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DRAFT LAW ON SUPPORT FOR SMALL AND MEDIUM-SIZED ENTERPRISES: NEW SUPPORT MECHANISMS PROPOSED



The Ministry of Finance is currently seeking public comments on the Draft Law on Support for Small and Medium-Sized Enterprises (Amended) (**the Draft Law**). The Draft Law is expected to replace the Law on Support for Small and Medium-Sized Enterprises 2017, as several regulations under the current law have revealed shortcomings and challenges in practice that hinder the effectiveness of support measures for enterprises. These issues are particularly evident in the criteria for identifying small and medium-sized enterprises (**SMEs**), the support methods, and various support policies related to credit, taxation, land, and business premises. While inheriting appropriate provisions of the current Law, the Draft Law introduces amendments and supplements to ensure consistency within the legal framework and to better reflect current socio-economic conditions. Below are some of the key changes proposed under the Draft Law that may be introduced in the future.

Amending criteria for determining SMEs and support methods

One of the notable amendments under the Draft Law is the revised criteria for SMEs. Under the current law, an enterprise qualifies as an SME if it has an annual average of no more than 200 employees participating in compulsory social insurance and satisfies either of the following criteria: (i) total capital of no more than 100

billion Vietnamese dong; or (ii) total revenue in the preceding year of no more than 300 billion Vietnamese dong. The Draft Law simplifies these criteria by determining SME status solely based on two criteria: an annual average workforce of no more than 300 employees and total revenue in the preceding year of no more than 400 billion Vietnamese dong. These amendments are intended to streamline the existing criteria, which have resulted in inconsistent interpretation by competent authorities and enterprises, thereby creating difficulties in conducting statistics, classifying, and identifying beneficiaries eligible for support policies.

In addition, one of the current bottlenecks is that the existing support methods for SMEs are not yet clear and fail to meet practical needs. The Draft Law proposes to amend and supplement the implementation methods for certain support policies, including training, consultancy, and legal assistance, by shifting toward execution through orders, task assignment, self-implementation, or selection of service providers under the laws on bidding. Notably, for support relating to technology, innovation, digital transformation, and certain key target enterprise groups such as innovative start-ups and sustainable businesses, the Draft Law introduces the SME Support Voucher. This is a new and flexible approach that allows enterprises to proactively select the services tailored to their needs and stage of development.

Expanding general support for SMEs

In addition to inheriting various contents under the applicable regulations, the Draft Law also revises certain provisions on support under the Law on Support for SMEs 2017 to better meet enterprises' demands in the new context. In particular, regarding support for access to credit, along with the available policies such as encouraging credit institutions to increase outstanding loans and supporting SMEs in accessing capital based on enterprise credit ratings, several new mechanisms are introduced in the Draft Law, including:

- Encouraging credit institutions to adopt lending methods based on data, cash flows, value chains, future-formed assets, property rights, intellectual property rights, intangible assets, digital assets, and virtual assets;
- Encouraging credit institutions to develop credit products suitable for SMEs based on diversifying forms of loan security.

In addition, the Draft Law supplements and further improves several other support policies with a view to creating more favorable conditions for SMEs, typically:

- *Tax and accounting support:* The Draft Law supplements a policy that SMEs will be exempt from corporate income tax for three years from the date of issuance of their first Enterprise Registration Certificate.
- *Support for production premises:* The Draft Law provides more specific requirements regarding the land fund for SMEs. Accordingly, provincial People's Committees are required to designate land within industrial parks and industrial clusters for SMEs, ensuring an average of 20 hectares or at least 5% of the total land area of industrial parks and industrial clusters in the locality.
- *Support for technology, innovation and digital transformation:* The Draft Law supplements a provision allowing SMEs to extract up to 20% of their taxable income to establish their Science, Technology, Innovation and Digital Transformation Development Fund.

Amending targeted support for specific groups of SMEs

Regarding targeted support, the Draft Law retains several provisions under the Law on Support for SMEs 2017 and continues focusing on three groups: (i) support for innovative start-ups; (ii) support for enterprises converted from household businesses; and (iii) support for enterprises participating in value chains and making overseas investments. At the same time, the Draft Law introduces several notable amendments, expanding the scope of support and diversifying the support measures available for each of these groups, in particular:

- **Regarding innovative start-up SMEs**, the Draft Law significantly expands the scope of support compared to the current regulations. In addition to upholding some existing support policies relating to training, consultancy, product development, and investment networking, the Draft Law supplements various new incentives, including tax incentives, support for consultancy costs, and access to venture capital funds. It also allows direct appointment of contractors for certain highly specialized support services and gives priority to the application of accelerated depreciation for machinery and equipment used for research, development, and innovation activities.
- **Regarding SMEs converted from household businesses**, in addition to exemptions from enterprise registration fees and other certain fees during the initial stage of operation, these enterprises are entitled to support in using digital platforms and accounting software, as well as simplified tax filing, tax payment, and accounting regimes. Notably, during the first year from the date of issuance of their first Enterprise Registration Certificate, they will receive support, guidance, and compliance warnings regarding their level of

legal compliance. They may also be considered for exemption from administrative penalties for certain first-time violations, provided that such violations do not involve fraud or result in serious consequences, etc.

- *Regarding SMEs participating in value chains and making overseas investments:* The Draft Law supplements several new support measures, including support for technology adoption, smart manufacturing, digital transformation, and green transition. Remarkably, SMEs will be supported in developing international investment strategies, including strategies for merger and acquisition, capital contribution, share acquisition, establishment of commercial presence, and overseas investment promotion, etc.

It is expected that The Draft Law will be submitted to the National Assembly for consideration and approval in October 2026 and take effect on July 1, 2027. The Draft Law on Support for SMEs is expected to further strengthen the legal framework for SME support, thereby addressing the shortcomings of the applicable regulations and introducing new policies to facilitate the rapid and sustainable development of SME sector, increase both the number and quality of SMEs, enhance their operational efficiency and competitiveness, and strengthen their contribution to the national economy. SMEs should update the legislative process and the promulgation of the Draft Law to ensure timely compliance with new requirements in their business operations. Should you require further information on the Draft Law or any other matters relating to support for SMEs, NHQuang&Associates would be pleased to provide appropriate legal advice and support.

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