

LAW 14 ON CORPORATE INCOME TAX

Dated 3 June 2008

As amended by Law 32 dated 19 June 2013

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LAW ON CORPORATE INCOME TAX

Pursuant to the 1992 Constitution of the Socialist Republic of Vietnam as amended by Resolution 51-2001-QH10;

The National Assembly hereby promulgates the *Law on Corporate Income Tax*.

CHAPTER I General Provisions

Article 1 *Governing scope*

This Law regulates taxpayers, taxable income, tax exempt income, the basis for tax assessment, methods of tax assessment, and corporate income tax incentives.

Article 2 *Applicable entities*

1. *Corporate income taxpayer* means any organization conducting activities of production [and/or]² business in goods and services which earns taxable income as stipulated in this Law (hereinafter referred to as *an enterprise*), comprising:
 - (a) An enterprise established pursuant to the law of Vietnam.
 - (b) An enterprise established pursuant to foreign law (hereinafter referred to as a *foreign enterprise*) with or without a resident establishment in Vietnam.
 - (c) An enterprise established pursuant to the *Law on Co-Operatives*.
 - (d) A professional entity established pursuant to the law of Vietnam.
 - (dd) Any other organization conducting activities of production [and/or] business which earns income.

¹ Allens footnote: As amended by Law 32 dated 19 June 2013 to take effect 1 January 2014 (but there are other effective dates, see articles 10 and 13, and also article 2 of the amending Law translated at the end of this document). All amendments are footnoted.

² Allens footnote: Square brackets contain translator's comments only.

2. An enterprise which earns taxable income as stipulated in article 3 of this Law must pay corporate income tax [CIT] as follows:
 - (a) An enterprise established pursuant to the law of Vietnam must pay tax on taxable income arising in Vietnam and on taxable income arising outside Vietnam;
 - (b) A foreign enterprise with a resident establishment in Vietnam must pay tax on taxable income arising in Vietnam and on taxable income arising outside Vietnam and relating to the operation of such resident establishment;
 - (c) A foreign enterprise with a resident establishment in Vietnam must pay tax on taxable income arising in Vietnam and not relating to the operation of the resident establishment;
 - (d) A foreign enterprise which does not have a resident establishment in Vietnam must pay tax on taxable income arising in Vietnam.

- 3.³ *Resident establishment of a foreign enterprise* means a production [and/or] business establishment via which a foreign enterprise conducts part or all of its production [and/or] business activities in Vietnam, comprising:
 - (a) Branches, operational offices, plants, workshops, means of transportation, mines, petroleum fields, gas fields, mines and any other location in Vietnam where natural resources are mined;
 - (b) Construction sites; and construction, installation and assembly works;
 - (c) Establishments providing services including consultancy services provided via people working for such establishment or via other organizations or individuals;
 - (d) Agents of foreign enterprises;
 - (dd) Representatives in Vietnam where they are representatives with authority to sign contracts in the name of the foreign enterprise, or where they are representatives without authority to sign contracts in the name of the foreign enterprise but regularly deliver goods or provide services in Vietnam.

Article 3 *Taxable income*

1. Taxable income comprises income earned from activities of production [and/or] business in goods and services and other income as stipulated in clause 2 of this article.

- 2.⁴ Other taxable income comprises income from capital transfers, transfers of the right to contribute capital; from real property transfers, from transfers of investment projects, from transfers of the right to participate in investment projects, and from transfers of the right to explore, mine and process minerals; income from the ownership of or right to use assets, including income from intellectual property rights in accordance with law; income from transfer, leasing out or liquidation of assets including valuable papers; income being interest on deposits, loans or sales of foreign currency; income earned from bad debts which were written-off and are now recoverable; income being debts payable to unidentifiable creditors; income from business omitted in previous years, and other

³ Allens footnote: As amended by Law 32.

⁴ Allens footnote: As amended by Law 32.

income including income receivable from activities of production [and/or] business outside Vietnam.

Article 4 *Tax exempt income*

[The following income shall be tax exempt:]

- 1.⁵ Income earned by co-operatives from cultivation [growing crops], husbandry [livestock breeding], aquaculture and salt production; and income earned by co-operatives from activities in the sectors of agriculture, forestry, fisheries and salt production in geographical areas with difficult or specially difficult socio-economic conditions; income earned by enterprises from cultivation [growing crops], husbandry [livestock breeding] and aquaculture in geographical areas with specially difficult socio-economic conditions; and income earned from fisheries and aquaculture activities.
2. Income earned from performance of technical services directly serving agricultural production.
3. Income earned from performance of contracts for scientific research and technological development, from products during their period of test production, and from products made from new technology applied for the first time in Vietnam.
- 4.⁶ Income earned from activities of production [and/or] business in goods and services by enterprises with thirty (30) per cent or more of their average number of employees in a year being disabled people, reformed addicts and people infected with HIV/AIDS where such enterprises employ an average number of twenty or more employees in a year, but excluding enterprises operating in the sectors of finance and real estate business.
5. Income earned from occupational training activities specially reserved for ethnic minority people, disabled people, children living in particularly difficult conditions and reformed offenders.
6. Income distributed from activities being capital contribution, joint venture [and/or] association with a domestic enterprise after payment of CIT in accordance with this Law.
7. Aid funds receivable for use in educational, scientific research, cultural, artistic, charitable, humanitarian and other social activities in Vietnam.
- 8.⁷ Income from transfers of certified emission reductions (CERS) of enterprises issued with certificates of emission reduction.
9. Income from implementation of the task assigned by the State to Vietnam Development Bank to provide State investment development loans and State export credit loans; income from credit provided to poor people and other policy subjects by social policy banks; income of State finance funds and other State funds operating for non-profit purposes in accordance with law; and income of organizations in which the State owns 100% charter capital and which are established by the Government in order to deal with bad debts of Vietnamese credit institutions.
10. The portion of undistributed income earned by establishments conducting socialization in the sectors of education and training, medical health and other socialization sectors which is retained for investment in development of such establishment in accordance with specialized branch law in the sectors of education and training, culture, medical health or other socialization sector; and the portion

⁵ Allens footnote: As amended by Law 32.

⁶ Allens footnote: As amended by Law 32.

⁷ Allens footnote: Clauses 8, 9, 10 and 11 were added by Law 32.

of income formed from undistributed assets of a co-operative established and operating in accordance with the *Law on Co-operatives*.

11. Income from transfer of technology in the sector of priority [or incentives] for technology transfer to any organization or individual in areas with specially difficult socio-economic conditions.

Article 5 *Tax assessment period*

1. The tax assessment period for CIT shall be calculated in accordance with the western calendar year or the financial year, except for the case stipulated in clause 2 of this article.
2. The tax assessment period for CIT shall be each occasion on which income arises applicable to foreign enterprises stipulated in sub-clauses (c) and (d) of article 2.2 of this Law.

CHAPTER II
Basis and Method of Tax Assessment

Article 6 *Basis for tax assessment*

The basis for tax assessment is assessable income and tax rates.

Article 7 *Determination of assessable income*

1. Assessable income within any one tax period equals taxable income less tax exempt income and losses carried forward from previous years.
2. Taxable income equals turnover less deductible expenses of activities of production [and/or] business, plus other income including income receivable from outside Vietnam.
- 3.⁸ Income from real property transfers, from transfers of investment projects, from transfers of the right to participate in investment projects, and from transfers of the right to explore, mine and process minerals must be separately determined in order to declare and pay tax. Losses from a transfer of an investment project (except a project to explore [or] mine minerals) or from a transfer of the right to participate in an investment project (except a project to explore [or] mine minerals) or from a real property transfer may be set-off against profit from production and business activities within a tax assessment period.

The Government shall provide detailed regulations and guidelines for implementation of this article.

Article 8 *Turnover*

Turnover means total sales revenue, processing fees and fees for provision of services including price subsidies and additional charges and fees to which the enterprise is entitled. Turnover shall be calculated in VND, and any turnover in foreign currency must be converted into VND at the average trading exchange rate on the inter-bank foreign currency market as published by the State Bank of Vietnam at the time when the turnover in foreign currency is generated.

The Government shall provide detailed regulations and guidelines for implementation of this article.

⁸ Allens footnote: As amended by Law 32.

Article 9⁹ *Deductible expenses and non-deductible expenses when determining taxable income*

1. An enterprise is permitted to deduct all expenses when determining taxable income, except for those stipulated in clause 2 of this article, if they satisfy both the following conditions:
 - (a) The expenses actually arose and relate to the activities of production [and/or] business of the enterprise; or the expense was incurred when carrying out a task of national defence and security by the enterprise in accordance with law;
 - (b) The expenses are supported by complete invoices and source vouchers as stipulated by law. Invoices for the purchase of goods and services on each occasion valued at twenty million VND or more must also have a payment voucher proving payment not using cash, except where the law does not specify mandatory non-cash payment.

2. The following items are non-deductible expenses when determining taxable income:
 - (a) Expenses which fail to satisfy both the conditions stipulated in clause 1 of this article, except for that part of the value of a loss due to a natural disaster, epidemic or other event of force majeure for which compensation is not payable;
 - (b) Fines for administrative offences;
 - (c) Expenses covered by other funding sources;
 - (d) That part of business management expenses allocated by a foreign enterprise to its resident establishment in Vietnam which exceeds the level calculated by the allocation method stipulated by the law of Vietnam;
 - (dd) That part of expenses which exceeds the level stipulated by law for establishment of contingency reserves;
 - (e) That part of interest payments on loans for production [and/or] business to an entity which is neither a credit institution nor an economic institution which exceeds one hundred and fifty (150) per cent of the basic interest rate published by the State Bank of Vietnam at the time of the loan;
 - (g) Depreciation of fixed assets which is incorrect in terms of the law;
 - (h) Amounts advanced for expenses which are incorrect in terms of the law;
 - (i) Salaries and wages of owners of private enterprises; remuneration paid to founding members of an enterprise who are not directly involved in executive management of production [and/or] business; and salaries and wages and items otherwise accounted for in order to be paid to employees but not actually expended or without invoices and source vouchers required by law;
 - (k) That part of interest payments on loans corresponding to the unpaid portion of charter capital;
 - (l) That part of input value added tax which has been credited, value added tax paid in

⁹ Allens footnote: As amended by Law 32.

accordance with the tax credit method, and corporate income tax.

- (m) That part of expenses for advertising, marketing, promotion and broker's commissions; of expenses for receptions, formal occasions and conferences; of expenses for assisting marketing, of expenses for assisting costs directly related to production [and/or] business which exceeds fifteen (15) per cent of the total amount of deductible expenses. *Total amount of deductible expenses* does not include the expenses stipulated in this paragraph; and in the case of commercial business activities, *total amount of deductible expenses* does not include the purchase price of goods sold;
 - (n) Items of financial aid [subsidies] except financial aid for education, health care, scientific research, to overcome the consequences of a natural disaster, to build various types of charitable homes or homes for policy subjects as stipulated by law and except financial aid in accordance with State programs for localities in areas with specially difficult socio-economic conditions;
 - (o) That part of expenses being payments to a voluntary retirement fund or a fund in the nature of a social welfare fund, or to purchase voluntary retirement insurance for employees which exceed the level stipulated by law;
 - (p) Expenses for business activities being banking, insurance, lotteries, securities and a number of other special business activities as stipulated in regulations of the Ministry of Finance.
3. Expenses in foreign currency which are deductible when determining taxable income must be converted into VND at the average trading exchange rate on the inter-bank foreign currency market published by the State Bank of Vietnam at the time when such expenses in foreign currency arose.

The Government shall provide detailed regulations and guidelines for implementation of this article.

Article 10¹⁰ Tax rates

1. The CIT rate shall be twenty two (22) per cent, except as prescribed in clauses 2 and 3 of this article and except for entities entitled to incentives prescribed in article 13.
- [Entities] entitled to the tax rate of 22% prescribed in this clause shall be entitled to the tax rate of twenty (20) per cent as from 1 January 2016.
2. Enterprises with total annual turnover not exceeding twenty (20) billion VND shall be entitled to the tax rate of twenty (20) per cent.
- Turnover as the basis for determining if an enterprise is entitled to the tax rate of 20% in this clause means turnover in the immediately preceding year.
3. The CIT rate applicable to activities of prospecting, exploring and mining petroleum and gas and other rare and precious natural resources in Vietnam shall be from thirty two (32) per cent to fifty (50) per cent depending on each specific project and business establishment.

The Government shall provide detailed regulations and guidelines for implementation of this article.

¹⁰ Allens footnote: As amended by Law 32.

Article 11 *Method of assessing tax*

1. The amount of CIT payable within any one tax period equals assessable income multiplied by the tax rate; where an enterprise has already paid income tax outside Vietnam, the amount of corporate income tax already paid shall be deducted but at a maximum not in excess of the amount of corporate income tax payable pursuant to this Law.
2. The method of assessing tax applicable to the enterprises stipulated in sub-clauses (c) and (d) of article 2.2 of this Law shall be implemented in accordance with Government regulations.

Article 12 *Tax payment*

An enterprise shall pay tax in the place where it has its main head office. If an enterprise has a dependently accounting production establishment which operates in a province or city under central authority other than that in which such enterprise has its main head office, then the amount of CIT assessable and payable shall be determined in accordance with a ratio of expenses as between the place where the enterprise has the production establishment and the place where the enterprise has its main head office. Delegation of authority regarding, and management and use of sources of income receivable shall be implemented in accordance with provisions in the *Law on State Budget*.

The Government shall provide detailed regulations and guidelines for implementation of this article.

CHAPTER III **Corporate Income Tax Incentives**

Article 13¹¹ *Incentives being preferential tax rates*

1. The CIT rate of ten (10) per cent shall apply for fifteen (15) years to:
 - (a) Income of enterprises from implementing new investment projects in geographical areas with specially difficult socio-economic conditions and in economic zones and high-tech zones;
 - (b) Income of enterprises from implementing new investment projects comprising: scientific research and technological development; application of high-tech on the list of high-tech for which incentives are granted for investment in development under the *Law on High-Tech*; high-tech incubation and high-tech incubator enterprises; venture investment in the development of high-tech on the list of high-tech for which incentives are granted for investment in development under the *Law on High-Tech*; investment in construction and commercial operation of high-tech incubation and high-tech incubator enterprises; investment in development of specially important State infrastructure in accordance with law; manufacture of software products; manufacture of composite materials, various types of light building materials and of rare materials; production of recycled energy, clean energy and energy from destruction of waste; development of biological technology; and protection of the environment;
 - (c) Income of high-tech enterprises and of agricultural enterprises applying high-tech in accordance with the *Law on High-Tech*;
 - (d) Income of enterprises from implementing new investment projects in manufacturing sectors

¹¹ Allens footnote: As amended by Law 32.

(except for manufacture of lines of goods subject to special sales tax and except for mineral mining projects) which satisfy either of the following criteria:

- The project has investment capital of a minimum six thousand billion VND and draws down [or disburses] capital no later than three (3) years from the date of grant of the investment licence and has minimum total turnover of ten thousand billion VND per year no later than three (3) years after the date on which it [first] has turnover;
- The project has investment capital of a minimum six billion VND and draws down [or disburses] capital no later than three (3) years from the date of grant of the investment licence and employs more than three thousand (3,000) employees.

2. The tax rate of ten (10) per cent shall apply to:

- (a) Income of enterprises from socialization activities in the sectors of education and training, vocational training, medical health, culture, sports and the environment;
- (b) Income of enterprises from implementing projects for investment and commercial operation of social residential housing for sale, lease or hire purchase to the entities prescribed in article 53 of the 2005 *Law on Residential Housing*;
- (c) Income of press agencies from printing newspapers including advertising in printed newspapers in accordance with the *Law on Press*; and income of publishers from publishing in accordance with the *Law on Publishing*;
- (d) Income of enterprises from planting, caring for and protecting forests; from cultivation in agricultural, forestry and aquaculture in geographical areas with difficult socio-economic conditions; from producing, multiplying and hybridizing crop seeds and livestock breeds; from producing, exploiting and refining salt except for salt production prescribed in article 4.1; and from investment in preservation of post-harvest agricultural products and preservation of agricultural, aquaculture and food products;
- (e) Income of co-operatives operating in the sectors of agriculture, forestry, fisheries and salt production not in geographical areas with difficult or specially difficult socio-economic conditions except for income of co-operatives prescribed in article 4.1.

3. The tax rate of twenty (20) per cent shall apply for ten (10) years to:

- (a) Income of enterprises from implementing new investment projects in geographical areas with difficult socio-economic conditions;
- (b) Income of enterprises from implementing new investment projects comprising: production of high-grade steel; production of energy-saving products; manufacture of machinery and equipment servicing production in the agricultural, forestry, fisheries and salt production sectors; manufacture of irrigation equipment; production and refining of feed for poultry, livestock [domestic animals] and fisheries; and development of traditional trades.

As from 1 January 2016, the tax rate of 17% shall apply to income of enterprises prescribed in this clause.

4. The tax rate of twenty (20) per cent shall apply to income of people's credit funds and of micro-finance institutions.

As from 1 January 2016, the tax rate of 17% shall apply to income of people's credit funds and of micro-finance institutions.

4. The duration of preferential tax rates may be additionally extended for large scale and high-tech projects which particularly need to attract investment, but the duration of additional extension shall not exceed fifteen (15) years.
6. The duration of the preferential tax rates stipulated in this article shall be calculated from the first year in which the new investment project of the enterprise has turnover; in the case of high-tech enterprises and agricultural enterprises applying high-tech, it shall be calculated from the time of issuance of the certificate certifying such enterprise as a high-tech enterprise or agricultural enterprise applying high-tech; and in the case of projects applying high-tech, it shall be calculated from the time of issuance of the certificate certifying the project as one applying high-tech.

The Government shall provide detailed regulations and guidelines for implementation of this article.

Article 14¹² *Incentives being duration of tax exemption and reduction*

1. The following shall be exempted from CIT for a maximum period of four (4) years and entitled to a fifty (50) per cent reduction of the amount of CIT payable for a maximum period of nine (9) subsequent years: Income of enterprises from implementing new investment projects prescribed in clause 1 and clause 2(a) of article 13, and of high-tech enterprises and of agricultural enterprises applying high-tech.
2. The following shall be exempted from CIT for a maximum period of two (2) years and entitled to a fifty (50) per cent reduction of the amount of CIT payable for a maximum period of four (4) subsequent years: Income of enterprises from implementing new investment projects prescribed in article 13.3, and income of enterprises from implementing new investment projects in industrial zones, except for industrial zones in geographical areas with favourable socio-economic conditions as stipulated by law.
3. The duration of tax exemption and reduction applicable to income of enterprises from implementing new investment projects prescribed in clauses 1 and 2 above shall be calculated from the first year in which there is taxable income from the investment project, and if there is no taxable income in the first three years as from the first year in which there is turnover from the project, then the duration of tax exemption and reduction shall be calculated as from the fourth year. The duration of tax exemption and reduction applicable to high-tech enterprises and to agricultural enterprises applying high-tech prescribed in article 13.1(c) shall be calculated from the time of issuance of the certificate certifying such enterprise as a high-tech enterprise or agricultural enterprise applying high-tech.
4. Any enterprise with a project for investment and development of an investment project currently operating in a sector or geographical area entitled to CIT incentives as prescribed in this Law which expands its production scale, raises output [or] renovates production technology (*investment expansion*) and satisfies one of the three criteria prescribed in this clause may choose tax incentives in accordance with the currently operating project for the residual term (if any), or exemption and reduction of tax on that part of the increased income due to the investment expansion. The duration of tax exemption and reduction applicable to increased income from investment expansion as prescribed in this clause shall equal the duration of tax exemption and reduction applicable to new investment projects in the same sector [or] geographical area of CIT incentives.

¹² Allens footnote: As amended by Law 32.

An investment expansion project prescribed in this clause must satisfy one of the following criteria:

- (a) The prime cost of additional fixed assets when the completed project is commissioned must be at least twenty billion VND in the case of investment expansion projects in sectors entitled to CIT incentives pursuant to this Law, or ten billion VND in the case of investment expansion projects implemented in geographical areas with difficult or specially difficult socio-economic conditions as prescribed by law;
- (b) The ratio of additional prime cost of fixed assets must be a minimum twenty (20) per cent of total prime cost of the fixed assets prior to such investment;
- (c) Additional designed output must be at least twenty (20) per cent of the designed output prior to the investment.

If a currently operating enterprise invests in expansion in a sector or geographical area entitled to incentives pursuant to this Law but does not satisfy one of the three above-mentioned criteria, then it shall be entitled to incentives applicable to the currently operating project for the residual term (if any).

An enterprise entitled to incentives for investment expansion must conduct separate cost accounting for the increased income from the investment expansion; and if it fails to do so, then income from the investment expansion shall be fixed as a ratio of the prime cost of fixed assets of the new investment after commission for production or business over the total prime cost of fixed assets of the enterprise.

The duration of tax exemption and reduction under this clause shall be calculated from the year the investment project is completed and commissioned for production or business.

The tax incentives prescribed in this clause do not apply to investment expansion as a result of merger or acquisition of an enterprise or currently operating investment project.

The Government shall provide detailed regulations and guidelines for implementation of this article.

Article 15 *Other cases of tax reduction*

1. Enterprises engaged in production, construction or transportation which employ many female employees are entitled to a reduction of CIT equal to the additional amount of expenses incurred for female employees.
2. Enterprises employing many ethnic minority people are entitled to a reduction of CIT equal to the additional amount of expenses incurred for employees being ethnic minority people.
- 3.¹³ Enterprises which transfer technology in a transfer technology incentive sector to any organization or individual in a geographical area with difficult socio-economic conditions are entitled to a 50% reduction of the amount of CIT calculated on that part of income generated by such technology transfer.

The Government shall provide detailed regulations and guidelines for implementation of this article.

¹³ Allens footnote: As added by Law 32.

Article 16 *Carrying forward losses*

1. Enterprises which suffer a loss are entitled to carry forward the loss to the following year and such loss is deductible from assessable income. Losses may be carried forward for a maximum period of five (5) years as from the year following the year in which the loss arose.
- 2.¹⁴ Enterprises which suffer a loss from activities being a real property transfer, transfer of an investment project or the right to participate in an investment project which has been set-off as prescribed in article 7.3 of this Law but there are still residual losses, and enterprises which suffer a loss from activities being transfer of the right to explore [and/or] mine minerals are permitted to carry forward the loss to assessable income from such activities in the following year. The period for which losses are permitted to be carried forward shall be as prescribed in clause 1 of this article.

Article 17 *Establishment of Science and Technology Development Fund of an enterprise*

- 1.¹⁵ Enterprises established and operating pursuant to the law of Vietnam are entitled to deduct a maximum ten (10) per cent of their annual assessable income to establish the Science and Technology Development Fund of the enterprise. State owned enterprises, in addition to establishing the Fund referred to above, must also ensure that they deduct sums sufficient to establish the minimum funds required by the law on science and technology.
2. If a Science and Technology Development Fund, within a period of five (5) years from the date of its establishment, does not entirely use up seventy (70) per cent of its funds or uses funds for an incorrect purpose, then the enterprise must pay into the State Budget part of its CIT calculated on the income which was taken to establish the Fund and which was not entirely used up or which was used for the incorrect purpose plus interest arising on such amount of CIT.

The CIT rate used to assess the amount of tax recoverable is the tax rate which applied to the enterprise in the period when it established its Science and Technology Development Fund.

The interest rate for calculating the amount of tax recoverable on the part of the funds not entirely used up is the interest rate on State treasury bonds with a term of one year applicable at the time of recovery and the period for calculating interest [payable] shall be two years.

The interest rate for calculating the amount of tax recoverable on funds used for an incorrect purpose is the interest rate for late payment stipulated in the *Law on Tax Management* and the period for calculating interest [payable] shall be the period from the date when the Fund was established until the date when tax is recovered.

3. Enterprises are not permitted to account for expenses of the Science and Technology Development Fund in their deductible expenses when determining taxable income in any one tax period.
4. Funds of a Science and Technology Development Fund are only permitted to be used for investment in science and technology in Vietnam.

¹⁴ Allens footnote: As amended by Law 32.

¹⁵ Allens footnote: As amended by Law 32.

Article 18¹⁶ *Conditions for applicability of tax incentives*

1. The CIT incentives prescribed in articles 13 to 17 inclusive of this Law only apply to enterprises which comply with the cost accounting regime, maintain invoices and source vouchers, and pay tax in accordance with declarations.

The CIT incentives prescribed in articles 13 and 14 of this Law applicable to income of enterprises from new investment projects do not apply to cases of separation, merger, consolidation or conversion of form of enterprise, nor to transfer of ownership or other cases stipulated by law.

2. Enterprises must account separately for income from activities of production [and/or] business entitled to the tax incentive rates prescribed in articles 13 and 14 of this Law, from income from activities of production [and/or] business not entitled to tax incentive rates, failing which it shall be determined as a ratio of turnover from activities entitled to tax incentive rates over total turnover of the enterprise.
3. The CIT rate of twenty (20) per cent prescribed in article 10.2 and the provisions on tax incentives in articles 4.4, 13 and 14 of this Law do not apply to:
 - (a) Income from capital transfers and from transfer of the right to contribute capital; income from real property transfers except for social residential housing prescribed in article 13 of this Law; income from transfer of an investment project or the right to participate in an investment project, or from transfer of the right to explore [and/or] mine minerals; and [does not apply] to income from production and business activities outside Vietnam;
 - (b) Income from activities of prospecting, exploring and mining petroleum, gas and other rare and precious natural resources and income from activities of mining minerals;
 - (c) Income from business services subject to special sales tax in accordance with the *Law on Special Sales Tax*;
 - (d) Other cases as stipulated by the Government.
4. If at the same time an enterprise is entitled to different levels of tax incentive applicable to the same income item, then the enterprise is permitted to choose application of the most favourable incentive.

CHAPTER IV
Implementing Provisions

Article 19 *Effectiveness*

1. This Law is of full force and effect as from 1 January 2009.
2. This Law replaces the *Law on Corporate Income Tax 09-2003-QH11*.
3. Enterprises currently entitled to CIT incentives pursuant to the *Law on Corporate Income Tax 09-2003-QH11* shall continue to be entitled to such incentives for the residual term in accordance with *Law 09-2003-QH11*; if the level of incentives including preferential tax rates and duration of tax

¹⁶ Allens footnote: As amended by Law 32.

exemption and reduction is less than the level of incentives pursuant to this Law, then the tax incentives stipulated in this Law shall apply for the residual term.

4. In the case of enterprises in the category of entitlement to tax exemption and reduction pursuant to Law 09-2003-QH11 which do not yet have taxable income, the time of commencement of entitlement to tax exemption and reduction shall be calculated pursuant to this Law and as from the date on which this Law takes effect.

Article 20 *Implementing guidelines*

The Government shall provide detailed regulations and guidelines for implementation of articles 4, 7, 8, 9, 10, 11, 12, 13, 14, 15 and 18 of this Law and of other necessary items as required for management purposes.

This Law was passed by Legislature XII of the National Assembly of the Socialist Republic of Vietnam at its 3rd Session on 3 June 2008.

Chairman of the National Assembly
NGUYEN PHU TRONG

Article 2 of Law 32:

1. This Law shall be of full force and effect as from 1 January 2014, except as prescribed in clause 2 of this article.
2. The provision on the tax rate of 20% applicable to enterprises with total annual turnover not exceeding 20 billion VND prescribed in article 10.6 [of the principal Law] and the provision on the tax rate of 10% applicable to income of enterprises from implementing projects for investment and commercial operation of social residential housing prescribed in 1.7 of this Law [article 13.2(b) of the principal Law] shall take effect from 1 July 2013.
3. Enterprises with an investment project which, calculated to the end of the year 2013 tax assessment period is still within a period of entitlement to CIT incentive rates, reduction or exemption in accordance with any legal instrument on CIT prior to the effective date of this amending Law, shall be entitled to such incentives for the residual term in accordance with such legal instrument. If the enterprise satisfies the conditions for incentives pursuant to this amending Law, it may choose the current incentives or the incentives pursuant to this amending Law in the case of incentives for a new investment for the residual term if they are currently entitled to incentives applicable to an enterprise establishing a new investment project or for investment expansion for the residual term if they are currently enjoying an incentive for investment expansion.

Calculated to the end of the 2015 tax assessment year, if an enterprise has an investment project currently entitled to the CIT incentive rate of 20% as prescribed in article 13.3 of the principal Law as amended by this Law, then as from 1 January 2016 it shall be entitled to the tax rate of 17% for the residual term.

4. The following items on CIT in the following legal instruments are hereby repealed:
 - (a) Article 7.2 of *Law 06 on Insurance of Deposits*;
 - (b) Article 4.2 of *Law 25 on Medical Insurance*;

- (c) Articles 10.1, 12.1, 18.2, 19.2, 22.1, 22.2, 24.3 and 28.2 of *Law 21 on High-Tech*;
 - (d) Clauses 1, 4, 5, 6, 7 and 8 of article 44, and article 45 of *Law 80 on Technology Transfer*;
 - (dd) Articles 53.1, 55.5 and 86.3 of *Law 76 on Vocational Training*;
 - (e) Article 68.1 of *Law 72 on Export of Vietnamese Labour*;
 - (g) Article 6.2 of *Law 71 on Social Insurance*;
 - (h) Article 8.3 of *Law 69 on Legal Aid*;
 - (i) Article 66.3 of *Law 08 on University Education*;
 - (k) Article 34 of *Law 51 on Disabled Persons*;
 - (l) Article 33.4 of *Law 59 on Investment*;
 - (m) Articles 58.2, 73.2, 117.3 and 125.3 of *Law 60 on Enterprises*.
5. The Government shall provide detailed regulations and guidelines for implementation of articles assigned in this Law.

This Law [32] was passed by Legislature XIII of the National Assembly of the Socialist Republic of Vietnam at its 5th Session on 19 June 2013.

Chairman of the National Assembly
NGUYEN SINH HUNG