Asia-Pacific Outreach Meeting on Sustainable Development Financing
10-11 June 2014
Djuanda Hall, Ministry of Finance Complex, Jakarta

Session 1: Domestic resource mobilization

Presentation

Vietnam’s Tax Reforms towards Sustainable Development

by

Truong Chi Trung
Vice Minister of Finance, Viet Nam

June 2014

The views expressed in the presentation/paper are those of the author(s) and should not necessarily be considered as reflecting the views or carrying the endorsement of the United Nations. This presentation/paper has been issued without formal editing.
VIETNAM’S TAX REFORMS TOWARDS SUSTAINABLE DEVELOPMENT

Mr. Truong Chi Trung
Vice Minister of Finance, Vietnam

Asia-Pacific Outreach Meeting on Sustainable Development Financing
Jakarta, Indonesia 10 June 2014

Contents

1. Overview of Vietnam’s budget revenue

2. Tax reforms in Vietnam
Overview of budget revenue

Toward a stable budget, resilient to external shocks, as a foundation for sustainable economic growth is one of the important long-term goals of Viet Nam government.
Overview of budget revenue

Tax vs Non-tax 2006 - 2013

Revenue components 2006 - 2013

Tax reforms in Vietnam

1990 - 1994
- Established a modern tax system in Vietnam with a series of basic taxes such as Sales Tax, Excise Tax, Profit Tax, Export Import Tax, Land Tax

1995 - 2004
- Focused on improving the tax system consistent with international practice, replaced Sales Tax by Value Added Tax, Profit Tax by Corporate Income Tax, and revised a series of tax

2005 - 2010
- Focused on strengthening the tax administration, which enacted Law on Tax Administration, revised a series of important tax such as VAT, CIT, Export Import, Excise, and issued Personal Income Tax
Tax reforms in Vietnam

2011-2020

- Maintain a stable tax system, but revise details in every tax consistent with international practices, to support production and increase the competitiveness of domestic goods, export promotion, investment incentives, expanding the tax base as one of the key measures to raise revenue.

- Modernize tax administration to meet international standards, strengthen support for taxpayer, enhance monitoring and supervising the compliance with tax law, apply information technology and electronic tax to improve efficiency of tax administration.

Tax reforms in Vietnam

Revision in some main taxes

VAT

- Reduce the size of the group of tax exemption and the group of 5% VAT; by 2020 apply a single rate of VAT; improve the tax calculation method; apply tax deduction method for most of tax calculation.

CIT

- Further reduce the overall tax rate following approval roadmap, with the aims to attract investment, facilitate enterprises with more financial resources, encourage investments in the field of high value-added, supporting industry, and in high-tech industry.

PIT

- Expand the tax base, define taxable income, amend tax calculation method towards simplicity and in accordance with international practices. Adjust the number of tax rate in accordance with the taxable income and tax payers.
Challenges and Going Forward

- Tax reform in Vietnam has gained a modern tax system with reasonable structure, and to be improved;
- However, revenues remain sensitive to macroeconomic fluctuations, tax administration not much effective, tax evasion is still concerns;
- Ongoing tax reform:
  - Improving tax system in accordance with international standards,
  - Improving tax structure towards sustainability and reducing vulnerability due macroeconomic impacts,
  - Accelerating modernization of tax administration in order to improve the efficiency of tax administration, facilitating taxpayers, and reducing losses and frauds.

THANK YOU!