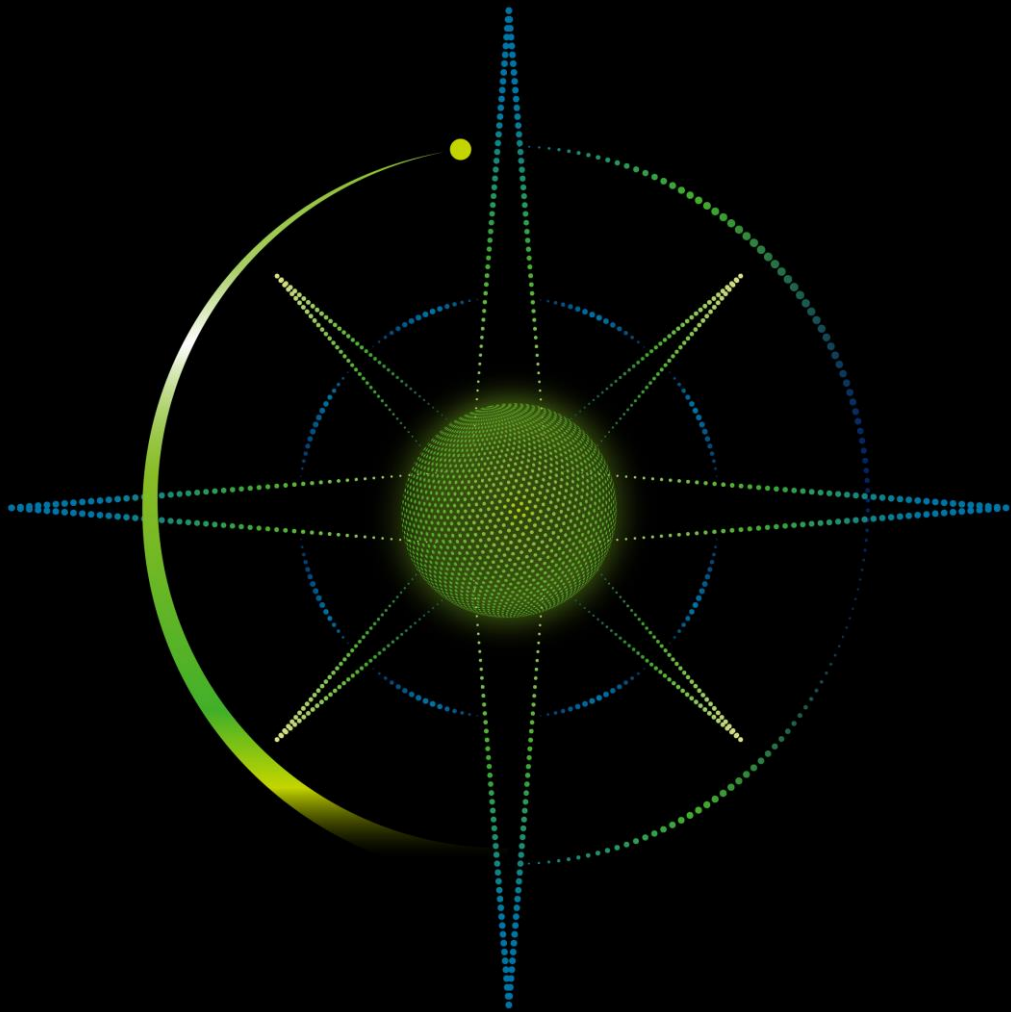




TAX & LEGAL ALERT

Navigating location-based tax incentives in the changing policy landscape in Vietnam

November 2024



Navigating location-based tax incentives in the changing policy landscape in Vietnam

Corporate Income Tax (“CIT”) landscape in Vietnam has been undergoing drastic changes, the most significant of which entail reform of incentive schemes. Under the latest Draft Law on CIT (expectedly effective from 01 January 2026), traditional location-based incentives currently granted to industrial zone, economic zone and hi-tech zone plan to be limited and focused on Vietnam’s difficulty area, potentially impacting a wide range of businesses having investment plans in these locations.

Location-based incentives under current and draft new laws:

	Current effective Law	Draft new CIT Law (expectedly effective 01 January 2026)
Industrial zone	Entitled to tax holiday (except for industrial zones located in urban area)	No incentives for industrial zones not located in difficulty/extreme difficulty area
Economic zone	Entitled to tax holiday and preferential tax rate	Lower incentive scheme for economic zone not located in difficulty/extreme difficulty area
Hi-tech zone	Entitled to tax holiday and preferential tax rate	No incentives for projects in hi-tech zones but not belong to hi-tech sectors



What does this mean to businesses?

- While the current projects may not be impacted with the new change, new/ expansion projects located in the above locations under the new law might:
 - ✓ **no longer** enjoy incentives; or
 - ✓ enjoy **lower incentives** than before; or
 - ✓ subject to **tougher conditions** for incentive entitlement
- Reformed incentive trend are shifting away from traditional location-based for a more targeted approach towards sector-based.



What should be considered now?

- Evaluate** the current incentive dependence
- Optimize** site selection and business expansion timeline
- Diversify** incentive strategies by alternative incentive opportunities (e.g. sector-based incentives)
- Invest** in compliance review to adapt to evolving regulations and align with anticipated law changes.

Deloitte’s recommendations

- Stay close with policy development.**
- Revisit the current business plans** to evaluate the impact
- Prepare ahead** to navigate the changes toward investment plan.
- Talk with tax experts** for a clear outlook on incentive program and incentive optimal strategy.

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