

Proposed changes to the CIT incentive regime

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At a glance...

In June, a draft law on CIT was posted on the official website of the Government for public comments. It is expected that the draft law will be presented to the National Assembly for consideration in October and ratified in May 2025.

The draft law makes various amendments to the existing regulations on CIT incentives and emphasises that in cases of any inconsistency between other laws and the CIT Law, the CIT Law shall prevail.

In detail...

(i) Proposed changes to the incentivised sectors:

- Add the following sectors to the list of incentivised sectors:
 - Automobile production and assembly;
 - Research and development centers;
 - Provision of technical support to small and medium-sized enterprises, incubation of SMEs, development of co-working spaces to support SMEs.
- Remove new investment projects with investment capital of VND 6tril or more from the list of incentivised sectors

(ii) Proposed changes in incentivised locations:

- Remove industrial zones from the incentivised locations. This means that new investment projects/business expansions in industrial zones are no longer entitled to 2 years exemption and 4 years reduction;
- Reduce incentives for economic zones which are not located in difficult or especially difficult socio-economic areas.

(iii) Simplified rules for business expansions

- Profit derived from qualified business expansions can be entitled to the same CIT incentives as an existing investment project;
- If CIT incentives of existing projects have expired, the profit from expansion investment projects can enjoy the same tax exemption and reduction period as those applicable to new investment projects (i.e. no preferential tax rates).

In detail...

(iv) Expanded transition clause:

- CIT incentives may be available for investment projects that were previously not entitled to CIT incentives, but are now entitled under the draft law;
- This provision, if approved, will be a significant change to the current rules, according to which only projects entitled to existing CIT incentives can access incentives under new regulations.

Contact us

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