

Progress in Self- Declared Taxation

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After the Companies Law, the number of companies rose quickly. Tax payment from these companies equaled 66.4% of the inland revenue in 1996-2000 and rose to 71.4% in 2001-05 gaining an annual growth rate of 19.9%.

Because the labor force of tax agencies didn't increase, they had to allow companies to make tax declaration and tax officials are responsible for checking these declarations and collecting them. This mechanism replaced the old one in which each official control a certain number of companies. In the new mechanism, tax officials are divided into groups by their functions and specialization.

To control the taxation by function, the tax agencies have developed many processes to facilitate their jobs. They are Process of supporting taxpayers; Process of handling tax declarations; Process of checking tax declarations; and Process of collecting tax. And tax officials are divided into groups according to the process they are specialized in.

On Dec. 22, 2003, the Ministry of Finance issued Circular 127/2003/TT-BTC providing guidelines on implementation of Decision 197/2003/QĐ-TTg on the pilot scheme to apply self-declared taxation. By this Circular, 337 concerns in HCMC and 122 ones in Quảng Ninh were included in this scheme and provided with instructions to make declarations on the VAT and corporate profit taxes on Jan. 1, 2004. By Dec. 31, 2004, tax payment from HCMC-based concerns included in the scheme equaled 135% of the planned target and Quảng Ninh ones reached 125% of the target. The

scheme shows that taxes were paid quicker and tax arrears reduced.

In September 2005, the Ministry of Finance decided to introduced this scheme to Thừa Thiên-Huế, Khánh Hòa, Bình Thuận and An Giang increasing the number of provinces included in the scheme to six, and in five of them all economic concerns directly controlled by provincial tax agencies have followed the self-declaration procedure. In HCMC for example, 540 concerns have taken part in the scheme, and more taxes were paid according to this procedure. Generally, the scheme only includes provinces with medium tax revenue and state-owned companies of small and medium sizes. As for non-public sectors, the scheme hasn't been applied because most private companies didn't keep their books properly and many of them even didn't know how to prepare annual financial statements.

The Taxation Department planed to apply this procedure nationwide by 2007. To achieve this aim, it should deal with the following problems:

- Success of this procedure depends on cooperation of companies. This means that it must be of benefit to them. Up till now, the procedure has been applied only to major companies that are law-abiding. To apply it to all concerns, the tax authorities must educate the public, and the business circle in particular, in the duty to pay taxes; and provide concerns with necessary information about the tax policies and payment procedures in order to help them save time and energy paying their taxes.

- Supervision by tax officials must be beefed up and based on risk analyses. Too many supervision and investigations will lead to troubles and annoyance for concerns and waste of time and energy for tax officials. In the future, investigations must be modernized while expertise and work ethics of tax officials must be enhanced. It's necessary to affirm that investigations should aim at helping concerns obey law, not at increasing the tax take.

- Officials responsible for handling database will play an important role in the new procedure. Tax authorities have started developing their database since 1999. It is an active preparation but information gathered must be treated properly and updated continuously. Moreover, the tax authorities must persuade other governmental bodies, such as banking, customs, police, and investment and planning, to share information and cooperate in checking operations of concerns.

- Human resource of the tax agencies must be improved. Tax officials must be provided with more training in tax laws, accounting and other fields relating to their jobs in preparation of the modernization of taxation.

- Cooperation from other bodies is very important to tax agencies, without it the agencies couldn't inspect and control taxpayers. In the near future, regulations on the use and waste of raw materials by economic concerns must be made according to international standards as a basis for assessing payments in the VAT and corporate profit tax. ■