
High-tech transfers gain tax breaks

Firms that transfer high technology and conduct technological innovations in Vietnam are expected to enjoy special financial incentives in the future.

According to the draft amendments to the Law on Technological Transfer, firms will get special tax incentives if they import machinery, equipment, materials, and means of transport into Vietnam that have yet to be produced in the country, and that are directly used for research and development (R&D) activities, technological innovations, and technology transfer within Vietnam.

During discussions at the National Assembly last week, it was proposed that these items be exempt from import taxes.

Under the draft law, businesses will also be given special tax incentives if they expand their performance with the application of new high technology.

The draft amendments, which are expected to be adopted this month and take effect on July 1, 2017, clearly define 'high technology' as technology that is beneficial in R&D, which can create high-quality products with high added value. High technology can also be used in the production or service sectors, and to modernise the existing production or service sectors.

Individuals and organisations that invest in high technology in Vietnam or support firms in technological innovations will also be eligible for tax incentives.

Moreover, enterprises that invest in technological decoding in infrastructure and those conducting other types of decoding will be supported by the government in terms of capital and loans from the National Technological Innovation Fund and other credit organisations.

According to the draft amendment, the government will provide details for all the financial incentives.

In the existing Law on Technological Transfer issued in 2006, these incentives are unclear, making it unattractive for enterprises to transfer high technology and conduct technological innovations.

For example, Da Lat Hasfarm Company claimed it was once forced to pay duties for its imported modern greenhouses, which were in fact exempt from import taxes as they could not be produced locally.

Although the incentives in the draft amendments have yet to be detailed, they received a thumbs-up from some National Assembly members.

Deputy Nguyen Thi Le Thuy representing Ben Tre province said that these incentives are encouraging signals for Vietnam to lure more high technology.

"If the incentives are detailed and clarified, I believe they will encourage more foreign firms to bring state-of-the-art technologies into Vietnam," Thuy said. "However, I would suggest that these incentives be harmonised with the existing tax-related regulations, in order to avoid overlaps."

Deputy Nguyen Thi Thu Dung representing Thai Binh province proposed that in addition to tax incentives, firms conducting technological transfer processes and high-tech investments should be given special bank loans and lending rates.

“The country is in critical need of high technology. Only when firms are given incentives can they be ready to invest in and transfer high technology in Vietnam,” Dung said.

However, Tran Nam Long, attorney at law and partner at Elite [law firm](#), told VIR that during his discussions with leaders of foreign enterprises in Vietnam throughout the years, these enterprises said that although Vietnam may offer new incentives, they will only be ready to introduce high technology into the country when “the Vietnamese firms are strong enough, and the Vietnamese market’s size is large enough.”

“Foreign firms tend to invest in high technology in big markets like China for production, and then export products to Vietnam,” Long said, adding that Vietnam’s [intellectual property](#) protection is not good, which will continue making it difficult to have high technology from foreign firms.

Long is now conducting a survey on technological transfer in Vietnam. However, only one fifth of enterprises surveyed have responded to the questionnaire. “But the answers we have received show that these firms have no demand for technological transfer or have no capital to invest in high technology.”

“I almost think that the new incentives in the new Law on Technological Transfer won’t make big breakthroughs in attracting high technology,” Long said.

Source: [intellasia.net](#)