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2022 PETROLEUM LAW

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2022 PETROLEUM LAW

Future-Proofing for Prosperity and Sustainability

The new law, which includes tax incentives, will positively support investors and increase the efficiency in governmental management of petroleum-related activities in Vietnam, as well as:

- *Provide more attractive investment incentives in petroleum projects;*
- *Re-enforce regulations on petroleum contracts in a more convenient and flexible manner for the investor (e.g., by increasing the petroleum contract period);*
- *Introduce a new mechanism on full exploitation in petroleum projects;*
- *Clarify regulations on the approval orders of stages in the petroleum contract;*
- *Add a new regulation on developing a synchronous chain in petroleum projects to improve the efficiency of the project; and*
- *Stipulate regulations on accounting, auditing, and finalizing work in accordance with the characteristics of petroleum activities and international petroleum industry practices.*

These positive changes should create a more convenient and attractive investment environment that supports the investor by enhancing the efficiency of petroleum investment activities.



Vietnam's Petroleum Law (no. 12/2022/QH15) was officially approved at the 4th Session, 15th National Assembly on 14 November 2022. A draft decree providing implementation guidance is currently under discussion and is expected to be released prior to 1 July 2023.

Applicable object

Agencies, organizations, individuals involved in Basic Petroleum Investigation and petroleum related activities within Vietnam's territory (mainland, islands and waters).

Structure

- 11 chapters
- 69 articles
- **Effectiveness: July 01st, 2023**



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Notable contents

1. Basic petroleum investigation (a new terminology)

- The Ministry of Industry and Trade (MOIT) will assume the prime responsibility and coordinate with the Ministry of Natural Resources and Environment and relevant ministries in the implementation of basic petroleum investigation.
- A new term “basic petroleum investigation” refers to activities involving researching, surveying, and investigating the geological formations, material composition, and conditions to generate petroleum for purposes of assessing the prospects of petroleum as a basis for petroleum exploration activities.
- The funding for basic petroleum investigation will come from the state budget, the budget of the Vietnam Oil and Gas Group (PVN), and the fund of organizations and individuals carrying out the investigation.

2. Petroleum contract terms

- Normal petroleum project contracts will have a term of 30 years, of which the exploration phase will be up to five years.
- For Incentivized petroleum projects the term will be 35 years, with an exploration phase of up to 10 years.
- The contracts may be extended up to five years (inclusive of the exploration phase).

3. Synchronous chain in petroleum project

During the process of making the general plan for the development of petroleum fields, if it is necessary to build a synchronous chain of petroleum works or equipment on land or sea that is outside of the initial contract area that is needed to improve the economic efficiency of the development project, it is required to be reported by the PVN to the MOIT for appraisal and submission to the Prime Minister for approval.

4. Full exploitation of petroleum fields and blocks (new policy)

In order to enhance the efficiency of petroleum exploitation, the prime minister will decide the mechanism for full exploitation of petroleum fields and blocks. PVN will be responsible for the full exploitation of the petroleum fields and blocks.

5. Tax incentives

- **Petroleum contract of blocks, fields being entitled for the investment incentives policy**
 - ✓ **32%** corporate income tax;
 - ✓ **10%** crude oil export rate;
 - ✓ A recovery rate up to **70%** of the petroleum output exploited in a given year
- **Petroleum contract of blocks, fields being entitled for the special investment incentives policy**
 - ✓ **25%** corporate income tax;
 - ✓ **5%** crude oil export rate;
 - ✓ A recovery rate up to **80%** of the petroleum output exploited in a given year

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6. Access rights and sharing obligations

Petroleum contractors may access and use existing traffic systems, infrastructure, and petroleum works for their petroleum activities. Also, petroleum contractors must share the use of existing infrastructure and petroleum works with third parties based on contracts or agreements between the parties.

7. Accounting, auditing, taxation, and finalization works

The accounting and auditing work for petroleum activities under the petroleum contract must be carried out in accordance with the provisions of the law on accounting and auditing and international petroleum industry practices:

- Corporate income tax on petroleum activities is determined on the basis of petroleum contracts, regardless of business results of enterprises participating in petroleum contracts.
- The finalization works must be carried out by the contractor after completing the work according to each item and stage in the petroleum contract or at the end of the petroleum project or component project of petroleum projects.

8. PetroVietnam rights and obligations

PVN's rights and obligations are clearly stated in order to determine PVN's main roles in performing tasks assigned by the government and in participating in the petroleum contract as a contractor.

9. Decentralization rights and responsibilities of relevant parties

- Decentralization is strengthened, along with an increase in the supervision of relevant parties.
- The MOIT and PVN are responsible for approving the deployment stage in petroleum activities, and PVN's members' council is in charge of approving the use of capital of the PVN members and their wholly-owned enterprises.



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