



# LOAN FUNDING

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Input the presence in Vietnam market by either establishing a company or other investment vehicles is an important step for many foreign investors, and hopefully the beginning of a successful business undertaking.

Considering the context of Vietnam's economic development, the ever-increasing growth of enterprises continues to demand capital to serve their business. Funding through foreign loan is the most common vehicle to fulfil the needs of working capital for operation.

There are three types of foreign loans that are often engaged by Vietnamese party, in particulars:

- (i) Short-term loan (Loan term  $\leq$  12-month period)
- (ii) Long-term loan (Loan term  $>$  12-month period); and
- (iii) Loan under deferred imported goods.

Strictly controlled by the State Bank of Vietnam (SBV), once foreign loan is activated, certain conditions in terms of loan agreement, loan registration, disbursement & repayment etc. are required to meet.



# NARRATIVE OF EACH LOAN TYPE

Items	Short-term Loan	Long-term Loan	Deferred goods
Loan period	Not exceeding 12-month period	From 12-month period and above	Based upon payment term
Initial loan registration with SBV	N/A	Required	N/A
Monthly loan reporting	Required 5th date of following month for the previous month	Required 5th date of following month for the previous month	Required 5th date of following month for the previous month
Others	<ul style="list-style-type: none"> <li>• Loan could be disbursed in lumpsum or in phase, based on T&amp;C detail in "loan agreement"</li> <li>• If failing to pay within loan period, client needs to turn to long-term loan and is required to register with the SBV</li> </ul>	Loan could be disbursed in lumpsum or in phase, based on T&C detail in "loan agreement"	N/A
Tax obligation	FCWT 5% when paying loan interest to the lender	FCWT 5% when paying loan interest to the lender	
Loan Agreement must be archived; and acts as legal document for loan funding transaction.			

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