

## Government's preferential Corporate Income Tax policies for Supporting industry enterprises

### Applicable policies and notable points

July – 2021









# Summary of incentive policies for SI



## Orientation for the development of SI

- 2018 
  - **Resolution 23-NQ/TW of the Central Committee:** orientation for building national industrial development policies by 2030, with a vision to 2045. Specifically, supporting industry development policies are considered the core orientation.
- 2019 
  - **Resolution 50-NQ/TW of the Central Committee:** orientation to finalize policies to improve the quality and effectiveness of foreign investment cooperation by 2030. Specifically, one of the main solutions is to upgrade and finalize legal regulations on supporting industries.
- 2020 
  - **Resolution 115/NQ-CP of the Government:** solutions for developing supporting industries.

## Incentive policies for SI

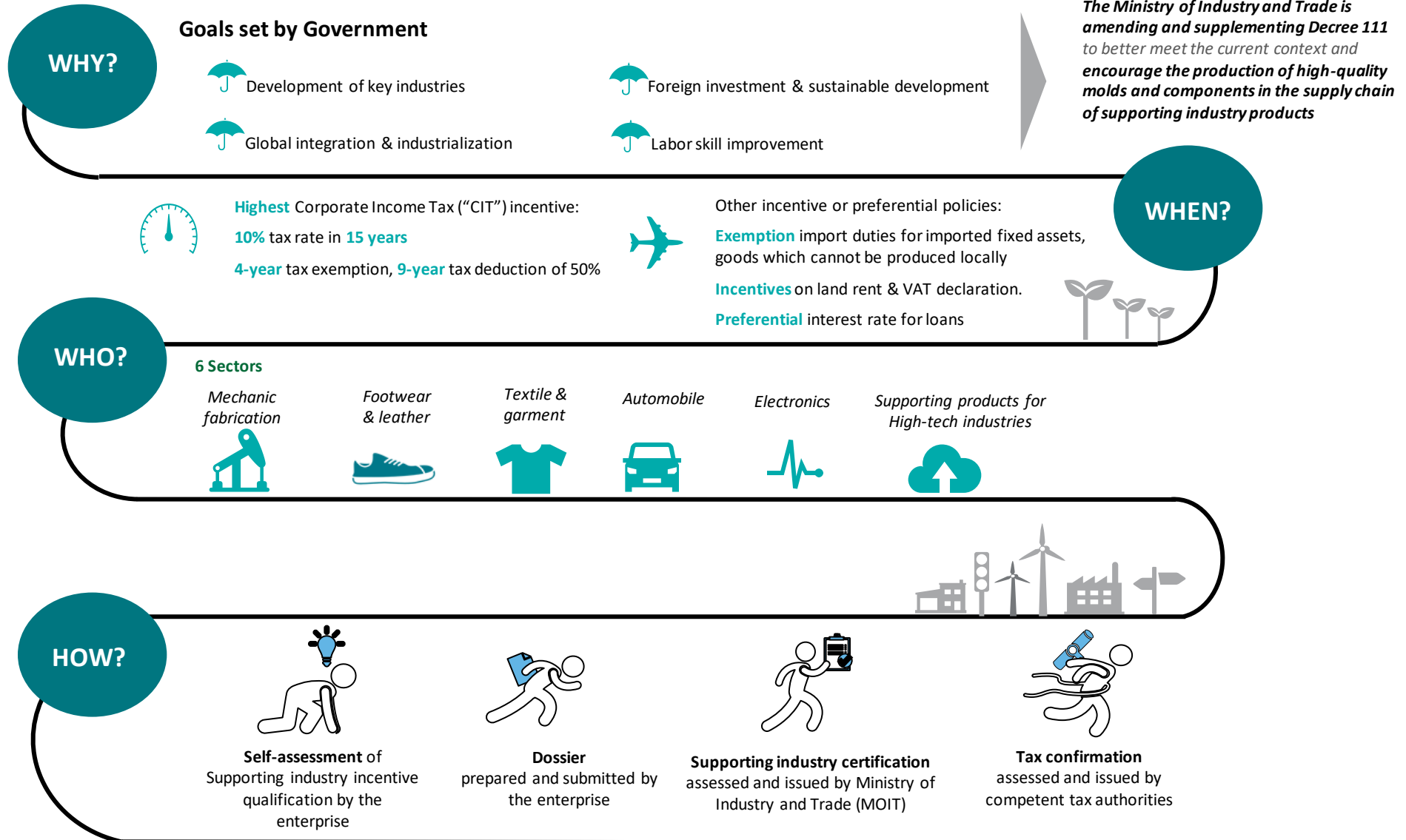
- 2011 
  - **Decision 12/2011/QD-TTg** of the Prime Minister: specify policies to encourage the development of supporting industries for several industries (only incentives for import duty, credits, **no CIT incentives**).
  - **Decision 1483/QD-TTg** of the Prime Minister: issue the list of prioritized SI products
- 2014 
  - **Law 71/2014/QH13** (effective from 01 January 2015): Supplement the highest level of CIT incentives for projects manufacturing SI products
- 2015 
  - **Decree 111/2015/ND-CP** dated 03 November 2015 of the Government (effective from 01 January 2016): stipulate support and incentive policies to develop supporting industries
  - **Circular 55/2015/TT-BCT:** stipulate procedures for confirmation and post-inspection of incentives for projects manufacturing SI products
- 2016 
  - **Circular 21/2016/TT-BTC:** Guidance on VAT and CIT declaration for projects manufacturing SI products
- 2017 
  - **Decision 68/2017/QD-TTg:** approve the Supporting Industry Development Program from 2016 to 2025
  - **Decision 10/2017/QD-TTg:** promulgate regulations on managing and implementing the Supporting Industry Development Program
- 2021 
  - **Decree 57/2021/ND-CP** dated 04 June 2021 amending and supplementing Decree 218/2013/ND-CP (amended by Decree 12/2015/ND-CP): CIT incentives for projects manufacturing SI products prior to 01 January 2015

Incentive policies for supporting industries will be developed in accordance with the strategic orientation of industrial development of the Party and Government.

# Supporting Industry incentives landscape



Current Supporting Industry incentive schemes in accordance with tax laws, Decree 111/2015/ND-CP and guiding documents



# Critical questions for SI application



No.	Key criteria under regulation	Critical questions
<b>I How are tax incentives for SI better off the current incentives?</b>		
	<b>Tax incentives</b> <ul style="list-style-type: none"> <li>Apply according to the provisions of Law No. 71/2014/QH13</li> </ul>	<ul style="list-style-type: none"> <li>New Project?</li> <li>Expansion Project?</li> <li>Transition mechanism to enjoy CIT incentives?</li> <li>CIT payables that can be saved from incentives?</li> </ul>
<b>II What does the Company need to qualify tax incentives for SI?</b>		
<b>1</b>	<b>Project</b> <ul style="list-style-type: none"> <li>New investment project/independent project or;</li> <li>Expansion project of which the production capacity is increased at least 20%</li> </ul>	<ul style="list-style-type: none"> <li>Which project of the Company can qualify for SI incentives?</li> <li>Whether expansion project qualify and meet expansion tests for SI incentives?</li> </ul>
<b>2</b>	<b>Product</b> <ul style="list-style-type: none"> <li>Products fall into the <a href="#">List of prioritized SI products in Decree 111</a>.</li> </ul>	<ul style="list-style-type: none"> <li>Whether the Company's products all fall into Government's List of prioritized SI products?</li> <li>How to prove product specification and production process to the MoIT?</li> </ul>
<b>3</b>	<b>Quality</b> <ul style="list-style-type: none"> <li>If fall in the List of Circular 55 -Products have been manufactured in Vietnam up to 01 Jan 2015</li> </ul> <p>⇒ Must qualify EU technical standards or equivalents</p>	<ul style="list-style-type: none"> <li>Do products need EU technical standards or equivalent based on current HS code assessment?</li> <li>What strategy and approach to satisfy EU quality requirement by MoIT (if necessary)?</li> </ul>
<b>4</b>	<b>Other conditions</b> <ul style="list-style-type: none"> <li>The status of manufacturing process, facilities, machinery and equipment are consistent with the product and production scale of the project.</li> <li>The ability to meet the requirements of environmental protection of the project.</li> </ul>	<ul style="list-style-type: none"> <li>How to prove the consistency between products and M&amp;E investment?</li> <li>How to make convincing presentation of the project's environment compliance to MoIT?</li> </ul>

# Illustration of Supporting Industry incentives benefits



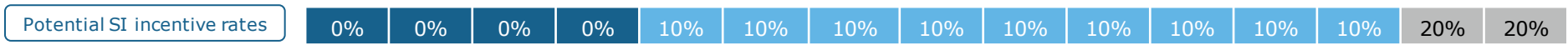
- 2-year tax exemption
- 4-year tax deduction (50%)

## Potential SI incentive for new project



- **10% tax rate in 15 years**
- 4-year tax exemption
- 9-year tax deduction (50%)

## Potential SI incentive for expansion project



- 4-year tax exemption
- 9-year tax deduction (50%)

# Update on new regulations – Amending tax incentives policies for SI projects prior to 2015



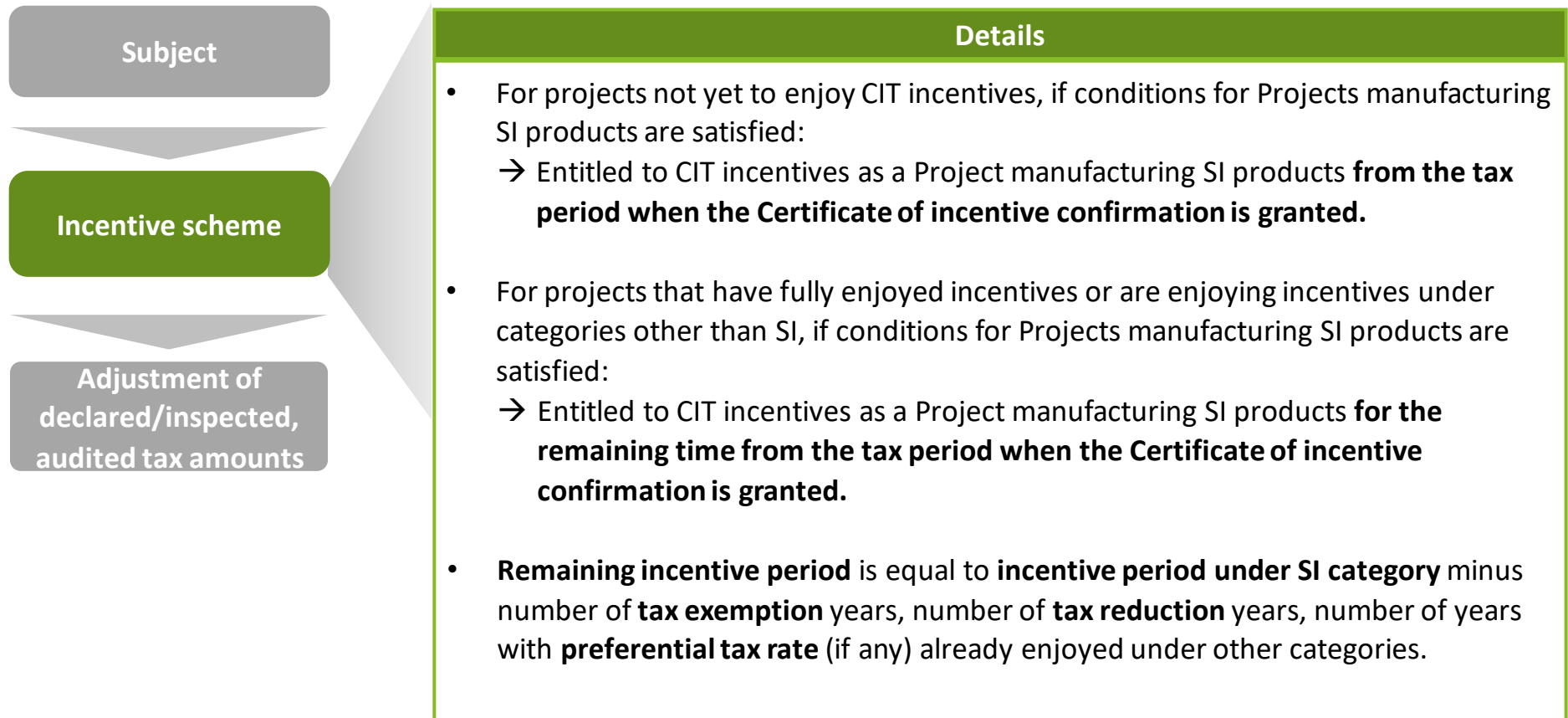
*Decree 57/2021/ND-CP dated 04 June 2021 amending and supplementing Decree 218/2013/ND-CP*

Subject	Details
Incentive scheme	<p>Applicable to: (i) New enterprises established from investment projects; (ii) Enterprises having new investment projects; (iii) Enterprises having expansion investment projects <b>implemented before 01 January 2015</b> under the following category:</p> <ul style="list-style-type: none"><li>• Projects yet to enjoy CIT incentives;</li><li>• Projects entitled to CIT incentives under other categories and have fully enjoyed such incentives; and</li><li>• Projects currently enjoying CIT incentives under other categories.</li></ul>
Adjustment of declared/inspected, audited tax amounts	

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*Decree 57/2021/ND-CP dated 04 June 2021 amending and supplementing Decree 218/2013/ND-CP*



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*Decree 57/2021/ND-CP dated 04 June 2021 amending and supplementing Decree 218/2013/ND-CP*

Subject

Incentive scheme

Adjustment of declared/inspected, audited tax amounts

Details
<ul style="list-style-type: none"><li>In case compliance with Decree 57/2021/ND-CP (including cases where the competent authority has conducted inspection and examination) results in a reduction in the CIT amounts and late payment interests (if any), enterprises shall <b>send a written request to the management tax authority to redeclare the payable CIT amounts which were</b> declared or inspected by the competent authority and <b>the corresponding late payment interests (if any)</b>.</li><li><b>After the reduction, if there are overpaid tax amounts or late payment interests,</b> the provisions in <b>Article 60 of Law on Tax Administration</b> dated 13 June 2019 and its guiding documents shall apply.</li></ul>





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