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Tax Compliance for Personal Income Tax: Research in Hanoi

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Abstract

Personal Income Tax (PIT) collects certain legitimate high incomes of individuals in order to regulate income between different classes of the population, contributing to social justice and increasing revenue for the state budget. Paying personal income tax contributes to promoting economic growth while attracting human resources and ensuring competition in the region. This study was conducted with the aim of understanding the differences in age, education,

and gender in the level of personal income tax compliance. The author conducted a survey of individual income taxpayers in Hanoi, with 115 survey questionnaires sent to 115 taxpayers in the second quarter of 2023. The author uses SPSS to process the collected data, and the results show that there is a difference in age with the level of personal income tax compliance and a difference in educational level with the level of personal income tax compliance.

Keywords: Tax Compliance, Efficiency, Personal Income Tax

1. Introduction

The Tax Administration Law's adoption and implementation in Vietnam represents a significant step forward by establishing uniformity, clarity, and transparency; strengthening the State's and society's roles in tax management inspection and oversight; Establish a setting where taxpayers may follow the law, put the self-declaration and self-payment of taxes into the state budget, and work toward a contemporary tax management system. Taxpayer's comprehension of and full, accurate, and timely compliance with tax law requirements, as well as full application of tax rights and obligations, represent the taxpayer's personal income tax compliance. However, in practice, tax compliance is not entirely voluntary because meeting personal income tax responsibilities will more or less have an impact on taxpayers' material gains. In addition, tax policies that are excessively complicated, challenging to comprehend, challenging to enforce, or too slack, leaving numerous loopholes, present opportunities for tax non-compliance. Income tax is seen as a crucial financial instrument for managing the economy as well as a way to boost revenue for the state budget. In recent years, tax-related concerns in general and tax compliance in particular have drawn increased and specific attention.

Personal income tax is closely related to the rate of development and growth of the economy in Hanoi. However, one of the biggest problems facing this tax system is tax compliance. Many studies have shown that although the level of tax evasion and tax compliance in developing and transition countries is generally much higher than in developed countries. According to the International Monetary Fund (2011) ^[7], about 95% of personal income taxes in developing countries come from workers' salaries and wages deducted at source by the public sector and large companies, compared to 80% in developed countries. Personal income tax in Hanoi arises a lot compared to other localities in the country, because this is where many large enterprises and many joint venture enterprises with foreign countries gather. Besides, the characteristics of taxpayers are quite diverse, making the management and collection of personal income tax not easy.

This article aims to evaluate the differences in age, education, and gender on the level of personal income tax compliance in Hanoi, thereby providing proposals to increase compliance with personal income tax, contributing to the implementation of personal income tax regulations in accordance with the law, and increasing revenue for the state budget.

2. Literature Review

Tax Compliance

According to Hamm (1995) ^[6], "Tax compliance is the taxpayer's declaration of necessary tax declaration documents at the appropriate time and accurate performance of tax obligations according to the provisions of tax laws and court decisions". James & Alley (2002) ^[8] posed the question: Is "compliance" due to voluntary or mandatory behavior? If a taxpayer "complies" only because of threats or administrative measures, or both, this is not considered full compliance even if tax revenues reach 100% of payable according to law. Andreoni *et al.* (1998) argue that voluntary compliance by taxpayers

without resorting to inspections, inquiries, reminders, or fear of administrative measures is also a component of the definition of tax compliance by the payer. According to the OECD Practical Guide on Measuring Compliance (2001), a question has been asked: "How is compliance defined-is it compliance in interpretation of tax laws and how they are applied by the tax authorities or how the taxpayers understand them? Or is this concept defined in a more neutral way?" Tax compliance is also defined as a process in which taxpayers submit all required tax returns by accurately declaring all income and paying tax liabilities accurately using laws and current tax regulations (Palil & Mustapha, 2011) ^[9]. According to the view of the OECD Center for Tax Policy and Management Research, tax compliance is divided into two groups. Administrative compliance group is the taxpayer's compliance with administrative regulations on declaring and paying taxes on time. Technical compliance group is when taxpayers calculate and pay taxes correctly according to the provisions of tax law.

Thus, tax compliance is the taxpayer's full compliance with tax obligations in accordance with the law, including tax registration, tax declaration, tax calculation, tax payment and compliance with other tax requirements. Tax administration according to the provisions of law.

Personal Income Tax in Vietnam

Currently, personal income tax in Vietnam is being implemented according to the Personal Income Tax Law 2007, effective from January 1, 2009; Decree 65/2013/ND-CP guiding the Law on Personal Income Tax and the Law amending and supplementing a number of articles of the Law on Personal Income Tax; Decree 91/2014/ND-CP amending Decrees on tax regulations; and Decree 12/2015/ND-CP guiding the Law amending and supplementing a number of articles of Tax Laws and amending and supplementing a number of articles of Tax Decrees.

Personal income tax is a direct tax calculated on the taxpayer's income after deducting tax-free income and family deductions. Personal income tax is one of the important sources of revenue for the budget. It is the duty and right of every citizen to contribute to the development of the country. Subjects who must pay personal income tax include: Individuals residing and individuals not residing in Vietnam with taxable income. According to Article 3 of the Personal Income Tax Law 2007 (amended in 2014) ^[4], income subject to personal income tax includes the following types of income: Income from business; Income from salaries and wages; Income from capital investment; Income from capital transfer; Income from real estate transfer; Income from winning prizes; Income from copyright; Income from franchise; Income from inheritance is securities, capital shares in economic organizations, business establishments, real estate and other assets that must be registered for ownership or use; Income from receiving gifts of securities, capital shares in economic organizations, business establishments, real estate and other assets must be registered for ownership or use. Currently, there are 3 ways to calculate personal income tax from salaries and wages for 3 different subjects: Calculated according to the partially progressive tax schedule: For resident individuals who sign labor contracts with a term of

3 months or more; 10% deduction for individuals who sign a labor contract with a term of less than 3 months or do not sign a labor contract; 20% deduction for non-resident individuals who are usually foreigners.

Tax Compliance and Efficiency of Personal Income Tax Collection

Tax compliance behavior is a social phenomenon that always exists in the economy. That is why researchers approached research to analyze the tax compliance behavior of taxpayers, which affects the efficiency of tax collection from a very early age. Non-compliance with personal income tax causes large revenue losses to the state budget, affecting economic growth and development. Non-compliance with taxes in general, and non-compliance with personal income tax in particular, will create difficulties for national finances and a shortage of resources for each country to achieve sustainable development goals. Tax compliance increases government tax revenue (Adegbite, 2017) ^[1]. Compliance is also higher as individuals perceive some benefit from public goods financed by tax payments while changes in penalty levels appear to have little effect on tax compliance behavior (Alm, Sanchez, & De Juan, 1995) ^[2]. Adegbite (2017) ^[1] argued that high tax rates are positively related to tax evasion and negatively related to tax compliance. The higher the personal income tax rate is applied, the more people will engage in tax non-compliance, causing losses to the state budget.

3. Research Method

With the goal of researching differences in taxpayer age, taxpayer qualifications and personal income tax compliance level in Hanoi, the author uses SPSS 22 tool.

Data for research is collected within 3 months, from April 1, 2023, to June 30, 2023. Respondents to the survey were individuals paying personal income tax in Hanoi using the random sampling method. The total number of ballots sent was 130, sent to 130 individuals. After classifying and cleaning the data, 115 votes were obtained for analysis. Collected data were subjected to descriptive statistical analysis and anova testing.

Survey questionnaire: The questionnaire is designed for online surveys and is printed on paper. The online survey form is sent via a link to the email. Paper-printed ballots are sent by post. Questions about assessing the level of personal income tax compliance in the survey apply a 5-level Likert scale: 1- Strongly disagree; 2 - Disagree, 3 - Neutral, 4 - Agree, 5- Strongly agree. For the question of gender, it is divided into male and female. For questions about qualifications, it is divided into technical and university studies. Age is divided into 4 levels: 1/ < 30; 2/ 30-39; 3/ 40-49; 4/ >50.

4. Result

4.1 Research Sample Statistics

Of the total 115 personal income tax payers in Hanoi surveyed, 56.5% of taxpayers were female and 43.5% of taxpayers were male. Age group distribution: Under 30 years old (20.9%), from 30 to 40 years old (20%), from 41 to 40 years old (23.5%), over 50 years old (35.7%). The majority of taxpayers have a university education or higher - accounting for 62.6%.

Table 1: Research sample statistics

Characteristics		N = 115	Percentage (%)
Sex	Male	50	43.5
	Female	65	56.5
Age	< 30	24	20.9
	30-40	23	20.0
	41-50	27	23.5
	> 50	41	35.7
Education	Apprentice	43	37.4
	University	72	62.6

One-Way ANOVA Test with Age Variables and Personal Income Tax Compliance

The descriptive table analyzing the differences between age groups in personal income tax compliance shows that groups aged 40 years and older have a higher level of tax compliance than groups under 40 years old. Besides, it can be seen that the average value tends to increase with age, meaning that the older the person, the higher the level of personal income tax compliance.

Sig of Levene statistic = 0.000 (<0.05) there is a difference in variance between age groups. The author uses the results of the Welch test in the Robust Tests of Equality of Means table.

Table 2: Test of Homogeneity of Variances-Age

TC				
Levene Statistic	df1	df2	Sig.	
12.622	3	111	.000	

Welch's Sig test is equal to 0.001 < 0.05, meaning there is an average difference in the level of personal income tax compliance between different age groups. Thus, there is a difference in personal income tax compliance between taxpayers of different ages.

Table 3: Robust Tests of Equality of Means-Age

TC				
	Statistic ^a	df1	df2	Sig.
Welch	11.773	3	56.485	.000

One-Way ANOVA Test with Education Variable and Personal Income Tax Compliance

The descriptive table gives us descriptive parameters for each educational level. The average value of groups with university education or higher is higher, meaning that personal income taxpayers with higher education have better personal income tax compliance.

Sig of Levene statistic = 0.06 (>0.05), so at 95% confidence the hypothesis H0: "Equal variances" is accepted, and the hypothesis H1: "Different variances" is rejected. And therefore, the results of ANOVA analysis can be used.

Table 4: Test of Homogeneity of Variances-Education

TC			
Levene Statistic	df1	df2	Sig.
7.835	1	113	.006

ANOVA table, sig.=0.000 < 5%, proves that there is a difference in the level of personal income tax compliance between educational groups.

Table 5: ANOVA-Education

TC					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	3.669	1	3.669	16.545	.000
Within Groups	25.061	113	.222		
Total	28.730	114			

One-Way ANOVA Test with Gender Variable and Personal Income Tax Compliance

The Test of Homogeneity of Variances test table has sig.= 0.803 >5%, thus concluding that the variance between groups has no difference, qualified for Anova analysis.

Table 6: Test of Homogeneity of Variances-Sex

TC			
Levene Statistic	df1	df2	Sig.
.062	1	113	.803

Sig F test equals 0.897 > 0.05, accepting the hypothesis H0, meaning there is no difference in the level of personal income tax compliance between taxpayers of different genders. Thus, there is no difference in the level of personal income tax compliance with the taxpayer's gender.

Table 7: ANOVA-Sex

TC					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.004	1	.004	.017	.897
Within Groups	28.726	113	.254		
Total	28.730	114			

Assess the Level of Tax Compliance with Personal Income Tax

Table 8: Level of Personal Income Tax Compliance

Tax compliance	Mean
PIT is not an important source of revenue to the government in terms of the magnitude of revenue derivable from taxation	2.17
Non-Tax compliance reduces income of the state which invariably deter economic growth and development	4.39
Poor tax education and weak fulfillment by tax authorities of their responsibilities with regard to public awareness reduce tax compliance	3.49
Taxpayers take advantage of loop-hole in the tax law to reduce the tax payable	3.98
An increase in the level of Tax Compliance result to low level of increment in the level of Personal Income Tax	3.84
Apart from problems of wilful default, tax avoidance and evasion, delayed payment of tax, and lack of co-ordination between the various government departments also enhance tax evasion and avoidance	4.04
Compliance is also greater when the individuals perceive some benefits from a public good funded by the tax payments tax compliance is higher	3.66

The results of Table 8 show that taxpayers who responded to the survey all agreed that personal income tax is not an important source of revenue for the government in terms of the level of income generated from taxes. The mean result is 2.17. This may mean that people's income in Hanoi is not high, so the level of progressive personal income tax

contributions to the state budget is not high. With a mean result of 4.39, the majority of people surveyed said that tax non-compliance reduces state income, thereby hindering economic growth and development. With the question about poor tax education content and tax authorities' poor performance of their responsibilities in raising public awareness, reducing tax compliance, respondents agreed with this content through mean value 3.49. The view that taxpayers take advantage of loopholes in the tax law to reduce the amount of tax payable is agreed by many opinions with a mean of 3.98. This is consistent with the characteristics of taxes that are not directly refundable, so taxpayers will find ways to reduce the amount of tax payable to the state budget. With comments on an increase in the level of Tax Compliance result to low level of increment in the level of Personal Income Tax, Apart from problems of wilful default, tax avoidance and evasion, delayed payment of tax, and lack of co-ordination between the various government departments also enhance tax evasion and avoidance, and Apart from problems of wilful default, tax avoidance and evasion, delayed payment of tax, and lack of co-ordination between the various government departments also enhance tax evasion and avoidance also highly agreed with means of 3.84, 4.04, and 3.66 respectively.

5. Conclusion

Research results have shown that different ages will have different levels of personal income tax compliance. Different levels of education will have different levels of personal income tax compliance, but the gender of the taxpayer does not affect the level of personal income tax compliance. In addition, when assessing the level of personal income tax compliance, the results show that taxpayers believe that: PIT is not an important source of revenue to the government in terms of the magnitude of revenue derivable from taxation; Non Tax compliance reduces income of the state which invariably deter economic growth and development; Poor tax education and weak fulfillment by tax authorities of their responsibilities with regard to public awareness reduce tax compliance; Taxpayers take advantage of loop-hole in the tax law to reduce the tax payable; An increase in the level of Tax Compliance result to low level of increment in the level of Personal Income Tax; Apart from problems of wilful default, tax avoidance and evasion, delayed payment of tax, and lack of co-ordination between the various government departments also enhance tax evasion and avoidance; Compliance is also greater when the individuals perceive some benefits from a public good funded by the tax payments tax compliance is higher.

From the research results, the authors recommend that there is a need for a complete and continuous tax education program to better understand tax issues in general and personal income tax in particular, which will then be used effectively to build successful tax compliance strategies. To achieve a high level of compliance, the economic costs in terms of time required and costs that may be incurred by taxpayers in carrying out compliance procedures must always be kept to a minimum. If tax policy is truly fair, taxpayers are willing to pay tax, so the key issue here is to build an appropriate tax mechanism to avoid complexity. The tax industry needs to pay special attention to praising and promoting to enhance the position, reputation, and role

of taxpayers in the community and to motivate and encourage taxpayers to promptly comply with tax policies. Create maximum conditions for taxpayers to declare, determine the tax payable, and most conveniently pay taxes.

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