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TAX ALERT

Amendments in regulations for implementing the Share-Award program according to Circular No. 23/2024/TT-NHNN

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On June 28, 2024, the State Bank of Vietnam ("SBV") issued Circular No. 23/2024/TT-NHNN ("Circular 23"), which amends and supplements several articles of Circular No. 10/2016/TT-NHNN dated June 29, 2016 ("Circular 10") regarding outward indirect investment. These amendments include changes to the implementation of share-award programs issued overseas. Circular 23 takes effect on **August 12, 2024**, and introduces several notable new points as follows:

Expand the organizations eligible to implement the share-award program

Circular 23 expands the scope of organizations eligible to implement the share-award program to include economic organizations that have relationships with foreign entities through share ownership, contributed capital, or other forms as prescribed by Vietnamese law.

Awarding form

Apart from allowing direct share awards, Circular 23 replaces stock options with preferential conditions by other forms of awards that do not generate cash flows abroad.

Abolish the requirement for SBV's confirmation before implementing share-award programs issued overseas; update and expand the duties of organizations implementing the program

Abolish the requirement for SBV's confirmation before implementing share-award programs issued overseas. Concurrently, amend and supplement the responsibilities of organizations implementing the program as follows:

1. Provide and supplement supporting documents and dossiers as requested by the credit institution where the organization opens the account to implement the share-award program for Vietnamese employees.
2. Fully settle benefits related to the share-award program issued overseas for Vietnamese employees in the event that the organization implementing the program terminates operations or dissolves.

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Regulations on opening and using accounts for the implementation of the share-award program issued overseas

1. The organization implementing the program must open one account to manage the program, which will handle collection and payment transactions without the need for registration and confirmation from the SBV.
2. Collection transactions: remove certain collection transactions as mentioned in Circular 10; retain only collections from dividends and other lawful incomes related to the share-award program issued overseas.
3. Payment transactions: remove payment transactions related to buying shares overseas. Amend and supplement other lawful payments related to the share-award program issued in overseas.

Reporting requirements for organizations implementing the share-award program

1. On a monthly basis, no later than 12th of the month following the reporting month, the organization implementing the program must report to the SBV on the status of the implementation of the share-award program issued overseas and applied to Vietnamese employees, according to the form in Appendix No. 16 of Circular 23.
2. The report must be sent to the SBV's email address at baocaocophieu@sbv.gov.vn and also submitted in hard copy to the SBV.

Deloitte's views

- *The removal of the requirement to register share-award programs issued overseas with the SBV for Vietnamese employees is a crucial change. This is expected to significantly reduce the time and administrative procedures involved in applying such share-award programs.*

However, organizations implementing the program should conduct self-assessments, determine the qualifications of the share-award program, and provide supporting documents and dossiers at the request of credit institutions during the program's implementation.

- *Circular 23 replaces "awards in the form of stock options with preferential conditions" (as previously guided in Circular 10) with "other forms of share awards issued overseas." This gives organizations more options for share awards offered to Vietnamese employees. However, they must ensure these awards do not generate cash flows abroad.*

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