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## Research Article

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# LEGALPOLICY OF CORPORATE INCOME TAX FOR INDUSTRIAL ZONES IN VIETNAM: FACTS AND SOLUTIONS

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**ABSTRACT**

Each country that would like to attract investment in industrial zones needs to have preferential policies for investors. One of the important policies is the corporate income tax for enterprises having investment projects in industrial parks. In this article, the authors have researched, evaluated, analyzed and commented on the current status of legal policies on corporate income tax incentives in industrial zones in Vietnam. Then, the authors recommend a number of solutions to improve the efficiency of tax management and investment attraction policies in industrial zones in Vietnam.

***Keywords***: legal policy, corporate income tax, industrial zones, facts, solutions, Vietnam.

## INTRODUCTION

As of the end of April 2021, there are 575 industrial parks (IPs) nationwide in the planning for developing industrial zones in Vietnam approved by the Prime Minister with a sum natural land area of roughly 219.5 thousand hectares. These industrial zones were established throughout 61 provinces, primarily in economic center-point regions, to capitalize on their geographic location and economic growth potential. There are 286 industrial zones in operation, covering approximately 85.2 thousand hectares. At this time, Industrial zones have attracted a significant investment capital, providing critical resources for economic growth-oriented investment. In detail, by the end of April 2021, all industrial zones and economic zones had collectively appealed to 10,148 domestic projects and 10,921 legitimate foreign-invested projects, totaling VND 2.52 million billion (USD 230.2 billion) in registered investment capital.

The application of investment incentives in general and CIT (Corporate Income Tax) incentives in particular, have a cascading impact. This motivates additional investors to engage in connection infrastructure and utility services that serve the IPs and simultaneously generate state budget revenue, contributing to local technical infrastructure. Thereby, the process of urbanization is aided in the transformation of backward agricultural areas into developed urban-industrial districts. At the same time, the IP is an industrial production model that fosters environmental preservation and green growth, as well as a commitment to sustainable development.

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## LITERATURE REVIEW

### Enterprises with investment project in IPs

The industrial park model was formed and developed on the basis of the revolution ("Doi Moi") policy set out at the Sixth Congress of the Party in 1986, in order to implement the development policy of a multi-sector, open-door commodity economy, attracting resources from all economic sectors for the country's socio-economic development. Accordingly, the legal framework for IPs is continuously improved and closely linked with the context and requirements during the implementation period of the 10-year socio-economic development strategy and socio-economic development plan 5-year association of the country from 1991 to present. The industrial park is known in both a broad and narrow sense. In the narrow sense, an industrial park means the zone with specific boundaries, being specialized in production of industrial goods and provision of services satisfying the industrial production needs, established by Government regulations. In a broader sense, the concept of IP is known as export processing zones, industrial clusters, and industrial spots. IPs and EPZs are eligible for investment incentives under current Vietnamese law. Therefore, businesses with projects in certain locations will be entitled to enjoy special government incentives to expand production and commercial operations, attract investment, and execute state policies on regional economic planning as part of the country's economic development strategy. Enterprises with investment projects in IPs can be divided into two groups:

(i) enterprises in the development of infrastructure: investors carry out investment projects to develop infrastructure of IPs, which means level I investors. Essentially, their professional indicator is real estate trading. Based on leasing land from the State, these enterprises invest in developing the technical infrastructure of the IPs to ensure the primary conditions for the operation of the IP under existing legislation and plans. Then these established infrastructure is for secondary enterprises renting factories and other services within the scope of IPs. It is not necessary for the IPs to have Level I investors (in the absence of Level I investors, secondary investors can directly lease land from the State through approved state agencies).

(ii) To carry out business activities, secondary investors who lease land or factories from industrial real estate enterprises or directly from state agencies (for IPs without infrastructure investors). Their professional indicators are diverse, but they are all manufacturers following the model of centralized production in common. Both of these groups are eligible for incentives under the Law on Investment and Decree 118/2015/ND-CP guildines for some articles of the Law on Investment when they have investment projects in IPs. Specific favored conditions, however, must be addressed from time to time under specialized regulations (CIT Law).

**General about CIT**

Income tax is a direct tax applied to the actual income of organizations and individuals, including personal income tax and corporate income tax. In which, CIT stands for revenue derived from business activity and other profits realized by businesses. Therefore, CIT helps to ensure a fair contribution among individuals and organizations having revenues from business activities, is considered an important tool to encourage and promote investment, production, and trading development according to the State's objectives and strategies.

Nowadays, in developing countries, CIT plays a critical role in ensuring and stabilizing state budget revenues and income distribution implementation. Most countries have regulations on CIT incentives, exemptions, and reductions. In Vietnam, depending on the investment field or the geographical location of business activities, it will enjoy different CIT incentives, exemptions, and deductions. In line with the Party and State's development orientation of the industrialization - modernization economy, Investment attraction into Vietnamese IPs, particularly foreign investment capital, is an urgent issue that requires legal policies, especially CIT policies, to make appropriate adjustments to either encourage investment attraction in IPs or ensure a balance between benefits and state budget revenues.

## METHODOLOGY OF RESEARCH

In this paper, the authors use many kinds of researching methodologies to analysis international and national legal policy (law and regulations) related to thelegal policy of corporate income tax for industrial zones in Vietnam.Besides, the authors base on the hypotheses developed in the study show how to use law and regulation when implementing activities of the CIT. To examine these relationships, the authors developed some hypotheses and tested these hypotheses using some empirical models. The developed models confirm the assumptions and demonstrate legal mechanism of corporate income tax for industrial zones in Vietnam. Moreover, statistic and survey are also used to finish this research. The authors used the poll to survey the Vietnamese enterprises and associations in Vietnam. The authors also sent the questionnaires to ask them some question related to the law andcorporate income tax for industrial zones in Vietnam. The authors combined all of methodologies above to do this research. However, because of time and finance limitation, the working-paper cannot cover inclusive aspects of issues related to the topic. Thus, the authors look forward to taking the opinions of readers and reviewer to do better in future.

## FINDINGS AND DISCUSSION

**General policy on CIT incentives in IP**

IP in the areas with difficult socio-economic conditions are entitled to preferential policies, which is a relatively consistent regulation succeeded from Decree 108/2006/ND-CP detailing and guiding the implementation of a number of article of the investment law, Decree 118/2015/ND-CP guidelines for some articles of the law om investment and Decree 31/2021/ND-CP elaboration of some articles of the law on investment in effect. Decree 29/2008/ND-CP stipulates: "Industrial zones are geographical areas eligible for investment incentives or enjoying preferential policies applicable to localities on the list of those with difficult socio-economic conditions. Industrial zones located in localities on the list of those with particularly difficult socio-economic conditions may enjoy preferential policies applicable to localities on this list." (Article 16.1).

Decree 82/2018/ND-CP stipulates: "Industrial park is deemed as an area given investment preferences or incentive policies which are applied to those present in the List of areas facing socio-economic difficulties as per laws on investment. Any industrial park established at areas in the List of areas facing socio-economic difficulties shall be given incentive policies so applied to those present in the List of areas facing extreme socio-economic difficulties as per laws on investment." (Article 24.1).

Regulations on investment incentives: The legislative framework regulating investment incentives activities has been revised and strengthened in tandem with the growth of IZs in order to promote investor attraction. Recently, the National Assembly and the Government have issued new regulations on investment and investment enterprises such as Decree 31/2021/ND-CP elaboration of some articles of the law on investment, Decree 82/2018/ND-CP management Industrial Parks and Economic Zones, etc. Many regulations, in particular, are directly related to IPs' investment and development activities, such as investment processes and procedures, authority and responsibility of relevant parties, and regulations to attract investment capital into IPs for both domestic and foreign investors who wish to take advantage of favorable conditions to carry out industrial investment projects in Vietnam. In detail:

- Decree 31/2021/ND-CP guiding the Law on Investment 2020 has added a series of fields and industries eligible for special investment incentives, including construction and business of industrial infrastructure and export processing zones. In addition, the Decree included Investment in development, operation, and management of infrastructural works of industrial complexes to the list of subjects eligible for special investment incentives. Therefore, it can be seen that the State pays a significant attention to investment attraction to IPs.
- List of geographical areas eligible for investment incentives: Decree 31/2021/ND-CP explicitly regulates the list of the geographical regions eligible for investment incentives, including disadvantaged areas and extremely disadvantaged areas as prescribed in Appendix III of the Decree. This list includes IPs, EPZs, and Industrial Complexes established under the Government's regulations.

Regulations on procedures for implementing investment incentives: Decree 82/2018/ND-CP management of Industrial Parks and Economic Zones has standardized and polished the management model of IPs based on the premise of "one-stop shop, on the spot" through the Management Board in the IPs. Besides, the Decree has added several new provisions to guarantee conformity with currently enacted laws and the reality of IPs investment and development in recent years. From a management perspective, the legislation of investment procedures is becoming increasingly straightforward as needless procedures are eliminated, saving costs and time for investors. Procedures for specifying incentives: Pursuant to the provisions of Decision on approval for investment guidelines (if any), the Certificate of Investment Registration (if any), the Decision on investor approval and regulations of relevant laws, investors (after meeting all the conditions as prescribed) self-determine investment incentives, then compile dossiers of application for investment incentives at tax authority, financial authority, customs authority and other competent authorities corresponding to each type of investment incentives. Authority's delimitation of State agencies: Nowadays, a system of Management Boards of IPs has been established to perform the state management of IPs in each locality. The Management Board of IPs belongs to administrative agencies of provinces or municipalities, established by the Prime Minister's decision, and are subject to the management of the Provincial People's Committee. At the central level, the hub of IPs' management is the Department of Industrial Parks and Export Processing Zones management under the Ministry of Planning and Investment.

The IP Management Board serves as a hub for investors who need assistance with IP investment procedures. Authority of the Management Board of IP regarding the investment incentives issuance includes:

- Investment registration
- Verifying and issuing, adjusting, and revoking the Investment Registration Certificate for projects under its competence according to the Law on Investment;
- Inspect and supervise the implementation of investment objectives specified in the Investment Registration Certificate, the progress of capital contribution and implementation of investment projects, and the implementation of commitments for projects benefiting from investment incentive.

The implementation of state management decentralization for the Management Board of IP increasingly proves the role of the administrative formalities reduction. The "one-stop shop, on-site" system is used to manage investment approval, which has a favorable impact on IP creation by ensuring promptness, initiative, positivism, and cost savings. Over the past years, the activities of the provincial Management Boards of IPs have stabilized and promoted the good benefits of the "one-stop-shop, on-site" management mechanism to create a favorable environment for investment attraction into IPs.

Successes of Investment attraction into IPs: IPs nationwide have mobilized a large amount of investment capital from domestic and foreign economic sectors, allowing for more efficient land use and contributing to national industrialization and modernization. As of the end of April 2021, there were 575 IPs under the Prime Minister's authorized master plan for Vietnamese IP development, covering a total natural land area of around 219.5 thousand hectares (or 0.66 percent of the country's total land area). There are 392 IPs established with a whole natural land area of about 119.9 thousand hectares, of which 80.3 thousand hectares are available for industrial use (accounting for about 67 percent of the natural land area). IPs mainly concentrated in vital economic regions to emphasize their geographical location and economic development potential advantages.

286 of the 392 IPs are operational, covering a total natural land area of about 85.2 thousand hectares, with approximately 56.4 thousand ha open for industrial exploitation. Besides, 106 IPs with a total natural land area of around 34.7 thousand hectares are under capital construction, with 18.2 thousand ha ready for industrial use. The overall leased industrial land area of IPs is approximately 43.1 thousand hectares (approximately occupancy rate of 57.8%of the leased industrial land, and operating IPs with the occupancy rate of approximately 73.1% of the leased industrial land). Over the past time, IPs and EZs have appealed to a large amount of investment capital, providing vital resources for economic growth. Accumulated to the end of April 2021, IZs and EZs have attracted 10,148 domestic projects and 10,921 legitimate foreign-invested projects, totaling around 2.52 million billion VND(respectively 230.2 billion USD). On average, foreign investment capital in IPs and EZs accounts for about 35-40% of the total national additional registered foreign investment capital; if only in processing and manufacturing, foreign investment capital accounts for 70-80% of total registered capital in the country. Proportion of investment capital in IPs and Ezs in total investment capital of the whole society

| **Proportion (%)** | **9,79** | **11,56** | **11,83** | **33,19** | **29,49** |
|---|---|---|---|---|---|
| Period | **1996 - 2000** | **2001 - 2005** | **2006 - 2010** | **2011 - 2015** | **2016 - 2018** |

**Rate of registered investment capital/ha of industrial land in IPs[1]**

| **Rate (Billion dong)** | **23,6** | **23,17** | **35,17** |
|---|---|---|---|
| **Year** | 1995 | 2005 | 2019 |

That the investors develop IP infrastructure and EZ's functional zones has a spillover impact, attracting other investors to contribute to connection infrastructure and utility services serving the IZ and EZ, as well as reinvesting state budget revenue in local technical infrastructure. As a result, it gradually aids in the urbanization process, assisting in the transformation of agriculturally backward areas into developed urban-industrial centers.

**Regulations on CIT incentives apply to enterprises with investment projects in IPs**

Besides the general investment incentive, the policies for CIT for enterprises with investment projects play an essential role in attracting investors to choose investment industries, fields, and locations. In particular, the CIT incentive policy applied to projects in IP, which were divided into two categories: (i) Enterprises investing in IP infrastructure: investors directly implement projects to develop industrial infrastructure. According to the definition in Decree 82/2018/ND-CP, Project on investment in development of infrastructure in an industrial park means an investment project using land lots within its boundaries for consistent development of engineering infrastructure and for leasing or on-lending purposes in order for the lessee to build its premises and run carry on business in accordance with laws (Article 2.6). Thus, As a result, these investors are known as Level I investors who are active in real estate business and infrastructure development in IPs for business purposes in the following forms: land sublease, factory leasing, assets' transfer on land and active in other IP infrastructure services; (ii) other investors contributing to IP based on subleasing land and factories, receiving the assets' transfer on land, taking IP infrastructure services to conduct business activities according to their business fields. This object can be collectively referred to as secondary investors in the IP. Firstly, for enterprises investing in IP infrastructure, the Law on Corporate Income Tax No. 14/2008/QH12 (effective from January 1, 2009) stipulates not to apply CIT incentives on income from real estate transfer. The Government's Decree No. 124/2008/ND-CP of December 11, 2008, detailing and guiding the implementation of several articles of the Law on Corporate Income Tax, stipulating "Incomes from real estate transfer include income from the transfer of land use or lease rights; income from sublease of land of real estate-trading enterprises under the land law, regardless of whether infrastructure or architectural works attached to land are available or not." (Article 13). Specific guidance of the Ministry of Finance in

[1]Ministry of Planning and Investment – General report proposing a decree to replace Decree No. 82/2018/ND-CP, May 10, 2021, Available online: http://datafile.chinhphu.vn/files/DuthaoVBPL/2021/06/4%20Bao%20cao%20tong %20hop%20lay%20y%20kien%209-6.pdf (accessed on September 10, 2021).

Official Dispatch No. 13480/BTC-TCT dated September 23, 2009, on income tax for business activities on industrial park infrastructure is as follows:

> *"Pursuant to the above provisions, for businesses established before January 1, 2009, and having investment projects to develop infrastructure of industrial parks, export processing zones and hi-tech parks, and projects that were allocated or leased land before January 1, 2009, for investment in building infrastructure and later subleasing the land with built infrastructure, incomes earned from these activities shall be regarded as incomes from infrastructure development and are eligible for the business income tax incentives under regulations. If these investment projects are enjoying the business income tax incentives, they may continue enjoying the incentives for the remaining incentive duration based on the conditions they satisfy".*

As a result, beginning January 1, 2009, infrastructure development businesses allocated and leased land by the State to develop infrastructure, and then for other enterprises in IP and EPZ subleasing have had the CIT paid under the Law on Corporate Income Tax No. 14/2008/QH12, the Decree No. 124/2008/ND-CP dated December 11, 2008, of the Government and the Circular No. Circular No. 130/2008/TT-BTC dated December 26, 2008, of the Ministry of Finance, guiding CIT.

Second, CIT incentives for secondary investors in IPs under Law No. 32/2013/QH13 on amendments to the Law on Corporate Income Tax, which was passed by the XIII National Assembly at its 5th session on June 19, 2013, and took effect on January 1, 2014, overcame the disadvantages of CIT incentives for projects established in IPs under Law No. 14/2008/QH 12 and Decree 124/2008/ND-CP, as follows: Projects of manufacturing enterprises investing in IPs are applied to tax exemption for 2 years, reduction of 50%of tax payable for the next 4 years, except for IPs located in areas with advantageous socio-economic conditions (Article 16.3, Decree 218/2013/ND-CP). Manufacturing businesses, with the exception of those with investment projects in IPs with favorable socio-economic conditions, are eligible for the above CIT incentives when holding investment projects in IPs. Accordingly, this Decree gives the definition:

> "*Areas with advantageous socio-economic conditions specified in this Clause are urban districts of urban cities of special type or type I directly under the Central and urban cities of type I directly under provinces; where the industrial parks are located in both advantageous and disadvantageous, the determination of tax incentive for industrial parks based on the areas with larger industrial park area. The determination of urban cities of special type or type I specified in this Clause shall comply with regulations of the Government on classification of urban cities*."

However, on October 1, 2014, the Government issued Decree No. 91/2014/ND-CP on amendments to Decree No. 218/2013/ND-CP, which guides: "*where the industrial parks are located in both advantaged and disadvantaged areas, the determination of tax incentive for industrial parks based on actual location of the investment project*." (Article 1.6). Accordingly, a list of IPs in the Development Plan of Vietnam's Industrial Parks will not be eligible for CIT incentives or reduce their incentives. Thus, while Decree 82/2018/ND-CP still stipulates that IP is deemed as an area given investment preferences or incentive policies which are applied to those present in the List of areas facing socio-economic difficulties as per laws on investment. It means all investment projects in IPs, without discrimination of their locations, are entitled to investment incentives. On the other hand, existing CIT incentive laws in Decree 218/2013/ND-CP and Decree No. 91/2014/ND-CP state that only investment projects in IPs with less advantageous conditions will be eligible for incentives. Meanwhile, in some countries, such as Japan, foreign investors, when establishing a legal entity or setting up new branches in Japan and some other cases, will be required to submit tax registration documents relevant to their foundation for the tax authority in the specific time. Even if no branches are established but there is some source of revenue generated within the nation, legal entity tax trustees, legal entities, or pensions businesses are still taxable and must file tax registration documents. In 2011, Japan maintained the highest CIT rate in the Organization for Economic Co-operation and Development (OECD), at 39.5 percent. However, in recent years, Japan has implemented CIT reduction regulations, notably from 2016 to 2018, resulting in a CIT rate of 15% for regular legal companies, 19%, 23,43%, and 23,23% for others, accordingly. In addition to Japan, some G7 nations have reached an agreement on minimum norms for international taxes, with an increasing number of governments using the minimum tax to maintain their tax bases. It is incredibly accurate for developing countries with poor tax administrations, which have a harder time taxing major multinational-corporations effectively. The most substantial rise in the effective tax rate was due to the amended minimum taxes on corporate income, followed by property and sales taxes. Ultimately, the impact on revenue is determined by the rate applied. The agreement by the G7 on taxes has given a new impetus to worldwide tax reform, which is being spearheaded by international organizations. OECD and the G20 have proposed a global minimum CIT rate to apply to multinationals' profits. This method can prevent the transfer of tax revenue from the host country to the mother country as a result of stable tax incentives. Furthermore, it encourages countries to amend their laws, agreements, and investment negotiations to reflect the impact of a minimum tax rate, and it may protect countries that choose to remove tax incentives from stabilization agreements with the express purpose of bringing an ETR closer to the global minimum rate.

**Barriers on investment attraction in tax field**

First, the system of investment incentives governed by specialized documents is still out of sync with the Decree on Industrial Parks and the Law on Investment, especially tax law. As previously stated, an IP is an investment incentive area eligible to incentives applicable to socio-economic areas with difficulties, as defined by the Decree on IP's management and the Decree directing the Law on Investment thus far. However, Law on Corporate Income Tax dated on June 3, 2006 (2008 CIT Law), revised and supplemented in 2013, and Decree 218/2013/ND-CP detailing and guiding the implementation of the Law on CIT released a list of favored geographical areas, not including IPs in areas with disadvantageous socio-economic conditions. Article 66.2 of the Decree 118/2015/ND-CP eliminated this list. However, investment projects in IPs from 2009 to before 2016 are not entitled to incentives for CIT rates. Second, there is a geographical distinction for tax incentives. CIT incentives are only available for income from new investment projects in IPs (except for IPs in socio-economic areas with advantageous conditions), according to current CIT legislation. Accordingly, the socially and economically advantaged areas prescribed in this Clause are urban districts of special class cities or the first-class cities affiliated to the Central and the first class cities affiliated to provinces, not including urban districts of the aforesaid cities converted from districts from January 1, 2009 (Article 1.6, Decree 91/2014/ND-CP). As a result, numerous IPs under Development Plan of Industrial Parks in Viet Nam that are located in these locations will not be eligible for CIT incentives. Up to 80% of IP addresses are in virtual economic regions with synchronized technological infrastructure and traffic, making transportation and commodity circulation easier. Therefore, despite their advantages in terms of location and infrastructure, current IPs have a burden on high compensation and construction costs, resulting in a high sub-rental price for land in IPs, as well as additional fees for infrastructure construction, other operation fees, and compliance with IP management regulations, among other things. This inconvenience is the primary factor that investors evaluate when deciding whether or not to invest in Vietnam.

Third, investors developing industrial infrastructure projects have not had their benefits protected. Article 20.3 of Decree 31/2021/ND-CP stipulates: "Investment projects in business lines eligible for investment incentives in disadvantaged areas are eligible for the same investment incentives as prescribed for investment projects in extremely disadvantaged areas." In contrast to the provisions of Appendix II and III of the Decree, the project of construction and business of technical infrastructure of the IZ of infrastructure developers must benefit from investment incentives applicable to investment projects located in areas with extremely difficult socio-economic conditions and are entitled to tax incentives. However, the 2008 CIT Law eliminated CIT incentives for infrastructure developers in IPs. On the other hand, the only general recognition of "enterprise's income from new investment projects in IPs" and in regulations of CIT exemption and reduction in Article 20.3, Decree 218/2013/ND-CP without clearly defining the projects of Level 1 investors and secondary investors, leading to arbitrary application of authority agencies when evaluating incentives for these projects, which are considered as new investment projects in the IPs.

Fourth, the system of investment incentives, particularly tax incentives in general and CIT in particular, is ineffective in influencing the investment decisions of investors, particularly international investors. When investing in a territory, one of the most important considerations for every investor is the state of the skilled labor market, infrastructure, consumer market, and the host country's legislation. If these above conditions are not addressed, the state's investment incentives would be useless, attracting only those investors who want to profit from the government's inadequate management system. Therefore, investment incentives for IPs should not only focus on tax but also include financial issue: low-interest credit, credit insurance and non-financial incentives: infrastructure usage, low-cost services, market selection priority, and so on. In fact, FDI capital has tended to flow into labor-intensive and resource-intensive businesses in recent years, taking advantage of industrial protection measures, while FDI into high-technology industries that create value and are environmentally friendly has remained scarce. FDI initiatives in focused industries like infrastructure represent for a tiny percentage of total FDI. Moreover, investment incentives only focus on tax incentives and attract foreign investment capital, rather than stimulating local investment, which the Ministry of Planning and Investment has recognized as a constraint of foreign investment activities.

Fifth, CIT incentives are lowered. The Law on amendment to the Law on CIT 2013 sets a very low bar for investment incentives in IPs, allowing for just a two-year tax exemption and a maximum 50% reduction of the tax payable in the next 4 years. According to this Decree, enterprises investing in IPs are not entitled to incentive tax rates but only enjoy the rates equal to the CIT rates of ordinary enterprises. As a result, the aforesaid incentive rate is deemed insufficient to stimulate investment enterprises. Investors, local management boards of IPs, and even the Ministry of Planning and Investment have all advocated for the reinstatement of IP tax incentives. However, after the implementation of the CIT in 2008, all of the foregoing incentives have been eliminated. that benefit from favorable location and infrastructure must bear significant costs of compensation and infrastructure building, resulting in high land rental prices in IPs, as well as additional service and infrastructure management fees, and so on. This is the primary factor influencing investors' decisions to invest in IPs.

**Some recommendations to improves the regulations on CIT incentives for investors in the near future**

According to a research conducted by the Institute of Regional Sustainable Development under the Vietnam Academy of Social Sciences, enterprises in IPs had higher operational efficiency than those outside of IPs. On average, an enterprise in the IP contributes to State Budget 13 times more than an enterprise out of the IP, presenting tremendous potential for international investors in IPs. Policies on investment incentives, particularly CIT incentives, make it easier for investors to invest in intellectual property. The more CIT incentive programs are marketed efficiently, the more international projects penetrate into Vietnamese market. As a result, greater incentives are needed to stimulate investment in the development of IP models in general, and IP investment initiatives in particular.

In recent years, the legal framework governing investment incentives, particularly tax incentives, has undergone considerable changes, affecting investors' interests significantly. Inconsistencies and disputes between legal papers are also a major issue, especially when the main legislation (the Law on Investment) states that investors are entitled to incentives but is directed by specialized documents. This privilege has been taken away from you. This causes investors to be perplexed and lose faith in the Vietnamese judicial system's stability. As a result, incentives must be created in accordance with a consistent policy that has a high level of stability and long-term impact. To guarantee uniformity across legal papers, review all documents and delete any invalid rules. Modifications to particular criteria or incentives must guarantee that existing investors' motivations are kept, or that the selection process is applied to investors who fulfill the requirements to receive the advantages. If they get an incentive at the new level, they have the option of applying the incentive under the new regulations for the remainder of the incentive period or continuing to enjoy the incentive under the old regulations.

**Some recommendations to improve the law**

There should be regulations on investment incentives higher in IPs than in outside projects: These regulations are applied to encourage the development of centralized industrial production and land-use efficiency, technical infrastructure, and investment in industrial zones. Regarding the provisions of the Law on Corporate Income Tax: Previously, the provisions on incentives of the Law on Corporate Income Tax, issued June 17, 2003, created an attraction for investment in IPs. However, during the implementation period of the Law on Corporate Income Tax issued June 3, 2008 and the Amendment issued June 19, 2013, the amount of investment in IPs has decreased, significantly impacting the centralized industrial policy. From the author's perspective, it is necessary to restore investment incentives for enterprises in IPs to their previous levels. Accordingly, the investment incentives for projects in IPs, including projects on technical infrastructure development of IPs, shall be applied to the same level as those applied to difficult socio-economic areas to encourage the development of industrial production. Moreover, other incentives such as import tax incentives, fixed asset depreciation, other support, etc., should be given higher incentives for investment projects in IPs. In addition, we can study and learn from the experience of other countries in implementing investment incentive measures. For example, the Law of Thailand is divided into two incentive systems: (i) Tax Incentives and (ii) Non-Tax Incentives. In addition to the incentive content similar to Vietnamese Law, Thailand also applies several other incentives such as: Import tax reductions on raw materials and necessary materials; twice deduction of transportation, electricity and water costs; Additional 25% deduction for the cost of construction and installation of the enterprise's infrastructure (Foreign Business Act of 1999). Like Japan, this country has implemented policies such as supporting business capital from both the central government and local budgets. Proposing the abolition of regulations on geographical discrimination for investment incentives in IPs: The Investment Law and related documents have stipulated many incentive policies to encourage enterprises to invest in economic areas with difficult and especially difficult conditions. Therefore, the investment incentive discrimination for IPs should not be mentioned no matter the IP's location because the main purpose is to encourage enterprises to invest in the IPs. Incentive principles for IPs have been specified in Decree 82/2018/ND-CP in the direction of incentive classification: Enterprises in IPs are entitled to incentives, and IPs in difficult or especially difficult areas will receive higher incentives. The central provinces have developed a lot of IPs, but the occupancy rate is low since enterprises continue to operate outside the IP fence. Because it is cheaper to run outside and they don't have to pay for the usage of IP infrastructure. Therefore, if there are no incentives for enterprises investing in industrial zones like the 2003 CIT Law, they should consider incentives (2 years tax exemption and 50% reduction of 4 years payable tax amount, Article 16.3, Decree 218. /2013/ND-CP) for all industrial park investment projects, regardless of whether the IP is located in a favorable area, a key economic area or in areas with difficult or especially difficult socio-economic conditions. Amending investment incentives towards creating more favorable conditions for construction and IPs infrastructure enterprises: IPs have been making significant contributions to industrial production growth and investment attraction, especially foreign investment. However, infrastructure enterprises are currently facing many difficulties and challenges. The world economy, as well as Vietnam, faced numerous difficulties due to the severe outbreak of the Covid-19 pandemic, which led to the disruption of supply chains in global production activities; the activities of enterprises (in general) and enterprises in IPs (in particular) had a sharp decline. In that context, enterprises investing in construction and trading in IPs infrastructure face more and more disadvantages due to large investment capital, prolonged recovery, and many risk factors. Therefore, the author recommends: Reduce lending interest rates, consider lending capital for IPs infrastructure investment projects; expanding forms of capital mobilization for infrastructure enterprises; Amending the Decree on CIT in the direction of expanding corporate income tax incentives to support businesses operating in the current difficult economic situation.

**Organization solutions**

Firstly, regularly organize training sessions on tax collection for enterprises in IPs. Secondly, guide enterprises in IPs to declare correctly and fully on tax payment obligations and implement tax incentives that the state has given them. In addition, periodically, regularly and irregularly organize inspection and examination activities in the implementation of tax payment obligations of enterprises in the IPs.

**Other complementary solutions**

"If a wrong legal document is applied, wrongly collecting a large amount of tax money from the enterprises and refusing to amend it, that is, it is "squeezing out" of the enterprises. In fact, many enterprises have been cornered when they only see loss after loss but no profit (loss but still having to pay tax does not reflect the true nature of tax collection). While enterprises are "healthy" and have a lot of profits, the tax industry may collect a lot of money, serving the budget. Conversely, if not bailed out, some enterprises may experience prolonged losses that will cut off long-term tax revenue for the budget." Therefore, for the application of legal provisions on corporate income tax to enterprises having investment projects in IPs to be really effective and to improve the ability to attract investment for investors, it is necessary to take measures to improve the management capacity of state agencies. Improve professional qualifications in applying guiding documents to regulations on income tax for enterprises having investment projects in IPs. In addition, it is also necessary to focus on developing investment support services from state administrative agencies. This is considered to be the most concerned factor of the business group. At the same time, regularly promote the development plan of IPs, organize seminars, fairs, exhibitions at home and abroad according to thematic to attract investment, organize seminars on solutions to support administrative procedures for investors.

The competition to attract foreign investment capital globally and in the region is taking place increasingly fiercely. While our system of regulations on investment incentives was previously considered attractive, now it is gradually reducing its competitiveness compared to other countries in the region, especially investment incentives in IPs. Therefore, it is necessary to have more competitive incentive policies, or at least equivalent to those of other countries in the region. Vietnam has promulgated the Investment Law 2020 and is rushing to develop a new Decree to replace Decree 82/2018/ND-CP regulating the management of IPs and EZs. Accordingly, the system of relevant legal provisions on investment incentives should be synchronized and compatible. In particular, CIT incentives need to be built reasonably, avoiding redundant and wasteful incentives, but also enough to attract investment and create a clear legal corridor, synchronous and easy to apply to all businesses, in accordance with international commercial law. That is also the basis for promoting and attracting investment in IPs.

## CONCLUSION

In conclusion, specialized mechanism of CIT for IPs is necessary to attract in the investment in these **areas**. Although this policy is not new, it has been increasingly used by Vietnam's **policy-makers now.** In order to make legal policy advocacy more effective in the next period, the National Assembly of Vietnam needs to promulgate a law to regulate this activity. Besides, authority of state and associations need to develop a strategy to train enterprises and citizens more about legal policy of CIT.

**ABBREVIATIONS LIST**

| ETR | Effective Tax Rate |
|---|---|
| FDI | **Foreign Direct Investment** |
| IP/IZ | **Industrial Park/Industrial Zone** |
| EPZ | **Export Processing zone** |
| EZ/Ezs | **Economic Zone/Economic Zones** |
| OECD | **Organization for Economic Cooperation and Development** |

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