

Special Alert

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New Investment Incentives

With a purpose to attract and create more investment opportunities for foreign investors, the Prime Minister promulgated Decision No. 29/2021/QĐ-TTg dated 6 October 2021 on special investment incentives (“**Decision 29**”). Decision 29 brings insight to the levels, duration and conditions of applying special incentives for investment projects.

Investment projects eligible for special incentives

The investment projects eligible for special investment incentives that are listed in Article 20.2 of the 2020 Law on Investment, including:

- Investment projects of new establishment (including expansion of such newly established projects) of research and development centers and creative renovation centers with a total investment capital of at least VND3,000 billion (equivalent to US\$130 million) and with a minimum capital amount of VND1,000 billion (equivalent to US\$43 million) being disbursed within three years from the issuance date of the Investment Registration Certificate (“**IRC**”) or the approval date of the investment policy (“**Group 1**”);
- National creative renovation centers established pursuant to a decision of the Prime Minister of the Government (“**Group 2**”); and
- Investment projects in special preferential investment industries and trades (as stipulated in Schedule II.A of Decree No. 31/2021/ND-CP) with a total investment capital of at least VND30,000 billion (equivalent to US\$1.3 billion) and a minimum capital amount of VND10,000 billion (equivalent to US\$430 million) being disbursed within three years from the issuance date of the IRC or the approval date of the investment policy (“**Group 3**”).

Outstanding rules of applying special investment incentives

During the period of applying special investment incentives, any economic organization that satisfies the conditions for actual incentives shall apply such incentives for the remaining duration of incentives. The remaining incentive application period is determined by the incentive period according to the actual incentive conditions minus the number of years for which the incentives have been previously applied as follows:

- the corresponding number of years of corporate income tax exemption and reduction;
- the number of years of applying the preferential income tax rate; and
- the number of years of land rent and water surface rent exemption and reduction.

In case any economic organization fails to comply with its undertakings or its investment project fails to satisfy the eligibility conditions for special investment incentives, such economic organization shall:

- not be entitled to apply special investment incentives if it has not applied the incentives yet;
- not be entitled to apply special investment incentives and accordingly must declare and pay back the applied incentives of the years that do not meet the conditions for incentives (if any) and the amount of late payment and fines for violation in accordance with the law on tax administration.

Levels and duration of applying special investment incentives on corporate income tax (“CIT”) and fees for renting land and water surfaces

Decision 29 offers the specific incentive packages as follows:

- Preferential CIT rate of nine per cent over a period of 30 years, 5-year CIT exemption and 50 per cent CIT reduction for the subsequent 10 years; land and water surface lease exemption for 18 years and 55 per cent reduction for the remaining years (“**Package 1**”). Package 1 will be applied for investment projects in Group 3;
- Preferential CIT rate of seven per cent over a period of 33 years, 6-year CIT exemption and 50 per cent CIT reduction for the subsequent 12 years; land and water surface lease exemption for 20 years and 65 per cent reduction for the remaining years (“**Package 2**”). Package 2 shall be applied for investment projects in Group 1; and
- Preferential CIT rate of five per cent over a period of 37 years, 6-year CIT exemption and 50 per cent CIT reduction for the subsequent 13 years; land and water surface lease exemption for 22 years and 75 per cent reduction for the remaining years (“**Package 3**”). Package 3 shall be applied for investment projects in Group 2.

Furthermore, if Group 3 satisfies the four specific criteria including high technology, the share of Vietnamese businesses participating in the value chain, added value and tech transfer as prescribed in Articles 5.2 or 5.3 of Decision 29, it can apply Package 2 and Package 3 for its investment projects.

Decision 29 took effect from 6 October 2021.

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