



# Advisory Report

Detailed Guide to Software Production Incentive Regulations for  
FDI & Foreign Enterprises in Vietnam

VINA BOOKKEEPING

Accounting – Tax – Advisory



# Vietnam: A Premier Destination for IT Investment



## A Promising Hub for Tech Capital

Vietnam is an increasingly attractive destination for foreign direct investment in the information technology sector, backed by strong government commitment and robust growth fundamentals.



## Government-Backed Priority Policies

The Vietnamese Government has enacted special incentive programs — particularly for software production — designed to help FDI and foreign enterprises optimize operational costs and achieve sustainable growth.



## Strict Eligibility Requirements

To access the highest tier of tax incentives lawfully, enterprises must satisfy stringent conditions regarding legal documentation, registered business codes, and technical production processes.



This advisory report from **VINA BOOKKEEPING (VBK) — Accounting · Tax · Advisory** provides a comprehensive and detailed overview for investors seeking to understand and fully leverage Vietnam's software production tax incentive framework.

# Maximum CIT Incentives for Software Production Activities

When an FDI enterprise implements a **new investment project** in the field of software production, it qualifies for the highest tier of Corporate Income Tax (CIT) incentives under current Vietnamese tax law:

<b>Preferential CIT Rate: 10% for 15 Years</b> A preferential CIT rate of <b>10%</b> applies for <b>15 years</b> (versus the standard rate of 20%). The period commences from the first year the enterprise generates revenue from the project.	<b>Full Tax Exemption: First 4 Years</b> 100% <b>exemption</b> from CIT payable for the first <b>4 years</b> from the year taxable income is first generated from the project.	<b>50% Tax Reduction: Next 9 Years</b> A <b>50% reduction</b> on CIT payable applies for the subsequent <b>9 years</b> following the exemption period.
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## VBK Important Note on Timing

The tax exemption and reduction periods are calculated **consecutively** from the first year taxable income arises.

If a newly established foreign enterprise has no taxable income during the first 3 years from its first year of revenue, the exemption and reduction periods will commence from **Year 4** instead.



### Summary: Tax Benefit Timeline

- Years 1–4:** 0% CIT (full exemption)
- Years 5–13:** 10% × 50% = 5% effective rate
- Years 14–15:** 10% preferential rate
- After Year 15:** Standard 20% rate applies





## SECTION 2

# Legal Requirements: IRC & Registered Business Codes

For international investors, the first step toward realizing incentive entitlements is establishing a compliant legal foundation. Two critical requirements must be met:

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### Investment Registration Certificate (IRC)

The FDI enterprise's project operating in Vietnam must be granted an IRC that explicitly records the project's objectives and operational scope as **software product manufacturing**. This is the core legal basis when justifying new investment incentive eligibility to the Tax Authority.

02

### Business Code Registration — Code 6201 (CPC 842)

On the National Business Registration System, the enterprise must register IT-related business codes. Specifically, **Code 6201 / CPC 842 — Software Implementation Services**, which covers: **84210** Software & systems consulting; **84220** Systems analysis services; **84230** Systems design services; **84240** Programming services.

03

### Synchronize Across All Documents

Accurate registration of Code 6201 must be consistently reflected in **economic contracts** and **invoices issued to clients**. This is a prerequisite to separately identify incentivized revenue from other standard service revenue for tax purposes.

### SECTION 3

# Technical Process Requirements: Circulars 13 & 09

To prevent tax fraud (e.g., simple resale or basic outsourcing activities being misrepresented as software production), the Ministry of Information and Communications has established rigorous technical criteria.



A project qualifies as software production if the enterprise can demonstrate that it independently performs **at least one of the first two stages** in the above chain. All seven stages must be documented.

#### Circular 13/2020/TT-BTTTT

Defines the mandatory 7-stage production process. Enterprise must prove self-execution of at least Stage 1 (Requirements Definition) or Stage 2 (Analysis & Design).

#### Circular 09/2013/TT-BTTTT

Software products must belong to the approved Product List: system software, application software, tools, utilities, or other specialized software categories.



## SECTION 4

# Application Procedures & Required Evidentiary Documentation

Vietnam's tax management mechanism operates on a **self-assessment basis** — enterprises self-calculate, self-declare, and bear full responsibility. No prior approval filing is required; instead, exempted/reduced tax amounts are declared directly on the Annual CIT Finalization Return. However, enterprises **must** prepare and retain a comprehensive evidentiary dossier for post-audit inspections (typically occurring 5–10 years after operations commence).



## Technology Dossier

System analysis & design documents, data flow diagrams, Software Requirements Specification (SRS), source code commit logs (GitHub/GitLab), test case designs, and test result reports.



## Personnel Dossier

R&D/Software Production org chart; labor contracts and job descriptions of software engineers; IT-related academic qualifications of all project personnel.



## Accounting Dossier

Separate accounting ledgers for incentivized project revenue and costs; detailed project timesheets (per engineer) as the basis for reasonable salary cost allocation.



## Periodic Reporting

Annual software production activity report submitted to the Ministry of Information and Communications **before March 15 each year**.

## SECTION 5

# Serious Risks of Non-Compliance with Incentive Conditions

Because inspections are conducted on a **post-audit basis** (typically 5–10 years after operations), many FDI enterprises that failed to maintain adequate documentation from the outset have had their incentive eligibility entirely rejected by Tax Authorities. The financial consequences are severe:

### ① CIT Back-Tax Assessment

The enterprise is re-assessed at the standard CIT rate of **20%** on all previously incentivized income incorrectly declared, covering all years under review.

### ② Administrative Penalty

A penalty of **20%** on the total amount of tax incorrectly declared that resulted in a shortfall in tax payable.

### ③ Late Payment Surcharge

A daily surcharge of **0.03% per day** on the back-tax amount, calculated from the original tax payment deadline to the actual date of payment into the state budget.

⊗ **VBK Warning:** The cumulative financial exposure from back-taxes + 20% penalty + daily 0.03% surcharge compounding over 5–10 years can be extraordinarily significant. Proactive compliance documentation from Day 1 is not optional — it is essential risk management.



# Comprehensive Tax Safety Solution — Contact VBK

The challenges of substantiating technical and accounting documentation are consistently among the most difficult issues facing foreign enterprises in Vietnam. **VINA BOOKKEEPING (VBK)** offers specialist service packages to partner with your enterprise in maximizing lawful tax optimization while minimizing back-tax exposure:



## Legal Project Review (IRC)

Review of project legality under IRC documentation and standardization of Business Code 6201 registration to ensure full compliance.



## Segregated Accounting System

Setting up accounting systems to separately record and report revenue and costs for the incentivized software segment, ensuring audit-ready books at all times.



## Technical Dossier Advisory

Consulting and guiding your IT/technical department to establish and maintain the mandatory 7-stage production dossier in accordance with Circular 13.



## Tax Inspection Representation

Acting as your authorized representative to defend figures and provide direct explanations to the Tax Authority during actual inspection and audit proceedings.

## Protect Your Investment Today with VBK Experts

Do not leave your tax compliance to chance. With VBK's end-to-end advisory support, your enterprise can confidently claim the full benefit of Vietnam's software production incentives — with complete documentation to withstand any audit.

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### Contact VINA BOOKKEEPING (VBK)

Website: [vinabookkeeping.com](http://vinabookkeeping.com)

Email: [info@vbk.com.vn](mailto:info@vbk.com.vn)

Hotline: 0382 752 368

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