

## LEGAL UPDATE (October 11<sup>th</sup>, 2021)

In this issue, we would like to bring to your attention to the following:

- Newly issued regulations on special investment incentives;
- Criteria for identifying small and medium-sized enterprises taking effect from October 15<sup>th</sup>, 2021.

### 1. Newly issued regulations on special investment incentives

On October 6<sup>th</sup>, 2021, the Prime Minister issued Decision 29/2021/QĐ-TTg on special investment incentives. Decision No. 29/2021/QĐ-TTg clearly stipulates special investment incentives on: Corporate income tax rate; corporate income tax exemption and reduction period; land rent, water surface rent.

Specifically, economic organizations implementing investment projects specified at Point b, Clause 2, Article 20 of the Law on Investment are entitled to the preferential tax rate of 9% for a period of 30 years. The preferential tax rate of 7% for a period of 33 years will apply to income from investment projects in one of the following cases:

- New investment projects (including the expansion of such newly established projects) of innovation centers, research and development centers with a total investment capital of 3,000 billion VND or more, disbursing at least VND 1,000 billion within 03 years from the date of issuance of the Investment Registration Certificate or the Decision approving the investment policy.
- The investment projects falling under the subjects specified at Point b, Clause 2, Article 20 of the Law on Investment and meeting one of the four criteria under the Decision.
- The preferential tax rate at 5% for a period of 37 years will be applied to income from the activities of the objects or investment projects in one of the following cases:
  - + The National Innovation Center established under the Prime Minister's decision.
  - + The investment projects falling under the subjects specified at Point b, Clause 2, Article 20 of the Law on Investment and meeting one of the following four criteria: (i) Being a level-2 high-tech project; (ii) there are Vietnamese enterprises participating in the chain of level-2; (iii) added value accounts for more than 40% of the total cost of final output products provided by economic organizations; (iv) meeting the criteria for technology transfer level-2.

Decision 29/2021/QĐ-TTg took effect from October 6<sup>th</sup>, 2021.

## 2. Criteria for identifying small and medium-sized enterprises taking effect from October 15<sup>th</sup>, 2021

From October 15<sup>th</sup>, 2021, Decree 80/2021/ND-CP guiding the Law on Supporting Small and Medium Enterprises will officially take effect. Accordingly, the criteria for identifying small and medium-sized enterprises (besides micro enterprises) are specified as follows:

### (1) Small business

- In the field of agriculture, forestry and fishery; Industry and construction sector:
  - + The average number of employees participating in social insurance is no more than 100 people annually;
  - + Total revenue of the year does not exceed VND 50 billion or the total capital of the year does not exceed VND 20 billion, and not being a micro-enterprise as prescribed in the Decree.
- In the field of trading and services:
  - + The average number of employees participating in social insurance is no more than 50 people annually;
  - + Total revenue of the year does not exceed 100 billion VND or total capital of the year does not exceed 50 billion VND, and not being a micro enterprise as prescribed in the Decree.

### (2) Medium enterprises

- In the field of agriculture, forestry and fishery; Industry and construction sector:
  - + The average number of employees participating in social insurance is no more than 200 people annually;
  - + Total revenue of the year does not exceed 200 billion VND or total capital of the year does not exceed 100 billion VND, and not being a micro-enterprise or small enterprise as prescribed in the Decree.
- In the field of trading and services:
  - + The average number of employees participating in social insurance is no more than 100 people annually;

+ The total revenue of the year does not exceed 300 billion VND or the total capital of the year does not exceed 100 billion VND, and not being a micro-enterprise or a small enterprise as prescribed in the Decree.

We hope this Legal Update will bring you useful information.

Best regards.

**Contributor(s):****Mr. DINH QUANG LONG****Director cum Managing Partner****M** (+84) 919 963 977 | **E** [long.dinh@apolatlegal.com](mailto:long.dinh@apolatlegal.com)**Mr. TRAN CHAU HOAI HAN****Associate****M** (+84) 988 787 285 | **E** [han.tran@apolatlegal.com](mailto:han.tran@apolatlegal.com)

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**Contacts:**

**HO CHI MINH CITY (Head office)**

5<sup>th</sup> Floor, IMM Building  
99-101 Nguyen Dinh Chieu, District 3  
Ho Chi Minh City, Vietnam

**THE BRANCH IN HA NOI CITY**

Room A8, 29th Floor, East Tower, Lotte Center  
54 Lieu Giai, Cong Vi Ward, Ba Dinh District  
Hanoi City, Vietnam

Tel: +84-28-3899 8683

Email: [info@apolatlegal.com](mailto:info@apolatlegal.com)

Website: [www.apolatlegal.com](http://www.apolatlegal.com)

**SINGAPORE (Affiliated office)**

#26-10, SBF Center,  
160 Robinson Road  
Singapore 068914

Tel: +84-93-2014 986

Email: [info@apolatlegal.com](mailto:info@apolatlegal.com)

Website: [www.apolatlegal.com](http://www.apolatlegal.com)

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