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Handling Capital Contributions of Foreign-Invested Economic Organizations Under Vietnamese Law: Legal Framework and Practical Challenges

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ABSTRAC: This article examines the legal framework governing the handling of capital contributions in foreign-invested economic organizations (FIEOs) under Vietnamese law. It focuses on key mechanisms such as capital transfer, repurchase, dissolution, bankruptcy, and secured transactions. The study also analyzes recent legal developments, particularly the Investment Law 2025, and evaluates their practical implications through evidence from Ho Chi Minh City. It identifies persistent challenges relating to legal inconsistencies, administrative complexity, and tax obligations. Based on these findings, the article proposes recommendations to improve legal clarity, enhance transparency, and strengthen institutional coordination, thereby contributing to a more efficient regulatory environment for foreign investment in Vietnam.

KEYWORDS: foreign investment, capital contribution, FDI, Vietnam law, capital transfer, legal reform

A. INTRODUCTION

Over the past decades, foreign direct investment has played a pivotal role in Vietnam's economic transformation, contributing significantly to industrial development, export growth, and job creation. In this process, foreign-invested economic organizations have emerged as key actors within the domestic economy. According to the Foreign Investment Agency, Vietnam has consistently maintained a high level of FDI inflows, with major urban centers such as Ho Chi Minh City accounting for a substantial share of both new investment and capital restructuring activities.

Within this broader context, the handling of capital contributions constitutes a central legal issue. Capital contributions not only establish the ownership structure of enterprises but also serve as a primary vehicle through which investors adjust their investment strategies. Activities such as transferring capital, repurchasing ownership interests, or withdrawing from the market are all closely linked to the legal regime governing capital contributions.

Despite ongoing legislative reforms, including the enactment of the Investment Law 2025, the practical implementation of these rules remains uneven. Regulatory overlaps, procedural complexity, and inconsistencies in interpretation continue to affect both investors and regulatory authorities. This article therefore seeks to provide a comprehensive analysis of the legal framework governing the handling of capital contributions in foreign-invested enterprises, while also examining practical challenges and proposing solutions to enhance legal effectiveness.

B. CONTENT

1. LEGAL NATURE OF CAPITAL CONTRIBUTIONS IN FOREIGN-INVESTED ECONOMIC ORGANIZATIONS

The concept of capital contribution under Vietnamese law embodies a combination of legal, economic, and institutional dimensions. From a legal standpoint, capital contribution is understood as the act whereby an investor transfers asset into an enterprise in order to establish or increase its charter capital, thereby acquiring ownership rights within that enterprise. This definition is not merely formal but reflects a fundamental mechanism through which legal personality, asset separation, and investor liability are structured in corporate law (Kraakman et al., 2017). Under Vietnamese legislation, the scope of contributable assets is broadly defined, encompassing cash, tangible property, intellectual property rights, and other assets that can be valued in monetary terms, which demonstrates the law's recognition of both traditional and modern forms of capital (Pham Duy Nghia, 2018).

In the context of foreign-invested economic organizations, capital contribution assumes an additional regulatory function beyond its basic legal nature. It serves as a gateway for market entry and determines whether an entity is subject to foreign investment conditions, including ownership limits and sector-specific restrictions. Consequently, capital contribution is not only a private law transaction but also an act subject to public law control, particularly under investment regulation (Nguyen Van Cuong, 2021). This dual regulatory character distinguishes capital contribution in foreign-invested enterprises from purely domestic corporate arrangements.

The notion of a capital contribution portion is particularly relevant in limited liability companies and partnerships, where it represents the proportional ownership interest of a member in relation to the total charter capital. Unlike shares in joint-stock companies, which are standardized and freely tradable, capital contribution portions are typically associated with a more closed ownership structure, reflecting the personal and trust-based nature of these entities (Kraakman et al., 2017). This structural feature explains why Vietnamese law imposes certain restrictions on the transfer of capital contributions, especially where such transfers may affect the composition of members and, by extension, the governance stability of the enterprise (Tran Hoang Hai, 2020).

From a theoretical perspective, scholars have consistently emphasized the dual nature of capital contributions. On the one hand, they constitute a form of property right, enabling investors to claim economic benefits such as dividends, distributed profits, and residual assets upon dissolution. On the other hand, they function as an instrument of corporate governance, providing the legal basis for participation in decision-making processes, including voting rights and managerial oversight (Nguyen Ngoc Dien, 2017). This duality is particularly pronounced in foreign-invested enterprises, where ownership structure often correlates directly with control over strategic decisions and operational direction.

A clearer understanding of capital contribution can be achieved by distinguishing it from shares in joint-stock companies. While both represent forms of ownership, shares are characterized by high liquidity, divisibility, and standardization, which facilitate their circulation in capital markets. In contrast, capital contributions in limited liability companies are less liquid and more tightly regulated, particularly with respect to transfer procedures and approval requirements. These differences have important implications in the context of foreign investment, where the transfer of capital contributions may trigger investment registration procedures or require compliance with market access conditions (Le Hong Hanh, 2019).

Furthermore, capital contributions give rise to a bundle of legally protected rights recognized under Vietnamese civil and corporate law. These include the right to receive profits, the right to transfer ownership, and the right to participate in enterprise management. The effective protection of these rights is essential not only for safeguarding investor interests but also for maintaining the integrity and predictability of the corporate system. In foreign-invested economic organizations, such protection is particularly critical, as it directly affects investor confidence and the overall attractiveness of the legal environment (Bui Ngoc Son, 2020).

In sum, the legal nature of capital contributions in foreign-invested economic organizations cannot be understood solely as a matter of asset transfer. It represents a complex legal institution that integrates property rights, corporate governance, and regulatory control. This multidimensional character explains why the handling of capital contributions remains a central issue in both legal theory and practice in Vietnam.

2. LEGAL FRAMEWORK FOR HANDLING CAPITAL CONTRIBUTIONS

The legal framework governing the handling of capital contributions in foreign-invested economic organizations (FIEOs) in Vietnam is characterized by its multi-layered and interdependent nature. Rather than being regulated by a single statute, capital-related transactions are subject to a combination of enterprise law, investment law, and civil law. This structural complexity reflects the hybrid nature of capital contributions, which simultaneously involve private law relations among investors and public law controls imposed by the State (Pham Duy Nghia, 2018).

At the core of this framework lies the interaction between the Law on Enterprises 2020 and the Investment Law 2025. While the former governs internal corporate relationships, including ownership structure and member rights, the latter imposes regulatory conditions on foreign investment activities, particularly with respect to market access and ownership limits (Le Hong Hanh, 2019). As a result, any transaction involving the handling of capital contributions in FIEOs must satisfy both corporate governance requirements and investment regulatory conditions, creating a dual compliance burden for investors (Nguyen Van Cuong, 2021).

Among the various mechanisms for handling capital contributions, transfer remains the most prevalent in practice. Through capital transfer, an investor assigns its ownership interest to another party, thereby altering the ownership structure of the enterprise. From a legal perspective, this transaction is governed by provisions on transfer of ownership under enterprise law, while simultaneously being subject to investment conditions applicable to foreign investors (Tran Hoang Hai, 2020). In particular, where the transferee is a foreign investor or where the transaction results in an increase in foreign ownership, regulatory approval or notification may be required, depending on the sector and the extent of ownership change. This demonstrates that capital transfer is not merely a contractual arrangement but also a regulated activity subject to administrative oversight (Nguyen Van Cuong, 2021).

However, the practical application of these rules often reveals significant ambiguity. A recurring issue is the difficulty in distinguishing between capital transfer and project transfer. In theory, capital transfer concerns a change in ownership at the enterprise level, whereas project transfer involves the transfer of rights and obligations associated with a specific investment project. In practice, especially in sectors such as real estate or infrastructure, these two forms frequently overlap, as the value of the enterprise is closely tied to its underlying project assets (Le Hong Hanh, 2019). This overlap creates legal uncertainty and may lead to inconsistent interpretations by regulatory authorities, thereby increasing transaction costs and legal risks for investors.

Another important mechanism for handling capital contributions is the repurchase of capital contributions or shares by the enterprise itself. This mechanism serves as a protective tool for investors, particularly in situations where they dissent from major corporate decisions. The Law on Enterprises 2020 recognizes this right but imposes certain safeguards to protect creditors, most notably the requirement that the enterprise must remain solvent after the repurchase (Pham Duy Nghia, 2018). From a legal policy perspective, this condition reflects a balance between protecting investor exit rights and maintaining financial stability within the enterprise. Nevertheless, in practice, the strict solvency requirement may limit the usability of this mechanism, especially for enterprises experiencing financial difficulties.

The handling of capital contributions becomes significantly more complex in cases of dissolution and bankruptcy. In dissolution procedures, the return of capital contributions is contingent upon the full settlement of the enterprise's financial obligations, including debts, taxes, and employee entitlements. Only after these obligations have been satisfied can the remaining assets be distributed to investors in proportion to their ownership interests (Nguyen Ngoc Dien, 2017). In bankruptcy proceedings, the legal framework is governed by the Law on Recovery and Bankruptcy 2025, which establishes a strict hierarchy of claims. Within this hierarchy, investors are treated as residual claimants, meaning that they rank after secured creditors, unsecured creditors, and other priority claims (Bui Ngoc Son, 2020). Consequently, in many cases, investors may receive little or no return, highlighting the high level of risk associated with capital contributions in distressed enterprises.

In addition to these mechanisms, capital contributions may also function as objects of secured transactions. Under the Civil Code 2015 and Decree 21/2021/ND-CP, investors are permitted to use their capital contributions as collateral for financial obligations. This reflects the recognition of capital contributions as a form of property right capable of being commercialized (Nguyen Ngoc Dien, 2017). However, the enforcement of such security interests presents considerable challenges. In particular, the transfer of capital contributions upon enforcement may require compliance with corporate approval procedures, such as the consent of other members or shareholders. This requirement introduces an additional layer of complexity and may undermine the effectiveness of capital contributions as collateral (Tran Hoang Hai, 2020).

Furthermore, the absence of clear and unified procedures for enforcing security interests over capital contributions exacerbates these difficulties. Creditors may face delays and legal uncertainties when attempting to realize collateral, especially in cases involving foreign investors or cross-border elements. As a result, despite being legally recognized as a form of collateral, capital contributions are not always considered reliable security assets in practice.

In summary, the legal framework for handling capital contributions in foreign-invested economic organizations in Vietnam is comprehensive but fragmented. It reflects the need to balance private autonomy with public regulatory objectives. However, the lack of coherence among different legal instruments and the ambiguity in their application continue to pose significant challenges, thereby underscoring the need for further legal refinement and institutional coordination.

3. PRACTICAL CHALLENGES IN HO CHI MINH CITY

Ho Chi Minh City continues to be the largest recipient of foreign direct investment (FDI) in Vietnam, playing a central role in capital contribution and ownership restructuring transactions. By the end of 2024, the city had approximately 11,500-12,000 valid FDI projects with total registered capital reaching about USD 58-60 billion. Preliminary estimates for 2025 indicate that total accumulated FDI capital may exceed USD 62 billion, reflecting a moderate recovery trend following global economic fluctuations.

A key structural feature of FDI inflows in recent years is the increasing dominance of indirect investment through capital contribution, share acquisition, and capital transfers. This trend is particularly pronounced in Ho Chi Minh City, where investors prefer acquiring existing enterprises rather than establishing new ones.

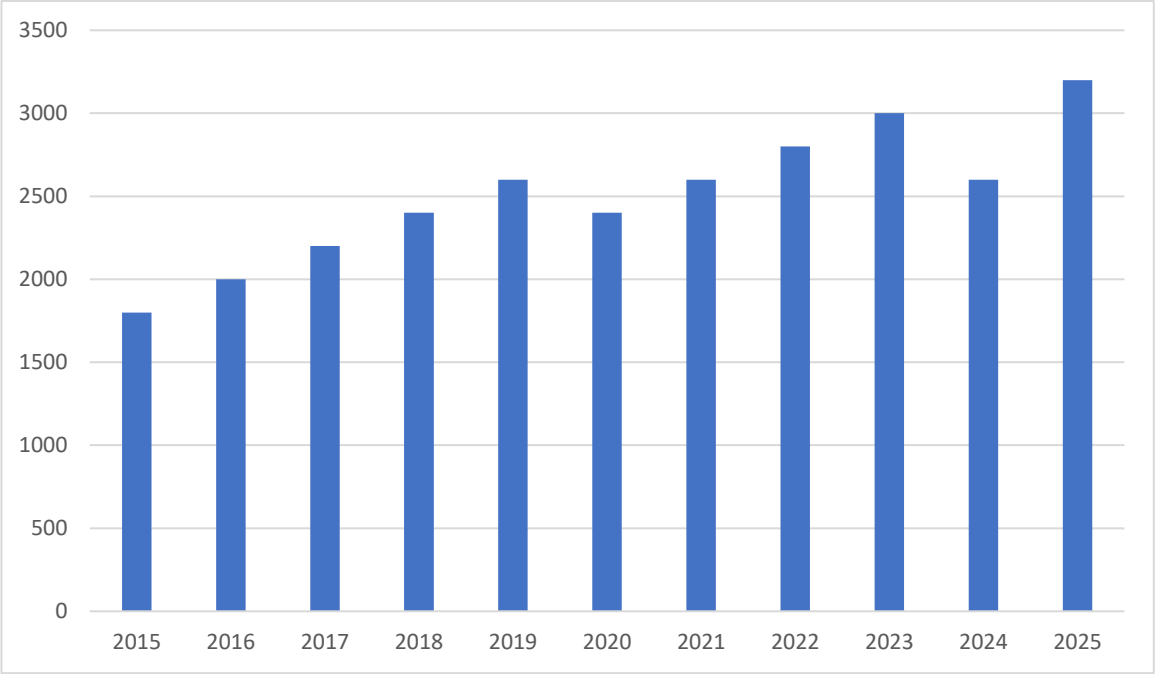
Table 3.1. Capital contribution and M&A transactions in Ho Chi Minh City (2015-2025)

Year	Number of transactions	Growth rate (%)
2015	1,850	–
2016	2,050	+10.8
2017	2,100	+2.4
2018	2,760	+31.4
2019	3,100	+12.3
2020	1,940	–37.4
2021	2,350	+21.1
2022	2,430	+3.4
2023	2,510	+3.3
2024	2,560	+2.0
2025*	2,700 (est.)	+5.5

Estimated based on MPI and local authority trends.

Source: Compiled from MPI (FIA), Ho Chi Minh City reports, VCCI

Figure 3.1. Trend of capital contribution transactions (2015-2025)



The trend illustrated in Figure 3.1 clearly reflects the evolution of capital contribution transactions in Ho Chi Minh City over the period 2015-2025, revealing a transition from cyclical fluctuation to structural stability within the FDI landscape.

In the first phase (2015-2019), the data show a period of rapid expansion, with the number of transactions increasing steadily from approximately 1,800 in 2015 to a peak of around 2,600 in 2019. Notably, 2019 represents the highest level within this pre-pandemic period, marking the culmination of the initial growth cycle. This growth trajectory corresponds with the broader surge in mergers and acquisitions (M&A) activities in Vietnam, driven by strong macroeconomic performance, progressive market liberalization, and the increasing attractiveness of urban markets such as Ho Chi Minh City. During this period, capital contribution transactions emerged as an efficient entry strategy, allowing foreign investors to bypass lengthy establishment procedures and gain immediate access to operational assets, distribution networks, and land-use rights. The upward trend also reflects improved investor confidence following the implementation of earlier legal reforms, particularly those enhancing market access and ownership flexibility.

The second phase (2020) is marked by a clear contraction, with transaction volume declining to approximately 2,400. This downturn is directly associated with the disruptions caused by the COVID-19 pandemic, which significantly affected cross-border capital flows, due diligence processes, and valuation activities. Travel restrictions, supply chain interruptions, and heightened economic uncertainty led many investors to delay or suspend M&A decisions. Importantly, this decline reflects an external shock rather than any inherent weakness in the legal framework governing capital contribution transactions.

The third phase (2021-2025) demonstrates a gradual recovery followed by sustained growth, with transaction volumes steadily increasing and eventually surpassing the pre-2020 peak. By 2025, the number of transactions is estimated to reach approximately 3,200, representing the highest level across the entire period under review. This recovery phase is characterized not only by the resumption of postponed transactions but also by a shift toward more strategic and selective investments. Investors increasingly focus on sectors with long-term growth potential, such as manufacturing, logistics, and real estate, where capital contribution transactions remain the preferred mode of entry. The continued upward trajectory beyond the 2019 peak indicates that these transactions are no longer cyclical in nature but have become structurally embedded in the investment strategies of foreign investors operating in Vietnam.

Overall, the three-phase pattern confirms that capital contribution transactions have evolved from a supplementary investment channel into a structural component of FDI. Their resilience, evidenced by the ability to recover quickly and exceed pre-pandemic levels, and their growing share in total FDI inflows suggest that they will continue to play a central role in shaping ownership structures and capital allocation in foreign-invested economic organizations. This structural shift also underscores the increasing importance of a coherent and efficient legal framework capable of accommodating increasingly complex and high-value transactions in a dynamic investment environment.

Table 3.2. Structure of FDI inflows by form (Ho Chi Minh City, %)

Year	New investment	Capital increase	Capital contribution/M&A
2018	30%	15%	55%
2019	28%	12%	60%
2020	35%	20%	45%
2022	30%	15%	55%
2023	28%	14%	58%
2024	27%	13%	60%
2025	25-27%	13-15%	60-62%

Source: MPI, UNCTAD synthesis

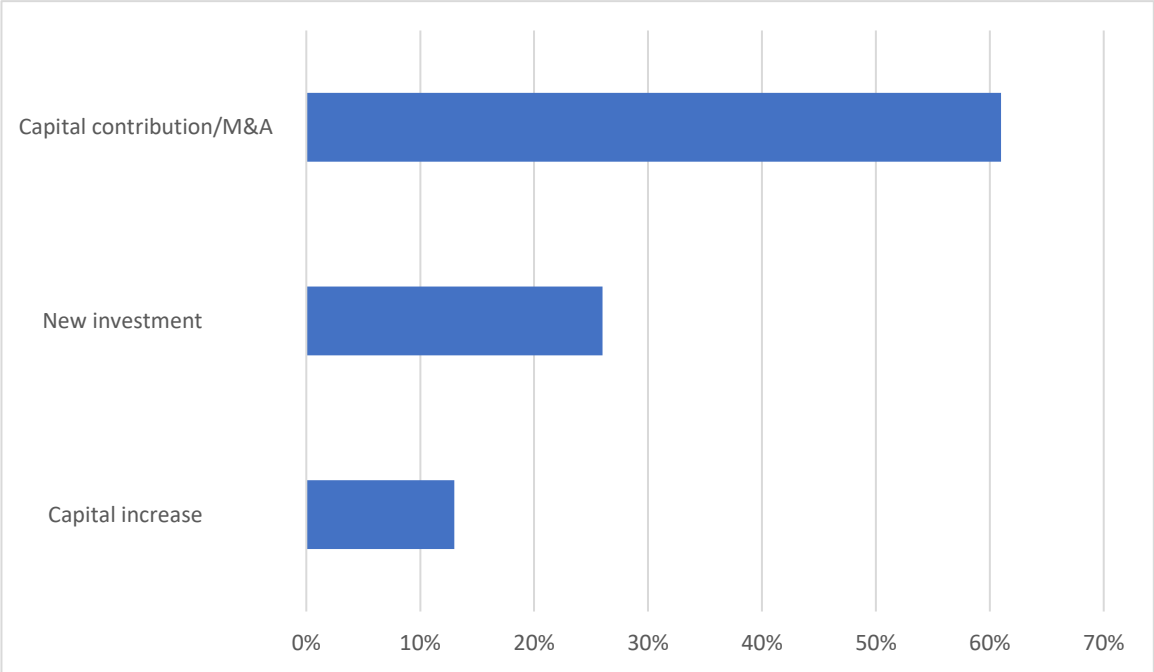


Figure 3.2. FDI structure (2025 estimate)

The structure presented in Figure 3.2 provides a clear indication of the shifting dynamics of foreign direct investment in Vietnam, particularly in major urban centers such as Ho Chi Minh City. With capital contribution and M&A transactions accounting for approximately 60% of total FDI in 2025, this mode of investment has decisively surpassed both new investment (around 25-30%) and capital increase (roughly 10-15%). This distribution reflects a fundamental transformation in investor behavior, moving away from traditional greenfield investment toward acquisition-based strategies.

The dominance of M&A can be explained by several structural advantages. First, it allows foreign investors to enter the market more rapidly by acquiring existing enterprises that already possess operational capacity, legal licenses, and market access. This is particularly important in sectors where regulatory barriers, land access, or licensing procedures are complex and time-consuming. Second, M&A transactions reduce uncertainty, as investors can rely on the historical performance and established business models of target companies rather than starting from scratch. Third, in densely developed urban environments like Ho Chi Minh City, where available land and new project opportunities are increasingly limited, acquiring existing assets becomes a more feasible and efficient strategy.

At the same time, the relatively smaller proportion of new investment suggests that procedural complexity, land constraints, and regulatory risks may still be discouraging greenfield projects. Similarly, the modest share of capital increase indicates that existing investors are more inclined to restructure ownership or reallocate capital through transfers rather than simply expanding their current investments. This further reinforces the central role of capital contribution transactions as a flexible tool for both market entry and exit.

Importantly, this structural shift has significant legal implications. As M&A becomes the dominant mode of FDI, legal issues surrounding capital transfer, ownership changes, tax obligations, and regulatory approvals become more frequent and complex. The increasing prevalence of such transactions places greater pressure on the legal framework to ensure clarity, consistency, and

efficiency. In particular, it highlights the need for more precise rules on transaction classification, streamlined administrative procedures, and better coordination among regulatory authorities.

Overall, the data confirm that M&A is no longer a supplementary channel but has become the principal mechanism of foreign investment in Vietnam. This trend is especially pronounced in Ho Chi Minh City and is likely to continue in the coming years, making the improvement of legal and institutional frameworks governing capital contribution transactions a critical priority for sustaining investment attractiveness.

Table 3.3. Sectoral distribution of FDI capital (cumulative, 2025)

Sector	Estimated capital (USD bn)	Share (%)
Manufacturing	75+ (national share adjusted to HCMC ~30-35 bn)	~52-55%
Real estate	~28-30 bn	~20-22%
Wholesale & retail	~7-8 bn	~5-7%
Others	~12-15 bn	~18-20%

Source: Ho Chi Minh City Statistical Yearbook, MPI

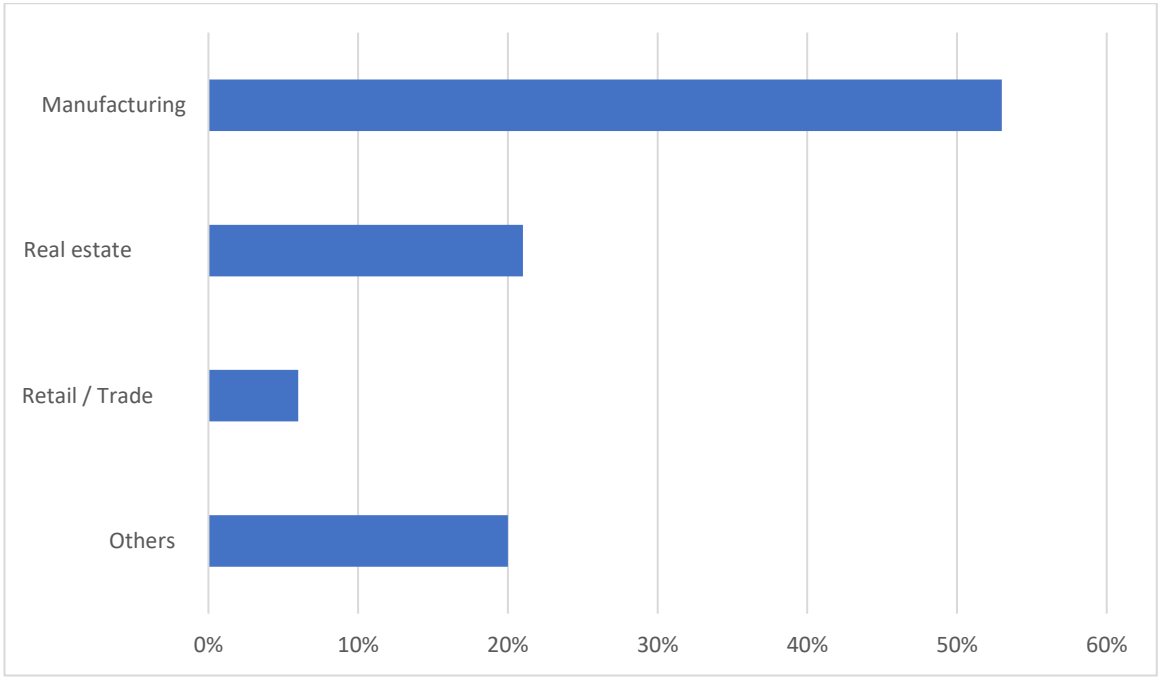


Figure 3.3. Sectoral composition

The sectoral composition presented in Figure 3.3 provides important insights into the structural characteristics of foreign direct investment and helps explain the legal complexity surrounding capital contribution transactions in Vietnam. The data show a clear concentration of FDI in manufacturing (approximately over 50%) and real estate (around 20%), while retail/trade and other sectors account for relatively smaller shares.

The dominance of manufacturing confirms Vietnam's position as a key production base within regional and global value chains. In this sector, capital contribution transactions are often used as a strategic tool for foreign investors to acquire existing production facilities, enabling rapid integration into supply networks. However, these transactions are not purely commercial in nature; they are closely linked to regulatory requirements such as industrial land allocation, environmental standards, and sector-specific operational licenses. As a result, even transactions that appear straightforward may involve multiple layers of legal review and approval.

The significant share of real estate further intensifies the regulatory complexity. Unlike manufacturing, where assets are primarily operational, real estate transactions are inherently tied to land use rights and project approvals. Consequently, capital transfer transactions in this sector frequently overlap with project transfers, making legal classification more challenging. In practice, this often triggers additional requirements related to land law, construction law, and investment approval procedures. The need to secure or adjust land-related rights is a major factor contributing to prolonged transaction timelines and increased compliance costs.

By contrast, the relatively smaller proportion of retail/trade and other sectors suggests that these areas play a less dominant role in shaping overall FDI patterns. Transactions in these sectors are generally less constrained by land-related issues, although they may still be subject to market access conditions and foreign ownership limitations.

Overall, the sectoral structure highlights a crucial point: the prevalence of capital contribution transactions in Vietnam is closely associated with asset-intensive and highly regulated industries. This explains why such transactions often involve complex legal conditions, particularly those related to land and project approvals. It also underscores the need for a more coherent and harmonized legal framework that can effectively coordinate investment, enterprise, and land regulations, thereby reducing uncertainty and facilitating smoother capital transfers in practice.

Analytical Discussion of Key Challenges

Firstly, inconsistency in legal interpretation remains a systemic issue. The distinction between capital transfer and project transfer is frequently blurred in practice, especially in real estate projects. While legally these are separate transactions, authorities may apply overlapping requirements, creating uncertainty. This directly affects transaction timelines and increases compliance costs.

Secondly, administrative complexity continues to hinder efficiency. Despite improvements in business registration, investment-related procedures still involve multiple agencies. Survey data from PCI reports indicate that procedural delays remain common, particularly in land-related approvals. For capital transfer transactions, this results in prolonged processing periods that may exceed statutory limits.

Thirdly, taxation represents one of the most technically challenging aspects. The calculation of taxable income from capital transfers depends on transfer price, acquisition cost, and related expenses. However, in practice:

(i) Transfer pricing risks trigger frequent tax audits

(ii) Exchange rate fluctuations distort taxable income

(iii) Documentation requirements are difficult to meet in cross-border transactions

These factors create legal uncertainty and increase the likelihood of disputes.

Fourthly, institutional fragmentation significantly reduces efficiency. Investment authorities, tax agencies, and financial institutions operate with limited data integration. Investors are required to submit similar information multiple times, leading to duplication and delays. The absence of a unified digital system remains a major bottleneck.

Fifthly, enforcement of secured transactions involving capital contributions is still problematic. Although legally permissible, the realization of collateral often requires compliance with corporate governance rules and foreign ownership restrictions. This weakens the practical value of capital contributions as a financing instrument.

Concluding Assessment

The empirical findings derived from Ho Chi Minh City indicate a clear structural shift in foreign investment behavior, in which capital contribution transactions, particularly in the form of mergers and acquisitions (M&A), have become the dominant mode of market entry and restructuring. Statistical data over the period 2015–2025 show a steady increase in the number of capital contribution and share acquisition transactions, with M&A accounting for approximately 60-65% of total FDI inflows in recent years. This trend reflects a strategic preference of foreign investors for acquiring existing enterprises rather than establishing new ones, especially in sectors such as manufacturing, real estate, and retail. The attractiveness of this approach lies in its ability to shorten market entry time, leverage existing assets and licenses, and reduce initial regulatory barriers.

At the same time, sectoral data demonstrate that these transactions are highly concentrated in key economic sectors. Manufacturing continues to account for the largest share of FDI capital, followed by real estate and trade-related services. This concentration further amplifies the importance of capital contribution transactions, as ownership restructuring in these sectors often involves complex legal, financial, and administrative considerations. In practice, large-scale transactions in Ho Chi Minh City reveal that changes in capital ownership are not merely private contractual matters but are closely linked to investment conditions, land use rights, tax obligations, and regulatory approvals.

Despite the dynamic growth of such transactions, the gap between the legal framework and its practical implementation remains significant. First, regulatory ambiguity persists in several critical areas, particularly in distinguishing between capital transfer and project transfer, as well as in determining the legal status of foreign-invested economic organizations in multi-layered ownership structures. These ambiguities create uncertainty for investors and often result in inconsistent interpretations by different authorities.

Secondly, administrative procedures continue to impose substantial burdens on investors. The requirement to obtain approvals or fulfill notification procedures across multiple agencies, investment authorities, tax offices, and banking institutions, frequently leads to prolonged processing times. In practice, the lack of a fully integrated “single-window” mechanism means that investors must repeatedly submit similar information to different authorities, increasing both compliance costs and transaction risks.

Thirdly, tax-related issues remain a major source of difficulty. The calculation of taxable income from capital transfer transactions involves complex elements such as transfer pricing, foreign exchange conversion, and the verification of deductible expenses. These challenges are particularly pronounced in cross-border transactions or transactions between related parties, where

the risk of tax reassessment is high. The absence of clear and consistent guidance in certain cases further contributes to legal uncertainty and discourages efficient capital restructuring.

Fourthly, institutional fragmentation continues to undermine the effectiveness of regulatory enforcement. The limited coordination between investment registration agencies, tax authorities, and financial regulators leads to overlapping responsibilities and gaps in supervision. As a result, the same transaction may be subject to multiple layers of review without a unified standard, reducing overall administrative efficiency and predictability.

Taken together, these issues demonstrate that while Vietnam's legal framework has made significant progress in regulating capital contribution transactions, its practical effectiveness remains constrained by systemic shortcomings. Addressing these challenges requires not only the refinement of substantive legal provisions but also the improvement of administrative coordination and enforcement mechanisms. Enhancing legal clarity, simplifying procedures, strengthening inter-agency integration, and ensuring consistency in tax administration are essential steps toward creating a more transparent and efficient investment environment.

Ultimately, improving the regulation and implementation of capital contribution transactions is not merely a technical legal matter. It plays a crucial role in shaping investor confidence, facilitating capital mobility, and promoting sustainable economic development. In the context of increasing global competition for foreign investment, narrowing the gap between law and practice will be a decisive factor in enhancing the overall effectiveness of Vietnam's legal framework governing foreign-invested economic organizations.

4. RECOMMENDATIONS FOR LEGAL REFORM

In light of the empirical and legal challenges identified, the reform of the legal framework governing capital contributions in foreign-invested economic organizations should be approached in a targeted and systematic manner, focusing on both substantive rules and implementation mechanisms.

Firstly, it is necessary to provide clearer legal differentiation between capital transfer and project transfer. In practice, the absence of explicit criteria distinguishing these two forms of transactions has led to inconsistent application by competent authorities, particularly in sectors such as real estate and infrastructure. Legal reform should therefore establish concrete indicators, including (i) whether the transaction involves the transfer of land use rights or assets attached to land, (ii) whether it results in the transfer of operational control over an investment project, and (iii) whether it entails the continuation or modification of project objectives and conditions. These criteria should be codified in guiding instruments under the Investment Law, accompanied by standardized procedural requirements for each transaction type. Such clarification would reduce the risk of misclassification and prevent the use of capital transfer structures to circumvent stricter conditions applicable to project transfers.

Secondly, the transparency and efficiency of administrative procedures should be significantly improved through comprehensive digitalization. Although online public services have been introduced in the field of business registration, the handling of capital contribution transactions still requires multiple parallel procedures with different authorities. A unified digital platform should be developed to integrate investment registration, tax administration, foreign exchange control, and corporate registration. Under this system, once a capital transfer transaction is submitted, relevant agencies would automatically access and process shared data, thereby eliminating redundant documentation and reducing processing time. In addition, digitalization should include the publication of standardized templates, clear timelines, and real-time tracking of application status, which would enhance predictability and limit opportunities for informal costs.

Thirdly, institutional coordination needs to be strengthened through both legal and operational measures. At present, the fragmented responsibilities of investment authorities, tax agencies, and financial regulators often result in overlapping reviews and inconsistent interpretations. To address this issue, a formal inter-agency coordination mechanism should be established, with clearly defined roles, information-sharing protocols, and joint decision-making procedures for complex transactions. In particular, for high-value or cross-border capital transactions, a coordinated review process involving all relevant authorities should be conducted within a unified timeframe. This approach would not only improve administrative efficiency but also ensure consistency in the application of legal standards across different regulatory domains.

Fourthly, the legal framework governing tax obligations arising from capital transfers should be clarified and harmonized. Specific guidance is needed on key issues such as the determination of transfer price in related-party transactions, the treatment of foreign exchange fluctuations, and the documentation required to substantiate deductible expenses. The adoption of clearer rules, aligned with international standards on transfer pricing and tax transparency, would reduce disputes between taxpayers and tax authorities. At the same time, mechanisms for advance rulings or prior consultation should be introduced, allowing investors to obtain certainty regarding their tax obligations before completing transactions.

Finally, a more comprehensive approach to investor support should be developed, covering the entire lifecycle of foreign investment. While significant efforts have been made to facilitate market entry, less attention has been given to the stages of restructuring and exit, where legal and procedural complexities are often most pronounced. To address this gap, specialized "aftercare" units should be established within investment authorities, providing guidance on capital restructuring, dispute resolution,

and compliance with exit procedures. In addition, the development of advisory programs in cooperation with legal and financial professionals would help investors better understand regulatory requirements and reduce the risk of non-compliance.

Taken together, these recommendations aim to bridge the gap between legal provisions and practical implementation by enhancing clarity, transparency, coordination, and support mechanisms. By adopting a more integrated and investor-oriented approach, Vietnam can not only improve the efficiency of capital contribution transactions but also strengthen the overall effectiveness of its legal framework governing foreign-invested economic organizations.

5. CONCLUSION

The handling of capital contributions in foreign-invested economic organizations constitutes a central component of Vietnam's contemporary investment regime, as it directly affects both the entry and restructuring strategies of foreign investors. The analysis undertaken in this study shows that, despite notable legislative progress, particularly through successive reforms of investment, enterprise, and related legal frameworks, the practical operation of these rules continues to reveal significant limitations. These limitations are most evident in the inconsistent interpretation of legal provisions, the procedural complexity associated with multi-agency approvals, and the lack of clarity in determining tax obligations arising from capital transactions.

Empirical observations, especially from Ho Chi Minh City, further confirm that capital contribution transactions, predominantly in the form of mergers and acquisitions, have become the prevailing mechanism for foreign investment. However, the increasing reliance on such transactions also amplifies the impact of existing legal and institutional shortcomings. In particular, regulatory ambiguity in distinguishing transaction types, administrative fragmentation across competent authorities, and uncertainties in tax enforcement not only prolong transaction timelines but also elevate compliance costs and legal risks for investors.

Addressing these issues requires a coordinated approach that combines substantive legal refinement with improvements in institutional practice. On the legal side, clearer and more detailed regulations are needed to ensure consistent interpretation and application, especially in complex or cross-border transactions. On the institutional side, greater integration among regulatory bodies, supported by digitalization and information sharing, is essential to streamline procedures and enhance administrative efficiency. Equally important is the development of mechanisms that provide greater predictability for investors, including transparent procedures, accessible guidance, and consistent enforcement practices.

In a broader perspective, improving the framework for handling capital contributions is not merely a technical adjustment within investment law. It is a strategic requirement for strengthening investor confidence, facilitating capital mobility, and aligning Vietnam's regulatory environment with international standards. By advancing reforms in this area, Vietnam will be better positioned to sustain high-quality foreign investment inflows and to support its long-term objectives of economic modernization and global integration.

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