

Draft Decree on the GMT State Support Fund

January 2024

Global Minimum Tax Update Series:

Draft Decree on the GMT State Support Fund

In response to the Resolution on the Global Minimum Tax (**GMT Resolution**) which has taken effect from 1 January 2024, a draft decree on the establishment, management, and use of an investment support fund (**Draft Decree**) has been recently released for public comments and consultation. We present the key highlights of the Draft Decree in this legal update.

The investment support fund (**Fund**) aims to support and encourage investment in certain priority sectors in Vietnam and is funded, among others, by the proceeds from the State Budget collection from the GMT. The subsidy granted to eligible taxpayers will be in the form of cash, which will be exempted from the Corporate Income Tax (**CIT**) of the eligible taxpayers and will be provided for five (5) specific categories of expenses including: (i) human resource training and development expenses, (ii) research and development expenses, (iii) investment in fixed assets, (iv) high-tech product manufacturing expenses and (v) social infrastructure system (**Supported Expenses**).

Enterprises eligible for the investment support fund:

- (a) Enterprises with investment projects in the field of high-tech product manufacturing
- (b) High-tech enterprises
- (c) Enterprises with high-tech application projects
- (d) Enterprises with investment projects in research and development centres

The eligible taxpayers are determined subject to their capital scale, annual revenue, industry, or technology applied. An example of an eligible taxpayer is a company investing in high-tech production or operating in a high-tech industry or applying high technology with a capital scale from VND12 trillion

(approximately US\$487 million) or annual revenue of VND20 trillion (approximately US\$812 million) (**Type A Taxpayer**). Another example of an eligible taxpayer is a company investing in a research and development centre with a minimum capital of VND3 trillion (approximately US\$121 million) (**Type B Taxpayer**).

Additional requirements for which eligible taxpayers are required to fulfil are (a) the capital disbursement of at least VND12 trillion applicable to Type A Taxpayers, or at least VND1.5 trillion applicable to Type B Taxpayers within three (3) years from the date of issuance of the Investment Registration Certificate or from the approval date of the investment policy and (b) fulfilment of its financial obligations, e.g. tax or land rental fee, to the State.

For the purpose of availing the benefit of the Fund, the eligible taxpayers must send an application dossier to the Fund Office in Hanoi from 15 to 30 August of the succeeding year in which the Supported Expenses have incurred. Each type of Supported Expense will be paid at a different ratio and the support payment shall be made subject to the actual expenses of the eligible taxpayers. If the requested support amount from the eligible taxpayers is higher than the payment budget of the Fund, the support payment may be reduced, which is assessed based on certain criteria such as the economic and social contribution of that taxpayer or the State Budget contributions.

We expect significant changes since the Draft Decree is in its early stages. Please look forward to our upcoming updates in relation to the Global Minimum Tax, and please feel free to reach out if you have any questions.

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