

Vietnam's Emerging Ai Regulatory Framework

Vietnam is rapidly positioning itself as a regional hub for digital technology and artificial intelligence. AI already plays a central role across e-commerce, healthcare, finance, logistics, manufacturing, and public administration. As adoption accelerates, the country is now building the foundations of a coherent regulatory system that balances innovation with safety and competitiveness.

Two new laws, the **Law on Digital Technology Industry (effective 1 January 2026)** and the **Law on Science, Technology and Innovation (STI Law) (effective 1 October 2025)**, introduce Vietnam's first legal principles directly governing AI development, oversight, and responsible use. Together, they signal a shift towards a structured, long-term AI regulatory framework.

1. LAW ON THE DIGITAL TECHNOLOGY INDUSTRY

The Digital Technology Industry Law is **Vietnam's first legal framework that focuses completely on digital technology, including AI, digital assets, and data services**. A key aspect of the law is its risk-based approach to AI governance.

AI systems are divided into:

- a) high-risk applications** (e.g., healthcare, banking, education, biometric analysis);
- b) low-risk applications;**

High-risk systems must comply with requirements relating to:

- transparency and explainability
- human oversight
- safety and performance standards
- mandatory labelling of AI-powered products

By defining these obligations, the **law provides businesses with clarity on regulatory expectations**, which reduces uncertainty and encourages long-term investment in AI solutions.

Beyond regulation, **the law introduces fiscal and investment incentives to foster domestic innovation and attract foreign participation**.

- subsidies covering up to **50% of initial investment costs**, including R&D and prototype development
- tax reductions for foreign-invested enterprises transferring advanced technologies to local firms

- tax breaks and duty exemptions for high-tech equipment and research projects
- **Vietnamese digital professionals are exempt from personal income tax for the first five years of employment, while foreign experts enjoy five-year visas and exemptions from work permit requirements.**
- financial support and tax incentives for companies investing in training and upskilling

2. THE LAW ON SCIENCE, TECHNOLOGY AND INNOVATION (STI LAW)

Complementing the Digital Technology Industry Law, the STI Law focuses on **scientific and technological innovation, controlled trials, and scientific R&D.**

Key features include:

- a controlled trial mechanism, which allows organizations to test new AI applications and digital technologies under supervision for a limited period.
- **clearer IP protection** for innovations developed during experimental phases
- funding and incentives for collaboration between domestic firms, universities, research institutions, and foreign investors.

3. WHAT MAKES THESE LAWS UNIQUE AND FORWARD-LOOKING

Vietnam's Digital Technology Industry Law and STI Law **introduce several innovative features that distinguish them from previous regulations.** Instead of piecemeal rules, the new laws link together:

- AI governance and risk-based compliance
- fiscal incentives for high-tech investment
- human-capital development
- controlled trials and regulatory sandboxes

The risk-based AI governance model produces transparency, accountability and ethics for the design and development of AI systems, especially those in high-risk scenarios such as the healthcare or financial sectors.

Other standout features include:

- strong ethics and transparency requirements for high-risk AI
- generous tax incentives and subsidies to encourage technology localization
- strategic policies to develop Vietnam into a regional **R&D and digital-transformation hub**

4. IMPLICATIONS FOR BUSINESSES AND FOREIGN INVESTORS

The new laws **provide certainty to foreign investors regarding administrative procedures, financial incentives and cooperation with the state to develop AI and digital technologies in Vietnam.**



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Vietnamese start-ups benefit from funding, legal recognition for innovation and fewer barriers to adopting digital technologies. Early alignment with the risk-based AI framework and the framework on workforce development and labeling should help reduce the legal risk and leverage the facilitative legal environment for all businesses.

5. CONCLUSION

Vietnam's Digital Technology Industry and STI Laws reflect a deliberate strategy to balance innovation, public safety, and global competitiveness. By providing structured regulatory guidance, fiscal incentives, talent development programs, and flexible experimentation mechanisms, **Vietnam is laying the foundation for a responsible, innovation-driven digital economy.** Companies that understand and engage with this evolving legal landscape are well-positioned to benefit from the country's growing opportunities in AI and other emerging technologies.