

Policy bottlenecks discourage IT enterprises

By Thu Hien - The Saigon Times Daily

HCMC – The country’s inconsistent policies coupled with the current economic slump have discouraged companies in the information technology industry, prompting them to think twice about the execution of IT projects now.

At the meeting between the city’s leaders with IT companies in HCMC on Wednesday, Chu Tien Dung, chairman of Quang Trung Software City (QTSC) Development Co. Ltd., said attracting investment into the park is difficult now. The reason is that many investors have become frustrated with investment policies relating to tax and land rental policies in the locality.

According to Dung, local authorities since 2009 have approved the re-calculation of land rental for tenants in the IT park in line with new regulations, especially Government Decree 198/2004/ND-CP and Dispatch 11930 of the city. However, a specific land rental rate still remains unfixed, prompting investors since 2009 to undergo troublesome procedures to hire land and to pay the rentals annually.

Moreover, those investing into office space targeting software production and IT services suppliers are requested to pay corporate income taxes as property investors. As a result, investors are hesitant to pour capital into developing infrastructure in the park.

Dung suggested investors in the park be considered specialized ones as their products only serve software producers and IT service providers. They should be given corporate income tax reduction instead of paying the full amount as realty developers, Dung insisted.

In addition, a number of software and digital services processors are also struggling due to the new value added tax (VAT) regulation set for digital data services. The Ministry of Finance has revised the tax rate imposed on digital data services up to 10% from the initial 0% from March 1, pushing multiple companies into a tailspin.

Managing Director Frank Schellenberg of GHP Far East Co. Ltd. complained that the VAT adjustment had badly affected his company. Former customers refuse to pay an additional 10% VAT while the new ones don’t want to place orders at the firm given the high tax rate, Schellenberg stressed.

Given such inconsistent policies, Vietnam has become less attractive than India and China as the two rivals are luring foreign IT investors with favorable incentives, Schellenberg said, adding GHP will have to reconsider the investment in Vietnam.

Many enterprises agreed that they have difficulty carrying out research and development (R&D) activity using 10% from sales for the purpose as provided by law. An executive of TMA Solution said it took his company up to three years to finish all related procedures to establish its own R&D center in Vietnam.