

## New regulations on registration of companies in Vietnam



**By Viet Nguyen and Hanh Tran**

The Government of Vietnam recently attempted to simplify procedures for registering the establishment of companies by issuing Decree No. 43/2010/NĐ-CP dated 15 April 2010 (Decree 43) to replace Decree No. 88/2006/NĐ-CP dated 29 August 2006 (Decree 88). In addition to business registration, Decree 43 also covers the provisions and procedures on company conversion, merger, dissolution, change business registration contents.

Although businesses expected Decree 43 to fill many of the loopholes in legal guidelines, compared with Decree 88 the new Decree does not, in reality, make any significant change.

### **Naming a company**

Decree 88 prohibited the registration of a company which had an identical name with another within the same province or city. Now, Decree 43 requires that the company name be distinguished from others across the whole country. However, an already-established company which happens to have an identical name to another shall not be forced to change their name, although the new Decree encourages the involved companies to negotiate. Decree 43 also allows the name of an enterprise to include such letters as F, J, Z, and W. Those letters are not existent in Vietnamese alphabets, and such use was not possible previously.

Businesses may be happy to learn that Decree 43 explicitly prohibits the naming of company using a protected trade name, trademark and geographic instruction without consent of the owner. This provision is expected to provide a clean intellectual property environment. However, it raises a concern as to how the business registrars shall be connected to the database of the national industrial property office for checking – if they are not, it will cause another burdensome procedure to applicants for company establishment.

### **Enterprise Code**

Formerly, newly-registered companies in Vietnam were provided with a company establishment number stated in the establishment

certificate issued by the business registrar. Companies also had a tax code number in their tax code registration issued by the tax authority. Businesses did not see the rationale behind why there should be two different numbers and two different procedures when registering a company. Now, a company shall be granted a single enterprise code, which serves both purposes, under a single procedure. This new provision is meaningful in term of reducing the administrative burden for enterprises. Established companies shall not be forced to change to a single code system. However, when one applies for a change to its registered business contents, a single enterprises code shall be automatically given to it.

### **Online registration**

The most notable change under Decree 43 is a mechanism for enterprise registration through the Internet. To avoid paper applications and long-time queuing, applicants can now save time by utilising an online registration procedure through the National Enterprises Registration Information Gate, which has the same effect as the procedure on paper. This will certainly be a welcome change, however businesses are eager to see how the business registrars shall deal with the low IT infrastructure here and with any inaccuracies of information submitted online.

### **Shortened timeframes**

Under Decree 43, the duration for issuing a new business registration certificate for enterprises has been shortened from ten to five working days from the date of the business registrar's receipt of the qualified application files from applicants. Whilst this is evidence of the strong ambition to reform administrative procedures, it will be interesting to see how the authority shall deal with an increasing number of applications when the number of qualified officers at state authorities are being moved out to work in the private sector.

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