

# SYSTEM OF ACCOUNT BOOKS FOR TAX MANAGEMENT IN VIETNAM

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**I**n the national economic development, accounting is an important instrument in management, helping the calculation and formation of the budget, establishment of economic indicators, and management of production and business activities of an enterprise.

In accounting, the bookkeeping plays an important role as the key stage in the current accounting system linking receipts and financial statements.

To establish the books of account is to record all business transactions and calculate exactly business results, input and output value-added tax, corporate income tax, personal income tax, registration tax already or to be paid in a certain accounting period.

Due to the importance of bookkeeping, the enterprise is required to choose a form of accounting in accordance with its business and production. According to current regulations on accounting, there are four forms of accounting practice as follows:

- General journal;
- Ledger journal;
- Registered vouchers; and
- Journalized vouchers.

In each form of accounting practice, there are detailed regulations on how to make the book and register receipts as well as sets of general and specific books. As a result, the enterprise must depend on its scale

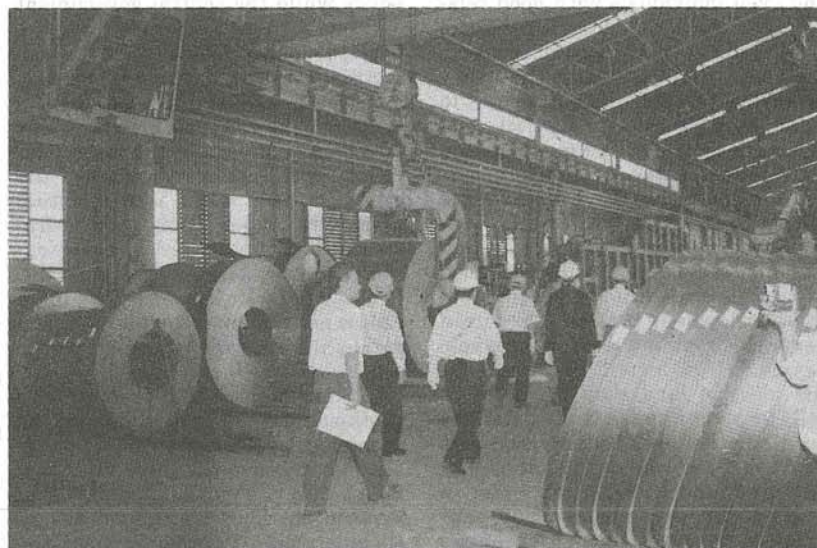


Photo by Hoàng Tuấn

and characteristics of business and production, management requirements, the professional skill level of the enterprise's accountants, technical facilities used for accounting to select the best form of account books and respect strictly basic rules of this form.

In the process of tax management in our country, the compiling of corporate books of account serving tax management remains a lot of problems to solve.

By 2000, the HCMC has 162,707 businesses and the whole tax payment is VND13,773 million indicated in the following table:

Form of business	Number of businesses	Tax payment
State-owned enterprise	2,146	5,200
Foreign-invested enterprise	685	431
Limited company	12,882	738
Private company	6,304	147
Cooperative Joint venture enterprise	412	49
One-man business	422	1,300
Business with estimated sales for tax	138,856	1,169

The statistics also reveal:

- The number of entities paying tax by the deduction method is 56,399 with VND12,879 million in tax payment.

- The number of entities paying tax by the estimation method totals 106,308 with VND894 million in tax payment.

According to Circular 169-2000/QĐ-BTC dated Oct. 25, 2000 and Directive 03 dated Oct. 11, 2000 by the Ministry of Finance, non-state businesses recording a monthly sales worth over VND30 million must establish books of account.

Businesses with a monthly sale of under 30 million shall pay value-added and corporate income taxes by the estimation method in compliance with Decision 7265/QĐ-CT dated Sept. 21, 2001 by the HCMC Tax Department. They also need not compile books of account. These businesses of this kind account for 65.22% of the total. However their combined sales are low, only 6.50%.

The above facts of using account books will result in the two following sectors paying tax by different method:



The first sector includes businesses whose monthly sales reach over VND30 million. They use VAT receipts, compile books of account and make tax and financial statements. They pay tax by the deduction method.

The second sector comprises those entities having monthly sales worth under VND30 million. Most of them use selling receipts, do not compile account books and make no tax and financial statements. They pay tax at an initially estimated rate.

It is obvious that the tax management is better if the business compiles books of account. The tax evasion will be reduced.

However, at present, the compiling of account books faces many shortcomings. Many entities do not pay full attention to the role of accounting as well as books of account.

sheets:

In the current accounting system, there are no regulations on how to note, use and keep the computerized book of separate sheets. What accounting form does the relevant application software belong to? How many kinds of books of separate sheets does the software include?

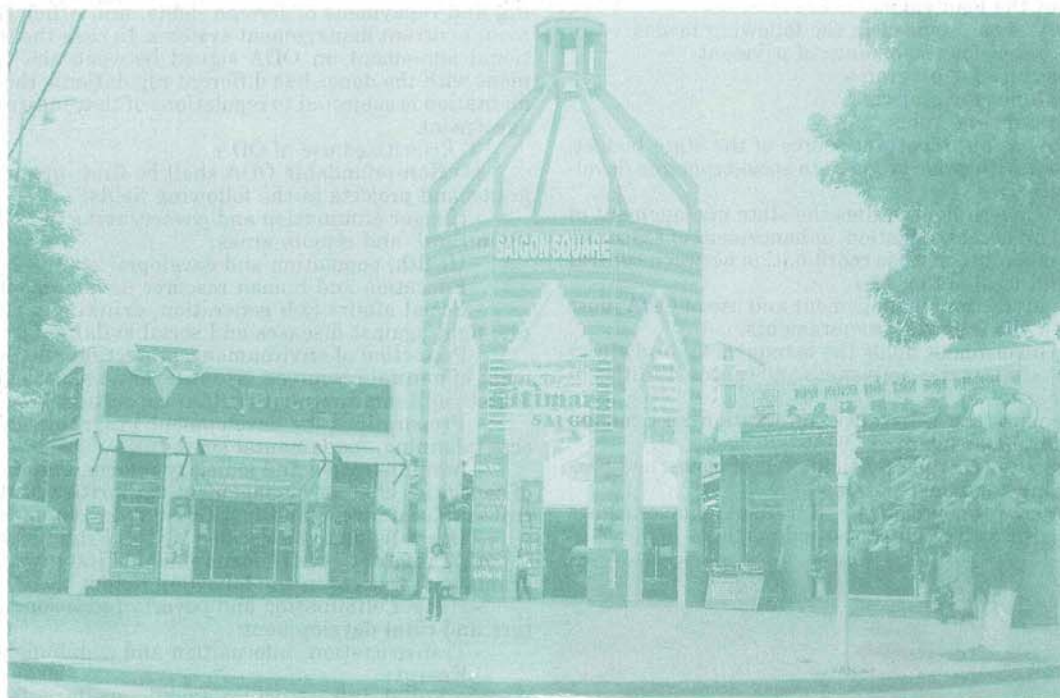
Those businesses using computerized account books should register their application software and the number of their ledgers and journals in line with an account period.

In respect of the form of general diary applied to small and medium-size enterprises, how many general and detailed books shall they register? For example, an enterprise engaging in art graphic design and printing shall register 16 general books including 10-12 ledgers and 10-12 detailed books for accounting in an

months of receipts, vouchers, account books, and tax will be implemented via the computer network.

However, the book of separate sheets printed from the computer plays an important role in tax management. Based on the book of separate sheets, the tax officer loads the computer with data concerning tax code, input and output taxes, VAT, appropriate costs, corporate income tax, personal income tax. Only by doing so, tax officers can inspect and make reports and tax refund effectively. They also know the enterprise's business performance and tax payment.

In short, to help fulfill the accounting task, businesses shall compile enough account books in compliance with the Ordinance of Accounting and Statistics and the Finance Minister's Decision 1141/TC-QĐ-



The current regulations on book-keeping (Decision 1141 TC/QĐ/CĐKT dated Nov. 1, 1995 by the Minister of Finance) do not specify what agency inspects and verifies books of account – the tax authorities or the ruling agency?

In my opinion, this decision should be amended with the verification of tax authorities or the ruling agency (if any). The tax authority should stamp pages of the account books with the aim to make favorable conditions for better tax management.

Regarding book of separate

account period.

As for the form of ledger applied to small and medium enterprises, for example, a trading business shall register a general book and 10-12 detailed books.

Every month, quarter and year, the enterprise submits financial statements to the tax authority and the ruling agency (if any) attached with the book of separate sheets and other books.

At present, statements of books of separate sheets are printed from computers and submitted to competent agencies. In future, the state-

CĐKT dated Nov. 1, 1995. As such, they will create favorable conditions for tax authorities to understand the enterprise's business performance and specify the tax payment and tax refund.

Nevertheless, there are still many deficiencies in the system of account books for different economic sectors, especially in computerized accounting. The tax authorities' regulations concerning this field should be revised for better tax management ■