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TAX ALERT

Resolution No. 98/2023/QH15 providing new tax incentives entitlement for innovative startup enterprises in Ho Chi Minh City

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On June 24, 2023, the National Assembly approved the Resolution No. 98/2023/QH15 ("**Resolution 98**"), which takes effect from August 1, 2023, on specific mechanisms and policies for development of Ho Chi Minh City ("**HCMC**").

In this Alert, we would like to highlight the available tax incentive policies under the Resolution 98 aiming to support organizations involving in priority sectors within HCMC.

- **Applicable entities:** Innovative startup enterprises, scientific and technological organizations, innovation centers, and intermediary organizations supporting innovative startup activities in HCMC.
- The tax incentive scheme for these entities shall include:
 - ✓ **Corporate income tax (CIT) exemption for a period of 5 years** from the time of generating taxable income derived from innovative startup activities.
 - ✓ **Personal income tax (PIT) and CIT exemption** for individuals and organizations having income derived from the transfer of contributed capital and the capital contribution rights in innovative start-up enterprises.
 - ✓ **PIT exemption for a period of 5 years on income from salaries and wages** of experts, scientists, individuals with special talents, and innovative startup individuals working for the applicable entities.
- Additionally, non-refundable support from the HCMC budget will be provided for incubation costs of innovative projects and innovative startup activities, including: project selection activity costs; expert hiring costs; direct labor wages; innovative startup and entrepreneurship support services, expenses for utilizing technical facilities, incubation centers, and shared working spaces.
- The HCMC People's Council will promptly issue detailed regulations for implementation including specifying the prioritized sectors, criteria, conditions, and innovative startup activities for applicable entities, as well as the levels of support to be provided in the upcoming time.

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Deloitte's recommendation

Despite the absence of detailed guidelines for implementing the mechanisms at the moment, investors should carefully consider and prepare, as the tax incentive policies for innovative startups in priority sectors of HCMC under Resolution 98 offer significant opportunities and leverage to attract investment, promote the development of the innovative startup ecosystem in HCMC and reduce the tax burden for innovative startups in HCMC.



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