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Education M&A in Vietnam: a legal roadmap for foreign investors

Legal and strategic considerations for acquiring schools in Vietnam

Vietnam's private education sector is experiencing rapid growth, underpinned by favourable demographics and a strong national commitment to educational advancement. Foreign investors are increasingly targeting this market, with M&A transactions emerging as the preferred entry strategy. Acquiring established schools enables investors to access operational expertise and market share, while mitigating the risks associated with greenfield investments.

This *Insight* provides a practical overview of the Vietnam's regulatory framework governing foreign investment in the education sector, outlines common transaction structures and highlights key legal and operational considerations for successful M&A execution.

Legal framework on foreign investment in education

100% foreign ownership permitted, with additional regulatory requirements

Foreign investors are permitted to hold up to 100% equity in education institutions across all levels, including pre-schools, K-12 schools, universities and other education institutions. While this open ownership regime is attractive, foreign-invested schools are subject to additional regulatory requirements compared to local schools.

Foreign-invested vs local school

A foreign investor cannot directly hold equity in a school. Instead, investments must be routed through a locally incorporated company that owns the school either directly or indirectly.

- **Direct foreign ownership:** if a foreign investor holds equity in the company that directly owns the school (***OpCo***), the school is classified as a foreign-invested school—irrespective of the foreign ownership percentage in OpCo. In this case, the school is subject to all regulatory requirements applicable to foreign-invested schools.
- **Indirect foreign ownership:** where a foreign investor holds equity in a holding company (***HoldCo***) that owns OpCo and the school, the regulatory position is less clear. Some guidance from the Ministry of Education and Training suggests that only direct foreign ownership at the OpCo level triggers foreign-invested status of the schools, but indirect ownership through HoldCo—especially where HoldCo is majority foreign-owned—may also result in the school being treated as foreign-invested. Careful structuring is essential if the foreign investor wishes to maintain the school's status as a local Vietnamese education institution post-investment.

A local Vietnamese school is one that is not classified as a foreign-invested school.

Regulatory gaps in education M&A and foreign-invested status conversion challenges

Vietnamese regulations primarily address the establishment of new foreign-invested schools, with limited guidance on acquiring existing local Vietnamese or foreign-invested schools. This creates uncertainty for investors.

While several high-profile transactions—particularly in the K-12 segment—have proceeded under general foreign investment regulations, education-specific regulations on M&A are still necessary to address licensing or operational requirements, such as conversion of a Vietnamese school into a foreign-invested one. Currently, there is no clear process for such conversion, when, following the acquisition, the Vietnamese school becomes a foreign-invested and must comply with requirements applicable to foreign-invested establishments. In practice, most foreign investors choose to structure the transactions to keep schools classified as local Vietnamese to mitigate this uncertainty.

Some key uncertainties and complications with the foreign-invested status conversion include:

- **Unclear licensing procedure:** it remains unclear whether conversion to foreign-invested status requires an appraisal process or re-issuance of existing operational licences to meet foreign-invested school standards, especially for schools that will be managed by different education authorities after the conversion.
- **Higher operational standards and additional costs:** conversion often requires additional investment to comply with higher standards.[1]
- **Future expansion and IRC requirement:** in practice, an investment registration certificate (***IRC***) is generally not required for local schools or campuses existing before foreign acquisition, except for certain cases. However, any post-acquisition expansion of these existing sites may require a new IRC. Any new schools or campuses established after acquisition will be classified as foreign-invested—and must comply with the higher standards and obtain an IRC.

Structuring options for foreign investors in education M&A

Acquisition of a local school

Converting a local school into a foreign-invested school is generally not preferred due to regulatory uncertainty. While there are some precedents, these transactions are rare and typically require case-by-case guidance from local authorities.

Consequently, when the target is a local Vietnamese school, transactions are usually structured at HoldCo level to preserve the school's local status. If the school is directly owned by Vietnamese individuals or a HoldCo structure does not exist, internal restructuring may be necessary to create a HoldCo and facilitate foreign investment.

- **Minority foreign acquisitions:** foreign investors can invest at HoldCo level. Provided foreign ownership remains below 50%, HoldCo is treated as a Vietnamese investor and its underlying schools retain their local status.
- **Majority foreign acquisitions:** these require more complex structuring, such as tiered ownership arrangements, to ensure HoldCo maintains its status as a Vietnamese investor and to avoid the schools being reclassified as foreign-invested post-investment.

Acquisition of a foreign-invested school

It is much simpler to acquire existing foreign-invested schools, which are typically set up by foreign investors—often to deliver international curricula that local schools are not permitted to offer.

Because these schools are already classified as foreign-invested, no conversion process is required. Foreign investors can acquire shares in the OpCo directly owning the schools through the standard M&A process. As the OpCo is already a foreign-invested company, obtaining investment approvals is generally easier than for investing in a local, Vietnamese-owned target.

M&A procedures and approvals

- **Investment licensing procedures:** standard investment procedures will apply, including (1) obtaining M&A approval from the local Department of Finance, (2) obtaining merger control clearance from the Vietnam Competition Commission if it is a control acquisition and any reportable thresholds are met, and (3) updating corporate registration to reflect changes in ownership.
- **Educational licensing procedures:** if the transaction changes any details recorded in the school's IRC, establishment decision or educational operation licence, amendments are generally required.
  - For schools with an IRC, IRC amendments follow general investment regulations.
  - For establishment decision or educational operation licence, while the education regulations do not provide any guidance on amendment to such decision/ licence, changes can be made in practice, subject to guidance from the competent education authorities. If there is no change, notification of the transaction is not required.

  If the transaction results in conversion to foreign-invested status, licensing procedures for updating or obtaining new licences remain unclear as mentioned above.

Common legal due diligence issues in education M&A

Below are some common issues encountered during legal due diligence of schools in Vietnam.

Verification of school ownership

Except for schools with an IRC that records ownership, details of school ownership are generally not reflected in the school's establishment decision or educational operation licence. In most cases, verification relies solely on the school's internal shareholders' register.

Zoning and land-use compliance

Schools often operate in commercial buildings or residential houses that do not strictly comply with education zoning plans or land-use requirements. Landowners typically lack incentive to convert high-value commercial or residential land to educational use, especially for leased premises. Non-compliance can also limit campus upgrades, as renovation permits may be denied.

Current urban planning policies in major cities such as Hanoi and Ho Chi Minh City require universities to relocate from central business districts to address broader social concerns, including traffic congestion and the need for sufficient space for student study and supporting facilities.

However, a recent resolution by the Central Committee of the Communist Party introduces more flexible treatment, including allowing conversion of land-use purposes to educational land and prioritising the allocation of surplus government office premises to educational institutions.

1 Higher requirements include, amongst others, (1) minimum capital requirements (VND50 billion for K-12; VND1 trillion for universities); (2) enhanced student-to-teacher ratios and faculty qualifications (e.g., 30–35 students per class, 1.5–2.25 teachers per class for K-12, and at least 50% of university lecturers holding doctorates – which may be hard to satisfy in practice)

BCC model for school establishment

Schools are increasingly established under a Business Cooperation Contract (***BCC***), rather than a traditional ownership structure. The BCC model offers greater flexibility for cooperation between one party that holds land/ real estate and another party that provides funding and management expertise—without creating a new legal entity or transferring land into such an entity.

However, this structure can present legal challenges that must be carefully assessed, such as the legal basis for the landlord to contribute the right to use premises to the BCC and the necessary arrangements to ensure ongoing operation of the school in case of BCC termination.

Education programs

Both local and foreign-invested schools may deliver the Vietnamese standard curriculum to Vietnamese students. There is also a growing trend to offer integrated programs that combine the Vietnamese curriculum with international curricula (such as Cambridge or Oxford), as well as extracurricular activities developed by international organisations.

It is important to confirm that schools have obtained all necessary licences or registrations from both local authorities and relevant program licensors for the education programs they offer.

Vietnamese student intake requirements

Foreign-invested schools in Vietnam may enrol both Vietnamese and foreign students and offer foreign curricula. However, Vietnamese students in a foreign curriculum must account for less than 50% of total enrolment. It is unclear whether this cap applies per class level or across the entire school.

This cap limits the number of Vietnamese students—who are typically the main target group—and poses a significant challenge for foreign-invested schools. One practical solution is to shift Vietnamese students to integrated programs, which combine national and foreign curricula, to remain compliant while maintaining enrolment levels.

Teaching staff qualifications and student-to-teacher ratios requirements

Both local and foreign-invested schools must comply with regulatory requirements for teaching staff qualifications, although the specific standards may differ. Foreign-invested schools are also subject to student-to-teacher ratio requirements. Verifying compliance with these standards often requires dedicated due diligence focused on the school's operational practices.

Tuition fee increase cap

Private schools may set their own tuition fees and prices for education and training services (except those set by the State) to ensure cost recovery. However, annual tuition increases are capped at 15% for universities and 10% for K-12 schools. Although not entirely clear under the law, this cap is generally applied to each level's tuition fee per school year compared to the previous year (eg first grade tuition for 2025-2026 cannot increase by more than 15% over the first-grade tuition for 2024-2025).

Conclusion

Despite the regulatory complexities and operational challenges, education remains one of the most attractive sectors for investment in Vietnam. Successful transactions require careful due diligence and thoughtful structuring to navigate the evolving legal landscape and ensure long-term value.

If you would like to discuss any aspect of investing in Vietnam's education sector, please reach out to the Allens team.

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