Vietnam

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What's new?

Summary of updates/Changes to R&D and government incentives from 1 January 2019 through 31 October 2020

Following Resolution 50-NQ-TW, aimed at attracting foreign direct investment into Vietnam through 2030, and Resolution 58/NQ-CP, which provides guidelines on how to implement Resolution 50, Vietnam's National Assembly recently ratified the Law on Investment 2020, which will apply as from 1 January 2021. The new law includes certain notable differences and additions compared to the current investment incentives in Investment Law 2014, as follows:

- It adds a cost-based investment incentive: accelerated depreciation to increase deductible expenses for corporate income tax purposes
- It adds new beneficiaries: priority technology transfer projects, technology incubators, science and technology business incubators, innovative start-ups, innovation and creation centers, and R&D centers
- It adds priority sectors: university education, medical equipment production, and goods and services that create or join value chains and industry clusters
- It introduces special investment incentives and supports

Details of the new investment incentive scheme are expected to be provided in upcoming amendments to related laws (i.e., the Corporate Income Tax Law, the Law on Export and Import Duties, and the Land Law).

Featured government incentives

Incentive name	Description	Maximum percentage	Qualification standards	Key exclusions or issues
Incentives for socialized projects	Investment in socialized sectors in education (e.g., training, vocational training, health, culture, sports, and the environment) are encouraged	• 10% corporate income tax rate for the life of the project; and • Four-year tax exemption, followed by a five or nine-year 50% reduction in the corporate income tax base, depending on the location of the investment	All expenditure related to the project, provided sufficient supporting documents are retained	None
Incentives for priority business sectors and locations	National priority development industries include: • R&D • High-tech • Infrastructure development (water plant, power plant, road, port, airport, etc.) • Supporting industries • Software production • Renewable energy • Environmental protection • Mega-scale manufacturing projects with total capital of at least VND 6 trillion or VND 12 trillion (approximately USD 258 million or USD 516 million) (with some exceptions and certain conditions on capital disbursement, revenue, labor, and technology) Investments in priority locations are granted significant corporate income tax incentives to boost the socio-economic development of the area, including: • Locations with especially difficult socio-economic conditions; and • Economic and hi-tech zones	• 10% corporate income tax rate for 15 years, which may be extended to up to 30 years for large-scale projects, projects using new or high technology, and projects located in high-tech parks, provided approval of the prime minister is obtained; and • Four-year tax exemption, followed by a nine-year 50% reduction in the corporate income tax base	All expenditure related to qualifying sectors or activities undertaken in qualifying locations, provided sufficient supporting documents are retained	Not applicable

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Featured government incentives (continued)

Incentive name	Description	Maximum percentage	Qualification standards	Key exclusions or issues
Special investment incentives and supports	• Investment projects in innovation centers and R&D centers with total investment capital of VND 3 trillion (approximately USD 130 million) or more and that disburse at least VND 1 trillion (approximately USD 43 million) within three years from licensing approval; • National innovation centers established by a decision of the prime minister; and • Investment projects in priority sectors with total investment capital of VND 30 trillion (approximately USD 1.3 billion) or more and that disburse at least VND 10 trillion (approximately USD 437 million) within three years from licensing approval	Subject to the prime minister's approval, corporate income tax incentives could be extended as follows: • Preferential corporate income tax rate: further reduction to incentive corporate income tax rate (currently 10%) by a maximum of 50% (i.e., 5% rate) and further increase to incentive duration (currently 15 years) by a maximum factor of 1.5 (i.e., 22.5 years), which can be further extended by up to 15 years (i.e., total of 37.5 years); and • Maximum six-year tax exemption followed by a 13-year 50% reduction in the corporate income tax base	All expenditure related to qualifying projects, provided sufficient supporting documents are retained	Not applicable

Industries most often affected by government incentives in country

	Technology, Media & Telecom		Financial Services
	Telecom, Media & Entertainment		Banking & Capital Markets
●	Technology		Insurance
	Consumer		Investment Management
	Consumer Products		Real Estate
	Retail, Wholesale & Distribution		**Life Sciences & Health Care**
●	Automotive	●	Health Care
	Transportation, Hospitality & Services		Life Sciences
	Energy, Resources & Industrial		**Government & Public Services**
●	Power & Utilities	●	Health & Social Care
	Mining & Metals		Defense, Security & Justice
	Oil, Gas, & Chemicals		Civil Government
●	Industrial Products & Construction	●	International Donor Organizations
			Transport

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Type	National incentive?	State, provincial, regional or local incentives?[1]	Filing deadlines imposed?	Is the claim made in advance or arrears?[2]	Nature of incentive	Maximum benefit available to large enterprises	Maximum benefit available to small and medium-sized enterprises
Innovation							
Income from the hi-tech sector, including projects in R&D, application of high technologies, hi-tech incubation, hi-tech enterprise incubation, hi-tech enterprises, agricultural enterprises applying hi-tech	Permanent incentive	No	Permanent incentive	Not applicable	• Preferential corporate income tax (CIT) rate & CIT holidays • Import duty exemption • Land rental fee exemption"	• 10% corporate income tax rate for 15 years, which may be extended to up to 30 years for large-scale projects or those using new or high technology, provided approval of the prime minister is obtained; and a four-year tax holiday, followed by a nine-year 50% reduction in the corporate income tax base • An import duty exemption is available for imported fixed assets, as well as a duty exemption for five years from the date of official operation for materials that are not yet produced domestically and imported for manufacturing • Exemption from land rental fees for a prescribed period, depending on the location or scale of project	• 10% corporate income tax rate for 15 years, which may be extended to up to 30 years for large-scale projects or those using new or high technology, provided approval of the prime minister is obtained; and a four-year tax holiday, followed by a nine-year 50% reduction in the corporate income tax base • An import duty exemption is available for imported fixed assets, as well as a duty exemption for five years from the date of official operation for materials that are not yet produced domestically and imported for manufacturing • Exemption from land rental fees for a prescribed period, depending on the location or scale of project
Science and Technology Enterprise	Permanent incentive	No	Permanent incentive	Not applicable	CIT holidays	Four-year tax holiday, followed by a nine-year 50% reduction in the corporate income tax base and exemption from land rental fees for a prescribed period	Four-year tax holiday, followed by a nine-year 50% reduction in the corporate income tax base and exemption from land rental fees for a prescribed period
Income from R&D contracts	Permanent incentive	No	Permanent incentive	Not applicable	CIT exemption	CIT exemption until the contract expiration but not more than three years from the day the revenue is earned	CIT exemption until the contract expiration but not more than three years from the day the revenue is earned

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Notes:

1. Green means that this incentive is currently in effect. Yellow means that the incentive has limited applicability, i.e., the requirements for this incentive limit its value to most companies. Red means that there is no incentive.
2. If the response is advance, this means that the government must approve the award of the incentive prior to the commencement/completion of the project/activity. If the response is arrears, this means that the award of the incentive is determined at the end of the tax period or after the completion of the qualifying project or activity. Most tax incentives are considered to be claimed in arrears because they are reported on tax returns.

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Innovation (continued)							
Income from the sale of products that are the results of new technologies applied in Vietnam for the first time	🟢	🔴	🟢	Not applicable	CIT exemption	CIT exemption for five years from the day the revenue is earned	CIT exemption for five years from the day the revenue is earned
Income from transfer of technology in priority fields to those in locations with particularly difficult socio-economic conditions	🟢	🔴	🟢	Not applicable	CIT exemption	CIT exemption	CIT exemption
Deduction for setting up a Science and Technology Development Fund	🟢	🔴	🟢	Not applicable	Tax deduction	Deductible expenses of up to 10% of annual taxable income	Deductible expenses of up to 10% of annual taxable income
National innovation center established by prime minister decision	🟢	🔴	🟢	Not applicable	• Preferential CIT rate & CIT holidays • Import duty exemption • Land rental fee exemption	Subject to prime minister's approval, CIT incentives could be extended as follows: • Preferential CIT rate: further reduction to incentive CIT rate (currently 10%) by a maximum of 50% (i.e., 5% CIT rate) and further increase to incentive duration (currently 15 years) by a maximum factor of 1.5 (i.e., 22.5 years), which can be further extended by up to 15 years (i.e., total of 37.5 years); and • Maximum six-year tax holiday followed by a 13-year 50% reduction in the corporate income tax base	Subject to prime minister's approval, CIT incentives could be extended as follows: • Preferential CIT rate: further reduction to incentive CIT rate (currently 10%) by a maximum of 50% (i.e., 5% CIT rate) and further increase to incentive duration (currently 15 years) by a maximum factor of 1.5 (i.e., 22.5 years), which can be further extended by up to 15 years (i.e., total of 37.5 years); and • Maximum six-year tax holiday followed by a 13-year 50% reduction in the corporate income tax base

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Innovation (continued)							
Innovation centers, R&D centers with total investment capital of VND 3 trillion (approximately USD 130 million) or more and that disburse at least VND 1 trillion (approximately USD 43 milion) within three years from licensing approval	🟢	🔴	🟢	Not applicable	• Preferential CIT rate & CIT holidays • Import duty exemption • Land rental fee exemption	Subject to prime minister's approval, CIT incentives could be extended as follows: • Preferential CIT rate: further reduction to incentive CIT rate (currently 10%) by a maximum of 50% (i.e., 5% CIT rate) and further increase to incentive duration (currently 15 years) by a maximum factor of 1.5, which can be further extended by up to 15 years; and • Maximum six-year tax holiday followed by a 13-year 50% reduction in the corporate income tax base	Subject to prime minister's approval, CIT incentives could be extended as follows: • Preferential CIT rate: further reduction to incentive CIT rate (currently 10%) by a maximum of 50% (i.e., 5% CIT rate) and further increase to incentive duration (currently 15 years) by a maximum factor of 1.5, which can be further extended by up to 15 years; and • Maximum six-year tax holiday followed by a 13-year 50% reduction in the corporate income tax base
Investment							
Strategic business sectors where investment is encouraged: • **Infrastructure development (water plants, power plants, water supply, and drainage systems; bridges, roads, railways; airports, seaports, river ports; airfields, stations, and other particularly important infrastructure facilities decided by the prime minister)** • **Supporting industries** • **Production of software** • **Manufacture of composite materials, light building materials, rare and precious materials**	🟢	🔴	🟢	Not applicable	• Preferential CIT rate & CIT holidays • Import duty exemption • Land rental fee exemption	• 10% CIT rate for 15 years; this could be extended to a maximum of 30 years for large scale projects and projects using new or high technology, subject to prime minister approval (except for supporting industry) • Tax holiday: four-year CIT exemption followed by nine-year 50% CIT reduction • Import duty exemption for imported goods to form fixed assets and duty exemption within five years from the date of official operation for materials that are not yet produced domestically and imported for manufacturing • Land rental fee exemption for certain years, depending on location or scale of project	• 10% CIT rate for 15 years; this could be extended to a maximum of 30 years for large scale projects and projects using new or high technology, subject to prime minister approval (except for supporting industry) • Tax holiday: four-year CIT exemption followed by nine-year 50% CIT reduction • Import duty exemption for imported goods to form fixed assets and duty exemption within five years from the date of official operation for materials that are not yet produced domestically and imported for manufacturing • Land rental fee exemption for certain years, depending on location or scale of project

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Investment (continued)							
Socialized projects in education: training, vocational training, health, culture, sports, and environment	🟢	🔴	🟢	Not applicable	• Preferential CIT rate & CIT holidays • Import duty exemption • Land rental fee exemption	• 10% CIT rate for the life of the project; and • Tax holiday: – If located in difficult/ especially difficult socio-economic areas: four-year CIT exemption followed by nine-year 50% CIT reduction; – If located in other areas: four-year CIT exemption followed by five-year 50% CIT reduction • Import duty exemption for imported goods to form fixed assets and duty exemption within five years from the date of official operation for materials that are not yet produced domestically and imported for manufacturing • Land rental fee exemption for certain years, depending on location or scale of project"	• 10% CIT rate for the life of the project; and • Tax holiday: – If located in difficult/ especially difficult socio-economic areas: four-year CIT exemption followed by nine-year 50% CIT reduction; – If located in other areas: four-year CIT exemption followed by five-year 50% CIT reduction • Import duty exemption for imported goods to form fixed assets and duty exemption within five years from the date of official operation for materials that are not yet produced domestically and imported for manufacturing • Land rental fee exemption for certain years, depending on location or scale of project"
Undistributed income of socialized projects for re-investment in such projects	🟢	🔴	🟢	Not applicable	CIT exemption	CIT exemption	CIT exemption
Investment projects in high quality steel	🟢	🔴	🟢	Not applicable	• Preferential CIT rate & CIT holidays • Import duty exemption • Land rental fee exemption	• 17% CIT rate for 10 years • Tax holiday: two-year CIT exemption followed by four-year 50% CIT reduction • Import duty exemption for imported goods to form fixed assets • Land rental fee exemption for certain years, depending on location or scale of project	• 17% CIT rate for 10 years • Tax holiday: two-year CIT exemption followed by four-year 50% CIT reduction • Import duty exemption for imported goods to form fixed assets • Land rental fee exemption for certain years, depending on location or scale of project

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Investment (continued)							
Farming, husbandry, processing of agriculture and aquaculture in difficult regions; forestry in difficult regions; production of plant varieties, animal breeds; production of salt; preservation of agriculture products, aquaculture products and foods, etc.	PERMANENT INCENTIVE	NO	PERMANENT INCENTIVE	Not applicable	• Preferential CIT rate & CIT holidays • Import duty exemption • Land rental fee exemption	• 10% CIT rate for the life of the project; or • Tax holidays under location incentives (if applicable) • Import duty exemption for imported goods to form fixed assets and duty exemption within five years from the date of official operation for materials that are not yet produced domestically and imported for manufacturing • Land rental fee exemption for certain years, depending on location or scale of project	• 10% CIT rate for the life of the project; or • Tax holidays under location incentives (if applicable) • Import duty exemption for imported goods to form fixed assets and duty exemption within five years from the date of official operation for materials that are not yet produced domestically and imported for manufacturing • Land rental fee exemption for certain years, depending on location or scale of project
Farming, husbandry, processing of agriculture and aquaculture products in regions other than difficult and especially difficult regions	PERMANENT INCENTIVE	NO	PERMANENT INCENTIVE	Not applicable	• Preferential CIT rate • Import duty exemption • Land rental fee exemption	• 15% CIT rate for the life of the project • Import duty exemption for imported goods to form fixed assets and duty exemption within five years from the date of official operation for materials that are not yet produced domestically and imported for manufacturing • Land rental fee exemption for certain years, depending on location or scale of the project	• 15% CIT rate for the life of the project • Import duty exemption for imported goods to form fixed assets and duty exemption within five years from the date of official operation for materials that are not yet produced domestically and imported for manufacturing • Land rental fee exemption for certain years, depending on location or scale of the project

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Investment (continued)							
(1) Mega-scale investment projects with capital of at least VND 6 trillion (approximately USD 258 million) with certain conditions on revenue, employees, and technology (except those manufacturing products subject to special sales tax (except automotive) and those exploiting mineral resources) **(2) Mega-scale investment projects with capital of at least VND 12 trillion (approximately USD 516 million) with certain conditions on technologies and capital disbursement (except those manufacturing products subject to special sales tax (except automotive) and those exploiting mineral resources)**	PERMANENT INCENTIVE	NO	PERMANENT INCENTIVE	Not applicable	• Preferential CIT rate & CIT holidays • Import duty exemption • Land rental fee exemption	• 10% CIT rate for 15 years; this could be extended to a maximum of 30 years for projects with certain conditions on revenue, headcount, or sector, subject to prime minister approval • Tax holiday: four-year CIT exemption followed by nine-year 50% CIT reduction • Import duty exemption for imported goods to form fixed assets and duty exemption within five years from the date of official operation for materials that are not yet produced domestically and imported for manufacturing • Land rental fee exemption for certain years, depending on project location or business sector	• 10% CIT rate for 15 years; this could be extended to a maximum of 30 years for projects with certain conditions on revenue, headcount, or sector, subject to prime minister approval • Tax holiday: four-year CIT exemption followed by nine-year 50% CIT reduction • Import duty exemption for imported goods to form fixed assets and duty exemption within five years from the date of official operation for materials that are not yet produced domestically and imported for manufacturing • Land rental fee exemption for certain years, depending on project location or business sector
Investment projects in priority sectors with total investment capital of VND 30 trillion (approximately USD 1.3 billion) or more and that disburse at least VND 10 trillion (approximately USD 437 million) within three years from licensing approval	PERMANENT INCENTIVE	NO	PERMANENT INCENTIVE	Not applicable	• Preferential CIT rate & CIT holidays • Import duty exemption • Land rental fee exemption	Subject to prime minister's approval, CIT incentives could be extended as follows: • Preferential CIT rate: further reduction to incentive CIT rate (currently 10%) by a maximum of 50% (i.e., 5% CIT rate) and further increase to incentive duration (currently 15 years) by a maximum factor of 1.5, which can be further extended by up to 15 years; and • Maximum six-year tax holiday followed by a 13-year 50% reduction in the corporate income tax base	Subject to prime minister's approval, CIT incentives could be extended as follows: • Preferential CIT rate: further reduction to incentive CIT rate (currently 10%) by a maximum of 50% (i.e., 5% CIT rate) and further increase to incentive duration (currently 15 years) by a maximum factor of 1.5, which can be further extended by up to 15 years; and • Maximum six-year tax holiday followed by a 13-year 50% reduction in the corporate income tax base

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Investment (continued)							
Investment projects in locations with especially difficult socio-economic conditions	🟢	🔴	🟢	Not applicable	• Preferential CIT rate & CIT holidays • Import duty exemption • Land rental fee exemption	• 10% CIT rate for 15 years; • Tax holiday: four-year CIT exemption followed by nine-year 50% CIT reduction • Import duty exemption for imported goods to form fixed assets and duty exemption within five years from the date of official operation for materials that are not yet produced domestically and imported for manufacturing • Land rental fee exemption for certain years, depending on business sector or scale of the project	• 10% CIT rate for 15 years; • Tax holiday: four-year CIT exemption followed by nine-year 50% CIT reduction • Import duty exemption for imported goods to form fixed assets and duty exemption within five years from the date of official operation for materials that are not yet produced domestically and imported for manufacturing • Land rental fee exemption for certain years, depending on business sector or scale of the project
Investment projects in locations with difficult socio-economic conditions	🟢	🔴	🟢	Not applicable	• Preferential CIT rate & CIT holidays • Import duty exemption • Land rental fee exemption	• 17% CIT rate for 10 years • Tax holiday: two-year CIT exemption followed by four-year 50% CIT reduction • Import duty exemption for imported goods to form fixed assets • Land rental fee exemption for certain years, depending on business sector or scale of the project	• 17% CIT rate for 10 years • Tax holiday: two-year • CIT exemption followed by four-year 50% CIT reduction • Import duty exemption for imported goods to form fixed assets • Land rental fee exemption for certain years, depending on business sector or scale of the project
Investment projects in: • **Economic Zones; and** • **High-tech Zones**	🟢	🔴	🟢	Not applicable	• Preferential CIT rate & CIT holidays • Import duty exemption • Land rental fee exemption	• 10% CIT rate for 15 years; this could be extended to a maximum of 30 years for projects located in high-tech parks, subject to certain conditions for each park • Tax holiday: four-year CIT exemption followed by nine-year 50% CIT reduction • Import duty exemption for imported goods to form fixed assets and duty exemption within five years from the date of official operation for materials that are not yet produced domestically and imported for manufacturing • Land rental fee exemption for certain years, depending on business sector or scale of the project	• 10% CIT rate for 15 years; this could be extended to a maximum of 30 years for projects located in high-tech parks, subject to certain conditions for each park • Tax holiday: four-year CIT exemption followed by nine-year 50% CIT reduction • Import duty exemption for imported goods to form fixed assets and duty exemption within five years from the date of official operation for materials that are not yet produced domestically and imported for manufacturing • Land rental fee exemption for certain years, depending on business sector or scale of the project

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Investment (continued)							
Investment projects in Industrial Zones not located in favorable socio-economic areas	🟢	🔴	🟢	Not applicable	• CIT holidays • Import duty exemption • Land rental fee exemption	• Tax holiday: two-year CIT exemption followed by four-year 50% CIT reduction • Import duty exemption for imported goods to form fixed assets • Land rental fee exemption for certain years, depending on business sector or scale of the project	• Tax holiday: two-year CIT exemption followed by four-year 50% CIT reduction • Import duty exemption for imported goods to form fixed assets • Land rental fee exemption for certain years, depending on business sector or scale of the project
Business expansion in incentivized sectors/ locations	🟢	🔴	🟢	Not applicable	• CIT holidays • Import duty exemption	• Choice between (i) same CIT incentive with ongoing project for remaining period, or (ii) CIT holidays applicable to new projects in incentivized sectors/locations • Import duty exemption for imported goods to form fixed assets for incentivized sector/location • Import duty exemption for imported goods to form fixed asset plus duty exemption within five years from the date of official operation for materials that are not yet produced domestically and imported for manufacturing for incentivized sector/location	• Choice between (i) same CIT incentive with ongoing project for remaining period, or (ii) CIT holidays applicable to new projects in incentivized sectors/locations • Import duty exemption for imported goods to form fixed assets for incentivized sector/location • Import duty exemption for imported goods to form fixed asset plus duty exemption within five years from the date of official operation for materials that are not yet produced domestically and imported for manufacturing for incentivized sector/location
Customs incentives for the intended use of imported goods	🟢	🔴	🟢	Not applicable	Import duty exemption	• Import duty exemption for raw materials, supplies, components, semi-finished products, and finished products imported for export manufacturing or export processing and machinery imported to carry on a processing contract	• Import duty exemption for raw materials, supplies, components, semi-finished products, and finished products imported for export manufacturing or export processing and machinery imported to carry on a processing contract
Importation into non-tariff zones	🟢	🔴	🟢	Not applicable	Import duty and value added tax (VAT) exemption	• Goods imported from overseas and used inside non-tariff zones and vice versa, as well as goods transacted among non-tariff zones are not subject to import duty or VAT	• Goods imported from overseas and used inside non-tariff zones and vice versa, as well as goods transacted among non-tariff zones are not subject to import duty or VAT

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Environmental sustainability							
Power plants • **Renewable energy, clean energy** • **Environmental protection**	Permanent incentive	No	Permanent incentive	Not applicable	• Preferential CIT rate & CIT holidays • Import duty exemption • Land rental fee exemption	• 10% CIT rate for 15 years; this could be extended to a maximum of 30 years for large scale projects and projects using new or high technology, subject to prime minister's approval • Tax holiday: four-year CIT exemption followed by nine-year 50% CIT reduction • Import duty exemption for imported goods to form fixed assets and duty exemption within five years from the date of official operation for materials that are not yet produced domestically and imported for manufacturing • Land rental fee exemption for certain years, depending on location or scale of project	• 10% CIT rate for 15 years; this could be extended to a maximum of 30 years for large scale projects and projects using new or high technology, subject to prime minister's approval • Tax holiday: four-year CIT exemption followed by nine-year 50% CIT reduction • Import duty exemption for imported goods to form fixed assets and duty exemption within five years from the date of official operation for materials that are not yet produced domestically and imported for manufacturing • Land rental fee exemption for certain years, depending on location or scale of project
Investment projects in energy-conserving products	Permanent incentive	No	Permanent incentive	Not applicable	• Preferential CIT rate & CIT holidays • Import duty exemption • Land rental fee exemption	• 17% CIT rate for 10 years • Tax holiday: two-year CIT exemption followed by four-year 50% CIT reduction • Import duty exemption for imported goods to form fixed assets • Land rental fee exemption for certain years, depending on location or scale of project	• 17% CIT rate for 10 years • Tax holiday: two-year CIT exemption followed by four-year 50% CIT reduction • Import duty exemption for imported goods to form fixed assets • Land rental fee exemption for certain years, depending on location or scale of project
Other							
Accelerated depreciation	Permanent incentive	No	Permanent incentive	Not applicable	• Enterprises operating with high economic efficiency are entitled to apply accelerated depreciation to increase their deductible expenses for CIT calculation purposes • When applying accelerated depreciation, enterprises must have a profitable business	• Accelerated depreciation cannot exceed twice the rate of depreciation that would be determined using the straight-line method	• Accelerated depreciation cannot exceed twice the rate of depreciation that would be determined using the straight-line method

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Country background

Vietnam's standard corporate income tax rate is 20%, and incentivized rates ranging from 10% to 17% are available. Enterprises operating in the exploration and mining of petroleum, gas, and other rare and precious natural resources are subject to higher corporate income tax rates, ranging from 32% to 50%.

Innovation incentives

Research & Development (R&D)

Nature of incentives

The highest incentives (i.e., mostly preferential corporate income tax rates and tax holidays) are available to promote the development of R&D and high-tech industries.

Preferential corporate income tax rates and tax holiday

Corporate income tax incentives for qualifying high-tech entities include a 10% preferential corporate income tax rate for 15 years (which may be extended to up to 30 years with the approval of the prime minister), and a four-year corporate income tax exemption, followed by a 50% reduction in the tax base for the next nine years.

Incentivized projects also may enjoy an exemption from import duties on imported goods to create fixed assets and a five-year exemption from import duty for certain goods (e.g., materials) that cannot be produced in the local market.

Companies not operating entirely in the R&D/hi-tech industry, but that engage in science research and technology development and that are capable of creating and/or applying scientific/technological results may be entitled to corporate income tax holidays for income derived from R&D contracts, for income from the sale of products that are the result of technologies applied in Vietnam, and for income from the transfer of technology in prioritized fields to organizations or individuals located in areas with difficult socio-economic conditions.

Deductible provisions

A taxpayer can claim deductible expenses of up to 10% of annual taxable income for setting up a Science and Technology Development Fund.

Small businesses and startups

Qualifying small businesses (i.e., companies with fewer than 200 employees participating in the social insurance scheme and either having total investment capital of less than VND 100 billion or revenue of less than VND 300 billion) can enjoy lower corporate income tax rates, but no detailed guidance has been issued on this incentive.

Eligible industries and qualifying costs

The incentive is intended to benefit all industries conducting qualifying R&D. To qualify for tax incentives for the R&D/high-tech industry, the entity must obtain an R&D/high-tech certificate from the Ministry of Science and Technology (MOST) by meeting specific requirements relating to products, projects, annual revenue, number of R&D employees, R&D expenses incurred, and environmental compliance. In addition, the investors must undergo a comprehensive appraisal process by MOST to demonstrate that the enterprise/project satisfies the conditions. Maintaining qualification for the incentives can be challenging since some factors, such as revenue and employees, can be affected by unexpected market fluctuations.

Qualifying costs include wages for in-house labor, 65% of contract research, and supplies used in the research process. Overhead and capital expenditure are excluded.

Intellectual property and jurisdictional restrictions

There is no restriction on the location of any resulting IP, but qualifying activities must be performed in Vietnam and a Vietnamese taxpayer must incur the related qualifying costs.

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Investment Incentives

The government grants corporate income tax incentives for strategic sectors where investment is encouraged, such as:

- Infrastructure development (water plants, power plants, water supply and drainage systems; bridges, roads, railways; airports, seaports, river ports; airfields, stations, and other important infrastructure facilities decided by the prime minister);
- Supporting industries;
- Production of software;
- Manufacture of composite materials, light building materials, and rare and precious materials;
- Socialized projects in education, such as training, vocational training, health, culture, sports, and the environment, etc.; and
- Investment projects in high quality steel.

Environmental Sustainability Incentives

Projects involving the development and use of renewable energy sources in Vietnam may be entitled to corporate income tax and import tax preferences. The corporate income tax incentives include a 10% rate for 15 years (which may be extended to up to 30 years with the approval of the prime minister), and a four-year corporate income tax exemption, followed by a 50% reduction in the tax base for the next nine years. Such projects also may enjoy an import duty exemption for imported goods to create fixed assets and a five-year exemption from import duty for certain goods (e.g., materials) that cannot be produced in the local market.

Other Incentives

Location-based incentives

New investment projects located in areas with difficult or particularly difficult socio-economic conditions or in special purpose zones are eligible for investment incentives as follows:

- Locations with particularly difficult socio-economic conditions, economic zones, and hi-tech zones:
  - Preferential 10% corporate income tax rate for 15 years, and a four-year corporate income tax exemption followed by a 50% reduction in the tax base for the next nine years. The 10% rate may be extended to up to 30 years for projects located in high-tech parks if specific requirements are met;
  - Import duty exemption for imported fixed assets and a duty exemption within five years from the date of official operation for materials that are not yet produced in the local market and are imported for manufacturing purposes; and
  - Land rental fee exemption, depending on the business sector or scale of the project.
- Locations with difficult socio-economic conditions:
  - Preferential 17% corporate income tax rate for 10 years, and a two-year tax exemption, followed by a 50% reduction in the tax base for the next four years;
  - Import duty exemption for imported goods to create fixed assets; and
  - Land rental fee exemption for certain years, depending on business sector or scale of the project.
- Industrial zones not located in favorable socio-economic conditions:
  - Two-year corporate income tax holiday, followed by a four-year 50% reduction in the corporate income tax base;
  - Import duty exemption for imported goods to create fixed assets; and
  - Land rental fee exemption for certain years, depending on business sector or scale of the project.

Investment incentives also are available for the expansion of existing projects.

Customs duty incentives may be available for goods imported into non-tariff zones. An import duty exemption is available for raw materials, supplies, components, semi-finished products, and

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finished products imported for export manufacturing or export processing and machinery imported to carry out a processing contract. Goods imported from overseas and used in non-tariff zones and vice versa or goods transacted among non-tariff zones are not subject to import duty or VAT.

Scale-based incentives

Investment incentives are granted to large manufacturing projects (except for products subject to special sales tax or persons exploiting mineral resources) where the project has either:

- Total capital of VND 6 trillion or more disbursed within three years of obtaining a license with:
  - Minimum annual revenue of VND 10 trillion by the fourth year of operations; or
  - Regularly employing more than 3,000 workers by the fourth year of operations; or
- Total capital of VND 12 trillion or more disbursed within five years of obtaining a license and using technologies included in the Law on Hi-technology and the Law on Science and Technology.

Investment incentives for such large scale projects include:

- Preferential corporate income tax rate of 10% for 15 years, and four-year corporate income tax exemption, followed by a nine-year 50% reduction in the corporate income tax base. The 10% rate may be extended for up to 30 years with the approval of the prime minister for projects with total capital of VND 12 trillion when certain conditions about revenue, number of employees, or scope of business are met.
- Import duty exemption for imported fixed assets and duty exemption within five years from the date of official operation for materials that are not yet produced domestically and imported for manufacturing.
- Land rental fee exemption for certain years, depending on location or business sector of the project.

New Investment Law 2020 (replacing Investment Law 2014 as from 1 January 2021)

Following Resolution 50-NQ-TW, aimed at attracting foreign direct investment into Vietnam through 2030, and Resolution 58/NQ-CP, which provides guidelines on how to implement Resolution 50), Vietnam's National Assembly recently ratified the Law on Investment 2020, which will apply as from 1 January 2021. The new law includes certain notable differences and additions compared to the current investment incentives in Investment Law 2014, as follows:

- It adds a cost-based investment incentive: accelerated depreciation to increase deductible expenses for corporate income tax purposes;
- It adds new beneficiaries: priority technology transfer projects, technology incubators, science and technology business incubators, innovative start-ups, innovation and creation centers, and R&D centers;
- It adds priority sectors: university education, medical equipment production, and goods and services that create or join value chains and industry clusters; and
- It introduces special investment incentives and supports. Subject to the prime minister's approval, corporate income tax incentives could be extended as follows:
  - Preferential corporate income tax rate: further reduction to incentive corporate income tax rate (currently 10%) by a maximum of 50% (i.e., 5% rate) and further increase to incentive duration (currently 15 years) by a maximum factor of 1.5 (i.e., 22.5 years), which can be further extended by up to 15 years (i.e., total of 37.5 years); and
  - Maximum six-year tax holiday followed by a 13-year 50% reduction in the corporate income tax base.

Details of the new investment incentive scheme are expected to be provided in upcoming amendments to related laws (i.e., the Corporate Income Tax Law, the Law on Export and Import Duties, and the Land Law).