CONVERSION OF FOREIGN LOANS INTO CONTRIBUTED CAPITAL

For foreign loans, after the expiration of the loan term, the Borrower will do the repayment for the loan. However, in some cases, if the loan is obtained from the company's members, in addition to repaying the loan, the parties may choose to convert the loan into capital. This is considered a form of capital mobilization from the parent company or existing shareholders/investors of the company, or from the lending party, who may not be a shareholder/member/owner of the company (in this case, the business will need to follow relevant procedures to accept new members).

The sequence of steps to convert foreign loans into Contributed Capital:

STEP 1

Establish an agreement on converting the loan into Contributed capital

STEP 2

Complete the procedures at the competent authority managing the business.
In this case, depending on whether the business receiving capital is located within or outside industrial zones, the competent authority for processing the application could be the Industrial Zone Management Board or the Department of Planning and Investment.

STEP 3

Register changes in the Business Registration Certificate, including changes in charter capital, capital contribution ratios, and information of members/shareholders (if any).

STEP 4

Notify the State Bank of Vietnam (SBV) about the debt repayment through shares/capital contribution.