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LEGAL UPDATES

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TAX

Circular No. 03/2021/TT-BTC of the Ministry of Finance dated 11 January 2021 Providing Guidance on Corporate Income Tax Exemption and Reduction Applicable to Science and Technology Enterprises (“Circular 03”)

Effective date: 01 March 2021

Circular 03 provides for detailed guidelines on corporate income tax (the “**CIT**”) exemption and reduction applicable to science and technology enterprises (the “**STE**”) prescribed under Decree No. 13/2019/ND-CP of the Government dated 01 February 2019 on STE. Below are main points of Circular 03.

1. Conditions for application

STE must satisfy the following conditions in order to enjoy CIT exemption and reduction:

- (a) having been granted a STE certificate by the competent State administrative agency;
- (b) annual revenue from production and trading of products formed from science and technology (the “**S&T**”) results accounts for at least 30% of the total annual revenue of the enterprise;
- (c) revenue generated from services applying S&T in the IT sector is revenue from new services, excluding services already existing on the market; and
- (d) STE must conduct separate cost accounting for income from activities of production and trading of products formed from S&T results.

2. In case an STE has an affiliated branch which meets the four above-mentioned conditions, then income generated from products formed from S&T results of such branch is also entitled to CIT incentives as prescribed by prevailing laws.

3. STEs are entitled to tax exemption for four years and a 50% reduction of payable tax amount for the following nine years. The enjoyment of CIT exemption and reduction is applied continuously as from the date the enterprise is granted its STE Certificate.

4. During the duration of enjoyment of CIT exemption and reduction, if there is a year during which the STE fails to satisfy the conditions on revenue from its products formed from S&T results as set out in Item 1(d) above, then the STE is not entitled to incentives for such year. That year shall not be included in the duration of entitlement to the tax incentives.

5. If a STE has taxable income but the period of production and trading operations entitled to incentives in the first year is less than 12 months, then the STE may (i) choose to enjoy the incentives immediately in the first year or (ii) register with the tax authority for the duration of enjoying the tax incentives to start from the following year.

BANKING

Circular No. 16/2020/TT-NHNN of the Governor of State Bank of Vietnam dated 4 December 2020 Amending Circular No. 23/2014/TT-NHNN of Governor of the State Bank of Vietnam dated 19 August 2014 (“Circular 23”) Providing Guidance on Opening and Using of Checking Accounts at Payment Service Providers (“Circular 16”)

Effective date: 05 March 2021

Circular 16 amends and supplements certain articles of Circular 23 on opening and using of checking accounts at payment service providers. In addition to other amendments and supplementations, the most remarkable content of Circular 16 is relating to procedure for online opening of checking accounts.

Accordingly, banks or foreign bank branches that perform the online opening of checking account must formulate, promulgate and publish their procedures for online opening of checking account in conformity with regulations of this Circular 16, the Law on Anti-Money Laundering, the Law on E-transactions, and relevant regulations on the assurance of safety and confidentiality of clients' information, and security in operations of banks/foreign bank branches. Particularly, the procedure must include the following steps:

1. Collecting information on the application for checking account opening;
2. Checking, examining and verifying client's identity information (eKYC);
3. Warning clients about acts prohibited to be performed during the online opening and use of checking account;
4. Providing clients with required-by-law contents of the agreement on opening and use of checking account and entering into the agreement on opening and use of checking account with clients; and
5. Notifying clients of the number and name of their checking accounts, the limit on transactions made via those accounts, and the effective date of the accounts.

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