

the farmer in Central Highland is encouraged to change the structure of crops, but only a small area of cultivable land is appropriate to high-price perennials (such as coffee, etc.), with the result that the gap between coffee-planters and rice-planters becomes wider. According to regulations, all planters pay tax in rice, they will pay 480kg of rice for a hectare of rice, and 650kg of rice for a hectare of coffee, while the price of coffee is 14 times higher than that of rice, so the coffee - planter becomes richer than the others (in Daklak, area of land appropriate to coffee planting represents only 37% of total cultivable land). This is one of problems in taxation which need to be reexamined.

- In some taxes, the tax rate and percentage contributing to the central budget fixed by the central government are unreasonable, because the better part of tax take should be transferred to the central budget. This situation could make local authorities get into the habit of depending on the central budget for subsidies. I think that, at present conditions, the Government had better allow local budget to retain 100% of its tax take.

- The excise duty charged on certain goods produced in Central Highland provinces is unreasonable. In Daklak, around 4,000 liters of fermented fruit juice can be sold at a price of VND1,700 per liter everyday. If the producer has to pay the excise duty rate of 90% (VND1,530 per liter), he will suffer loss and be forced to stop operating, even though he is given a tax holiday of first three years. Furthermore, the excise duty collected should be transferred to the central budget, so local authorities didn't want to invest in this business. If this duty is adjusted, many businesses will be developed, the local budget income will increase and the level of subsidy from the Government will be reduced.

In short, the Government's policy on tax exemption for the Central Highland provinces is very good, but this policy must be carried out correctly, reasonably and effectively on the right concerns, not on everybody. The Government had better state exactly what cases will be exempted from taxes (losses, natural disasters, fire, etc.) Direct taxes such as income tax, profits tax, etc. can be reduced more strongly in order to encourage businesspersons to develop their enterprises. Moreover, the tax take should be used to improve the infrastructure, build new factories, supply soft loans to the poor farmers or help them sell their products, etc.

ON PREFERENTIAL AMOUNT OF BANK LOAN FOR PRODUCING AND PURCHASING GOODS FOR EXPORT

by LÊ VĂN CHÂN

On Sep 1, 1995, the Vietnam State Bank (VSB) issued the Circular No 3/TT-NH1 providing guidelines on the realization of the Decree No 29/CP dated May 12, 1995 which directed the implementation of the Law on Domestic Investment Encouragement. This Circular came into effect since the day of its issue.

The VSB gave detailed guidelines on preferential amount of bank loan for producing and purchasing goods for export stipulated in the Article 11 of the Decree 29/CP. These guidelines are as follows:

1. Borrowers supplied with preferential amount of loan

They are economic concerns which produce and/or purchase goods for export (both direct or indirect export) - they are hereafter called exporters for short - of all economic sectors affected by the Law on Domestic Investment Encouragement.

2. Conditions to secure preferential amount of bank loan

These conditions are stipulated by regulations of credit supply signed by the Governor of the VSB.

- Borrowers must have certificate of priority investment according to lists A,B or C included in the Decree No 29/CP, or certificate of priority investment granted by the State Planning Committee if they are concerns licenced by the Prime Minister; or certificate of priority investment granted by provincial people committees if they are concerns licenced by provincial people committees.

- Borrowers must produce trade agreement signed with foreign parties.

3. Supply of preferential amount of bank loan

- As for exporters, if they are in conditions to borrow preferential amount of bank loan as stipulated by above-mentioned Article 3, the state bank will supply loans to the best of bank's ability and within regulations stated in Article 25 of the Ordinance on Bank, Credit Co-operative and Finance Company.

- If the bank can't supply enough the required sum of money to borrowers, the bank must make plan to borrow additional capital from the VSB, and the VSB will consider the plan and allocate additional capital according to current regulations approved by the Governor of the VSB.

4. Maturity of loans

The maturity of loans will be fixed by the bank according to the current regulations of credit supply signed by the Governor of the VSB after considering creditworthiness and cash flow of the borrower company.

5. Interest rate

The Decree 29/CP and Law on Domestic Investment Encouragement only stipulated that the state commercial banks should lend a preferential sum of money to exporters. Director-general of the state commercial bank will decide on the interest rate of loans supplied to exporters within the interest rate scale stipulated by the Governor of the VSB at that time. If there are fluctuations in prices in world and local markets which make exporters suffer losses, the Government can use the price stabilization fund to lower the interest rate ■