

Tax Alert

June 2021

Decree 57 granting CIT incentives to investment projects implemented before 2015 to manufacture supporting industry products

According to the provisions of Law No. 71/2014/QH13 dated 26 November 2014 ("Law 71"), which took effect from 1 January 2015, income from new investment projects engaged in the manufacturing of products of 'encouraged supporting industries' are eligible for the highest available corporate income tax ("CIT") incentives, which include: a CIT rate of 10% for 15 years, 4 years of CIT exemption and a 50% reduction of payable tax for the 9 subsequent years.

As there is no transitional provision, investment projects that are engaged in manufacturing of supporting industry (SI) products that were implemented before 1 January 2015 are not entitled to the CIT incentives as per Law 71.

In order to ensure equality in investment incentives for SI projects implemented before 1 January 2015, the Government has issued Decree 57/2021/ND-CP dated 4 June 2021 ("Decree 57") supplementing Decree 218/2013/ND-CP and providing guidance to Law 71. Decree 57 allows the extension of the CIT incentive scheme to SI projects (including both new investment projects and expanded investment projects) implemented before 1 January 2015. Accordingly, SI projects which meet the conditions of an encouraged SI project and are granted a 'Certificate of Incentives for the Manufacturing of Supporting Industry Products' ("SI certificate") by a competent authority shall be entitled to enjoy the following CIT incentives:

- If the SI project has not yet enjoyed any CIT incentive scheme, the CIT incentive scheme under the new SI policy shall be applied from the tax year when the SI certificate is granted; or
- If the SI project has already fully utilised its CIT incentives based on other conditions (or is currently applying for CIT incentives based on other conditions), the CIT incentive scheme under the new SI policy shall be applied for the remaining period from the tax year when the SI certificate is granted.

Decree 57 also stipulates how to determine the remaining period of the CIT incentives.

If the application of incentives, as prescribed in Decree 57 (including cases where the competent authority has conducted a tax audit), leads to a reduction in the amount of CIT and late payment interest payable (if any), the affected enterprises shall send a written request to the local tax authority to make an appropriate adjustment. If there is an overpaid tax or late payment interest after the adjustment, the provisions of the Law on Tax Administration shall apply.

Decree 57 takes effect from 4 June 2021.

Please contact KPMG for detailed advice on the procedures for applying incentives in accordance with Decree 57.

Contact us

Hanoi

46th Floor, Keangnam Landmark 72,
E6 Pham Hung Road, Me Tri Ward,
South Tu Liem District, Hanoi, Vietnam

T: +84 (24) 3946 1600

F: +84 (24) 3946 1601

E: kpmghanoi@kpmg.com.vn

Ho Chi Minh City

10th Floor, Sun Wah Tower,
115 Nguyen Hue Street, Ben Nghe Ward,
District 1, Ho Chi Minh City, Vietnam

T: +84 (28) 3821 9266

F: +84 (28) 3821 9267

E: kpmghcmc@kpmg.com.vn

Da Nang

Unit D3, 5th Floor, Indochina Riverside Towers,
74 Bach Dang Street, Hai Chau I Ward,
Hai Chau District, Da Nang City, Vietnam

T: +84 (236) 351 9051

F: +84 (236) 351 9051

E: kpmgdanang@kpmg.com.vn

Follow us on:   

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2021 KPMG Limited, KPMG Tax and Advisory Limited, KPMG Legal Limited, KPMG Services Company Limited, all Vietnamese one member limited liability companies and member firms of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

kpmg.com.vn