

THE PRIME MINISTER

Decision No. 732/QĐ-TTg of May 17, 2011, approving the tax system reform strategy for the 2011-2020 period

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Pursuant to the December 25, 2001 Law on Organization of the Government;

Pursuant to the Government's Decree No. 118/2008/ND-CP of November 27, 2008, defining the functions, tasks, powers and organizational structure of the Ministry of Finance;

At the proposal of the Minister of Finance,

DECIDES:

Article 1. To approve the tax system reform strategy for the 2011-2020 period, with the following principal contents:

I. General viewpoints:

To build a synchronous, consistent, fair and effective tax policy system suitable to socialist-oriented market economy institutions, setting reasonable mobilization levels to facilitate domestic production and serving as an effective tool of macro economic management of the Party and State. To build the Vietnamese tax system to be modern, effective and efficient; to make tax, charge and fee administration work uniform, transparent, simple and easy to understand and implement on the three fundamental bases: transparent tax policy institutions, simple and scientific tax-related administrative processes and procedures conformable with international standards, quality and incorruptible human resources; and application of modern information technologies which are highly interconnected, integrated and automated.

II. Specific objectives and requirements of the tax system reform for the 2011-2020 period

1. Tax policy reform:

a/ To formulate and implement the policy on reasonable mobilization from taxes, charges and fees in order to promote production, increase the competitiveness of domestically made goods and services, encourage export and investment, especially investment in hi-tech application and in areas with difficult and extremely difficult socio-economic conditions; to step up economic restructuring, creation of jobs, assurance of high and

sustainable economic growth, contributing to stabilizing and improving the people's living conditions, and meeting necessary and reasonable spending needs of the state budget.

b/ To revise and supplement the tax, charge and fee policy system in line with orientations on developing a market economy under the state management; to contribute to proactively participating in international economic integration and protecting national interests; to encourage attraction of investment of all economic sectors and foreign investment in Vietnam; to rationally and selectively protect domestically made products and goods for given periods in line with international commitments and practices.

c/ To build and perfect the tax policy system to be transparent, clear, and easy to understand and implement; to expand tax bases for developing revenue sources, covering newly arising revenue sources and restructuring toward increasing domestic ones (excluding revenues from crude oil) to over 70% of total state budget revenues by 2015 and over 80% by 2020.

The rate of state budget revenue mobilization will be 23-24% of GDP during 2011-2015, with the rate of mobilization from taxes, charges and fees reaching 22-23% of GDP; and the average annual growth rate of tax, charge and fee revenues will be 16-18%.

During 2016-2020: The rate of state budget revenue mobilization and the rate of mobilization from taxes, charges and fees to GDP will be reasonable in the direction of reducing the level of mobilization from tax per unit of goods or service in order to encourage competitiveness and capital accumulation for production and business.

d/ The tax policy system during the 2011-2020 period will consist of the following major taxes, charges and fees:

- (1) Value-added tax;
- (2) Special consumption tax;
- (3) Import and export duties;
- (4) Enterprise income tax;
- (5) Personal income tax;
- (6) Royalty;
- (7) Agricultural land use tax;
- (8) Non-agricultural land use tax;
- (9) Environmental protection tax;
- (10) Charges and fees.

To transform license tax into an annual business management fee; to further improve regimes and policies on collection of state budget revenues from national natural resources and minerals, such as levy from land use, levy from land rent, fee for auction of the mining right and revenue from oil and gas.

2. Tax administrative reforms:

a/ To comprehensively modernize tax administration work in both administration methods and administrative procedures to reach international standards; to increase the effectiveness and effect of organizational apparatus and personnel; to consolidate physical foundations and procure adequate equipment; to step up taxpayer propaganda, support and services; to enhance the capacity of inspection, examination and supervision of taxpayers' law observance; to apply information technology and apply e-taxation in order to increase the effect and effectiveness of tax administration work, striving to lift Vietnam to the group of leading countries of Southeast Asia in the ranking of tax facilitation by 2020.

b/ Specific tax administration targets:

- 2011-15 period:

+ To reduce the time of administrative procedure performance so that by 2015 Vietnam will be among the five leading countries of Southeast Asia in the ranking of tax facilitation;

+ By 2015, to have at least 60% of enterprises using e-tax services; 50% of enterprises making tax registration and declaration via the Internet; and 70% of taxpayers being satisfied with services provided by tax offices;

+ Submitted tax declarations will account for at least 90% of total submittable ones; the number of tax declarations submitted on time will account for at least 85%; and tax declarations automatically checked via software applications of tax offices will account for at least 95%.

- 2016- 2020 period:

+ Vietnam's time of administrative procedure performance by 2020 will be among the four leading countries of Southeast Asia in the ranking of tax facilitation;

+ By 2020, to have at least 90% of enterprises using e-tax services; 65% of enterprises making tax registration and declaration via the Internet; and 80% of taxpayers being satisfied with services provided by tax offices;

+ Submitted tax declarations will account for at least 95% of total submittable ones; the number of tax declarations submitted on time will

account for at least 95%; and tax declarations automatically checked via software applications of tax offices will account for 100%.

III. Contents of tax system reform during the 2011- 2020 period

1. Regarding tax policies:

a/ For value-added tax: To make amendments and additions toward reducing the groups of goods and services not subject to value added tax; to reduce the group of goods and services liable to the 5% tax rate; to add regulations to correctly determine the collection regime applicable to goods and services emerging in the developing market economy; to study and basically apply by 2020 a single tax rate (excluding the 0% tax rate applicable to exported goods and services); to further improve tax calculation methods, striving to basically apply the credit method; to set a turnover threshold for applying forms of value-added tax declarations suitable to the market economy mechanism under the state management and in line with international practices;

b/ For special consumption tax: To study, adjust and add taxable objects in order to guide and regulate consumption suitable to the socio-economic development; to work out a roadmap for adjusting tax rates applicable to cigarettes, beer, alcohol and cars, in order to regulate consumption and implement international commitments; to study and add regulations on taxable prices in a number of cases of cooperation and division of labor between countries in the global production chain, ensuring equitable taxation of domestically made and imported goods and services; to study combined application of *pro rata* and specific rates to a number of taxable goods and services;

c/ For import and export duties: To amend and supplement the export tariffs in order to encourage production and export of products of high added value, restrict export of unprocessed minerals, reduce processed goods of low added value; to amend and supplement import duties to reasonably protect a number of domestically made goods for given periods in line with international practices; to reduce the number of duty rates and step by step simplify the duty tariffs and commodity headings; to revise regulations on duty calculation methods (including mixed duty calculation methods combining *pro rata* rates and specific duties); to implement the roadmap of adjusting import and export duty rates according to Vietnam's international commitments;

d/ For enterprise income tax: To reduce the common tax rate according to a suitable roadmap in order to attract investment and create conditions for enterprises to increase financial resources and savings for stepping up development investment and raising their competitiveness; to simplify

preferential tax policies toward reducing preferential fields and further encouraging investment in industries manufacturing products of high added value, support industries, industries applying high technology and biotechnology, high-quality services, sectors opened for socialization and geographical areas with difficult and extremely difficult socio-economic conditions; to add regulations on deductible and non-deductible expenses for determining taxable incomes; to add regulations to embrace newly arising economic activities in an integrating market economy and in line with international practices, such as multi-level sale, e-commerce, development of business groups, the “thin capital” issue when determining expenses, especially loan expense, transfer or revaluation of assets upon enterprise restructuring, and advance price agreements of associated enterprises;

e/ For personal income tax: To study and make amendments and supplements toward expanding tax bases and clearly determining taxable incomes; to amend and supplement tax calculation methods applicable to each income item in the direction of simplification and compliance with international practices in order to increase taxpayers’ law observance and facilitate tax collection work; to adjust the number of tax rates suitable to taxable incomes and taxpayers; to basically apply a single tax rate to incomes from activities of same or similar types to ensure fair tax liabilities between natural persons and legal entities (enterprises); to reasonably adjust tax rates to encourage individuals to get rich lawfully;

f/ For royalties: To study and make adjustments and supplements toward using royalties as an effective tool for managing and protecting, and promoting effective utilization of, national resources, especially non-renewable ones; to promote exploitation of natural resources associated with deep processing and contribute to restricting to the utmost export of unprocessed natural resources; to amend and supplement regulations on taxable prices and rates and apply revenue management methods suitable to practical natural resource exploitation activities in each period;

g/ For agricultural land and non-agricultural land use taxes:

- To properly implement the National Assembly’s Resolution No. 55/2010/QH12 of November 24, 2010, on exemption from and reduction of agricultural land use tax during 2011-2020.

- To organize and guide the implementation from January 1, 2012, of the Law on Non-agricultural Land Use Tax recently passed by the National Assembly; to promptly give guidance and make adjustments to encourage economical and effective utilization of land resources, giving incentives to disadvantaged and rural areas; to tax cases of unreasonable use of large

land areas and of speculation cases, study and develop policies on taxation of houses and assets of large value at an appropriate time; to promote the healthy development of the real estate market to mobilize reasonable revenue sources for the state budget;

h/ For environmental protection tax: To effectively implement the Law on Environmental Protection Tax from January 1, 2012, in order to encourage enterprises and people to change their behaviors of using and consuming products, contributing to environmental protection, thereby mobilizing revenue sources for the state budget; to continue studying and adding taxable objects and adjusting tax rates to limit the use of goods that harm the eco-environment;

i/ For revenues from land: To study, adjust and supplement the policy on revenues from land to ensure consistency and conformity with amendments and supplements to the Land Law in the direction of basing revenue levels on land use purposes; contributing to forming an organized real estate market under effective management; at the same time to expand the allocation and lease of land through auction; contributing to implementing the State's planning policy, speeding up the grant of land use right certificates and encouraging investment in areas with difficult and extremely difficult socio-economic conditions, sectors in which investment is encouraged and sectors opened for socialization;

j/ For revenues from exploration, exploitation and utilization of natural resources: To study promulgation or revision and supplementation of state budget revenue policies related to the exploration, exploitation and utilization of natural resources to ensure consistency and conformity with amendments and supplements to the Petroleum Law, the Water Resource Exploitation Law, the Mineral Law, the Forest Protection and Development Law, etc., for the purpose of encouraging use of renewable resources, limit and reasonably tax the exploitation and utilization of non-renewable resources; to encourage the use of products to replace natural resources, contributing to the protection, exploitation and conservation of natural resources and environmental protection in mining activities;

k/ For charges and fees: To promulgate a law on charges and fees to supersede the current Ordinance on Charges and Fees; to transform license tax into an annual business management fee.

2. Regarding tax administration:

a/ To step up strict implementation of the Government's resolutions on simplification of administrative procedures, including tax-related ones; to implement the inter-agency mechanism between tax-related and other related administrative procedures, aiming to facilitate and reduce the time

of business registration and tax declaration registration for enterprises and people;

b/ To amend and supplement the Tax Administration Law and guiding documents, studying and revising provisions on tax declaration and payment time toward incrementally reducing tax declaration and payment frequencies and cutting expenses incurred by taxpayers; to expand the group of enterprises making tax registration, declaration and payment electronically or via the Internet; to simplify tax calculation methods and tax rates in favor of taxpayers doing business under the added-value tax calculation threshold and households and individuals liable to pay non-agricultural land use tax, charges and fees; to standardize the process of tax administration on the basis of applying information technology to ensure high uniformity and connectivity; to study and add the tax-related investigation task to tax offices; to develop and apply a tax accounting regime to ensure full and timely recording of taxpayers' tax liabilities;

c/ To classify taxpayers in order to apply appropriate forms of law enforcement propaganda and support to each group of taxpayers; to develop and provide diversified support services for taxpayers in performing tax-related administrative procedures, attaching importance to providing support services in electronic form; to provide services of inquiry or exchange of electronic information on the taxpayers' performance of tax liabilities; to encourage and support development of businesses to provide tax-related procedure services;

d/ To formulate and issue regulations on tax inspection and examination of taxpayers on the basis of risk management; to build a database on taxpayers, serving as a basis for analyzing and assessing risks and classifying taxpayers at all stages of tax registration, declaration, payment and refund; to strictly handle violations of tax laws;

e/ To further renovate the application of measures and skills to supervise and manage tax debts and coerce payment of tax debts toward developing and improving the system of risk criteria to serve tax debt management and assess results of tax debt management; to accurately and promptly settle tax-related complaints and denunciations;

f/ To build and organize a modern, effective and efficient tax administration apparatus suitable to the work of tax offices and the country's socio-economic development orientations and meeting requirements of modern tax administration on the principle of centralization and uniformity, with a structure of human resources suitable to tax administration tasks; to step up personnel management decentralization, build a contingent of tax officers who are professional,

specialized, honest and clean; to intensify examination and supervision of tax officers' performance of duties; to study and set up tax investigation divisions and determine their relationships with investigation agencies of related ministries and justice agencies; to strengthen the full-time legal affairs system to increase the effect and effectiveness of legal affairs work of the tax sector, which will represent tax offices in settling complaints and denunciations related to tax officers' performance of duties; to study socialization of the licensing of tax agents and grant of certificates of tax-related service practice; to enhance the roles and responsibilities of tax agency organizations and tax counseling councils of communes, wards and townships. To build the professional tax school into a specialized, professional and modern tax school of Vietnam and prepare its physical foundations, lecturing staff and course books for providing collegial and tertiary tax training in subsequent periods;

g/ To build a complete, accurate, centralized and uniform database on taxpayers nationwide; to further apply information technology to tax administration activities which are connected, automated and closely associated with the process of reform of tax-related administrative procedures and e-taxation; to build advanced, modern and synchronous information technology infrastructure, working offices and equipment; to implement a financial management mechanism associated with the state budget collection task that facilitates the tax sector modernization for more effective revenue collection;

h/ To promote cooperation and coordination with tax authorities of other countries and international organizations in the sharing of information and experience, technical assistance and seeking of loans and aid for reforming and modernizing taxation work. To closely manage and exploit to the utmost and effectively loans and aid sources together with the support of international organizations in the tax sector reform and modernization;

i/ To modernize, automate and integrate in the management of business registration and management of the grant of tax and customs identification numbers as single ones; to study and implement the model of personal income tax administration combined with administration of the collection of social insurance, health insurance and unemployment insurance premiums and sharing of information between tax offices and social insurance agencies; to study information connection, step by step integrating tax collection administration and non-agricultural land use administration databases and land administration databases of natural resources and environment management agencies; to study and apply modern and advanced revenue forecast methods in the world to improve the quality of budget revenue analysis and forecast work; to study the

formation of a professional change management division to closely follow and assess changes in the internal and external environments that impact the tax system, and monitor and propose timely solutions to problems arising in the course of implementing tax system reform contents.

Article 2. Responsibilities for organizing implementation of the Strategy

1. The Ministry of Finance shall:

a/ Assume the prime responsibility for organizing implementation of the Strategy; approve and direct the formulation and implementation of the Strategy's contents in each period;

b/ Guide and urge ministries, agencies and localities, based on their assigned functions and tasks, to formulate and implement programs and contents related to the Strategy;

c/ Assume the prime responsibility for, and coordinate with related ministries and localities in, examining the implementation of the Strategy; annually and every five years review, evaluate and draw experiences on implementation of the Strategy;

d/ Assume the prime responsibility for, and coordinate with related agencies in proposing and submitting to the Prime Minister for decision adjustments to the Strategy's contents and objectives when necessary.

2. The Ministry of Planning and Investment shall assume the prime responsibility for, and coordinate with the Ministry of Finance in, balancing and arranging annual investment funds for the strategy implementation in accordance with the State Budget Law.

3. Provincial-level People's Committees shall coordinate with the Ministry of Finance and related agencies, based on their law-prescribed state management functions and tasks in their respective localities, in directing and participating in the implementation of the Strategy's related contents.

Article 3. This Decision takes effect on the date of its signing.

Article 4. Ministers, heads of ministerial-level agencies, heads of government-attached agencies and chairpersons of provincial-level People's Committees shall implement this Decision.-

Prime Minister
NGUYEN TAN DUNG