



Global Rewards Update

Vietnam – Proposed changes for Vietnamese nationals participating in overseas employee share schemes

Background

Strict exchange control regulations have made it extremely difficult for Vietnamese nationals to participate in overseas employee share schemes since they were not allowed to remit funds overseas to acquire shares. Instead, the most common incentive arrangements offered by overseas companies were cash (phantom) plans or stock plans with an immediate forced sale.

Impact

Under new guidance that is currently being drafted on offshore indirect investment (“OII”), the Vietnamese government intends to allow Vietnamese nationals to participate in overseas employee share plans under certain conditions. The conditions that must be met in order to allow participation in overseas employee share plans are not yet clear since the guidance is currently being drafted. To date, the only condition on which guidance has been issued is that individuals are not permitted to use loans in order to purchase shares through an employee share purchase plan.

Employers will also be required to meet compliance requirements if their employees are to participate in an employee incentive plan and further information is expected to follow on this point. As the aim of the legislation is to increase the number of Vietnamese nationals participating in employee share schemes, hopefully these requirements will not be too burdensome.

Deloitte's view

This is welcome news for companies as this should provide more possibilities for them to diversify their remuneration packages and offer participation in share schemes to Vietnamese nationals. However, companies should wait until further guidance is issued before making any changes to their current arrangements.

Deloitte Vietnam are in discussions with the Department of Foreign Exchange Control at the State Bank of Vietnam and further updates will be provided once more detailed guidance is issued.

We expect that it will be a few months until this guidance is issued and there is clarity on how share plans can be operated in Vietnam in light of the offshore indirect investment regulations.

Contacts

For assistance with these issues, or any other issue related to the operation of your global equity plans, please contact your usual Deloitte adviser or email us at globalshareplans@deloitte.co.uk, and an adviser will contact you.

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[Back to top](#)



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