Vietnam, US look to early conclusion of TPP negotiations

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Vietnam Economy Creating Growth Momentums

Vietnam's economy has gone a half way of 2015. The economy featured positive results in the first six months, including stable production, high growth, growing consumer confidence and revitalizing financial and monetary markets. Vietnam's GDP was expected to climb 6.2 percent in 2015. But, according to many specialists, the growth may reach 6.5 percent in the year.

Optimistic economy

In 2015, the economic performance has been better in the first months, featured by the first quarter GDP growth of 6.03 percent, the highest in five years. Consumer price index (CPI) rose 0.04 percent in April, the lowest in many years. Market management was effective, with many key commodities like petroleum regulated according to market rules. Although there were worrying forecasts that the sharp fall in crude oil prices would affect State budget revenue, the budget collection still increased on industrial production outperformance and solid-growing consumption. Domestic budget revenues rose 17 percent year on year to from VND238.7 trillion in the first four months, bringing gross State budget revenue to VND314.1 trillion in the period, equal to 34.5 percent of the full-year estimation and up 9.4 percent year on year.

State budget expenditure stayed tuned to estimations. The total expenditure reached VND94.75 trillion in April 2015, totaling VND362.7 trillion in the first four months, equal to 31.6 percent of full-year estimations and up 9.5 percent against the same period of 2014.

Maintained macroeconomic stability and improved business confidence are providing the foundation for lowering government bond yields. The State Treasury issued VND62,370 billion worth of bonds as of April 20, 2015, a decrease of VND10,784 billion (15 percent) from the same period of 2014.

Credit also grew in the first months. More credit had been pumped into priority sectors and fields. The liquidity of the banking system stabilized. Deposit value reached VND4,000,438 billion in the January-April period, just 0.02 percent lower than a year-ago period. According to a statistical report on over 300 listed companies by Viet Dragon Securities Company, listed companies fared well in the first quarter. Over 60 percent of listed firms reported revenue and profit growth. Some 20 percent of enterprises posted revenue and profit growth of over 25 percent, led by construction, real estate, services and mining industries.

Challenges remain

However, in spite of positive performances in the early 2015, the Vietnam economy is being posed to numerous challenges, including unsustainable growth, slowing agricultural and fishery growth, and service sector in hardship.

To go beyond difficulties and develop solidly, Vietnam's economy must endeavor to complete the targets set for 2015 in the following months, improve the investment climate, remove production difficulties and promote growth. Vietnam must coordinate monetary policy, fiscal policy and other policies to ensure macroeconomic stability and economic balance while regulating interest rates in line with inflation development.

Besides, Vietnam needs to focus on agricultural development to increase the value of agricultural production. To do this, it must have really effective agricultural and rural development policies to boost sales and build up brand names in both domestic and international markets.

In addition, to mobilize resources for development investment, especially after free trade agreements going into force, Vietnam should seek to expand export markets, boost exports and develop brand names on international markets. It also needs to continue with its current policies on regulating prices of essential commodities (electricity, water, health, education, etc) towards market rules. *[Si Son]*

Cloud Computing Application in Banking: Appropriate Strategy Needed

Cloud computing, with its attractive benefits, is making revolutionary changes in information technology operations worldwide. However, cloud computing application in the banking sector in Vietnam still faces many challenges and needs strategies and roadmaps for development.

Perhaps, the biggest challenge in cloud computing in banking operations is banking data security and customer confidence. In the angle of users, data security lines in basic features such as access, navigation and ownership. From the angle of vendors, they carry out all solutions with a lot of commitments to confirm that the user data are absolutely protected in the cloud. However, this cannot convince important customers because, if the data is the soul of an organization, they obviously do not want to give the right to keep their soul to someone else. This is the biggest challenge for cloud computing application in banking operations in Vietnam in particular and other sectors with important data in the economy in general. Besides, the lack of a legal framework for IT leasing services, IT auditing, service quality assessment, complaint handling and compensation is also a major obstacle.

On the deployment of cloud computing in banking operations in Vietnam, the Prime Minister's Decision No 80/2014/QD-TTg on IT leasing services in State agencies, effective on February 15, 2015, is considered a signal paving the way for the outsourcing of IT services in government agencies to optimize costs and increase productivity and performance of human resources management.

Citing a credit institution survey by the SBV Information Technology Department in the first quarter of 2014, with 31 out of 35 banks responded on cloud computing application in banking operations, 24 banks (77 percent) surveyed have plans for cloud computing application in banking operations as of the end of December 2014, of which 16 banks (67 percent of banks with application plans) will choose private cloud, three opt for public cloud (public) and six prefer hybrid cloud. Survey results reflect the agility of domestic banks to new technologies. However, if banks choose private cloud computing, they will not get considerable benefits from that cloud computing generates. Private cloud computing environment allows absolute control over IT resources, application of strict security measures and the banks will have to operate and maintain IT systems on their own.

The experts recommended that, to optimize costs without affecting data security, hybrid cloud computing is considered more appropriate. While maintaining IT infrastructure for important applications like core banking and customer management on their own, credit institutions may outsource IT service for testing environment, application environment and training environment. The separation of private cloud and public cloud applications depends on data security strategies of credit institutions.

Cloud computing construction is a process that banks should begin from the process of centralization and virtualization of server infrastructures and networks. Building cloud is not difficult but administrating it will be a very hard task that requires the professional operation of IT organizations. This will take a lot of time and resources. Besides, with IT outsourcing trends, using public cloud computing services is also a suitable option for small-scale banks with limited investment costs and IT resources. But, the selection of service vendors is very, very important to ensure the confidentiality of information and safety of active data and continuous operations of information systems. *[Thu Ha]*

5 noticeable records about the outbreak of the current stock market

VnIndex reached 625 points, fallen-shares is now rebounded, the foreign investors are sharply buying… Stock market becomes hotter after Government policy was announced.

1. **Foreign capital inflows.**

Mentioned in the recent time by the Decree 60/2015/ND-CP for foreign Room as following:

- Loosen Room (ownership ratio) for foreign investors to join Vietnam stock market.
- Not restrict investment in Government bonds, Corporation bonds for foreign investors.
- Shorten time for the equitized enterprise to register for trading on Upcom system, Listing system.

However, this Decree will be effective from the beginning of September and there has not really any specific guidance. Foreign capital flows are currently anticipating to be proactive this policy.

2. **Cash flow is not too demonstrative on a group of stocks.**

There are nearly 45 trading codes on HOSE achieved liquidity of over 1 million stocks. Cash flow was into the market on a large scale without focusing on any group of stocks ensuring for market sustainability.

3. **Housing Law (amended) and Real Estate Business Law (amended) have been effective from July have had an immediate impact on the business activities of many enterprises.**

The new Law which had an immediate impact on the business activities of enterprises means the enterprises can get more benefits from this Law will be able to record its high revenue, profits from this quarter. For example, VinGroup has offered Vinhomes Central Park apartments for foreigners and overseas Vietnamese and within 2 hours, foreigners and overseas Vietnamese registered to purchase 112 apartments.

4. **Money of Securities companies is not lacking**

The total amount of deposits of investors in the top 10 brokerage companies on HOSE in the end of the quarter 1/2015 reached to 5236 billion -a little higher than 5200 billion of the beginning of this year. That's not still to mention the strong cash from activities increased capital stock of the company in the past. This strong cash sources was waiting for a chance and perhaps, it's time to activate them.

5. **Many investors show their impatience**

Many comments show that the side, the main beneficiaries in the last price increases of market, was the institutional investors and only few of Individual investors could get profits. So, when realizing suddenly the market's excitement for rising simultaneously on the 2 floors with the large liquidity, many people have expressed and even took more orders following ceiling price or ATC.

[R&C Dept., following Phuong Chi]

Not entering TPP yet, but billions of dollars have poured in Vietnam

A wave of textile investment has poured into Vietnam to be proactive the TPP. These billion-dollar projects could bring much good news to attract investment but also create long-term pressures on enterprises and the economy.

Consecutive big projects

Attraction of Foreign Direct Investment (FDI) in the first 6 months of 2015 dropped significantly but the textile industry sharply increased. In the total of 5.85 billion USD investment capitals, textiles occupied $ 1.12 billion, with 3 major projects, including the project up to 660 million, the highest ever.

The $660 million project belongs to Turkish investors, building the factories which is going to manufacture and process fiber in Dong Nai. In addition, there also has $ 300 million project to produce garments by UK investors in HCMC and fiber plant project, fabric color project in Tay Ninh province with $ 160 million investing capital of Hong Kong investor.

Earlier, the textile industry has had three major projects belong to the Chinese investors, including $400 million project to build textile industrial zone in Nam Dinh; $300 million project of Texhong in Quang Ninh and $200 million project of TAL in Hai Duong.

Many China's textile and garment enterprises have decided to invest in Vietnam to build factories spinning, weavings, dyeing ... In Ho Chi Minh City, the Forever Glorious company of Sheico group (Taiwan) pledged to invest 50 million USD to deploy a project from textile fabrics step to producing the garments dedicated premium for water sports. Gain Lucky Limited company of Shenzhou International group (China) will invest $140 million to develop the Center of Fashion design and high-grade garments productions project.

In Northern areas, Yulun Textile Group Jiangsu (China) has recently licensed by Nam Dinh province to invest in projects such as fiber productions, weavings, dyeing with $ 68 million in total investment capital... The reason attracting many textile projects due to Vietnam's labor cost is low, with the impact of Free Trade Agreements, especially TPP is almost accomplishment.

Vietnam Textile and Apparel Associations (Vitas) said that, at present, the average tax rate of textile products exported to the US from Vietnam is 17% - 30%, if it is reduced to 0%, we will get a huge competitive advantage, compared to other countries. Distinctive feature of the TPP's rules of trading items origin (Conversion Rate Optimization-CRO) . Due to get the tax rate 0%, the participating countries have to adhere well to the rules of origin for each product. That's mean it has to use domestic textile fiber materials for the textile industry. So, many foreign investors have invested a huge capital in Vietnam to produce yarns, weavings, dyeing, sewing…

Challenges for domestic enterprises

The biggest challenge of Vietnam's garment sector is depending on the foreign raw materials. According to statistics, Vietnam still imported nearly 50% for textile raw materials, mainly from China. China did not join the TPP, so the US trade negotiators have asked Vietnam to reduce dependency on raw materials from Chinese textiles materials to get the preferential tariff treatment when entering the United States.

Currently only the Vietnam Textile and Garment Group (Vinatex) is investing strongly for fiber production, textile staining ... Since 2013, Vinatex has invested 51 projects, including 14 projects of fiber, 15 projects of Textile projects, 15 projects of sewing ...

with total investment of over VND8.000 billion. Upon completed in 2016, the project has the ability to meet 50-60% of the needs of the corporation. With Vietnam small firms which are not enough investment capital to develop in raw materials, are very worry about this issue.

Vietnam is currently the 2nd in the textile field, after China. But the distance is still quite far. Competition with China is almost impossible, that’s why the others consider Vietnam as a direct competition. It puts the domestic firms in front of an enormous challenge. According to Vitas, currently in more than 3000 textile companies in the country, the number of FDI enterprises is occupying about 25% but more than 60% of total export turnover of the country. And most of the FDI companies are continuing to expand production nationwide to meet export demand. Thus, for the textile sector, despite the number of companies and their scale of operation is considered relatively strong, but there is still a big gap with FDI enterprises.

With many businesses in Vietnam, mainly performed the garment, low added value, small-cap, backward technology, said to be in trouble, do not play in terms of productivity, quality, cost, probably become the employed enterprises for FDI enterprises which have strong potential.

Along with the biggest worries of Vietnam's textile and garment enterprises of human resources are "bleeding". Some textiles FIEs are aggressively hunting for high-quality human resources to expand producing and compete with rivals. Actually, a Srilanka’s textile company invested in the Pho Noi industrial zone (Hung Yen), although capital is not that large, it is looking for the key personnel, ready to pay wages from USD 3000-3500/person/month. This is a quite interesting salary that most of domestic companies are too hard to satisfy. With a free hand "to spend money" FDI enterprises will certainly successfully entice the qualified staff from the local firms. That is extremely worrisome.

In summary, the world is coming to integrate with Vietnam. Whether or not, Vietnamese enterprises still have to participate in "the play yard". If Vietnam's garment enterprises do not be hurry, the policy is not timely, Vietnam are still only employees when standing in front of this opportunity.

[R&C Dept. Following Tran Thuy]

8 project using Japan ODA of phase 1 in the fiscal 2015

List of programs and projects using ODA loans from Japan Government of phase 1 in the fiscal 2015 year has been approved by Prime Minister.

1. Construction Project for Urban Railway Line 1 (Ben Thanh - Suoi Tien) of HCM City;
2. Construction Project for Thermal Power Plant Thai Binh 1 and the transmission lines;
3. Construction Project for Infrastructure of international gateway ports in Hai Phong (Lach Huyen);
4. Construction Project for Infrastructure of international gateway ports in Hai Phong (Lach Huyen): bridge and road sections;
5. Construction Projects for the north - south expressway (a part of Da Nang - Quang Ngai);
6. City Water Environment Improvement Project (Phase 2);
7. Program for Support to cope with climate changing (SP-RCC);
8. Program for Supporting for the economy management and enhance economic the competitiveness (EMCC).

[R&C Dept.]

Vietnam's Habeco stalls move by Carlsberg to increase holding to 30%

The Hanoi Beer, Alcohol and Beverage JSC (Habeco) appears to have deferred, rather stalled the move by its strategic partner Carlsberg Breweries A/S, to increase stake in the company.

In 2012, Habeco had planned to organise an extraordinary shareholder meeting, to get approval from its investors to increase the holding of the foreign brewer from 17.23 per cent to 30.23 per cent. However, the meeting was then cancelled, and no such meeting has since been announced. As per the 2012 deal, Carlsberg was to buy 30.134 million shares at VND50,015 each from Habeco, and at this price point, the Vietnamese company was valued at VND1.507 trillion ($72.4 million).

Carlsberg has been a strategic investor in Vietnam's second largest beer company since 2008.

Meanwhile, Nguyen Hong Linh, chief executive of Habeco, denied that there were any disputes between the partners. Habeco attributed the reason for deferring Carlsberg's move to raise stake in it, stating that "the increased holding for a strategic partner must be carefully examined".

The state owns a controlling stake of 81.8 per cent in Habeco, while Carlsberg holds more than 17 per cent. Nearly 700 other shareholders collectively own just 0.72 per cent.

Fierce competition, cautious targets

The local beer market is witnessing fierce competition. As this is a segment that the government is not mandated to retain a controlling interest, Vietnam has seen both international and local private companies vying for dominance and market share.

Masan Group**,** one of the country's largest private businesses, has forayed into this market with the Su Tu Trang (White Tiger) beer brand. Meanwhile, another state-owned beer manufacturer, the Saigon Beer, Alcohol and Beverage Corporation (Sabeco), which is also Vietnam's biggest brewer, has planned to reduce its state holding to just 36 per cent.

Nine companies have submitted bids to acquire the stakes, Sabeco earlier unveiled. Those include Thai Beverage Group**,** Singha Corporation **–** another Thai brewer, Japan's Asahi, Breweries**,** Heineken (which already holds five per cent in Sabeco), and the US-based SAB Miller. Meanwhile, Habeco is trying to boost exports to markets like Taiwan, Japan, Korea, China and Europe, to make up for domestic competition. However, the brewer will continue to retain its local market share, especially in the centre and the south of Vietnam.

Habeco has put a number of new plants into operation and will also inaugurate a few others within this year. In 2014, customers consumed 500 million litres of its beer, which represents a 2.8 per cent increase year-on-year.

Habeco, as a parent company, earned VND968 billion ($44.8 million) profit after tax, rising 21 per cent. With 14 over 16 subsidiaries reporting gains, the consolidated profit reached some VND1.1 trillion. The firm targets at just 508 million litre consumption this year and a lower profit of VND911.4 billion, for the parent company.

[Dealstreatasia]

Sabeco must pay US$18.68 million in luxury tax

The state audit office has ordered the country's largest brewer, Sabeco, to pay VND408 billion (US$18.68 million) in luxury tax it allegedly owes from 2013. It has accused Saigon Beer Alcohol Beverage JSC, producer of the popular Saigon Beer, of rigging prices within its system of 11 distributors to pay less tax. Luxury tax is calculated on the price at which a producer sells products to distributors, and this must be at least 90 percent of the price at which the distributors then sell. The tax was 50 percent for beer in 2013. Sabeco paid the tax based on the price it set for Sabeco Trading Co. Ltd, which it fully owns, the audit office said in its report to the Ministry of Finance. The distributor then sold beer to 10 "regional" distributors in each of which Sabeco owns a 90-94 percent stake, it said. This allowed Sabeco to set low prices and pay less taxes, an unnamed finance ministry official was quoted as saying by the newspaper.

In its report, the audit office recommended that the ministry should order Sabeco to pay taxes on the price at which its regional distributors sell to retailers. If this is accepted, the brewer would have to pay a total of VND4 trillion ($183.23) for 2008-14. But the audit office asked the company to pay its 2013 debts first, saying since the total amount is huge, Sabeco would need time to pay up.

No violations

In response to the state audit office's charges, Sabeco has "continuously" filed complaints with relevant ministries, claiming it did not violate any rules, the newspaper reported. The proposal to change the method of calculating tax, if approved, would change the company's financial indexes like profits, affecting employees' salaries, it warned. Moreover, the company's profits since 2008 have already paid out as dividends to shareholders, and so it would be difficult to pay the so-called debts, it said.

It offered instead to pay VND58 billion ($2.65 million) in back personal and corporate taxes. Sabeco made an initial public offering (IPO) in January 2008, after which the state holds an 89 percent stake. Earlier this year the Ministry of Industry and Trade called for allowing the company to sell more shares and bring down state ownership to 36 percent. In May the company said its net profit this year would rise 8 percent to VND3.29 trillion ($151 million) due to higher output and lower production costs.

Law amendments?

Thanks to Sabeco pointed out that many other large companies like Hanoi Beer Alcohol and Beverage Joint Stock Corp. and Vietnam National Tobacco Corporation have similar distribution systems. So, the ministry is drafting a new decree that is expected to help stop pricing manipulation following recent proposals by state inspectors and the state audit.

[Talkvietnam]

Transport enterprises to divest from non-core businesses

According to the report of the accomplishments of the first six months of 2015 and outlining tasks for the next sixth months, from the beginning of 2015, the ministry completed capital divestment from 19 companies, collecting a total amount of almost 1.49 trillion VND (68 million USD). Corporations were also given the green light to withdraw capital from 27 of their affiliates and associated companies besides removing State capital from two local inland waterway management and maintenance companies.

Besides, The ministry recommended the Prime Minister approve capital divestment via tenders and at a larger amount than stipulated in Decision No 37/2014/QD-TTg for 23 enterprises, totalling 5.5 trillion VND (252 million USD). Regarding the rearrangement, reform and equitisation, the ministry would step up the restructuring of nine corporations, including the Shipping-Building Industrial Corporation; Vietnam National Shipping Lines; Vietnam Expressway Corporation; Cuu Long Corporation for Investment, Development and Project Management of Infrastructure; the Aviation Corporation of Vietnam; and the Central Transport Hospital, among others.

In the next six months, the ministry would strive to complete the equitisation of all enterprises where the State does not need to hold 100 percent of capital in 2015. After 2015, the ministry should only have control of four corporations and two companies: the Vietnam Railways, Vietnam Air Traffic Management Corporation, Northern Vietnam Maritime Safety Corporation, Southern Vietnam Maritime Safety Corporation, Vietnam Maritime Communication and Electronics LLC and the Transport Publishing House.

[VNA]

PM allows real estate capital for investment fund

Official letter No. 2570/BTNMT-TCMT dated June 25th, 2015 of the Ministry of Natural Resources and Environment regarding the temporary guidance on description of scraps, quality - related requirements and use purpose of scraps as production materials.

This official letter is enclosed the Appendix of the temporary guidance on import conditions (including description of scraps, quality - related requirements and use purpose) of the scraps without the environmental national technical standards below:

1. Plaster (HS 2520.10.00)
2. Granulated slag (slag sand) from the manufacture of iron or steel (HS 2618.00.00)
3. Chemical elements doped for use in electronics, in the form of discs, wafers or similar forms (HS 3818.00.00)
4. Silk waste (HS 5003.00.00)
5. Cullet and other waste and scrap of glass; glass in the mass (HS 7001.00.00)
6. Copper waste and scrap (HS 7404.00.00)
7. Nickel waste and scrap (HS 7503.00.00)
8. Aluminium waste and scrap (HS 7602.00.00)
9. Zinc waste and scrap (HS 7902.00.00)
10. Tin waste and scrap (HS 8002.00.00)
11. Tungsten waste and scraps (HS 8101.97.00)
12. Molybdenum waste and scraps (HS 8102.97.00)
13. Magnesium waste and scraps (HS 8104.20.00)
14. Titanium waste and scraps (HS 8108.30.00)
15. Zircon waste and scraps (HS 8109.30.00)
16. Antimony waste and scraps (HS 8110.20.00)
17. Manganese waste and scraps (HS 8111.00.00)
18. Chrome waste and scraps (HS 8112.22.00)

This temporary guidance shall be applicable until the environmental national technical standards of the aforesaid imported scraps are promulgated.

Under the new provisions provided in Article 58 of Decree No. 38/2015/ND-CP, from June 15th, 2015, enterprises importing scraps as production materials must deposit imported discarded materials from 10% - 20% of the total value of imported discarded material shipments. The purpose of deposit is to handle risks, risk of environmental pollution that may arise from the imported discarded material shipments.

[Ms. Phuong Thao]

The temporary guidance on conditions of importing scraps

Under the recently issued Decree 60/2015/ND-CP, which details how to implement the specific provisions of the Securities Law, investors will also be allowed to contribute capital through real estate to increase the charter capital of the real estate investment fund.

However, investors need to meet two requirements to become eligible for the new regulation.

Firstly, their real estate must meet the regulations of the fund, as well as the investment targets and policies of the fund.

Secondly, the real estate must be legally owned by investors and should not be limited to the rights to transfer its ownership or to use the real estate; the real estate is not a guaranteed asset pledged or paid as a security, nor is it blockaded.

The decree regulates that the assessment of a real estate value, which has been planned to be contributed to the investment fund, must be carried out by two independent price assessment organizations in line with the current regulations on price assessment, on real estate business, as well as other regulations. The assessment must be carried out for no longer than six months.

In case of setting up a real estate investment fund, the value of assets contributed must be approved by all investors who also contribute capital to the fund through real estate, and the fund founders (if available).

In case of increasing the charter capital of the fund, the value of assets contributed to the fund must be approved by the fund's shareholders.

[VIR]

Some provisions on EIT are amended further from 2015

Circular No. 96/2015/TT-BTC dated June 22nd, 2015 of the Ministry of Finance guiding on enterprise income tax in the Government's Decree No. 12/2015/ND-CP dated February 12th, 2015 detailing the implementation of the Law on amendments, supplements to a number of articles of tax Laws and amendments, supplements to a number of articles of tax Decrees and amending supplementing to a number of articles of Circular No. 78/2014/TT-BTC dated June 18th, 2014, Circular No. 119/2014/TT-BTC dated August 25th, 2014 and Circular No. 151/2014/TT-BTC dated October 10th, 2014.

This Circular is to amend, supplement to a number of provisions on enterprise income tax (EIT) provided in Circular No. 78/2014/TT-BTC , Circular No. 119/2014/TT-BTC, and Circular No.151/2014/TT-BTC

Accordingly, there are noticeable points provided in this Circular as follows:

- Incomes from projects of investment outside Vietnam are allowable to be declared in the EIT finalization of the year when the incomes are transferred to Vietnam instead of being declared in tax finalization of the year following the fiscal year when the incomes are generated (Article 1, Article 4).
- Profits earned, losses suffered from projects of investment outside Vietnam are not allowed to be offset against domestic losses, profits (Article 1)
- Incomes from services must only be declared and pay EIT at the time of completing the service provision or completing parts of the service provision, regardless of invoices have been already made earlier (Article 3)
- Some fixed assets are deducted when determining EIT, including: libraries, kindergartens, sport areas (including internal equipment, furniture); material facilities, machinery, equipment reserved for occupational education activities (Article 4)
- Other allowances of mission-trip expenses are also accounted according to actual amount stated in invoices, receipts similarly to travelling expenses, accommodation costs instead of being subject to any limited norm (Article 4)
- Invoices, receipts of mission-trip expenses made payment via banking cards of individuals are also regarded as meeting the requirements of via-bank payment, provided that they are specified in regulations on finance or internal regulations of enterprises (Article 4)
- If an enterprise has already contributes sufficient charted capital, expenses of interest on loans for investing in other enterprises shall be also deducted (Article 4)
- Expenditures on occupational education activities, vocational training shall be accounted into reasonable expenses and shall not be subject to any limited norm (Article 4)
- Enterprises are allowed to transfer their first tax period that is eligible for EIT incentives to the next tax year if the former is under 12 months (Clause 5 Article 10)

This Circular takes effect from August 6th, 2015 and applies to EIT periods from 2015 onwards

Point 2.21 Clause 2 Article 6, Clause 5 Article 20 of Circular No. 78/2014/TT-BTC and the contents guiding on EIT promulgated by the Ministry of Finance and branches that are not appropriate to this Circular shall be annulled.

[Ms. Phuong Thao]

Fiscal Policies Help Businesses Deal with Difficulties

Vietnam has introduced a lot of policies in support of businesses to tackle difficulties, develop production and business operations and stabilise financial positions in the face of a volatile global economy.

The National Assembly and the Government of Vietnam have adopted and applied comprehensive tax and credit measures, sped up trade promotion programmes, developed capital markets, and reformed administrative procedures in a bid to assist businesses to deal with difficulties in production and business activities, and support the market. Resolution 08/2011/QH13, Resolution 29/2012/QH13, Resolution 13/NQ-CP, Resolution 02/NQ-CP, the Law on Amendments and Supplements to a Number of Articles of the Law on Value-added Tax (VAT), and the Law on Amendments and Supplements to a Number of Articles of Corporate Income Tax and hosts of other financial solutions have been deployed consistently to remove difficulties against businesses and support business development.

One, reducing and extending land rent payments to support businesses in production spaces. Beneficiaries will enjoy a 50 percent reduction in land rent in 2011 and 2012 (for manufacturing enterprises) and 50 percent in 2012 (for service and trade companies).

The land rent reduction is applied to economic entities engaged in production, trade, services, households and individual. Financially troubled project owners will be allowed to deter their land rent payments until they have incomes. This policy has helped businesses reduce land rent costs and help more funds to stabilise and develop production activities.

Second, the Government issued policies on VAT and Cit reduction, exemption and rescheduling in a bid to help enterprises to increase capital for business activities, particularly small and medium-sized enterprises (SMEs).

Besides, the Government enacted policies to unfreeze the capital market, and encourage enterprises to issue bonds to raise funds instead of conventional mobilisation channels. In 2014, they mobilised VND26,722 billion of corporate bonds, or 2.3 percent of GDP, to fund their operations.

In addition, the Government had policies to boost operations of State financial funds such as SME Credit Guarantee Fund via the Vietnam Development Bank (VDB) and local credit guarantee funds to increase capital access for enterprises. The introduction of Decision 58/2013/QD-TTg in place of Decision 193/2001/QD-TTg provided better conditions for SMEs to access capital sources. Specifically, conditions for credit guarantee are eased. Collateral requirements drop from 30 percent to 15 percent of the loan value and companies must have at least 15 percent of owner's equity injected into projects. The only SMEs are subject to credit guarantee by the SME Credit Guarantee Fund. The Credit Guarantee Fund can guarantee a part or entirety of the different between the loan value and collateral value, thus helping SMEs access capital sources more easily.

Third, the Government continued to spend in trade promotion programmes to help businesses introduce and advertise products, expand domestic and foreign domestic markets to gradually raise the status of the Vietnamese products and exports.

To increase domestic demand, the National Assembly enacted the Law on Personal Income Tax (PIT), which raised the starting amount of taxable income value from VND4 million a month to VND9 million plus the amount for family dependants which increased from VND1.6 million each person to 3.6 million. This helped boost personal spending, which encouraged production and business operations of enterprises.

Fourth, Vietnam encouraged enterprises to accumulate capital by reducing corporate income tax. The Law on Corporate Income Tax 32/2013/QH13 lowered corporate income tax from 22 percent in 2014 to 20 percent in 2016 and preferential corporate income tax (applicable to SMEs, microeconomic organisations, etc.) from 20 percent in 2014 to 17 percent in 2016. The tax reduction had positive impacts on business operations as it helped cut taxes and increase profits. Thus, the tax cut increased corporate investments, decreased commodity prices, boosted consumption and stimulated the economy.

Fifth, administrative procedure reform helped unlock the country's resources, improve the business and investment environment, enhance national competitiveness, and motivate business development. Administrative procedure reform solutions to taxation and customs proved to save 10-20 percent of expenses and 30 percent of time for businesses in dealing with imports and exports.

Business support solutions in 2016 - 2020 phase

To further assist businesses to remove difficulties and enhance competitiveness when the economy fully integrates into the world, Vietnam will focus on the following solutions:

First, tax policy: Effectively enforce tax-related laws passed by the National Assembly like the Law on Amendments and Supplements to a Number of Articles of the Law on Value-added Tax (VAT), and the Law on Amendments and Supplements to a Number of Articles of Corporate Income Tax and others to help enterprises enjoy policies in the best manner.

Second, pricing policy: Effectively carrying out price policies, administering prices with macroeconomic measures in line with market economy mechanism and international economic integration commitments; limiting loss offsetting or price subsidy to reduce the "distortion" of pricing system of the economy. Market-based pricing will be gradually applied to electricity, water, coal, petroleum. This will help enterprises to be more active with their pricing.

Third, credit policy: Enhancing operational efficiency of financial institutions (VDB, local credit guarantee funds) by strengthening financial resources for these organisations, introducing policies to draw capital for credit guarantee funds.

Fourth, capital market development: Carrying out measures to encourage the development of capital markets in order to create conditions for enterprises to mobilise capital by means of issuing bonds, stocks and equity funds and reducing excessive dependence on bank loans. Vietnam needs to develop credit rating services to support stock and bond markets to enhance transparency, accelerate capital mobilisation, and protect investors.

Fifth, tax and customs administrative procedure reform: Accelerating administrative procedure reform by issuing tax risk management regimes for enterprises placed under inspection; amending regulations on tax reimbursement documents, tax refund auto-reporting support software, electronic tax refund, and completing legal framework for the full deployment of VNACCS/VCIS electronic customs clearance system.

[Thanh Nga]

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