

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.

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