body.

Article 10. Tax obligations of parties to a BCC

1. The foreign party to a BCC shall fulfill its obligations to pay business income tax ("BIT") and profit remittance tax ("PRT") in accordance with the FIL in Vietnam; the Vietnamese party to a BCC shall fulfill its obligations to pay BIT in accordance with the provisions of the law applicable to domestic enterprises.
2. The BIT and other tax liabilities of parties to a BCC (including land rent, natural resource tax, etc.) may be aggregately charged to the product shared to the Vietnamese party, and the Vietnamese party is responsible for paying taxes to the government.

Article 11. JVC

1. A JVC is an enterprise established in Vietnam on the basis of a joint venture contract signed by two or more parties to invest and carry on business in Vietnam.
In special cases, a JVC may be established on the basis of an agreement signed between the Vietnamese Government and a foreign Government.
2. A new JVC is an enterprise which is established between an existing JVC with:
 - A foreign investor;
 - A Vietnamese enterprise;
 - An organization such as hospital, school, research institute which satisfies the conditions stipulated by the Government;
 - A foreigner residing in Vietnam;
 - An existing joint venture, a wholly foreign owned enterprise ("WFOE") in Vietnam.

3. A JVC shall be established in the form of a limited liability company. Each joint venture party shall be responsible to the other party and to the JVC to the extent of its contribution to the legal capital of the enterprise. A JVC shall have a legal status in accordance with the law of Vietnam, be established and operate as from the date of issuance of the investment licence.

Article 12. Contents of a joint venture contract

A joint venture contract shall contain the following principal matters:

1. Names, nationalities, addresses of authorized representatives of the joint venture parties; the name and address of the enterprise.
2. Objectives and scope of business.
3. Investment capital, legal capital, legal capital contribution ratio, method and schedule for making capital contribution, and schedule for construction of the enterprise.
4. Main products and the ratio of products for export and products for domestic consumption.
5. Duration of operation of the enterprise.
6. Representatives of the enterprise before the courts.
7. Rights and obligations of the parties.
8. Financial principles.
9. Amendments and termination of the contract; conditions of assignment, conditions for termination and dissolution of the enterprise.
10. Responsibilities from violation of contract, dispute resolution.

In addition to the above matters, the joint venture parties may agree on other matters in the joint venture contract.

A joint venture contract must be signed by authorized representatives of the joint venture parties, and shall be effective as from the date of the issuance of the investment licence.

Article 13. Joint venture's charter

The JVC's charter must contain the following principal matters:

1. Name and address of the enterprise; the names, nationalities and addresses of authorized representatives of the joint venture parties.
2. Objectives and scope of business of the enterprise.
3. Investment capital, legal capital, legal capital contribution ratio, method and schedule for making legal capital contribution.
4. Organizational structure of the enterprise.
5. Procedure for passing decisions of the enterprise; the principles of internal dispute resolution;
6. Representatives of the enterprise.
7. Financial principles.
8. Ratio for distribution of profits and losses between the joint venture parties.
9. Labour relation within the enterprise, training plans for executives, technical and professional staff, and employees.
10. Duration of operation, termination and dissolution of the enterprise.
11. Procedures for amendment and addition to the charter of a JVC.

In addition to the above matters, the joint venture parties may agree on other matters in the charter of a JVC.

The charter of a JVC must be signed by authorized representatives of the joint venture parties and registered with the licensing body.

Article 14. JVC's legal capital

1. Legal capital of a JVC must be at least equal to 30% of the total investment capital. With respect to infra-structure projects, projects invested in encouraged areas, afforestation projects, large size projects, this ratio may be reduced, but not lower than 20% of the investment capital, and must be approved by the licensing body.
2. The ratio of capital contribution of a party or parties to a JVC shall be decided by the parties, but it shall not be less than 30% of the legal capital of the JVC. Considering fields of investment, technology, market, investment return and other socio-economic benefits, the licensing body will approve a lower percentage, but it shall not lower than 20% of the legal capital of a JVC.

In case of a new JVC, the percentage of capital contribution by foreign parties must ensure the above conditions.
3. With respect to important projects as approved by the government, when signing a joint venture contract, parties to the joint venture shall agree to increase the capital contribution portion of the Vietnamese party in the legal capital of the joint venture.

Article 15. Progress schedule of contribution of legal capital

1. The legal capital may be contributed once in full at the time of establishment of a JVC or by installments over a reasonable period, following the method and progress schedule stipulated in a joint venture contract.
2. In cases where the joint venture parties fail, without reasonable cause, to make capital contributions in accordance with the agreed schedule, the licensing body shall have the power to withdraw the investment licence.

Article 16. Legal capital contribution in the form of land use rights

The contribution to the legal capital of a JVC in the form of land use rights by the Vietnamese party shall be agreed by parties on the basis of the land rent tariff decided by the provincial People's Committee based on the Ministry of Finance's ("MOF") general tariff.

Article 17. Joint venture's Board of Management ("BOM")

1. The BOM shall be the body in charge of the JVC. The BOM shall comprise a chairperson, a vice chairperson and members.

The number of members constituting the BOM, the members representing each of the joint venture parties, and the appointments of the board members, the chairperson of the BOM, the GD and the first deputy GD shall be in accordance with the provisions of the FIL in Vietnam.

The Chairman of the BOM, the vice chairman of the BOM and other members of the BOM may concurrently hold the positions of GD, deputy GDs and other positions of a JVC.
2. The term of office of the BOM shall be agreed by the joint venture parties but shall not exceed 5 years.
3. When establishing a new JVC, the existing JVC must have at least two members in the BOM, with at least one of those members being a Vietnamese citizen representing the Vietnamese party in the joint venture.
4. Board members shall not be paid salaries, but may be entitled to an allowance related to the activities of the board, which shall be decided by the board. These expenses shall be accounted for as the joint venture's operating expenses.

Article 18. Meetings of joint venture's BOM

1. The BOM shall hold a meeting at least once a year. Extraordinary meetings must be requested by at least two thirds (2/3) of the members of the BOM, or by one of the joint venture parties, the GD or the first deputy GD. Meetings of the BOM shall be convened and chaired by the chairman of the BOM. Chairman of the board may authorize the vice chairman to convene and chair the board meetings.
2. Meetings of the BOM must have a quorum of at least two thirds (2/3) of the members of the BOM representing the joint venture parties. A member of the BOM may appoint, by a written instrument, a proxy to attend meetings and vote on that member's behalf on matters in respect of which the proxy is authorized to vote.
3. The BOM shall pass the decisions within its power by voting at the meeting or by obtaining opinions in written document.

Article 19. Power and duties of Chairman of the BOM

The chairman of the BOM shall have the following powers and duties:

1. To convene and chair meetings of the BOM.
2. To have a key role in supervising and monitoring the execution of resolutions of the BOM.

Article 20. Powers and responsibilities of GD and Deputy GD

1. General Director ("GD") and Deputy GD of a JVC shall be responsible for the management and conduct of the day-to-day activities of the JVC. The GD shall be the representative of the enterprise before the court and Vietnamese State bodies, unless otherwise stipulated in the charter of the JVC. The GD or the First Deputy GD must be a representative of the Vietnamese party and must be a Vietnamese citizen residing permanently in Vietnam. In cases where the joint venture has only one Deputy GD, that Deputy GD shall be the first Deputy GD.
2. The BOM shall determine the power and duties of the GD and the First Deputy GD. The GD shall be responsible before the BOM for the operations of the JVC. The GD needs to discuss with the Deputy GD about the implementation of the board's resolution on a certain important issues such as: organization, nomination, dismissal of key personnel, financial statements approval, capital expenditure approval, economic contract conclusions.

In cases where the GD and the First Deputy GD have a difference of opinion in relation to the operation of the enterprise, the opinion of the GD must be complied with; however, the First Deputy GD may reserve his or her opinion and raise it with the BOM at its next meeting for consideration and decision.

3. In absence of the GD, the Deputy GD shall represent the GD to operate the enterprise and shall be responsible for his/her activities before the board.

Article 21. A wholly foreign owned enterprise ("WFOE")

A WFOE is an enterprise owned and established in Vietnam by a foreign investor who shall be responsible for the operations and the financial results of the enterprise.

A WFOE shall be established in the form of a limited liability company having a legal entity in accordance with the law of Vietnam, and shall be operational since the date of receiving investment licence.

Article 22. A WFOE' charter

A WFOE's charter shall have the following principal contents:

1. Name and address of the enterprise; the names, nationalities and addresses of authorized representatives of the foreign investors.
2. Objectives and scope of business of the enterprise.
3. Investment capital, legal capital, legal capital contribution ratio, method and progress schedule of legal capital contribution.
4. Representatives of the enterprise.
5. Financial principles.
6. Labour relation within the enterprise, training plans for executives, technical and professional staff, and employees.
7. Duration of operation, termination and dissolution of the enterprise.
8. Procedures for amendment and addition to the charter of the enterprise.

In addition to the above, the enterprise's charter may have other contents.

A WFOE's charter must be initialed on each page and signed on the last page by authorized representatives. The enterprise's charter shall be registered with the licensing body.

Article 23. Legal capital of a WFOE

1. The legal capital of a WFOE must constitute at least thirty (30) percent of the investment capital. In respect of infrastructure construction projects, projects invested in encourage areas, afforestation projects, and large-scale projects, this ratio may be reduced to twenty (20) percent provided that approval from the licensing body is obtained.
2. Method and progress schedule of legal capital contribution shall be stipulated in the enterprise's charter. In cases where foreign investors fail to follow the schedule without good reasons, the licensing body shall have the rights to withdraw the investment licence.
3. Any adjustments of the enterprise's investment capital and legal capital shall be decided by the foreign investors and should be approved by the licensing body.

Article 24. Legal representatives of a WFOE

The legal representatives of an enterprise with 100% foreign owned capital shall be the GD of the enterprise unless otherwise stipulated in the charter of the enterprise

Chapter III

DEVELOPMENT OF PROJECT AND ORGANISATION OF BUSINESS

Article 25. Personnel and the first meeting of the board

After obtaining the investment licence, a JVC must develop the following work:

1. Within 30 days from the date of issuance of the investment licence, the joint venture parties shall pass the list of members of the BOM; appoint the chairman of the BOM and the vice chairman of the BOM.
2. Within 60 days from the date of issuance of the investment licence, the BOM of a JVC shall hold the first meeting to carry out the following principal work:
 - Passing of the Regulations governing the operations of the BOM.
 - Appointments of the GD, Deputy GDs and Chief Accountant (or Financial Director).
 - Determination of the specific schedule of legal capital contribution by the joint venture parties; the program, plan and schedule for construction of the enterprise.
3. The minutes of the first meeting of the BOM shall be sent to the local Department of

Planning and Investment its head office of the enterprise is located. In respect of enterprises located in an IZ, an EPZ, HTZ, the minutes shall be sent to the Management Board of the IZs and EPZs (hereinafter referred to as the Management Board of the IZs) where the project is carried out.

4. The list of members of the BOM, GD, Deputy GDs of the enterprise shall be registered with the local Department of Planning and Investment; in respect of enterprises in IZ, EPZ, and HTZ, the list shall be registered with the Management Board of the IZ.

Article 26. Establishment and registration of the management team of a WFOE and a BCC

The establishment of the management team and the appointment of staff of a WFOE shall be decided by a foreign investor.

The registration of personnel of a WFOE, the representatives of the parties to a BCC and the operation office (with respect to a BCC) shall be in compliance with the provisions applicable to JVC's as stated in Article 25 of this Decree.

Article 27. Announcement of establishment

After being appointed, the GD of a FIE, representative of parties to a BCC shall make an announcement on a central or local daily newspaper in three consecutive issues regarding the following points:

1. Name and address of the enterprise or the place for performance of a BCC.
2. Names and addresses of the joint venture parties, parties to a BCC or foreign investors.
3. Legal representatives of the enterprise or the BCC.
4. Number and date of investment licence, name of licensing body, duration of the enterprise or the BCC.
5. Investment capital and legal capital of the enterprise, the capital contribution ratio of each party and the capital contribution committed by the parties to a BCC.
6. Objectives and scope of operation.

Article 28. Business registration, practice certificate

1. Investment licence shall be also a business registration certificate.
2. In respect of sectors and industries which require a business licence or practice certificate, a FIE and parties to a BCC shall only be required to register with a competent State body to develop its business activities in accordance with the provisions in the investment licence, and shall not be required to apply for a business licence or a practice certificate.
3. In respect of a number of sectors and industries where practice certificates are required by law, then before going into operations, FIEs or BCC parties must obtain practice certificates as regulated.

Article 29. Branches and Representative Offices

1. FIEs and parties to a BCC are allowed to set up branches outside the province or city where their head office are located or outside the main place of the BCC to conduct business within the scope and objectives stipulated in the investment licence.

Where necessary, in order to promote exports, a FIE may be allowed to set up branches or representative offices in foreign countries for marketing and sales purposes. The establishment of branches or representative offices in foreign countries must be considered and approval by the MPI.

2. FIEs are responsible for the activities of their branches and representative offices abroad.

Income earned by branches or representative offices shall be included in the parent company in Vietnam, and shall be subject to business income tax at the rate stipulated in the investment licence. Where a branch of a FIE is set up in a country which has concluded a double taxation agreement ("DTA") with Vietnam, the provisions in the DTA shall prevail.

3. The MPI shall provide guidance on procedures for establishment of branches or representative offices in foreign countries by a FIE.

Article 30. Hire of a management company

1. In respect of sectors such as hotel, office and apartment for lease, golf course, sport club, entertainment, disease examination and treatment, education and training and some other sectors which require specialized managerial skills, FIEs and Parties to a BCC are allowed to hire a management company to manage their business activities
2. The hire of a management company shall not change or adversely affect the objectives of the project and the interests of the State of Vietnam as stipulated in the investment licence.
3. The hire of a management company shall be carried out through a management contract signed between a FIE or parties to a BCC and a management company. The management fee payable to a management company shall be agreed by the parties in a management contract, and shall be charged to the operating expenses of a FIE or parties to a BCC.

A management contract shall be effective only after it is approved by the licensing body.

4. The management company shall operate under the name and use the seal and account of a FIE or parties to a BCC. The management company shall be responsible before the FIE and parties to a BCC, and shall comply with the Vietnamese laws during the process of carrying out the rights and obligations stated in the management contract.

The management company must fulfill its tax obligations and other obligations in accordance with the current provisions of the law. FIEs or parties to a BCC shall be responsible for payment of these taxes to the State of Vietnam on the behalf of the management company.

In all circumstances, FIE or parties to a BCC shall be responsible before the law of Vietnam for all activities of the management company related to management operation stated in the management contract. The management company must directly be responsible before the law of Vietnam for its activities beyond the scope of the management contract.

Article 31. Enterprise re-structuring

1. The division, separation, merger or consolidation of an enterprise or the conversion of form of investment must be approved by the licensing body. Applying dossier for division, separation, merger or consolidation of the enterprise, or conversion of form of investment shall include:
 - An application for division, separation, merger or consolidation of an enterprise, or conversion of form of investment.
 - Application for capital assignment (if it is the case).
 - A resolution of the BOM in case of a JVC, or agreement of parties to a BCC.
 - A new charter of the enterprise (except where it will be converted into a Vietnamese enterprise).
 - Financial statements of the enterprise subject to division, separation, merger or consolidation, or conversion of form of investment.
 - A scheme for division, separation, merger or consolidation of the enterprise, or conversion of form of investment.
 - Documents related to land use rights.

- Other documents as requested by the licensing body.
2. The scheme for division, separation, merger or consolidation of the enterprise, or conversion of form of investment must contain the following principal matters:
 - Current and future name and address of the representative; name and address of the enterprise subject to division, separation, merger or consolidation, or conversion of form of investment.
 - Objectives of business.
 - A plan for use of employees.
 - Principles of resolving obligations of the enterprise subject to division, separation, merger or consolidation, or conversion of form of investment.
 - The time limit for carrying out the enterprise re-structuring.
 3. Within 30 days upon receipt of adequate and legitimate files, the licensing body shall decide the approval of the division, separation, merger or consolidation of the enterprise, or the conversion of form of investment, by issuing the investment licence. In case of disapproval, it is required to have a document explaining the reasons.

Article 32. Succession of the rights and obligations of re-structured enterprise

After being granted an investment licence following the application for the re-structuring of the enterprise, the re-structured enterprise shall succeed the rights and obligations of the old enterprise(s) in accordance with scheme of re-structuring as stipulated at clause 2 Article 31 of this Decree.

Article 33. Capital assignment

1. When assigning capital, FIEs or parties to a BCC shall register the capital assignment contract with the licensing body.
2. Registration of the capital assignment contract shall include:
 - a. Application for capital assignment.
 - b. Capital assignment contract.
 - c. Resolution of the BOM in respect of a JVC or agreement of parties to a BCC.
 - d. Amended JV contract, BCC, enterprise's charter.
 - e. A report on operation results of the enterprise.
 - f. Legal status, financial position of assignor in case of assignment of capital to party outside the enterprise.
3. Within 15 working days from day of receiving application for capital assignment, the licensing body shall issue an amended investment licence.

Article 34. Re-structure of legal capital and investment capital

1. During its course of operation, an FIE may restructure its investment capital, legal capital when there is change in objectives, scale of the project, partner, capital contribution method and others.
2. The restructure of investment capital stated in Clause 1 of this Article shall not reduce the legal capital to a lower ratio as stipulated at Article 14 and Article 23 of this Decree.
3. The re-structure of investment capital and legal capital, change of capital contribution ration of JVC parties shall be decided by the BOM and should be approved by the licensing body.

Article 35. Transfer without compensation

Where a foreign investor commits to transfer the properties of his own to the State of Vietnam or to a Vietnamese party without compensation in accordance with the provisions of the investment licence, the total transferred assets must be ensured to be in normal operating conditions.

Where a FIE or parties to a BCC terminate its operations before the terms of the investment licence, the foreign party shall be responsible for returning all incentives which it previously enjoyed due to its commitment to transfer properties without compensation.

Article 36. Temporary cessation of operations or relaxation of the schedule for performance of the project

When a FIE or parties to a BCC have proper reasons to temporarily cease their operations or relax the schedule for development and performance the project, they shall report to the licensing body. Except for the case of force majeure, the temporary cessation of operation or relaxation of the schedule for performance of the project shall be only implemented after being approved by the licensing body.

When a temporarily cessation of operation or a relaxation of the schedule for performance of the project is approved, a FIE or parties to a BCC may be entitled to tax exemptions or reductions.

Article 37. Termination, liquidation, dissolution of enterprises

The termination of operations, liquidation of assets and dissolution of a FIE or a BCC shall be carried out according to the following procedures:

1. The licensing body shall issue a decision on termination of operations of a FIE or a BCC in cases stipulated in Article 52 of the FIL in Vietnam.
2. The FIE or the parties to a BCC shall have responsibility to establish a liquidation board to liquidate assets of the enterprise or to liquidate the BCC.
3. After completing the liquidation, the FIE, parties to a BCC shall make out a report and submit it to the licensing body for consideration and issuance of the decision on dissolution of the enterprise or termination of the BCC.

Article 38. Announcement of termination of operations

Within 15 days from the date on which the licensing body issues the decision on termination of operations, the FIE or the parties to a BCC shall publish the termination of their operation in central and local newspapers in three (3) consecutive issues and work out the liquidation of assets of the enterprise and liquidate the contract.

Article 39. Establishment of liquidation board

1. After 30 days from the date on which the operation is expired or from the date on which the decision on termination of the operation before the expiry date of the investment licence becomes effective, the BOM of a JVC or the foreign investor (in case of a WFOE) or the parties to a BCC shall have responsibility to establish a liquidation board to liquidate assets of the enterprise or liquidate the BCC. The liquidation board shall comprise representatives of the joint venture parties or the foreign investor or the parties to a BCC, who are appointed by the parties.
2. Beyond the time limit stated in Clause 1 of this Article, if the liquidation board is not established, the licensing body shall issue a decision on setting up the liquidation board to carry out the liquidation of the enterprise or the BCC; the licensing body may invite representatives of relevant agencies or organizations or specialists, representative of the employees, and representative of the creditor to join in the liquidation board.

3. The decision on establishment of the liquidation board stated in clauses 2 and 3 of this Article must clearly define the number of members, functions, duties, powers and operation expenses of the liquidation board and shall be sent to the joint venture parties, the members of the BOM of the JVC or the foreign investor (in case of a WFOE) or the parties to a BCC.

Article 40. Power and duties of liquidation board

1. The liquidation board is an organization which assists the BOM of a JVC or the foreign investor or the parties to a BCC in liquidation of the enterprise or the BCC. The liquidation board is allowed to use the stamp of the enterprise or the Vietnamese party to the BCC to carry out the liquidation.
2. During the process of liquidating, the liquidation board shall have the rights:
 - To request the GD, deputy GDs, chief accountant of the enterprise, the parties to a BCC and relevant individuals to provide files, documents, supporting documents, certificate of the right to use the account and expenditure serving the liquidation.
 - To request the GD of the enterprise, the parties to a BCC to hire or invite Vietnamese or foreign organizations and experts to conduct the audit, survey machinery, equipment and buildings, determine the remaining value of the enterprise or the BCC.
3. The liquidation board shall have the duties:
 - To notify the creditors and the relevant economic organizations in written document of the termination of operation of the enterprise or the BCC.
 - To determine the value of assets and legal property of the enterprise or the BCC.
 - To determine the financial obligations of which tax liabilities have been paid to State budget.
 - To determine the receivables and payables.
 - To organize the sale of assets and recovery of receivables.
 - To make settlement of payables.
 - To make out a liquidation report which is submitted to the BOM of the JVC or the foreign investor or the parties to a BCC.
 - All expenses related to the liquidation operation shall be charged to the expenditure of the enterprise or the BCC, and shall take priority over payment of all other liabilities.

Article 41. Priority order in settlement of debts

During the process of liquidation, other liabilities of the enterprise or the parties to a BCC shall be paid based on the priority order as follows:

1. Liquidation related expenses.
2. Wages and social insurance contributions of employees owned by the enterprise or the parties to the BCC.
3. Tax liabilities and other financial obligations of the enterprise or the parties to the BCC payable to the State of Vietnam.
4. Secured debts.
5. Other obligations of the enterprise and the parties to the BCC.

Article 42. Terms of liquidation board

1. The duration of operation of the liquidation board shall not exceed 12 months from the

date of establishing the liquidation board.

2. Beyond the above duration, if liquidation does not finish, the liquidation board shall still terminate its operation, and the parties shall resolve the outstanding matters by themselves. In cases where a dispute arises, it shall be dealt with in accordance with the provisions in Article 122 of this Decree.

Article 43. Methods of disposal of fixed assets

The assets of an FIE or parties to the BCC, upon liquidation, shall be resolved in accordance with a method agreed by the parties.

Where the Vietnamese party to a JVC contributes its capital in the form of the land use right, when termination of operation, the value of the land use rights for the remaining time shall be the asset to be liquidated of the enterprise.

Article 44. Procedures to be taken in case of bankruptcy

During the liquidation process, if there are enough factors to determine that the enterprise is in a position of bankruptcy, the liquidation board must report to the licensing body to terminate the liquidation and pass into the resolution in accordance with the bankruptcy procedures stipulated in the law on business bankruptcy.

Chapter IV

TAX AND FINANCIAL ISSUES

Article 45. Business Income Tax ("BIT") rates

FIEs and foreign parties to a BCC shall pay BIT at the tax rate of 25% of the profits earned, except for cases stipulated in Article 47 of this Decree.

In respect of the areas of exploration for and exploitation of oil and gas and a number of other rare and precious natural resources, BIT shall be subject to the provisions of the Law on Petroleum and other relevant legislation.

Article 46. Preferential treatments of BIT

The BIT rates applicable to cases where investment is encouraged shall be as follows:

1. 20 % rate shall apply to investment projects which satisfy one of the following criteria:
 - a. IZ enterprises operating in the service sector.
 - b. Manufacturing projects not on the list of encouraged projects stated at Article 45 and clause 2 and 3 of this Article.
2. 15% shall apply to investment projects which satisfy one of the following criteria:
 - a. Investment projects which are on the list of encouraged projects.
 - b. Investing in regions with difficult socio-economic conditions.
 - c. Export processing enterprises operating in the service sector.
 - d. IZ enterprises exporting more than fifty (50%) percent of products.
 - e. Enterprises subject to transfer the Vietnamese government without compensation upon termination of operation.
3. 10% shall apply to investment project qualifying one the following:
 - a. Meeting 2 criteria set out at clause 2 of this Article.
 - b. Being on the list of especially encouraged investment projects.

- c. Being investment projects in regions with difficult socio – economic conditions which is on the list of encouraged regions.
 - d. Being enterprises developing infra-structure facilities of IZ, EPZ, HTZ; export processing enterprises.
 - e. Being enterprises investing in medical care, education and training, scientific research.
4. Regulations on period entitled to incentive BIT rates are as follows:
 - a. Incentive rates stated in this Article shall be carried out for the whole duration of the project with respect to projects meeting one of the following criteria:
 - being in the list of specially encouraged projects;
 - being in the list of regions where socio-economic conditions are specially difficult, where investments are encouraged;
 - being infra-structure development projects in IZ, EPZ and HTZ;
 - being projects in IZ, EPZ, HTZ;
 - Being project in the fields of medical care, education and training, scientific research.
 - b. 10% BIT rate shall apply for 15 years from the day of commercial operation, except for projects mentioned at paragraph a, clause 4 of this Article.
 - c. 15% BIT rate shall apply for 12 years from the day of commercial operation, except for projects mentioned at paragraph a, clause 4 of this Article.
 - d. 20% BIT rate shall apply for 10 years from the day of commercial operation, except for projects mentioned at paragraph a, clause 4 of this Article.
 5. After a period of enjoying BIT incentive rates as stated at paragraph b, c, d, clause 4 of this Article, 25% standard rate shall apply to projects.
 6. Overseas Vietnamese who invest in Vietnam in accordance with the provisions of the FIL in Vietnam shall be entitled to a twenty (20) per cent reduction of BIT as compared to those who invest in the projects of the same type, except for cases where they are entitled to a tax rate of ten (10) per cent.

Article 47. Projects not entitled to BIT incentives

The tax rates provided for in article 46 of this Decree shall not apply to projects in the sector of hotels, offices and apartments for lease (except where investment is located in regions with specially difficult socio – economic conditions, regions with difficult socio-economic conditions or where assets shall be assigned to the state of Vietnam after the expiration of the duration of operation without any compensation) and projects in the fields of finance, banking, insurance, trade and provision of other services (except projects in IZs and EPZs)

Article 48. BIT exemption and reduction

The exemption from and reduction of BIT shall apply as follows:

1. Projects referred to in point 1 of article 46 of this Decree shall be exempted from BIT for one year commencing from the time when their operations start to earn profits and shall be granted a fifty (50) per cent reduction for the two subsequent years.
2. Projects referred to in point 2 of article 46 of this Decree shall be exempted from BIT for two (2) years commencing from the time when their operations start to earn profits and shall be granted a fifty (50) per cent reduction for the three subsequent years.
3. Projects referred to in point 3 of article 46 of this Decree and investment projects in regions where investment is encouraged shall be exempted from BIT for four (4) years commencing from the time when their operations start to earn profits and shall be

granted a fifty (50) per cent reduction for the four subsequent years.

4. BOT, BTO, BT projects in regions where investment is encouraged, high-tech industrial projects, high-tech service projects in HTZs, afforestation projects, infrastructure construction projects in regions with specially difficult socio - economic conditions, large scale projects having significant socio - economic impact which are included in the list of projects where investment is specially encouraged shall be exempted from BIT for eight (8) years commencing from the time when their operation start to earn profits.
5. The periods of tax exemption or reduction shall run consecutively from the first profit making year.
6. The exemption from and reductions of BIT provided for above shall not apply to projects in the sector of hotels, offices and apartments for lease (except in cases where the investment is located in regions with specially difficult socio - economic conditions, regions with difficult socio - economic conditions, or where the assets are assigned to the state of Vietnam after the expiration of the duration of operation without any compensation), and investment projects in the fields of finance, banking, insurance, trade, provision of other services (except projects in IZs and EPZs).

Article 49. Adjustments of preferential BIT rates and periods of BIT exemption and reduction

1. When a FIE or a foreign party to a BCC fails, during the period of operation, to satisfy the conditions to enjoy the incentive BIT rates and BIT exemptions and reductions provided for in articles 46 and 48 of this Decree, the licensing body shall decide to adjust the tax rates and exemptions from and reductions of BIT stipulated in the investment licence.
2. In the event of a natural calamity, fire or other events of force majeure occurring during the course of operations, the MOF shall make a decision regarding any tax exemption or reduction in accordance with the applicable regulations.

Article 50. Profit Remittance Tax ("PRT")

1. The profits derived by a foreign investor from his investment in Vietnam (including the BIT amount refunded from reinvestment and the profits gained from capital assignment) which are remitted abroad or retained outside Vietnam shall be subject to PRT.
2. The PRT rates shall apply as follows:
 - a. 3% of the profits remitted abroad shall be applicable to:
 - overseas Vietnamese who invest in Vietnam in accordance with the provisions of the FIL in Vietnam;
 - foreign investors who invest in IZs, EPZs, HTZs;
 - foreign investors who make their legal capital contribution or who contribute their capital to a BCC at the level from USD ten (10) million or more;
 - Foreign investors who invest in regions with especially difficult socio-economic conditions where investments are encouraged.
 - b. 5% of the profits remitted abroad shall be applicable to foreign investors who make their legal capital contribution or who contribute their capital to a BCC at the level from USD five (5) million to less than ten (10) million to projects engaged in medical services, education and training services and scientific research services.
 - c. 7% of the profits remitted abroad shall be applicable to foreign investors who make their legal capital contribution or who contribute their capital to a BCC which are not on the list mentioned at paragraph a and b, clause 2 of this Article.
3. The PRT shall be collected on each time of remitting profits.
4. Where a foreign investor who has paid PRT and who afterwards does not remit profits abroad, the paid PRT shall be refunded.

Article 51. BIT refund due reinvestment

1. A foreign investor who reinvests his distributed profits and other legal revenues from the investment in Vietnam in a project in progress or a new project in accordance with the FIL in Vietnam shall be entitled to a refund of any BIT already paid in respect of the amount of profit reinvested provided that the following conditions are satisfied:
 - a. The reinvestment is made in the projects included in a sector where investment is encouraged as provided for in article 46 of this Decree.
 - b. The reinvested capital is used for three years or more.
 - c. The legal capital stated in the investment licence has been fully contributed.
2. BIT shall be refunded upon reinvestment at the following rates:
 - a. One hundred (100) per cent in the case of projects subject to BIT rate of ten (10) per cent.
 - b. Seventy five (75) per cent in the case of projects subject to the BIT rate of fifteen (15) per cent.
 - c. Fifty (50) per cent in the case of projects subject to the BIT rate of twenty (20) per cent.
3. When the requirement to use profits for reinvestment arises, the foreign investor shall prepare documents for submission to the MOF for consideration and decision. Documentation shall comprise:
 - a. An application for a refund of tax due to reinvestment.
 - b. A letter of guarantee to use profits for reinvestment from three (3) years or more.
 - c. A confirmation of the BOM of the JVC or, in case of a WFOE or a foreign party to a BCC, a confirmation letter of an auditing company regarding the full legal capital contribution made by the foreign investor.
 - d. A copy of the investment licence.
 - e. A certificate of the tax authority in relation to the amount of BIT already paid.
4. Within fifteen (15) days from the date of receipt of all legitimate documents, the MOF shall notify the investor of its decision, if approval is granted; the investor may proceed with the procedures for a refund of the BIT in respect of the profits reinvested. If approval is not granted within such time limit, the MOF must notify the investor in writing stating clearly the reasons therefore.

Where any profits intended to be reinvested are not reinvested, the investor must return any BIT refunded, including interest which will be charged at a rate applicable to a loan.

Article 52. Capital Assignment Tax ("CAT")

The capital assignment shall be carried out in accordance with the provisions in article 34 of the FIL in Vietnam and shall be subject to CAT payment as follows:

1. Where the capital assignment generates profits, the assignor shall pay CAT at the tax rate of 25% of the profits gained.
2. The taxable profit shall be equal to the assignment value minus the initial value of the assigned capital minus the assignment fees.

Where an investor continues to assign his contributed capital, the initial value of the capital assigned in each subsequent time shall be equal to the assignment value of the assignment contract in previous time plus the value of the additional capital (if any).

3. After obtaining a decision on approval of the capital assignment issued by a competent body, the capital assignor or the authorized person must submit the local tax authority a tax return in respect of the capital assignment accompanied by

relevant documents in accordance with the provisions of the tax authority.

Article 53. Tax year

The tax year applicable to FIEs and parties to BCCs shall commence on the first day of January and end on the thirty first day of December of each calendar year.

FIEs and parties to BCCs may apply to the Ministry of Finance for permission to adopt their own twelve (12) month fiscal year for the purpose of BIT assessment and payment.

Article 54. Net profit subject to BIT

Net profits subject to BIT shall be the difference between the total revenue and the total expenses plus other income earned by the enterprise in a tax year, less any losses permitted to be carried forward in accordance with article 40 of the FIL in Vietnam. Net profits subject to BIT consist of net profit generated by the head office and those of subsidiaries (if any).

The determination of profits subject to BIT shall be implemented in accordance with Article 9 of the BIT law. In addition, FIEs and parties to BCCs are allowed to deduct expenses which are identified by the tax authority as deductible expenses for the purposes of charity to support Vietnamese individuals and organizations.

Article 55. Losses carried forward

During the course of operation, if an FIE or a foreign party to a BCC makes a tax loss after being checked by the tax authority, the loss shall be permitted to be carried forward to the following years and be deducted from the taxable profits. Losses are carried forward for no more than 5 years.

Article 56. Setting up enterprises' funds

After payment of business income tax and fulfillment of other financial obligations, FIEs shall be allowed to appropriate part of after-tax profits to establish reserve fund, welfare fund, production expansion fund and other funds in accordance with the decision of the enterprises.

Article 57. Import duties exemption with respect to imported goods

1. FIEs and parties to BCCs shall be entitled to exemption from import duties in respect goods imported to form fixed assets, including:
 - a. Machinery and equipment.
 - b. Specialized means of transport which form part of the technological process and vehicles used for workers transportation (automobiles of 24 seats or more, watercraft).
 - c. Components, detailed parts, spare parts, support structures, moulds and accessories of the above equipment, machinery, specialized means of transport and vehicles stipulated at paragraph b of this clause.
 - d. Raw materials and supplies imported to manufacture equipment and machinery which form part of the technological process, or to manufacture components, detailed parts, spare parts, support structures, moulds and accessories of the equipment and machinery.
 - e. Construction materials which have not yet been locally produced.
2. Raw materials and supplies imported for the implementation of BOT, BTO and BT projects; seeds of crops, breeds of domestic animals, special pharmaceutical agricultural products permitted to be imported for the implementation of agricultural, forestry and fishery projects.
3. The exemption from import duties applicable to the above imported goods as stipulated at

clause 1 and 2 of this Article shall also be applied in the case of expansion of a project and replacement or renewal of technology.

4. FIEs and parties to a BCC engaging in the fields of hotels, offices – apartments for lease, residential premises, commercial centers, technical services, supermarkets, golf courses, tourist areas, sport centers, entertainment center, hospitals and clinics, training, culture, finance, banking, insurance, auditing and consultancy services shall be entitled to tax exemption as stipulated at clause 1 and 3 of this Article, except for equipment in Appendix attached to this Decree shall be entitled to a once – off exemption from import duties.
5. FIEs and parties to a BCC investing in the list of projects where investment is especially encouraged and investment projects in regions with especially difficult socio – economic conditions provided in appendix attached to this Decree shall be exempted from import duties in respect of raw materials used for production for a period of 5 years from the commencement of production.
6. FIEs and parties to a BCC investing in manufacturing mechanical, electrical, electronic components and spare parts shall be exempted from import duties in respect of raw materials used for production for a period of 5 years from the commencement of production.
7. Raw materials, spare parts, accessories and supplies imported for the production of goods for export shall be exempt from import duties.
8. Other goods and materials used for the projects where investment is specially encouraged in accordance with the decision of the Prime Minister
9. On the basis of the investment licence, economic technical feasibility study and technical design of the project, the Ministry of Trade or the body authorized by the Ministry of Trade shall determine the list of goods to be imported duty free. The above-mentioned imported goods may not be sold in the Vietnamese market. Where necessary, if they are sold in the Vietnamese market, the approval of the Ministry of Trade must be obtained and relevant taxes must be paid in accordance with law.

Article 58. Import duties with respect to raw materials imported to produce for export and to raw materials imported to process for sales to other manufacturing enterprises for export

1. FIEs and parties to BCCs are permitted to temporarily defer payment of value added tax in respect of raw materials and supplies imported for the production of goods for export for the period during which they are allowed to temporarily defer payment of import duties in accordance with the provisions of the Law on export and import tax. For a number of exports, due to production requirements or production cycle, the grace period of payment shall be decided by the MOF.

Beyond that deadline, FIEs and parties to a BCC must pay import duties, and shall be refunded the import duties on raw materials imported in proportion with the exported finished products.

2. FIEs and parties to BCCs who sell their products to other manufacturing enterprises for the latter to produce for export, shall be exempt from import duties on the materials imported in proportion with the sold finished products.

Article 59. Dutiable price of imported goods

Dutiable price of imported goods subject to import-export duties shall be determined based on the price stated on invoice of goods imported. In cases where no invoice is available, the dutiable price of imported goods shall be determined in accordance with the MOF regulations.

Article 60. Valued Added Tax ("VAT")

1. FIEs and parties to a BCC shall be entitled to a delay of VAT payments on raw materials and supplies imported for production for export for a period equivalent to the period of

grace payment of import-export tax in accordance with the Law on import-export duties.

2. FIEs and parties to a BCC shall not pay VAT for the following:
 - a. Machinery, equipment, and means of transportation as a part of a technology process which is not locally produced, are imported to form fixed assets of a FIE or to carry out a BCC.

In cases where in a complete line of imported machinery, which is not locally produced, there are some parts which are currently produced in Vietnam, the whole process shall be VAT exempt.
 - b. Construction materials which are not locally produced, are imported to form fixed assets of a FIE or to carry out a CCC.
 - c. Raw materials imported to produce semi finished products and deliver them to another manufacturing enterprise which then produces products for direct export

Article 61. Depreciation of fixed assets

FIEs and parties to BCCs shall carry out the depreciation of fixed assets in accordance with the provisions of the Ministry of Finance.

Chapter V

ACCOUNTING SYSTEM, STATISTICS AND INSURANCE

Article 62. Accounting, auditing, statistics work

1. Accounting, auditing and statistical work for FIEs and parties to BCCs shall be conducted in accordance with Vietnamese laws on accounting, auditing and statistics.
2. FIEs and foreign parties to BCCs shall adopt the Vietnamese accounting system.

Where for valid reasons, an FIE or a foreign party to a BCC requires to adopt a commonly accepted foreign accounting system, the approval of the Ministry of Finance ("MOF") must be obtained.
3. Foreign parties to a BCC shall keep accounting books and records in a manner conforming to the type of business co-operation concerned.

Article 63. Measurement unit, monetary unit, accounting records, and statistics

1. Measurement unit used in accounting and statistics shall be the official measurement units of Vietnam. All other measurement unit must be converted into the official Vietnamese measurement units.
2. The monetary unit to be used in accounting and statistics shall be the Vietnamese Dong. Where necessary, an FIE or a foreign party to a BCC may propose the Ministry of Finance to adopt the use of a foreign monetary unit.
3. The books of accounts and statistics shall be kept in Vietnamese or in both Vietnamese a commonly used foreign language.

Article 64. Financial statements

FIEs or foreign parties to BCCs must, within three months of the close of its financial year, submit their annual financial statements to the licensing body, the MPI, the MOF and the General Department of Statistics.

The annual financial statements of an FIE or a foreign party to a BCC shall, prior to being submitted to the above bodies, be audited by a Vietnamese independent auditing company permitted to operate in Vietnam in accordance with the auditing regulations.

The auditing company must be responsible before the law for the independence, objectiveness and reliability of the audit results.

The audited financial statements of an FIE or a foreign party to a BCC may be used as the basis for determining and finalizing tax obligations and other financial obligations to the state of Vietnam.

Article 65. Insurance regulations

1. FIEs and foreign parties to BCCs shall take out insurance under insurance policies entered into with Vietnamese insurance companies or other insurance companies permitted to operate legally in Vietnam.
2. FIEs and foreign parties to BCCs shall take out voluntary insurance and compulsory insurance in accordance with law.

Items to be insured include people, assets, civil liability and other items stipulated by law

Chapter VI

FOREIGN EXCHANGE CONTROL

Article 66. Opening bank accounts

FIEs or foreign parties to BCCs shall be allowed to open foreign currency accounts and Vietnamese Dong accounts with banks permitted to operate in Vietnam.

In special cases, in respect of a number of projects which have necessary requirements, FIEs shall be allowed to open accounts with banks abroad after the approval of the State Bank of Vietnam has been obtained. Enterprises shall have responsibility to report to the State Bank of Vietnam on the use of accounts opened abroad. The opening, use and closing of accounts by enterprises must be in accordance with the provisions of the State Bank of Vietnam.

Article 67. Regulations on foreign currency guaranty

1. FIEs and foreign parties to BCCs shall be allowed to buy foreign currency at commercial banks permitted to trade in foreign currency to satisfy their current transactions and other permitted transactions in accordance with the regulations on foreign exchange control.
2. With respect to especially important projects published by the government from time to time, the Prime Minister shall decide the guarantee to balance foreign currency requirements of FIEs or parties to BCCs, and stipulated in their investment licences.
3. The Vietnamese governments guarantee to assist in balance of foreign currency for FIEs, parties to BCC investing in construction of infra-structure projects and a number of important projects if commercial banks do not adequately satisfy the foreign currency requirements referred to in clause 1 of this Article.

Article 68. Remittance of receipts of foreign investors abroad

1. After fulfilling their tax obligations, foreign investors investing in Vietnam shall be permitted to transfer abroad:
 - a. Profits received from business operations, shared revenues.
 - b. Payments received from provision of services and transfer of technology.
 - c. Principal and interest of foreign loans.
 - d. Investment capital.
 - e. Other money and assets lawfully owned by them.

2. Upon termination and dissolution of enterprises, foreign investors shall have the right to transfer abroad the properties owned by them.
3. In cases where the amount transferred abroad under clause 2 of this Article is greater than the initial amount of capital and reinvested capital, then the excess amount can only be transferred abroad upon approval being granted by the licensing body.

Article 69. Remittance of income of foreigners abroad

Foreigners working in FIEs and for parties to BCCs are permitted to transfer abroad, in foreign currency, their salaries and other legal incomes after paying their income tax and other expenses.

Article 70. Foreign exchange rates

The exchange rates for conversion of foreign currency into Vietnamese currency and vice versa during the implementation of investment and production and business operations of FIEs and foreign parties to BCCs shall be in accordance with the regulations of the State Bank of Vietnam.

Chapter VII

EXPORTS /IMPORTS, TECHNOLOGY TRANSFER, ENVIRONMENTAL PROTECTION

Article 71. Registration of import plan

1. Within 60 days from the date of receipt of the investment licence, FIEs or parties to a BCC shall register their plans to import machinery, equipment, spare parts, and supplies, raw materials for the whole duration of capital construction or on an annual basis in accordance with the schedule for construction of the enterprise. The import plan may be supplemented, adjusted in the first month of each quarter on an annual basis in accordance with the schedule for capital contribution and construction, and the program on production and business.
2. On the basis of the investment licence, economic – technical feasibility study and technical design of the project, within 15 days upon receipt of documents, the body authorized by the Ministry of Trade shall approve the import plan of each project. Beyond the time limit mentioned above, if the approval is not granted, the body authorized by the Ministry of Trade must notify the enterprise or the parties to the BCC, stating clearly the reasons.
3. In cases where commercial conditions are the same, FIEs or parties to BCCs are encouraged to buy goods in Vietnam instead of importing them.

Article 72. Requirements for imported machinery & equipment and materials

1. The standard and quality of equipment, machinery and materials imported into Vietnam for the purpose of implementing an investment project must be in accordance with the requirements of production, environmental protection, and occupational safety as specified in the economic – technical explanatory statement, technical designs, and provisions on importing equipment and machinery.
2. Except for used equipment and machinery which are included in the list of equipment and machinery banned from import, FIEs and parties to BCCs shall have the right to decide and be responsible for the economic – technical efficiency of the import of used equipment and machinery, and ensure the general requirement of techniques and environment in accordance with the regulations of the Ministry of Science, Technology and Environment.

Article 73. Inspection of imported machinery and equipment

1. Equipment and machinery imported for the purpose of implementing an investment

project must be inspected with respect to its value and quality prior to being imported or prior to installation except case where machinery and equipment are imported by way of bidding.

2. The customs body at the border gate shall base on the approved import plan to permit equipment and machinery to be imported and shall not require the enterprise to present certificate of inspection.
3. The organization carrying out the inspection of the imported equipment and machinery may be a Vietnamese or foreign inspection company permitted to operate in Vietnam and state organization having function to inspect in Vietnam, or an overseas inspection company where equipment and machinery are subject to inspection before being imported. The investor must provide the licensing body with information on the selected inspection company.

The organization carrying out the inspection shall be legally and materially responsible for the results of the inspection. In cases where the results of the inspection indicate the value less than that specified by the investor, the investor must adjust the value in accordance with the results of the inspection. Where it is identified that the investor has acted deceptively, the investor shall, depending on the seriousness of the breach, be dealt with in accordance with the provisions of the Law.

4. Where necessary, the licensing body may request the investor to re-inspect the imported equipment or machinery.

Article 74. Finance lease and operating lease of machinery and equipment

1. With respect to the number of projects which have special requirements, FIEs and parties to BCCs shall be permitted to lease machinery and equipment from domestic or foreign enterprises to implement the projects.
2. Where an FIE or a party to a BCC financially leases machinery and equipment to form fixed assets of the enterprise, these machinery and equipment shall be exempt from import duties.
3. Where an FIE or a party to a BCC leases machinery and equipment to carry out their business in Vietnam, the following regulations shall apply:
 - a. Only machinery and equipment which is not available in the technology process when an economic – technical feasibility study was submitted, as well as molds, spare parts required for production for a particular period are allowed to be leased.
 - b. The above machinery and equipment must be re-exported after lease.

FIEs and foreign parties to BCCs shall have to fulfill their financial obligations on behalf of the foreign lessors in accordance with the current regulations.

FIEs and foreign parties to BCCs shall charge the lease of machinery and equipment to their operating expenses, not account for as fixed assets, and calculate depreciation of fixed assets.

Machinery and equipment leased by a FIE or foreign parties to a BCC shall not be considered as their own fixed assets during the process of liquidation or bankruptcy.

Article 75. Processing and sub-processing

FIEs and parties to BCCs may conclude contracts to process or sub-process products in accordance with the objectives stated in their investment licence, specifically as follows:

1. Processing products for foreign parties.
2. Processing products for domestic parties.
3. Sub-contracting to local enterprise to process a part of products or a segment when the capacity of machinery and equipment or the technological process of the enterprise does not ensure the production.

Article 76. Export of goods

FIEs or parties to BCCs are permitted to export their products directly or through an export agent, and have the right to act as an export agent in accordance with the law.

Enterprises shall affect their export formalities at the customs body and shall not be required to register their export plan.

Except for items of goods included in the list of goods banned from export, the list of goods exported under conditions, FIEs or parties to BCCs shall be allowed to buy goods or products in the Vietnamese market for the purpose of processing for export, or for direct export.

Article 77. Domestic sales in the Vietnamese market

In respect of products to be sold in the Vietnamese market, FIEs shall be permitted to sell their products directly or through agents, and shall not be limited to sales areas. Enterprises shall also be permitted to act as agent of other enterprises which produce the same type of products in Vietnam.

Enterprises have the full rights to decide their selling prices of products. With respect to goods or services prices of which are controlled by the State, the selling prices shall be in accordance with the price frame announced by the competent State agency.

Article 78. Sales from export processing enterprises to local market

Export processing enterprises are permitted to sell their products to domestic market, including:

1. Raw materials, semi-finished products sold to enterprises which produce goods for direct export.
2. Goods that need to be imported to satisfy local demand.
3. Scrap, substandard products which are marketable.

Formalities and tax compliance for the above-mentioned goods shall be affected in accordance with the existing regulations.

Article 79. Bonded warehouses

FIEs which produce goods for export may establish a bonded warehouse at their premises. Goods stored in bonded warehouses shall not yet subject to import duties.

An enterprise needs to establish a bonded warehouse for the above purposes must ensure the following conditions and procedures:

1. Export at least fifty (50) per cent of its products.
2. Goods shipped from bonded warehouse to production plant must be registered and be subject to the supervision of customs authorities.
3. Goods delivered to bonded warehouse must not be sold in the Vietnamese market. In special cases where such goods are permitted to be sold in the Vietnamese market as approved by the Ministry of Trade, the enterprise must pay import duties and other taxes in accordance with the prevailing provisions of the laws.
4. Goods delivered into bonded warehouse which is damaged, reduced in quality, or unable to satisfy production requirements must be re-exported or destroyed. The destruction of such goods must be in accordance with the provisions of the General Department of Customs and be subject to the supervision of customs, tax, and environment authorities.
5. The General Department of Customs shall, pursuant to the above provisions, provide guidelines for the issuance of licences to establish bonded warehouses at FIEs and shall carry out the management and supervision of the operation of bonded warehouses

Article 80. Protection and encouragement of technology transfer

1. The Government of Vietnam shall create favorable conditions and shall protect the legal rights and interests of a party transferring technology into Vietnam for the purpose of implementing an investment project in Vietnam in accordance with the law on technology transfer; the Government shall encourage and grant preferential treatment for accelerated transfers of technology, especially advanced technology and technology which satisfies one of the following criteria:
 - a. Technology helps produce new or necessary products for Vietnam, or produce for export.
 - b. Technology enhances technical capability, product quality, or production capacity.
 - c. Technology must reduce usage of raw materials and fuel; it must exploit and utilize efficiently natural resources.
2. Transfers of technology which have adverse effects on the ecological environment, public order and occupational safety are prohibited.

Article 81. Technology transfer and contribution of capital in the form of technology transfer

1. The technology transfer of a FIE or parties to a BCC shall be carried out on a basis of a contract of technology transfer in accordance with the regulations on technology transfer.
2. The value of technology transfer to the capital contribution shall be agreed by the parties and shall, in all cases, be no more than twenty (20) per cent of the legal capital.

Patents, technical secret, technological process, technical services, etc. which are contributed to the capital are exempt from technology transfer related taxes.
3. When making capital contribution in the form of technology transfer, investors must prepare documentation for the transfer. Documentation for transfer of technology must be submitted together with the application for investment licence, and must contain information relating to industrial property, certificates of protection of industrial property rights and other certificates of technical capability and the principles on which the value of the technology is determined as agreed by the joint venture parties.

The capital contribution in the form of technology transfer must be approved by the Ministry of Science and Technology and Environment ("MOSTE"). The licensing body shall adjust the investment licence after the capital contribution in the form of technology transfer is approved.

Article 82. Environment protection

1. FIEs and parties to BCCs must be responsible for protecting environment, complying with the provisions and satisfying the standards on environmental protection, and implementing the law on environmental protection of Vietnam.
2. Based on the nature of operation, the level of technology and the degree of environmental impact the MOSTE shall issue a list of projects which are required to prepare an environmental impact evaluation report.

The preparation and appraisal of the environmental impact evaluation report shall be in accordance with the regulation on protection of the environment.
3. For projects not specified in the above list, investors shall only be required to set out in the investment application an explanation of any factors which may have an environmental impact, measures proposed to deal with those factors, and an undertaking to protect the environment during the period of construction and business operation.
4. In cases where investors apply advanced international environmental standards during construction and business operation in Vietnam, the investors shall only be required to

register with the MOSTE.

Chapter VIII

LABOUR RELATIONS

Article 83. Recruitments

1. FIEs and parties to a BCC shall recruit Vietnamese employees via labour supply organizations of Vietnam. If, after a maximum period of fifteen (15) days from the receipt of request of an enterprise for labour supply, the labour supply organization of Vietnam fails to satisfy the above request, the FIEs and parties to a BCC shall be permitted to recruit Vietnamese employees directly.
2. Where foreign labour is required, FIEs and parties to BCCs shall effect procedures at the Department of Labour, War Invalids and Social Affairs (of the locality in which the head office of the enterprise is located), or at the Management Board of Industrial Zones in respect of an IZ enterprise, for consideration of the issuance of a work permit in accordance with the provisions of the laws on labour.

Article 84. Salary payments to Vietnamese staff

1. The minimum salary level and salaries of Vietnamese employees working for foreign investment projects shall be determined and paid in Vietnamese Dong. The Ministry of Labour, War Invalid and Social Affairs shall publish the minimum salary level from time to time.
 2. The minimum salary level and salaries of Vietnamese employees may be adjusted when the consumer price index increases by 10% or more as compared to that of the most recent adjustment.

Chapter IX

LAND USE, CONSTRUCTION, TENDERING, ACCEPTANCE OF PROJECTS, FINALISATION OF THE VALUE OF INVESTED CAPITAL

Article 85. Land rent and rent payments

FIEs and parties to a BCCs shall be leased land by the State of Vietnam for the purpose of implementing investment projects, and they must pay rent in accordance with the regulation of the MOF.

Article 86. Land rent tariff and land rent exemption and reduction

On the basis of the land rent tariff and conditions for rent exemption or reduction stipulated by the MOF, the provincial People's Committee shall decide the land rent land the rent exemption or reduction. The land rent in respect of each project shall remain stable for a minimum period of five years and any increase shall not exceed fifteen (15) per cent of the previously applicable rent.

In cases where a FIE or parties to a BCC have paid rent for the term of the lease of land, or for a number of years in advance, such payment shall not be readjusted if the rent is increased during that term or period.

Article 87. Regulations on land rent in IZ, EPZ, and HTZ

1. In respect of investment projects in IZs, EPZs, HTZs in which infrastructure facilities are constructed by an enterprise engaging in development of infrastructure, the payment of land rent, rent for premises on which infrastructure facilities have been constructed and

fees for use of infrastructure facilities shall be made in accordance with a contract signed with the enterprise engaging in development of infrastructure.

2. FIEs and parties to a BCC which lease land, lease premises in IZs, EPZs and HTZs shall be granted certificates of land use rights in accordance with the guidelines of the General Department of Land Administration.

Article 88. Competence of leasing land

The Prime Minister of the Government shall make a decision on the lease of land to projects which require five (5) or more hectares of urban land or fifty (50) or more hectares of other land. The provincial People's Committee shall decide on the lease of land to other projects.

Article 89. Compensation, site clearance and land rent documentation

1. In cases where land is leased from the State of Vietnam, the provincial People's Committee where the project is located shall be responsible for carrying out compensation, site clearance, and fulfilling procedures for lease of land. Compensation and site clearance expenses shall be charged to the invested capital of the project. Provincial People's Committees shall discuss with the enterprise about source of funds used for compensation and site clearance.
2. In cases where land use rights are contributed to the capital by a Vietnamese party, the Vietnamese party shall be responsible for land compensation, site clearance and fulfilling procedures for obtaining land use rights. Compensation and site clearance expenses shall be added to the Vietnamese contribution to the capital, or agreed between the parties.
3. Compensation tariff shall be carried out in accordance with the general rule of the State.
4. With respect to projects which are under the provincial People's Committee's authority to grant investment licence, the land lease application shall be considered and carried out at the same time with the issuance of investment licence.
5. With respect to projects which are under the MPI's authority to grant investment licence, the land lease application shall be submitted together with the application for an investment licence and must contain the following matters:
 - a. Location and size of the land.
 - b. Land rent as proposed by the provincial People's Committee on the basis of the land rent tariff stipulated by the MOF.
 - c. Method for compensation and site clearance.
6. Procedures and documentation leasing land shall be in compliance with the guidelines of the General Department of Land Administration.

Article 90. Starting point to calculate land rent and capital contribution in the form of land use right

In cases where an FIE or parties to a BCC lease land for the purpose of implementing an investment project, or a Vietnamese party makes capital contribution in the form of the land use right, the starting point to calculate the land rent or the value of capital contribution by the Vietnamese party is the time when the actual hand over of land is made.

Article 91. Land rent incentives

FIEs and parties to a BCC shall be entitled to lease land at the lowest rent and/or an exemption from or a maximum reduction of taxes in cases of constructing residential houses for employees and infrastructure facilities outside the fences of the project. This lowest land rent shall also apply to sectors such as medical services, education and training, scientific researches, etc.

Article 92. Mortgage of land use rights and properties associated with land

1. FIEs shall be permitted to mortgage the value of the land use right and assets accompanied with the leased land during the leased period at Vietnamese credit institutions, foreign bank branches, and joint venture banks between Vietnam and foreign banks in accordance with the Law on Credit Institution, to borrow capital for their business and production operations in accordance with the current regulations in the following cases:
 - a. A FIE which has paid its land rent in advance for many years, and the remaining duration of the term for which the land rent has been paid is at least 5 years.
 - b. A JVC to which the Vietnamese parties make capital contribution in the form of the land use right, the remaining duration of which is at least 5 years.
2. The value of mortgaged land use rights shall consist of compensation expenses, site clearance, and the prepaid land rent minus the expired land rent payments.
3. Documentation and application for mortgaging the land use rights shall be in compliance with the guidelines of the General Department of Land Administration and the State Bank of Vietnam.

Article 93. Cancellation of mortgage of land use rights and properties associated with land

1. When an FIE or a party to a BCC fulfils its obligations of paying its debts in respect of secured debts, they shall carry out the cancellation of mortgages in accordance with the existing provisions.
2. Where an FIE fails to fulfill its obligations to pay debts under contracts of loan, the mortgaged assets shall be dealt with in accordance with the existing provision.
3. Organizations or individuals obtaining the legal land use right from mortgages of land as regulated by law shall be allowed to continue using the land to implement the investment projects in accordance with the provisions of the issued investment licences; where the objectives of the operation are changed or supplemented, such changes or supplements must be approved by the licensing body.

Article 94. Management of construction of foreign invested projects

The management of construction of foreign invested projects shall be carried out as follows:

1. Evaluation of zone planning and architecture of investment projects involving construction.
2. Evaluation of technical designs and approval of the construction of the project
3. Inspection of the construction tendering process and issuance of construction and consultancy contractor permits to contractors who are awarded to undertake construction works and projects in Vietnam.
4. Management of the quality of construction works

Article 95. Evaluation of planning and proposal of architecture

Application for an investment licence must include the preliminary design indicating the proposed architecture.

The proposed architecture of the project shall be evaluated during the process of evaluation of the investment project.

Article 96. Contents of evaluation of technical designs

The following aspects of the construction design shall be evaluated:

1. The legal status of a design organization.

2. The conformity of the design with zone planning and the architecture of the project which have been evaluated and the detailed master plan which has been approved.
3. The compliance with the Vietnamese construction and design technical standards or foreign technical standards as approved by the Ministry of Construction ("MOC").

Article 97. Competence of evaluation of technical design and construction decision

The competence of evaluation of technical designs and approval of construction is regulated as follows:

1. The MOC shall evaluate the technical designs of Group A projects as stipulated in article 114 of this Decree, except for small-scale, and simple projects. Provincial People's Committees shall evaluate the technical designs of other projects.

The MOC shall provide guidance on technical design evaluation procedure.

2. The evaluation of technical design and the notification of the result to foreign investors shall be carried out in 20 days from the date of receipt of the documents; the MOC shall complete the evaluation of the technical design and notify the investor of its decision. After obtaining the approval of the technical design of the project, the investor may commence construction work.

After the expiry of the above twenty (20) day time limit, if the design evaluation body fails to notify the investor of its decision, the investor may commence construction work.

3. The investor must notify the provincial People's Committee responsible for the locality in which the construction will take place of the commencement of construction works at least ten (10) days in advance.

Article 98. Responsibility for construction projects

1. Investors are responsible before the Vietnamese law for project safety, fire and explosion prevention and protection of the environment during the construction period as well as during the period of operation of the project.
2. Survey, design and construction companies are responsible before the project owner and the Vietnamese laws for the quality of work carried out by each of them.

Article 99. Putting construction project into use

Upon completion of construction of a project, the investor shall report to the project design evaluation body on the completion of the project construction and shall be permitted to commence operating the project. Where necessary, the above body shall inspect the project. Any breach of the approved construction design which is discovered shall be dealt with in accordance with law.

Article 100. Regulations on tender with respect to foreign invested projects

1. Parties to a JVC or a BCC to which a state owned enterprise contributes thirty (30) per cent or more of legal capital or business capital must organize a tender for, or select, consultants and designers and organize a tender for procurement of equipment and construction in accordance with the Vietnamese regulations on tendering. The BOM of a JVC, the legal representatives of parties to a BCC shall be responsible for approving the tendering plan of the project and the results of the tender on the basis of the agreement of the licensing body.
2. In addition to the projects stipulated in section 1 of this article, investors are encouraged to organize a tender for other projects in accordance with the Vietnamese regulations on tendering.

Article 101. Financial finalization of construction project

1. Within six months from the date of completion of the construction of the project or parts of the project and putting those in to operation, FIEs or parties to a BCC shall submit a finalization construction report to the licensing body. Investors shall be responsible for the truthfulness and the accuracy of the finalization report.
2. Within 30 days from the date of receipt of the finalization construction report, the licensing body shall be responsible for considering and issuing a certificate of registration of the finalization construction report.
3. In case of necessity, the licensing body may evaluate the finalization construction report, and request an amendment of the investment capital in accordance with the expenditures incurred.
4. Within 6 months from the date of completion of the construction of the project and putting the construction into use, project owner shall submit an approved documentation for record in accordance with the current regulations.

Article 102. Settlements

1. Investors shall submit the certified construction finalization report to the customs body to affect the clearance procedures in respect of machinery, equipment, raw materials already imported for installation and construction of the project.
2. Where goods already imported is not used up for the installation and construction of the project, investors shall report to the licensing body and the customs body for settlement. The above goods shall only be sold or disposed of in the domestic market when an approval of the Ministry of Trade is obtained and the financial obligations related to those goods must be fulfilled in accordance with law.

Article 103. Support to infra-structure construction built outside a project

The Government shall assure to support the construction of technical infra-structure facilities reaching to the fence of a FIE, IZ, EPZ and HTZ. Where necessary, infra-structure construction enterprises may agree with enterprises engaged in development of infrastructure in a IZ, EPZ and HTZ or a FIE on a funding or any other arrangements for the construction of such infra-structure

Chapter X**PROCEDURES FOR ISSURANCE OF INVESTMENT LICENCES****Article 104. Procedures for issuance of investment licences**

1. Foreign investment projects in Vietnam shall be approved in the form of an Investment Licence ("IL"). The IL shall be issued under a standard form promulgated by the MPI.
2. The issuance of an IL shall be according to one of two following processes:
 - a. Registration for IL issuance.
 - b. Application for IL issuance.

Article 105. Requirements for projects which are subject to the registration for IL issuance

1. Projects subject to registration for issuance of IL must meet all the following conditions:
 - a. Not included in Group A as stipulated in Article 114 of this Decree.
 - b. In conformity with the approved planning.

- c. Not included in the list of projects which are required to report on environmental impact.
2. In addition, projects subject to registration for IL issuance must also satisfy one of the following conditions:
 - a. Exporting their whole products.
 - b. Investing in IZs and satisfying requirements on export ratio as regulated by the MPI.
 - c. Being included in the manufacturing sector with invested capital amounting to five (5) million United States dollars and having export ratio of eighty (80) per cent or more.
3. The licensing bodies are not permitted to refuse the issuance of IL for projects which satisfy requirement for registration for IL issuance.
4. Other projects are subject to application for IL issuance.

Article 106. Registration for issuance of IL

1. Documentation of registration for issuance of IL shall include:
 - a. An application for issuance of IL.
 - b. A joint venture contract and a JVC's charter (in case of a JVC) or a WFOE's charter of (in case of a WFOE) or a BCC.
 - c. Documents confirming the legal status and financial position of the parties.
2. Registration for issuance of IL shall be made into five (5) sets of which there must be one (1) original set, and shall be submitted to the licensing body.
3. Within a period of fifteen (15) working days from the date of receipt of a complete set, the licensing body shall notify its approval decision in the form of an IL

Article 107. Documentation of application for IL issuance

1. Documentation of application for IL issuance shall comprise:
 - a. An application for issuance of IL.
 - b. A joint venture contract and a JVC's charter (in case of a JVC) or a WFOE's charter (in case of a WFOE) or a BCC's charter.
 - c. Economic- technical explanatory statement (feasibility study).
 - d. Documents regarding the legal status and financial position of the parties to a JVC, parties to a BCC, and of foreign investors.
 - e. Any documents relating to the technology transfer (if any).
2. Applications shall be made into twelve (12) sets in respect of Group A projects and eight (8) sets in respect of Group B projects of which there is one (1) original set, and all shall be submitted to the licensing body.

The MPI shall issue guidelines for the preparation of a foreign investment project application.

Article 108. Evaluation of investment project

The evaluation of investment project shall contain the following:

1. The legal status and financial capacity of the foreign and Vietnamese investors.
2. The conformity of the project objectives with planning.
3. Socio - economic benefits (the capacity to create new production forces, new branches of industry and new products, to expand markets, to create employment; economic benefits of the project and revenue for the budget, and so forth).
4. The technological and technical level to be applied, the proper use and protection of

natural resources and the ecological environment.

5. The proper use of land, the valuation of assets to be contributed as capital by the Vietnamese party (if any).

Article 109. Evaluation process for projects licenced by the MPI

1. In respect of Group A projects, the MPI shall collect the opinions of relevant ministries, branches and provincial People's Committees for submission to the Prime Minister for consideration and decision. In the event that there are different opinions in respect of important aspects of a project, the MPI shall establish an advisory committee, composed of competent representatives of relevant bodies and experts, in order to consider the project prior to submission to the Prime Minister. Depending on each specific case, the Prime Minister may require the State Evaluation Council for Investment Projects to study and advice before making a decision.
2. In respect of Group B projects which are within the authority of the MPI, the MPI shall collect the opinions of relevant ministries, branches and provincial People's Committees prior to consideration and decision.
3. Time limits for evaluation shall be as follows:
 - a. Within three (3) days from the date of receipt of legitimate documents, the MPI shall send them to the relevant ministries, branches and provincial People's Committees to collect their opinions.
 - b. Within fifteen (15) days from the date of receipt of legitimate documents, ministries, branches and provincial People's Committees shall provide their written opinions to the MPI in relation to the contents of the project within their respective scope of administration. Upon the expiry of such time limit, if no written opinions have been provided, the ministries concerned shall be deemed to have accepted the contents of the project.
 - c. In respect of Group A projects, within thirty (30) days from the date of receipt of legitimate documents, the MPI shall submit its evaluation results to the Prime Minister. Within ten (10) days from the time of receipt of the report of the MPI, the Prime Minister shall make a decision on the project. Within five (5) days from the date of receipt of approval of the Prime Minister, the MPI shall notify its decision on issuance of IL for the project.
 - d. In respect of Group B projects, within thirty (30) days from the date of receipt of legitimate documents; the MPI shall complete the project evaluation and issue ILs. The above time limits shall not include the period of time during which an investor is permitted to amend or supplement to its investment application documents. Any requirements of the MPI for amendment of or supplement to the project documents shall be made in writing within 20 days, from the date of receipt of legitimate documents. After the expiry of such time limit, if no IL has been issued, the MPI shall notify the investors in writing stating clearly the reason therefore with copies distributed to the relevant bodies.
4. The issuance of ILs in respect of investment projects in IZs, EPZs and HTZs shall be conducted in accordance with the authorization of the MPI.

Article 110. Evaluation process for projects licenced by provincial People's Committees

1. The evaluation of a project shall be in accordance with Article 108 of this Decree.
2. The time limit for project evaluation and issuance of ILs:
 - a. Within three (3) days from the date of receipt of legitimate documents, a provincial People's Committee shall send them to the Ministry in charge of economic-technical branches and relevant ministries to collect their opinions on the projects.
 - b. Within fifteen (15) days from the date of receipt of legitimate documents, the

Ministries and branches shall provide their written opinions to the provincial People's Committee in relation to the contents of the project within their respective scope of administration. Upon the expiry of such time - limit, if no written opinion has been provided, the ministries concerned shall be deemed to have accepted the contents of the project.

- c. Within thirty (30) days from the date of receipt of legitimate documents, the provincial People's Committee shall complete the project evaluation and issue ILs. The above time limit shall not include the period of time during which an investor is permitted to amend or supplement to its investment application documents. Any requirements of the provincial People's Committee for amendment of or supplement to the project documents shall be made in writing within 20 days from the date of receipt of legitimate documents. After the expiry of such time limit, if no IL has been issued, the provincial People's Committee shall notify the investors in writing stating clearly the reason therefore with copies distributed to the relevant bodies.
- d. Within seven (7) days from the date of issuance of an IL, the provincial People's Committee shall forward an original IL, amended IL to the MPI and copies to the MOF, Ministry of Trade, the Ministry in charge of economic-technical branches and other relevant State administrative bodies.

Article 111. Amendment to IL

1. The amendment of, addition to, or change of the provisions in ILs shall be approved by the investment licensing body in the form of an amended IL.
2. The authorities to issue amended ILs shall be provided for as follows:
 - a. The MPI shall decide on the issuance of amended ILs in respect of projects stipulated in Article 114 and Clause 2 of Article 115 of this Decree and delegate the Management Boards of IZs to decide on the issuance of amended ILs in respect of projects authorized to them.
 - b. Provincial People's Committees shall decide on the issuance of amended ILs in respect of projects delegated to them.
3. When there is a demand for amendment of, addition to, or change of the IL, FIEs and parties to a BCC shall submit an application file for an amended IL to the competent licensing body as regulated in Clause 2 of this Article, including:
 - a. An application for an amended IL
 - b. A resolution of the Management Board of a JVC, or an agreement of the parties to a BCC, or a proposal of the foreign investor in relation to the contents in the IL which need to be amended or supplemented.
 - c. A report on the development and implementation of the project.
4. The competent body shall notify a FIE or parties to a BCC of its decision on amendment of or addition to the IL within fifteen (15) days from the date of receipt of legitimate file.

The above time limit shall not include the period of time during which a FIE or the parties to a BCC are permitted to submit an additional explanatory statement.

Chapter XI

STATE MANAGEMENT OF FOREIGN INVESTMENT

Article 112. Guidance on foreign investment

1. Ministries, branches and provincial People's Committees shall be responsible for providing guidance on foreign investment in their areas and localities, providing necessary information and creating all favorable conditions for investors to select investment opportunities in Vietnam, improving the administration and checking the investment procedures to ensure that the investment procedures shall be affected simply and quickly.

2. Ministry, branches and provincial People's Committees shall, by way of obtaining a consensus from the MPI; issue legal documents relating to foreign direct investment, where the concerned parties have different opinions on an investment issue, such issue shall be reported to the Prime Minister of the Government for consideration and decision.

Article 113. Co-ordination policy on State management of enterprises

1. Ministries, branches and municipal People's Committees shall carry out the state management function in respect of foreign investment in accordance with law, and perform the co-ordination policy on management of enterprises.
2. Provincial People's Committees shall be responsible for timely dealing with issues within their powers and guiding FIEs to operate in accordance with the provisions of the ILs and the laws.
3. The MPI shall summaries and provide information on the situation of investment to Ministries, branches and provincial Peoples' Committees, and shall work on a periodical basis with the Ministries of Finance, Trade, the State Bank of Vietnam, the General Department of Land Administration, the General Department of Customs and relevant provincial People's Committees to timely deal with issues arising, solve the petitions of enterprises and recommend policies and measures to improve the investment environment.

Article 114. Authorities to make a decision on investment projects

1. The Prime Minister shall make decisions in relation to Group A projects comprising:
 - a. The following projects (regardless of the amount of investment capital):
 - Infrastructure construction of IZs, EPZs and HTZs, urban areas; BOT, BTO and BT projects.
 - Construction and operation of seaports, airports, transportation by sea and by air
 - Projects in the field of oil and gas.
 - Postal and telecommunications projects.
 - Cultural, publishing, press, radio and television broadcasting, healthcare, education, training, scientific research, medicine producing projects.
 - Insurance, finance, auditing and inspection projects.
 - Projects for exploitation of rare and precious natural resources.
 - Projects in the field of real estate business.
 - National defense and security projects.
 - b. Projects with invested capital of forty (40) million United States dollars or more in the following fields: electricity, mining, metallurgy, cement, mechanical engineering, chemical, hotels, apartments and office for lease, entertainment and tourist areas.
 - c. Projects using five or more hectares of urban land or fifty (50) or more hectares of land of other categories.
2. The MPI shall make decisions in relation to Group B projects (Group B projects being all projects which are not stipulated in clause 1 of this article), except for projects referred to in clause 3 of this article.
3. Municipal People's Committees shall make decisions in relation to projects provided for in Clause 1 Article 115 of this Decree.

Article 115. Delegating authority to issue IL

1. Investment projects in respect of which the issuance of ILs is delegated to municipal

People's Committees must satisfy the following criteria and conditions:

- a. Conforming to the approved zone planning and the socio-economic development plan.
 - b. Having invested capital in conformity with regulations of the Prime Minister and not included in the Group A projects stipulated in Article 106 of this Decree.
2. The issuance of ILs shall not be delegated to municipal People's Committees in respect of investment projects in the following fields (regardless of the amount of invested capital).
- a. Construction of national highways, railways.
 - b. Production of cement, metallurgy, generation of electricity, production of sugar, alcohol, beer, cigarettes, manufacture and assembly of automobiles, motorbikes.
 - c. Travel tourism.

Article 116. State management function of municipal People's Committees in respect of foreign investment

Municipal People's Committees shall have the following responsibilities:

1. Based on the approved socio-economic development plan, coordinating with relevant ministries and branches to prepare and promulgate the list of investment projects in their localities to attract foreign investment, motivating and promoting investment
2. Assuming prime responsibility for the evaluation, issuance or amendment of ILs, making decisions to dissolve foreign invested enterprises or terminate business co-operation contracts prior to the expiry of their duration.
3. Participating in evaluation of investment projects located in their respective localities which shall be granted ILs by the MPI.
4. Carrying out state management function in respect of all foreign invested projects located within their respective localities by way of the following:
 - a. Monitoring capital contribution and compliance with the terms of ILs and other relevant legislation.
 - b. Monitoring compliance with regulations on financial obligations, labour relations, salaries, social order and security, ecosystem and environmental protection, and fire and explosion prevention and extinguishment.
 - c. Issuing certificates of land use rights, organizing site clearance, permitting establishment of offices and branches, registering the residence and movements of Foreigners working in enterprises, recommending Vietnamese employees to enterprises and issuing other certificates in accordance with the existing provisions.
 - d. Solving difficulties and problems of investors within their authority, in respect of problems which are beyond their authority, petitioning the ministries and branches for settlement.
 - e. Assuming prime responsibility for or joining ministries in organizing inspections of the operations of FIEs.
 - f. Assessing socio-economic benefits of foreign direct investment activities in their respective localities.
5. On a quarterly, semi-annual and annual basis, municipal People's Committees shall report to the MPI on foreign investment activities in their respective localities.

Article 117. State management of the MPI in respect of foreign investment

1. The MPI shall be the co-ordinating body responsible for dealing with any problems arising during the formulation, commencement and implementation of investment projects, including the following tasks:

- a. Guiding and co-ordinating with ministries, branches and provincial peoples' committees in relation to planning, zoning and preparation of the list of projects calling for foreign investment.
 - b. Assuming the prime responsibility for evaluation, issuance and amendment of ILs in respect of investment projects within its scope of authority.
 - c. Based on the decision of the Prime Minister of the Government, delegating authority to the Management Boards of IZs, amending or revoking ILs with respect to foreign invested projects in IZs, EPZs on the basis of the proposals of provincial People's Committees.
 - d. Acting as a mediator of disputes when so requested.
 - e. Organizing the inspection and supervision of the implementation of investment projects.
 - f. Assessing the overall socio-economic benefits of foreign direct investment activities in Vietnam.
 - g. Making decisions on dissolving FIEs and terminating BBCs prior to the expiry of their duration.
2. On an annual basis, the MPI shall prepare a summary report regarding the issuance of ILs and foreign investment activities in Vietnam for submission to the Prime Minister and notification to relevant ministries and branches.

Article 118. State management functions of Ministries, Ministerial equivalent bodies and Government bodies in respect of foreign investment

Ministries, ministerial equivalent bodies and Government bodies shall have the responsibility to:

1. Co-operate with the MPI in constructing laws, policies and plans relating to foreign investment.
2. Make out plans and prepare the list of projects of the branches to attract foreign investment, motivate and promote investment
3. Contribute opinions relating to project evaluation and amendment of ILs.
4. Issue and provide guidelines for the implementation of policies, solve procedures relating to development and implementation of investment projects.
5. Carry out specialized inspection; assess socio-economic benefits of investment projects within their respective areas of branch supervision.
6. Issue technical manuals and processes relating to economic-technical sectors.
7. Carry out other duties within their scope of authority in accordance with law.

Article 119. Provision on examination and inspection

1. Any examination or inspection of the operations of a FIE must be in strict compliance with functions, authority and be conducted in accordance with provisions of the foreign investment law and existing regulations.
2. Competent agencies conducting examination and inspection shall have responsibility to construct plan for periodic examination, inspection and submit it to the MPI, municipal People's Committee, relevant Management Boards of IZs for co-ordination in examination and inspection. The periodic inspection or the specialized examination shall be conducted no more than one time per year with an enterprise.
3. Individuals making decisions to conduct unlawful inspections or using inspections and examinations to cause troubles and difficulties for the operations of an enterprise shall, depending on the seriousness, be subject to a disciplinary punishment or be prosecuted for criminal liability, in case where they cause damages, they must compensate for damages in accordance with law.

4. Foreign investors, FIEs, parties to a BCC, organizations and individuals shall have the right to lodge complaints or to take legal actions against illegal decisions or acts of State officials or bodies which cause difficulties or inconveniences. The complaints or legal actions and the resolutions of complaints or legal actions shall be in accordance with the law.

Chapter XII

INVESTMENT GUARANTEES AND SETTLEMENT OF DISPUTES

Article 120. Investment Guarantees

1. The Government of Vietnam guarantees that foreign investors investing in Vietnam shall be entitled to fair and equal treatment in accordance with the FIL in Vietnam. When an international treaty on investment promotion and protection entered into between the Socialist Republic of Vietnam and a foreign country contains provisions which are inconsistent with the regulations on foreign investment, such international treaty shall prevail.
2. The signing of agreements or application of measures for guarantee of investment shall only be applicable to the especially important projects in the infrastructure sector which are invested in accordance with the program of the Government, the investment projects under BOT, BTO, BT contracts and some other especially important projects.

Article 121. Investment Guarantees in cases there are changes in the law

1. In the event that there are changes in the laws of Vietnam which adversely affect the interests of FIEs and parties to a BCC, the FIEs and the parties to a BCC shall continue to be entitled to enjoy incentives stipulated in the ILs, or the State shall take appropriate measures to protect their interests by coming to an agreement to apply the following:
 - a. Change of operational objectives of the project.
 - b. Granting tax reduction or exemption in accordance with law.
 - c. Damages of FIEs and parties to a BCC shall be set-off from taxable incomes of enterprises.
 - d. FIEs and parties to a BCC are considered for a satisfactory compensation in case of necessity.

With respect to projects licenced by a municipal People's Committee or a Management Board of municipal IZs or EPZs, such provincial People's Committee or management board of provincial IZs or EPZs must, prior to taking any of the above measures, reach an agreement with the MPI and the MOF.

2. New regulations with more incentives which are issued after the investment licence is granted shall obviously be applied to substitute for the previous regulations. If the application of new regulations requires that any IL must be adjusted, the licensing body shall adjust the IL.

Article 122. Dispute settlement

1. Disputes between parties to a JVC and a BCC, or disputes between a FIE and a foreign organization or individual shall be resolved firstly through conciliation and negotiations between the parties.

Failing such conciliation, the disputing parties may, on the basis of mutual agreement, select one of the following dispute resolution alternatives:

- a. Vietnamese court;
- b. a Vietnamese arbitration body, foreign arbitration body or international arbitration

body;

- c. an arbitration tribunal established pursuant to an agreement between the parties.
2. Disputes between FIEs, or between a FIE or foreign parties to a BCC and Vietnamese economic organizations shall be resolved by Vietnamese arbitration organizations or courts in accordance with the law of Vietnam.
3. Disputes between foreign investors and competent State agencies arising from BOT, BTO, BT contracts, disputes between BOT enterprises and Vietnamese economic organizations shall be resolved according to the mode agreed by the parties and specified in the contract, in conformity with the regulations of the Government on investment under BOT, BTO, BT contracts

Chapter XIII

DEALING WITH BREACHES AND REWARD

Article 122. Reward

1. FIEs and parties to a BCC having outstanding achievements in foreign investment activities in Vietnam shall be rewarded in accordance with the laws.
2. Based on the contribution level of enterprises and individuals in business activities , social development, compliance with existing laws, competent bodies shall decide the following forms of reward:
 - a. Orders and medals of the Vietnamese State.
 - b. Orders and medals of the Chairman of the State.
 - c. Certificate of merit of the Prime Minister.
 - d. Certificate of merit, letter of appreciation of the Ministers of ministries and the Heads of ministerial level bodies.
 - e. Certificate of merit of the Chairman of the municipal People's Committee.
3. FIEs and parties to a BCC having achievements which are mentioned in the point 2 of this Article, can submit application for reward with the following procedures:
 - a. Application for rewards of Chairman of the State, Prime Minister, MPI shall be submitted to the MPI. The MPI shall co-ordinate with relevant agencies to consider and decide the reward within its power or send a proposal to the Chairman of the State, the Prime Minister for consideration.
 - b. Application for rewards of Ministers of relevant Ministries and of the Chairmen of Ministerial level bodies shall be submitted to the Ministries in charge of specialized management or Ministerial level bodies for consideration.
 - c. Application for rewards of the municipal Chairmen of the People's Committees shall be submitted to the municipal People's Committees for consideration.

Article 124. Dealing with breaches

1. Vietnamese State employees and State bodies using their authority to cause troubles and difficulties or to hinder foreign investment activities shall, depending on the degrees of their breach, be prosecuted in accordance with existing laws.
Where the acts of breaching cause damages, the concerned State employees or State bodies must compensate for damages.
2. Foreign investors, parties to a BCC, and FIEs breaching the provisions of the ILs and the law shall, depending on the degrees of their breach, be subject to an administrative punishment or be prosecuted for criminal liability in accordance with law.

Chapter XIV

IMPLEMENTATION PROVISION

Article 125. Implementation provision

1. This Decree is effective from 1 August 2000 and replaces Decree No. 12/CP dated 18 February 1997, Decree No. 10/1998/ND-CP dated 21 December 1998 of the Government. All previous provisions which are contrary to this Decree are repealed
2. Ministers, Heads of ministerial equivalent bodies, Heads of Government bodies and Chairmen of People's Committees of provinces and cities under the control of the central Government shall be responsible for the implementation of this Decree.

On behalf of the Government
Prime Minister
Signed and sealed

PHAN VAN KHAI

APPENDIX 1

I. LIST OF PROJECTS WHERE INVESTMENTS ARE SPECIALLY ENCOURAGED

- Projects for production, processing and export of 80% or more of products
- Projects for processing of agricultural, forestry products (except wood) and aquatic products for export of more than 50% of products from domestic material sources
- Projects for production of new breeds of high quality and high economic efficiency
- Projects for culture of agricultural, forestry and aquatic products
- Projects for production of new or rare and precious materials, projects for application of new biological technology, new technology for manufacturing communication and telecommunication equipment
- High-tech industrial enterprises
- Projects for research and development
- Production of waste treatment equipment
- Projects for manufacturing antibiotic materials
- Project for treatment of environmental pollution and protection, and treatment of waste
- Investment projects under BOT, BTO, BT contracts

II. LIST OF PROJECTS WHERE INVESTMENT IS ENCOURAGED

- Projects for production, processing and export of 50% or more of products
- Projects for production, processing and export of more than 30% of products using a large quantity of domestic materials (having value of 30% or more of production expenses)
- Projects employing a high number of labourers and effectively utilizing natural resources available in Vietnam
- Processing of agricultural, forestry products (except wood) and aquatic products
- Preservation of food, preservation of post-harvest agricultural products
- Exploration, exploitation and intensive processing of minerals
- Development of petrochemical industry, construction and operation of oil and gas

pipelines, oil storage, oil port

- Production of equipment and component's pack for exploitation of oil and gas, energy and mines; manufacture of large-size lifting equipment
- Production of high quality steel, alloy, non-ferrous metal, special metal, billet and sponge iron for industries
- Manufacture of machine tools for metal machining and equipment to be used in metallurgy
- Manufacture of precision mechanical equipment, safety test equipment, manufacture of moulds for metal and non-metal products
- Manufacture of electrical middle and high-voltage device
- Manufacture of diesel engines with advanced technique and technology, manufacture of machinery and spare parts for dynamics and hydraulics and compressing machine
- Manufacture of spare parts for automobile and motorbike, manufacture and assembly of equipment, vehicle and machinery for construction, manufacture of technical equipment for transportation sector
- Building of ships, and manufacture of equipment and spare parts for cargo ships and fishing boats
- Manufacture of communication and telecommunication devices
- Production of agricultural machines, spare parts, equipment, irrigation equipment
- Production of materials for insecticides
- Production of basic chemicals, pure chemicals, dyer and specialized chemicals
- Production of materials for detergents and additives used in chemical industry
- Production of special cement, composite materials, sound insulating materials, electrical insulating materials, heat insulating materials, wood-substitute synthetic materials, refractory materials, plastic materials used for construction, crystal fiber
- Production of light construction materials
- Production of powder of papers
- Production of silk, fiber of various kinds, special fabric used in industries
- Production of high quality materials for production of foot-ware and garment for export
- Production of high quality packages for exports
- Production of medical equipment used in analytical technology and extractive technology in medicine
- Production of materials for medicines, production of medicines meeting the GMP international standards
- Projects for reformation and development of energy sources
- Public transportation
- Building and reformation of bridges, roads, airports, railway stations, parking places, railway networks
- Building of water plants, water supply and drainage system
- Building and operating infrastructure of industrial parks, export processing zones and high tech zones

III. LIST OF AREAS WHERE INVESTMENT IN ENCOURAGED

Province/ City	Section A	Section B
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		Areas with specially difficult socio-economic conditions	Areas with difficult socio-economic conditions
1	Ha Giang	All districts and townships	
2	Cao Bang	All districts and townships	
3	Lai Chau	All districts and townships	
4	Lao Cai	All districts and townships	
5	Son La	All districts and townships	
6	Bac Kan	All districts and townships	
7	Tuyen Quang	All districts and townships	
8	Lang Son	All districts and townships	
9	Yen Bai	All districts and townships	
10	Thai Nguyen	All districts and townships and Thai Nguyen city	
11	Bac Giang	All districts and townships	
12	Vinh Phuc	Districts: Lap Thach, Tam Duong, Binh Xuyen	Excluding districts mentioned in Section A
13	Phu Tho	All districts and townships and Viet Tri city	
14	Hoa Binh	All districts and townships	
15	Bac Ninh		Districts: Que Vo, Yen Phong, Gia Binh, Luong Tai, Thuan Thanh
16	Ha Noi		Soc Son district
17	Ha Tay		Districts: Ba Vi, My Duc, Phuc Tho, Quoc Oai, Thach That, Ung Hoa
18	Quang Ninh	Districts: Ba Che, Binh Lieu, Quang Ha, Hoanh Bo, Tien Yen, Dong Trieu and Mong Cai township	Yen Hung district and Cam Pha, Uong Bi townships
19	Hai Phong		Districts: Vinh Bao, Tien Lang
20	Hai Duong	Chi Linh district	Other districts not included in Section A
21	Hung Yen		All districts and townships
22	Thai Binh		All districts and townships
23	Ha Nam		All districts and townships
24	Nam Dinh		All districts and townships and Nam Dinh City
25	Ninh Binh	Districts: Nho Quan, Yen Mo, Gia Vien	Tam Diep township and districts not included in Section A
26	Thanh Hoa	Districts: Lang Chanh, Thuong Xuan, Quan Hoa, Ba Thuoc, Ngoc Lac, Nhu	Other districts not included in Section A

		Xuan, Cam Thuy, Thach Thanh, Quan Son, Muong Lat	
27	Nghe An	Districts: Ky Son, Tuong Duong, Con Cuong, Quy Chau, Que Phong, Quy Hop, Nghia Dan, Anh Son, Tan Ky, Thanh Chuong, Do Luong	Cua Lo Township and other districts not included in Section A
28	Ha Tinh	All districts	Ha Tinh City
29	Quang Binh	All districts	Dong Hoi Township
30	Quang Tri	Quang Tri Township and districts	Dong Ha Township
31	Thua Thien Hue	All districts	Hue City
32	Da Nang		Districts: Hoa Vang, Thanh Khe, Ngu Hanh Son, Lien Chieu
33	Quang Nam	All districts and Hoi An Township	Tam Ky Township
34	Quang Ngai	All districts	Quang Ngai Township
35	Binh Dinh	All districts	Quy Nhon City
36	Phu Yen	All districts	Tuy Hoa Township
37	Khanh Hoa	Districts: Khanh Son, Khanh Vinh	Other districts not included in Section A
38	Binh Thuan	All districts	Phan Thiet Township
39	Ninh Thuan	All districts	Phan Rang Township
40	Kon Tum	All districts and townships	
41	Gia Lai	All districts and townships	
42	Dak Lak	All districts and Buon Ma Thuot City	
43	Lam Dong	All districts and townships and Da Lat City	
44	Dong Nai	Districts: Dinh Quan, Tan Phu, Xuan Loc	
45	Binh Phuoc	All districts and townships	
46	Binh Duong		Districts: Ben Cat, Phu Giao, Tan Uyen, Dau Tien
47	Tay Ninh		All districts
48	Ho Chi Minh City		Districts: Can Gio, Cu Chi
49	Ba Ria - Vung Tau		Districts: Long Dat, Xuyen Moc
50	Long An	All districts	Tan An Township
51	Dong Thap	All districts and townships	
52	Tien Giang	All districts and townships	My Tho City
53	Ben Tre	All districts and townships	
54	Vinh Long	All districts and townships	
55	Tra Vinh	All districts and townships	

56	An Giang	All districts and Long Xuyen City	
57	Can Tho	All districts and townships	Can Tho City
58	Soc Trang	All districts and townships	
59	Bac Lieu	All districts and townships	
60	Ca Mau	All districts and townships	
61	Kien Giang	All districts and townships	

IV. LIST OF SECTORS IN WHICH LICENSING OF INVESTMENT IS CONDITIONAL

1. **Investment in the form of a joint venture enterprise or a business co-operation contract**
 - Construction and operation of international telecommunication networks and local telecommunication networks (under a business co-operation contract only)
 - Exploitation and processing of oil and gas, and precious and rare minerals
 - Consulting services (except for technical consulting)
 - Air, railway and sea transportation, public passenger transportation, construction of sea-ports and air-ports (except for BOT, BTO and BT projects)
 - Production of industrial explosive
 - Afforestation
 - Travel tourism
 - Culture
2. **Investment projects which are required to export at a certain percentage of products**

The compulsory ratio of products in respect of which the requirements are satisfied by domestic production in terms of quantity and quality shall be published by the Ministry of Planning and Investment from time to time
3. **Investment projects which must be coupled with development of raw material sources**
 - Production and processing of dairy
 - Production of vegetable oil and cane sugar
 - Processing of wood
4. **Projects invested in import services, domestic distribution services shall be complied with Regulations of the Prime Minister**

V. LIST OF SECTORS IN WHICH INVESTMENT WILL NOT BE LICENCED

1. Projects which are prejudicial to the national security, national defense and public interests
2. Projects which are detrimental to the historical and cultural relics, fine customs and tradition of Vietnam
3. Projects which are prejudicial to the ecological environment, projects for treatment of toxic waste imported from foreign countries to Vietnam
4. Projects for production of toxic chemicals or utilization of toxic agents which are prohibited in accordance with an international treaty.

APPENDIX II

I. LIST OF MACHINERY, EQUIPMENT AND MEANS OF TRANSPORT WHICH FORM PART OF FIXED ASSETS OF FOREIGN INVESTED ENTERPRISES AND PARTIES TO BUSINESS CO-OPERATION CONTRACTS BEING EXEMPTED FROM IMPORTED DUTIES

1. Main machinery and equipment which form part of the technological process shall include the following:

Machinery, equipment for production, materials, and components attached parts for installation of equipment system, moulds accompanied with equipment and machinery, production tools and so forth to complete activities for manufacture of the products stated in the ILs.
2. Supporting machinery and equipment which form part of the technological process shall include the following:
 - a. Power system: all equipment, machinery and materials for installation of the complete system of power supply
 - b. System of water supply and drainage: all equipment, machinery, materials, pipelines and so forth for installation of the complete system of water supply and drainage and treatment of waste water.
 - c. Lighting system: all equipment, machinery and materials for installation of the complete lighting system
 - d. Air-conditioning and ventilation system for production areas
 - e. Equipment and instruments for the laboratory
 - f. Equipment and instruments for fire fighting and prevention, anti-lightning equipment and labour safety tools
 - g. Communication system
 - h. Machinery and equipment necessary for design of products or management of production
3. Specialized means of transport which form part of the technological process shall include the following:
 - a. Specialized means of transport for production operation provided for in the IL
 - b. Means of transport for transportation of raw materials and products in the technological process.

II. LIST OF GROUPS OF FURNITURE AND EQUIPMENT IMPORTED BY ENTERPRISES ENGAGED IN SUCH BUSINESS AREAS AS HOTELS, OFFICES – APARTMENTS FOR LEASE, HOUSES FOR RENT, COMMERCIAL CENTERS, TECHNICAL SERVICES, SUPERMARKETS, GOLF COURSES, TOURIST AREAS, SPORT CENTERS, ENTERTAINMENT CENTERS, MEDICAL EXAMINATION AND TREATMENT FACILITIES, TRAINING, CULTURE, FINANCE, BANKING, INSURANCE, AUDITING AND CONSULTANCY SERVICES, WHICH ARE ENTITLED TO EXEMPTION FROM IMPORT DUTIES.

- A. **List of group of furniture and equipment which are entitled to import duty exemption in accordance with common provisions**
 1. Equipment for water supply of various types (water pumps, filters, water meters, steam boilers and so forth)
 2. Air-conditioning and ventilating systems (central or local air-conditioners and materials and complete accessories and so forth)
 3. Fire prevention and fighting system
 4. Electrical and lighting systems (various types of lamps and lights and so forth)
 5. Waste and liquid waste treatment systems
 6. Communication systems
 7. Transportation systems (elevators, electrical transport vehicles and various types of

trolleys)

8. Laundering systems
9. Security systems
10. Furniture and equipment used in sport-rooms, swimming pools, tennis courts, hairdressing salons, dancing halls, karaoke parlours, entertainment centers and therapeutic rehabilitation centers (except for equipment mentioned in Part B of this Section, if any)
11. Lawn machinery and equipment (lawn cutters, insecticide sprayers and so forth)
12. Water sprinkler, irrigation and drainage systems
13. Medical machinery, equipment and instruments and laboratory instrument
14. Teaching and education facilities (including tables, chairs, board, teaching aids, experimental tools and so forth)
15. Spare parts and accessories attached to the above machinery and equipment
16. Specialized machinery and equipment of banks, financial institution (including safe, assorted personal computers, note counting machines, counterfeit note checking machines, communication systems, security equipment and cash rollers)
17. Office furniture and equipment (computers, printers, facsimile machines, telexes, photocopiers, desks, chairs, filing cabinets and so forth)

B. List of groups of furniture and equipment which are entitled to once-off exemption from import duties

1. Furniture and equipment used in hotel rooms and for interior decoration (beds, wardrobes, tables, chairs, telephones)
2. Sanitary ware (bathtubs, toilet bowls, washbasins, mirrors, materials for installation of sanitary system and so forth)
3. Reception room furniture (tables, chairs)
4. Furniture and equipment used in kitchens, dining rooms, restaurants, bars (various kinds of cookers and kitchen wares)
5. Pictures, statues, carpets and other decorative objects
6. Freezers, televisions, microwave ovens, smoke ventilators, deodorizers, glasses, plates, cups, bowls
7. Audio-visual equipment
8. Golf articles