

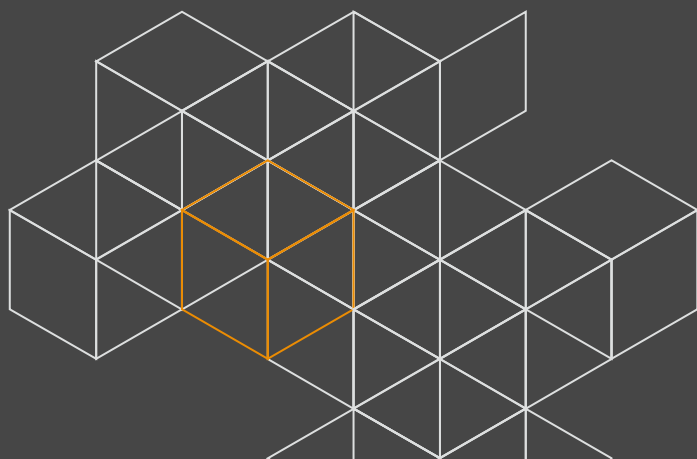


# PwC Vietnam NewsBrief

Decision 29 on special investment incentives



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# At a glance...

On 6 October, the Government issued Decision 29/2021/QĐ-TTg on special investment incentives available for R&D and large investment projects specified in the Law on Investment. The Decision took effect on the signing date.

# In detail ...

## Key points

The R&D and large investment projects which are eligible for these special investment incentives are:

- those which newly establish (including the expansion thereof) innovation centers, research and development centers with a total investment capital of at least VND 3 trillion (~USD 130 million) and with at least VND 1 trillion (~USD 45 million) disbursed within three years from the issuance date of the investment registration certificate (“IRC”) or decision on approval of investment policy (“Group A projects”).
- those engaging in especially incentivised activities with a total investment capital of at least VND 30 trillion (~USD 1.3 billion), with at least VND 10 trillion (~USD 450 million) disbursed within three years from the date of issuance of the IRC or decision on approval of the investment (“Group B projects”).

The Decision provides guidance on the special incentives applicable to both new and expansion investment projects, including corporate income tax (“CIT”) incentives.

Below are some key contents.

- A preferential tax rate of 9% for a period of 30 years, 5 years of tax exemption, plus a 50% CIT reduction for a subsequent 10 years apply to profits from Group B projects.

# In detail ...

- A preferential tax rate of 7% for a period of 33 years, 6 years of tax exemption, plus a 50% CIT reduction for a subsequent 12 years apply to profits from investment projects that fall into one of the following cases:
  - Group A projects
  - Group B projects which meet one of the following four criteria: (i) being a level 1 high-tech project; (ii) having Vietnamese enterprises participating in the value chain at level 1; (iii) having added value (which is the total cost of products minus the expenses paid to overseas including imported materials, machine, equipment, royalty fees, etc) accounting for over 30% to 40% of the total cost of products; or (iv) meeting the criteria of technology transfer at level 1.
  
- A preferential tax rate of 5% for a period of 37 years, 6 years of tax exemption, plus a 50% CIT reduction for a subsequent 13 years apply to profits from investment projects that fall into one of the following cases:
  - national innovation centre established under a decision of the Prime Minister.
  - Group B projects which satisfy one of the following four criteria: (i) being a level 2 high-tech project; (ii) having Vietnamese enterprises participating in the value chain at level 2; (iii) having added value accounting for over 40% of the total cost of products; or (iv) meeting the criteria of technology transfer at level 2.
  
- The Decision provides detailed guidelines on the criteria to be considered as “level 1” or “level 2” as referred above.
  
- In addition, there are also (i) exemptions from land rental fee, water rental fee for between 18 and 22 years and (ii) reductions of these fees by 55% to 75% for the remaining lives of the above projects.

# Contact us

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