

National Assembly passes Law on supporting Small- and Medium-sized Enterprises (“SMEs”)

Tax Alert- Tax and Legal

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On 12 June 2017, the National Assembly (“NA”) passed the Law on Supporting SME (“SME Law”). The Law takes effect on 1 January 2018.

Below some noteworthy points under the SME Law are summarised.

1. Definition of Small and Medium-sized Enterprises

SMEs include micro, small and medium-sized enterprises which have the average number of employees contributing social insurance of no more than 200 and meet one of the following two criteria:

- (i). Total capital shall not exceed VND100 billion (around USD4.4 million);
- (ii). Total revenue of the preceding year shall not exceed VND 300 billion (around USD13.2 million).

2. Principles of support

- The support for SMEs must respect the market rules and fall in line with international treaties of which Vietnam is a member.
- If SMEs qualifies for multiple support measures at the same time, they shall choose the most favourable measure.
- Where SMEs meet the conditions for receiving support, priority shall be given to the selection of SMEs owned by women and SMEs using more female employees.

3. Support measures

SMEs that satisfy the conditions may be entitled to the following support measures:

- Support with credit access: Gain easier access to credit and credit guarantee via SME Credit Guarantee Funds and SME Development Fund.
- Support with tax: Enjoy a corporate income tax (“CIT”) rate lower than the standard rate within a certain time limit.
- Support with accounting: Apply a simpler accounting system and tax administrative procedures.
- Support with acquiring production space: Infrastructure investors of hi-tech and industrial parks shall reduce the price of land rent for SMES (except for foreign invested SMEs and State-owned SMEs)



- Support with implementation of technology. To provide this support, the Government and/or private organisations shall set up an incubation facility, technical base, and common working area. Organisations that set up the incubation facility, technical base, and common working area shall be entitled to the following incentives:
 - Exemption from or reduction of land rent, land use fees and non-agricultural land use tax; and
 - Exemption from or reduction of CIT for a definite period of time according to CIT law.
- Support with expanding the market: To provide this support, the Government and/or private organisations shall set up a “product distribution chain”. Organisations that set up the product distribution chain in which at least 80% of SMEs operate in the supply chain of products manufactured in Vietnam shall be entitled to the following support:
 - Exemption from or reduction of land rent, land use fees and non-agricultural land use tax;
 - Exemption from or reduction of CIT for a definite period of time according to CIT law.
- Information, counselling and legal support
- Support in human resources development

In addition, the SME Law provides conditions and special support measures to three types of SMEs including SMEs converted from business households, innovative start-up businesses, and SMEs participating in industrial linkage clusters and value chains in the field of production and processing.

The Government and relevant Ministries shall issue legal documents to provide specific guidance to the Law.



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