

The Vietnamese Taxation Reform Strategy toward 2010 is a comprehensive strategy to reform the tax system which was approved by the Politburo, the Prime Minister and the Minister of Finance. The strategy encompasses the following major features:

### 1. Strategic objectives:

The overall objectives of the strategy are to ensure financial resources for national modernization and industrialization; contribute to social equity; develop a rational taxation policy system consistent and relevant to the market-based and international integration oriented multi-sector economy; and modernize taxation administration with regard to management mechanism, management technology, administrative system and human resources.

### 2. Objectives and requirements:

- a. **The taxation policy.** The policy on tax and fee (taxation policy) should be an instrument for the State to manage and regulate the economy at macro level in order to mobilize all resources, promote productivity, foster export, attract investments, push technological innovation; enhance economic structure transformation, sustain high economic growth and stabilize and raise living standards. In addition, the contribution of tax revenue to the state budget should be stable at 20%- 21% of GDP.
- b. **Taxation administration.** To transform taxation administration into a self-assessment mechanism; to apply risk management methods to raise effectiveness of resources utilization; to comprehensively modernize management methods, administrative procedures, organizational mechanism, staff and taxation IT application in order to enhance efficiency of management toward international standards to best support taxpayers; to increase self-compliance of taxpayers; to strengthen the taxation administration to be transparent and powerful.

### 3. Roadmap of tax reform:

- a. **Tax legal document promulgation**
  - i. VAT law, special consumption tax law, Corporate Income Tax (CIT) law amendments will be completed in 2008 and put into effect in 2009.
  - ii. Amended version of export and import tax law was submitted to the Standing Committee of the National Assembly on the 2<sup>nd</sup> quarter 2005.
  - iii. Individual Income Tax Law is expected to be submitted to the National Assembly for approval by 2007.
  - iv. Environment protection tax law is expected to be submitted to the Standing Assembly of the National Assembly for approval by 2008.
  - v. Land use tax law is expected to be withdrawn from Law drafting program of the 12<sup>th</sup> National Assembly. The **Ordonnance** of house and land tax is expected to be amended in 2008.

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<sup>1</sup> The views expressed in this paper are the views of the author and do not necessarily reflect the views or policies of the Asian Development Bank (ADB) or its Board of Directors or the governments they represent. ADB makes no representation concerning and does not guarantee the source originality, accuracy, completeness, or reliability of any statement, information, data, finding, advice, opinion, or views presented.

- vi. Asset tax law will be submitted to the National Assembly for approval by 2010.
- vii. Natural resources tax law will be submitted to the National Assembly for approval by 2008.

**b. Roadmap for tax administration reform**

- i. Tax Collection and Administration Law: submitted to the Government in the 2nd quarter of 2005 to the National Assembly for recommendations in the 8th Meeting Session (November 2005) and for approval in the 9th Meeting Session (May 2006).
- ii. The organizational structure: will be rearranged gradually under the functional approach, specifying responsibilities and functions of tax agencies at all levels; enhance capacities of management, supervision and guidance of the central level to local one throughout the tax administration.
- iii. Self-assessment implementation
  - In 2004 the pilot self-assessment program of VAT, EIT was carried out in Ho Chi Minh City and Quang Ninh province;
  - In 2005, the pilot program was expanded (both in number of tax offices in the system and number of taxpayers covered);
  - From 2007 the self-assessment mechanism will be carried out nationwide.
- iv. Taxpayer services:
  - Disseminate information on the good performance of tax policy;
  - Encourage the provision of tax advice and services free of charge to taxpayer in 2005 nationwide;
  - Establish call-centers to support taxpayers in 2008-2010.
- v. Tasks of IT:
  - For 2005-2008: connect the taxation network with related networks; develop an application system to support tax audit; provide electronic services supporting taxpayers; develop an IT application system of tax assessment, tax registration and self-assessment; develop an IT application system to manage individual income tax.
  - For 2009-2010: reinforce the available programs, add links with entities related to tax collection management.
- vi. Human resource management
  - Train a qualified team of trainers having capacity and qualification to perform training programs of the taxation system;
  - Train staff with standard qualification for each position;
  - Establish a training center for taxation in 2006-2010.