

On the Plan to Stabilize the Tax Policy and Develop Tax Officials up to 2010

by NGUYỄN VĂN CƯỜNG

Since 1990 Vietnam has gained important achievements in macroeconomic management, inflation control, and coordination of monetary policies, thereby ensuring a stable growth rate and making most of private sources of investment. The tax policy, as an instrument of macroeconomic management, has helped accelerate the socioeconomic development, as shown in the following table:

ble, feasible and applicable.

Besides achievements in the past few years, we should recognize shortcomings and defects in the tax laws and tax management.

1. A strategic direction for tax laws stabilization

When policies are made properly, their enforcement will be stable for a long time. The general direction for the task of making tax laws must aim at

tax rates, more complicated tax brackets, and various classes of tax exemption and reduction, which sometimes gives an impression that the tax system is flexible enough.

There must be a balance between flexibility and equity. The flexibility is political and economic desirable. From an economic viewpoint, the monetary and financial policies are usually used for stabilizing the economy, tax rates and tax take

economic activities and affect unfavorably the business circle.

Policy makers should have a strategic vision and ability to predict future development of the domestic and foreign economies in order to decide exactly the strategic targets, that is, to choose decisive targets from important ones.

At present when Vietnam is trying to integrate into the world community, carry out agreements when joining international

Table 1: Some facts about Vietnam's socioeconomic development in 1995-2004

Year	GDP (VND billion at current price)	Exchange rate (VND/US\$)	GDP in the US\$	Population (1,000 persons)	Per capita GDP (US\$)	Per capita GDP in PPP (US\$)
1995	228,892	11,000	20,808.4	71,995.5	282.1	1,236
2000	535,762	15,272	35,081	79,727.4	440	2,300
2004	713,071	15,676	45,488	82,019.5	554.6	2,585

The most outstanding achievement of the tax agency in 15 years of the economic reform is its success in surpassing the target planned for each period. Average increase in tax take in 1991-95 was 52%, in 1996-2000 12% and in 2001-05 17%.

Payments in taxes and fees account for 95% of the national budget income and they are used for regular expenditures and turned partly into fixed investment. A program to reform the tax system up to 2010 was approved by the PM Decision 201/2004/QĐ-TTg dated Dec. 6, 2004. To carry out successfully the program, it's necessary to perfect the bulk of tax laws and modernize the tax management. The perfection of tax laws must satisfy technical, economic, social and financial requirements. The tax management must be effective, equal, exact, flexible, sta-

technical, economic, social and financial targets, but it's hard to work out a tax policy, or any economic policy, that can meet all of these targets. That is why certain targets will be prioritized in specific periods, and a trade-off between targets is sometimes necessary.

In recent years, the tax policy usually paid more attention to the financial target (because of the need for funds for public expenditure) and economic one (due to the need to develop and integrate into the world community). Social targets are usually linked with the tax policy, which makes the taxation less neutral. The equity is ensured when taxing local companies of all sectors but it is hard to achieve when taxing foreign and local companies (because of decreases in the foreign investment). These factors lead to regular changes in

are adjustable if there is a need to regulate personal disposable income and aggregate demand. Politically, governments could adjust the tax rates and components of the tax take to preset targets in order to keep their promises. But the flexibility is not desirable because too many changes will lead to instability which is essential to the system of tax laws. The stability of the tax laws will help organizations and individuals understand their financial obligations in a long term and work out their business plans accordingly while its instability is a cause of the lack of confidence when doing business.

In fact, the common mistake by governments is to pay more attention to the financial target than to economic one because they have to deal with the budget deficit, which reduces effects by taxes on

organizations and cooperation programs; and attract more foreign investment, the best solution is to take all possible measures to mobilize private sources of finance and investment, including the foreign ones while the public investment only plays a supporting role. The economic target must be considered as the strategic one. Other targets in order of importance are financial, social and technical ones. The reform in the tax system and tax management for the years 2005 - 2010 should be based on this direction. Of course, a stable tax system could only take shape within a generally stable legal infrastructure, attract business climate, and a civilized and democratic society.

Regular changes in the tax system are never desirable. An equilibrium between the flexibility and stability is possible. The

flexibility could only mean moderate changes in tax rates, classes of taxpayers, and cases of tax reduction and exemption, while the stability arising from a relatively stable tax system only allows changes from time to time. When the structure of a tax system is not perfect and demand for reform arises, the stability becomes more necessary.

2. Development of the army of tax officials

The tax management comprises management mechanism, instruments, technology, machinery, staff and environment.

When carrying out the tax reform, an urgent demand and one of important tasks is to develop and perfect the army of tax officials with a view to making it more professional and modernized. This is also a requirement posed by the industrialization and modernization process, and the international integration.

At present, the army of tax officials in terms of quality and quantity as well fails to meet both short- and long-term requirements, and it is not equal to the industrialization and modernization process.



Photo by Huỳnh Thơ

The task of personnel development includes many shortcomings. Evaluation of personnel is the poorest job that is slow to improve. Standards for and methods of evaluation are inconsistent and unclear. The task of training and rotating officials, especially office-holders, is not carried out well. The policy to rotate officials is sometimes exploited for personal interests or vengeance.

As for the army of tax officials, most of them lack

expertise and skills of managing their tasks, and chances to learn from foreign experience. Many office-holders lack knowledge of economic and administrative management. The human resource for tax agencies is allocated unreasonably. Regular and formal training could only provide basic knowledge about economic and financial matters. These are causes of losses of tax take and confidence in the government.

The personnel development task must aim at recruiting persons who have both professional ethics and expertise. The development of tax officials must be linked with education in work ethics. In addition, this task must pay proper attention to recruitment of experts in personnel development. These experts must be responsible to the government and the public for their decisions. They should be aware of temptations of all kinds and refrain from power abuse.

The tax department has also worked out a program to upgrade its officials in preparation for the reform and modernization of the tax department along with measures to improve the general expertise of its officials by 2010.

Working out the direction of the stabilization of the tax policy and measures to develop the army of tax officials must be carried out in parallel with other tasks of perfecting tax policies and tax management for the years 2005-2010. In each period, it's necessary to identify strategic target among others, and prepare the army of officials for the tax reform. ■

