

Investments in research, manufacturing of equipment, software, content for supporting IPv6 technology in Vietnam

November 2016

In recent years, Information Technology (“IT”) has been assessed as one of the key economic sectors, with rapid, sustainable growth, high turnover and export value. According to research published in White Book 2016 of Eurocham, Vietnam's IT sector will continue to grow at a rate of 11.6% between 2015 and 2019. Recognizing the importance, the Government has issued a great number of priority supporting policies for enterprises operating in the IT sector.

Besides, in the context of booming networking, Internet services and connected devices, IPv4-based Internet address databases in Vietnam, in particular and the world in general are going to be exhausted. The transition to IPv6 applications is essential to ensure the stable development of the Internet as well as to overcome the disadvantages of features of the old version. To create favorable conditions for investors interested in the field of research, manufacturing of equipment, software, content for supporting IPv6 technology in Vietnam, Grant Thornton Vietnam would like to share with you:

1. The incentives for investment projects in research, manufacturing of equipment, software, content for supporting IPv6 technology ("IPv6 support sectors")
2. The incentives for people working in the IPv6 support sectors
3. The support of Grant Thornton Vietnam for investors in the IPv6 support sectors

1. The incentives for investment projects in research, manufacturing of equipment, software, content for supporting IPv6 technology ("IPv6 Support Sectors")

a) Investment policy:

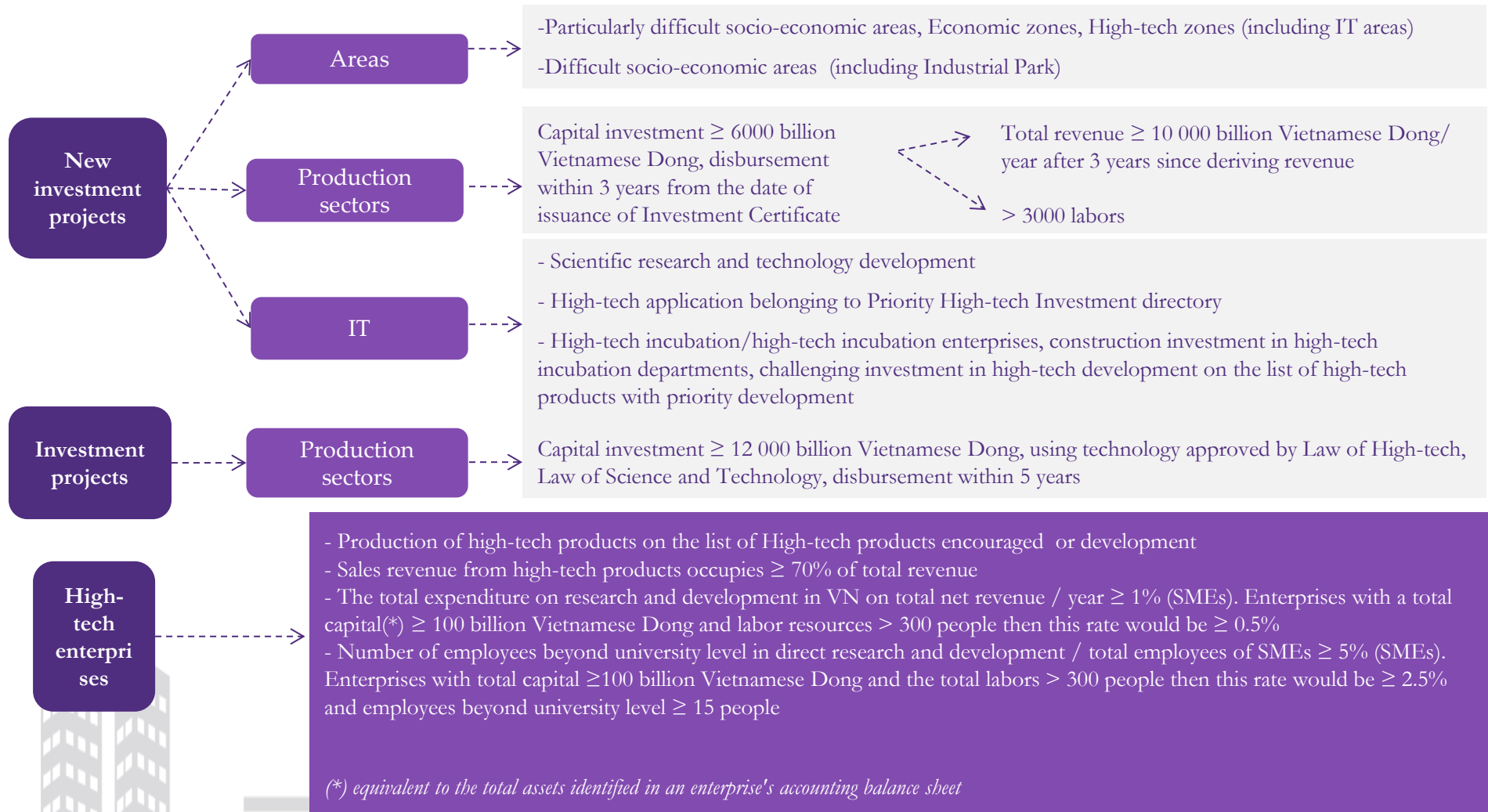
- Manufacturing software products, digital information content products (including IPv6 support sectors), software services, ... are industries with special preferential investment under Decree 118/2015 / ND-CP guiding Law on investment in 2014.
- IPv6 is in the list of high-technology, which is a priority investment and development sector according to Decree 72/2013 / ND-CP on Management, provision and use of Internet services and online information
- Research activities, production, import of equipment, software based on IPv6 technology shall be entitled to the incentives and supports under the Law on High-Technology
- Equipment, software and services supporting IPv6 Internet technology is in the list of high-tech products prioritised for development in Decision 66/2014 / QD-TTg



b) Tax policy:

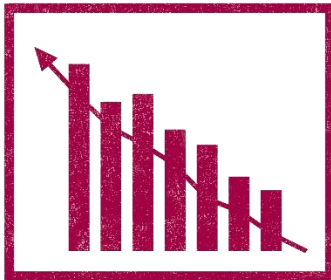
CORPORATE INCOME TAX (“CIT”)

Subjects entitled to incentives:



Preferential rates:

- A tax rate of 10% for 15 years, tax exemption for 4 years and 50% reduction in tax payable for the next 9 years for Information Technology Projects belonging to above preferential subjects. Particularly for new investment projects in areas with difficult socio-economic conditions or in Industrial Parks located in unfavorable areas, the following incentives shall apply:
 - Tax rate of 20% (17% from 01/01/2016) for 10 years, tax exemption for 2 years and 50% reduction in tax payable for the next 4 years for new Information Technology Projects in the areas with difficult socio-economic conditions including Industrial Park (except for Industrial Park in favor social-economic areas)
 - Tax rate of 20% (17% from 01/01/2016) for 10 years for new Information Technology Projects in Industrial Parks located in favorable socio-economic areas.



- For the following incomes:
 - (i) Income from performance of scientific research and technological development contracts.
 - (ii) Income from sales of trial products.
 - (iii) Income from sales of products manufactured from new technology applied for the first time in Vietnam
- Prior to 2014: Tax exemption for a maximum of 1 year from the day of deriving of revenue from (i), (ii), (iii)
- From Corporate income tax period 2014 onwards:
 - Tax exemption for a maximum of 3 years from the day of deriving of revenue from (i)
 - Tax exemption for a maximum of 5 years from the day of deriving revenue from (iii)
 - Tax exemption for (ii) during trial products production period prescribed by law.

Therefore, IPv6 support sectors currently receive preferential policies for CIT at the highest level.

IMPORT TAX:

Tax exemption for goods imported as fixed assets (apply to both new investment projects and expansion investments)

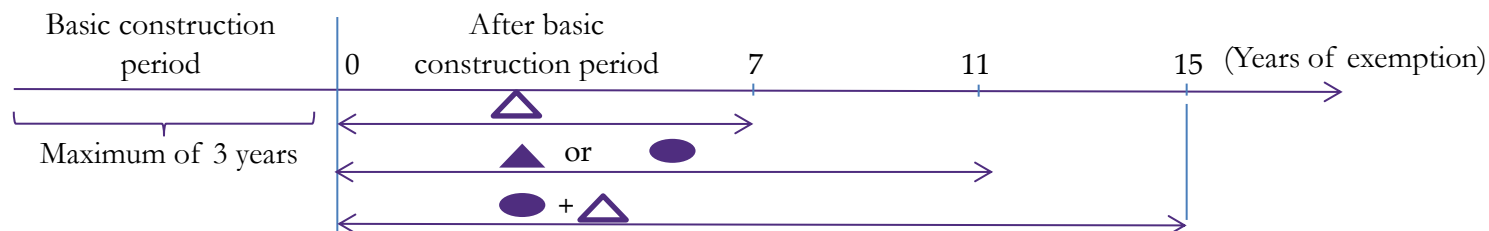
VALUE ADDED TAX (VAT):

Software products and software services supporting IPv6 technology belong to categories not subjected to VAT

LAND RENT, WATER SURFACE RENT:

Exemption for land rent and water surface rent for the entire lease term: Investment projects in the field of IT in particularly difficult socio-economic areas

Exemption for land rent and water surface rent during and after basic period of the construction according to the approved projects under the following circumstances:



- : Industries with particularly priority in investment
- △ : Difficult socio-economic areas
- ▲ : Particularly difficult socio-economic areas

INVESTMENT CREDIT, EXPORT CREDIT:

Computer software (software, content for IPv6) is on the list of items allowed to grant export credit loans

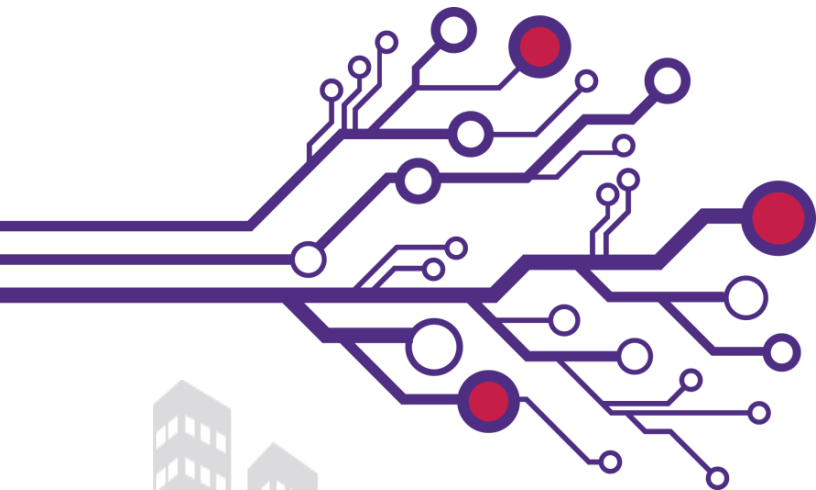
2. The incentives for people working in the IPv6 support sectors:

In accordance to Resolution 41 / NQ-CP: High-tech human resources working in the IT sector will be entitled to 50% reduction in personal income tax payable on income from salaries and wages. Accordingly, the human resources in IPv6 support sectors also take preferential treatment under this policy.

3. Grant Thornton Vietnam's support:

- In order to create favorable conditions for investors, Grant Thornton is pleased to provide support relating to the identification and advices-for the available incentives, as well as to prepare documents and procedures relating to the establishment of the company, assist in tax incentives confirmation from the tax authority to ensure the certainty about the rights of investors in Vietnam.
- In addition, Grant Thornton can also assist clients with Tax Compliance in the process of investment, production and business activities of the enterprises.

Please contact the experts of Grant Thornton Vietnam for more information.



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