

The Law on Enterprises' Investment Incentives for Foreign Investment in Vietnam



Nguyen Thi Mong Ngoc¹, Hoang Le Buu²

^{1,2}Thu Dau Mot University, Viet Nam

ABSTRACT: The use of foreign direct investment (FDI) is seen as an attractive instrument and lever to support socio-economic development in the current phase of the nation's accelerated industrialization and modernization. Vietnam has drawn a lot of projects and foreign direct investment (FDI) money over the years because to its open-door policies, incentives, and favorable business environment. The National Assembly of the Socialist Republic of Vietnam has proposed Investment Law No. 61/2020/QH14, dated June 17, 2020, which includes investment preferential measures. Our nation is home to numerous internationally funded businesses that have made significant progress toward realizing socio-economic objectives, winning the renovation competition, and bolstering Vietnam's standing and influence internationally.

KEYWORDS: capital, foreign investment, FDI, investment incentives

1. INTRODUCTION

In Vietnam's socio-economic development achievements from the doi moi period until now, it is impossible to mention the important contribution of foreign direct investment (FDI) and the invested economic sector. Foreign FDI capital has become an important source of capital for development investment, promoting economic restructuring towards industrialization and modernization, opening up many new industries and products, and improving management capacity. and the level of science and technology, creating many jobs to meet labor market needs and improving people's income, contributing to expanding export markets, promoting growth and development of the economy. , developing foreign economic relations between Vietnam and regional and international countries.

The nature of FDI is shown more clearly by considering it from different perspectives below: (i) For investors: FDI is a tool and means to implement their business strategy, but it is also it is through FDI that national companies expand their operations internationally and become transnational; (ii) For investment-receiving countries: FDI is a significant source of external investment in economic development, for both developing countries and developed industrial countries.

From the Resolution of the 6th National Congress to the Resolution of the 13th National Congress of the Party, it affirms that in our country's multi-sector economic structure, the economic sector has foreign investment capital. is an important component of the socialist-oriented market economy. Our Party advocates "Creating favorable conditions for the foreign-invested economy to develop smoothly, focusing on exports, building economic and social infrastructure associated with attracting modern industry, creating more jobs." do. Improve the economic and legal environment to strongly attract foreign investment."

Attracting foreign investment (FDI) enterprises to invest in Vietnam is a major policy of our Party and State during more than 30 years of innovation. Preferential policies for enterprises with FDI capital are specifically expressed through Article 15 of Investment Law No. 61/2020/QH14 dated June 17, 2020 of the National Assembly of the Socialist Republic of Vietnam (First Law 2020) to attract FDI capital into important fields. Currently, financial incentive policies to attract FDI capital focus on: (i) Corporate income tax incentives, including applying lower corporate income tax rates than normal tax rates. term or entire duration of investment project implementation; Tax exemption, tax reduction and other incentives according to the provisions of law on corporate income tax; (ii) Exemption from import tax for goods imported to create fixed assets; raw materials, supplies, and components imported for production according to the provisions of law on export tax and import tax; (iii) Exemption or reduction of land use fees, land rent, land use tax; (iii) Accelerated depreciation, increasing deductible expenses when calculating taxable income.

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2. CURRENT STATUS OF PREFERENTIAL POLICIES TO ATTRACT AND EFFECTIVELY USE FOREIGN INVESTMENT CAPITAL.

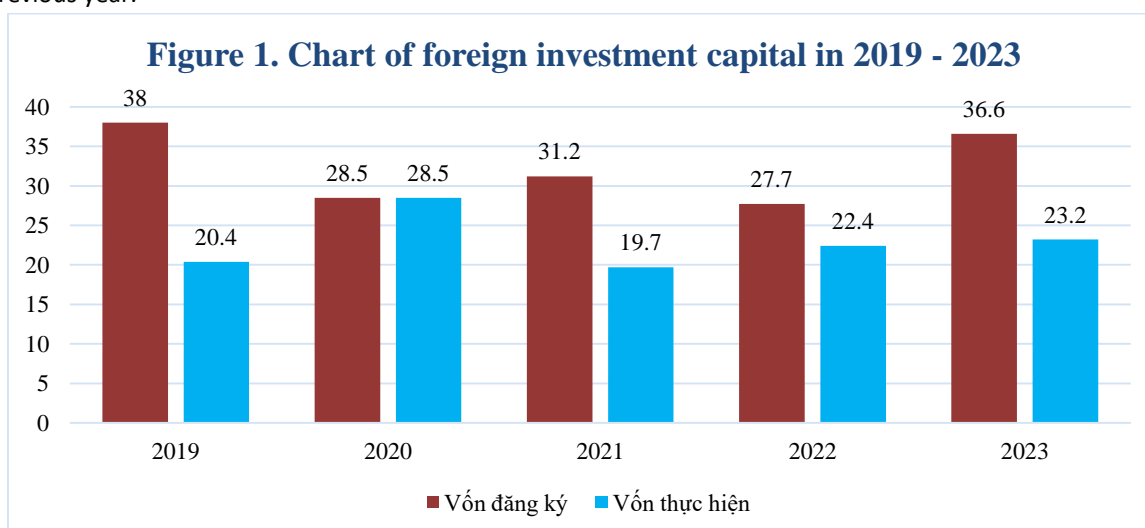
In 2023, the world situation will continue to evolve rapidly, with complexity, unpredictability, difficulties and challenges much greater than forecast; Strategic competition between major countries is increasingly fierce, the Russia-Ukraine conflict and recently the Israel-Hamas conflict are becoming more complicated; many major partner countries' growth slowed down; Global trade and investment declined. Global public debt has increased sharply, many countries are facing debt crises, even facing the risk of default,... Domestically, the economy is under the impact of many adverse external factors and limitations and disadvantages. Internal updates reveal more clearly the difficulties, import and export activities are affected by the decline in demand in international markets, especially major partners, and competitive pressure from countries in the region and Asia. increase, ...

In the context of a complicated situation, thanks to the wise, thorough, timely and scientific leadership and direction of the Party Central Committee, the Government, the Prime Minister and the participation of the entire political system, the entire population and business community; the support and assistance of international friends; The socio-economic situation continues its recovery trend, basically achieving the set general goals and many important results in many fields, specifically: The macroeconomy is stable, inflation is controlled. controlled, growth is promoted, major economic balances are basically guaranteed.

In recent years, reducing the tax burden and diversifying tax incentives have contributed to creating a favorable investment environment to attract FDI capital. Thanks to that, FDI capital flows into Vietnam have continuously increased over the years and play an important role in the Vietnamese economy. The Investment Law 2020 has stipulated the list of industries and areas eligible for investment incentives as prescribed in Clauses 1 and 2, Article 16 of the Investment Law 2020 and detailed regulations in Appendix II and III of Decree 31/ 2021/ND-CP includes 14 field groups, 55 areas with difficult socio-economic conditions, areas with extremely difficult socio-economic conditions and industrial parks, export processing zones, and industrial parks. High-tech and economic zones enjoy preferential tax policies.

Regulations on incentives to attract FDI are specified in the following legal documents: Investment Law 2020, Enterprise Income Tax Law 2013, Export and Import Tax Law 2016, Decree 31/2021/ND -The Government's Government details and guides the implementation of a number of articles of the Investment Law 2020; Decree No. 123/2017/ND-CP amending a number of articles regulating the collection of land use fees, land rent, and water surface rent; Decree No. 57/2018/ND-CP on mechanisms and policies to encourage enterprises to invest in agriculture and rural areas...

To date, realized foreign investment capital as of December 20, 2023, is estimated to reach 23.18 billion USD, an increase of 3.5% over the previous year. The total newly registered capital, adjustments and capital contributions, share purchases, and capital contributions from foreign investors is more than 36.6 billion USD, an increase of 32.1% over the previous year. In addition to the adjusted investment capital, new investment capital and capital contributions and share purchases increased more strongly than the previous year.



(Source: General Statistics Office, 2023)

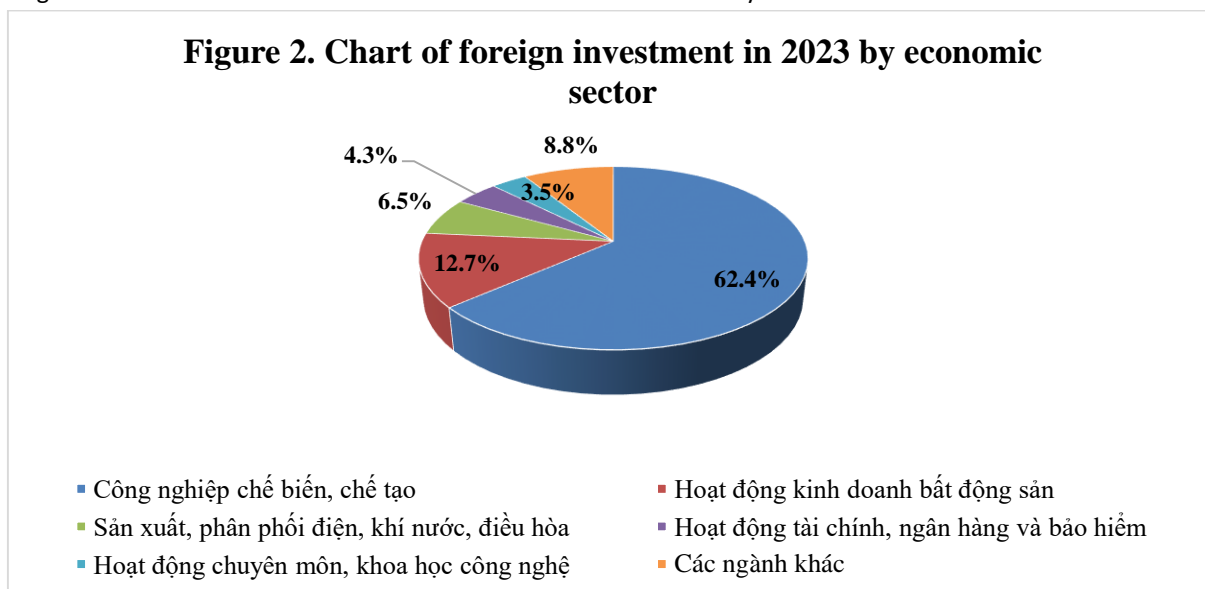
Foreign investors have invested in 18 industries out of 21 national economic sectors. Of which, the processing and manufacturing industry leads with a total investment capital of more than 23.5 billion USD, accounting for 64.2% of total registered investment capital and an increase of 39.9% compared to the previous year. The real estate business ranked second with a total investment capital of nearly 4.67 billion USD, accounting for more than 12.7% of total registered investment capital, an increase of 4.8% over the previous year. Electricity production and distribution industries; Banking and finance ranked 3rd and 4th with

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total registered capital of more than 2.37 billion USD (up 4.9%) and nearly 1.56 billion USD (nearly 27 times), respectively. The rest are other industries.

Vietnam is currently applying highly preferential policies, attracting investment projects in a number of fields such as agriculture, agricultural product processing, fisheries, software production and renewable energy. However, up to now, the proportion of FDI attraction in the agricultural sector is still quite low, specifically in 2023 there will be 536 projects with a total registered investment capital of 3,3869.87 million USD . Agriculture, forestry and fishery GDP growth increased by 4.13% (in 2019, agricultural GDP increased by 2.67%; in 2020 increased by 3.04%; in 2021 increased by 3.27% and in 2022 increased by 3.36%), contributing 7.51% to the increase in total added value of the entire economy.

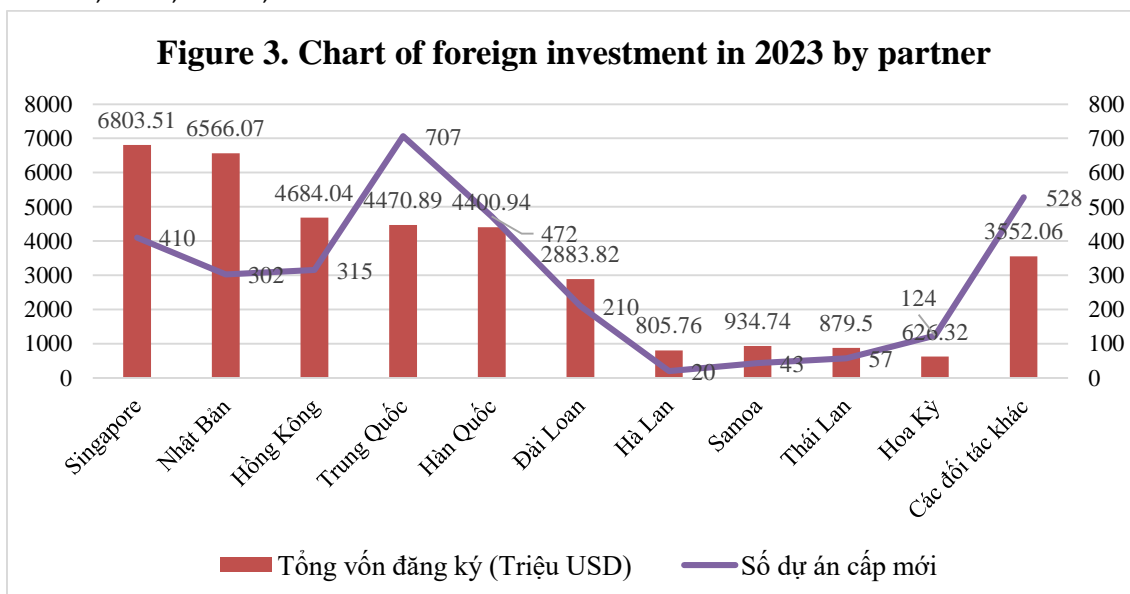
Figure 2. Chart of foreign investment in 2023 by economic sector



(Source: General Statistics Office, 2023)

In 2023, there will be 111 countries and territories investing in Vietnam. Of which, Singapore leads with a total investment capital of more than 6.8 billion USD, accounting for 18.6% of total investment capital in Vietnam, an increase of 5.4% over the previous year; Japan ranked second with nearly 6.57 billion USD, accounting for more than 17.9% of total investment capital, an increase of 37.3% over the previous year. Hong Kong Special Administrative Region ranked third with a total registered investment capital of more than 4.68 billion USD, accounting for nearly 12.8% of total investment capital, 2.1 times more than the previous year. Next are China, Korea, Taiwan,...

Figure 3. Chart of foreign investment in 2023 by partner

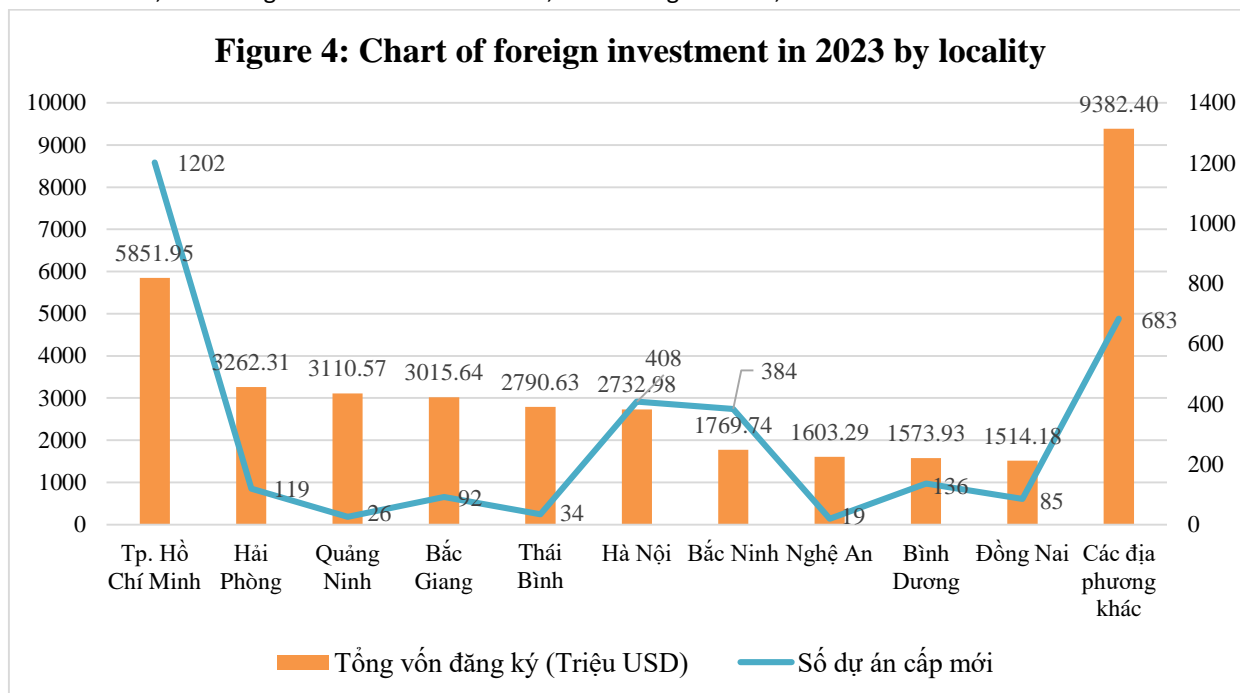


(Source: General Statistics Office, 2023)

Foreign investors have invested in 56 provinces and cities across the country in 2023. City. Ho Chi Minh leads in attracted investment capital with a total registered investment capital of more than 5.85 billion USD, accounting for nearly 16% of total

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registered investment capital, an increase of 48.5% compared to the previous year in 2022. Hai The room ranked second with a total registered investment capital of more than 3.26 billion USD, accounting for 8.9% of the total investment capital of the country, an increase of 66.2% compared to the previous year. Next, Quang Ninh reached 3.11 billion USD, accounting for 8.5% and increased 31.3%, Bac Giang reached 3.01 billion USD, accounting for 8.2%, increased 148.3%...



(Source: General Statistics Office, 2023)

In order to attract FDI into areas with difficult socio-economic conditions, areas with particularly difficult socio-economic conditions and industrial parks, export processing zones, high-tech parks, economic zones, High tax incentive policies are being applied to businesses in these areas. However, actual data shows that the effectiveness of attracting investment into these areas is very low. These localities are mainly northern mountainous localities and the Central Highlands, which face many difficulties in attracting investment due to limitations in geographical location, infrastructure and quality of human resources, specifically the localities. locality as follows:

FOREIGN INVESTMENT IN VIETNAM BY LOCALITY

(Cumulative projects valid until December 20, 2023)

No	Local	Project number	Total registered investment capital (Million dollars)
first	Son La	ten	135.73
2	Gia Lai	8	93.02
3	Bac Can	5	33.55
4	As tall as	13	20.73
5	Ha Giang	6	4.15
6	Dien Bien	first	3.00
7	Lai Chau	first	1.50

(Statistical source of the Ministry of Planning and Investment in 2023)

On the contrary, localities that attract many investment projects are mainly provinces and cities with good infrastructure systems, geographical locations near big cities, convenient transportation, and near seaports, highways and have a higher rate of trained workers than the national average such as Ho Chi Minh City, Hanoi, Binh Duong, Dong Nai, Ba Ria - Vung Tau,...

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Successful FDI attraction, especially in the second half of 2023, contributes to realized FDI capital flows in Vietnam reaching 23.2 billion USD, an increase of 3.5% compared to the previous year. Recovery and resumption of growth of FDI capital flows into Vietnam from the second half of 2023 (first 6 months of 2023, total registered FDI capital decreased by 4.6% over the same period). This is a very important driving force to promote Vietnam's economic growth in 2023 and the following years in the context of the world economy as well as the domestic economy still facing many difficulties and challenges. In addition, in the context of slow globalization, large foreign corporations are currently carefully considering their decisions to make large investments in Vietnam or central ASEAN countries. Due to decelerating global growth, tightening credit conditions, competition to attract FDI in the ASEAN region is becoming fierce, countries in the ASEAN region with large amounts of FDI invested in such as Singapore, Indonesia, Malaysia, ... Therefore, the factors that help attract large amounts of FDI to Vietnam are no longer exclusive.

3. CONCLUSION

Attracting FDI has made important contributions to the Vietnamese economy. The 4.0 industrial revolution is developing strongly, bringing new opportunities and challenges to the entire economy, including FDI investment. Our country is in the process of implementing a market economy, but the investment environment still has some limitations such as: underdeveloped infrastructure, lack of uniform legal regulations and the rate of trained workers. creation is still low. Therefore, it is urgent for Vietnam to have preferential policies to attract investment to compensate for existing limitations to promote FDI attraction in the coming time.

In recent times, Vietnam has been very successful in attracting a large amount of FDI thanks to offering preferential policies on taxes, investment, improving infrastructure and increasing the openness of the economy through plans. free trade agreement, which was the driving force that helped Vietnam stay ahead of other countries in the region. Up to now, other countries have looked to Vietnam as an example, analyzed how successful Vietnam has been in attracting FDI and offered their countries appropriate strategies. In particular, industries that attract a lot of FDI in the region such as: supply chain, electric vehicles, cloud computing, big data, are industries in which Vietnam lacks competitiveness, this is a of the main disadvantages that make Vietnam lose its attractiveness in attracting FDI. Therefore, Vietnam needs to focus on building high-quality human resources and simplifying administrative procedures. Vietnam needs to focus on available raw materials, human resources for the future, artificial intelligence, digitalization, automation, work permits for foreigners, consolidate advantages and learn from experience. economies of countries in the region to improve their competitiveness to become the leader in attracting large amounts of FDI.

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