

### Circular 03 on CIT incentives to Science and Technology Enterprises

According to the Law on Science and Technology 2013 and Decree 13/2019/NĐ-CP, science and technology enterprises ("STEs") are enterprises that implement production, business and services in relation to science and technology to create products, goods from scientific research and technological development. The Law also stipulates that STEs are entitled to tax incentive policies.

On 11 January 2021, the Ministry of Finance issued Circular No. 03/2021/TT-BTC ("Circular 03") providing guidance on Corporate Income Tax ("CIT") exemption and CIT reduction policies applicable to STEs. Circular 03 takes its effect from 1 March 2021.

Accordingly, STEs shall be entitled to a CIT incentive package including exemption from CIT for four years and subsequently nine years with a 50% reduction in CIT. However, there will be no incentive for the CIT rate, specifically as follows:

#### 1. Conditions to qualify

- STEs have been issued with the Certificate of Science and Technology Enterprise by a competent authority.
- Annual revenue from production and trading of products formed from scientific and technological results represents at least 30% of the total annual revenue of the enterprise.
- Revenue generated from services applying scientific and technological results in information technology is revenue from new services, but excludes services already existing in the market.
- STEs must separately account income from production and trading of products formed from scientific and technological results. If the enterprise cannot undertake separate accounting, the income entitled to CIT incentives shall be apportioned based on the revenue ratio.

#### 2. CIT incentives for STEs in certain specific cases

- The tax exemption or reduction period is calculated continuously from the date of Certificate of Science and Technology Enterprise. If there is no taxable income for the first three years starting from the first year of being granted the certificate, the first year for calculating the tax exemption, reduction period is counted from the fourth year.
- During the period of CIT exemption and reduction, if in any year the sales of products derived from scientific and technological results do not reach the minimum ratio of 30% of the total annual revenue, the CIT incentive for that year shall be disallowed but it is still counted as one year of incentive entitlement
- Where an entity is granted with the STE certificate while qualifying for other CIT incentive conditions, such entity could enjoy CIT incentive scheme of STE for the remaining period.
- Where an entity is enjoying CIT incentives applied for STE and now supplements new products into the STE certificate, income corresponding to new products shall be allowed to enjoy the same CIT reduction and CIT exemption as the original project for the remaining period.
- Where an entity is enjoying CIT incentives of an STE based on the provision of the previously effective regulations prior to the effective date of Decree 13, such entity is allowed to follow such CIT incentive scheme, but not the preferential CIT rate, for the remaining period from the effective date of Circular 03.

- Where an entity was granted with an STE certificate prior to the effective date of Decree 13 but did not apply CIT incentive based on the previously effective regulations prior to effective date of Decree 13, such entity shall be allowed to enjoy CIT incentive of STE for the remaining period from effective date of Decree 13.

Please contact your KPMG tax advisors for a specific advice on this topic.

## Contact us

KPMG Limited | KPMG Tax and Advisory Limited | KPMG Legal Limited

KPMG in Vietnam and Cambodia is one of the leading professional services firms, with over 1,700 staff working from our offices in Hanoi, Ho Chi Minh City, Da Nang and Phnom Penh. We work with our colleagues across Asia and around the world to provide a broad range of services.

### Hanoi

46<sup>th</sup> Floor, Keangnam Hanoi Landmark Tower, 72 Building,  
Plot E6, Pham Hung Street, Cau Giay New Urban Area,  
Me Tri Ward, South Tu Liem District, Hanoi, Vietnam

**T:** +84 (24) 3946 1600

**F:** +84 (24) 3946 1601

**E:** kpmghanoi@kpmg.com.vn

### Ho Chi Minh City

10<sup>th</sup> Floor, Sunwah Tower,  
No. 115, Nguyen Hue Street, Ben Nghe Ward,  
District 1, Ho Chi Minh City, Vietnam

**T:** +84 (28) 3821 9266

**F:** +84 (28) 3821 9267

**E:** kpmghcmc@kpmg.com.vn

### Danang

Unit D3, 5<sup>th</sup> Floor, Indochina Riverside Tower,  
No. 74, Bach Dang Street, Hai Chau 1 Ward,  
Hai Chau District, Danang, Vietnam

**T:** +84 (236) 351 9051

**F:** +84 (28) 3821 9267

**E:** kpmgdanang@kpmg.com.vn

Follow us on:



© 2021 KPMG Limited, KPMG Tax and Advisory Limited, KPMG Legal Limited, all Vietnamese one-member limited liability companies and member firms of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

[kpmg.com.vn](http://kpmg.com.vn)