

# TAX REFORM IN VIETNAM

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## I. INTRODUCTION

The tax system in Vietnam was a very simple system until the end of the 1980s. In addition to the agricultural tax two separate taxes were levied on non-agricultural activities: one on state enterprises and the other on the private sector. For a long time, state enterprises were entirely dependent on the state budget. The state provided them with the capital for operation and their profits are then paid back to the state. Meanwhile, the private sector has not been treated as well and its development has not been encouraged. The current tax system is proving not to be suitable to a market economy.

A comprehensive transformation of the tax system was launched by the government in the late 1980's once these inconsistencies became evident. The changes took place rapidly and gained considerable achievements. A new system of taxes has now been established, consequently the budget revenue has increased, thereby contributing to the stabilisation of the economy and the creation of a new business environment. Although the new tax system has been regarded by some as modern and complete, serious defects still exist. This article deals with the achievements along with the problems of the tax reform. It also analyses the role of the current tax system towards

current development goals. In the second part of this paper we will show the basic weaknesses of the current tax system. As a tool in Vietnam's development policy, the tax system must address three main objectives: the creation of revenue, the improvement of income distribution and the increase of growth and investment. The degree of attaining these objectives by the current tax system is the principal content of the following section. The final section examines the plan for a tax reform.

## II. AN OUTLINE OF THE CURRENT TAX SYSTEM

The present Vietnamese tax system comprises 10 taxes with some special stipulations applied to foreign investors. All these taxes were promulgated at the beginning of the 1990's during the first stage of the tax reform process they were amended in the following years. A brief description of these taxes are presented in the appendix.

The tax reform has brought about fundamental changes for revenue raising in Vietnam. In 1986 taxes accounted for over

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20 percent of the total annual budget, while 70 percent of budget revenue came from state-run enterprises. In 1995 taxes and other fees made up 85 percent of the total revenue and became the main source of revenue for the state. State-run enterprises remain the main source of budget revenue although their contributions have decreased by 50 percent. Among revenue sources in addition to taxes, the most significant

contribution came from oil and gas (accounting for 2.7 percent of GDP or 11 percent of the total budget revenue). Amortised funds of state-run enterprises were also an important revenue, accounting for over 9 percent of the state budget in the 1992-1994 period. Since 1995 the government stopped collecting these funds to encourage re-investment by state enterprises.

*Table 1: The budget situation in 1990-1995*

Gross domestic product	Unit	1990	1993	1994	1995
	Bill. Dong (current price)	41955	136571	170258	222840
Total budget revenue	% GDP	14.7	22.3	24.7	24.3
- Revenue from taxes and fees	% GDP	4	17.4	19	20.6
- Revenue from oil and gas	% GDP	2	3.5	3.1	2.7
- Transfer from state-run enterprises	% GDP	8.6	2.5	2.9	1.3
State budget expenditures	% GDP	22.7	28.5	27.4	25.8
- Consumption	% GDP	17.6	21.5	20.5	18.5
- Investment	% GDP	5.1	7	6.9	6.8
Budget deficit					
- Current balance	% GDP	-3	0.8	4.3	5.8
- Total balance	% GDP	-8	-6.2	-2.6	-1.5
Revenue structure from fees and taxes					
Total revenue from taxes and fees	%	100	100	100	100
<i>Divided according to taxes</i>					
- Profit tax	%		19.4	20	18.5
- Agricultural tax	%	5.7	3.4	3	
- Natural resources tax	%		7.6	5.9	5.4
- Individual income tax	%		0.7	1	0.7
- Turnover tax	%		17.7	17.6	17.2
- Tax on special consumer goods	%		8	6.5	6.7
- Import-export tax	%		24.8	30.8	31
- Other tax and fee revenue	%	16.1	14.8	14.5	

Source: General Statistical Office - Statistical Yearbook 1995.  
Ministry of Finance 1996.

In general, tax collection is still very narrow and dependent on a few main taxes such as turn over, income and import-export taxes. These three kinds of taxes alone contributed nearly 70 percent of tax revenue last year. The narrowness of the tax system

is the main factor destabilising revenue raising. The tax structure and its effectiveness are analysed more carefully below.

**Direct taxes.** Corresponding to the present level of development, direct taxes, including those of income, property and

land transfer account for over 20 percent of the total budget revenue. This figure is low in comparison with that of developed industrial countries which generally amount for 30 or 40 percent. Last year the income tax was the main direct tax contributing about 18 percent of the tax revenue or 3.9 percent of GDP.

Individual income tax, enforced in 1990 contributes less than 1 percent of the total tax revenue. There are two reasons for this: First, Vietnam is still a very poor country with a restricted tax levy. Second, and more important, is the lack of a reliable system of accounting for the difficult assessment of individual income. Therefore the collection of individual income tax is only limited among foreigners and Vietnamese officials working for joint ventures.

#### **Indirect taxes in the domestic market**

Two principal indirect taxes in the domestic market are the tax on the turnover of goods and services and the tax of special consumption. The tax on the turnover of goods and services accounted for about 15 percent of budget revenue in 1995. This tax has, however, been much criticised for its overlap. Significant changes have taken place since 1992 in trade and construction where the overlap has manifested itself more clearly. Accordingly, the turnover tax is only levied on the difference between the output and the input instead of the output turnover. The tax on special consumer goods, which accounted for about 6 percent of total budget revenue in 1995, was levied chiefly on luxury goods or goods not recommended for use. It is levied on such items as wine, beer, cigarettes and imported cars.

#### **The import-export tax**

The revenue from import-export tax has increased rapidly, reflecting the growth of

foreign trade in the past and contributing one third of the total budget revenue. Customs collect substantial revenue from import-export taxes. At present, Vietnam only levies low tax on some exported agricultural goods in order to protect natural resources and restrict the export of rudimentary raw materials. Meanwhile, very high customs are levied on consumer imports with a view to protecting domestic production. Low customs are levied on raw materials, machinery and equipment.

#### **Effectiveness of the tax system**

Although Vietnam has established a relatively modern system of taxes and the tax reform has been relatively successful, many defects still exist. The most serious problems now is that the tax rates structure is too complicated. For example, the turnover tax has 11 different tax rates from 0 percent to 30 percent. Even the profit tax has three tax rates. The import tax has 34 rates for over 1,800 trade articles which are so complicated that 'no other customs office in the world can conduct the accurate management of them'. A too complicated system of tax along with ambiguous tax regulations have created conditions for tax-dodging. They have also rendered the cost of tax management in Vietnam to be estimated at about 10 percent of the total tax revenue, while in other countries, this figure is only 2 to 3 percent. Another difficulty in tax management is the lack of a reliable system of accounting, making it difficult to control small business activities and the private industry which are becoming very common in Vietnam's economy. This is the reason why the loss of tax revenue has occurred mainly in this sector. Besides this, Vietnam has not had a system of coercion to enforce effective and strict observance of the

tax rules. The consequence is that the payment of tax is not strictly respected and observed.

Another basic weakness is fairness which has not been guaranteed between domestic and foreign investments. Foreign companies or joint ventures only pay profit tax up to 25 percent of their profit and are exempted or have their quota reduced for two years, while the tax rates imposed on domestic businesses such as in fabrication and services are 35 and 45 percent respectively. There is also discrimination of treatment between state-run and private enterprises. The former have their profit tax exempted or reduced in case their profit is too low, while the latter has to pay supplementary tax apart from profit tax if their profit surpasses a stipulated level.

### III. TAX REFORM AND REVENUE INCREASE.

The rapid increase in budget revenue is a prominent achievement of the tax reform. The promulgation of a series of new taxes at the beginning of the 1990s and the rapid economic rehabilitation have significantly contributed to the increase in the state budget. Continuous increases in budget revenue were registered from 14.7 percent of GDP in 1990 to nearly 25 percent in 1994.

In reality the increase in budget revenue has played an important role in stabilising the economy in the transitional period to a market economy. The government's current expenditures have been regularly increased. The investment of the state sector has increased by over 10 percent of GDP, more than half of which has come from the budget. In 1992, for the first time, there were savings in the state budget and this has continued to increase.

As indicated above, 'revenue increase' has been put forward as the most important target of the tax reform process. It has been carried out successfully, however, the state budget is still under pressure from both current and investment expenditures. Although the budget deficit has been restrained within a reasonable degree in recent years (about 3 percent of the GDP), it is still a sensitive issue and has become the central subject in planning and the implementation of the development plan. A question can be posed as to whether further increases in budget revenue is necessary and possible to finance higher expenditures. From our viewpoint, an appropriate solution to decrease expenditures is a more reasonable use of resources which will settle growing expenses instead of budget revenue increase. This view will be addressed below.

The present Vietnamese mobilisation of the budget is high and it may be difficult to increase further. Arguments in support of the increase in budget revenue rely on the possibility to guard against loss of revenue in the small business sector. But perhaps it is difficult to carry out this task by the present tax management. In addition to this, as mentioned, the tax structure based on a few main taxes has further destabilised the ability to raise revenue. In the recent two years, difficulties in strengthening tax collection have manifested themselves more clearly when the real revenue has been considerably lower than the target.

The determination of a reasonable increase in taxation must be based on the taxability of the economy which is defined by a series of factors such as: income of the economic structure, the development of foreign trade, natural resources and the

management ability of the government etc. A higher income per capita makes it possible for the government to levy higher taxes without influencing the citizen's living standard. Tax collection from agriculture and unofficial small business activities is limited. Therefore, the high proportion of industry, services and the urban development will create more options for tax collection. Taxes levied on international trade, chiefly customs, have always formed an important component in budget revenue. The abundance of natural

resources is naturally another basis for increasing revenue.

It is difficult to identify a quantitative principle to define a reasonable taxation system. Table 2 compares the ratio of taxation in GDP with other economic norms between Vietnam and other economies in South East Asia. It is quite clear that the taxability in all other countries is higher than Vietnam, but their taxation ratio accounts for from 17 to 18 percent of GDP, much lower than in Vietnam.

*Table 2: Comparison of taxability of ASEAN countries.*

	Proportion of taxation (% GDP)	Average income per capita (USD)	Proportion of industry (% GDP)	Import-export (% GDP)
Vietnam	24.6	210	29.6	63.9
Thailand	12.5	1220	38.0	82.4
Malaysia	26.3	2160		140.6
Singapore	27.5	10450	37.2	403.4
Indonesia	18.4	500	37.0	45.6
Philippines	12.7	720	33.0	59.7

*Source: World Development Report 1991. Vietnam Statistical Yearbook 1995.*

The Vietnamese government also needs to be careful in defining the target for increasing budget revenue. The aim should be to have the least negative impact on saving and investment for the private sector. Higher taxation means a greater concentration of finance in the government, which will narrow the business sphere of the private sector. A more detailed examination of this problem will be dealt with in section V.

#### IV. IMPACTS OF TAXATION ON INCOME

Along with growth, fairness is an important objective of economic development. Tax is not the direct and only instrument in the redistribution of income. The eradication of poverty, the shrinkage of difference in

income between different areas and social groups are normally carried out through the government's expenditure programme. Taxation cannot enrich the poor but indeed it can impoverish the rich. It is by this effect that tax regulates the distribution of income.

Theoretically, tax will affect personal and household income by reducing their profit and as consumers by increasing price and decreasing the purchase power of a certain amount of currency. The distribution of tax between the producer and the consumer depends on the elasticity between the need and the price. The levy of tax on a kind of goods having low need elasticity will increase the price and the tax effect will move further to the consumer. Also, the

price will increase less if a tax is levied. The producer's profit will be reduced if he or she is the chief tax payer. In general, indirect taxes and profit tax are considered to be levied on the consumer instead of the producer. Direct taxes such as individual income tax and property tax are levied on the tax payer.

A tax system is considered to have a good effect upon income distribution if lower income groups pay less than higher ones. The quantification of the income distribution effect of tax in Vietnam or the examination of its progressive character is difficult because the structure of the current tax rates is too complicated and detailed data on income and consumption of various population groups are lacking.

A preliminary estimate of the effect on income distribution has been carried out.

*Table 3: Analysis of tax burden.*

Expenditure quintile	Average per capita expenditure (1000 Dong)	Percentage of households (%)	Tax in expenditures (%)
1	2647.8	18.5	6.6
2	3701.4	19.4	6.6
3	4726.4	19.5	6.6
4	6161.0	20.3	6.8
5	9727.0	22.3	7.0
Total	4742.1	100	-

*Source: State Planning Committee and General Statistical Office - Vietnam Living Standards Survey 1992-1993. Hanoi, 1993.*

*Note: (a) Data drawn from Input-Output 1995, only including taxes levied directly on consumer goods.*

The results from these calculations reveal that the tax system in Vietnam manifests certain progressive characters although they may not appear obvious. Quintiles with higher income (quintiles 4 and 5) have paid more tax. Nevertheless, in this estimate, a common tax rate has been

Calculations were based on data from the expenditure structure of the Vietnamese population according to an investigation of living standard conducted by Vietnam State Planning Committee and General Statistical Office in 1993. Expenditure quintiles 1 and 2 have low living standard and account for 50 percent of the Vietnamese population; quintiles 4 and 5 have satisfactory and high living standards. Expenditure structures in each quintile are lumped into a number of main items and then multiplied with corresponding tax ratio for each item to determine the tax which each quintile must pay in consuming a certain trade article (drawn from National Input-Output Table in 1995). In so doing, we estimate that the tax effect will move entirely towards the consumer. This is acceptable in view of the large proportion of indirect tax in the tax structure.

applied to all consumer groups and therefore it cannot reflect sufficiently the progressive character of the current tax structure. In reality higher consumer groups use higher-grade or more luxurious products and higher tax is levied on them. So the progressive character is expected to

be higher than the results. Attention should also be paid to the fact that the tax system in Vietnam depends much on indirect taxes which have a negative effect on income distribution. Although having a progressive character, the present structure of poly-scheduled tax has not been carried out fully because tax-dodging is wide-spread in trade articles of high tax rates. In addition, the forthcoming tax reform may cause negative effects to the progressive character of the tax system.

#### V. INFLUENCE OF TAX POLICY ON ECONOMIC GROWTH

Another important target of tax reform in Vietnam is to encourage economic growth. This target includes several contents. First, the tax must be designed to reinforce saving and encourage investment and growth in the economy. Second, the tax policy must avoid negative impacts on the distribution of resources and reduce the cost of tax management.

##### Impacts on saving and investment:

The increase in tax revenue may decrease private savings and investments and restrict

business in the private sector. In reality, savings over the past years have increased rapidly together with an increase in the proportion of tax of the GDP. However, public expenditures including investment have also increased rapidly and accounted for a greater part of the increased GDP. Private investment and consumption have probably decreased without external finance. The government's investment which has been financed chiefly from the budget and domestic borrowing's has increased to 12 percent of GDP and accounts for a significant part of the accumulation within the economy (about 60 percent). This means domestic finance for private investment has been considerably narrowed. In addition, the government's investment is not always assigned to effective projects and in general it is not effectively managed. A conclusion which can be drawn is that the government's income and expenditure are already at a high level and that finance should not be concentrated on the state budget otherwise private savings and investment may be negatively influenced.

*Table 4: Saving and investment 1990-1994. (% GDP)*

	1990	1991	1992	1993	1994
1. Total investment	14.3	15.0	17.6	25.0	25.5
Government's investment	6.4	5.9	6.9	12.3	12.4 2
2. Domestic savings	3.0	10.0	13.8	14.6	17.1
Government	-	3.1	6.3	6.3	6.2
Private	-	6.9	7.5	8.3	10.9 3
3. External savings	2.3	5.0	3.8	10.4	8.4

*Source: General Statistical Office - Statistical Yearbook 1995.*

<sup>2</sup> There are other reasons to doubt the active role of the current tax system in encouraging economic growth and investment.

Comparing the tax system in Vietnam with other ASEAN countries, Kazuyuki Mori has observed that taxes levied on domestic

production and business in Vietnam are considerably higher than in other countries. The effective rate of tax lumping taxes levied on the business in Vietnam fluctuate from 60 percent to 70 percent of total profit

while the corresponding ratios for Thailand and Indonesia are 30 percent each and Singapore is nearly 30 percent. Such a high tax rate has had a bad influence upon the Vietnamese investment environment.

Table 5: Comparison of the tax systems between Vietnam and other ASEAN countries.

	Effective tax rate (a) (%)	
	Company A (b)	Company B (c)
Vietnam	64	68
Thailand	29	29
Malaysia	38	35
Singapore	37	37
Indonesia	32	28
Philippines	44	42

Source: Kazuyuki Mori - "Fiscal Mobilization and the five years plan"

Note (a) including turnover tax or VAT, profit tax and tax for the transference of profit abroad estimated on total profit.

(b) A foreign company does business in the domestic market having profit of USD 50 million and turn-over of USD 500 million.

(c) A domestic company has profit of USD 100 million and turn-over of USD 500 million.

#### Impact on resource distribution:

Although significant progress have been made in simplifying the tax structure in recent years, the tax system in Vietnam is still too complicated. Such a complicated structure reflects the government's intention of deeper intervention into business activities. Depending on the government's view, low taxes will be levied on sectors that are to be encouraged, while very heavy taxes will be levied on discouraged sectors. A typical example is a very high income tax (45 percent) levied on service sectors while a tax rate of 25 percent has been levied on

the mining industry. Productive sectors in difficult situations can also ask the government for tax reduction. Another example is that high tax has been levied on consumer imports to protect domestic consumer goods of high cost and low quality.

The present complicated tax structure and the increase in management expenses will have a bad effect upon the distribution of resources. It will help preserve less effective production sectors and limit the movement of capital and labour to more potential fields. Studies of tax reform in

developing countries have also indicated that an effective tax system, with minimal intervention in economic activities, must be a neutral tax system with only one or two tax rates.

## **VI. THE SECOND STAGE OF TAX REFORM**

In 1995, the government started an extensive reform of the current tax system, referred to as the second stage of the tax reform. The aim was to perfect the tax system and increase the integration of Vietnam's economy into the region and the world. Some of the main objectives of the tax reform in the forthcoming years are presented below. (See also Table 6).

**Value added tax (VAT) will substitute for turnover tax**

One of the important reform measures to do away with the overlap of the turnover tax is the implementation of a value added tax. The Law on VAT promulgated just in May 1997 by the National Assembly will be implemented since January 1, 1999.

Two problems arise in the application of VAT in Vietnam: management ability and tax rate. One of the prerequisite conditions for VAT to be carried out successfully is simple tax structure with only one tax rate. This does not appear to be suitable in the implementation of poly-scheduled income tax in Vietnam, therefore the tax structure with four tax rates of 0; 5; 10; and 20 percent should be carried out. Insufficient account-keeping by small and private enterprises has posed another obstacle, causing difficulty in calculating VAT. These problems require careful preparation before the implementation of VAT.

### **Income tax reform**

Besides VAT, two other tax laws have been compiled and promulgated: corporate

income tax and individual income tax. Corporate income tax will replace profit tax. It has a common tax rate (33 percent) applied for domestic and foreign investors alike in all fields of the economy. This will ensure equality among all economic sectors and make the levy of tax more neutral. Like VAT, the corporate income tax will be levied only on companies and big private businesses. Individual income tax will be levied on small private businesses.

The law on individual income tax stipulates the minimum income to be levied is VND 2,000,000. This income is ten times as high as the average income per capita. With such a narrow tax obligation, tax payers remain confined to a small number of the rich and foreigners working in Vietnam. Experiences of tax reform in developing countries have indicated that in order to increase contributions of individual income tax to the budget Vietnam should expand the tax base and decrease tax rates.

### **Import-export tax and joining the ASEAN Free Trade Area (AFTA)**

As a member of the AFTA, Vietnam will have to reduce the customs to under 5 percent by the year 2006. At the end of 1995 the Ministry of Finance announced the catalogue of Vietnamese goods taking part in the AFTA. The catalogue contains over 3,000 trade articles, accounting for 75 percent of those with a tariff. They are divided into two kinds:

1. The list of reductions: trade articles which are levied under 20 percent have customs gradually decreased from now to the year 2006.

2. The list of temporary exemptions: trade articles which are levied over 20 percent of tax will be exempt from tax reduction in the coming years, but

committed to customs reduction to under 5 percent in the year 2006.

Joining the AFTA and tariff reduction may have negative effects on the budget revenue. In a few years to come, the budget revenue will not be influenced by Vietnam's import tax reduction and only from 0 to 5 percent of tax rate will be levied on many trade articles joining the CEPT. So there will be no real customs reduction. However, in the long run the revenue from customs will be reduced considerably; now it accounts for one third of the budget revenue. In order to stabilise the budget revenue it is necessary to create more sources of revenue and diversify the revenue structure.

#### Reform of other taxes

Along with the substitution of VAT for the turnover tax the levy of tax on special consumer goods must be extended to luxurious or discouraged trade articles. Besides influencing consumption, this levy will increase the contribution from the strata of population with a high income. In the long run it is necessary to increase the proportion of direct taxes in the structure of budget revenue. Taxes levied on inherited properties and fixed assets must be expanded further.

Tax reform will not succeed without an effective system of tax management. Account-keeping should also be extended to private businesses, including small businesses. The coercive character must

be carried out thoroughly to guarantee full observance of tax laws. Other reforms in tax collection also need to be considered, such as self-declaration of tax, and open estimates of tax rates for small business households.

#### VII. CONCLUSION.

An aim of the current tax reform in Vietnam is to mobilise nearly one fourth of the general domestic product into the budget. The main task of the tax reform in the forthcoming years must be the elevation of the effectiveness of the tax system by simplifying the tax rate structure and perfecting the various taxes. The perfection of the tax collection management is also a prerequisite for the success of tax reform.

Creating a new system of tax must fulfill Vietnam's aims of development, increase budget revenue, increase growth and investment in the economy, and enhance the effectiveness and fairness in the distribution of income. The foundation for rapid and stable growth is a dynamic private sector. Therefore the government should turn towards stabilising the revenue and rationalising expenditure of the budget in order to expand the private sector.

Fairness is also to be regarded as an important target in the process of development. The better the distribution of the profits of growth to different strata throughout society is as important as rapid growth.

Table 6: Current tax system and forthcoming reforms

Taxes	Time of promulgation	Tax payers and sphere of levy	Bases for taxation	Tax rates	Exemption and preferences
<b>A. Current tax system</b>					
1. Business licence tax		All businesses and individuals	Average monthly turnover	Various rates from VND 20,000 to 600,000 per year	
2. Turnover tax	Promulgated in June 1990, amended in July 1993 and October 1995	All business activities, except production for exports, goods levied by special consumption tax, agricultural production and credit activities.	Monthly real turnover, except commerce	11 rates from 0% to 30%	<ul style="list-style-type: none"> <li>* Business meet with difficulties by natural calamities.</li> <li>* Newly-established businesses.</li> <li>* Businesses applying new technology.</li> <li>* Businesses producing goods substituting imports.</li> </ul>
3. Tax on special consumer goods	Promulgated in June 1990, amended in July 1993 and October 1995	Businesses producing or importing four goods: wine, beer, cigarettes and imported cars.	Sold turnover.	Fluctuating from 15% to 100% according to the type of goods.	Exemption or reduction is carried out in case businesses meet with difficulties. Reduction is not more than 30% of tax and the reduction time is not beyond 2 years.
4. Import & export tax	Promulgated in December 1991, amended in July 1993.	All imports and exports across the national border, excluding goods in transit or entrepôt.	<ul style="list-style-type: none"> <li>* Exports calculated at FOB price.</li> <li>* Imports calculated at CIF price.</li> </ul>	<ul style="list-style-type: none"> <li>* Export tax has 11 rates from 0% to 45%.</li> <li>* Import tax has 34 rates from 0% to 80%.</li> </ul>	<ul style="list-style-type: none"> <li>* Exemption or reduction is carried out for aid goods; imports to be re-exported; and raw materials imported to be processed for exports.</li> </ul>
5. Profit tax	Promulgated in June 1990,	Economic activities except agricultural	Annual profit gained from	There are three rates:	<ul style="list-style-type: none"> <li>* Exemption or reduction is carried out for scientific research activities, newly-</li> </ul>

	amended in July 1993 and October 1995	production and businesses having FDI.	business.	* 25% for heavy industry * 35% for light industry * 45% for services.	established businesses, businesses applying new technology, economic spheres to be encouraged in investment.
6. Tax on land use	Promulgated in June 1993, implemented from January 1994	Organisations and individuals using land in agricultural production (cultivation, forestry, aquaculture). FDI businesses are excluded.	Depending on land categories determined by location, soil quality, terrain, climate.	Tax rates are calculated by paddy volume for different land categories.	Exemption or reduction is carried out for regions suffered by natural calamities.
7. Tax on land use right transferen-cc	Promulgated in September 1994	Purchase, sale and transference of land use right, except inheritance, separation of households, fixed assets business and land rent.	Levied on the value of land.	* 20% for inhabitant land and land for construction * 10% for agricultural land.	Exemption or reduction is granted to officials and cadres living in remote regions and people being objects of social supporting policies..
8. Tax on house and land ownership	Promulgated in September 1992, amended in May 1994	Organisations and individuals owning house, inhabitant land and land for construction.	Calculated on the area and category of land.		Exemption or reduction is granted to government institutions, projects of national defence, cultural facilities, remote and mountainous areas.
9. Individual income tax	Promulgated in April 1991, amended in May 1994	* Vietnamese citizens having frequent monthly income more than 2		* For frequent income: 7 rates from 0% to 60% for Vietnamese	

		<p>mill. VND.</p> <p>* Foreigners settling in Vietnam and having frequent monthly income more than 5 mill. VND.</p> <p>* Infrequent income over 3 mill. VND.</p>		<p>and 6 rates from 0% to 50% for foreigners.</p>	
10. Tax on natural resources	Promulgated in 1990	Organisations and individuals exploiting natural resources (excluding oil and gas which is regulated by Law on oil and gas)	Receipts from sale of natural resources.	Rates from 2% to 10%.	
11. Taxes on foreign direct investment		Companies having FDI.	<p>* Profit tax rate is 25% of gained profit (except oil, gas and natural resources exploitation).</p> <p>* 3 rates 5%, 7% and 10% for transference of profit abroad.</p>	<p>* Exemption or reduction of profit tax from 10% to 20% in the period of 5-10 years.</p> <p>* Reduction and refund of profit tax for reinvested profit.</p> <p>* Exemption of customs to machinery and equipment imported for investment.</p>	
<b>B. New taxes</b>					
12. Value added tax	Promulgated in May 1997 and will be implemented from January 1st, 1999.	* Levied on all companies and businesses, and big household businesses (with receipts over 600 mill. VND per year)	Difference between sale receipts and input cost.	There are 4 rates: 0%, 5%, 10% and 20%.	

		* Excluding activities of credit provision, agricultural production, public transportation and services, production and import of goods levied by tax on special consumer goods.			
13. Corporate income tax	Promulgated in May 1997 and will be implemented from January 1st, 1999.	* All businesses. * Excluding small household and individual businesses.	Profit of business and other incomes outside business activities.	* One tax rate 33% commonly applied for business activities. * Excluding exploitation of crude oil and precious natural resources.	* For heavy industry in the first two years, tax rate of 25% is maintained when this tax is carried out. * Preferential tax rates from 15% to 25% will be applied within 5 years for some spheres and areas of priority.
14. Individual income tax	Will be promulgated to replace current tax levied on people having high income.	Vietnamese and foreigners settled in Vietnam.	* Frequent and infrequent incomes. * There remain different opinions concerning minimum income to be levied and tax rate, two separate tariffs or only one common tariff will be applied to Vietnamese and foreigners.		