



LEGAL UPDATE

DECREE 13 ENCOURAGES INVESTMENT IN SCIENCE AND TECHNOLOGY

Decree no. 13/2019/ND-CP (**Decree 13**) entered into force on 20 March 2019. Decree 13 supplements article 58 of the Law of Science and Technology.

Decree 13 provides strong incentives to invest in the science and high-tech sectors in Vietnam by simplifying the procedure and providing preferential treatment for investors. The incentives are related to for example tax, and preferential loans. Decree 13 is expected to accelerate research and development activities.

Below we will discuss the most important points.

1. Certificate of Science and Technology

Decree 13 provides a detailed instruction on how to obtain the Science/Technology Enterprise Certificate. This certificate will allow enterprises to receive preferential treatments.

2. Which entity qualifies?

In order to qualify, companies will need:

- to be established and operate under the Law on Enterprises;
- to be able to create or apply science or technological achievement evaluated, appraised and recognised by the relevant authorities; and
- to have at least 30% of their gross revenue coming from production or trading of science and technological achievements.

However, firms that were established less than 5 years ago will only need to qualify the first 2 criteria. It will now take maximum 15 days to obtain the Certificate where it used to be 30 days.

3. Incentives

3.1 Corporate Income Tax incentive (CIT)

Enterprises that earn revenue from producing and trading scientific or technology products will be exempted for

paying tax for the first 4 years, then they will enjoy 50% CIT tax reduction for 9 years. However, to obtain this an enterprise need to ensure that the income from scientific and technological achievements account for at least 30% of the total revenue.

3.2 Exemption of land use fee and water surface rights

Enterprises that work in the science and technology sector will also benefit from exemption or fee reduction for land rental, water surface rights.

4. Preferential credit terms

Investment projects that use new scientific and technological invention will benefit from preferential loan rates. Companies may qualify for up to 50% financial support from commercial banks. Small to medium firms within the scientific and technological sector will receive extra support.

5. Research support

Finally Decree 13 stipulates that companies can qualify for reduction of import and export duties, and free-of-charge use of equipment at national labs.

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