



IC&PARTNERS VIETNAM

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TAX NEWSLETTER

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*Incentives and support for investment projects in high-tech zone
from March 25, 2024*

On February 1, 2024, the Government issued Decree No. 10/2024/NĐ-CP on high-tech zones with incentives and support for high-tech zone investment projects from March 25, 2024 as follows:

1. The policy of incentives and support for investment projects in high-tech zones from March 25, 2024.

- i. High-tech zones are entitled to the incentives applicable to areas with particularly difficult socio-economic conditions.
- ii. The level of incentives and support for investment projects and activities in high-tech zones shall be applied in accordance with the relevant laws.
- iii. The management board of the high-tech zone and the competent authority are responsible for carrying out the administrative procedures on investment, enterprise, land, construction, environment, labor, tax, customs and related procedures; support on labor recruitment and other relevant issues.
- iv. Investment projects and activities in high-tech zones are prioritized to participate in the programs of training, labor recruitment; support for research, application, and transfer of high technology; support for the development of high-tech industries and agriculture; support for innovation and creative start-ups; support for loans and other support programs of the Government, ministries, sectors, and localities.
- v. The Provincial People's Council and the Provincial People's Committee issue policies and allocate resources to support investment in order to attract investment projects and high-tech human resources to the high-tech zone

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Incentives and support for investment projects in high-tech zone from March 25, 2024

2. **The policy for encouraging investment in construction and business of technical infrastructure from March 25, 2024**
 - i. Encouraging organizations and individuals with sufficient experience and capacity to invest in construction and business of high-tech zone infrastructure.
 - ii. Investment projects for construction and business of infrastructure are entitled to the incentives of exemption from land rent, compensation, site clearance and reimbursement.
 - iii. Investment projects for construction and business of infrastructure in high-tech zone are given priority to borrow investment credit and to implement lawful forms of capital mobilization.
 - iv. The management board of the high-tech zone and the relevant authorities shall prioritize handling administrative procedures related to the infrastructure investors and the investment projects in the area of the infrastructure investment project.
 - v. Being entitled to other incentives on investment, tax, land, and related laws; priority to participate in the projects, programs, pilot projects for smart urban development and other support policies.
 - vi. The Provincial People's Council and the Provincial People's Committee issue policies and allocate resources to support investment in order to attract investment projects for construction and operation of high-tech zone infrastructure.

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*Tax exemption for income from innovative start-up activities
in Ho Chi Minh City (HCMC)*

On February 2, 2024, the Government issued Decree No. 11/2024/ND-CP on interest rates, reasonable profits, payment methods, settlement of investment projects under the Build-Transfer (BT) contract; exemption from corporate income tax (CIT) and personal income tax (PIT) in Ho Chi Minh City (HCMC) as follows.

1. PIT exemption

Accordingly, during the effective period of Resolution No. 98/2023/QH15, **individuals with income from transferring capital contribution, capital contribution rights to creative start-up enterprises in HCMC are exempt from PIT for this income.** Creative start-up enterprises must meet the regulations of the People's Council in HCMC on the priority fields; criteria, conditions, and contents of creative start-up activities

2. CIT exemption from innovative start-up activities

Creative start-up enterprises with income from creative start-up activities in HCMC are exempt from CIT for this income. The exemption period is 5 years from the time the enterprise incurs CIT payable from creative start-up activities during the effective period of Resolution No. 98/2023/QH15. After Resolution No. 98/2023/QH15 expires, if the exemption period has not ended, the enterprise shall continue to implement it until the end of the exemption period. In case the enterprise is in the CIT exemption period according to other exemption conditions, it can choose to be entitled to tax exemption under the other exemption conditions or the exemption under this Decree for the remaining time.

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Amending the conditions for repurposing rice land to execute investment projects

On February 5th, 2024, the Government issued Decree No. 12/2024/ND-CP amending Decree No. 44/2014/ND-CP on land prices and Decree No. 10/2023/ND-CP amending the decrees guiding the implementation of the Land Law 2013. Accordingly, the conditions and criteria for granting permission to repurpose rice land, protection forest land, and special-use forest land with the aim of executing investment projects are as follows:

- These investment projects need to obtain approval of investment policies or investment registration certificates.
- These investment projects have to conform to the district-level land use planning schemes, and be on the list of district-level annual land use plans that is approved.
- There are compensatory afforestation plans or written notifications of discharge of obligations to pay for compensatory afforestation under forestry law in case of repurposing protection forest or special-use forest land; there are topsoil use plans for cultivation in case of repurposing arable land dedicated to rice cultivation
- There is a preliminary environmental impact assessment or environmental impact assessment conducted (*if any*)
- Agencies and competent persons appraise and approve policies on repurposing of protection forest land, special-use forest land, or rice land shall bear responsibility for implementation of those specified in clause 2 and 3 Article 68a Decree No. 43/2014/ND-CP (amended by Decree No. 12/2024/ND-CP); shall disclaim the responsibility for others appraised, approved, decided, or handled by competent agencies or persons before.

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The procedure for applying risk management to selecting tax declaration dossiers for inspection at the tax authority's office.

On January 26th, 2024, the Director General of the General Department of Taxation issued Decision No. 98/QD-TCT on the process of applying risk management to select Value-Added Tax (VAT), Corporate Income Tax (CIT), and Excise duty declarations for inspection at the Tax Authority's Office.

1. The process of applying risk management to select Tax declarations for inspection at the Tax Authority's Office

The process provides guidance on the order, procedures, and steps to apply risk management in selecting VAT, CIT, and excise duty declarations of taxpayers that show signs of risk for inspection at the Tax Authority's Office, applicable to tax authorities at all levels: General Department of Taxation, Department of Taxation, Sub-Department of Taxation.

2. The principle for evaluating, classifying, and handling the classification results of the risk level of tax declarations

- The analysis, evaluation, and classification of the risk level are performed automatically and centrally on the risk management application (RMA).
- Monthly, the risk management department at the tax authorities of all levels directly managing the taxpayers coordinates with the Information Technology department to use the RMA in selecting tax declarations.
- Based on the total risk score of tax declarations and the risk threshold, the RMA automatically classifies the risk level for each declaration into one of three levels: high risk, medium risk, low risk. The results of risk analysis are used to classify the level of risk for taxpayers' tax declarations.

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Official Letter No. 1045/CTBGI-TTHT on corporate income tax (CIT) policy

On February 16, 2024, the Tax Department of Bac Giang province issued Official Letter No. 1045/CTBGI-TTHT on corporate income tax (CIT) policy, specifically:

In case the Company has a new investment project implemented in areas with difficult socio-economic conditions, which is granted the Investment Registration Certificate (IRC) for the first time by the Management Board of industrial zone, it shall be entitled to the following CIT incentives:

- **Tax rate of 17% for ten years**, the period of applying the preferential tax rate is calculated continuously from the first year the Company has revenue from the new investment project
- **Tax exemption for two years and 50% reduction of the tax payable for the next 4 years** for income from implementing the new investment project
- **The period of tax exemption and reduction is calculated continuously from the first year of assessable income from the new investment projects entitled to tax incentive**; if there is no assessable income in the first three years, from the first year of assessable income from the new investment project, the time for tax exemption or reduction is calculated from the fourth year.
- The Company currently engaging in production and business activities may continue enjoying tax incentives for the remaining duration of the initial investment project or incentives under the expanded investment if they meet the prescribed incentive conditions when it has a change in the IRC without affecting the satisfaction of the conditions for tax incentives.
- The CIT incentives only apply to enterprises implementing the accounting regime, invoices, vouchers, and CIT payment according to declaration. The Company determines its tax incentive conditions, preferential tax rates, period of tax exemption or reduction, losses deducted from taxable income to self-declare and self-settle tax with the tax authority.

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Official Letter No. 881/CTBGI-TTHT on declaration and deduction of input Value-added Tax (VAT)

On February 2, 2024, the Tax Department of Bac Giang province issued Official Letter No. 881/CTBGI-TTHT on the declaration of input Value-added Tax (VAT), specifically:

In case the Company specializes in real estate business, the service is the activity of transferring infrastructure, houses attached to the transfer of land use rights, the input VAT of goods and services used simultaneously for production, business of taxable and non-taxable goods and services, **only the input VAT of goods and services used for production, business of taxable goods and services is deducted.** The business establishment must **separately account for the input VAT deducted and not deducted; in case it cannot be separately accounted,** the input VAT deductible is calculated according to the percentage (%) between the revenue subject to VAT, the revenue exempt from declaring and paying VAT, and the total revenue of goods and services sold, including the revenue exempt from declaring and paying VAT which is not separately accounted according to the guidance in Clause 9 Article 1 Circular No. 26/2015/TT-BTC

In case the Company has determined that only the input VAT of electricity, water, and reception expenses serves both the taxable and non-taxable activities (which must be allocated). The input VAT for the construction of infrastructure separately accounted for and declared to be deducted completely is in accordance with the regulations.

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Official Letter No. 1613/CTHDU-TTHT on personal income tax (PIT) and corporate income tax (CIT) policy.

On February 7, 2024, the Tax Department of Hai Duong province issued Official Letter No. 1613/CTHDU-TTHT on personal income tax (PIT) and corporate income tax (CIT) policy, specifically:

In case the expenses that are paid for making and renewing temporary residence cards, visas for foreigners by the Company so that foreigners are eligible to work at the Company in Vietnam are **the responsibility of the employer**, these expenses are **not included in the PIT taxable income** from salary, wages of foreigners. The expenses without invoices, vouchers are not deductible when determining CIT taxable income.

In case the expenses for making and renewing temporary residence cards, **visas for foreigners paid by the Company on behalf of the foreigners** are the benefits of the foreigners, **these amounts are included in the PIT taxable income from salary, wages of foreigners.**

In case the expense for making a license for the employee working at the Company in Vietnam to go on **a business trip abroad as required by the work** is a business expense according to the financial regime or the internal regulation of the Company and according to the regulation in section 4.d, point d, item 2, Article 2 of Circular No. 111/2013/TT-BTC, it is **not included in the PIT taxable income of the employee.** If the Company hires a vendor to provide the licensing service for the employee, the service fee is not included in the PIT taxable income of the employee.

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Regulations on electronic labor contracts from July 1, 2024

On June 22, 2023, the National Assembly enacted the Electronic Transactions Law 2023 (effective from July 1, 2024) with the following specific regulations on electronic labor contracts:

Labor contracts are concluded through electronic means in the form of data messages with the same value as written ones and must comply with the regulations for electronic contracts, specifically:

- Electronic labor contracts are concluded or performed from the interaction between an automated information system and a person or between automated information systems with each other and are not denied legal value just because there is no human inspection or intervention into each specific action performed by the automated information systems or into the contract.
- Concluding an electronic labor contract is the use of data messages to conduct a part or all of the transactions in the process of concluding the contract. The offer and acceptance of the contract are made through data messages, unless otherwise agreed.
- The parties have the right to agree on the use of data messages, electronic means in part or in whole in the conclusion and performance of electronic labor contracts; have the right to agree on the technical requirements, conditions to ensure the integrity, security related to the electronic labor contract.
- The receipt, delivery, time, and place of receipt and delivery of data messages in the conclusion and performance of electronic labor contracts are carried out in accordance with the provisions in Articles 15, 16, 17, and 18 of the Law on Electronic Transactions 2023.
- In the conclusion and performance of electronic labor contracts, notifications in the form of data messages have legal value as written ones.



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INTRODUCTION

IC&Partners Vietnam Co., Ltd. is a member of IC&Partners S.p.A in Italy, specializing in providing services on Tax Agent, Tax Consulting, Transfer Price Documentation Consulting, Corporate Consulting, and other support related to the day-to-day operations of the business. We have many years of experience in providing services for the field of consulting in general and tax consulting in particular for multinational corporations of different nationalities such as Korea, Japan, Italy, Germany, Singapore, etc. not only in Vietnam but also in many other countries around the world.

Currently, regulations and policies of the Tax Authority are increasingly strict while the Enterprises cannot anticipate possible risks because they have not yet grasped the current legal regulations.

We are pleased to serve you with the following services:

- Tax Agent (Quarterly Tax Report, Annual Tax Finality)
- Tax risk review
- Supporting the procedures for establishing, closing the Company
- VAT, PIT refund
- Consulting on preparing transfer pricing documentation
- Procedures for dealing with tax problems (tax exemption, reduction, penalty, etc.)
- Consulting services, support on management and other administration

With the strength of quality and prestige, IC&Partners Vietnam is confident to bring the most satisfaction to customers when coming to us.

Sincerely thank you!