



Global Investment & Innovation Incentives (Gi³) Alert

Vietnam — Removal of CIT incentives for industrial zones in areas upgraded to Grade-1 provincial cities like Hai Duong city, Bac Ninh city, Thu Dau Mot city, Bien Hoa city

What are the changes?

In the last few years, there are several cities upgraded to Grade-I provincial cities like **Hai Duong city** (since 17 May 2019), **Bac Ninh city** (since 25 Dec 2017), **Thu Dau Mot city** (since 6 Dec 2017), **My Tho city** (since 5 Feb 2016) and **Bien Hoa city** (since 30 Dec 2015).

Following Decision 1659/QD-TTg on the national program on the urban development in the 2012-2020 period, there could be more cities to be possibly

promoted to Grade-I cities, e.g. **Long Xuyen city** (An Giang province), **Vinh Phuc city**, **Vinh Yen city** (Vinh Phuc province) and **Ca Mau city** (Ca Mau province).

The Ministry of Construction is drafting a national strategy on the urban development for the 2021-2030 period with the expectation to have more cities to be qualified as Grade-I cities.

How can they impact your business?

Currently, investment projects in industrial zones (IZs) can automatically enjoy Corporate Income Tax (CIT) holidays of 2-year exemption and subsequent 4-year 50% CIT reduction, **except** those located in (i) urban districts of special-grade cities and centrally-run Grade-I cities and (ii) Grade-I provincial cities.

Accordingly, the upgrade of cities to Grade-I provincial cities marks the end of such tax incentives for investment projects in the IZs located in these cities.

For example, given the upgrade of Hai Duong city and Bac Ninh city, currently impacted IZs include:

Hai Duong city – Since 17 May 2019

- Dai An IZ
- Nam Sach IZ
- An Phat Hi-tech IZ

Bac Ninh city – Since 25 December 2017

- Que Vo Expansion IZ (areas located at Nam Son ward and Van Duong ward, Bac Ninh city)
- Nam Son Hap Linh IZ (areas located at Nam Son ward, Bac Ninh city)

Up to the date of this Alert, IZs with areas located in following cities should not enjoy the industrial-zone CIT incentives:

- Urban districts of special-grade cities: Hanoi, Ho Chi Minh City
- Urban districts of centrally-run Grade-I cities: Hai Phong, Da Nang, Can Tho
- Grade-I provincial cities: Hue, Vinh, Da Nang, Nha Trang, Quy Nhon, Buon Ma Thuot, Thai Nguyen, Nam Dinh, Viet Tri, Vung Tau, Ha Long, Thanh Hoa, Bien Hoa, My Tho, Thu Dau Mot, Bac Ninh, Hai Duong.

Deloitte's view

Investment projects in the impacted IZs which are licensed before the dates when their relevant cities are upgraded to Grade-1 provincial cities would still continue enjoying the industrial-zone CIT incentives for the remaining time.

New investment projects and **expansion projects** in the impacted IZs would not be entitled to the industrial-zone CIT incentives if licensed after the relevant cities are promoted to Grade-1 provincial cities.

In addition, be mindful that the Ministry of Finance is drafting an amended CIT Law which tends to tighten the location-based tax incentives to remote areas only and navigate tax incentives to fuel prioritized industries.

Thus, to proactively catch up with regulation changes and build efficient tax strategies, the investors should work out their incentive schemes to not miss out any important incentive opportunities, for example:

- Opportunity for industrial CIT incentives (e.g. supporting industries, science and technology enterprises, hi-tech, etc.);
- Other locations which can still enjoy location-based tax incentives;
- Timing of investment

Contacts

Deloitte's Global Investment & Innovation Incentives (Gi³)

Keeping updated with the latest tax incentive reforms, identifying, and prioritizing the right incentives for your business could be a challenging undertaking, but generate significant benefits. Deloitte Vietnam has Global Investment & Innovation Incentives (Gi³) practitioners who are ready to provide guidance in order to explore Vietnam's investment and innovation incentives as well as heading up with the policy trends that might influence your business. If you would like to have a conversation with us on Gi³, contact our **Tax Partner Nga Vu** at ngavu@deloitte.com

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