FOR FASTER VAT ASSESSMENT

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According to the Law on Value Added Tax (VAT), the tax base is selling price and tax rate. Regarding commodities and services, taxable prices are selling prices not including VAT. The tax rates are 0%; 5%; 10% and 20%. The Article 11 of the VAT Law stipulates as for stamps and tickets as paid vouchers with prices printed on them, these prices include VAT.

According to the Article 6 of the Government's Decree 28/1998/NĐ-CP dated on May 11, 1998, regarding special commodities and services which can use paid vouchers and receipts with prices including VAT, the price for VAT calculation is the price on that voucher (including VAT) divided by (1+ tax rate). The Article 9 of the above Decree rules that in case the enterprise purchases special commodities and services using vouchers with paid prices including VAT, based on the prices including VAT and the calculation of taxable prices stated in the Article 6 of this Decree, the VAT input deduction can be determined. According to the Article 10 of the said Decree, entities which have rights to pay tax directly on value added can use normal receipts. The selling prices written on the receipts are the prices including VAT.

On June 27, 1998, the Ministry of Finance issued Circular 89/1998/TT-BTC on the VAT guidelines as follows:

Price not including VAT = selling price : (1+tax rate)

Payable VAT = price not including VAT x VAT rate

Or:

Payable VAT = selling price - price not including VAT

The above calculation is applied to special commodities and services using paid vouchers such as stamps, transport tickets, and lottery tickets with prices including VAT.

According to the above Circular, in case of purchasing commodities and services using vouchers with price including VAT, the tax base is this price and the above calculation to determine price not including VAT and VAT input deduction.

VAT input deducted = total payment (price including VAT) x VAT tax rate : (1 + VAT tax rate)

The circular also regulates that entities paying tax directly on value added and VAT-free enterprises can use normal receipts. The selling prices of commodities and services written on the receipts are the paid price including VAT (for goods and services liable to VAT).

From the above equations, we can calculate the payable VAT based on the selling price including VAT as follows:

Payable VAT = [Selling price (including VAT) x VAT rate] : (1 + VAT rate)

Or:

Payable VAT = [Selling price (including VAT) x VAT rate] : (1 + VAT rate)

Applying VAT rates of 5%; 10%; 20% to the fraction:

VAT rate : 1 + VAT rate

we have following corresponding coefficents:

5% : (1 + 5%) = 5/100 : (1 + 5/100) = 5/105

Similarly, for the tax rates of 10% and 20% we have:

10% : (1 + 10%) = 1/11

20% : (1 + 20%) = 2/12

A simple example will help us distinguish the selling price not including VAT and price including VAT.

Determine the taxable price and payable VAT in case the selling price including VAT are VND105, VND110 and VND120 with VAT rates of 5%, 10% and 20% respectively.

We have VAT payable as follows:

VND105 x 5/105 = VND5

VND110 x 1/11 = VND10

VND120 x 2/12 = VND20

Their selling prices not including VAT will be:

VND105 - VND5 = VND100

VND110 - VND10 = VND100

VND120 - VND20 = VND100

We can also figure out VAT based on the selling price not including VAT:

VNĐ100 x 5% = VND5

VND100 x 10% = VND10

VND100 x 20% = VND20

Why should we calculate VAT based on the selling price including VAT by converting coefficients?

When facing the selling price including VAT, even the firm applies VAT deduction for special commodities and services or pays tax directly on value added, we can use the above converting coefficients to calculate the VAT immediately, because:

1. This calculation is very simple. The traders can use only pocket calculators to find VAT payable when signing contracts or making quotations for their partners.

2. These coefficents have the numerators concerning to real tax rates, for example coefficient 5/105, the numerator 5 is similar to the VAT rate of 5%, making easy to remember and calculate.

3. Comparing the two calculations:

For example, with the tax rate of 5% and the selling price including VAT is VND105. What is the VAT payable?

If firstly determining the price not including VAT and then the number of VAT, we have:

Price not include VAT = VND105 : (1 + 5%) = VND105 : [(100 + 5) / 100] = VND105 : 105/100 = VND100

VAT payable = VND100 x 5% = VND5

If applying the converting coefficient, we have:

VAT payable = VND105 x 5/105 (coefficient) = VND5

We see the second calculation is faster and simple.

Because the Government's Decree 28/1998/NĐ-CP and the Ministry of Finance's Circular rule that the taxable price is the price including VAT divided by (1 + tax rate), when calculating by converting coefficients and putting them into accounting books, we have to refer to these legal documents. As long as the Government allows to apply these coefficients, they will be of legality and directly applied.

We propose the Government should issue legal documents recognizing the calculation of VAT by using converting coefficients (multiplying selling price including VAT by 5/105; 1/11; 2/12) to determine the VAT payable. This will make the VAT calculation faster and more feasible■