

## CORPORATE INCOME TAX INCENTIVES UNDER CURRENT VIETNAMESE LAW

Le Thi Giang<sup>1</sup>, Khuc Thi Trang Nhung<sup>2</sup>

<sup>1</sup>PhD. Hanoi Law University, Vietnam, ORCID <https://orcid.org/0009-0005-7601-5094>

<sup>2</sup>PhD. Hanoi Procuratorate University, Vietnam, ORCID: <https://orcid.org/0009-0000-0501-0003>

**Corresponding author:** Khuc Thi Trang Nhung  
[trangnhung.7897@gmail.com](mailto:trangnhung.7897@gmail.com)<sup>2</sup>

**Abstract:** Corporate Income Tax (CIT) incentives for investment projects situated within industrial zones (IZs) are regarded as a crucial legal instrument for attracting investment capital, stimulating business and production development, and furthering the process of industrialisation and modernisation in Vietnam. This article elucidates the prevailing legal framework governing CIT incentives applicable to enterprises operating in IZs, critically assesses the limitations and inconsistencies encountered in practice, and advances policy recommendations with a view to refining the legal regime. The overarching objective is to ensure a balanced reconciliation of interests between the State and investors, thereby fostering the sustainable development of IZs.

**Keywords:** Corporate Income Tax; investment incentives; corporate income tax incentives; investment projects in industrial zones; limitations.

### 1. INTRODUCTION

Over the past three decades, industrial zones (IZs) have become a pivotal instrument in driving Vietnam's industrialisation and modernisation. According to official statistics released by the Department for Economic Zone Management under the Ministry of Planning and Investment, as of July 2024, 431 IZs had been established nationwide, encompassing an aggregate area of approximately 132.3 thousand hectares, of which 89.9 thousand hectares constitute industrial land<sup>1</sup>. Out of these, 301 IZs are currently in operation, attracting a considerable volume of investment capital. Notably, the total registered foreign direct investment has exceeded USD 438.7 billion, channelled into 36,278 investment projects<sup>2</sup>. These figures demonstrate that IZs have not merely contributed significantly to GDP growth, economic restructuring, and employment creation for millions of workers, but have also provided concentrated industrial land and infrastructure, thereby facilitating the development of supporting industries and enhancing Vietnam's integration into global value chains.

In the context of increasingly intense international competition, sustaining and enhancing the attractiveness of IZs to both domestic and foreign investors has become an imperative. According to official assessments, beyond infrastructure, human resources, and the overall business environment, fiscal policy—particularly CIT incentives—plays a decisive role in shaping investment costs, profitability, and the competitive position of enterprises. CIT incentives not only encourage enterprises to expand their production within IZs but also serve as a regulatory tool to channel investment into sectors and industries aligned with broader policy objectives, including sustainable development, high technology, the green economy, technical infrastructure, and supporting services.

The Law on CIT and its implementing instruments have gradually been refined, introducing a range of new provisions designed to create a more favourable legal environment for enterprises operating within IZs. According to official assessments, however, the practical

---

<sup>1</sup> Department for Economic Zone Management, Ministry of Planning and Investment (2024), *Report on the Development of Industrial Zones and Economic Zones in 2024*, Hanoi.

<sup>2</sup> Foreign Investment Agency, Ministry of Planning and Investment (2022), *Report on Foreign Investment Attraction in 2022*.

application of these rules continues to reveal certain shortcomings, including regulatory overlaps, inconsistencies in the implementation of tax incentives across local jurisdictions, and a lack of coherent alignment with the overarching objectives of sustainable development. Against this backdrop, the study, analysis, and evaluation of CIT incentive policies applicable to investment projects in IZs under the prevailing legal framework assume particular significance. Such inquiry not only contributes to the refinement of the regulatory regime and the reconciliation of interests between the State and investors, but also enhances the effectiveness of investment attraction and promotes the sustainable development of the IZ system in Vietnam.

## 2. OVERVIEW

CIT incentives constitute one of the principal instruments employed by the Vietnamese State to encourage and steer investment activities, whilst simultaneously enhancing the attractiveness of the business environment in the context of international economic integration. According to official commentary, this issue has attracted considerable scholarly attention within both legal and economic discourse, as it bears not only directly upon the financial obligations of enterprises but also exerts a broader influence on the formulation and implementation of the State's socio-economic development strategy.

In recent years, a considerable body of scholarly research has examined CIT incentives from a variety of perspectives. According to scholarly studies, notable contributions include: Nguyen Minh Hang (2011), *Textbook on Public Finance Law*; Nguyen Thi Trang (2014), *Law on Investment Incentives for Enterprises in Industrial Zones: Some Theoretical and Practical Issues*; Hanoi Law University (2020), *Textbook on Vietnamese Tax Law*; Khuc Thi Trang Nhung (2022), *On CIT Incentives for Enterprises with Investment Projects in Industrial Zones*; Nguyen Van Hung (2023), *Improving Vietnam's CIT Law in the Context of International Integration*; and Tran Quang Anh (2024), *Tax Incentives and the Effectiveness of Investment Attraction in Industrial Zones in Vietnam*. This growing body of literature reflects the increasing academic interest in the subject, highlighting both the theoretical underpinnings and the practical implications of CIT incentive regimes in the Vietnamese legal system.

Nevertheless, it may be observed that the aforementioned studies remain largely at a general level of analysis or confined to particular sectors or geographical areas, without providing a comprehensive examination of the current regulatory framework on CIT incentives. According to this assessment, there remains a gap in the literature concerning a holistic and critical appraisal of the existing legal provisions. Building upon prior scholarly contributions, this article therefore seeks to undertake a more in-depth analysis of the applicable legal rules, to evaluate their practical implementation, and to advance policy recommendations aimed at enhancing the effectiveness of CIT incentive regimes in Vietnam.

## 3. RESEARCH METHODS

This article employs a qualitative research methodology grounded in the collection and analysis of secondary data drawn from the corpus of legal instruments governing CIT, as well as from official reports, scholarly works, and other relevant reference materials. According to established methodological standards, the authors further apply analytical, synthetic, socio-legal, statistical, and inductive approaches to elucidate the existing legal provisions on CIT incentives and to assess their effectiveness in practice. This approach not only enables a systematic mapping of the legal framework but also reveals the limitations and shortcomings that warrant reform in order to enhance the overall effectiveness of Vietnam's CIT incentive policy.

## 4. RESULTS AND DISCUSSION

### 4.1. Overview of corporate income tax incentives

The concept of CIT incentives may be approached from a variety of perspectives. According to official commentary, “in Vietnam, taxes and tax laws are promulgated in order to generate revenue for the State.”<sup>3</sup> From the perspective of economic efficiency, taxation constitutes the largest source of revenue for the State budget.<sup>4</sup> Within this framework, CIT—historically also referred to as “profit tax”<sup>5</sup>—is recognised as an integral component of Vietnam’s tax law system and as a “significant source of State budget revenue.”<sup>6</sup> According to the Vietnamese Dictionary of the Institute of Linguistics, the term “incentive” is understood as treatment more favourable than usual, intended either to show appreciation or to provide encouragement. In the field of finance and taxation, the concept is commonly associated with State support policies aimed at facilitating and promoting the activities of targeted entities. Under the 2025 Law on Corporate Income Tax, CIT incentives are defined as preferential tax treatments, including reduced tax rates, exemptions, deductions, or specific mechanisms for loss carry-forward, applicable to enterprises depending on the industry, location, or nature of the investment project. According to scholarly research, CIT incentives are also regarded as a form of “tax expenditure,” namely the reduction in State revenue resulting from a deliberate decision not to levy tax at the standard rate in order to achieve broader policy objectives. For example, a 2020 study conducted by the National Economics University identified CIT incentives as an indirect support mechanism administered through the tax system, enabling enterprises to reduce investment costs, increase expected profitability, and thereby acquire stronger incentives to expand production or innovate technologically.

From the foregoing approaches, it may be understood that CIT incentives are legally prescribed measures designed to mitigate the tax burden on enterprises by applying rates lower than the standard level, granting exemptions or reductions, permitting the carry-forward of losses, extending depreciation periods for assets, or allowing the deduction of specific expenses. The overarching objective is to encourage investment and to promote the development of priority sectors, regions, or fields. According to official commentary, such policies embody the dual character of a macroeconomic regulatory instrument within the framework of national fiscal policy, while simultaneously operating as a supportive mechanism intended to guide socio-economic development during specific stages of national growth.

In terms of their characteristics, CIT incentives exhibit several notable features. First, they are inherently selective: such policies are not applied universally to all enterprises but are instead targeted at particular sectors, geographical areas, or investment projects deemed worthy of encouragement. Second, CIT incentives are designed to stimulate investment by reducing production costs and enhancing profitability, thereby influencing business decisions with respect to capital allocation and the expansion of production. Third, these incentives possess a

---

<sup>3</sup> Nguyen Thi Lan Huong (2016), *Tax Law: Theory, History, Current Situation and Comparison*, National Political Publishing House, p. 5.

<sup>4</sup> Hanoi Law University (2018), *Textbook on the Law on State Budget*, People’s Public Security Publishing House, p. 7.

<sup>5</sup> Hanoi Law University (2020), *Textbook on Vietnamese Tax Law*, People’s Public Security Publishing House, p. 217.

<sup>6</sup> Nguyen Minh Hang (chief author, 2011), *Textbook on Public Finance Law*, Vietnam Education Publishing House, pp. 119–121.

flexible character, allowing for adaptation to different stages of economic development and the demands of international integration. Finally, according to official commentary, CIT incentives are closely linked to the objective of balancing the interests of the State and enterprises—providing favourable conditions for business development while simultaneously safeguarding against excessive losses to the State budget.

Globally, CIT incentives have been employed by many jurisdictions—particularly developing countries—as a crucial policy instrument to attract investment capital and to encourage enterprises to expand production. According to international practice, Vietnam is no exception to this trend. Under the current legal framework, a variety of CIT incentives are prescribed, including the application of preferential tax rates lower than the standard rate, tax exemptions or reductions during the initial years of operation, deductions for specific categories of expenses, loss carry-forward mechanisms, and extended depreciation periods for fixed assets. Depending on the sector, the geographical location of the investment, or the policy objectives pursued, enterprises may benefit from differentiated levels of preferential treatment.

In the context of deepening international integration and increasingly fierce global competition, CIT incentives in Vietnam not only enhance the overall attractiveness of the investment climate but also serve to promote strategic sectors, support sustainable development, and facilitate the transformation of the national growth model. According to official assessments, however, for such policies to achieve their intended effectiveness, they must be designed and implemented in a manner that is transparent, stable, and balanced in reconciling the interests of the State with those of investors. Only under such conditions can CIT incentives simultaneously secure the dual objectives of attracting capital inflows and maintaining a stable and sustainable source of national budget revenue.

#### **4.2. Legal provisions on incentives for corporate income tax**

The policy on CIT incentives in Vietnam forms an integral component of the broader investment incentive regime, designed to encourage enterprises to expand production, increase investment, and orient their activities towards priority sectors and geographical areas. IZs are expressly recognised by law as one of the key locations eligible for such incentives. According to official regulations, IZs are classified within the category of areas with either “difficult” or “especially difficult” socio-economic conditions, depending on their specific location. This principle has been consistently inherited and developed across successive implementing instruments of the Law on Investment, ranging from Decree No. 108/2006/ND-CP and Decree No. 118/2015/ND-CP to Decree No. 31/2021/ND-CP. Most notably, Decree No. 35/2022/ND-CP reaffirmed the preferential legal status of IZs, explicitly permitting the application of incentive policies equivalent to those granted to areas officially designated as having difficult socio-economic conditions under investment legislation.

In addition, the list of investment incentive locations is expressly enumerated in Annex III to Decree No. 31/2021/ND-CP, thereby providing a clear legal basis for the uniform application of CIT incentive policies nationwide. According to the current framework, such policies include time-bound tax exemptions and reductions, preferential tax rates, loss carry-forward mechanisms, and accelerated depreciation, all of which are designed to alleviate cost burdens on enterprises and to enhance the overall attractiveness of Vietnam as an investment destination.

*From a procedural perspective*, Decree No. 35/2022/ND-CP establishes a “one-stop, on-site” management model for IZs through the IZ Management Board. This authority has been entrusted with significant powers, including the issuance, amendment, and revocation of investment registration certificates, the confirmation of investment incentives, and the supervision of project implementation. In parallel, Circular No. 80/2021/TT-BTC provides

detailed guidance on the procedures for determining and implementing tax incentives, requiring enterprises to self-declare, prepare documentation, and submit it to the competent authorities, including both the tax authority and the IZ Management Board. According to the 2025 Law on Corporate Income Tax, a number of new provisions have been introduced to refine the incentive regime applicable to investment projects in IZs, while clarifying the respective roles of the tax authorities and the IZ Management Board in confirming and supervising the application of tax incentives. The combination of the “one-stop, on-site” mechanism with a transparent and coherent incentive framework not only reduces compliance costs for enterprises but also enhances the overall attractiveness of IZs to both domestic and foreign investors.

*With respect to the substance of incentives*, the current legal framework makes a clear distinction between two categories of beneficiaries.

First, for enterprises engaged in the development and operation of IZ infrastructure, tax incentives are applied selectively. According to the 2025 Law on CIT, income derived from real estate transfers—including the sublease of land within IZs—does not fall within the scope of preferential treatment. This rule has been consistently reaffirmed in subordinate legislation and in guidance issued by the Ministry of Finance. However, if investors derive part of their income from technical services, public utilities, or activities classified as priority sectors (such as energy efficiency or technological innovation), that portion of income may still be eligible for incentives. In addition, the 2025 CIT Law establishes a transitional mechanism safeguarding the preferential treatment of projects licensed prior to the law’s entry into force.

Second, for enterprises leasing land or factories in IZs to conduct production and business activities, the 2025 CIT Law introduces a markedly different approach to preferential treatment. Previously, most projects located in IZs (except those situated in favourable economic zones) were uniformly entitled to incentives, typically consisting of a two-year tax holiday followed by a 50% reduction for the subsequent four years. Under the new regime, however, incentives are granted only where projects meet one of two criteria: either they fall within a priority sector or they are situated in areas officially designated as having difficult or especially difficult socio-economic conditions as promulgated by the Government. Consequently, IZs no longer operate as an “automatic” legal basis for tax incentives, but are now embedded within a selective framework designed to target investment more effectively.

This adjustment under the 2025 CIT Law not only reflects compliance with global trends but also demonstrates Vietnam’s strategic orientation in restructuring its tax incentive regime: shifting from geographically broad-based incentives towards a more selective approach aligned with sustainable development objectives, including technological innovation, digital transformation, the green economy, and industrialisation. In doing so, Vietnam seeks to maintain its competitiveness in attracting investment while ensuring fiscal balance and strengthening the effectiveness of tax administration.

#### **4.3. Advantages and disadvantages of legal regulations on corporate income tax incentives**

*With respect to the advantages:*

First, the legal framework governing CIT incentives has become increasingly coherent and consolidated. The current provisions—most notably those contained in the 2025 Law on CIT—have inherited and rectified many shortcomings from earlier phases, thereby moving towards a more transparent, predictable, and investor-friendly regime. According to official assessments, this development enables enterprises to determine their tax entitlements with greater certainty when implementing projects within IZs.

Second, there has been a marked policy shift from geographically based incentives to sector-based incentives. This reorientation enhances the effectiveness of tax incentives by ensuring that resources are channelled more rationally into strategic industries and sectors, such as high technology, innovation, the green economy, and environmentally sustainable activities. Such targeting contributes significantly to Vietnam's overarching strategy for sustainable development.

Third, the institutional coordination among State regulatory bodies has become clearer and more effective. Under the new framework, the IZ Management Boards, the Ministry of Finance, and the Ministry of Planning and Investment are required to cooperate closely in determining and applying CIT incentive policies. The "one-stop, on-site" model has reduced administrative procedures, saving costs and time for enterprises while simultaneously limiting conflicts in the implementation of legal rules across different administrative levels.

*With respect to the challenges:*

First, the legal framework governing CIT incentives remains insufficiently harmonised. Previously, under the implementing decrees of the Law on Investment and the regulations on IZ management, IZs were classified as areas with difficult socio-economic conditions and thus eligible for tax incentives. However, the 2008 Law on CIT (as amended in 2013) and Decree No. 218/2013/ND-CP introduced a separate list of preferential locations, which excluded IZs from area-based eligibility. According to official assessments, this inconsistency led to a significant number of IZ-based enterprises between 2009 and 2016 being denied access to CIT incentives, generating uncertainty and perceived inequity in policy implementation. The 2025 CIT Law has partially remedied this issue by re-establishing consistency between the Law on Investment and the CIT Law, while introducing an inter-agency coordination mechanism for the determination of incentives.

Second, a rigid geographical distinction still persists. Pursuant to Decree No. 91/2014/ND-CP, only IZs located outside first-tier or special-grade urban areas are eligible for CIT incentives. Yet, in practice, most IZs are concentrated in major economic regions adjacent to large cities in order to benefit from superior infrastructure, logistics, and human resources. The denial of tax incentives in these locations has diminished their attractiveness to investors. Recognising this reality, the 2025 CIT Law adopts a revised approach—shifting from an area-based to a sectoral and project-based criterion—thereby enabling IZs in major urban centres to remain eligible for incentives when hosting strategic or high-priority investment projects.

Third, the current regime still fails to ensure adequate protection of the legitimate interests of IZ infrastructure developers. Although the Law on Investment and Decree No. 31/2021/ND-CP identify industrial infrastructure development as a priority investment activity, income derived from such projects has historically been excluded from CIT incentives. This created a policy paradox: infrastructure investors, despite their strategic contributions, received no commensurate fiscal support. The 2025 CIT Law has begun to address this issue by explicitly extending preferential treatment to infrastructure development and operation projects that make substantial strategic contributions to national industrialisation objectives.

Fourth, the practical effectiveness of CIT incentives remains limited. In many cases, tax incentives are not the decisive factor in investors' location decisions—factors such as infrastructure quality, human capital, market access, and policy stability are of greater significance. Accordingly, unless tax incentives are accompanied by comprehensive improvements to the overall investment environment, their impact risks being marginalised. Moreover, weak oversight may foster regulatory arbitrage, allowing enterprises to exploit loopholes through transfer pricing and tax avoidance practices.

In conclusion, "as part of the broader global economic integration process, Vietnam has become an active member of numerous international and regional organisations, including

ASEAN, APEC, ASEM, the WTO, the CPTPP, and the EVFTA..”<sup>7</sup>. According to official statistics and recent investment reports, an increasing number of foreign investors have expressed interest in establishing operations within Vietnam’s IZs. This trend underscores the necessity for a comprehensive and coherent legal framework governing taxation, particularly CIT, applicable to enterprises undertaking investment projects in IZs. In other words, the continued existence of inconsistencies and shortcomings within the current legal provisions on CIT incentives for enterprises investing in IZs indicates that Vietnam’s tax law framework requires further refinement. Strengthening the legal regime in this regard is essential not only to ensure legal certainty and equality of treatment for investors but also to enhance Vietnam’s competitiveness in attracting sustainable, high-quality foreign direct investment in an increasingly globalised economy.

## 5. CONCLUSION

In the context of Vietnam’s deep integration into the global economy, and as an active member of major free trade agreements such as the CPTPP, EVFTA, and RCEP, the formulation and refinement of CIT incentive policies have become increasingly imperative to enhance national competitiveness and attract selective, high-quality investment. According to official assessments, the legal framework governing taxation for enterprises operating within IZs must continue to be reviewed, harmonised, and adjusted with sufficient flexibility to align with evolving economic realities. Such reform is essential to ensure consistency with the principles of a socialist-oriented market economy while adapting to shifts in the international tax order—most notably the emerging global minimum tax regime. A transparent, coherent, and internationally compatible system of CIT incentives will not only strengthen Vietnam’s fiscal governance but also reinforce its position as a competitive and sustainable destination for foreign direct investment in the new era of global economic governance.

## REFERENCES

1. Doan Hong Nhung (chief author) (2017), *Environmental Protection Law in Industrial Zones in Vietnam*, Monograph, ISBN 978-604-62-7695-1, Vietnam National University Publishing House.
2. Doan Hong Nhung (chief author) and Nguyen Thi Binh (2016), *Administrative Sanctions in the Field of Environmental Protection in Industrial Zones in Vietnam*, Monograph, ISBN 978-604-82-1870-6, Construction Publishing House.
3. Doan Hong Nhung (chief author), Nguyen Thi Binh, Luu Tran Phuong Thao, Nguyen Ha Nhat Chi (2020), *Environmental Protection Law in Traditional Craft Villages in Vietnam*, Monograph (First revised and supplemented edition), Vietnam National University Publishing House, ISBN 978-604-62-2743-4.
4. Doan Hong Nhung (chief author), Nguyen Thi Binh, Pham Quang Phuong, Hoang Thi Ngoc Minh (2018), *Environmental Protection Law in Vietnam*, Monograph, ISBN 978-604-62-6808-6, State-commissioned publication, Vietnam National University Publishing House.
5. Doan Hong Nhung, Nguyen Vinh Hung and Khuc Thi Trang Nhung (2023), *Land Use Planning of Industrial Zones in Vietnam Towards Sustainable Development and Climate Change Response*, *Lex Humana*, Vol. 15, No. 2 (2023), ISSN 2175-0947, Publication date: 11 May 2023, <https://seer.ucp.br/seer/index.php/LexHumana/article/view/2598>, p. 549.
6. Government (2008), *Decree No. 29/2008/ND-CP on industrial zones, export processing zones, and economic zones*.

---

<sup>7</sup> Hung, N. V., Thinh, T. C., Ly, N. T. K. (2022\_1). General Partnership in the Vietnamese Commercial Environment. *International Transaction Journal of Engineering, Management, & Applied Sciences & Technologies*, 13(3), pp. 01. <https://doi.org/10.14456/ITJEMAST.2022.57>

7. Government (2018), *Decree No. 82/2018/ND-CP on the management of industrial zones and economic zones*.
8. Government (2023), *Decree No. 35/2022/ND-CP on the management of industrial zones and economic zones*.
9. Hanoi Law University (2018), *Textbook on the Law on State Budget*, People's Public Security Publishing House, p. 7.
10. Hanoi Law University (2020), *Textbook on Vietnamese Tax Law*, People's Public Security Publishing House, p. 217.
11. Hung, N. V., Thinh, T. C., Ly, N. T. K. (2022), *General Partnership in the Vietnamese Commercial Environment*, *International Transaction Journal of Engineering, Management & Applied Sciences & Technologies*, 13(3), p. 1. <https://doi.org/10.14456/ITJEMAST.2022.57>.
12. Khuc Thi Trang Nhung (2022), *On Corporate Income Tax Incentives for Enterprises with Investment Projects in Industrial Zones*, *Journal of Human Resources and Social Sciences*, No. 106.
13. National Assembly (2008), *Law on Corporate Income Tax* (as amended and supplemented in 2013 and 2014).
14. National Assembly (2020), *Law on Investment*.
15. Nguyen Minh Hang (chief author, 2011), *Textbook on Public Finance Law*, Vietnam Education Publishing House, pp. 119–121.
16. Nguyen Thi Lan Huong (2016), *Tax Law: Theory, History, Current Situation and Comparison*, National Political Publishing House, p. 5.
17. Nguyen Thi Trang (2014), *Master's Thesis: "The Law on Investment Incentives for Enterprises in Industrial Zones: Some Theoretical and Practical Issues"*, Faculty of Law, Vietnam National University, Hanoi.
18. Nguyen Vinh Hung (2020), *Personal Income Tax Law: Some Shortcomings and Recommendations*, *Vietnam Journal of Science and Technology*, No. 04, p. 28.
19. Office of the National Assembly (2020), *Law on Corporate Income Tax*.
20. Thailand (1999), *Law on Foreign Business and Investment*.
21. Website: <https://vi.sblaw.vn/che-do-thue-cho-doanh-nghiep-kinh-doanh-tai-nhat-ban/>,  
23 December 2019, accessed 10 September 2021.  
Website: <https://blogs.imf.org/2021/06/09/the-benefits-of-setting-a-lower-limit-on-corporate-taxation>, 9 June 2021, accessed 10 September 2021.