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Incentive Policies of the State to Attract Investment for Foreign Investors in Vietnam

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Abstract: This paper delves into the analysis of incentives policies implemented by Vietnam to attract foreign direct investment (FDI). In the context of deep international economic integration, FDI plays a crucial role in promoting socio-economic development by contributing to GDP growth, facilitating technology transfer, creating jobs, and enhancing national competitiveness. To achieve this goal, Vietnam has developed a legal framework offering attractive incentives in taxation, land access, administrative procedures, and capital support. The paper explores each specific policy, analysing its significance, practical impact, achievements, and limitations. Based on this analysis, the paper proposes recommendations to improve the legal framework and enhance the investment environment in Vietnam, with the aim of attracting high-quality FDI.

Keywords: Administrative procedures, Investment incentives, policy, legal reform recommendation, tax incentives.

1. INTRODUCTION

In the context of accelerating globalisation and deepening international economic integration, foreign direct investment (FDI) has emerged as a pivotal factor determining the sustainable development of many emerging economies, including Vietnam. Since the initiation of the 'Doi Moi' (Renovation) policy in 1986 and especially following the promulgation of the Law on Foreign Investment in 1987, Vietnam has continuously endeavoured to improve its investment climate, create favourable conditions, and design preferential policies to attract this crucial capital flow.

The role of FDI in Vietnam is indisputable. According to the Ministry of Planning and Investment, the realised FDI in Vietnam reached a record high of USD 23.18 billion in 2023, marking a 3.5% increase compared to 2022, which reflects the strong confidence of foreign investors in Vietnam's business environment[1]. FDI not only bridges the capital gap for development but also brings advanced technology, modern management expertise, expands export markets, creates millions of jobs, and significantly contributes to national GDP growth. For instance, in recent years, the FDI sector has contributed approximately 20% of Vietnam's GDP and accounted for up to 70% of the country's total export turnover[2]. Moreover, the presence of FDI enterprises has catalysed economic restructuring and enhanced the competitiveness of domestic businesses through technology and management spillovers.

[1] Ministry of Planning and Investment. (2024). Report on Foreign Investment Situation in 2023.
[2] General Statistics Office. (2024). Statistical Yearbook 2023.

Vietnam's extensive engagement in global economic integration—illustrated by its accession to the World Trade Organisation (WTO) in 2007 and participation in numerous bilateral and multilateral free trade agreements (FTAs) such as the CPTPP, EVFTA, and RCEP—has created both significant opportunities and formidable challenges in the competition for FDI. To maintain and improve its competitive edge, a continuous review, assessment, and refinement of legal incentive policies is imperative, especially against the backdrop of the ongoing restructuring of global supply chains.

The primary objective of this paper is to conduct a comprehensive analysis and evaluation of the current legal framework in Vietnam regarding preferential policies aimed at attracting foreign investors. The study seeks to highlight the achievements to date, identify existing shortcomings, and propose solutions to improve the legal infrastructure, thereby enhancing the effectiveness and sustainability of FDI attraction and utilisation in the coming period—with a strategic shift toward quality and sustainability rather than mere quantitative growth.

2. LITERATURE REVIEW

Research on incentive policies aimed at attracting foreign investors to Vietnam has garnered significant attention from scholars and practitioners alike. As a result, several notable studies have been conducted on the topic. For instance, in 2014, Nguyen this Trang completed a master's thesis entitled "*Legal Incentives for Investment in Enterprises Located in Industrial Zones – Theoretical and Practical Issues*". In 2022, Khuc Thi Trang Nhung authored a study titled "*On Corporate Income Tax Incentives for Enterprises with Investment Projects in Industrial Zones*". Additionally, Doan Hong Nhung, Nguyen Vinh Hung, and Khuc Thi Trang Nhung (2023) published an article entitled "*Land Use Planning of Industrial Zones in Vietnam Towards Sustainable Development and Climate Change Response*" in Lex Humana, Volume 15, Issue 2 (ISSN 2175-0947), pp. 548–564.

3. METHODOLOGY

The authors utilised conventional research methodologies from social sciences and legal studies to examine the legislative incentive laws designed to encourage foreign investment to Vietnam. These encompass: the legal analysis method, the legal effectiveness assessment method, and the comparative legal approach. The methodologies were methodically and cohesively incorporated throughout the research process to ensure a thorough and rigorous analysis, finally fulfilling the study objectives of this work.

4. RESULT AND DISCUSSION

4.1. Overview of Legal Incentives for Foreign Investors

The legal framework governing investment incentives for foreign investors constitutes a vital component of Vietnam's investment legal system. This framework has been progressively developed and refined in tandem with the country's economic growth. Its core objective is to establish an attractive, transparent, and stable investment environment that facilitates the inflow of capital, technology, and managerial expertise from abroad, thereby supporting Vietnam's socio-economic development agenda.

Vietnam's foreign investment attraction policy officially began in 1987 with the promulgation of the Law on Foreign Investment, marking a significant milestone in the country's economic liberalisation. Since then, in response to increasingly deep international integration and evolving development needs, Vietnam's legal framework has undergone multiple revisions and enhancements. Notable milestones include the Law on Investment of 2005, its replacement by the Law on Investment, and most recently, the Law on Investment 2020. The Law on Investment 2020, which came into effect on January 1, 2021, along with its guiding regulation—Decree No. 31/2021/NĐ-CP issued by the Government—serves as the current legal cornerstone reflecting Vietnam's continued commitment to reform and improving the quality of FDI attraction[3]. In addition, other specialised laws such as the Law on Corporate Income Tax, the Law on Land, and the Law on Customs significantly contribute to the implementation of investment incentives.

When designing and implementing incentive policies, Vietnamese law adheres to several fundamental principles to ensure fairness and effectiveness:

National Treatment Principle: This fundamental principle guarantees that foreign investors receive equal treatment to domestic investors. Article 3 of the Law on Investment 2020 stipulates, "*Investors shall receive equal treatment irrespective of their nationality*". This eradicates discriminatory behaviours and promotes equity, hence enhancing investor trust.

Investment Protection Principle: The state pledges to safeguard the legal rights and interests of investors. Article 13 of the Law on Investment 2020 stipulates that the state shall not nationalise or confiscate investors' assets, except in circumstances of national defence, security, national interest, emergencies, or disaster prevention, and only with lawful compensation. Moreover, when legislative modifications negatively impact investors, the state is required to implement measures to protect their rights, thereby enhancing the trustworthiness and stability of the legal framework.

Investment Orientation Principle: Incentives are intentionally directed towards particular sectors, industries, and geographic regions prioritised by the government. This focused strategy guarantees that foreign direct investment is allocated to areas of greatest necessity, in accordance with national sustainable development objectives and in aid of underprivileged regions.

To implement these goals, Vietnamese law offers a variety of mechanisms for incentives, including:

Tax incentives: These include preferential corporate income tax rates (e.g., lower-than-standard rates), tax holidays and reductions, and exemptions from import duties on machinery, equipment, and raw materials.

Land use incentives: These encompass exemptions or reductions in land rent and land use fees for a defined period, along with provisions for long-term land leases.

Investment support measures: These comprise infrastructure development assistance, workforce training and human resource development, access to credit (via preferential loan mechanisms), support for research and development, and other forms of assistance stipulated by the Government.

[3] National Assembly. (2020). Law No. 61/2020/QH14 - Law on Investment.

Administrative reform: This includes the simplification of procedures related to investment licensing, business registration, construction permits, customs clearance, etc., through the implementation of one-stop-shop and interconnected administrative mechanisms.

Understanding this legal framework lays the groundwork for deeper analysis of the specific investment incentive policies discussed in the next sections of this paper.

4.2. Specific Investment Incentive Policies

4.2.1. Tax Incentive Policies

Tax policy is one of the most important and effective tools Vietnam employs to attract foreign investment. Tax incentives not only help reduce the initial financial burden on investors but also enhance the competitiveness of Vietnam's investment environment compared to other countries in the region. Current Vietnamese legislation stipulates diverse forms of tax incentives, applied depending on the industry, sector, investment location, and project scale.

Corporate Income Tax (CIT) Incentives

This is the most common and attractive form of tax incentive for investors, directly impacting corporate profits. CIT incentive regulations are clearly outlined in the Law on Corporate Income Tax and guiding documents such as Government Decree No. 218/2013/ND-CP.

- *Preferential Tax Rates Significantly Lower Than Standard Rates:*

10% tax rate for 15 years: Applies to corporate income from new investment projects in areas with exceptionally difficult socio-economic conditions, economic zones, high-tech zones; or projects in high-tech fields, scientific research and technology development, software product manufacturing, renewable energy production, healthcare, education-training, etc. The application period for preferential tax rates can be extended for some particularly important projects up to 30 years (e.g., large investment projects in exceptionally difficult areas or large-scale high-tech projects). Vietnam's current standard tax rate is 20%, so a reduction to 10% creates a superior competitive advantage, especially attractive to multinational corporations when calculating their return on investment.

15% tax rate: Applies to corporate income from new investment projects in areas with difficult socio-economic conditions, or projects in some other encouraged sectors as prescribed.

17% tax rate: Applies to corporate income from new investment projects in areas with favourable socio-economic conditions but belonging to encouraged investment industries as per the prescribed list.

- *CIT Exemptions and Reductions by Duration:*

Projects eligible for the 10% tax rate are typically exempt from CIT for 4 years and enjoy a 50% reduction in the payable tax for the subsequent 9 years.

Projects eligible for the 15% tax rate are typically exempt from CIT for 2 years and enjoy a 50% reduction in the payable tax for the subsequent 4 years.

The period of tax exemption and reduction is calculated continuously from the time the enterprise generates taxable income from the investment project. If the enterprise does not have taxable income during the first three years, the exemption and reduction period is calculated from the fourth year from when the project begins operations.

Vietnam’s CIT incentives are considered highly competitive in the region. For example, according to a 2023 survey by JETRO (Japan External Trade Organisation), Vietnam remains one of the most attractive destinations for Japanese businesses in ASEAN, largely due to these policies[4]. Financial benefits from tax exemptions/reductions in the initial phase help investors quickly recover capital and mitigate risks, establishing a solid foundation for early-stage operations. However, determining eligibility can be complex due to detailed regulatory requirements and frequent updates to prioritised sectors, necessitating thorough research and professional consultation.

Import Tax Incentives

To encourage the import of machinery, equipment, and materials for production—especially high-tech projects—Vietnam applies various import tax exemptions/reductions, regulated under the 2016 Export and Import Tax Law and Government Decree No. 134/2016/ND-CP.

Import duty exemption for fixed assets: Goods imported to create fixed assets for subjects eligible for investment incentives (including machinery, equipment; specialised means of transport; components, parts, detached parts, spare parts for synchronous assembly with machinery, equipment, specialised means of transport; raw materials, supplies used to manufacture machinery, equipment or to manufacture components, parts, detached parts, spare parts of machinery, equipment) are exempt from import duty. This significantly helps investors reduce initial capital costs and shorten the payback period.

Import duty exemption for raw materials, supplies, components: Raw materials, supplies, and components imported for the production of exported goods or the production of products on the list of investment incentives are also exempt from import duty or subject to a 0% tax rate. This policy demonstrates Vietnam's commitment to promoting supply chains and export-oriented production, which is highly attractive to global manufacturing investors.

Import duty exemption for plant varieties, animal breeds, fertilizers, pesticides: For projects in the agricultural sector, especially high-tech agriculture, these items also enjoy import duty incentives. This is a strong signal encouraging investment in this important sector.

Import duty incentives are a significant advantage for Vietnam, especially for large-scale manufacturing and high-tech projects where initial equipment import costs are substantial. However, in practice, determining the "synchronicity" of machinery and equipment or whether it "directly serves" the project to qualify for tax exemption can sometimes lead to disputes between businesses and customs authorities. Procedural and documentation requirements can also be complex, demanding close coordination.

Value-Added Tax (VAT) Incentives

Although VAT is an indirect tax applied to most goods and services, the Law on VAT and related guidelines include certain exemptions to support business operations and optimise cash flow.

VAT Exemptions: Some specific activities and products are not subject to VAT, such as land use right transfer, financial services, insurance, medical services, and unprocessed agricultural products.

0% VAT Rate: Applies to exported goods and services; international transport services; construction and installation services for works abroad and some other cases to encourage exports and international services.

[4] JETRO**.** (2023). Survey on the Business Conditions of Japanese Companies in Asia and Oceania 2023.

VAT Refunds: Enterprises with new investment projects, which are in the investment phase and have not yet gone into production and business operations, if they have accumulated input VAT that is eligible for refund, will receive a refund.

The provision for input VAT refunds for new investment projects is a significant financial benefit, helping businesses avoid VAT capital lock-up while the project has not yet generated revenue. This is especially critical for projects characterised by extended construction durations and substantial investment expenditures. The implementation of a 0% tax rate on exported goods and services further diminishes product costs and bolsters competitiveness in the global market. Nonetheless, VAT refund processes can occasionally be intricate and protracted, possibly impacting firm cash flow if not addressed expeditiously.

Other Tax Incentives (if applicable)

Alongside the primary taxes already referenced, certain investment projects may also receive incentives for additional financial obligations:

Exemption, reduction of land rent, land use fees: While this incentive pertains to land, the exemption and decrease of land rent serve as an indirect tax benefit, diminishing the fixed operational expenses for businesses over the project's duration. Projects in incentivised industries and investment sites may be exempted from or have their land rent and land use fees lowered for a specified duration as outlined in Government Decree No. 31/2021/ND-CP.

Exemption, reduction of non-agricultural land use tax: Non-agricultural land use tax may be avoided or lowered for social housing initiatives, worker housing, and investment projects in regions with particularly challenging socio-economic conditions, as stipulated by the Law on Non-agricultural Land Use Tax.

These incentives enable Vietnam to modify its policies to align with particular project types and developmental objectives, illustrating adaptability in macroeconomic governance. property rent incentives are especially appealing to investors in industrial parks, economic zones, or challenging environments, where property expenses can pose a considerable hardship.

In summary, Vietnam's tax incentive program is meticulously structured and appealing, significantly contributing to the attraction of FDI. To optimise efficacy, it is essential to further refine administrative processes, guarantee consistency and transparency in execution, and revise legislation to align with integration trends and the demands of elite investors.

4.2.2. Land Incentives Policies

For foreign investors, land access and utilisation in Vietnam are critical elements influencing the viability and efficiency of a project, particularly for large-scale manufacturing initiatives. Vietnamese legislation has established numerous regulations designed to facilitate, alleviate financial burdens, and ensure stable land use rights for investors. The policies are primarily governed by the Law on Land 2013, which is currently under modification, with the modified Law on Land 2024 anticipated to be implemented on August 1, 2024, fostering optimism for additional improvements, alongside the Law on Investment 2020 and Decree 31/2021/ND-CP.

Exemption and Reduction of Land Rent, Land Use Fees

This is a direct and valuable form of incentive for foreign investment projects, especially those requiring large land areas or having long operating periods. According to Article 14 of

Decree 31/2021/ND-CP, projects in incentivized industries, or incentivised investment locations, may be exempted or reduced from land rent and land use fees for a certain period. The exemption and reduction of land rent for many years (usually from 3 years to the entire project duration depending on the specific case) significantly help investors minimise fixed operating costs, a particularly important factor for industrial production, infrastructure, or long-lifecycle projects. This directly enhances Vietnam's competitiveness compared to other countries where land costs can be very high. This policy is also designed to direct FDI flows into areas and sectors encouraged by the State, such as areas with exceptionally difficult socio-economic conditions or high-tech industries, and high-tech agriculture. However, accurately determining the duration and extent of land rent exemption and reduction can be complex. In many cases, businesses have to wait for specific decisions from competent authorities, causing delays in project implementation. This emphasises the need for simplifying procedures and publicly and transparently stating the criteria.

Regulations on Land Use Term

Vietnamese law allows foreign investors to lease land for a long term, ensuring stability for long-term business production activities. Article 172 of the Law on Land 2024 (replacing Article 126 of the Law on Land 2013) stipulates that economic organisations with foreign investment capital are allowed to lease land to implement investment projects with a maximum land use term of 50 years, and for large investment projects with slow capital recovery, or investment projects in areas with difficult or exceptionally difficult socio-economic conditions, this term can be up to 70 years. A long land use term is a key factor, providing peace of mind for investors committing large capital to a project, especially large-scale infrastructure construction projects and manufacturing plants. Although not an automatic right, the law also stipulates the possibility of extending the land lease term if the investor has the need and complies with the law, providing additional flexibility. The right to use leased land by foreign investors is protected by law and can be transferred or mortgaged under certain conditions as per Article 202 of the Law on Land 2024 (replacing Article 175 of the Law on Land 2013), creating liquidity and the ability to raise capital from assets on land. However, the fact that land use rights are lease rights rather than ownership rights may be a consideration for some investors, although in practice, this is a common practice in many countries. Furthermore, the transfer of leased land rights and assets on land sometimes still faces legal procedural obstacles.

Regulations on Compensation and Site Clearance

Although this regulation is not a direct incentive, an effective compensation and site clearance mechanism has a significant impact on the implementation time and initial costs of FDI projects. According to Article 88 of the Law on Land 2024 (replacing Article 62 of the Law on Land 2013), the State is responsible for implementing compensation, support, and resettlement to create a clear land fund for projects. This helps reduce the burden and risks for investors in self-negotiating with people whose land is recovered, a process that is often costly and time-consuming. When a clear land fund is readily available (e.g., in industrial zones), investors can quickly implement projects. Resolving complaints related to compensation, support, and resettlement is sometimes still delayed, affecting the progress of investors' projects and causing opportunity costs. According to reports by the Vietnam

Chamber of Commerce and Industry (VCCI) and USAID, site clearance remains one of the top barriers for businesses investing in Vietnam, despite many reform efforts[5]. This shows the need to continue improving mechanisms, policies, and enhancing the implementation capacity of local authorities.

In summary, Vietnam's land incentive policies are quite comprehensive, demonstrating the State's efforts to create a favourable investment environment, especially in minimising land use costs and ensuring long-term stability for FDI projects. However, the effective implementation of these regulations, especially in site clearance and ensuring policy consistency, remains a challenge that needs to be continuously improved to maximise Vietnam's attractiveness to foreign investors. The upcoming Law on Land 2024 is expected to resolve many current bottlenecks.

Administrative Procedure Incentives

A favourable business environment is not only built on tax or land incentives but also heavily depends on the transparency, simplicity, and efficiency of administrative procedures. Recognising this, the Vietnamese Government has been making strong efforts to reform regulations related to investment licensing, business registration, and related procedures, aiming to minimise compliance time and costs for foreign investors. These policies are mainly regulated in the Law on Investment 2020, the Law on Enterprise 2020, and guiding decrees.

One-stop Shop Mechanism, Inter-linked One-stop Shop, and National E-portals

Vietnam has implemented and promoted the "one-stop shop" and "inter-linked one-stop shop" mechanisms for resolving administrative procedures related to investment, while also developing national e-portals. The application of the one-stop shop, and inter-linked one-stop shop mechanisms at state management agencies (such as the Department of Planning and Investment, Management Boards of Industrial Parks, Economic Zones) helps investors submit documents at a single point instead of having to contact multiple different agencies. This significantly saves time, effort, and travel costs for businesses, while limiting overlapping and buck-passing among agencies. National e-portals for business registration, investment registration, and public administrative procedures publicly display processes, documents, processing times, and fees, typically the National Business Registration Portal. This enhances transparency, making it easy for investors to look up information, prepare documents, and monitor processing progress, thereby minimising the risk of negative occurrences and increasing investor confidence. However, according to the Provincial Competitiveness Index (PCI) 2023 report, despite many improvements, some provinces/cities still need to make more efforts in effectively implementing the one-stop shop mechanism, especially in reducing unnecessary paperwork and shortening document processing time[6].

Process for Issuing Investment Registration Certificates and Business Registration Certificates

The Law on Investment 2020 and the Law on Enterprise 2020 have introduced many reforms to shorten the time and simplify the licensing process. The time for issuing Investment Registration Certificates and Business Registration Certificates has been significantly

[5] VCCI and USAID**.** (2023). Provincial Competitiveness Index (PCI) Report 2023.
[6] VCCI and USAID**.** (2023). Provincial Competitiveness Index (PCI) Report 2023.

reduced. Specifically, according to Article 37 of the Law on Investment 2020, the maximum period for issuing an Investment Registration Certificate is 15 working days from the date of receipt of a complete and valid application for projects not subject to investment policy approval. For projects requiring investment policy approval, the processing time is also clearly regulated and shortened compared to before. This helps investors quickly complete legal procedures to start project implementation, minimising waiting time and opportunity costs. The law has also clearly classified projects requiring investment policy approval and those that do not, helping investors easily determine the necessary process and time. However, in practice, preparing complete and accurate documents as required can be time-consuming. Furthermore, project appraisal, especially for complex or sensitive projects, can still take longer than expected due to the need for opinions from multiple agencies.

Reform of Regulations on Licenses and Business Conditions

Vietnam has reviewed and cut thousands of unnecessary or burdensome business conditions for enterprises, including FDI enterprises. The reduction of unnecessary sub-licenses and business conditions has opened up many new opportunities for foreign investors in previously restricted industries. This creates an open business environment, encouraging innovation and competition. The remaining business conditions are publicly available on e-portals, making it easy for investors to learn and comply, thereby minimising the "ask-give" situation and arbitrariness in the application of regulations by management agencies. According to the World Bank's "Doing Business" report, Vietnam has continuously improved its ease of doing business index in recent years, partly due to efforts to cut business conditions[7]. However, the emergence of new regulations or the lack of synchronisation in applying business conditions among localities remains a challenge, requiring strict control from the central government.

Post-licensing Support and Dispute Resolution Mechanisms

In addition to initial licensing procedures, Vietnamese law also focuses on support and dispute resolution mechanisms to ensure the rights of investors throughout their operations. State management agencies such as the Foreign Investment Agency (Ministry of Planning and Investment) regularly provide information, advice, and support to investors during project implementation and resolve arising difficulties. This demonstrates the State's proactiveness in accompanying businesses. Regarding dispute resolution, Article 14 of the Law on Investment 2020 stipulates that disputes related to business investment activities in Vietnam shall be resolved through negotiation, conciliation, arbitration, or the Court. Vietnam's membership in the New York Convention 1958 on the Recognition and Enforcement of Foreign Arbitral Awards also enhances investor confidence, especially in the context of increasingly complex international disputes. Although there are many mechanisms, the dispute resolution process can sometimes still be lengthy, especially complex cases involving multiple parties. Enhancing the capacity of arbitrators, judges, and increasing the transparency and independence of the judicial system will further strengthen investor confidence. In conclusion, Vietnam's administrative procedure incentives have made significant progress, creating a more favourable environment for foreign investors. However,

[7] World Bank Group. (2020). Doing Business 2020: Comparing Business Regulation in 190 Economies.

to truly become a leading destination, Vietnam needs to continue persistent reforms, constantly simplifying procedures, increasing the application of information technology, and ensuring consistency and transparency throughout the entire process of law enforcement, especially at the local level.

4.2.3. Capital Support Incentive Policies

In addition to direct tax and land incentives, Vietnamese law also provides support policies aimed at facilitating foreign investors' access to capital sources, enhancing their competitiveness, and promoting sustainable development. These policies are often indirect, focusing on creating a more favourable environment for business operations and project development. They are primarily regulated in the Law on Investment 2020, the State Bank of Vietnam Law, the Law on Credit Institutions, and other guiding documents.

Facilitating Access to Credit and Other Capital Sources

Although Vietnamese law does not have direct preferential policies on interest rates or preferential capital allocation for foreign investors, it creates favourable conditions for them to access domestic credit sources as well as other capital sources. According to Article 49 of the Law on Investment 2020, investors have the right to access loans from credit institutions in Vietnam (commercial banks, foreign bank branches) and raise capital through other forms such as issuing bonds and shares in accordance with Vietnamese law. This creates flexibility in the capital structure, allowing FDI enterprises to choose the most suitable financial source for their needs and market conditions. Allowing FDI enterprises to access domestic credit also encourages cooperation and connection between Vietnamese financial institutions and foreign investors, contributing to the development of the financial market and enhancing the lending capacity of banks. However, meeting the credit conditions (such as collateral, feasible business plans) of Vietnamese credit institutions can still be a challenge for some foreign investors, especially small and medium-sized enterprises or new, high-risk projects. In addition, the fluctuation of lending interest rates is also a factor that investors need to consider.

Support for Training Costs and Human Resource Development

The Vietnamese State encourages and supports investment projects that use local labour and has indirect support policies for training and skill development for workers. Policies to support human resource training (e.g., through vocational training funds, cooperation programs between businesses and vocational education institutions as stipulated in Article 25 of Decree 31/2021/ND-CP) help FDI enterprises reduce the burden of training costs and easily find suitable skilled labour. At the same time, it also helps improve the skills of Vietnamese workers, creating a higher quality workforce that meets the requirements of modern industries. This is also an important channel for transferring technology and management skills from FDI enterprises to Vietnam. However, according to a survey by JICA (Japan International Cooperation Agency), despite abundant labour resources, Vietnam still faces challenges regarding the shortage of high-quality labour, especially in new technology industries[8]. This indicates that the effectiveness of this policy still depends on the coordination between the State, businesses, and training institutions to narrow the skills gap.

Support for Research and Development (R&D) and High-Tech Application

Vietnam especially encourages investment projects in high-tech fields, research and development through various forms of indirect support. Investment projects in R&D and high-tech applications often enjoy the highest CIT incentives (such as a 10% tax rate for 15 years, 4 years exemption, and a 50% reduction for the subsequent 9 years according to Article 15 of the Law on Corporate Income Tax). In addition, R&D activities can be considered for support through national science and technology funds, or technology development support programs. This encourages investors to bring advanced technology to Vietnam, contributing to enhancing the nation's scientific and technological capacity and shifting the economic structure towards increased added value. However, according to a report by the Ministry of Science and Technology, R&D spending in Vietnam is still modest compared to many other countries, and the innovation ecosystem still needs to be strengthened to effectively support the R&D activities of FDI enterprises[9].

Support for Infrastructure Development

Although not a direct incentive for individual projects, the State's investment and development of infrastructure in industrial parks, economic zones, and high-tech zones is an indirect but extremely important form of support for foreign investors. The availability of synchronised infrastructure (electricity, water, roads, wastewater treatment systems, telecommunications) in industrial parks and economic zones significantly helps investors reduce initial costs and project implementation time. They do not have to self-fund the construction of these facilities but can focus resources on core production and business activities. Well-developed infrastructure is one of the top criteria when investors choose a location. This helps enhance the overall attractiveness of Vietnam's investment environment, attracting large-scale and high-tech projects. However, according to the Global Competitiveness Report by the World Economic Forum (WEF), the quality of infrastructure in Vietnam still needs improvement, especially transport and logistics infrastructure in some areas, to meet the rapidly developing needs of large FDI projects[10]. Continuous maintenance and upgrading of infrastructure are essential to maintain a competitive advantage.

In summary, Vietnam's capital support incentive policies focus on facilitating investors' access to necessary resources and minimising indirect costs. Although not as direct as tax incentives, these policies contribute to completing the picture of a friendly, effective, and sustainable investment environment in Vietnam, especially in promoting high-tech sectors and developing high-quality human resources.

[8] JICA. (2022). The Data Collection Survey and Situation Analysis on Industrial Human Resource Development in Vietnam.
[9] Ministry of Science and Technology. (2023). Report on Science, Technology, and Innovation Activities in 2023.
[10] World Economic Forum. (2023). The Global Competitiveness Report 2023

5. CONCLUSION AND RECOMMENDATIONS

Through the analysis of Vietnam's legal incentive policies to attract foreign investment, it can be affirmed that Vietnam has built a relatively comprehensive, flexible, and attractive legal framework for international investors. Incentives in terms of taxes, land, administrative procedures, and capital support have created significant competitive advantages, contributing to making Vietnam one of the leading attractive FDI destinations in the region in recent years.

5.1. Outstanding Achievements:

Impressive and stable FDI growth: As data from the Ministry of Planning and Investment shows, realised FDI in Vietnam has continuously increased, reaching a record level of USD 23.18 billion in 2023. This demonstrates investors' strong confidence in Vietnam's business environment and development potential.

Diversification of capital sources and investment sectors: FDI not only comes from traditional markets but also expands to new partners, with increasingly diverse projects in various sectors, especially processing, manufacturing, and high-tech industries. The shift from labour-intensive projects to high-tech, high value-added projects is a positive sign.

Enhanced national competitiveness: FDI flows have promoted technology transfer, management experience, created millions of jobs, improved the quality of human resources, and helped domestic enterprises participate more deeply in global value chains.

Positive administrative reforms: Efforts to simplify procedures and apply information technology in investment management have helped reduce administrative burdens, contributing to improving business environment indicators recognised by international organisations such as the World Bank[11].

5.2. Remaining Limitations and Challenges:

Despite achieving many positive results, Vietnam's incentive policies and investment environment still face some limitations and challenges that need to be frankly acknowledged:

Stability and consistency of law: Some policy changes or the interpretation and application of laws among different agencies and localities are sometimes not truly synchronised and consistent, causing uncertainty for investors. This is a point that foreign investors frequently express concern about in dialogues with the Government.

Administrative procedures are still cumbersome in some stages: Despite many reforms, the project implementation process after licensing (such as construction, environmental, fire prevention and fighting procedures...) can sometimes still be complex and prolonged, causing time and cost burdens for businesses, as noted by VCCI and USAID[12].

Uneven quality of human resources and infrastructure: Although there are supporting policies, the quality of human resources in some localities and the level of synchronised infrastructure development (especially transport and logistics infrastructure outside industrial parks) have not truly met the requirements of high-tech FDI projects, as reports by JICA and WEF have indicated[13].

[11] World Bank Group. (2020). Doing Business 2020: Comparing Business Regulation in 190 Economies.
[12] VCCI and USAID. (2023). Provincial Competitiveness Index (PCI) Report 2023.
[13] JICA. (2022). The Data Collection Survey and Situation Analysis on Industrial Human Resource Development in Vietnam.

Increasingly fierce competition to attract FDI: Countries in the region and around the world are also constantly improving their investment environments and introducing new incentive policies, requiring Vietnam to continuously innovate and be creative to maintain its competitive advantage, especially in the context of strategic competition among major powers.

5.3. Recommendations and Orientations for Improvement:

To continue enhancing its effectiveness in attracting and utilising FDI in the coming period, Vietnam needs to focus on the following solutions:

Improve the legal framework for transparency, stability, and predictability: Review and amend overlapping and unclear legal provisions; enhance the predictability of policies so that investors can confidently make long-term investments. The early implementation of the Law on Land (amended) and other important laws with detailed guidance is essential.

Promote comprehensive and substantive administrative reforms: Not only stop at initial procedures but also thoroughly simplify post-licensing procedures, strongly apply information technology, and improve the capacity and attitude of civil servants, especially at the local level.

Improve the quality of human resources and develop coordinated infrastructure: Invest heavily in education and vocational training, especially in high-tech fields based on market orientation; continue to invest in transport, energy, and logistics infrastructure systems to meet the development needs of modern industries.

Strengthen linkages between FDI enterprises and domestic enterprises: Implement policies to encourage technology transfer, support Vietnamese enterprises to participate more deeply in the supply chains of multinational corporations, and enhance the internal capacity of the economy.

Prioritise selective and high-quality FDI attraction: Focus on high-tech, environmentally friendly projects with high added value, capable of diffusing advanced technology and management, and meeting standards for sustainable development and corporate social responsibility.

With continuous efforts towards perfecting legal policies and improving the investment environment, Vietnam can fully maintain its attractiveness and continue to successfully attract quality FDI flows, contributing to realising the goal of sustainable and prosperous socio-economic development.

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