

MANAGING INCOME TAX FOR SMALL AND MEDIUM ENTERPRISES AT THE BAC KAN TAX DEPARTMENT

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Abstract

Taxes are the main revenue for the state and an important tool for nations to use to carry out their functions and tasks. In fact, over the past years, the income tax management of small and medium-sized enterprises (SMEs) at the Bac Kan Tax Department has achieved good results, completed the collection task, and ensured the revenues assigned. However, there are still limitations that need to be overcome, such as tax evasion, inertia, and outstanding tax arrears; tax evasion forms are diversified, increasingly sophisticated, difficult to detect, and many enterprises' awareness of observance of tax laws is not high.

Keywords: Tax management, corporate income tax, small and medium enterprises.

1. Introduction

Taxes are the main revenue and an important tool for the state to use to carry out their functions and tasks. Facing the rapid development of the economy, international integration, the Law on Tax management has some points that have not been regulated or the regulations are no longer suitable. international standards on tax administration to join and sign multilateral tax agreements ... Number of taxpayers increased rapidly; Taxpayers' business model has changed both in scale and mode. Besides, the era of science and technology, especially information technology, develops strongly; More and more corporations and multinational enterprises invest and do business in Vietnam ... These factors lead to fundamental changes in the management of taxpayers. Therefore, the regulations of tax management need to be further improved to suit the new situation.

Currently, the number of small and medium enterprises accounts for a large proportion of enterprises in Bac Kan province (about 97.1%) and trends to increase. The increasing number of businesses helps the economy of Bac Kan province flourish, but in parallel with economic development are also challenges in terms of tax collection management, especially corporate income tax.

2. The situation of corporate income tax management for small and medium enterprises in the Bac Kan tax department

By the end of 2019, the Bac Kan province currently has a total of 630 active businesses and cooperatives. In general, production and business still face many difficulties. In which, there are more than 600 small and medium-sized enterprises in operation, accounting for over 97.1% of the total number of businesses in the whole area.

Small and medium-sized enterprises managed by the Bac Kan Tax Department include enterprises in the central business sector, the local business sector, and the foreign-invested enterprise sector.

2.1. Construction and implementation of corporate income tax revenue estimates for small and medium enterprises

The tax revenue estimation is made based on the superiors' quotas and the actual enterprises' situation in the locality. The General Department of Taxation prepares tax estimates and assigns them to Tax Departments, then the Tax Departments are responsible for assigning detailed collection tasks to each Tax Department. The tax revenue estimation is made annually in the fourth quarter based on the analysis of the economic situation of one year and the development trend of the next year.

Table 1 - Estimating corporate income tax (CIT) of small and medium-sized enterprises at the Bac Kan Tax Department

Unit: Billion VND

Indicators	2017	2018	2019
1. Tax revenue estimation	273,8	272,2	312,2
2. Performing revenue	245,2	293,5	374,6
3. Absolute difference (2-1)	-31	20,7	28,8
4. Ratio (%) (2/1)	88,7	107,6	109,2

(Source: Bac Kan Tax Department, period:2017 – 2019)

According to Table 1, the estimation and implementation of corporate income tax collection for small and medium enterprises managed by the Bac Kan Tax Department show that the real income tax amount is higher than the estimate over the years. In 2018, the actual revenue was 20.7 billion VND higher than the estimate (the higher rate was 7.6%). In 2019, the actual revenue was 28.8 billion VND higher than the estimate (the higher rate was 9.2%). However, the implementation figure was 31 billion VND lower than the estimate in 2017, reaching 88.7% of the estimate. Due to the decline in Bac Kan's economy in 2017, there were more than 50 small and medium-sized enterprises suspended from operation in the first 6 months so the tax revenue decreased.

Corporate income tax of small and medium enterprises in the province managed by the Bac Kan Tax Department is detailed as follows:

Table 2 - Corporate income tax revenue of small and medium enterprises at the Bac Kan Tax Department
Unit: Billion VND

<i>Indicators</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
1. Total corporate income tax	254	304,2	345,1
2. Corporate income tax is collected from small and medium enterprises	242,8	292,9	341,0
3. Ratio (% = 2/1)	95,6	96,3	98,8

(Source: Bac Kan Tax Department, period:2017 – 2019)

The data in Table 2 showed that:

- Over the years from 2017 to 2019, the corporate income tax of small and medium-sized enterprises accounts for a large proportion of the total corporate income tax revenue of the Bac Kan tax Department. This figure over the years is 95.6%; 96.3%; 98.8%.

- Corporate income tax of small and medium enterprises increasingly accounts for a large proportion of the total corporate income tax in the province managed by the Bac Kan Tax Department.

2.2. Tax registration management

The management of tax registration is carried out by the Bac Kan Tax Department following the procedure issued together with Decision No. 329 / QD-TCT, March 27th, 2014, of the General Department of Taxation, as follows:

- For tax registration dossiers:

+ The receipt and examination of tax registration dossiers have complied with the process of coordination and exchange of enterprise registration information between the tax agency and the current business registration agency.

+ The receipt and inspection of tax registration dossiers are carried out directly at the "one-stop" department.

- In case taxpayers submit tax registration dossiers by post: Depending on the arrangement of the tax agency, the administrative division receiving tax registration dossiers shall stamp the date of receipt, update information. Apply to the QHS application and transfer to the tax registration or "one-stop" department within one business day to check the completeness of regulatory procedures. In case taxpayers submit tax registration dossiers via electronic transaction systems: The receipt and examination of tax registration dossiers have complied with regulations on electronic transactions.

- For the grant of tax identification numbers and enterprise identification numbers: After receiving tax registration dossiers from relevant departments, the tax registration department shall check and compare information received from business registration offices. Taxpayers are submitted directly at the "one-stop" department or by post or through electronic transaction systems.

- For changing tax registration information of taxpayers: after checking registration dossiers, tax officers will update the changed information in the tax registration system. In case the taxpayer moves a business location, the tax declaration team transfers the taxpayer's information and dossier to the tax authority where the taxpayer moves, concurrently update information about the taxpayer on tracking applications. Therefore, the control of basic information of taxpayers is done relatively accurately and transparently.

- For pausing, suspending, or dissolving business, bankruptcy: taxpayers are monitored and reviewed regularly. Therefore, the invalidation and closure of the tax code have been fully updated.

3.4.3. Tax declaration, payment of corporate income tax, and tax accounting for small and medium enterprises at the Bac Kan Tax Department

Table 3 - Situation of using various forms of tax declaration by small and medium enterprises at the Bac Kan Tax Department

<i>Indicators</i>	<i>Tax agency</i>	<i>Online</i>	<i>Post</i>	<i>Combined</i>	<i>Total</i>
Number of enterprises	300	220	0	92	612
Percentage (%)	49	36	0	15	100

(Source: Bac Kan Tax Department, period:2017 – 2019)

According to the survey data, This has 49% of enterprises making tax declaration at the tax agency, 36% of enterprises making electronic tax declaration, and 15% of enterprises using both forms of tax declaration at the office. There are not any businesses declare by mail. It showed that the tax declaration has gradually applied technological features, eliminating the traditional forms of tax declaration that are the costly and wasteful time of both business and tax management.

Regarding the tax payment management, the Bac Kan Tax Department has urged enterprises to actively pay taxes on time according to the regulations. Therefore, the delayed tax payment gradually decreased over the years 2017, 2018, 2019. The specific data are illustrated in the below chart:

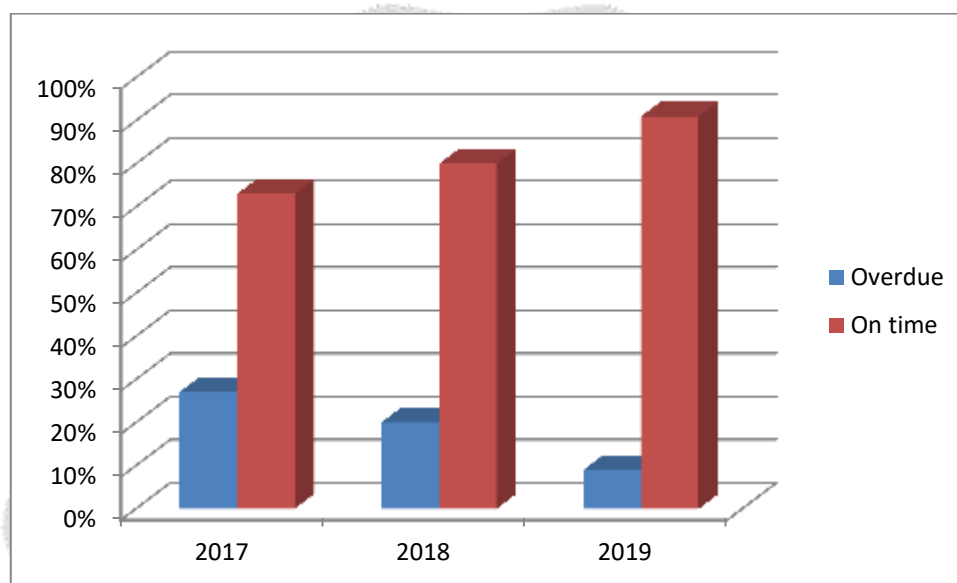


Figure 1: Tax payment situation of small and medium enterprises at the Bac Kan Tax Department

(Source: Bac Kan Tax Department, period:2017 – 2019)

Chart 1 shows the efficiency in tax administration and payment of Bac Kan Provincial Tax Department in the period from 2017 to 2019. The proportion of small and medium enterprises paying corporate income tax on time tends to increase. In 2017, the rate of enterprises paying tax on time was 73%, the rate of delayed tax payment by enterprises was 23%. In 2018, the rate of enterprises paying on time will increase to 80%, and late payment enterprises will decrease to 20%. This figure in 2019 is more positive, 91% of small and medium-sized businesses pay taxes on time, the number of businesses that delay tax payment is only 9%. This result shows that the Bac Kan Tax Department has accelerated the task of urging businesses to pay tax as well as showing that businesses are also more aware of implementing tax payment obligations.

3. Conclusion

Over the past years, The management of corporate income tax at the Bac Kan Tax Department has followed the regulations and achieved certain results, contributing to the completion of the general budget collection plan of the whole Tax Department, specifically:

- Tax registration management: Tax code issuance is conducted quickly and neatly to ensure the prescribed time, especially the issuance of CIT codes to serve the tax finalization of the taxpayer; to check tax codes of businesses and households, to close codes for businesses and business households that do not declare tax, leave their business addresses.

- The management of tax declaration, tax payment, and tax accounting: the tax department has upgraded and modernized software application technology over the past time, especially online tax declaration and centralized tax management application. These tax management applications have partly improved the quality of tax declaration management, tax payment, and tax accounting at the Provincial Tax Department. The percentage of taxpayers who do not submit tax declaration dossiers, make false declarations or declare tax declines gradually over years. Up to now, 100% of taxpayers have made online tax

declarations (electronic tax declaration) and electronic tax payment, which has reduced processing time for tax officers, the quality of work is also more efficient and accurate. On the other hand, the data synchronization between the Tax Department and other organizations such as the State Treasury or banks has helped to track collection and payment to be implemented in a timely and accurate manner.

Although the implementation of corporate income tax management for SMEs at the Bac Kan Tax Department in recent years has achieved encouraging results, there are still limitations and weaknesses that need to be fixed. Tax-loss still occurs, tax revenue has not been fully exploited. Although tax arrears have reached less than 5%, the proportion of CIT debt is still large. In 2019, the amount of CIT debt is 1.3 billion VND. The detection of errors and the result of CIT arrears through inspection need more improvement.

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