Vietnam project financing guide

Project finance is the financing of capital intensive infrastructure or power projects relying on the project's own cash flow/assets for repayment, rather than the balance sheet or creditworthiness of its sponsors. Lenders take security over the project's assets and revenue stream(s), and typically establish a right to take over the project if the project company is unable to fulfil its payment obligations. Non-recourse project financing depends on clear assessment, quantification and allocation of myriad project risks, which has proven difficult in Vietnam, mainly for regulatory and contractual reasons. As a result, limited recourse project financing – where sponsors remain liable for project debt in certain circumstances – or non-recourse financing backed by guarantees of export credit agencies or local banks have developed as the norm in Vietnam.

In this guide, we examine project financing, highlighting critical legal and commercial considerations from the standpoint of foreign lenders and sponsors. Our focus is on power sector project finance because it has featured in the majority of project finance activity in Vietnam, but many of the principles apply equally to projects in other sectors.

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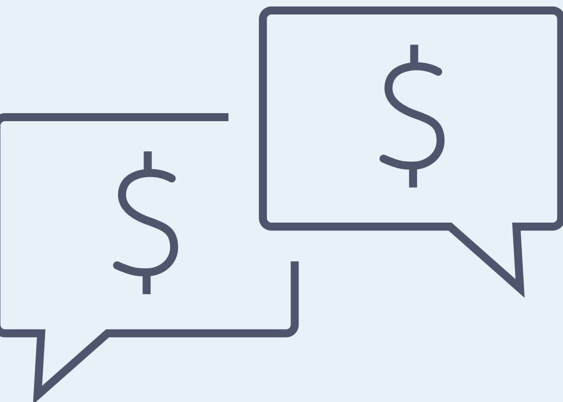

1 Overview of project financings

1.1 Concept of project financing in Vietnam

In Vietnam, project financing has most commonly been used to finance power and infrastructure projects, particularly fossil fuel energy generation projects, which have traditionally been developed on a build-operate-transfer (***BOT***) basis. In recent years, however, the Government has sought to move away from BOT structures for energy projects. This has been highlighted by the boom in renewable energy projects developed as independent power projects (***IPPs***) on the back of generous feed-in tariffs (***FiTs***) for 20-year power purchase agreements (***PPA***) (though this policy has expired – see below); and most of the country's proposed liquefied natural gas (**LNG**)-to-power projects, which are being developed as IPPs.

There is no consolidated legal framework that governs project finance activities in Vietnam. Its many aspects, including investment, cross-border funding, foreign exchange, insurance and taxes, are regulated under different specialised laws/regulations.

Notwithstanding this, most project financings have the following key characteristics:

- The project being financed is developed, owned and operated via a 'special purpose vehicle' (aka the ***project company***), which is owned directly or indirectly by the project's sponsors, and whose sole business activity is to own and operate the relevant project.
- Funds are raised through a combination of equity contributed by the sponsors (there is no absolute amount, though a typical level in Vietnam would be around 30% of the total project investment costs) and debt. All project assets (including contracts with third parties) and revenue/cash flow of the project being financed, including insurance proceeds, are generally pledged or mortgaged to lenders, to secure repayment of debt.
- Project financing can be provided on a non-recourse basis (where the sponsors have no liability to repay the project company's debt in the case of default); or on a limited-recourse basis, where sponsors will assume some level of obligation to support the project company during its operational life and/or some level of obligation to repay lenders, in the case of the project company's default. In Vietnam, due to country risk issues – including lack of international standard PPA terms and change in law risk – as a matter of practice, project financing typically involves some form of sponsor support, at least till the end of the project's construction phase.
- The participation and commitments of various third parties in project financing (such as engineering, procurement and construction (***EPC***) contractors, fuel suppliers, the offtaker/purchaser of the project's outputs and state authorities) form part of the credit support for the project.

1.2 Shift towards project financing in renewable energy and LNG sectors

Renewable energy

Although traditional energy sources, such as coal, gas and hydro, have dominated Vietnam's energy mix to date, renewable energy projects have leapt to prominence on the back of its FiT policies. Close to 20GW of renewable energy projects, mainly solar, were built between 2016 and 2021. Renewable energy projects are vital to ensure Vietnam can meet its 2050 net zero goal and will be prioritised. According to the country's current energy master plan, PDP8[1], renewable energy sources, excluding hydro, are expected to make up close to 35% of the total generation capacity by 2030, increasing to nearly 55% by 2045.

1 PDP8 means the national power development master plan for 2021-2030, under Decision 500/QĐ-TTg, dated 15 May 2023.

PDP8's focus on the energy transition evidences Vietnam's strong commitment to decarbonising its power system, with its ambitious targets, special focus on wind power up to 2030, and complete phase-out of coal-fired power plants by 2050 at the latest. These goals will help drive a shift towards project financing for renewable energy projects, particularly in a post-FiT Vietnam, given the direct link between cost-efficient financing and cost of power.

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LNG

In addition to renewable energy, the need for LNG projects has been confirmed in various policy documents formulating the strategy for energy development in Vietnam. PDP8 forecasts that Vietnam will develop 22,400 MW of LNG-to-power by 2030 (which is equivalent to around 25% of its currently installed generation capacity).

While LNG is not the greenest fuel around, LNG-to-power is classified as a new type of energy, and generally considered an important stepping stone in Vietnam's net zero journey. As such, there is a great need and opportunity for financing to support investment in LNG projects.

1.3 Key stakeholders

Lenders: Lenders can be domestic and/or foreign entities. Any non-resident/foreign lender may lend to a Vietnamese borrower without having to be a licensed credit institution in its home jurisdiction, or to obtain any banking licence from the Vietnamese authority.

Domestic borrower: The borrower is typically a newly formed project company owned by the project's sponsors. This entity collects all project permits and licences to develop, construct and operate the project, enters all project contracts with third party contractors, suppliers and offtaker(s), and receives funds from lenders and sponsors to implement the project.

In principle, any Vietnamese organisation may take out a foreign loan to finance its project activity. This is subject to any prohibitions or conditions in its charter, and any applicable borrowing limits, the latter of which typically depends on the project's total registered investment capital.

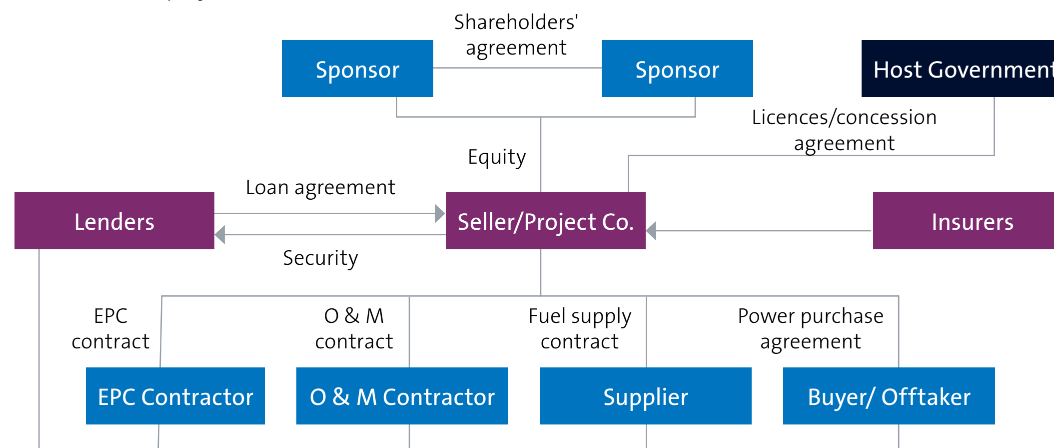
Sponsors: Sponsors are generally investors in the project company's equity; and, in some cases, may be debt providers (providing shareholder loans), guarantors and/or providers of other forms of support for the project, including giving comfort letters, making cash injection commitments or providing completion guarantees.

Sponsors can be either domestic or foreign entities, and organisations or individuals.

Other players: a project financing may involve the participation of other stakeholders critical to project implementation, including:

- **the host government**, the role of which will vary from project to project but, at a minimum, includes issuance of regulatory approvals/consents throughout the project's duration. It may also extend to entering a concession agreement with the project company and/or sponsors, and providing certain government guarantees and undertakings to backstop risks that are most within the government's control to address (eg – a state-owned offtaker's payment default, currency transferability and changes in law);
- **contractor(s)** employed by the project company to design, procure, construct and commission the project – and, in some cases, the EPC or operation and maintenance contractor – and may be an affiliate of the sponsors;
- **supplier(s)** that are supplying essential goods and/or services for the project's development and operation;
- **buyer/offtaker** contracted in advance to purchase the project's outputs on a long-term basis – for oil and gas, the offtaker is PetroVietnam, and for electricity, it is Vietnam Electricity (***EVN***), both wholly state-owned entities;
- **insurers** providing insurance packages, and covering the sponsors and lender against loss for insured events. The project company will be required to obtain an all-risk policy for the project's construction, and other customary insurances will also be taken out for the project's operational life. Insurance may also include political risk insurance, covering risks such as expropriation, and inability to enforce an arbitral award;
- **multilateral and export credit agencies (*ECAs*)**, which may play an important role in providing subsidised financing or guarantees to enhance the project's bankability, and also in acting as an anchor and facilitator to attract commercial banks to club deals or syndications.

The below diagram illustrates key stakeholders' roles in a typical project financing structure. The below diagram illustrates key stakeholders' roles in a typical project financing structure.



2 Legal risks – assessment and allocation

Power projects typically require significant capital investment and, as a result, are often financed with a significant portion of debt capital. The exact amount will vary from project to project – based primarily on the lenders' requirements, but minimum equity obligations at law may play a role[2].

Given the overall capital requirements of just the energy sector in Vietnam (estimated in PDP8 at around US$135 billion by 2030 and up to US$523 billion by 2050), it is unlikely that domestic Vietnamese banks alone will be able to provide sufficient funds to finance projects to meet government targets. On the other hand, while international financiers have an appetite for lending to projects in Vietnam, implementation is facing a number of challenges in practice, including:

- limitations on cross-border lending;
- bankability of PPAs;
- tariff uncertainty; and
- security package and enforcement issues.

2.1 Limitations on cross-border lending

Projects financed in whole or part by foreign loans will be subject to limitations applicable to cross-border foreign lending. This includes limitations on the use of foreign loans having different tenors (the general distinction being that loans with a tenor of less than 12 months may only be used for payment of short-term payables) and refinancing (eg foreign loans can't be used to refinance principal of domestic debt); borrowing limits (based on registered project investment needs); thin capitalisation limits; and caps on interests and fees (please refer to our cross-border lending guide for more details).

In addition, ad hoc cash sweeps, a common feature of project financing, aren't feasible in Vietnam due to the obligation to register specific loan repayment dates and amounts with the State Bank of Vietnam.

2 By law, a non-state owned borrower using project land (eg land leased from the state to develop and lease/resale) is subject to an equity to total investment capital ratio of 20% for project land having an area of less than 20 hectares and 15% for a land area of 20 hectares or more.

2.2 PPAs' bankability

Power project companies, including thermal project companies and renewable energy project companies, are expected to conclude PPAs with the buyer/offtaker (which, at the time of writing, is only EVN) on the basis of the standard form agreements promulgated by law. In the case of renewable energy, the Ministry of Industry and Trade (the ***MOIT***) has issued standard form agreements for small hydro, biomass, solid waste, wind and solar power projects[3]. While the parties have some scope to agree on additional provisions to the standard forms to clarify their rights and obligations, they can't vary the 'basic contents' of the standard forms, and the additional provisions can't be inconsistent with, or contradictory to, the contents of the standard form.

As a matter of practice, EVN has not entertained any significant changes to the standard form PPAs for renewable energy projects. However, the standard forms contain terms that allocate significant risks to investors and project companies, which has seriously undermined project finance's role in developing Vietnam's renewable energy assets. These issues include:

Project off-take risk

- **No take or pay:** The sale and purchase of electricity under the PPA model operates on a 'take and pay' basis and not a 'take ***or*** pay' basis. This means that EVN is only obliged to pay for energy to its grid system that it receives, and if the amount of electricity EVN receives on the grid is less than the electricity the project company actually generates, EVN will not have to pay for the balance. While such an arrangement might still be acceptable from a project finance perspective in markets where generators have other avenues to sell excess energy, this creates a serious cashflow risk in Vietnam, where EVN acts as the sole buyer in the market. Although additional avenues to market are forecast – notably, via a proposed scheme to allow direct power sales to large power consumers wishing to procure renewable energy (other than EVN) – their timeline and details are not yet clear, and they can't be used to mitigate this risk.
- **Curtailment:** Broadly speaking, with some differences between the various renewable PPA templates, EVN can choose not to accept available energy with no payment obligation. Given grid infrastructure limitations and congested groupings of projects in areas with high renewable resources, this curtailment risk, borne entirely by project companies, is a serious threat to a project's ability to repay debt. No project financer will accept the operational risk of curtailment and therefore project sponsors are required to backstop this risk.
- **Damages:** The template PPAs for renewable projects have different terms relating to payment of damages in the event of termination for breach. Eg the wind power template provides that where a non-defaulting party under the PPA exercises a right of termination, it can claim damages as being 'actual and direct' losses incurred, and as direct benefits that party would have been entitled to had there been no default by the other party. On the other hand, the template solar PPA provides that damages payments on termination for breach are limited to one year's revenue. In both cases, the terms are inadequate to meet project finance requirements, which, in a single-buyer market like Vietnam, typically require a termination payment at least to be sufficient to repay the outstanding debt. While the wind template PPA terms are more favourable on this point, the body of Vietnam law on determining scope and quantum of damages is not sufficiently developed for lenders to rely on.

Jurisdiction risk

- **Governing law:** The model form PPAs are all governed by Vietnamese law, which is not preferred by foreign investors and lenders. It is developing, and is silent or unsettled on certain important concepts, including limitations of liability,

3 For completeness, we note that the template PPAs for solar and wind power no longer apply following expiry of the FiTs, and are expected to be updated and reissued in the near future.

liquidated damages and indemnities. Furthermore, as a civil law system, there is no formal system of precedent, as in the common law. As a result, application of Vietnam law is subject to different interpretations and, effectively, discretionary decisions. Such uncertainty is anathema to project financing.

- **Dispute resolution mechanism:** The template renewable energy PPAs provide that disputes will be settled by the Electricity Regulatory Authority of Vietnam (***ERAV***), a regulatory body under the MOIT. Not only is the process for resolving disputes via ERAV uncertain, it is a state-owned entity also under the MOIT's management, something that raises valid concerns about impartiality. It is worth noting the template PPAs do recognise that the buyer and seller can agree on alternative forms of dispute resolution (eg arbitration) but, to date, we are not aware of EVN agreeing to any changes to the template language or to an alternative at the time of a dispute arising.

Low stabilisation

- Apart from general assurances provided under the Law on Investment (such as no nationalisation, assurance of profit repatriation, protection of existing incentives in the case of change of law), the Government does not provide specific guarantees for energy projects. For example, it does not guarantee EVN's contractual performance (including EVN's payment ability) as the power offtaker under the PPA, or guarantee foreign currency availability to convert Vietnamese dong (***VND***) revenues into eg US dollars.
- There is no stabilisation provision under the PPA to protect the project company in the case of a change in the law. This means the project and its economics will not be protected in the event of an adverse change. There are protections against a change in law under the Law on Investment – however, this would only protect the investor vis-à-vis the state of Vietnam as to changes to investment protection/ incentives, and can't be relied on directly for a claim under the PPA, which is a commercial contract with EVN.

No step-in rights for lenders

Project finance lenders typically require the right to 'step into' projects, by taking over a project company's rights and obligations in the case of default – at least to have the option of securing project revenues or, where possible, restructuring projects to become viable again. In the case of a power project, the right to assume rights and obligations under the PPA is critical to any step-in. However, the standard form renewable energy PPAs do not contain any reference to project lenders and are not assignable as of right. Instead, they provide only that EVN must give written consent to any proposed transfer by the project company of its rights and obligations under the PPA. In practice, EVN has not demonstrated any willingness to give such consent.

In addition, Vietnam law regulatory issues involving investment project approvals that underpin any power plant project further complicate lenders' ability to step into projects in the case of default. Even directly acquiring the project company in order to take over all rights and liabilities, something that may be a last resort for lenders, is complicated by the required Vietnam law regulatory approvals.

The approach to mitigate these risks from a lender perspective is almost always to impose obligations on sponsors to ensure lenders are made whole, whether by direct guarantees to lenders, provision of equity funding to the project company or by involving third party guarantors.

The Government is taking active steps to issue new regulations, and there is expected to be more clarity around tariffs for all forms of power generation technology in 2024.

2.3 Tariff issues

Lenders finance projects on the basis of evaluating their projected revenue-generating capability. As a result, any uncertainty as to a project's revenue stream seriously affects its bankability. At the time of writing, the tariff regulations for both thermal and renewable projects are in a state of flux, and therefore greenfield project development and project finance is effectively on pause. That said, the Government is taking active steps to issue new regulations, and there is expected to be more clarity around tariffs for all forms of power generation technology in 2024.

LNG-to-power projects – tariff pass-through mechanism

According to PDP8, Vietnam plans to develop 22.4 GW of LNG-to-power projects by 2030, in order to provide reliable baseload power and as part of its transitional decarbonisation strategy. However, to date, no LNG-to-power projects have been developed in Vietnam, meaning that both the technology and fuel procurement and pricing issues are novel.

While Vietnam has a long track record of importing coal as a power-generation fuel, the market for LNG is different and subject to greater price fluctuation, particularly on the spot market. A critical issue for LNG-to-power project developers and lenders, then, is how increased fuel costs over the life of a project will be passed through to the power sales tariff. Current regulations provide limited scope for fuel cost pass-through, and the mechanism is generally considered inadequate to reflect actual market conditions and risks. As a result, lenders can't rely on predictable adjustments to revenue streams, to ensure consistency with margins existing at the time of financing. This is anathema to project financing, and lenders will not accept this risk, meaning sponsors need to assume it and that non-recourse project financing isn't possible. At the time of writing, the Government is amending the relevant regulations in this regard, though it remains unclear how the issue will ultimately be resolved, given its position that cost of power needs to be stable as well.

For a detailed look at the current regulations on tariff terms for LNG-to-power projects, please see New regulations for Vietnam's Wholesale Electricity Market and Key insights into draft Electricity Law and PDP8 Implementation Plan

Expiry of feed-in-tariffs for renewable energy projects.

FiTs are a fixed purchase price payable per kWh of electricity purchased. In Vietnam, FiTs were used to great effect to spur initial development of renewable energy projects. Generous 20-year FiTs were available for solar and wind power, but that ended in January 2020 and November 2021 respectively.

Since then, the Government has been developing a post-FiT tariff mechanism in parallel with an investor selection regime. The first formal regulation for the post-FiT regime for solar and wind power tariffs came in November 2023, with the issuance of Circular 19, which established a framework for the MOIT to establish annual ceiling tariffs for each type of technology, based on assessment of anticipated capital and operational costs. Critically, however, while FiTs were indexed to US$ exchange rates, the post-FiT tariffs will not be. Thus, in addition to the risk of lower tariffs, projects will be exposed to foreign exchange rate fluctuations throughout their life. Although Circular 19 does take into account foreign debt servicing to some extent, the mechanism does not fully reflect the actual commercial fluctuation risk. This again means sponsors will need to backstop the risk. While forex hedging products are available, they are expensive and typically only available for relatively short terms.

For more detailed information on Circular 19, please see New regulations on tariff ranges for solar and wind power projects

We also note the Government is considering ending FiTs for biomass and waste-to-energy projects. For more information, please see Draft Circular set to end FiT era for all renewable power projects in Vietnam

2.4 Security package and enforcement

Project financings are essentially complex secured lending transactions, and lenders' willingness to extend credit to a project will depend on the degree of comfort they have with the available security packages. Please refer to our cross-border lending guide for more information on types of security available to foreign lenders and other important issues such as security creation/perfection, enforcement, and the impact of project company insolvency on secured lenders.

It is worth noting that structuring the security package for an energy project involves certain sector-specific issues, due to the nature of the secured assets involved.

Security over land use rights (*LUR*)

The Law on Land allows project companies to mortgage to 'domestic' lenders both their LUR in Vietnam and the assets that are attached to that land, for financing purposes. However, the LUR can only be mortgaged where the land rent due to the authorities has been paid in full and up front. This means that in the case of project companies that pay land rent annually, or are exempted from land rent as part of project incentives, only assets attached to land can be mortgaged.

Further, at law, 'foreign' lenders are not permitted to take security over land or assets attached to land to secure their cross-border foreign loans. This restriction may be of most concern to foreign lenders in the context of project finance where a project company's most valuable assets are land and facilities/structures on land. In practice, the following options have provided foreign lenders with a certain level of comfort and made Vietnam project finance bankable:

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a) **Local bank guarantee:** Under this option, the borrower would procure a Vietnamese bank to issue a bank guarantee for the foreign lenders' benefit (ie the lender would take the credit risk on the local bank, not on the borrower). The borrower's indemnity obligations to the Vietnamese bank under its guarantee facility would then be secured by mortgages over the borrower's real properties in favour of the Vietnamese bank. That said, guarantee fees may increase the cost of funding, which can reduce this option's attractiveness.

b) **Onshore/offshore split lending:** This option involves two different currency loans – a US$-denominated loan from foreign lenders and a nominal VND-denominated loan from a Vietnamese bank (eg a commercial bank or foreign bank branch in Vietnam). The Vientamese bank takes security over the real properties for their debt, and the foreign lenders will then take a separate 'security over excess enforcement proceeds'. This purports to grant security over the 'future receivable' that the borrower has in relation to proceeds of enforcement over the mortgaged real properties, to the extent it exceeds the amounts owed to the Vietnamese bank.

   Foreign banks and their Vietnamese branches usually implement this structure to finance renewable energy projects. However, there remains a risk that authorities may see the structure as a workaround of the legal restriction on taking security over real property.

Security over land-based wind turbines and solar panels

It is unclear under the current law whether solar panels or wind turbines installed onshore or offshore are considered assets attached to land, which can't be mortgaged to foreign lenders, or can be treated as movable assets that foreign lenders can take security over.

On the one hand, solar panels and wind turbines can arguably be considered movable assets, given they are attached to construction structures (eg mounting structures or a wind tower foundation), rather than being directly installed on land. On the other hand, in practice, the Departments of Natural Resources and Environment in some provinces have recognised and recorded solar systems and wind farms as

assets attached to land in land use right certificates (so-called red books). This creates a clear risk that, in the event of a dispute, courts or arbitration tribunals might consider these assets immovable.

In practice, there are market precedents in solar energy projects where lenders took comfort from a comprehensive share security, with solar panels being included as moveable assets in the security package.

Security over sea area and assets attached to sea area

Under the current law, it is unclear whether foreign lenders can take mortgages over the right to use sea areas (as opposed to mortgages over land areas, which are expressly restricted). While it is arguable that the right to use a sea area constitutes a property right and is mortgageable as such, no legislation expressly allows foreign lenders to take a mortgage over such a right. In fact, at the time of writing, the latest draft regulation on the use of sea resources provides that users of sea areas (other than for purposes of aquaculture) may not mortgage their rights. Whether this position will be maintained remains to be seen. See here for discussion on the latest draft regulation on use of sea areas. Draft regulation on sea area allocation

Similarly to wind and solar farm projects, it remains ambiguous whether assets attached to sea areas, such as offshore wind turbines, substations and cables, should be treated as moveable (which can be mortgaged to both foreign and domestic lenders) or as immovable assets attached to the land (which can only be mortgaged to licensed credit institutions in Vietnam and must be registered for effectiveness). Given the lack of clear regulations, the general perception in the market is that assets attached to sea areas can arguably be treated as movable assets because the 'seabed' (to which assets are attached) should not be considered 'land' captured by the Law on Land; and, as opposed to security over immovable assets that is subject to a clear registration regime, there is no registration regime applicable to security over assets attached to the sea. However, such arguments' enforceability remains untested in practice.

3 Financing options in renewable energy project financings

Despite the 'bankability issues' discussed above, many major international investors and lenders prioritise Vietnam as a market for investing/lending in the energy sector – in large part, due to the country's long-term growth prospects and macro fundamentals. In order to make Vietnam renewable energy projects bankable, most foreign loans are made in the form of recourse loans, in which sponsors provide full guarantees to lenders. Recourse loans typically arise in the context of foreign loans being primarily secured by shares at an offshore parent company level, with shares in Vietnamese project companies being used as a last resort.

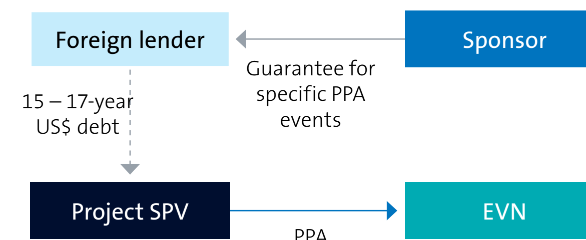
Having said that, the sponsor market is continually pressing for the rebalancing of risk and, increasingly, for limited or non-recourse loan structures and, while heavily based on project specifics, some structures have begun to emerge.

- In particular, one of these is a non-recourse loan structure involving the benefit of a local bank guarantee or comprehensive support from ECAs.
- Meanwhile, a limited recourse loan can be structured to have, first, a full recourse to the sponsor until the commercial operation date (the ***COD***); and, second, after the COD, the recourse being limited to some key events, ie a curtailment event, a tariff reduction event, and a PPA termination.

The below diagram illustrates recent financing options that feature limited or non-recourse loans.

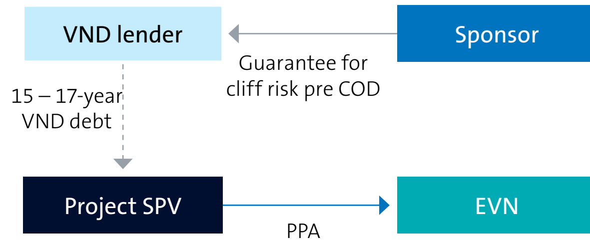
Limited recourse – sponsor guarantee for specific events

- This structure involves providing a sponsor's guarantee for the following specific risk events post the COD:
  - a curtailment event;
  - a tariff reduction event; and
  - PPA termination events.
- Given this recourse to the sponsor, the underlying project risk will be assumed by the sponsor and its commercial assessment of the PPA risk and EVN's creditworthiness.
- If the sponsor's credit rating is not acceptable to the lender, the guarantee is expected to be backed by a minimum investment grade letter of credit.



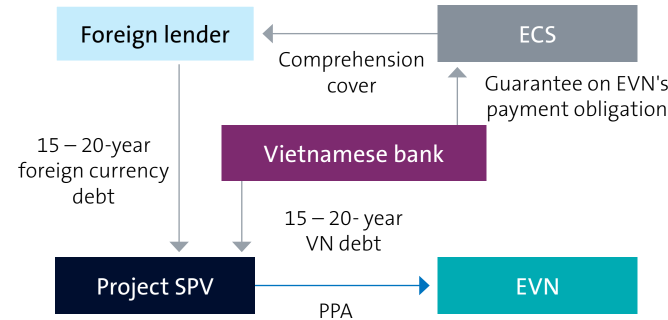
Limited recourse – sponsor guarantee until COD and no support post COD

- This structure involves providing a sponsor's guarantee for the tariff reduction risk pre the COD (with no further support post the COD).
- Tariff reduction risks here include the project either not reaching the COD and/or it not securing a PPA tariff. Underlying project risk is taken on by the sponsor until the COD date only.
- Post the COD, local banks in Vietnam can provide VND debt on a non-recourse basis and underwrite the EVN payment risk.



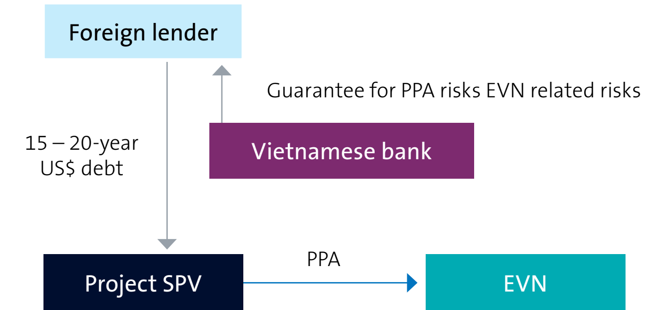
Non-recourse – ECA coverage

- This structure involves an ECA providing coprehensive cover to a foreign lender.
- The ECA would not fund the project directly but take a long-term risk exposure on the Vietnamese bank.
- The Vietnamese bank provides a local bank guarantee to the ECA, to cover EVN payment risk and non-bankable PPA risks.
- No sponsor's guarantee is required in this structure.



Non-recourse – local bank guarantee

- This structure involves Vietnamese banks providing a risk guarantee securing the payment of foreign loans for non-bankable PPA risks, such as curtailment, tariff reduction, PPA termination and EVN credit-related risks.
- As no sponsor's guarantee is required, the foreign lender will take on the recourse risk and the project company's performance risk, whereas the Vietnamese banks will take on the non-bankable PPA risk and EVN credit-related risks.
- Having said that, foreign lenders do not have large and long tenor credit lines for local Vietnamese banks.



4 And finally ...

4.1 Documentation and registration

Please refer to our Vietnam cross-border lending guide for more information on the documentation and registration of cross-border loans, which is equally applicable in the context of project financing.

4.2 Taxes and fees applicable to project financing and security

Withholding tax

Income from loan interest and fees received by a foreign lender is subject to corporate income tax, which a Vietnamese borrower must withhold, currently at a rate of 5%. Market practice is that this is addressed through the use of gross-up clauses in loan agreements.

Documentary taxes

There are currently no relevant documentary taxes (such as stamp duty) in Vietnam.

Registration fees

State Bank of Vietnam registration for international bonds is free of charge. Registration fees for security interest are nominal.

Notarial fees

These depend on the value of the property being used as collateral, or the value of the transaction being notarised, and are on a sliding scale.

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