



New measures on tax incentives for the information technology industry

Tax Alert - Tax and Legal

May 2016



On 26 May 2016, the Government passed Resolution 41/NQ-CP providing measures on tax incentives to develop the information technology industry of Vietnam.

By Resolution 41, companies with income derived from projects related to the IT industry shall be entitled to the tax incentive measures as follows:

1. Corporate Income Tax incentives

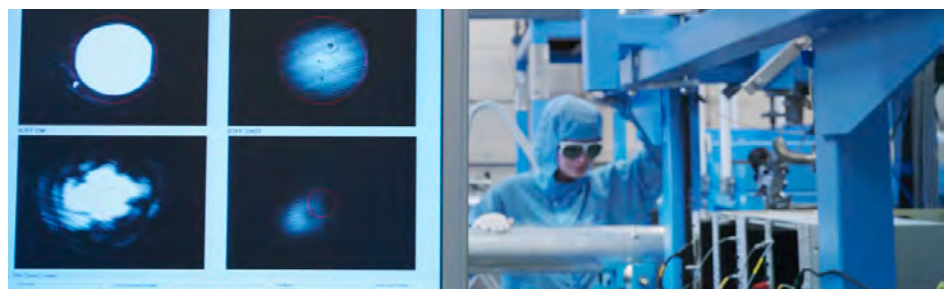
Companies with income derived from the following projects shall be entitled to the tax incentive package which are currently applicable to software production projects (i.e. preferential CIT rate of 10% for 15 years, CIT exemption for 4 years and 50% CIT reduction for 9 years):

- Production of digital content;
- Software services;
- Production of key IT products;
- Services relating to troubleshooting of information security; and
- Services relating to protection of information systems.

In addition, the following IT activities will be added to the list of especially preferential sectors:

- Software production and services;
- IT designing and consulting services;
- Service of integrating systems;
- Service of managing and maintaining IT system (application, network, equipment);
- Service of outsourcing IT system;
- Service of information system confidentiality without using civil code;
- Service of handling, exploiting database;
- Service of searching online information;
- Data center service;
- Service of Business Process Outsourcing (BPO), Knowledge Process Outsourcing (KPO) for export; and
- E-signature certification service.

New investment projects performing the above IT activities and regularly employing more than 1,000 employees may be entitled to 10% CIT rate for additional 15 years.



2. Personal Income Tax incentives

The PIT on taxable income generated by the following individuals is reduced by 50%:

- Hi-tech staff working in the IT industry, who satisfy the conditions of performing R&D activities and application of hi-tech in the IT industry.
- Individuals providing hi-tech services and managing hi-tech activities in the IT industry.
- Individuals operating equipment and production lines for manufacturing of IT hi-tech products; and
- Individuals managing the security of information systems.

The Ministries of Finance and Science and Technology will issue legal documents guiding the implementation of this Resolution.



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