

GOVERNMENT

No. 41/NQ-CP

SOCIALIST REPUBLIC OF VIETNAM

Independent - Freedom – Happiness

Hanoi, May 26, 2016

RESOLUTION

**ON TAX INCENTIVES FOR DEVELOPMENT AND APPLICATION OF INFORMATION
TECHNOLOGY IN VIETNAM**

GOVERNMENT

Pursuant to the Law on Government Organization dated June 19, 2015;

In order to implement the Resolution No. 36-NQ/TW dated July 01, 2014 by the Politburo and Central Executive Committee of Vietnam Communist Party on expediting the application and development of information technology for sustainable growth and international integration;

At the request of the Minister of Finance,

HEREBY DECIDES:

I. OVERVIEW

Communist Party and Government of Vietnam have held, over the past years, the development and application of information technology in high regard with the aim of utilizing information technology efficiently to establish new measures for advancing and defending the nation. Moreover, this economic - technical industry shall evolve so fast and sustainably as to lead and uphold the growth of the intellectual economy. Finally, the information technology industry of Vietnam shall grow on a par with the region and the world.

In pursuance of the directions by the Vietnam Communist Party and Government on information technology development, tax regulations embrace a variety of incentives and supports that contribute to vital achievements in the growth of the information technology industry. Nevertheless, the information technology of Vietnam, in comparison with that of developed nations in the region and across the world, is diminutive. Software and digital content industries, despite their rapid progression, are fragmentary. Not only do capacities of research and development fall short but personnel and specialized skills are also insufficient. Hardware and electronics industries are much inclined to assembly tasks. Localization rate and value added contents are meager. Competitiveness is poor.

In order to augment the competitive power of information technology enterprises, the mobilization of investments intensifies for information technology development pertinent to the defined goals amidst deeper global integration. Supportive policies thereof, including tax

incentives, must dilate further to expedite the application and development of information technology in Vietnam.

II. TAX INCENTIVES UNDER JURISDICTION OF THE NATIONAL ASSEMBLY

1. Leveraged earnings for enterprises from the following types of projects: production of digital contents, software servicing, manufacture of major information technology products, rectification of information safety issues, information safety security; such fields are granted with corporate income tax incentives similar to that of software production projects as per the Law on enterprise income tax.

2. Personal income tax on salary-based and wage-based incomes of individuals working in hi-tech sections of the information technology industry is reduced by 50%. Such individuals are of high caliber and possess qualifications required for research, development and application of advanced technologies and services, for administration of high-tech activities, for operation of equipment and production lines manufacturing hi-tech goods in the industry of information technology, and for management of information system security.

III. TAX INCENTIVES UNDER JURISDICTION OF THE PRIME MINISTER

1. Addition of information technology operations particularly spurred: Production and servicing of software; information technology design and consulting services; system integration; information technology system management and maintenance services (e.g. applications, network, devices); information technology outsourcing; information system securing services without civil cryptography; database extracting and processing services; online information searching; data centers' services; BPO and KPO services for export activities; digital signature verification are added to the List of operations of science research and technology development, the List of advanced technologies prioritized for investment and development and the List of hi-tech goods encouraged for development.

2. The duration of eligibility for 10% tax shall be prolonged for another 15 years for new investment projects in information technology industries particularly spurred as per Article 1 of this Part, which maintain a regular workforce of over 1,000 workers (applicable even to projects whose 15-year period of eligibility for 10% tax has expired).

IV. IMPLEMENTATION

1. Ministry of Finance is responsible for:

a) Providing guidelines for realization of corporate income tax incentives for information technology operations defined in the List of operations of science research and technology development, the List of advanced technologies prioritized for investment and development and the List of hi-tech goods encouraged for development, as per regulations by the Prime Minister, by October 2016.

b) Leading and coordinating with the Ministry of Justice, Ministry of Information and Communications and relevant ministries and agencies to present data to the Government for the latter's reporting to the National Assembly on amendments to the Law on enterprise income tax and Law on personal income tax, for the purpose of implementing solutions as stated in Part II of this Resolution at an appropriate time.

c) Disseminating information and propagandizing tax solutions as defined in this Resolution to entities.

2. Ministry of Information and Communications shall be responsible for:

a) Establishing and presenting regulations on management of importation and exportation of software and related services and digital contents, by August 2016, to the Prime Minister for the latter's decision on pilot implementation of such regulations.

b) Leading and cooperating with relevant ministries and agencies to carry on studies, to set up norms and requirements that determine the eligibility of certain vital software operations for corporate income tax incentives. Such details shall be included in the reports to the Government then to the National Assembly on amendments to the Law on enterprise income tax.

c) Cooperating with the Ministry of Finance to propagate and propagandize tax solutions as stated in this Resolution.

3. Ministry of Science and Technology is responsible for:

a) Presenting to the Prime Minister the information technology operations particularly spurred, as per Article 1, Part III of this Resolution, to be added, at the Prime Minister's discretion, to the List of operations of science research and technology development, the List of advanced technologies prioritized for investment and development and the List of hi-tech goods encouraged for development. This task shall complete by August 2016.

b) Leading and cooperating with the Ministry of Finance, Ministry of Information and Communications and relevant ministries and agencies to specify criteria and requirements that determine the eligibility of appropriate hi-tech personnel for personal income tax incentives in accordance with real-life exigencies. Such details shall be included in the reports to the Government then to the National Assembly on amendments to the Law on personal income tax.

4. Ministers, Heads of ministerial-level agencies, Heads of governmental agencies, Chairmen of provincial People's Committees shall provide instructions and guidelines, organize and jointly implement the solutions as defined in this Resolution according to their functions and missions, in order to extricate the manufacturing and trading sectors from obstacles. They shall strengthen the inspection and supervision of missions carried out by authorities and entities; and make timely and equitable decisions on commendation and punitive measures. They shall monitor and analyze activities in close and active manner to impose flexible and timely measures or report to competent authorities for prompt and efficient solutions and instructions./.

**FOR THE GOVERNMENT
PRIME MINISTER**

Nguyen Xuan Phuc

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