

On the Revenue Assignment to Lottery Companies in Southern Provinces

by TÔ THIÊN HỮU

Lottery is a special financial tool of the Government used for redistributing the national income and increasing the state revenue. In recent years, under the direction of the Finance Ministry and People's Committees, lottery companies in southern provinces have tried their best and recorded significant achievements including annual growth of 22%; accounting for 2.4% GDP in 2005; payment to the Treasury up 20%/year and paying VND404 billion in 2005. Lottery activities have offered jobs and thus given stable income to hundreds of thousands of labors; satisfied the people's needs for healthy entertainment; and attracted thousands of billions of Đồng yearly for investment in local welfare projects, public health care, education and economic development.

At present, the country has 63 lottery companies and one lottery committee (Bắc Kạn Lottery Committee). All are owned by the State. Fifty eight of them are state-owned businesses; and five are one-member limited company (Gia Lai, Kon Tum, Lâm Đồng, Tây Ninh, Hà Nội). Lottery companies

have been given autonomy in their business, so they are fully responsible for their business performance before customers, owners and law.

Lottery companies in southern provinces have made significant contributions to the national lottery revenue. Total share of the southern companies increased from 87% in 2003 to 89% in 2005. Many provinces have high rate of payment to the state budget from lottery sales including Tây Ninh 33%, Vĩnh Long 38%, Đồng Tháp 25%, Bạc Liêu 30%, Bến Tre 30%, Tiền Giang 29%, Long An 24%, Sóc Trăng 24%, Trà Vinh 35%,...

In addition to their achievements, the national and southern lottery businesses have revealed a lot of restrictions and inadequacies. They have grown in an unstable manner and not yet tapped the potential market. There is a big gap in sales between regions, companies and lottery forms. Also, the lottery sector faces unfair and illegal competition including high commission, illegal supports to agents, overdue debts of agents... Many lottery companies compete against each other by is-

suing more tickets than demand, thus slowing down sales in the whole market.

The Finance Ministry's plan for the national lottery business in the 2006 - 2010 period affirms: "...To continue reforming the lottery sector for its high and sustainable growth and promote the lottery revenue to 4-4,5% of GDP by 2010; meet the integration requirements; satisfy the people's needs for entertainment; help to fight against illegal betting and gambling; and make the lottery sector an essential channel to attract the people's idle money for building social welfare projects and serving the national industrialization and modernization."

This is really a heavy target, requiring great efforts of the Finance Ministry and People's Committees in cities and provinces as well as of lottery companies. To reach the assigned target, the lottery companies in southern provinces play an important role. They have to improve their past achievements, and overcome limitations and inadequacies for their fast and sustainable expansion. Based on actual performance of southern

lottery companies, the Finance Ministry and People's Committees should attach importance to their planning to help bring lottery activities back to their nature.

The 2002 Amended Law on State Budget stipulates the duty of a business in estimation of state revenue clearly as follows: Based on the competent government agency's written guidelines on annual estimation, business plans, laws, decrees and regulations on tax and state revenues, state businesses estimate the payable tax, other payments to the state budget and the refundable value-added tax, then send these documents to the tax authorities, customs offices and state collecting agencies. In case the collecting agency detects inappropriate points in the company's estimation, for example, not in compliance with laws and decrees on tax and payments to the Treasury and not compatible with the company's business performance..., it may discuss these problems with the company and need not request the company to re-estimate its turnover because this figure is only one of bases for the collecting

agency to make its revenue estimation.

Based on above regulations of the Law in comparison with the actual assignment to southern lottery companies, we find several emerging problems requiring attentions.

The above table shows the southern lottery companies almost accomplished and exceeded their assigned target. This is contrary to companies' complaints about heavy tasks assigned by the Finance Ministry and People's Committees. Why?

First, to reach the above targets, lottery companies must increase their amount of issued tickets because lottery players always want to choose "good, lucky" numbers although their winning probability is the same. Just because of this, companies compete with each other in issuing more tickets than demand, causing a decline in their sales.

This is an extremely high risk which lottery companies must incur when the jackpotting

Table 1: The southern lottery companies' payments to the state budget from 2000 to 2005 (Unit: VNDbil.)

Year	2000	2001	2002	2003	2004	2005
Assigned target	1,429	1,765	2,546	3,100	3,669	4,306
Actual payment	1,765	2,199	2,782	3,399	4,138	4,847
%	123,5	124,59	109,27	109,65	112,78	111,50
Annual growth (%)			115,78	111,43	107,94	104,06

Table 2: The southern lottery companies' proportion of sold tickets

2000	2001	2002	2003	2004	2005
68%	65.1%	60.5%	58.4%	53.8%	51.1%

prizes are won by the players. Although they know the risk; they do it because they have to earn money to pay value-added and special consumption taxes to the state budget (these two payments account for more than 80% of their assigned target). Therefore, lottery companies fulfil their task but they may enjoy no profits.

Second, to boost up their turnover, several southern lottery companies give their agents commissions higher than the Finance Ministry's regulations or allow their debts without mortgages. Many companies allow debt mortgages after drawing a lot, and a few companies respect the Finance Ministry's rules on 100% mortgage for the

tickets already bought. Especially, some companies allow long arrears, so when terminating the deal, they must settle debts of billions of Vietnamese Đồng. This is really a potential risk. Nevertheless, under the pressure of the task fulfillment, many companies have violated the Finance Ministry's regulations. The revenue assignment to certain companies also reveals adequacies, as indicated in the following table:

The company's payment to the state budget depends on sales. The above table shows the sales of the Bến Tre Lottery Company was always higher than those of the Bà Rịa - Vũng Tàu Lottery Company, but the target assigned to the Bà Rịa -

Vũng Tàu Lottery Company was always higher than that of the Bến Tre Lottery Company. The gap was tens of billions of Vietnamese đồng, for example, VND40 billion in 2005. It is noteworthy that these companies draw weekly lots on the same day - Tuesday.

The following is another example of inadequacies in the revenue assignment and fulfillment of those companies drawing lots on different days, but having equivalent sales.

The above table indicates the three companies' sales were rather equivalent from 2003 to 2005, but their assigned targets faced a big gap. The target assigned to the Tây Ninh Lottery Company was VND350 billion in 2005, for example, while these figures were 300 and 310 billion respectively for Đồng Nai and Tiền

Table 3: Selected lottery companies' assigned target and actual payment to the state budget

(Unit: VNDbil.)

Lottery companies	Year	2000	2001	2002	2003	2004	2005
Bến Tre Province	Sales	366	458	552	610	732	874
	Assigned target	69	79	100	127	156	185
	Actual payment	71	123	115	170	180	200
Bà Rịa - Vũng Tàu Province	Sales	329	430	536	588	740	811
	Assigned target	60	90	130	148	159	225
	Actual payment	76	111	135	190	235	266
Bạc Liêu Province	Sales	230	325	379	462	579	708
	Assigned target	43	55	74	100	150	170
	Actual payment	55	89	89	105	170	200

Table 4: Inadequacies in assigned targets and fulfillment of selected lottery companies

Lottery Business	Year	2003	2004	2005
Đồng Nai Province	Sales	867	1,038	1,220
	Assigned targets	231	247	300
	Actual payment to the state budget	236	300	372
Tây Ninh Province	Sales	884	1,095	1,255
	Assigned targets	250	333	350
	Actual payment to the state budget	258	333	351
Tiền Giang Province	Sales	878	1,062	1,228
	Assigned targets	208	280	310
	Actual payment to the state budget	255	300	340

Giang lottery companies.

According to the lot drawing schedule approved by the Finance Ministry, there are

These three examples show financial authorities may forget this point when assigning the target.

The revenue from

Table 5: Total targets assigned to the lottery companies drawing lots on the same day

(Unit: VND bil.)

Total targets	2003	2004	2005
Monday	462	501	608
Tuesday	375	465	580
Wednesday	431	489	620
Thursday	496	661	695
Friday	477	528	625
Saturday	466	516	590
Sunday	393	509	588

three companies drawing lots on the same day on average. The total revenue assigned to lottery companies drawing weekly lots on different days also faces a big gap.

lottery sales is rather important for many provinces, especially agricultural ones. Therefore, each province has its own policies in addition to abiding by the Finance Ministry's reg-

strictly followed. It is time for us to return to the nature of lottery activities, that is, they are aimed at serving the people's entertainment and attracting their idle money for social welfare projects. The following are our suggestions:

First, the concepts of lottery activities should be convergent.

Central and local authorities should understand that lottery activities are not aimed at increasing the national GDP, but only a form of healthy entertainment and recreation. In addition, they help mobilize thousands of billion đồng from the people's

ets in previous years. This figure increased to 49% in 2004 and 2005 and to 50% in the first six years of 2006. This shows a great waste of paper (the price of Bãi Bằng printing paper was VND14 million per tonne in 2005).

As a result, in the conference on socio-economic development of the Mekong Delta in the 2006-2010 period, the Prime Minister affirmed: "Since 2007, the city or province is allowed to issue lottery only when it has determined local welfare projects and their investment capital and got approval from the city or provincial People's Committee. It must not consider lottery as local main and regular revenues".

Second, the target assignment should be reformed.

Based on the Prime Minister's conclusion, first we are required to reform the target assignment in accordance with capacity of each lottery company. The assignment must be suitable for lottery companies with different drawing days. The local authorities should understand the lottery business is full of hazard. If many prize tickets are kept in stock, the business gets big profits. In contrast, if many buyers win prizes, the business gets low profits and even incurs losses. Therefore, when assigning targets, local

Table 6: The value of cancelled tickets (Unit: VNDbil.)

	2001	2002	2003	2004	2005
Face value of cancelled tickets	4,686	6,700	8,500	11,744	17,049
Equivalent to the paper volume (1,000 tonnes)	1.6	2.4	3	4.1	5.9

The above table discloses from 2003 to 2005 those companies drawing lots on Thursday always had the highest targets and those drawing lots on Tuesday the lowest with a gap of over VND100 billion. It is actually an extremely large gap!

ulations. This results to unfair competition between lottery companies in the south. Even though there is a meeting of southern lottery companies held every three months and they all come to a resolution on the percentage of sales and ticket price, the resolution is not

idle funds for social welfare projects, public health care, education, and economic development. However, they should not cause large wastes in cancellation of unsold tickets.

The proportion of cancelled ticket value was under 20% of the total value of issued tick-

Table 7: The issue costs of southern lottery companies

2001	2002	2003	2004	2005
18.5%	18.6%	18.7%	19.2%	18.9%

authorities should cancel the principle of "later year, higher revenue". In short, the assignment should be based on sales and the Finance Ministry's regulations to specify targets.

As mentioned above, over the past years, some lottery companies have boosted up their issuance much higher than the market demand and the number of agents receiving tickets without mortgage increased. This led to the big gap in discounts between lottery companies. Currently, lottery companies print tickets with two kinds of face value: VND5,000 and VND10,000. When they exchange their tickets, their discount is not the same and the gap amounts to 5%, causing unfair competition between them and losses in lottery sales. For example, previously when lottery sales remained low, the maximum cost of issue was 18%, nowadays the sales are double, the cost must go down but it actually goes up. This can be seen in the following table:

Third, the task of inspection and settlement must be enhanced

In face of the evidence of lottery activities, the Finance Ministry has made a lot of instructions to rectify

lottery activities. In our opinions, the ministry should enhance its inspection and force companies to strictly exercise Circular 77/2005/TT-BTC dated September 13, 2005 and Official Letter 41118/TC-TCNH dated April 8, 2005 and Official Letter 9694/BTC-TCNH dated August 10, 2006 by the Ministry of Finance. Initially, lottery companies are requested to reduce their issue to increase sales. When they allocate tickets to their agents for distribution in far areas, these agents must mortgage 100% in cash or bonds. Similarly, if the business allows its agents' debts, they must have mortgages. In addition the business has to implement strictly Circular 77/2005/TT-BTC on the costs of agent expansion and commission.

To strictly follow these regulations will help secure payments to the Treasury and fair competition in the lottery sector, at the same time reduce the amount of issued tickets but increase sales and prices, and finally promote the business performance.

Fourth, the national lottery should be established

In addition to the above measures, the most important and effective is to establish

the National Lottery Corporation as other countries over the world. The corporation has branches in each city and province across the country. For nations including many states, each state has only one lottery company. Most of nations draw lots in only one day in a week or month, but not every day like Vietnam.

For our country, how can the National Lottery Corporation be set up while 64 provincial lottery companies are operating across the country, especially lottery revenues are very important to the local budget of southern provinces? To answer this question, local government must respect the Prime Minister's instruction: "Do not consider lottery as main

revenue" and Decision 210/2006/QĐ-TTg dated September 12, 2006 by the PM: "Since 2007, local governments will implement the uniform mechanism for total revenues from lottery sales; and the central government will grant budget to provinces in accordance with their estimated revenues from lottery sales for 2007 to build local infrastructures in education, health care, culture, and sports".

More generally, when the regulations of the 2002 Amended Law on State Budget are strictly respected in combination with scientific, logical, open and democratic distribution of lottery revenues, the National Lottery Corporation may soon take shape on the basis of the consensus and support from the people, sectors, levels and local governments.■

Photo by Huỳnh Thơ

