



Tax Environment Landscape and Incentives to New Investment Projects

08 September 2017



Table of Contents

1	Current tax environment landscape in Vietnam	[03]
2	Tax incentives - Overview	[09]
3	Possible tax incentives for Nghe An	[15]





Current Tax Environment Landscape in Vietnam

Tax environment landscape

Plans for Vietnam's 2017 socio-economic development

6.7%

Gross Domestic Product (GDP) growth rate

< 4%

Consumer Price Index (CPI)

6%-7%

Export turnover increase

3.5%

Budget deficit on GDP



Focus on attracting hi-tech investment projects



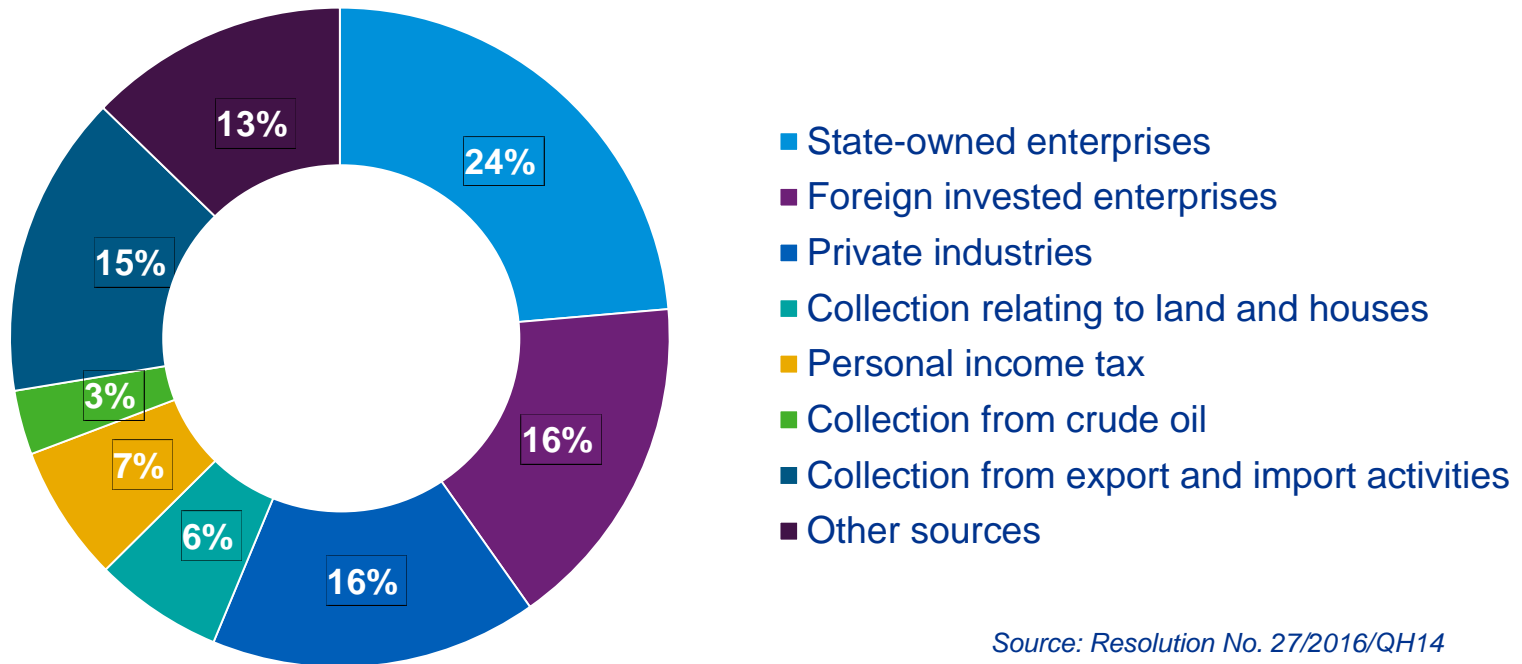
Review current laws to comply with international commitments, FTAs

(Resolution 23/2016/QH14 dated 10/11/2015)

Tax environment landscape

2017 State Budget Revenue

VND1,212,180 billion vs. VND1,014,500 billion - Increased by 19%

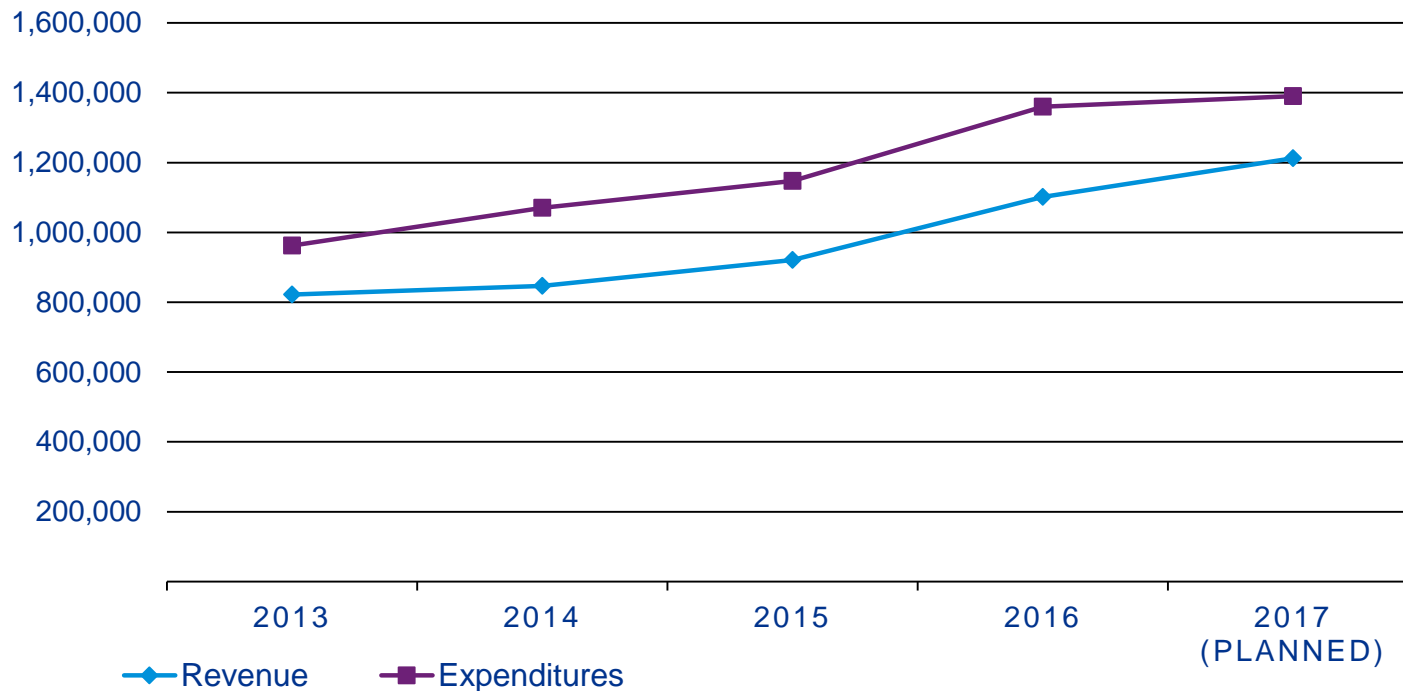


Source: Resolution No. 27/2016/QH14

Challenged by oil price reduction, CIT rate cuts, import duty rate cuts, and business failures

Tax environment landscape

Current State Budget balance



Source: Ministry of Finance, General Statistics Office of Vietnam

The gap between State Budget revenue and expenditures is increasing over the year and the Government is facing a constant fiscal deficit

Tax environment landscape

Key measures to meet 2017 State Budget Revenue

Key measures:

- No proposed/issuing of new policies that reduce collections, except where an existing international commitment requires
- Enhance tax audits, transfer pricing review, tax fraud inspections, stricter control on VAT refunds
- Provide amendments to important tax laws



Action plans by the tax authority:

- Increase domestic taxes collection by 7-8% to cover the budget deficit due to crude oil price collapse and tariffs reduction under international commitment
- Establish Transfer Pricing Audit Division in GDT and Ha Noi, HCM, Dong Nai, Binh Duong; Capital Transfer Tax Audit Division in Ha Noi, HCM
- Perform more thorough, detail-oriented, and rigorous audit in transfer pricing and capital transfer in 2017
- Determine the list of tax audit target in 2017

(Resolution 01/NQ-CP dated 01 January 2017)

Tax environment landscape

Government support and development of businesses up to 2020

- Issue a Resolution on tax relief measures for businesses
- Reduce CIT for SMEs
- Allow offsetting profits from real estate business with losses from ordinary business activities
- Reduce 50% of PIT for laborers from certain industries (hi-tech information technology, hi-tech application in agriculture, agricultural processing, etc.)



The Government's target up to 2020:

- ✓ **one million enterprises** in Vietnam
- ✓ private businesses contributes **48-49% of annual GDP**

- Reduce land lease fees, road tolls, BOT fees
- Amend CIT regulation to extend the scope of deductible expenses
- Adjust regional minimum salary and social insurance mechanism
- Amend the current laws and regulations to reduce cost for businesses

(Resolution 35/NQ-CP dated 16 May 2017)



Tax Incentives Overview

Tax Incentives Package

Tax Incentive Package

- ✓ Corporate Income Tax (CIT) exemption/reduction
- ✓ Personal Income Tax (PIT) reduction
- ✓ Import Duty exemption
- ✓ Land rental fee exemption/reduction, and etc.



Application

- ✓ Mega Projects and Specially-encouraged investment Projects
- ✓ Designed and subject to the approvals of Government and/or Provincial People's Committees on a project-by-project basis (Government Guarantee Agreement, Tax Incentive Agreement, etc.)

(Resolution 35/NQ-CP dated 16 May 2017)

CIT Incentives - New Investment Projects

- ✓ **Encouraged sectors:** education, health care, sport/culture, high technology, environmental protection, scientific research, infrastructural development, processing of agricultural and aquatic products, software production and renewable energy, etc;
- ✓ **Encouraged locations:** qualifying economic and high-tech zones, certain industrial zone and difficult socio-economic areas
- ✓ **Large manufacturing projects**



(Circular 78/2014/TT-BTC dated 18 June 2014)

CIT Incentives - Overview

#	Conditions (fields and location)	CIT Incentive
1.	<ul style="list-style-type: none"> Projects in economic zones, or in specially difficult locations specified by Government; Hi-tech; biotech, specific supporting industries; Important infrastructure projects, socialized projects in education, sporting, health care. Large manufacturing projects (e.g. investment capital of VND6k billion and number of labor 3000, capital of VND12k billion). Projects of manufacturing or processing agricultural products in difficult locations Software production, environmental protection 	<ul style="list-style-type: none"> Tax rate: 10% for 15 years or for whole life for special projects CIT Exemption: 4 years 50% CIT Reduction: 5 years to 9 years
2.	Projects in difficult locations , manufacturing of agricultural machinery and equipment, high quality steel.	<ul style="list-style-type: none"> Tax rate: 17% for 10 years Exemption: 2 years Reduction: 4 years
3	Projects of manufacturing or processing agricultural products in normal locations	<ul style="list-style-type: none"> Tax rate: 15% for whole life
4	Investment projects in industrial zones	<ul style="list-style-type: none"> Exemption: 2 years Reduction: 4 years

PIT incentives

50% PIT reduction

- ✓ Employment income of employees physically working in **economic zones**

(Decree 29/2008/ND-CP dated 14 March 2008)

- ✓ Employment income of employees working in IT sectors
(Resolution 41/NQ-CP dated 26 May 2016)



Import duty incentives

Exemption

- ✓ Machinery & Equipment imported to form Fixed Assets of the prescribed specially-encouraged investment/encouraged investment sectors, or special difficult social-economic locations
- ✓ Materials imported for production of export goods
- ✓ Materials imported for further processing, processed exports
- ✓ Limited at five (5) year exemption when importing materials, which cannot be locally produced, used for production of specially-encouraged investment sectors (except for Special Consumption Tax related projects) or for special difficult social-economic locations

Registration of the list of exempt items is required



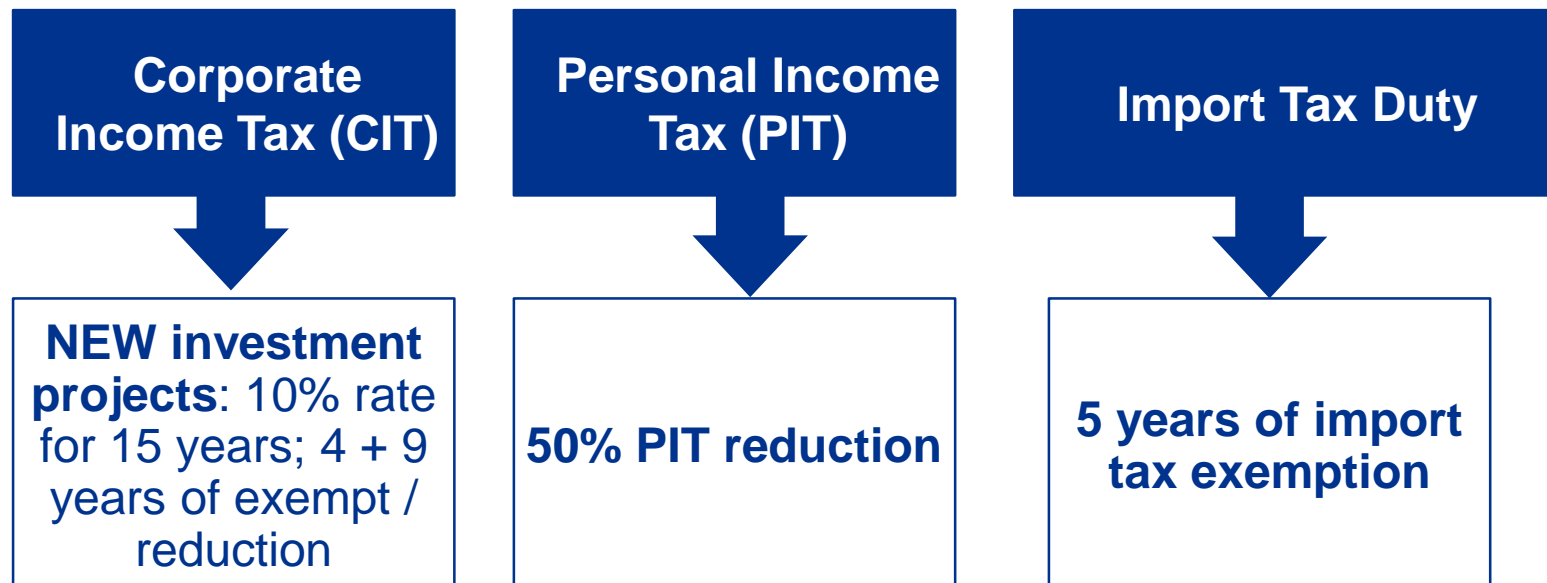


Possible tax incentives in Nghe An

Possible tax incentives in Nghe An

VSIP Nghe An is located at Hung Tay, Hung Nguyen District, Nghe An, Vietnam, total area of 750.00 ha and belonging to **Dong Nam Economic Zone**.

Investments in **VSIP Nghe An** are entitled to the following tax incentive scheme:





Thank
you



Contact us

Phan Xuan Qui
Associate Director, Tax and Corporate Services
T +84 28 3821 9266
E qphan@kpmg.com.vn



kpmg.com/socialmedia



kpmg.com/app



@2017 KPMG Limited, KPMG Legal Limited, KPMG Tax and Advisory Limited, all Vietnamese limited liability companies and member firms of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

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 endeavor 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.