

Specific law for SMEs being drafted

The Ministry of Planning and Investment (MPI) is drafting a law to specifically support small and medium-sized enterprises (SMEs).



About 550,000 SMEs to benefit if law adopted.

The draft law introduces a number of incentives for commercial banks when their minimum loan ratio for SMEs reaches 30 per cent or if they have preferential interest rates for SMEs.

In corporate income taxes, the draft stipulates that startups will pay 5 per cent less for the first five years.

Agencies and organisations that use the State budget for public procurement are to spend a minimum of 20 per cent of such funds or have 20 per cent of all purchasing contracts go to SMEs. This is expected to assist 40,000 SMEs.

The draft also stipulates five support programmes for SMEs: support for startups, support to enhance production capacity, support to develop industry clusters and value chains, support in innovation, and support in integration.

It will be completed for submission to the National Assembly in July. If approved about 550,000 SMEs are expected to benefit.

Deputy minister of Planning and Investment Dang Huy Dong said the draft will be the peak legal framework for SMEs. "SMEs account for 97 per cent of all enterprises throughout the country and have an important role in the economy," he was quoted as saying. "They are often 'weak', however, because support has not been truly effective."

Le Duy Binh, director of the Economica Consulting Company, said the law would create about 8.5 million new jobs, of which 7.5 million will be in new enterprises.

MPI previously launched a VND2 trillion (\$89.8 million) development fund for SMEs that aims to provide support to those with a solid business plan and in need of capital. It will also receive, manage and use both government and non-government capital, participate in encouraging enterprise policy, and carry out international support for SMEs.

Over the last five years there had been programmes in place supporting businesses in general but no specific development plans for SMEs. These programmes have proven to be disjointed, having been designed by different ministries, and have therefore been unable to provide convenient access for SMEs, deputy minister Dong told a workshop on SMEs.

To Hoai Nam, deputy Chair of the Vietnam SME Association, emphasized that support should be based on actual needs for the development of SMEs.

“Ninety-nine per cent of SMEs do not aim at becoming giants,” he said. “They only need proper policies to develop sustainably.”

According to figures from the general Statistical Office, in the first five months of this year 44,740 enterprises were newly registered with total registered capital of VND349.5 trillion (\$15.7 billion), an increase of 24.1 per cent in number and 59.3 per cent in capital year-on-year. Average registered capital was VND7.8 billion (\$390,000), up 28.4 per cent.

The number of enterprises re-starting after suspending business activities in the first five months was 12,999, up 75.6 per cent year-on-year. The number that completed procedures for dissolution or terminated business activities in the first five months was 4,643, 19.5 per cent higher year-on-year, of which most were small-scale businesses with registered capital of less than VND10 billion (\$500,000).

Source: intellasia.net