

## <Vietnam: Ultimate Beneficial Owners of Enterprises - Newly Enacted Regulations in 2025 and Practical Implementation>

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### I. Overview

Since 1 July 2025, the Law on Amending and Supplementing certain Articles of the Law on Enterprises (“**LOE 2025**”) officially introduces requirements for most types of enterprises in Vietnam to comply with obligations relating to the beneficial owner (“**BO**”, also referred to as “**UBO**”). These provisions aim to enhance ownership transparency and, more fundamentally, to prevent money laundering, terrorist financing, and tax evasion.

These new regulations have a direct impact on enterprises, holding companies, multinational groups, and investors with complex ownership structures. After several months of implementation, the application of the new UBO-related requirements and procedures has faced practical challenges. Enterprises, foreign investors, and particularly the UBOs themselves are expected to take greater responsibility in identifying UBOs and performing the mandatory filings with the competent authorities.

This newsletter highlights key legal considerations relating to the definition and obligations concerning UBOs, the responsibilities of investors and enterprises, and the practical aspects of UBO-related procedures. For foreign investors and multinational groups with intricate ownership arrangements, this topic deserves particular attention both at the investment preparation stage and throughout their operation in Vietnam.

### II. UBO Definition and Criteria

#### 1. Definition

The concept of UBO was first introduced in Vietnam under the Law on Anti-Money Laundering 2022, which defines a UBO as: “*An individual who ultimately owns or controls an enterprise or benefits from its transactions, but is not necessarily the person whose name appears on the enterprise registration certificate or other legal documents*”.<sup>1</sup> Although subsequent guidance was provided under Decree No. 19/2023/ND-CP, the implementation in practice remained limited due to the absence of a national database system on UBOs and the limited capacity of many financial institutions to accurately identify individuals who truly control legal entities or transactions.

Recently, the LOE 2025 introduces a more specific definition of a UBO, stipulating that: “*The beneficial owner of an enterprise with legal person status is the individual who, in reality, owns the charter capital or exercises control over the enterprise, except for the authorized representative of State-owned capital in enterprises wholly owned by the State or in enterprises where the State holds capital as prescribed by law on State capital management*”.<sup>2</sup> This regulation strengthens the supervision of individuals who have ultimate ownership or control - whether directly or indirectly - over enterprises (excluding private enterprises and business households). Furthermore, it strictly requires enterprises to declare and maintain information on their UBOs.

#### 2. Criteria for Determining UBO

Under Decree No. 168/2025/ND-CP effective from 1 July 2025,<sup>3</sup> a UBO of an enterprise is defined as an individual meeting any of the following criteria:

**(a) Directly owns 25% or more of the charter capital of the enterprise**

This applies to individuals who are owners of single-member limited liability companies, partners in partnerships, or members of multi-member limited liability companies (“**Individual Members**”).

**(b) Directly owns 25% or more of the voting shares in a joint stock company**

<sup>1</sup> Article 3.7 of Law on Anti-Money Laundering 2022

<sup>2</sup> Article 1.1(d) of LOE 2025

<sup>3</sup> Article 17 and Article 18 of Decree 168/2025/ND-CP



This applies to individual shareholders (“**Individual Shareholders**”) holding 25% or more of total voting shares.

The Individual Members and Individual Shareholders mentioned in (a) and (b) are hereinafter collectively referred to as “**Direct UBO**”.

**(c) Indirectly owns 25% or more of the charter capital of the enterprise**

This is where an individual member holds capital through one or another organizations. The indirect ownership percentage is determined by multiplying the ownership ratios across the chain of ownership.

**(d) Indirectly owns 25% or more of the total voting shares in the enterprise**

Similarly, this applies where an individual shareholder holds voting shares through one or another organizations, determined by multiplying the ownership ratios across the chain of ownership.

**(e) Exercises control rights over the enterprise (“Controlling UBO”)**

Control rights include the ability to decide on one or more of the following matters:

- (i) Appointment, removal, or dismissal of a majority (or all) members of the Board of Directors, Chairman of the Board, Members’ Council, legal representative, or General Director/Director;
- (ii) Amendment of the enterprise’s charter;
- (iii) Reorganization or dissolution of the company;
- (iv) Changes to the management structure.

A person is considered to have “control rights” if decisions on the aforementioned matters cannot be adopted without his/her approval, even if the formal voting thresholds under the Charter are met. Such control rights may arise from private agreements, shareholder agreements, or informal influence (e.g., founder influence, advisory authority, or market reputation).

These new provisions introduce clearer, more feasible, and more enforceable criteria for determining UBO.

### **III. Enterprise Obligations Relating to UBOs**

From 1 July 2025, all enterprises falling under these categories must comply with the following obligations:

- (a) For single-member limited liability companies, partnerships, or multi-member limited liability companies: Declare, notify, and maintain information on Direct UBO and Controlling UBO.
- (b) For joint stock companies (excluding listed and public companies):
  - (i) Declare, notify, and maintain information on Direct UBO and Controlling UBO;
  - (ii) Declare, notify, and maintain information necessary to identify its UBO, if it has any institutional shareholder holding 25% or more of the total voting shares.

Of note:

- In case no UBO exists, the enterprise must still explicitly declare “No beneficial owner” in its submission to the Business Registration Authority.
- Enterprises are responsible for self-identifying Controlling UBO and must declare such information accordingly. The Business Registration Authority does not require supporting documentation evidencing such control rights.
- In terms of timing, newly established enterprises must declare their UBOs upon incorporation registration, while existing enterprises established before 1 July 2025 must declare UBO information at their next amendment filing or earlier at their discretion.

### **IV. Risks If the Enterprise Fails to Comply with UBO Regulations**

In general, enterprises may face various legal consequences for non-compliance with UBO-related obligations. Each type of violation may trigger different sanctions depending on the nature and severity. Possible sanctions include:



- (a) From an enterprise registration management perspective: Warning, administrative fines and/or corrective measures requiring the enterprise to complete procedures at the Business Registration Authority, or revocation of the Enterprise Registration Certificate.<sup>4</sup>
- (b) From an anti-money laundering perspective: The enterprise may be treated as breaching anti-money laundering regulations, leading to disciplinary measures, administrative fines or criminal liability; if there is damage caused, it may give rise to compensation liability.<sup>5</sup>

## V. Challenges for Foreign Investors and Multinational Groups

It is undeniable that the regulations on UBO under the LOE 2025 represent not only a significant step forward in enhancing corporate ownership transparency and preventing money laundering and tax evasion, but also a clear signal of the increasing expectations on corporate governance responsibilities in Vietnam. This development marks Vietnam's gradual progress toward stronger control over ownership structures and greater alignment with international treaties and standards. However, from a business perspective, the UBO management mechanism presents considerable challenges for investors, particularly multinational groups with complex capital ownership structures. In practice, such groups may have designed their business and ownership structures to achieve objectives such as leveraging tax advantages or optimizing the efficiency of managing their network of subsidiaries. The disclosure or identification of UBOs may adversely affect investment efficiency, alter the group's ownership structure, or expose UBOs to personal security risks in a highly competitive market environment.

In light of this, investors are advised to adopt a measured and well-structured approach, re-evaluating not only their investment structures but also the individuals holding equity interests to ensure alignment with Vietnam's UBO management framework and to mitigate potential risks before they materialize.

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<sup>4</sup> Articles 43, 49, 52.2(d) of Decree 122/2021/ND-CP; Article 212.1(a) of LOE 2025

<sup>5</sup> Article 46 of Law on Anti-Money Laundering 2022



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