



**DECREE 57/2021/ND-CP SUPPLEMENTING
DECREE NO. 218/2013/ND-CP ON CIT
INCENTIVES FOR PROJECTS
MANUFACTURING SUPPORTING
INDUSTRY PRODUCTS IMPLEMENTED
BEFORE 1 JANUARY 2015**

June 2021



The Government just issued Decree No. 57/2021/ND-CP (“Decree 57”) dated 4 June 2021 to supplement Decree No. 218/2013/ND-CP on CIT incentives for projects manufacturing Supporting Industry products.

Preferential policies related to the Supporting Industry have been issued and took effect from 1 January 2015. Preferential policies in this sector, in addition to CIT incentives at the highest level (tax exemption for 4 years, reduction of 50% of tax payable for the following 9 years and preferential tax rate of 10% within 15 years), also include other incentives such as import tax exemption for goods used to form fixed assets, quarterly VAT declaration, along with other incentives for investment credit and exemption from land and water surface rents.

However, one of the difficulties in applying preferential policies in this sector is that tax incentives, especially CIT incentives, are not applicable to Supporting Industry enterprises which has been in operation before 1 January 2015. The issuance of Decree 57 is considered as an effective solution to improve the incentive system for Vietnam’s Supporting Industry, promoting business and production development, especially at the moment when domestic enterprises are still struggling to cope with public health related issues as well as challenging macroeconomic situation. Decree 57 takes effect from 4 June 2021.

In this newsletter, Grant Thornton Vietnam would like to update the enterprises on important contents of Decree 57 regarding the application of CIT incentives in the field of Supporting Industries, specifically as follows.



Applicable subjects of incentives



CIT incentives for projects manufacturing Supporting Industry products have been stipulated in Circular 21/2016/TT-BTC (“Circular 21”), whereby CIT incentives are applicable to enterprises that satisfy the following conditions:

- New investment projects and expansion investment projects in production of goods which are on the List of Supporting Industry products prioritized for development, including high-tech Supporting Industry products according to the Law on High Technology, Supporting industries in industries such as textiles, footwear, electronics, etc. that cannot be produced domestically (or have been produced but must meet European standards).
- Granted a Certificate of Incentives for the production of Supporting Industry products by a competent authorities.



Additional CIT incentives

Decree 57 supplements cases where enterprises fully meet the conditions for CIT incentives for income from producing Supporting Industry products as follows:

- (i) In case the enterprise has not enjoyed CIT incentives before**
Enterprises are eligible for CIT incentives under the conditions of Supporting Industry products manufacturing projects from the tax period in which a certificate of incentives for production of supporting industry products was granted by a competent authority.
- (ii) In case the enterprise has fully enjoyed CIT incentives under other preferential conditions**
Enterprises are eligible for CIT incentives under the conditions of Supporting Industry products manufacturing projects for the remaining period from the tax period in which a Certificate of incentives for production of supporting industry products was granted by a competent authority.
- (iii) In case the enterprise has been enjoying CIT incentives under other preferential conditions**
Enterprises are eligible for CIT incentives under the conditions of Supporting Industry products manufacturing projects for the remaining period from the tax period in which a Certificate of incentives for production of supporting industry products was granted by a competent authority



The definition of "Remaining incentive period"

For enterprises that have been or are enjoying CIT incentives under other conditions (besides the conditions on Supporting Industries), the “remaining incentive period” is determined by the CIT incentive period under the conditions of the projects manufacturing Supporting Industry products, minus the number of years where already enjoyed tax exemption, tax reduction or preferential tax rate under other incentive conditions, specifically as follows:

- The remaining tax exemption period is equal to the tax exemption period under the conditions of projects manufacturing Supporting Industry products minus the tax exemption period where the enterprise has already enjoyed incentives under other incentive conditions;
- The remaining tax reduction period is equal to the tax reduction period under the conditions of projects manufacturing Supporting Industry products minus the tax reduction period where the enterprise has already enjoyed incentives under other incentive conditions;
- The remaining preferential tax rate application period is equal to the preferential period under the conditions of projects manufacturing Supporting Industry products minus the period where the enterprise has already enjoyed incentives under other incentive conditions (if any).

RECOMMENDATIONS OF GRANT THORNTON VIETNAM

The Company should consider to:

- Studying thoroughly current policies and reviewing in detail the project conditions as well as potential tax incentives for the Company's Supporting Industry products.
- Based on review and benefits – costs analysis result, Company may consider applying for a Certificate of Incentives for manufacturing of Supporting Industry products and implementing tax procedures to apply for CIT incentives in accordance with the provisions of this Decree as well as related documents for optimal tax costs in Vietnam.

Please contact the experts of Grant Thornton Vietnam for in-depth advice if you have any questions during the process of reviewing, evaluating, planning and implementing the application for Certificate of Incentives with the authorities as well as applying tax incentives related to the Company's projects manufacturing Supporting Industry products.



Contact

Please contact our professional advisors at Grant Thornton Vietnam for assistance with taxation, accounting, transfer pricing, labour, investment and customs as well as other legal issues you may have during your business operation.

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