

NA to consider SME support

MoF to recommend CIT cuts to NA meeting starting on October 20 with MPI to propose wide-ranging support package.



Tax incentives may be introduced for small and medium-sized enterprises (SMEs) under a government proposal to be submitted to the National Assembly (NA) at its second meeting, opening on October 20.

The Ministry of Finance (MoF) has drafted a resolution on cutting corporate income tax (CIT) rates for SMEs to 17 per cent in the 2017-2020 period to meet the target of increasing the number of domestic enterprises to 1 million by 2020, Mr. Pham Dinh Thi, Director of the Department of Tax Policy at MoF, told local media.

In the 2014-2015 period SMEs were subject to a CIT rate of 20 per cent while large companies paid 22 per cent. From January 1, under the amended of Law on Corporate Income Tax, all types of enterprises were subject to a rate of 20 per cent.

In explaining why the new CIT rate for SMEs has been set for only the 2017-2020 period, Mr. Thi said that the resolution is unable to set a permanent rate and must have a specific timeframe. "MoF has periodically proposed a CIT rate of 17 per cent, which we review and research to amend the Law on Corporate Income Tax, but the final decision is made by the NA," he said.

The lower CIT rate for SMEs will not significantly affect State budget revenue, he added. "Collections from SMEs with revenue of less than VND20 billion (\$896,600) per year would fall by VND473 billion (\$21.2 million) a year," he said. "Collections from those with revenue of less than VND100 billion (\$4.48 million) per year would be down by VND1.5 trillion (\$67.24 million) a year. Supportive and encouraging policies would help to increase the number of new enterprises."

The startup community would also benefit from the resolution, as most are defined as SMEs.

To increase the number of enterprises to 1 million by 2020, the Ministry of Planning and Investment (MPI) has drafted the Law on Supporting SMEs, which will also be submitted to the NA during this session. The draft includes six chapters and 45 articles on entering and withdrawing and approaching credit, finance, and technology, among others. It will not directly provide credit to SMEs but will provide support through policies and mechanisms that create favorable conditions for SMEs.

The Law on Supporting SMEs is suitable under the commitments Vietnam has made in the TPP, with SMEs contributing to the economy's comprehensive development.

SMEs account for the majority of Vietnamese enterprises and are considered a pillar of the economy, accounting for 97 per cent of all enterprises, employing over 50 per cent of the workforce, and contributing 40 per cent of GDP.

Source: vneconomicstimes.com