

Draft decree on supportive industry



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At a glance...

Decree 111/2015/ND-CP was issued on 3 November 2015 regarding “supportive industries”. This regulation provided some attractive support schemes and incentives to entities performing activities to develop certain key industries which Vietnam is keen to promote, such as textile and garment, footwear and leather, electronics, automobile, etc. While this is a favourable regulation, as ever the devil is in the detail, as the procedures and conditions to secure such incentives are convoluted and in some cases unclear.

The Ministry of Industry and Trade has just released some draft amendments to Decree 111 on its website for public comment. Generally, these amendments are positive and include:



More activities and products would be entitled to incentives

- The definition of “supportive industry” is expanded to include (i) the manufacturing of accessories and (ii) the design and processing stage.
- The list of industrial supportive products is expanded to include more products, mostly in the leather, footwear and automobiles industries. Another interesting proposed change is that not only finished-products, but also products still in their production stage and which are used to manufacture industrial supportive products (such as semi-finished products, designs) would be included in the list.
- The application of technology to manufacture industrial supportive products and the transfer of prioritised technology are entitled to more incentives (such as funding for a part of the cost of technology transfer, staff training, consulting costs, and import VAT and duty exemption for machinery and equipment imported for the purpose of technology transfer, etc.).

The definition of projects which manufacture industrial supportive products is amended

- Projects qualified for this purpose would include, inter alia, *projects to expand business scale, production capacity, upgrade technology, and develop the manufacture of new products, provided that such projects comprise at least a 20% increase in the cost of fixed assets or designed capacity.*
- This proposed change would provide a clearer basis to determine qualified projects (i.e. more objective & quantifiable criteria) as compared with the current rules.

More incentives would be granted

The proposed additional incentives include:

- Import duty exemption for materials, consumables, and components;
- Companies using industrial supportive products to produce exported products can choose to declare VAT monthly or quarterly;
- Assistance with funding, e.g. preferential interest rates and credit limits.

Contact us

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