

IDVN LAWYERS

Update on key highlights of the new Decrees on supporting industry development and investment in innovative start-up enterprises, effective from September 2025

Lawyer Truong Thi Ly Ly

From September 2024, several Decrees issued by the Government have taken effect, including: (i) Decree No. 205/2025/NĐ-CP dated 14 July 2025, amending and supplementing a number of articles of Decree No. 111/2015/NĐ-CP dated 3 November 2015 of the Government on supporting industry development (“**Decree No. 205/2025**”); and (ii) Decree No. 210/2025/NĐ-CP dated 21 July 2025, amending and supplementing a number of articles of Decree No. 38/2018/NĐ-CP dated 11 March 2018 of the Government detailing investment in small and medium-sized enterprises engaged in innovative start-ups (“**Decree No. 210/2025**”) which officially came into effect with several noteworthy provisions as summarized below.

I. Decree 205/2025/ND-CP

As of 1 September 2025, Decree No. 205/2025 officially takes effect, introducing several noteworthy new provisions as follows:

1. Expansion of the definition of supporting industries

Decree No. 205/2025 expands the definition of “supporting industries” to include processing activities and extends the scope of subjects to cover “auxiliary materials” in addition to raw materials, materials, components, and spare parts. Accordingly, *supporting industries refer to industrial sectors engaged in the manufacture and processing of raw materials, auxiliary materials, materials, components, and spare parts for the production of finished products.*

2. Replacement of the List of supporting industry products prioritized for development issued together with Decree No. 111/2015

Pursuant to Clause 15 Article 1 of Decree No. 205/2025, the List of supporting industry products prioritized for development provided in the Appendix to Decree No. 111/2015 is replaced by the List issued under Appendix I attached to Decree No. 205/2025.

The new List maintains six sectors with supporting industry products prioritized for development, including: (1) Textiles and garments; (2) Leather and footwear; (3) Electronics; (4) Automobile manufacturing and assembly; (5) Mechanical engineering; and (6) Supporting industry products for high-tech industries. However, Decree No. 205/2025 revises and expands the scope and description to more comprehensively cover the range of products within each sector, specifically:

a. Textile and Garment Sector

Compared with Decree No. 111/2015, Decree No. 205/2025 no longer provides a detailed list of types of fibers, yarns, fabrics, and threads under the List of Supporting Industry Products Prioritized for Development but instead covers all types of fibers, yarns, fabrics, and threads used in the textile and garment industry. In addition, Decree No. 205/2025 expands the scope of subjects to include raw materials, auxiliary materials, and accessories used in the textile and garment industry (such as plastic pellets, buttons, hooks, fasteners, eyelets, rivets, etc.), as well as chemicals and dyes used in the production of fibers, yarns, weaving, dyeing, finishing, printing, embroidery, washing, and other supporting industry products related to these stages.

b. Leather and Footwear Sector

Decree No. 205/2025 broadens the scope of supporting industry products prioritized for development in the leather and footwear sector. Specifically, the Decree not only inherits the main product groups such as tanned leather, synthetic leather fabrics, shoe soles, shoelaces, and leather tanning chemicals, but also extends the scope to include raw materials, auxiliary materials, and accessories for the leather and footwear industry, such as plastic and rubber materials used for leather and footwear production; foam (EVA, PU) for shoe insoles; shoe adhesives; adhesive tapes (Velcro); decorative accessories; and molds (lasts) used in the leather and footwear industry.

c. Electronics Sector

Decree No. 205/2025 adds a group of basic electronic and optoelectronic components, including inductors and printed circuit boards; a group of materials for manufacturing electronic components, further extending to metals and technical ceramics for the electrical and electronic industries; and supplements a group of electronic components and parts made from materials such as quartz,

metals and alloys, hard magnetic materials, soft magnetic materials, semiconductors, active insulating materials, and technical ceramics.

In addition, Decree No. 205/2025 broadens the scope to cover component groups of computers, tablets, mobile phones, and smart electronic watches, including batteries, chargers, camera modules, motors, DLC signal transmission cables (manufactured in Vietnam), connectors, LED lights, earphones, earphone charging cases, speakers, audio transceiver units, frames and housings, and also replaces the phrase “various types of screens” in Decree No. 111/2015 with “high-resolution screens.”

d. Other Sectors

The remaining sectors, including automobile manufacturing and assembly, mechanical engineering, and supporting industry products for high-tech industries, are also revised and expanded in terms of product descriptions in a similar manner, with detailed provisions specified in Appendix I attached to Decree No. 205/2025.

3. Amendments and supplements to policies on support and incentives for the development of supporting industries

a. Regarding research and development activities

Decree No. 205/2025 amends the support policies for the development of supporting industries with respect to research and development activities, under which the limitation on the maximum support level of 50% of the investment cost for research equipment is abolished, while expressly providing for the entitlement to land rent exemption and reduction in accordance with the land laws.

b. Regarding technology application and transfer

Decree No. 205/2025 amends and supplements Article 5 regarding technology application and transfer by expanding the scope of beneficiaries and sources of support. Specifically, instead of limiting incentives only to organizations and individuals engaged in technology transfer as prescribed by the Law on Technology Transfer, Decree No. 205/2025 further includes activities relating to applied research, technology innovation, and technology improvement. It also broadens the sources eligible for incentives and support, including the National Technology Innovation Fund, the National Foundation for Science and

Technology Development, the National Program for High Technology Development, the Program for Supporting Industry Development, as well as incentives and support related to technology transfer and other incentives and support as provided under prevailing regulations.

In addition, Decree No. 205/2025 introduces two new forms of support, namely:

- Support of up to 50% of expenses for investment in machinery, equipment, prototypes, designs, software, training, hiring experts, inventions, technology transfer, intellectual property rights, industrial property rights, and testing of results;
- Support of up to 70% of expenses for activities aimed at improving the quality and quantity of experts and consulting entities in the field of technology application and transfer.

c. Regarding support in environmental protection, legal assistance, testing, inspection, assessment, and quality certification

Decree No. 205/2025 supplements three new Articles (Articles 6a, 6b, and 6c) with a view to expanding the policies on support for environmental protection, legal assistance, and testing, inspection, assessment, and quality certification. Specifically:

- Article 6a (Support for Environmental Protection): Investment projects for the development of supporting industrial zones and sectoral linkage clusters are entitled to incentives and support for environmental protection in accordance with the law on environmental protection.
- Article 6b (Legal Support): Enterprises manufacturing supporting industry products included in the List of Supporting Industry Products Prioritized for Development are entitled to legal support in accordance with the Law on Support for Small- and Medium-Sized Enterprises.
- Article 6c (Support for Testing, Inspection, Assessment, and Quality Certification): Enterprises manufacturing products included in the List of Supporting Industry Products Prioritized for Development are eligible for financial support from the Program for Supporting Industry Development, such as support of up to 50% of expenses for activities related to product

testing, inspection, assessment, consultancy on product quality certification, brand identification, copyright registration, intellectual property rights, and bar code registration, among others.

d. Regarding market development

Decree No. 205/2025 amends and supplements the policies on market development support, such as giving priority to participation in State-funded programs, including the Program for Supporting Industry Development, the National Trade Promotion Program, the National Investment Promotion Program, and other relevant programs and projects. The Decree also provides support of up to 70% of expenses for trademark registration, participation in domestic and international exhibitions and fairs, implementation of cooperation projects between organizations, enterprises, and multinational corporations with domestic suppliers, and consultancy expenses for mergers and acquisitions of enterprises operating in the supporting industry sector, among others.

e. Regarding tax incentive policies

Decree No. 205/2025 also amends Article 12 of Decree No. 111/2015 concerning incentive policies for projects manufacturing supporting industry products included in the List of prioritized supporting industry products for development. Accordingly, regarding tax incentives, the projects shall enjoy incentives in accordance with the provisions of tax laws and their implementing regulations. In addition, the projects shall be entitled to land rent and water surface rent exemptions or reductions in accordance with the law on land; and may also enjoy other investment incentives as prescribed by law.

In addition to the above-mentioned contents, Decree No. 205/2025 has amended and supplemented several provisions regarding (i) the subjects, conditions, and procedures for the issuance of the Certificate of Incentives; (ii) the modification of the Certificate of Incentives; and (iii) the post-audit of incentives, etc.

II. Decree No. 210/2025/NĐ-CP

From 15 September 2025, Decree No. 210/2025 officially takes effect, introducing several noteworthy new provisions as follows:

1. Amendment and supplementation of regulations on innovative start-up investment funds

Decree No. 210/2025 amends and supplements Article 5 regarding innovative start-up investment funds in the direction of expanding the scope of capital contribution assets, diversifying investment activities, and providing more specific provisions on the management of idle capital. Specifically:

- a. **Regarding capital-contributing members:** A specific requirement is added that there must be at least two (02) investors, whereas Decree No. 38/2018 only stipulated “a maximum of 30 investors.”
- b. **Regarding capital contribution assets:** Additional provisions recognize intellectual property rights, technology, and technical know-how as eligible assets for capital contribution. In addition, Decree No. 210/2025 removes gold from the list of permissible capital contribution assets and no longer prohibits the use of loan capital for contributing to the establishment of innovative start-up investment funds.
- c. **Regarding the list of investment activities:** The scope of investment activities is expanded from two (02) categories (investment in innovative start-up enterprises and bank deposits) to three (03) forms of investment, including: (i) investment in small and medium-sized innovative start-up enterprises (retaining the post-investment charter capital limit of 50%); (ii) investment in convertible investment instruments; and (iii) investment in share purchase rights of small and medium-sized innovative start-up enterprises, provided that such rights shall not be transferred to third parties.
- d. **Regarding the management of idle capital:** Funds are permitted to use idle capital for term deposits or the purchase of deposit certificates at credit institutions, provided that capital safety is ensured and such transactions are conducted only with credit institutions approved by the Fund’s Representative Board.

2. Amendment and supplementation of regulations on the management organization of innovative start-up investment funds

Decree No. 210/2025 amends the regulations on companies managing innovative start-up investment funds and supplements mechanisms for controlling the fund’s investment activities and use of capital. Specifically:

- a. **Regarding retained provisions:** Decree No. 210/2025 continues to allow the fund's investors to establish or hire a fund management company to manage the fund's operations, and such company shall be responsible for carrying out the procedures for fund establishment in accordance with the law.
- b. **Regarding amended provisions:**
 - The requirement that a fund management company must register the additional business line of “management of innovative start-up investment funds” as provided in Decree No. 38/2018 is abolished;
 - Additional restrictive provisions are introduced to mitigate risks and prevent conflicts of interest, including: (a) The fund's capital or assets shall not be used for reinvestment back into the same fund; (b) The fund shall not engage in commercial lending or provide guarantees for any loans; (c) The fund shall not invest in listed securities, registered-for-trading securities, bonds, or fund certificates; and (d) The fund shall not commit to any profit guarantees in its fundraising documents or activities.

In addition to the above-mentioned contents, Decree No. 210/2025 has amended and supplemented several provisions concerning (i) the notification of establishment of innovative start-up investment funds; (ii) the increase and decrease of contributed capital of innovative start-up investment funds; (iii) the notification of extension of the operational duration of innovative start-up investment funds; and (iv) the reporting and inspection of the operation of innovative start-up investment funds, among others.