Tax obstacles to IT industry to be removed

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(VEN) – Last year, the IT industry achieved US$13.7 billion in revenues, up 79 percent from 2010. However, problems related to finance, tax, andhuman resources affected the investment decisions of IT businesses and the IT sector's growth.

Chairman of TMA Solutions Company Nguyen Huu Le said, "Although we are operating stably and began to develop our business in depth, we still encounter difficulties due to inconsistent tax policies, especially regarding the temporary import for re-export of equipment, machinery and associated software orders."

General Director of FPT Technology Solutions Pham Minh Tuan agreed with Nguyen Huu Le while saying "The temporary import for re-export of equipment is time consuming in terms of procedures. For example, several companies must re-export their equipment every six months and then enter the next procedure regarding two or three-year long projects."

Chairman of Quang Trung Software Park's Board of Directors Chu Tien Dung said, "A number of companies involved in software processing and digitization services are facing difficulties in the new rules on value added tax (VAT) for data digitization services along with concerns about the procedures for land lease and rent and mobilization of investment capital. Specifically, the Ministry of Financehas adjusted VAT on digital services data from zero percent to 10 percent from the date of March 1, 2012, making it difficult for many businesses in terms of temporary import for re-export of equipment and machinery from foreign partners. These companies still have to pay their import duties and get them refunded after the re-export of equipment and machinery, which is a major obstacle to the development of IT companies."

According to a study by Gartner, Vietnam is among the top 30 countries worldwide selected as the sites for IT service development, including business process outsourcing (BPO) services. Especially last year, Vietnam ranked fourth on the attractiveness of investment after India, China, and Brazil.

CEO of GHP Far East Co., Ltd. Frank Schellenberg said, “The VAT adjustment greatly affected our business operation as we signed contracts a long time before and must now add an extra 10 percent to the contract, so the customer refuse to pay. Moreover, we must consider whether our new orders should be done in Vietnam or not because the rates will increase by 10 percent. This sudden change made Vietnam lose market competitiveness compared to India and China, where there are good incentive policies for the IT industry. IT companies in India, China and the Philippines are exempt from VAT. In order to increase investment competitiveness compared to other countries in the region, Vietnam should quickly resolved problems related to tax and should apply more transparent and reasonable tax rates.”

According to Mr. Tran Quy Nam from Ministry of Information and Communications’ Information Technology Department, the draft ICT industry development program to 2020 and the draft proposal program will focus on the recommendations that the Ministry of Finance should consider adding IT industry development projects to the list of loan-preferential projects in accordance with Decree 75/2011/ND-CP. In addition, Ministry of Finance should coordinate with relevant agencies to consider and solve the problems arising from the current value-added tax policy regarding software and related engineering services; complete legal environment and policies related to software and digital content import management; review and complete the import and export tax policies on software products and services and digital content; strengthen guidance and monitor implementation of the corporate income tax preferential policies and import and export duties to ensure the right incentives are applied properly.

Ho Chi Minh City People’s Committee has been active in organizing regular meetings to exchange and consult IT companies in resolving tax problems, creating favorable conditions for IT development. The committee has also proposed allowing IT companies to import tax debt when temporary import of equipment and machinery for research and development of IT products; reviewing the rules and solve problems specific to each company, particularly, 10 percent value-added tax regulations on digital data services. In addition, the committee and the Ministry of Information and Communications coordinated a lot of IT support programs, including preferential loans and groups specializing in solving business difficulties, with a view to accelerating the pace of growth for the city’s IT industry in the future./.

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