

INSUFFICIENT COLLECTION OF TAX AND MEASURES AGAINST IT

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Insufficient collection of tax (ICT) is an inherent feature of all tax systems. It reflects a two-sided problem: interests of the government and of taxpayers; the government wants to increase its budget income while the taxpayer wants to reduce the liability to tax. So in order to reduce ICT, there must be a tax policy and management practices appropriate to the development of the economy. In a contrary manner, we can say that ICT originates from inappropriate tax policy and management practices.

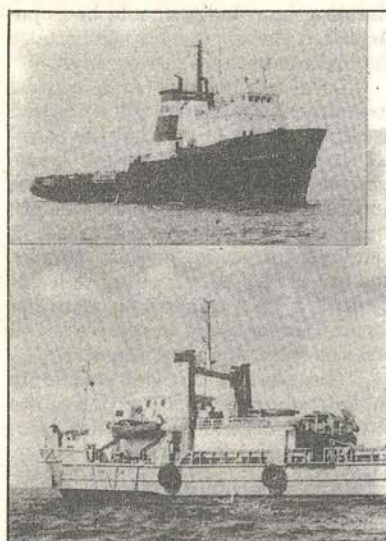
I. CAUSES OF INSUFFICIENT COLLECTION OF TAX

In Vietnam, many taxes are collected insufficiently from all sectors, especially from foreign-invested and private companies. But tax authorities didn't know how much the ICT was, it was usually estimated at 40% or 50% although tax authorities have tried their best to reduce it. Although it isn't an insolvable problem, but it can't be solved overnight. It will take us a long time using many measures to overcome it.

In my opinion, we should find out causes of ICT first. The following are some main causes:

1. Objective causes

- The tax policy isn't well made. There are too many taxes but also too many cracks which provide the taxpayer with many tax shelters. Recently, the Government has issued new tax rates and adjusted the tax list with a view to making the tax regime more uniform. But because of changes in the economy and lack of experience, many taxes weren't appropriate



to realities of the economy; the tax list didn't cover all economic activities and therefore the budget income was influenced badly.

- In developing business, the taxpayer didn't feel duty-bound to pay taxes and they usually looked for ways to avoid or evade taxes.

2. Subjective causes

- The organization of tax machinery isn't perfect so its performance is ineffective.

- The army of tax collectors is numerous but badly trained (around 30% of this army took no training courses at all).

- The task of collecting tax lacks organization, therefore collecting tax is difficult, ineffective and conducive to venality.

- Many local authorities thought

that the tax agencies were responsible for collecting tax and they didn't help the tax agencies perform the task.

- The tax take isn't kept safely. This situation led to many losses.

- The task of inspecting and controlling tax agencies was not perfect.

In order to overcome these causes, the Government had better take the following measures:

II. MEASURES AGAINST ICT

1. Perfecting the tax policy

The tax policy should be perfected according to the principles of increase of budget income, of impartiality, of predictability and of efficiency. In the coming year, the tax policy should be perfected in the following directions:

- The tax list should be mapped out perfectly. It should cover all activities. Various ways of collecting tax should be applied to collect tax sufficiently from easy-to-regulate activities.

- + For the time being, the Government should make the tax list cover all new economic activities, and then, all activities which will come into being.

- + Expanding the classes of taxpayers by rearranging the tax rates and the structure of tax rates.

- + Imposing tax on pollution.

- + Carrying out researches into property tax in preparation for charging it later.

- Making the structure of tax rates simpler with reasonable rates and expanding the classes of taxpayers.

- The Government had better



pay attention to indirect taxes rather than direct taxes.

- The tax law should be enforced uniformly all over the country.

- The turnover tax should be replaced with the VAT in order to avoid multiple taxation.

- All economic sectors should be treated equally in tax imposing.

- The tax policy should be clear and kept from negotiability.

- Imposing the same tax rates on both local and foreign-invested companies.

- We need to restrict cases of tax exemption or reduction, and these cases should be defined clearly. All social matters would be settled by the public treasury instead of the tax system.

- The tax policy should aim at curing defects of the market economy.

- All taxes should be made into law instead of having too many laws, ordinances and decrees on tax at present.

2. Perfecting tax collection and management

- All taxes should be paid to tax authorities. All receipts for money paid should be issued by tax authorities. If tax-collecting intermediaries are needed, there should be regulations on ways of collecting, deadline for transferring money to the treasury and sending reports in order to struggle against embezzlement of tax money.

- Improving the knowledge of tax collectors by giving training courses and firing tax collectors of bad quality.

- All sources of tax take should be transferred to the public treasury. All embezzlements of public fund should be punished properly.

- Forcing all businesses to carry

out the Ordinance on Accounting because it's necessary for improving the task of collecting tax.

- Relations between government bodies relating to management of the budget income (the treasury, State Bank, etc.) should be improved with a view to using reasonably and effectively the tax take.

- The tax collecting machinery should be connected with local authorities in order to carry out the task of collecting tax completely.

- The tax authorities should establish relations with local judicial services, mass media, public organizations, etc. with a view to popularizing the tax policy, encouraging the public to pay tax and help the tax authorities correct their mistakes and discover cases of tax avoidance and evasion. The mass media had better criticize taxpayers for failing to pay tax correctly. The tax collectors had better seek information about all taxpayers residing in locality from local authorities.

- Making preparations to force all businesses to open accounts at banks and use check to make all payments.

- All economic contracts or agreements should be registered at authorized bodies (notary public office, registry, economic court). This requirement could help the tax authorities find out tax bases of all businesses, and moreover, discover void contracts.

- In carrying out the tax policy and struggling against tax avoidance and evasion, experience shows that there must be the guidance of local government and VCP committee.

3. Reinforcing the task of inspecting and supervising

The task of inspecting and super-

vising is an important part of tax management and essential to renovation of the tax policy. The importance of this task shows itself in two aspects:

- This task could help with discovering violations of tax collection, retrieving lost tax money, and moreover, preventing the root causes of corruption of venality.

- By inspecting and supervising, the Government can test the tax regulations for appropriateness, discover irrationality and cracks in the tax policy, and then, find out needed adjustments.

In the coming years, the mechanism for inspecting taxation should be renovated and consolidated: professional knowledge of inspectors should be enhanced, rights and duties of inspectors should be defined clearly, good inspectors should be treated preferentially, bad inspectors should be punished. In addition, the regulations on taxation should be perfected and clarified. Punishment for all possible violations should be provided for in these regulations.

4. Other measures

- Forcing and encouraging all businesses to obey the tax law.

- Accelerating the program to reorganize and rearrange state enterprises and the program to equitize and diversify ownership.

- Keeping on perfecting the accounting business.

- Consolidating state and independent auditing businesses.

- Perfecting banking business.

- Popularizing knowledge about law in order to help the public obey the law ■

ERRATUM

In the EDR August issue, on page 27, line 22 up-down of the left column, please read: "bonds of Bank for Agriculture VND 500 billion" instead of reading: "bonds of Bank for Agriculture VND 500 billion and US\$ 1 million"

Our dear readers and contributors, please accept here our apology.

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