**LEGAL UPDATE (October 11th, 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 15th, 2021.

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

On October 6th, 2021, the Prime Minister issued Decision 29/2021/QD-TTg on special investment incentives. Decision No. 29/2021/QD-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 applies 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/QD-TTg took effect from October 6th, 2021.

1. **Criteria for identifying small and medium-sized enterprises taking effect from October 15th, 2021**

From October 15th, 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)    **Disclaimer**: All materials have been prepared for general information purposes only. The information is not intended as, and should not be taken as, legal advice. Do not act or refrain from acting based upon information provided herein without first consulting our lawyers about your particular factual and legal circumstances. Apolat Legal can accept no responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication. On any specific matter, reference should be made to the appropriate adviser. | **ABOUT US,**  Apolat Legal is a professional law firm with its offices in Ho Chi Minh city and Ha Noi city. The firm’s lawyer team specializes in almost all legal practice areas in Vietnam including Enterprise and Investment; Labor and Employment; Intellectual Property; Dispute Resolution; Real Estate and Construction; Information and Communication; Natural Resources and Environment; Transport; Industry and Trade; Education and Training; Finance and Banking; Agriculture; Legal Document Translation; Legal Training.  Our reputation and the quality of its services are reflected by our clients. We are serving nearly 1,000 clients both local and multi-national companies.  We are also honored to receive numerous recognitions and/or articles posted by world-leading and local organizations and publications including: The Law Association for Asia and the Pacific (LawAsia, 1966), The Legal500, IP Link, IP Coster, Lexology, Global Trade Review (GTR), The Saigon Times, etc. |

|  |  |
| --- | --- |
| **Contacts:**  **HO CHI MINH CITY (Head office)**  5th Floor, IMM Building99-101 Nguyen Dinh Chieu, District 3Ho 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 8683Email: [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 986Email: [info@apolatlegal.com](mailto:info@apolatlegal.com)  Website: [www.apolatlegal.com](http://www.apolatlegal.com) |

**Scan QR code:**

