

An Overview of Vietnam's Law on the Digital Technology Industry

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The Law on Digital Technology Industry, numbered 71/2025/QH15 and commonly abbreviated as the DTIL, represents a landmark legislative achievement for Vietnam, having been formally adopted by the National Assembly on June 14, 2025. This comprehensive statute establishes a dedicated legal framework to foster the growth of the digital technology industry (DTI), alongside pivotal sectors such as the semiconductor industry (SI), artificial intelligence (AI), and digital assets (DA). By delineating the rights, obligations, and supporting mechanisms for relevant governmental bodies, enterprises, and individuals, the DTIL seeks to position Vietnam competitively in the global digital economy. While select provisions, specifically Articles 11, 28, and 29, sprang into effect as early as July 1, 2025, the bulk of the law's mandates will commence on January 1, 2026, providing a measured runway for stakeholders to align their operations and investments accordingly. At its core, the DTIL is a proactive blueprint designed to nurture innovation, attract foreign and domestic capital, and build human capital, with a particular emphasis on preferential policies that could prove transformative for businesses eyeing opportunities in these nascent yet high-potential fields.

Central to DTIL's vision is the robust promotion of digital technology (DT) itself, which the law meticulously defines as an integrated suite of scientific methodologies, technological workflows, and technical instruments dedicated to the creation, transmission, aggregation, manipulation, storage, and dissemination of digital information and data, extending even to the virtualization of physical realities.

To galvanize research, development, and practical deployment of DT, the legislation introduces a suite of forward-thinking incentives that blend regulatory flexibility with financial relief. For instance, it allows organizations and enterprises to experiment with DT-infused products and services within regulatory sandboxes, governed by Vietnam's existing statutes on science, technology, and innovation, as well as those specific to the DTI. This sandbox provision is particularly appealing to agile innovators, enabling controlled testing without the full weight of compliance requirements. Moreover, endeavors in DT research and development qualify for the uppermost tier of incentives available under the nation's science, technology, and digital transformation frameworks, encompassing tax credits, grants, and expedited approvals. Researchers and developers further benefit from prioritized access to an array of state-backed facilities, including national key laboratories, technology incubators, high-tech enterprise incubators, science and technology enterprise incubators, and various public research institutions - acilities that not only provide cutting-edge equipment but also foster collaborative ecosystems. On the fiscal front, the law enhances corporate income tax (CIT) relief by elevating the allowable supplementary spending threshold for DT R&D expenditures, effectively slashing taxable income and enabling enterprises to reinvest savings into further innovation.

Recognizing the DTI's relative immaturity in Vietnam, the law precisely identifies qualifying entities for a hierarchy of incentives: standard DT production and services earn baseline preferences under investment, taxation, land use, and ancillary laws. However, "key" DT products and services - along with software production, AI system development, semiconductor chip R&D, design, production, packaging, and testing, and AI data center construction - ascend to "special investment incentive" status, unlocking amplified benefits like extended tax holidays and land lease subsidies. For large-scale ventures in these elite categories, the state commits direct financial backing from local development budgets, covering costs for factory builds, technical infrastructure, and essential machinery, thereby mitigating the high entry barriers that often deter investors in capital-intensive tech domains. Enterprises spearheading such projects also enjoy customs leniency like faster clearances .

The DTIL's commitment to nurturing innovation shines through its tailored provisions for startup ecosystems within the DTI. Innovative startup projects are categorically slotted into the special investment incentive bracket, granting them a full spectrum of supports - from investment facilitation and tax abatements to land allocations - mirroring those for high-priority industries. Funding streams are diversified, with local budgets or dedicated DTI development programs earmarked for critical activities: human resource training tailored to DTI needs; recruitment drives for elite talent in DT fields; hands-on R&D and pilot manufacturing; expert consultancy for scaling ventures; and strategic acquisitions or innovations in technology.

Infrastructure emerges as another linchpin in the DTIL's strategy, with investments in DTI foundational elements - such as R&D labs, shared national key laboratories for DT, measurement and testing hubs, expansive data centers, and even "concentrated digital technology zones" (DTZs) - deemed eligible for special incentives and prioritized state budget allocations. These zones are envisioned as multifunctional ecosystems that concentrate R&D, innovation promotion, enterprise incubation, production, and service delivery, while providing shared infrastructure and ancillary services to inhabitants. To supercharge their viability, DTZs inherit incentive regimes akin to those for regions facing extreme socio-economic hardships, including robust investment perks and land rental waivers or reductions. Developers of DTZ infrastructure receive state assistance for internal and connective elements like roadways, electricity grids, water systems, drainage, waste management, and public transit links, ensuring seamless integration with broader urban fabrics. Complementing this, projects constructing housing, service amenities, and public utilities for zone workers qualify for concessions under residential housing, real estate business, and related statutes, addressing the holistic needs of a burgeoning tech workforce.

Procurement mechanisms under the DTIL further democratize access to state resources, favoring DT products and services that adhere to standards set by the Ministry of Science and Technology (MST). Such compliant offerings gain preferential standing in bidding processes. At the same time, state-budget-funded leases or purchases for pivotal national digital transformation initiatives - those endorsed by National Assembly resolutions, Government directives, or Prime Ministerial decisions - can bypass traditional competitive tenders through direct appointments or exceptional selections. The state even reserves the prerogative to issue targeted orders to producers and providers of "key" DT items.

Streamlining operations, the DTIL offers administrative and customs simplifications for enterprises in high-stakes projects, including key DT production, semiconductor chip handling, AI data centers, and SI support manufacturing (e.g., raw materials and components). These entities benefit from expedited procedures and exemptions, reducing bureaucratic friction and enhancing global competitiveness.

Human capital provisions form the DTIL's most visionary pillar, defining "DTI human resources" as skilled individuals with DT expertise engaged in production of DT products, provision of DT services, or management of DTI activities. The state rolls out multifaceted supports: preferential loans with favorable rates and terms; scholarships, social stipends, tuition waivers or subsidies, and living expense aids for DT trainees under education and finance laws; and investments in training infrastructure, such as labs, software licenses, and digital platforms. For elite Vietnamese, overseas Vietnamese, or foreign high-quality personnel who meet Government-specified benchmarks, income from salaries in DTZs, key DT/semiconductor/AI projects, or DTI training garners a five-year personal income tax (PIT) exemption starting from their initial contract. Foreign hires secure five-year renewable temporary residence cards (extendable for spouses and minor children), alongside facilitative aid for spousal employment and child education. "Talents" in DT, those qualifying under Law on Science, Technology and Innovation, layer on elite perks: globally benchmarked salaries and bonuses; hiring/appointment priorities for public roles; enhanced work-life supports like housing, transport, and collaborative spaces; backing for international DTI engagements; dedicated R&D funding and facilities; and accolades via emulation and commendation systems.

Shifting to the semiconductor industry (SI), the DTIL casts it as the bedrock of DTI advancement, encompassing the full lifecycle of semiconductor R&D, design, manufacturing, packaging, testing, and ancillary equipment production. Manufacturing of SI raw materials, materials, machinery, and tools from an encouraged investment list secures special incentives. Chip design enterprises tap funding for talent development, R&D, pilots, and tech procurement. At the same time, SI support and electronic equipment projects receive partial or total reimbursements for pilots, tech transfers, and innovations via local budgets or DTI funds. Projects on the production, packaging, and testing of semiconductor chip products are allowed to import used technological lines, devices, machinery, and tools if they meet the prescribed criteria. Foreign traders evade double taxation on export-import incomes tied to on-site import/export, and enterprises implementing projects on the production of electronic devices that meet the criteria prescribed by the MST shall be entitled to CIT incentives, collectively easing Vietnam's entry into this sophisticated supply chain.

In artificial intelligence, the DTIL adopts a balanced stance, defining AI systems as autonomous, adaptive machines that leverage hardware, software, and data to process inputs into outputs for achieving clear or implicit objectives such as predictions or decisions that influence real or virtual realms. To safeguard users, direct human-AI interactions mandate clear notifications of the AI's nature (barring obvious cases), and AI-generated DT products on MST lists must bear detectable identification markers for humans or machines, promoting accountability and trust in deployment.

Finally, the DTIL breaks new ground on digital assets (DA), thereby defining “digital assets” as assets defined under the Civil Code, expressed in the form of digital data, created, issued, stored, transferred, and verified through DT in an electronic environment. In a pivotal clarification, it affirms virtual assets, usable for exchange or investment, and crypto assets (authenticated via encryption or equivalent DT) as legitimate DA subtypes, explicitly carving out exclusions for securities, digital fiat currencies, and other financial instruments. This recognition dismantles prior ambiguities, charting a clear path toward DA commercialization and integration into Vietnam’s economy.

In essence, the DTIL is more than a regulatory code; it is a catalytic force engineered to vault Vietnam’s DTI ambitions skyward, through intertwined incentives that lower barriers, amplify rewards, and cultivate ecosystems. Businesses contemplating investments in these domains stand to gain immensely. However, success will hinge on navigating the interplay with ancillary laws on investment, taxation, land, among others. It is imperative to consult legal and tax experts for bespoke application.

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