



LIKON LAW
Vietnam Int'l Practice

LEGAL UPDATES

ISSUE NO. 01 | MARCH 2021

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1. Circular No. 03/2021/TT-BTC providing for exemption and reduction of corporate income tax for science and technology enterprises as prescribed Decree No. 13/219/ND-CP dated February 01, 2019, takes effect on March 1, 2021 ("Circular No. 03/2021/TT-BTC"):

A science and technology enterprise means an enterprise that performs production, business, scientific and technological services to create products and goods from the results of scientific research and technology developments.

Requirements of science and technology enterprises entitled to exemption and reduction of corporate income tax:

The income of science and technology enterprises shall be exempt if it is generated from production and trading of science and technology products.

Exemption and reduction of corporate income tax must meet the following conditions:

- a) a STE Certificate is required (*Science and technology enterprise Certificate*) by a competent authority
- b) annual revenue from production and trading of science and technology products reaches at least 30% of the total annual revenue of enterprises;
- c) revenues from provision of IT services that apply scientific and technological findings is the revenue earned from new services only;
- d) STE must separately record the revenue from the production and trading of science and technology products in the period to receive CIT (*Corporate income tax*) incentives. If the STE is unable to separately record its revenue from production and trading of science and technology products, this revenue shall be determined according to Clause 2 Article 18 of the Law on corporate income tax No. 14/2008/QH12.



Rate and duration of CIT exemption and reduction

Science and technology enterprises shall be entitled to CIT exemption for 04 years, and a 50% tax reduction for the next 9 years.

Duration of CIT incentives shall be counted consecutively from the day on which the STE is issued with the STE certificate. If the STE has no taxable income within the first three years from the year in which it is issued with the STE certificate, the CIT incentives duration shall commence from the fourth year. During the duration of CIT incentives, if the STE's revenue does not reach a minimum rate of 30% of total annual revenue, that year will not be entitled to incentives, but still counted in the period of incentive.

If the STE has taxable income but its operating period during which it is eligible for the CIT incentives is less than 12 (twelve) months in the first year, the STE may decide whether it will receive the CIT incentives in the first year or register with the tax authority to receive CIT incentives in the subsequent years.

2. Decree No. 31/2021/ND-CP elaboration of some Articles of the 2020 Law on Investment ("Decree 3131/2021/ND-CP") takes effect on March 26, 2021:

Supplementing the list of restrictions on market access for foreign investors:

The 2020 Law on Investment stipulates that foreign investors are entitled to the same market access conditions as domestic investors, except in cases of investment in industries or trades with limited market access for foreign investors. Thus, Decree 31/2021/ND-CP issues a list of business lines with prohibited and restricted market access.



This list provides for 84 sectors and occupations, including 25 sectors that have not yet had market access for foreign investors, and 59 sectors with conditional market access for foreign investors. Thus, except for sectors on the list of restrictions on market access for foreign investors, they have the same market access as domestic investors do.

The principles and applicable subjects are further guided in Article 16 and Article 17 of Decree 31/2021/ND-CP.

The market access requirements applied to foreign investors include:

- a) holding of charter capital by the foreign investor in a business organization;
- b) investment method;
- c) scope of investment;
- d) capacity of the investor; partners participating in the investment activities;
- e) use of land, employ workers; natural resources, minerals;
- f) manufacture, supply of public services, goods or goods and services under state monopoly;
- g) ownership, trade of housing, real estate;
- h) application of assistances, aids of the State in certain industries, sectors or geographical areas;
- i) participation in state-owned enterprise equitization programs or plans; and
- j) other conditions.

Supplementing objects and conditions in investment incentive industries:



According to Clause 1, Article 16 of Decree No. 118/2015/ND-CP guidelines for some Articles of the 2014 Law on Investment, there are 05 objects eligible for investment incentives as prescribed in Clause 2, Article 15 and Article 16 of the 2014 Law on Investment. Besides, Article 19 of Decree 31/2021/ND-CP adds more objects eligible for investment incentives as prescribed in Clause 2, Article 15 of the Investment Law 2020. Additional subjects are guided as follows:

- a) For social housing construction projects; investment projects located in rural areas and employing at least 500 employees; investment projects that employ persons with disabilities in accordance with the law as stipulated in point d, Clause 2, Article 15 of the 2020 Law on Investment, including:
 - i) investment projects for construction of social housing;
 - ii) investment projects in rural areas and employing at least 500 employees per year (excluding employees who work on a part-time basis and employees who sign employment contracts with a fixed term of under 12 months); and
 - iii) investment project employing persons with disabilities accounting for at least 30% of the annual average number of employees.
- b) For start-up projects, national innovation centers and research and development centers as specified in Point e, Clause 2, Article 15 of the 2020 Law on Investment, the start-up project are:
 - i) projects on manufacturing of products created from inventions, utility solutions, industrial designs, semiconductor integrated circuits layout-designs, computer software, applications on mobile phones, cloud computing; production of new livestock breed or line, new plant varieties, new aquatic breeds, new forest tree cultivars; technological advances which have been granted protection certificates in accordance with regulations of



law on intellectual property or copyrights or international registration certificates in accordance with regulations of international treaties to which Vietnam is a signatory or recognized by competent authorities;

- ii) projects on manufacturing of products obtained from projects on trial production, sample products and technology completion; manufacturing of products given awards at start-up competitions, national start-up competitions, scientific and technological awards in accordance with regulations of law on scientific and technological awards;
 - iii) projects of enterprises operating in innovation centers and research and development centers; and
 - iv) projects on manufacturing of culture industry products formed from copyrights or copyright-related rights that have been granted protection certificates in accordance with regulations of law on intellectual property or international registration certificates in accordance with regulations of international treaties to which Vietnam is a signatory.
- c) For investment investors in the distribution chain of products of small and medium-sized enterprises entitled to investment incentives as prescribed in Point g Clause 2 Article 15 of the Investment Law, this means a network of intermediaries that distribute products of such small and medium-sized enterprises (SMEs) to consumers and meet the following conditions:
- i) at least 80% of participating enterprises are small and medium-sized enterprises;
 - ii) there are at least 10 locations for the distribution of goods to consumers; and
 - iii) at least 50% of the chain's revenue is generated by SMEs joining the chain.



Conditions and procedures for suspension of investment projects:

The 2020 Law on Investment provides for new regulations that allow investors to suspend the operation of investment projects (not terminate investment projects). In particulars, if the suspension of the project is due to force majeure reasons, investors are exempted from land rent and land use during the shutdown.

Thus, Article 56 of Decree 31/2021/ND-CP, stipulating the suspension of investment projects as follows: conditions for the total period of suspension of investment projects shall not exceed 12 months. In the case of an overdue period from the date of suspension, the investment registration authority terminates or terminates part of the operation of such an investment project.

If the investment project is suspended according to a court's effective judgment or decision, effective arbitral award or investment authority's decision, the suspension period shall be determined according to the court's judgment or decision, effective arbitral award or investment authority's decision.

Moreover, the procedures for suspension of investment projects are specified in Clause 3, Article 56 of Decree 31/2021/ND-CP.



LIST OF DOCUMENTS ISSUED IN MARCH 2021:

DATE OF ISSUE	NO.	NAME OF DOCUMENT	ISSUED BY	MAIN CONTENTS
20/03/2021	13/2019 /ND-CP	Decree	Government	Science and Technology enterprises
01/03/2021	03/2021 /TT-BTC	Circular	Ministry of Finance	Providing for exemption and reduction of corporate income tax incurred by Science and Technology enterprises

