

Tax Alert

October 2021

DECISION NO. 29/2021/QĐ-TTĐ ON SPECIAL INVESTMENT INCENTIVES

In order to implement the special investment incentive policy to eligible investment projects in accordance with the provisions of Clause 2 Article 20 of the Law on Investment No. 61/2020/QĐ14 (“LOI No. 68”), the Prime Minister has issued Decision 29/2021/QĐ-TTĐ dated 6 October 2021 on the special investment incentive mechanism (“Decision 29”).

We would like to highlight the key takeaways from Decision 29 as follows:

1. Applicable objects

- (i) Group 1: New investment projects (including the expansion of such new investment projects) in innovation centers, research and development centers with total investment capital of VND 3,000 billion or more, which disburse at least VND 1,000 billion within three years from the issuance date of the Investment Registration Certificate (“IRC”) or Decision on Investment Approval (“DIA”), and national innovation centers established under the Prime Minister’s decision;
- (ii) Group 2: Investment projects in specially preferential sectors with total investment capital of VND 30,000 billion or more, which disburse at least VND 10,000 billion within three years from the issuance date of the IRC or DIA.

Decision 29 also stipulates in detail the criteria for high technology, technology transfer, Vietnamese enterprises participating in the supply chains, and domestic production value for investment projects under group (ii) to enjoy the special investment incentive schemes.

2. Principles for special investment incentive application

- The special investment incentive schemes are applied to both new investment projects and expansion of investment projects.
- The special investment incentives must be specified under the IRC, DIA or any written agreement with the competent state authorities.
- Corresponding special investment incentive schemes will apply based on the actual conditions satisfied by the eligible enterprise for the remaining incentivised period.
- Taxpayers who fail to comply with their commitments and conditions to enjoy the special investment incentives are not entitled to the incentive schemes under Decision 29. Where the taxpayers have already enjoyed the incentives, such incentivised amount must be paid back together with interest on late payment and penalties imposed in accordance with the tax administration regulations.

3. Special investment incentive schemes

Decision 29 promulgates the incentives under three schemes, which include Corporate Income Tax (“CIT”) incentives and land and water surface rent incentives, as follows:

Incentive scheme	CIT incentives, land and water surface rent incentives	Applicable projects
1	<ul style="list-style-type: none"> – <i>CIT</i>: CIT rate at 9% within 30 years, 5 years exempt from CIT and the subsequent 10 years 50% of the CIT rate – <i>Land and water surface rent</i>: Rent exemption within 18 years and 55% reduction for the remaining of project lifetime. 	Projects under Group (ii) excluding cases noted below
2	<ul style="list-style-type: none"> – <i>CIT</i>: CIT rate at 7% within 33 years, 6 years exempt from CIT and subsequent 12 years 50% of CIT rate – <i>Land and water surface rent</i>: Rental exemption within 20 years and 65% reduction for the remaining project lifetime. 	<ul style="list-style-type: none"> – Projects under Group (i), but excluding national innovation centers; – Projects under Group (ii) and satisfying one of the following conditions: <ul style="list-style-type: none"> ▪ Being a high-technology project at level 1; ▪ Having Vietnamese enterprises participating into the supply chain at level 1; ▪ Added-value accounts from 30% to 40% of the total cost of the final output products provided by that taxpayer. ▪ Satisfying the criteria of technology transfer at level 1.
3	<ul style="list-style-type: none"> – <i>CIT</i>: CIT rate at 5% within 37 years, 6 years exempt from CIT and subsequent 13 years 50% of CIT rate – <i>Land and water surface rent</i>: Rent exemption within 22 years and 75% reduction for the remaining project lifetime. 	<ul style="list-style-type: none"> – National innovation centers; – Projects under Group (ii) and satisfying one of the following conditions: <ul style="list-style-type: none"> ▪ Being a high-technology project at level 2; ▪ Having Vietnamese enterprises participating into the supply chain at level 2; ▪ Added-value accounts more than 40% of the total cost of the final output products provided by that taxpayer. ▪ Satisfying the criteria of technology transfer at level 2.

Decision 29 takes effect from 6 October 2021. The Ministry of Planning and Investment will review and evaluate the impact and effectiveness of Decision 29 after 5 years of implementation so that the Government can consider any adjustment to the schemes.

Please contact KPMG for detailed analysis on the impacts of Decision 29 to your business for an effective tax planning.

Contact us

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