

Circular 23 - New regulations in the implementation of the stock reward program for Vietnamese employees

Tax Alert | August 2024

This alert provides guidance according to Circular 23/2024/TT-NHNN, which amends and supplements some provisions of Circular 10/2016/TT-NHNN regarding indirect investment abroad.

See other updates [here](#).

On 26 June 2024, the State Bank of Vietnam (SBV) issued Circular No. 23/2024/TT-NHNN (Circular 23), which amends and supplements some provisions of Circular 10/2016/TT-NHNN on indirect investment abroad. Circular 23 takes effect from 12 August 2024 and includes the below main amendments:

Expanding the eligible organizations to implement the overseas equity award program

Circular 23 expands the scope of organizations implementing the overseas stock issuance program to include organizations that are commercial presences in Vietnam and organizations related to foreign organizations through forms of share ownership, capital contributions and other forms as regulated by Vietnamese law.

Abolishing the requirement to obtain approval from the SBV before implementing the overseas equity award program

With Circular 23, the process of registration and seeking approval from the SBV before implementing the overseas equity award program is no longer required. Instead, the organization responsible for carrying out the overseas equity award plan will only need to open a transaction account at a licensed commercial bank to conduct the transactions according to regulations.

Reporting Regime

Organizations implementing the equity award plan in Vietnam are still required to submit periodic reports to the SBV on the status of the overseas equity award program for Vietnamese employees. However, the frequency of reporting has changed from quarterly to monthly. The deadline for submitting reports is no later than the 12th of the month following the reporting month.

Circular 23 also specifies a new form to be used for the above-mentioned periodic reporting. Reports are to be sent electronically to the email address baocaocophieu@sbv.gov.vn and in writing to the SBV.

Form of Reward

Circular 23 also updates the regulations on the forms of equity awards that are permitted to be implemented in Vietnam. The direct award in the form of stocks, and the award of stock purchase rights with preferential conditions have been replaced by other forms of equity award abroad that do not generate cash outflows.

For equity award programs that include the award of stock purchase rights with preferential conditions and have been registered with the SBV before the effective date of this Circular, after a period of 01 year from the effective date of this Circular, these programs are only allowed to be implemented in other forms of equity awards abroad that do not generate cash outflows.

EY recommendation

By abolishing the approval requirement of the SBV, Circular 23 has streamlined administrative procedures, making it more convenient for organizations to implement overseas equity award programs.

In addition, replacing "Stock Purchase Rights with Preferential Conditions" with "Other Forms of Equity Awards Abroad that Do Not Generate Cash Outflows" is seen as providing organizations with more options in the form of equity awards for Vietnamese employees. However, organizations should ensure that these forms of equity awards do not generate cash outflows.

Organizations that have or are planning to deploy overseas equity award programs for Vietnamese employees should carefully consider the changes according to Circular No. 23 to prepare well for future implementation.

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