

# MACRO FLASH NOTE

## DECREE 20/2026/ND-CP: CATALYZING PRIVATE SECTOR DEVELOPMENT

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# DECREE 20/2026/ND-CP ON PRIVATE SECTOR

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- **On January 15, 2026, the Government promulgated Decree 20/2026/ND-CP, providing the regulatory framework for Resolution No. 198/2025/QH15. Designed to operationalize special mechanisms for the private sector, the Decree focuses on removing bottlenecks in land access, capital mobilization, and technological innovation.** The following analysis outlines the key policy shifts and their implications:
- **Mechanisms for land access and production sites:**
  - **Fiscal Offsets for Land Rent Reductions:** Under the new framework, industrial park (IP) developers that reduce land rent by a minimum of 30% for the first five years for high-tech firms, SMEs, and startups will be reimbursed by the State. Reimbursement is executed via a direct budget payment or an offset against the developer's financial obligations. Operational Mechanism: Article 5 of Decree 20 specifically operationalizes the "offset against payable land rent" mechanism. This creates a tangible financial incentive, encouraging developers to proactively lower entry costs for tenants.
  - **Utilization of Public Assets:** SMEs, supporting industries, and innovation startups are now eligible to lease unused public assets (housing and land) for operational premises. This measure aims to lower initial fixed costs for new market entrants while optimizing the utility of dormant or misused state assets. While Provincial People's Committees are mandated to publish the asset inventory, the primary challenge remains the transparency of the allocation process. Rigorous oversight is required to prevent the resurgence of opaque, "ask-give" patronage mechanisms.
- **Tax and capital incentives:**
  - **Exit Strategy:** In a move to align with regional competitors like Singapore, the Decree exempts Corporate Income Tax (CIT) and Personal Income Tax (PIT) on income derived from the transfer of capital or shares in innovative startups. Previously, foreign investors faced a 2% withholding tax on gross proceeds or 20% on net capital gains. A 100% tax exemption significantly enhances Vietnam's attractiveness, incentivizing investment funds to execute M&A deals and exits domestically rather than structuring holding companies offshore.
  - **Support for Business Formalization:** Newly established SMEs enjoy a three-year CIT exemption, a significant upgrade from the previous floor rate of 15% under the 2025 Tax Law. Coupled with the termination of the presumptive tax regime in 2026, this policy mitigates the immediate fiscal burden for household businesses transitioning to a corporate model.
- **Science, technology, and R&D support:**
  - **Enhanced R&D deductibility (Super-Deduction):** Enterprises are now permitted to deduct 200% of actual R&D expenditures when calculating taxable income, effectively doubling the tax shield compared to the previous standard. Prior to this, deductions were capped at 100% of expense or limited to a 10% fund appropriation. This aggressive fiscal policy is designed to encourage private enterprises to absorb the risks associated with technological innovation.
  - **Science and technology fund appropriation:** The cap for self-appropriated Science and Technology Funds has been raised to 20% of taxable income, doubling the previous 10% limit. This allows firms to retain substantial internal capital for technology reinvestment.
- **Digital transformation and human capital:**
  - **Subsidized digital infrastructure:** To facilitate digitalization, the State will provide free digital platforms and accounting software integrated with e-invoicing for household businesses and micro-enterprises. Complex bookkeeping requirements have historically deterred household businesses from formalizing; this provision directly eliminates technical hurdles and reduces compliance costs.
  - **Full funding for management training:** The State budget will cover 100% of costs for corporate governance training courses for SMEs and household businesses. However, the efficacy of this program rests heavily on the quality assurance of training providers selected by the Ministry of Finance and Planning Departments to ensure budget disbursements yield genuine capacity building.
- **Sectoral implications:**
  - **Technology (FPT, CMG, ELC) & Strategic R&D clusters:** The policy framework creates significant tailwinds for sectors undergoing structural R&D intensification: Manufacturing (Specifically segments focused on increasing localization rates within supporting industries and advanced processing); Pharmaceuticals & Biotechnology; Finance (Digital Assets); Green Agriculture (ESG). For these industries, the value proposition is anchored in the 200% R&D super-deduction combined with preferential interest rates.
  - **Industrial Real Estate (SIP, BCM, VGC, IDC, SZC):** The policy is expected to stimulate demand from high-tech firms, SMEs, and startups eligible for the 30% rent reduction over the first five years. However, occupancy rates in tier-1 hubs (HCMC, Hanoi, Binh Duong, Bac Ninh) currently exceed 95%. Allocating the requisite 5% land bank for eligible tenants (per Resolution 198) poses a logistical challenge for existing industrial parks hence the impact will be most visible in new industrial park developments rather than mature assets. Furthermore, given the lag time inherent in factory construction and investment decisions, the material financial impact of Decree 20 on IP developers will likely not materialize in the short term.

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### 1. SUPPORT FOR ACCESS TO LAND & PRODUCTION PREMISES

**30% REDUCTION IN KCN LAND RENT (FIRST 5 YEARS)**

Infrastructure investors of KCNs reduce for high-tech businesses, SMEs, and startups.

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The State refunds this amount through offsetting financial obligations/paying directly from the budget.

**USE OF UNUSED PUBLIC ASSETS**



Support SMEs, supporting industries, and innovative businesses to rent as business premises.

### 2. TAX & CAPITAL INCENTIVES (BREAKTHROUGH)

**100% TAX EXEMPTION FOR STARTUP DIVESTMENT (EXIT STRATEGY)**

Exempt from CIT and PIT for income from transferring capital contributions and shares into creative startups.

Attract Venture Capital, regional competition.

**CIT EXEMPTION FOR THE FIRST 03 YEARS (FOR NEWLY ESTABLISHED SMEs)**

Stronger than the 15% incentive level of the CIT Law 2025.

Encourage household businesses to convert to enterprises.

### 3. SUPPORT FOR S&T & R&D (SUPER-DEDUCTION)

**200% R&D EXPENSE DEDUCTION**

Example: Spend 10 Billion on R&D → Deduct 20 Billion from expenses when calculating CIT.

Encourage businesses to innovate technology.

**APPROPRIATE S&T DEVELOPMENT FUND 20%**

Maximum 20% of taxable income (double the previous 10% level) to reinvest in technology.

### 4. DIGITAL TRANSFORMATION & HUMAN RESOURCE TRAINING

**FREE DIGITAL INFRASTRUCTURE & ACCOUNTING SOFTWARE**



Provide free digital platforms and integrated accounting software with electronic invoices for household businesses and micro-enterprises.

Prepare for the end of the lump-sum tax for household businesses from 01/01/2026.

**100% FUNDING FOR MANAGEMENT TRAINING**

The State budget fully funds management training courses for SMEs and household businesses to improve their capacity.

### IMPACT SUMMARY

TYPE OF BUSINESS	SHORT-TERM (1-2 YEARS)	MEDIUM AND LONG-TERM (3-5 YEARS+)
Household business	Pressure to convert model (due to abolition of lump-sum tax), but supported with digital tools & free training.	Professionalization, increased ability to access bank loans.
SME & Startups	Reduce cash-flow burden thanks to land rent reduction and 3-year tax exemption.	Increase survival rate. Attract talent thanks to PIT exemption policy for experts.
Venture Capital (VC)	Increase disbursement activities and opportunity searching (Deal sourcing) in Vietnam thanks to divestment tax exemption.	Promote the Vietnamese venture capital market to develop on par with the region.

Source: ACBS

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