



**Working Paper 2025.2.4.3**

**- Vol. 2, No. 4**

---

**PHÂN TÍCH CHÍNH SÁCH THUẾ VÀ ƯU ĐÃI THUẾ ĐỐI VỚI ĐẦU TƯ NƯỚC  
NGOÀI VÀO CÁC NGÀNH CÔNG NGHỆ CAO VÀ PHÁT TRIỂN BỀN VỮNG TẠI  
VIỆT NAM**

**Lê Nguyên Đức Long<sup>1</sup>, Đỗ Thế Quang, Cún Gia Bảo, Hoàng Trung Kiên**

Sinh viên K61 CLC Kinh tế đối ngoại – Viện Kinh tế và Kinh doanh quốc  
tế Trường Đại học Ngoại thương, Hà Nội, Việt Nam

**Nguyễn Thu Hằng**

Giảng viên Viện Kinh tế và Kinh doanh quốc tế  
Trường Đại học Ngoại thương, Hà Nội, Việt Nam

**Tóm tắt**

Việt Nam đang tích cực tái định vị mình như một trung tâm thu hút dòng vốn đầu tư trực tiếp nước ngoài (FDI) chất lượng cao vào các lĩnh vực công nghệ cao và phát triển bền vững, với các ưu đãi thuế có mục tiêu được xem là công cụ chính sách trung tâm. Trong bối cảnh dòng vốn toàn cầu biến động, các cam kết khí hậu ngày càng được siết chặt, và các cải cách thuế quốc tế đang được triển khai, báo cáo này đánh giá mức độ hiệu quả của khung chính sách ưu đãi thuế hiện hành tại Việt Nam. Thông qua phương pháp phân tích định tính và các nghiên cứu tình huống minh họa — bao gồm Samsung, Vestas và Lego — báo cáo xem xét tác động của các biện pháp miễn thuế thu nhập doanh nghiệp, miễn thuế nhập khẩu và ưu đãi thuế R&D đối với dòng vốn FDI, tạo việc làm, và nâng cấp công nghệ. Mặc dù các chính sách ưu đãi hiện tại đã giúp Việt Nam thu hút được nhiều khoản đầu tư xanh quy mô lớn, các điểm yếu về mặt cấu trúc — như tiêu chí đánh giá hiệu quả chưa phù hợp, hệ thống giám sát lỏng lẻo và thiếu cơ chế thu hồi ưu đãi khi không đạt mục tiêu — đang cản trở khả năng phát huy đầy đủ tiềm năng của các chính sách này. Báo cáo kết luận rằng cần có sự chuyển dịch sang mô hình ưu đãi dựa trên kết quả, tăng cường phối hợp liên ngành, và xây dựng chiến lược đầu tư gắn với tiêu chí ESG. Những cải

---

<sup>1</sup> Tác giả liên hệ. Email: k61.2211150624@ftu.edu.vn

cách này là cần thiết nhằm bảo đảm các ưu đãi tài khóa phù hợp với tầm nhìn phát triển dài hạn của Việt Nam, bao gồm cả các cam kết theo Nghị quyết 68-NQ/TW và Thỏa thuận Paris.

**Từ khóa:** ưu đãi thuế, đầu tư trực tiếp nước ngoài, Việt Nam, công nghệ cao, phát triển bền vững

---

## ANALYSIS OF TAX AND TAX INCENTIVES FOR FOREIGN INVESTMENT IN HIGH-TECH AND SUSTAINABLE SECTORS IN VIETNAM

### Abstract

Vietnam is actively repositioning itself as a hub for high-quality foreign direct investment (FDI) in high-tech and sustainable sectors, using targeted tax incentives as a central policy tool. Against a backdrop of shifting global investment patterns, climate commitments, and international tax reforms, this report evaluates the effectiveness of Vietnam's current tax incentive framework. Through qualitative analysis and illustrative case studies—including Samsung, Vestas, and Lego—the study assesses how corporate income tax exemptions, import duty waivers, and R&D credits have influenced FDI flows, employment, and technological upgrading. While Vietnam's incentive policies have attracted substantial greenfield investments, structural weaknesses such as misaligned performance criteria, weak monitoring systems, and absence of mechanisms of clawback hinder their full potential. The report concludes by proposing a shift toward performance-based incentives, enhanced inter-agency coordination, and ESG-aligned investment strategies. These reforms are necessary to align fiscal incentives with Vietnam's long-term development vision, including its commitments under Resolution 68-NQ/TW and the Paris Agreement.

**Keywords:** tax incentives, foreign direct investment, Vietnam, high-tech, sustainability

---

### 1. Introduction

Amid intensifying global competition for strategic investment and rising environmental imperatives, Vietnam is advancing an ambitious economic agenda that integrates high-tech industrialization with green and inclusive growth. Although global foreign direct investment (FDI) declined by 2% to USD 1.3 trillion in 2023 due to geopolitical uncertainty and tightening monetary conditions, green FDI in sectors like clean energy and sustainable infrastructure has surged—tripling over the last decade to become the world's largest FDI category (UNCTAD, 2024; BCG, 2023). This trend is being reinforced by structural shifts such as the rise of ESG investing, the European Union's Carbon Border Adjustment Mechanism, and OECD/G20-led global tax reforms, which are reshaping the calculus of multinational corporations (MNEs) regarding where and how to invest (Huong Vu, 2024).

Vietnam is responding proactively to these shifts. With its Green Growth Strategy (2021–2030) and updated Nationally Determined Contributions (NDCs), the government has committed

to achieving net-zero carbon emissions by 2050. Complementary initiatives—including Decree 06/2022 on carbon credit markets, plans for a green hydrogen roadmap, and the “One Million Hectares of Low-Emission Rice” program—signal Vietnam’s commitment to climate-resilient development. Equally, the state has begun embedding environmental, social, and governance (ESG) standards into financial regulations and investment policy.

FDI inflows remain robust and increasingly aligned with national priorities. As of early 2025, Vietnam hosts over 39,000 active FDI projects with cumulative registered capital of USD 473.1 billion. Recent surges in high-tech investment—evident in the USD 11.6 billion poured into 174 foreign-invested semiconductor projects—highlight Vietnam’s growing appeal amid global supply chain realignment. Concurrently, roughly USD 7.5 billion in 2024 FDI targeted renewable energy, biotechnology, and sustainable infrastructure, with ESG-aligned projects accounting for nearly a quarter of new inflows (MPI, 2024).

In this context, tax incentives are playing a crucial role. Vietnam’s framework—anchored in the Law on Investment (2020), Decree 31/2021, and Decree 218/2013—offers corporate income tax (CIT) reductions, import duty exemptions, and R&D deductions to qualified investors. Yet the Global Minimum Tax (GMT) has disrupted conventional incentive models, requiring a reconfiguration of tools such as the proposed Investment Support Fund.

This report examines how effectively Vietnam’s tax incentives attract high-quality FDI in high-tech and sustainable sectors. It compares Vietnam’s approach to regional peers, identifies implementation barriers, and assesses alignment with the country’s long-term goals under Resolution No. 68-NQ/TW. Finally, it proposes institutional and policy reforms to enhance the strategic value of incentives, ensuring they catalyze innovation, technology transfer, and environmental stewardship.

## **2. Theoretical Framework**

### ***2.1. Key Definition***

***Foreign Direct Investment (FDI)*** is defined by the OECD (2025) as a cross-border investment where an investor from one country acquires at least 10% ownership in an enterprise in another country, establishing a lasting interest and managerial influence. This distinguishes FDI from short-term portfolio flows and highlights its strategic importance in long-term economic development, particularly in capital-intensive and innovation-driven sectors such as high technology and sustainable industries.

FDI decisions are shaped by multiple factors, including fiscal and institutional frameworks. Tax incentives are particularly important in influencing investor behavior by reducing the effective tax burden and improving investment returns. Typical incentives include preferential corporate income tax (CIT) rates, tax holidays, accelerated depreciation, and import duty exemptions.

However, the attractiveness of these incentives depends not only on their generosity but also on their transparency, stability, and alignment with national development goals (OECD, 2025).

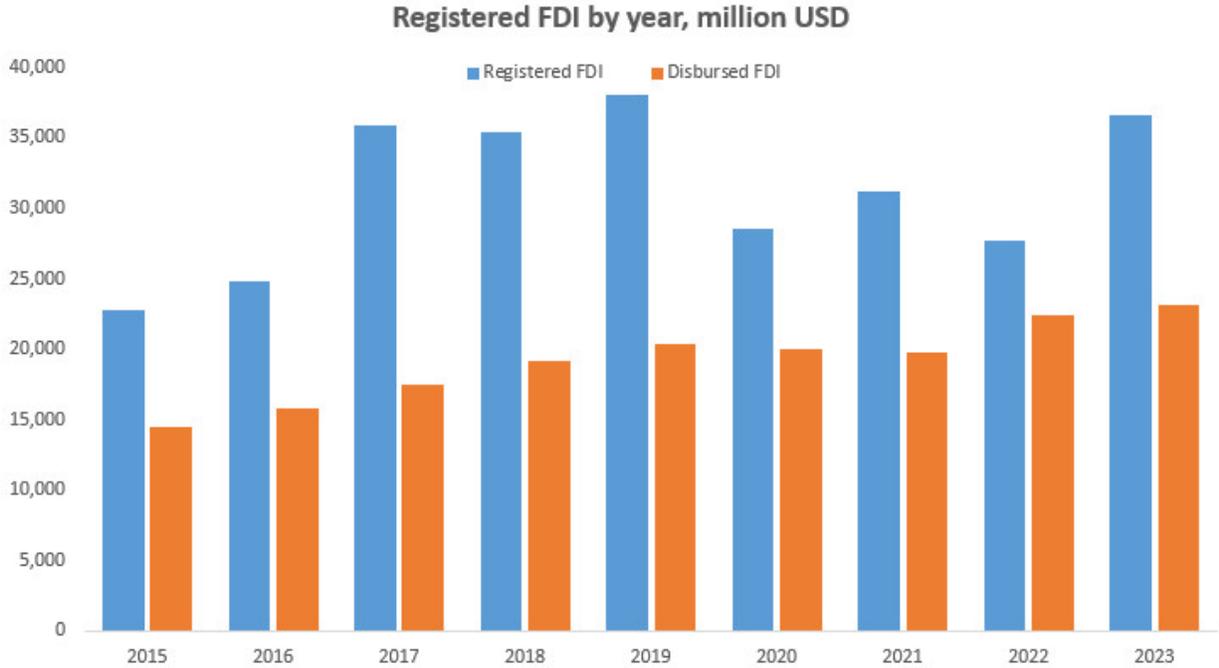


Figure 1: Registered FDI inflows to Vietnam by year (million USD)

Source: Ministry of Planning and Investment (2024)

In Vietnam, *the high-tech sector* is legally defined by the Law on High Technologies (2008) and includes industries such as electronics, biotechnology, and information technology. These industries are characterized by high R&D intensity, skilled labor demand, and global integration. Vietnam’s strategic location, growing talent pool, and policy support have positioned it as a regional hub for high-tech manufacturing, particularly as global supply chains diversify (Bureau of Labor Statistics, 2014).

*The sustainable sector* includes renewable energy, green manufacturing, sustainable agriculture, and environmental services. Governed by the Law on Environmental Protection (2020) and the National Strategy on Green Growth (2021–2030), this sector promotes low-carbon, resource-efficient, and inclusive development. It aligns with Vietnam’s commitment to climate goals under the Paris Agreement and its net-zero target by 2050.

*Tax policy* serves as a key instrument to bridge national development goals with foreign investment attraction. Vietnam’s system of tax incentives is embedded in the Law on Investment (2020), the Law on CIT (2008, amended), and sectoral regulations. CIT incentives typically

include a 10% preferential rate for 15 years, 4-year tax exemption, and 9-year 50% tax reduction for eligible projects in high-tech and sustainable sectors. Import duty exemptions apply to equipment and materials not domestically produced. Additionally, firms may deduct contributions to science and technology development funds up to 10% of pre-tax profits.

To attract green and high-tech investment under global tax reforms (e.g., OECD Pillar Two), Vietnam is preparing complementary tools such as the proposed Investment Support Fund. This fund will offer financial support in lieu of traditional tax holidays, preserving net investment incentives while ensuring compliance with international tax standards.

In summary, tax incentives in Vietnam are not only fiscal tools but strategic levers embedded within broader industrial and environmental policy frameworks. By reducing entry barriers, enhancing returns, and signaling long-term policy commitments, they play a central role in directing FDI into sectors that drive innovation, sustainability, and national competitiveness.

## ***2.2. Vietnam's Tax Policy Framework***

### *2.2.1. Legal and Policy Framework*

Vietnam's tax incentives for foreign direct investment (FDI) in high-tech and sustainable sectors are governed by several key legislative documents. The Law on Investment 2020 establishes the foundation, defining sectors eligible for incentives, notably including high-tech manufacturing, renewable energy, and innovation (Law on Investment, 2020). Decree No. 31/2021/ND-CP elaborates further on eligible sectors and introduces special investment incentives targeted at strategic projects that involve significant technology transfer and local value-chain integration (Decree 31/2021/ND-CP, 2021). Decree No. 218/2013/ND-CP provides detailed guidance on Corporate Income Tax (CIT) incentives, specifying reduced tax rates and tax exemption periods for qualifying enterprises (Decree 218/2013/ND-CP, 2013). Furthermore, Resolution No. 68-NQ/TW emphasizes the need to enhance incentives aimed at stimulating private sector investments in high-tech, innovative, and sustainable projects (Resolution 68-NQ/TW, 2025).

### *2.2.2. Key Tax Incentives for High-Tech and Sustainable Investments*

Vietnam provides extensive incentives to attract investment in high-tech and sustainable sectors. Corporate Income Tax (CIT) incentives constitute a significant aspect of these policies, offering a preferential tax rate of 10%, considerably lower than the standard CIT rate of 20% (Vietnam Briefing, 2025). High-tech enterprises, including those in software production and renewable energy sectors, are eligible for this reduced CIT rate for up to 15 years, benefiting from an initial tax exemption period of four years, followed by a 50% CIT reduction for the subsequent nine years (Decree 218/2013/ND-CP, 2013). Special investment incentives under Decree 31/2021/ND-CP allow for even more favorable CIT rates, ranging from 5% to 7%, applicable to

strategic projects meeting rigorous criteria involving advanced technologies and significant economic impacts, with incentives extending up to 37 years (Decree 31/2021/ND-CP, 2021).

Import duty exemptions further support these CIT incentives by permitting high-tech sector investors to import machinery, equipment, and raw materials essential for their production processes free from import duties, provided such items are not domestically produced (InCorp Vietnam, 2025). This measure significantly reduces initial investment costs, fostering the adoption of advanced technologies and innovation.

Research and development (R&D) support is another critical incentive. Companies engaged in R&D activities may allocate up to 20% of their annual taxable income to establish dedicated science and technology development funds, fully deductible for CIT purposes (LawNet, 2025). Additionally, enterprises benefit from accelerated depreciation rates on high-tech equipment, thereby reducing taxable income and promoting continuous technological advancements.

Furthermore, exceptional investment incentives, administered through the Prime Minister's special approvals, are reserved for projects significantly contributing to Vietnam's socio-economic and technological objectives. Such bespoke incentive packages can include CIT rates as low as 5%, extensive tax holidays, and extended land lease exemptions (Decree 31/2021/ND-CP, 2021). These specialized incentives significantly bolster Vietnam's appeal to large-scale, high-impact foreign investments.

### *2.2.3. Intended Goals of Tax Incentives*

Vietnam's tax incentive policies are strategically designed to achieve specific developmental objectives. By attracting advanced high-tech enterprises, the government aims to elevate the country's industrial capabilities and facilitate domestic integration of cutting-edge technologies (Resolution 68-NQ/TW, 2025). Additionally, tax incentives targeting renewable energy, environmental protection, and green technologies support sustainable development and reinforce environmental responsibility.

The incentive framework seeks to foster greater integration into global value chains. Tax benefits for enterprises actively engaging local partnerships, facilitating technology transfer, and integrating into global production networks promote substantial participation by domestic firms and strengthen Vietnam's international economic standing. Furthermore, by encouraging investments in less-developed regions, the government seeks balanced socio-economic growth, reducing regional economic disparities.

### *2.2.4. Implementation Challenges*

Despite robust policies, Vietnam faces several implementation challenges concerning tax incentives. One primary issue is inefficient allocation, where incentives are sometimes provided

without comprehensive assessments of their technological or sustainable impacts, potentially diminishing overall effectiveness.

Transparency and complexity in administrative processes constitute additional barriers. Complex procedures and lack of clear, accessible information may discourage potential investors, especially SMEs, from effectively utilizing available incentives (Vietnam Law Magazine, 2025).

The absence of robust monitoring and evaluation mechanisms significantly limits the government’s ability to assess incentive effectiveness, complicating informed policy adjustments (Lexology, 2025).

Lastly, international developments, specifically the global adoption of a 15% minimum corporate tax rate, present new challenges. This global reform potentially undermines the competitiveness of Vietnam’s traditionally low CIT incentives, necessitating adjustments to alternative mechanisms such as direct subsidies or non-tax incentives to maintain attractiveness to foreign investors (Reuters, 2024).

**Table 1.** Corporate Income Tax Rates: Vietnam vs. Key ASEAN Peers

Country	Standard CIT Rate (%)	Preferential CIT Rate (e.g., for high-tech/promoted sectors) (%)	Notes on Incentive Periods/Conditions
Vietnam	20	10 (for 15 years), 5-7 (for up to 37 years)	4-year tax exemption, 9-year 50% reduction for eligible projects; special rates for strategic projects. <sup>1</sup>
Malaysia	24	0-17 (for specific income/projects)	Reduced rates for SMEs (15% on first MYR 150k, 17% on next MYR 450k); exemptions up to 100% for 5-15 years for promoted activities. <sup>2</sup>
Singapore	17	0-17	Partial tax exemption and 3-year start-up tax exemption available; 75% exemption on first S\$10k, 50% on next S\$190k. <sup>3</sup>

Thailand	20	0-15 (for SMEs), 3-8 (for specific projects)	0% on first THB 300k for SMEs, 15% on THB 300k-3M; 8-10 years exemptions for targeted industries (e.g., AI, biotech, renewable energy)
----------	----	--	--

*Source: List of Countries by Corporate Tax Rate (2025), Tax summaries - Malaysia Corporate - Tax credits and incentives (2024)*

In summary, Vietnam’s comprehensive tax incentive framework plays an essential role in attracting high-tech and sustainable foreign investments. Nonetheless, addressing existing implementation challenges will be crucial for fully realizing the framework’s potential to achieve technological advancement, sustainability, and enhanced economic integration.

### 3. Research Methodology

This study applies a **qualitative research approach**, combining **desk research** with **structured thematic analysis**. Primary legal documents—including the Law on Investment (2020), Law on Corporate Income Tax, Decree 31/2021/ND-CP, Decree 218/2013/ND-CP, and Resolution 68-NQ/TW—are reviewed to understand the legal foundation of Vietnam’s tax incentive system. Secondary data are sourced from government agencies (e.g., MPI, GSO), international organizations (e.g., OECD, UNCTAD, World Bank), and academic journals.

To evaluate the effectiveness of tax incentives, the report is organized around **six key dimensions**: (1) Achievements in attracting high-tech and sustainable FDI; (2) Economic impacts; (3) Social impacts; (4) Environmental impacts; (5) Policy challenges and gaps; and (6) Recommendations for stakeholders. Within this framework, illustrative real-world examples are used to support the analysis, enabling a clearer understanding of how fiscal incentives influence FDI flows, employment, innovation, and sustainability outcomes in Vietnam.

### 4. Literature Review

#### 4.1. International Context

A substantial body of international literature has examined the effectiveness and unintended consequences of tax incentives for attracting foreign direct investment (FDI), particularly in developed and emerging economies. In the European Union (EU), Azémar and Dharmapala (2019) found that tax sparing provisions in bilateral tax treaties could increase FDI by up to 97% in developing countries. The effect was observed primarily in the first year following implementation, suggesting a direct causality. However, the authors also note that such benefits

tend to be short-lived unless complemented by strong legal and institutional reforms (Azémar & Dharmapala, 2019).

In Canada, the issue of “revenue leakage” has been highlighted in tax sparing arrangements, where tax exemptions offered by host countries are effectively transferred to home countries through tax credits. This has raised concerns about the fairness and efficiency of bilateral agreements, as the host country loses fiscal capacity while investors gain benefits that would have been taxed in their residence country (Li, 2008).

In Japan, D’Amuri and Marenzi (2005) observed that while corporate taxation plays a strategic role in influencing FDI, Japan diverges from the standard developing-country approach by avoiding tax holidays. Instead, Japan uses mechanisms like investment tax credits and accelerated depreciation. These are deemed more effective in incentivizing real economic activity without eroding the tax base (D’Amuri & Marenzi, 2005).

China represents a cautionary tale of early overreliance on tax incentives. Li (2008) explains that in the initial reform period, China granted extensive tax holidays and preferential rates to FDI. While these measures did attract significant investment, they also led to substantial tax base erosion, transfer pricing abuses, and a competitive disadvantage for domestic firms. As a result, the country transitioned to a unified tax regime in 2008 that removed FDI-specific incentives and emphasized fairness and sustainability.

Across all these contexts, there is an emerging shift toward aligning tax incentives with sustainable development. This includes linking eligibility to criteria such as research and development (R&D) activity, green innovation, and environmental performance—an approach increasingly adopted by OECD countries seeking both growth and responsible governance (Megersa, 2019).

#### ***4.2. Vietnam***

Vietnam’s tax policy toward FDI has historically been characterized by broad-based incentives, including corporate income tax (CIT) reductions, tax holidays, and customs exemptions. These policies have contributed significantly to capital inflows and industrial growth (Van, 2019). However, they often lack precision and alignment with national strategic goals, especially in sectors demanding high technology or environmental sustainability.

According to Le et al. (2024), tax incentives have contributed to Vietnam’s appeal as an FDI destination, particularly in processing and assembly industries. However, they have also facilitated transfer pricing, profit shifting, and widespread tax evasion, as evidenced by an increasing share of FDI firms declaring losses. This undermines the effectiveness of tax incentives and raises issues of tax justice and fiscal sustainability (Le et al., 2024).

The advent of the Global Minimum Tax (GMT), which Vietnam has committed to implementing by 2024, further reduces the competitiveness of traditional tax incentives. GMT effectively neutralizes the benefit of low tax rates by enabling investors' home countries to collect top-up taxes. Consequently, Vietnam must shift from a tax-based to a quality-based investment attraction model, emphasizing infrastructure, human capital, and innovation ecosystems (Ngo, 2023).

Baumüller (2009) observed that Vietnam's incentives—particularly in Special Economic Zones (SEZs)—boosted export-led growth but lacked monitoring mechanisms for broader socio-economic outcomes such as employment quality or environmental compliance. Similarly, Nga and Tam (2024) argue that although Vietnam is committed to sustainable development, its current tax incentive structures do not yet integrate sustainability metrics such as carbon reduction, technology transfer, or green finance eligibility.

Table 2. Vietnam's Global Innovation Index (GII) Ranking (2020-2024) and Innovation Outputs vs. Inputs

<b>Year</b>	<b>GII Overall Position</b>	<b>Innovation Inputs Rank</b>	<b>Innovation Outputs Rank</b>
2020	42nd	62nd	38th
2021	44th	60th	38th
2022	48th	59th	41st
2023	46th	57th	40th
2024	44th	53rd	36th

*Source: Viet Nam ranking in the Global Innovation Index 2024 (2024)*

In high-tech production networks, Jayasinghe et al. (2023) identify government support, tax incentives, and science parks as critical drivers for Vietnam's successful integration. Yet, the same study also cautions that without stringent criteria and follow-up assessment mechanisms, tax incentives risk becoming cost centers rather than investment catalysts.

### **4.3. Research Gap**

Despite the broad literature on tax incentives and FDI in Vietnam and globally, several key research gaps remain. First, few studies conduct sector-specific analysis, particularly concerning high-tech and green sectors. While Vietnam aspires to become a hub for advanced manufacturing and sustainable development, existing literature does not adequately evaluate the efficacy of tax incentives in fostering innovation-intensive or environmentally sustainable investments (Le et al., 2024; Nga & Tam, 2024).

Second, most studies assess input variables (e.g., number of tax exemptions) without linking them to outcome variables such as *R&D expenditure, technology transfer, carbon emission reductions, or local supply chain integration*. These indicators are crucial for determining whether tax incentives are translating into tangible developmental returns (Van, 2019; Megersa, 2019).

Consequently, a comprehensive, impact-based evaluation framework for tax incentives in Vietnam—especially in high-tech and sustainable industries—is both timely and necessary. Such a framework would enable policymakers to optimize fiscal expenditures while steering foreign capital toward national strategic objectives.

## **5. Impact Assessment and Illustrative Cases**

### ***5.1. Achievements in Attracting High-Tech and Sustainable FDI***

Vietnam's proactive tax incentive policies have yielded significant results in attracting foreign direct investment (FDI) in high-tech and sustainable sectors. The issuance of Resolution No. 68-NQ/TW in June 2023 by the Central Committee of the Communist Party marked a pivotal moment in the country's FDI strategy, calling for selective attraction of foreign capital aligned with green growth, innovation, and national development goals (CPV, 2023).

A notable success story is **Samsung Vietnam**, which has invested more than USD 22.8 billion as of 2024. Operating six factories and an R&D center, the conglomerate has become one of Vietnam's largest exporters, contributing nearly USD 33.5 billion in export turnover in the first seven months of 2024 alone (Hanoi Times, 2024). Samsung benefited extensively from corporate income tax (CIT) incentives, land lease exemptions, and import duty waivers. However, its localization rate remains modest, with limited integration of Vietnamese firms into its supply chain (OECD, 2022). To address this, the Ministry of Planning and Investment has proposed localization ratio-based incentives under the forthcoming revision of Decree 218/2013 (MPI, 2024).

Another key example is **Vestas Wind Systems**, the Danish wind energy giant that initiated investment in Vietnam under the allure of incentives such as land rent reductions and tax holidays. Although it has supplied turbines to multiple renewable projects, its expansion has been hampered by regulatory uncertainties and slow grid infrastructure development (Financial Times, 2024). In

particular, grid congestion in central Vietnam and delays in Power Development Plan VIII (PDP8) execution have discouraged further capital commitments (IEA, 2023).

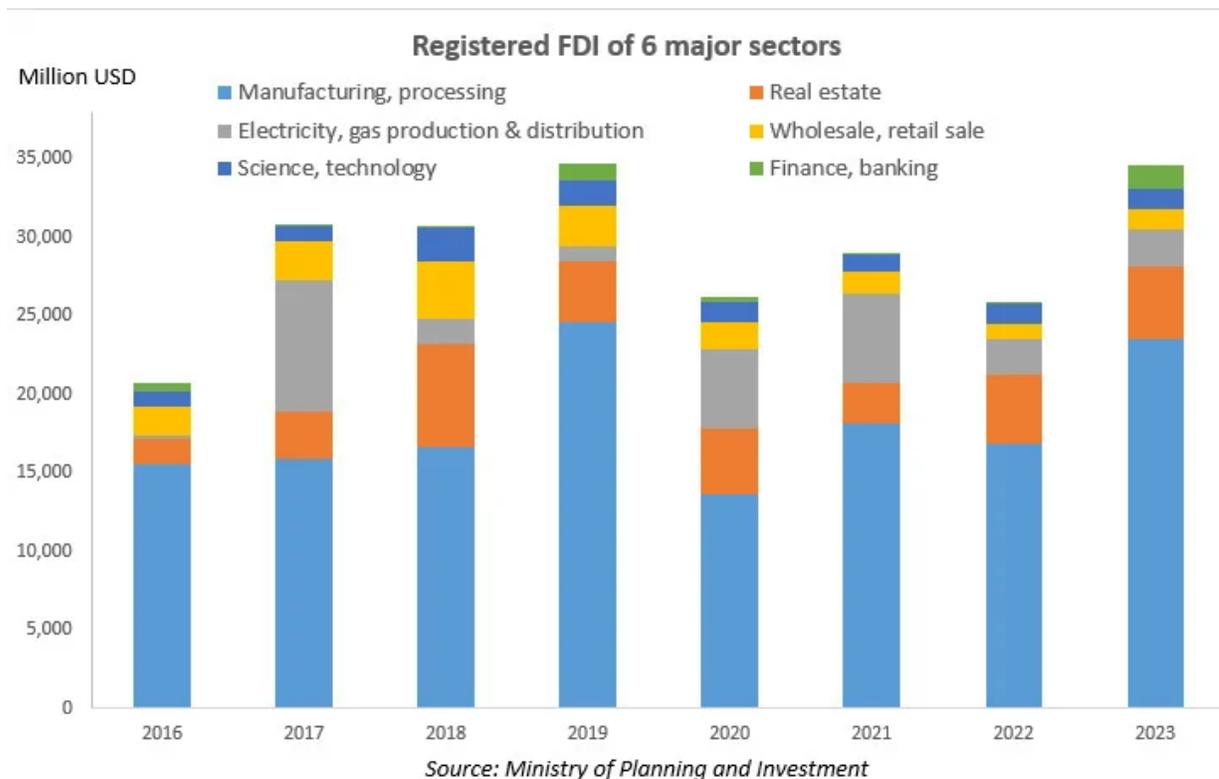


Figure 2. Registered FDI of 6 major sectors

Source: Ministry of Planning and Investment

A promising greenfield investment is the **Lego Group's USD 1 billion solar-powered factory** in Binh Duong, launched in 2022. This project, which received generous tax and land incentives, aligns with Vietnam's sustainable FDI strategy and is expected to serve as a benchmark for future ESG-compliant investments (AP News, 2025). The factory, Vietnam's first carbon-neutral toy production site, is expected to generate 4,000 jobs and integrate renewable energy into full-cycle operations. According to the Ministry of Industry and Trade (2024), such projects will be prioritized in national green industrial park planning.

Furthermore, recent investments by **Foxconn**, **Amkor Technology**, and **JinkoSolar** into semiconductor packaging and photovoltaic manufacturing reflect Vietnam's growing appeal in advanced manufacturing. These projects received import duty exemptions on machinery and preferential land lease terms (VCCI, 2024). Notably, Foxconn's new USD 270 million investment in Quang Ninh is tied to commitments to employ over 5,000 local workers and partner with local component suppliers.

Despite these achievements, Vietnam still lags behind regional competitors like Malaysia and Thailand in attracting high-value-added manufacturing with deep R&D. A UNIDO report (2023) noted that while Vietnam leads in FDI volume, its innovation index lags due to limited technology transfer and low patent output. The government's planned amendment to the Law on Investment and introduction of a national Innovation Index are intended to address these structural issues (UNIDO, 2023).

## ***5.2. Specific Impacts***

### *5.2.1. Economic impacts*

Vietnam's preferential tax regime—featuring corporate income tax (CIT) holidays, reduced CIT rates, and import duty exemptions—has proven instrumental in attracting large-scale FDI in high-tech and sustainable sectors. According to the Ministry of Planning and Investment (MPI, 2024), high-tech FDI projects accounted for over **47% of new registered FDI capital** in 2023, with electronics, semiconductors, and renewables as leading sectors.

Tax incentives have contributed to robust export growth. Foreign-invested enterprises (FIEs) generated **over USD 273 billion in export turnover in 2023**, equivalent to **74% of Vietnam's total exports**, with tax-incentivized sectors like electronics (USD 114 billion) and machinery (USD 45 billion) taking the lead (GSO, 2024). Among them, Samsung alone contributed **over USD 65 billion in export value**, much of which benefited from CIT reductions (Hanoi Times, 2024).

In terms of employment, the same MPI report indicates that **over 215,000 skilled jobs** were created directly in high-tech zones, with secondary employment impacts estimated to reach **up to 500,000 additional jobs** through supply chain effects. Provinces offering stronger tax incentives—such as Bac Ninh, Thai Nguyen, and Binh Duong—saw average employment growth in manufacturing outpace national trends by **2.3 percentage points annually** (VEPR, 2024).

From a fiscal perspective, although incentives reduced CIT collections by an estimated **USD 1.3 billion annually** (OECD, 2022), VEPR (2023) estimates that these incentives indirectly added **1.5% to GDP growth per year**, driven by productivity spillovers, increased capital formation, and infrastructure investment catalyzed by FDI projects.

### *5.2.2. Social impacts*

Foreign investors have increasingly engaged in workforce development, leveraging Vietnam's young and tech-savvy labor force. Strategic partnerships between multinationals and universities—such as Samsung's program with Hanoi University of Science and Technology—

have trained more than **10,000 students and interns** in fields like semiconductor design, mechatronics, and green engineering (World Bank, 2023).

A 2024 nationwide labor income survey by GSO found that **household income in provinces with FDI-driven industrial parks** (e.g., Bac Giang and Hai Phong) grew at an average annual rate of **8.6%**, compared to the national rural average of **6.2%**. In addition, spillover effects on local SMEs in logistics, maintenance, and technical services have created opportunities for skill upgrading and entrepreneurial development.

### *5.2.3. Environmental impacts*

FDI has significantly advanced Vietnam's green transition goals. As of early 2024, foreign-invested renewable energy projects—primarily wind and solar—accounted for **22.3% of the country's clean energy capacity**, a sharp increase from just 9.5% in 2018 (IEA, 2024). Companies like Vestas, BCG Energy, and Trung Nam have received preferential land use rights and tax holidays, enabling rapid deployment of clean power.

Environmental efficiency gains are also measurable. According to UNDP (2024), FDI projects in the solar and electronics sectors helped reduce Vietnam's industrial carbon intensity by **5.4% between 2020 and 2023**, mainly through cleaner technology and stricter ESG compliance. Notably, 100% of EU-funded projects reviewed by UNIDO in 2023 integrated ESG standards surpassing Vietnam's baseline regulations, triggering positive spillovers on domestic corporate sustainability practices.

These outcomes align with Vietnam's National Green Growth Strategy (2021–2030), and contribute directly to progress toward **net-zero emissions by 2050**, as pledged under its Nationally Determined Contributions (NDCs) and the Paris Agreement.

### *5.3. Challenges and Policy Gaps*

Despite the significant achievements in attracting high-tech and sustainable FDI, Vietnam's current tax incentive framework presents several structural and implementation-related shortcomings that limit its long-term effectiveness. One major concern is the misalignment between the scale of tax incentives granted and the actual developmental contributions made by investors. Numerous studies, including that by Le et al. (2024), have pointed out that several foreign-invested enterprises receive extensive tax benefits without fulfilling key policy objectives such as meaningful technology transfer, R&D investment, local supplier engagement, or environmental compliance. This misalignment weakens the developmental return on fiscal concessions and dilutes the strategic focus of Vietnam's FDI attraction efforts.

Furthermore, Vietnam lacks a comprehensive system of performance-based monitoring and evaluation. Currently, few FDI projects are assessed systematically against specific key

performance indicators (KPIs) such as employment quality, localization rates, emissions reductions, or innovation outputs. As a result, there is limited accountability for firms to meet their policy commitments after receiving incentives. Unlike Singapore or South Korea—where incentive eligibility is frequently linked to well-defined and measurable deliverables—Vietnam’s system often grants benefits upfront with insufficient ex-post evaluation (OECD, 2022).

Another critical gap is the absence of mechanisms of clawback or legal instruments to withdraw or recalibrate tax incentives when firms underperform or deviate from their declared development plans. In the absence of such provisions, Vietnam risks fiscal inefficiencies, policy capture, and missed opportunities for reallocating resources toward more impactful projects. The OECD (2022) has emphasized that mechanisms of clawback are essential for safeguarding public funds and reinforcing investor discipline, especially in strategic sectors such as high-tech manufacturing and renewable energy.

To address these issues, Vietnam must transition from a volume-based to a quality-based FDI strategy. This entails prioritizing investments that demonstrate clear alignment with national development goals—such as industrial modernization, climate resilience, and digital transformation—over those that merely promise large capital inflows. Policy reforms should focus on embedding performance-based conditions into incentive frameworks, establishing inter-agency coordination platforms for unified investor oversight, and developing a digital system to track compliance with KPIs in real time. These steps are necessary to ensure that tax incentives become catalysts for long-term, inclusive, and sustainable development rather than short-term capital inflows with limited multiplier effects.

## **6. Policy Recommendations**

### ***6.1. Recommendations for The Government of Vietnam***

To enhance the developmental impact of foreign direct investment (FDI) in high-tech and sustainable sectors, especially in light of Resolution No. 68-NQ/TW (CPV, 2023), the Vietnamese government should adopt a more performance-oriented and transparent approach to investment incentives. A key policy shift involves transitioning from an "incentive for entry" framework—based largely on sector or location eligibility—to an "incentive for impact" approach. Under this model, tax incentives would be conditional upon demonstrable contributions to national development goals, such as research and development (R&D), technology transfer, workforce upskilling, and carbon reduction.

Specifically, the government should mandate that all major FDI projects receiving preferential tax treatment be linked to quantifiable key performance indicators (KPIs). These KPIs could include minimum thresholds for local supplier engagement, annual investments in R&D, emissions intensity reductions, or technology licensing agreements with Vietnamese partners. To operationalize this framework, a national FDI monitoring platform should be established to

facilitate real-time tracking of investor performance and compliance. The Ministry of Planning and Investment (MPI), in collaboration with the Ministry of Finance (MOF) and the Ministry of Industry and Trade (MOIT), should jointly define sector-specific KPIs and periodically publish evaluations of incentive effectiveness (OECD, 2022).

Moreover, regulatory simplification and transparency are essential to improve investor confidence and ensure equitable access to incentives. Procedures for applying, qualifying, and maintaining eligibility for tax incentives must be digitized and streamlined through a single-window platform. The Vietnam Digital Government Strategy (2025) provides an opportunity to integrate tax administration, investment licensing, and environmental performance tracking under a unified portal (UNDP, 2024). Regular publication of beneficiaries, benefits granted, and performance achieved would enhance public accountability and deter misuse.

Finally, inter-agency coordination is critical. A dedicated inter-ministerial task force on strategic FDI should be created to harmonize criteria for incentive allocation, resolve policy overlaps, and align tax policy with Vietnam's long-term development visions, including the National Strategy on Green Growth and Digital Transformation. Lessons from countries such as Singapore and Korea suggest that cross-ministerial governance structures improve policy coherence and implementation efficiency (UNESCAP, 2020).

## ***6.2. Recommendations for Foreign Enterprises in High-Tech and Sustainable Sectors***

Foreign-invested enterprises (FIEs) operating in Vietnam's priority sectors should align their operations with national development priorities to maximize mutual benefits and policy support. First, enterprises should proactively engage in R&D and technology transfer commitments as part of their long-term localization strategies. Setting up in-country R&D centers, licensing proprietary technologies to domestic firms, or jointly developing innovation hubs with Vietnamese institutions can enhance local capacity and secure policy goodwill (World Bank, 2023).

Second, FIEs should shift from passive recipients of incentives to active contributors in shaping industry-specific policies. Through organized platforms such as EuroCham, AmCham, and the Vietnam Business Forum (VBF), foreign firms can co-develop performance-based incentive criteria that are realistic, enforceable, and aligned with international best practices. Proactive participation in consultation rounds with MPI and MOF not only ensures that policies reflect industry realities but also reinforces firms' reputational standing.

Third, foreign enterprises should deepen partnerships with local universities, vocational institutes, and research organizations to build a skilled workforce pipeline. Programs that offer scholarships, internships, and joint research funding not only address human capital shortages but also fulfill ESG and CSR commitments. These efforts are particularly important in high-tech subsectors such as semiconductors, AI, and green manufacturing where talent shortages are acute (VCCI, 2024).

Lastly, companies should voluntarily adopt international ESG frameworks—such as the Global Reporting Initiative (GRI) or Science Based Targets (SBTi)—to strengthen their sustainability credentials. Demonstrating a commitment to environmental and social governance can position firms for preferential policy treatment and make them more competitive in ESG-conscious markets like the EU and Japan.

By fostering a more balanced partnership between the state and foreign investors, Vietnam can ensure that tax incentives act as genuine enablers of sustainable development rather than fiscal concessions divorced from long-term impact.

## **7. Conclusion**

Vietnam stands at a critical juncture in its pursuit of sustainable, innovation-led growth. As global investment flows increasingly pivot toward high-tech and environmentally responsible sectors, Vietnam’s efforts to recalibrate its foreign direct investment (FDI) attraction strategy—guided by Resolution No. 68-NQ/TW—mark a timely and strategic shift. The country’s existing tax incentive framework, anchored in corporate income tax reductions, import duty exemptions, and R&D tax deductions, has demonstrably played a central role in attracting major FDI projects in both high-tech manufacturing and renewable energy. Case studies such as Samsung, Vestas, and Lego highlight the appeal and initial effectiveness of these policies in drawing capital, technology, and employment into priority sectors.

However, the analysis also reveals fundamental shortcomings that limit the developmental return on these incentives. These include weak alignment between incentives and actual contributions from investors, lack of performance-based monitoring systems, and the absence of legal mechanisms to revoke or adjust incentives when firms underperform. In several cases, generous tax breaks have been awarded without corresponding achievements in localization, emissions reduction, or R&D transfer—undermining Vietnam’s long-term strategic objectives.

Vietnam’s incentive strategy must now evolve from a volume-driven model to one that emphasizes investment quality and development impact. This means embedding tax incentives within a broader institutional framework that includes measurable key performance indicators (KPIs), stronger inter-agency coordination, and greater transparency. International experiences, particularly from countries such as Singapore and Thailand, demonstrate that performance-linked, time-bound, and sector-targeted incentives—supported by robust governance structures—are more effective in catalyzing technological upgrading and sustainable development.

For foreign enterprises, the direction is equally clear: greater alignment with Vietnam’s innovation and environmental priorities will not only improve local legitimacy but also enhance access to fiscal support and long-term policy stability. ESG integration, technology transfer, and human capital development must become standard components of any sustainable FDI strategy.

In sum, tax incentives in Vietnam must become more than fiscal tools—they must act as levers of transformation. If designed and governed effectively, they can help Vietnam leapfrog into a new development trajectory driven by high technology, environmental resilience, and inclusive prosperity. Aligning tax policy with national development goals will be essential not only to maintain Vietnam’s competitiveness in a post-GMT world but also to ensure that the FDI it attracts contributes meaningfully to a green and innovation-based future.

## REFERENCES

AP News. (2025). *Lego opens a toy factory in Vietnam it plans to run entirely on clean energy*. AP News. <https://apnews.com/article/62c0710721fa383a65cd1f45f2bdb73d> (Accessed: 5 May 2025).

Azémar, C., & Dharmapala, D. (2019). Tax sparing agreements, territorial tax reforms, and foreign direct investment. *Journal of Public Economics*, 169, 89–108. <https://doi.org/10.1016/j.jpubeco.2018.10.013>

Baumüller, H. (2009). *Competing for Business: Sustainable Development Impacts of Investment Incentives in Southeast Asia*. ISSD.

Bureau of Labor Statistics. (2014). *Employment and Output in High-Tech Industries*. <https://www.bls.gov/opub/mlr/2014/article/pdf/employment-and-output-in-high-tech-industries.pdf> (Accessed: 5 May 2025).

CPV. (2023). *Nghị quyết số 68-NQ/TW về định hướng hoàn thiện thể chế, chính sách, nâng cao chất lượng, hiệu quả hợp tác đầu tư nước ngoài đến năm 2030*. <https://dangcongsan.vn> (Accessed: 5 May 2025).

D’Amuri, F., & Marenzi, A. (2005). *Tax Systems and Tax Reforms in South and East Asia: Features and Effects of Corporate Taxation on FDI*. Società Italiana Di Economia Pubblica.

Decree 31/2021/ND-CP. (2021). *Guiding the implementation of the Law on Investment*. <https://dazpro.com/decreed-31-2021-vietnam-on-investment/> (Accessed: 6 May 2025).

Decree 218/2013/ND-CP. (2013, March 11). *Guiding the implementation of the Law on Corporate Income Tax*. <https://dazpro.com/decreed-218-2013-vietnam-on-enterprises-income-tax/> (Accessed: 6 May 2025).

Financial Times. (2024). *Vietnam pushes for high tech as investors pivot from China*. Financial Times. <https://www.ft.com/content/61ae72f0-45a0-4fcc-99b5-126c7ef1b04c> (Accessed: 5 May 2025).

GSO. (2024). *Socioeconomic Survey of Industrial Zones*. General Statistics Office of Vietnam.

- Hanoi Times. (2024). *All-time high for Vietnamese FDI in 2024*. <https://hanoitimes.vn/all-time-high-for-vietnamese-fdi-in-2024.594931.html> (Accessed: 5 May 2025).
- IEA. (2023). *Vietnam Energy Profile: Analysis and Data*. International Energy Agency. <https://www.iea.org/reports/vietnam-energy-profile> (Accessed: 6 May 2025).
- IEA. (2024). *Vietnam Energy Outlook 2024*. International Energy Agency. <https://www.iea.org/reports/vietnam-energy-outlook> (Accessed: 6 May 2025).
- InCorp Vietnam. (2025). *New Criteria for Hi-Tech Enterprises in Vietnam*. InCorp Vietnam. <https://vietnam.incorp.asia/hi-tech-vietnam/> (Accessed: 5 May 2025).
- Jayasinghe, S., Johnson, L. W., Udayanga, N., Kumarapperuma, L., & Ranjitha, S. (2023). Drivers Enabling Developing Countries to Enter High-Tech Production Networks through Global Production Sharing: Evidence from Malaysia, Taiwan, and Vietnam. *Sustainability*, 15(3), 2154. <https://doi.org/10.3390/su15032154>
- LawNet. (2025). *Resolution No. 68-NQ/TW dated May 04, 2025 on regarding private sector development*. <https://lawnet.vn/en/vb/Resolution-68-NQ-TW-2025-private-sector-development-A03F7.html> (Accessed: 6 May 2025).
- Le, H., Nguyen, T., & Doan, M. (2024). Tax Incentives and FDI Spillovers in Vietnam. *Asian Economic Journal*, 38(2), 113–129.
- Le, Q. H., Nguyen, T. H. T., Nguyen, X. H., Phung, T. U., Tran, T. H., Trinh, T. H. M., & Hoang, T. P. A. (2024). The impact of the Global Minimum Tax on Vietnam’s foreign direct investment attraction. *Asia and the Global Economy*, 4(2), 100090. <https://doi.org/10.1016/j.aglobe.2024.100090>
- Lexology. (2025). *Vietnam’s Resolution 68 and the Future of Doing Business*. Lexology. <https://www.lexology.com/library/detail.aspx?g=f92ba75d-f153-40d3-91fc-2657e4fae874> (Accessed: 7 May 2025).
- Li, J. (2008). The rise and fall of Chinese tax incentives and implications for international tax debates. *Florida Tax Review*, 4(1).
- Megersa, K. (2019). *Review of tax incentives and their impacts in Asia*.
- MPI. (2024a). *Draft Amendment to Decree 218/2013 on Corporate Income Tax Incentives*. Ministry of Planning and Investment.
- MPI. (2024b). *FDI Employment and Export Impact Report*. Ministry of Planning and Investment.

Nga, L. P., & Tam, P. T. (2024). *Policy Suggestions for Increasing the Attraction of Investment Capital for Sustainable Development: A Case Study in Vietnam*.

Ngo, H. T. (2023). Opportunities and challenges for Vietnam in global minimum corporate tax implementation. *International Conference on Scientific, Economic and Social Issues*.

OECD. (2022). *Tax Incentives and the Global Minimum Tax*. <https://www.oecd.org/tax/beps/tax-incentives-and-global-minimum-tax.htm> (Accessed: 6 May 2025).

OECD. (2025). *OECD Benchmark Definition of Foreign Direct Investment (Fifth Edition)*. OECD Publishing. <https://doi.org/10.1787/7f05c0a3-en>

Reuters. (2024). Foreign firms warn Vietnam of investment freeze without new tax offset, source says. *Reuters*. <https://www.reuters.com/markets/asia/foreign-firms-warn-vietnam-investment-freeze-without-new-tax-offset-source-says-2024-03-07/> (Accessed: 6 May 2025).

UNCTAD. (2022). *World Investment Report 2022: International Tax Reforms and Sustainable Investment*. <https://unctad.org/webflyer/world-investment-report-2022> (Accessed: 5 May 2025).

UNDP. (2024). *Vietnam Digital Governance and Sustainable Development Report*. <https://www.undp.org/vietnam/publications> (Accessed: 5 May 2025).

UNESCAP. (2020). *Policy Design for Investment Promotion: ASEAN Experiences*. <https://www.unescap.org/resources> (Accessed: 6 May 2025).

UNIDO. (2023). *Industrial Development Report: Innovation and Investment in Southeast Asia*. United Nations Industrial Development Organization.

Van, T. H. (2019). The effectiveness of corporate tax incentives in attracting foreign direct investment: The case of Vietnam. *Atlantis Press*.

VCCI. (2024a). *FDI Surge into Vietnam's Semiconductor and Renewable Manufacturing*. Vietnam Chamber of Commerce and Industry. <https://en.vcci.com.vn/fdi-2024-update> (Accessed: 5 May 2025).

VCCI. (2024b). *Vietnam Talent Report: Human Capital Trends in High-Tech FDI*. Vietnam Chamber of Commerce and Industry.

VEPR. (2023). *Tax Incentives and Economic Spillovers in Vietnam*. Vietnam Institute for Economic and Policy Research.

Vietnam Briefing. (2025). *Vietnam Enhances Incentives for National Innovation Center*. Vietnam Briefing News. <https://www.vietnam-briefing.com/news/vietnam-enhances-incentives->

[for-national-innovation-center-implications-for-business-and-startup-community.html/](#)

(Accessed: 6 May 2025).

Vietnam Law Magazine. (2025). *Proposed changes to CIT Law aim to boost tax incentives and enhance transparency*. <https://vietnamlawmagazine.vn/proposed-changes-to-cit-law-aim-to-boost-tax-incentives-and-enhance-transparency-74192.html> (Accessed: 6 May 2025).

World Bank. (2023a). *Vietnam Science and Innovation Diagnostic*. <https://documents.worldbank.org> (Accessed: 7 May 2025).

World Bank. (2023b). *Vietnam's Workforce Development and Digital Skills Assessment*. <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/560071687671382791> (Accessed: 7 May 2025).

GSO. (2024). Báo cáo thống kê xuất nhập khẩu và thu nhập lao động tại các khu công nghiệp năm 2023–2024. Tổng cục Thống kê Việt Nam. <https://www.gso.gov.vn/du-lieu-va-so-lieu-thong-ke/> (Accessed: 7 May 2025).

Hanoi Times. (2024). Samsung Vietnam's export turnover tops 65 billion USD in 2023. <https://hanoitimes.vn/samsung-vietnam-export-65-billion-2023-321321.html> (Accessed: 6 May 2025).

IEA. (2024). *Vietnam Energy Outlook 2024*. International Energy Agency. <https://www.iea.org/reports/vietnam-energy-outlook-2024> (Accessed: 6 May 2025).

Ministry of Planning and Investment. (2024). Báo cáo đánh giá hiệu quả FDI theo ngành công nghệ cao và bền vững. <https://mpi.gov.vn/Pages/tinbai.aspx?idTin=54567> (Accessed: 5 May 2025).

UNDP. (2024). *Vietnam Digital Governance and Sustainable Development Report*. United Nations Development Programme. <https://www.undp.org/vietnam/publications> (Accessed: 5 May 2025).

UNIDO. (2023). *Industrial Development Report: Innovation and Investment in Southeast Asia*. United Nations Industrial Development Organization. <https://www.unido.org/resources-publications> (Accessed: 5 May 2025).

VEPR. (2023). *Tax Incentives and Economic Spillovers in Vietnam*. Vietnam Institute for Economic and Policy Research. <https://vepr.org.vn/bao-cao-chinh-sach/thu-hut-fdi-va-hieu-qua-uu-dai-thue> (Accessed: 6 May 2025).

World Bank. (2023). Vietnam Science and Innovation Diagnostic. <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/438411674509423654> (Accessed: 5 May 2025).

---