

# PwC Vietnam Legal NewsBrief

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## Changes to the Law on Enterprises

### At a glance...

On 17 June, the National Assembly passed the amended Law on Enterprises (new LOE) which will be effective from 1 January 2021 and replace the existing 2014 LOE.

## In detail...

The new LOE does not make fundamental changes, but rather deals mostly with registrations, operations, restructurings and liquidations of enterprises. Some notable points include:

- The requirement for registering seal specimens has been abolished. The new LOE also recognises electronic seals registered in line with the law.
- The new LOE confirms that online (via the National Business Registration Portal) and offline registrations have the same legal validity. Currently, after an online submission, companies must also submit hard copy application documents. The new LOE, however, does not require such paperwork.
- While the new LOE maintains the time limit for injecting charter capital within 90 days from the date of the issuance of enterprise registration certificates, it allows certain exceptions in case of in-kind contributions where the time required for transportation/importation of assets or completion of changes of ownership are not counted as part of the 90-day time limit.
- The new LOE stipulates conditions and procedures for private placements of bonds by both non-public joint stock companies (JSC) and limited liability companies.
- The new LOE for the first time introduces the concept of “Non-voting Depository Receipt” (NVDR) (in Vietnamese: “Chứng chỉ lưu ký không có quyền biểu quyết”), which allows the owners of NVDR in a JSC to have full economic benefits corresponding to the shares deposited, but not including voting rights. The government will provide further guiding regulations on NVDR.
- Minority shareholders in JSCs will now have better protection. For example, shareholder(s) or a group of shareholders holding 5% or more (instead of 10% under the current LOE) of a company will have the right, inter alia, to request the convening of a General Meeting of Shareholders in certain cases or to request the Board of Inspection to investigate certain matters relating to the operation of the company. Shareholder(s) or a group of shareholders holding 10% of voting rights or more can nominate candidates for the Board of Management or the Board of Inspection as currently. However, the new LOE removes the requirement that a shareholder must hold the shares for at least six consecutive months in order to exercise such rights.

## Contact us

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