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Experience in Personal Income Tax Management of other Countries and Lessons that can be Applied in Vietnam

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Abstract
Personal income tax is an important source of revenue for the national budget and is a tax with a wide range of adjustment, directly affecting the economic benefits of each individual in society. Personal income tax is not only the obligation of each citizen to the country but also represents the development orientation of that country. Therefore, tax management, especially personal income tax, has a very important meaning and role in the management activities of our State today. To date, more than 180 countries around the world have applied personal income tax, however, the implementation of personal income tax policies in each country has certain differences. Therefore, in this article the author has mentioned a number of issues related to personal income tax management, the current situation of personal income tax management in Vietnam, and outlined some personal income tax management experiences in some developed countries in the world and suggestions for Vietnam.

Keywords: Personal Income Tax, Tax Management, Experience, Lessons for Vietnam

1. Introduction

Income tax in general and personal income tax in particular have been applied for a long time in the world and have a history of hundreds of years. Personal income tax was first applied in England in 1799 in the form of a temporary levy to pay for the war against France and was officially promulgated in 1842. After that, personal income tax quickly spread to other industrialized countries such as Japan (1887), America (1913), France (1914)... Asian countries such as Thailand began applying it in 1939, and in Africa -Philippines in 1945, Korea in 1948, Indonesia in 1949, China in 1984. To date, about 180 countries have applied personal income tax and personal income tax has become become an important part of the tax policy system of many countries. Countries with developed market economies consider personal income tax as one of the taxes of particular importance in mobilizing budget revenue, implementing social justice distribution and regulation. macroeconomic economy.

In Vietnam, taxes were first promulgated in 1990 in the form of the Income Tax Ordinance for High-Income People, and the Personal Income Tax Law was signed by the National Assembly of the Socialist Republic of Vietnam, term XII passed at the 2nd session on November 27, 2007, effective from January 1, 2009, replacing the Ordinance on Taxation for High-Income People. After 15 years of implementation, the Personal Income Tax Law has proven its advantages, especially ensuring and contributing to increasing revenue for the State Budget, while also overcoming the limitations of Income tax for people with high income in the past. However, the management of personal income tax still has many limitations from the promulgation of the Tax Ordinance to the implementation organization as well as the Tax Inspection. Limitations in tax management are a huge barrier to Vietnam's development on the path of innovation and integration. Therefore, it is necessary to improve and have certain development directions in tax management, especially personal income tax, to be able to meet the requirements of the current trend of rapid integration and development.

In addition, it is very necessary for Vietnam to selectively refer to the personal income tax management experiences of some previous countries, helping Vietnam minimize opportunity costs and quickly keep up with world trends.

Therefore, the author chose this study to provide an overview of personal income tax management. Using a qualitative approach, the author analyzes personal income tax management experience in a number of developed countries and offers some implications to help personal income tax management in Vietnam be implemented effectively. Secondary data including articles and documents on personal income tax management are the main tools used in this research.

2. Overview of personal income tax management

2.1 Concept of personal income tax management

Personal income tax is a direct tax, collected directly on the income received by individuals during a certain period of time, usually a year or each time it arises. However, not all income of natural persons and legal entities is subject to income tax, but income tax is adjusted or collected on taxable income, that is, income after being exempted. Reasonable and valid costs (Dang Van Dan, 2018) [1].

Tax administration is the organization and control of tax collection activities of a country to implement tax policy to achieve set goals (Ly Phuong Duyen, 2010) [2]. It can also be understood that tax management is the process of influencing tax authorities from central to local levels on taxpayers to ensure compliance with tax laws and promote the role of taxes (Nguyen Thi Mai Dung, 2018) [3].

Based on the perspective of tax management, personal income tax management also has different approaches. Specifically, "personal income tax management is the intentional influence of functional agencies in the state apparatus on the process of promulgating and enforcing personal income tax to generate revenue for the State Budget and achieve the goals set by the State" (Le Xuan Truong, 2010) [6]. Another approach, personal income tax management is the impact of tax administration agencies from central to local levels on personal income tax taxpayers to ensure compliance with tax laws, promote The role of personal income tax (Nguyen Thi Mai Dung, 2018) [3].

2.2 The role of personal income tax management

The role of personal income tax management is shown in the following aspects (Truong Thi Nhu Ngoc, 2018) [4]:

- Ensure revenue from personal income tax is concentrated accurately, promptly, regularly and stably into the state budget. Personal income tax accounts for a major proportion of state budget revenue in most countries around the world.
- Personal income tax directly affects the income of individuals, can reduce work effort and cause immediate reactions from the taxable side such as tax evasion...
- Personal income tax plays an important role in increasing revenue for the state budget, regulating income, and solving social work.

In order to increase and stabilize budget revenues and increase awareness of law observance among economic organizations and residents, it is necessary to organize the implementation and inspection of compliance with tax laws in general and personal income tax. Individuals in particular, along with strengthening the legality of this tax policy, the awareness of compliance with tax laws will be enhanced. Therefore, good personal income tax management contributes to maximizing the role of personal income tax in the Tax system in particular and in society in general.

2.3 Content of personal income tax management

Personal income tax management is an important part of State financial management. This work needs to be viewed at a macro level and must include all work in the legislative, executive, and judicial fields of revenue. The content of personal income tax management includes:

Promulgating personal income tax policy: This is a work in the legislative field. The promulgation of personal income tax policy will create legal regulations as a basis for calculating and collecting personal income tax. At the same time, promulgating policies also provides grounds for checking, inspecting, and applying sanctions to this calculation and collection process.

Organization and implementation of personal income tax policy: After being approved and promulgated, the personal income tax policy is organized and implemented. This is the step that plays the most important role, determining the effectiveness of using tax tools. Thanks to the organization of tax policy implementation and the tax calculation and collection process, it takes place in reality, and at the same time the regulations on this process can reach all people through propaganda and dissemination of tax policy. The content of organizing the implementation of personal income tax policy includes: Propagating and disseminating tax policy; Organize tax collection management.

Personal income tax inspection: This is an important content of tax management. Tax inspection is carried out by specialized tax inspection agencies. Subjects of tax inspection are economic organizations and individuals who are obliged to pay personal income tax to the State and include units in the tax industry. The goal of tax inspection is to detect and handle cases of wrongdoing to reduce losses to the State and ensure the strictness of the law. At the same time, through the inspection process, tax authorities can detect shortcomings and inadequacies in tax legal documents and the implementation process, thereby finding solutions to improve management. Personal income tax management. Tax inspection is carried out in different forms and methods.

Organization of personal income tax management apparatus: The State builds a tax administration apparatus to manage personal income tax as well as other taxes. Depending on the socio-economic development conditions of each country, the tax administration apparatus is also built accordingly. Overall, within the scope of the national economy, tax authorities in countries around the world are organized into a system consisting of many levels. In many countries, that system is not completely compatible with the State government system, including: central tax authorities, provincial and city tax authorities and district-level tax authorities such as China and Vietnam. Nam... In addition, in some countries, the tax system is also organized in other forms.

3. Current status of personal income tax management in Vietnam

Personal income tax has undergone many amendments and supplements and gradually asserted its role. Personal income tax management has gradually been improved to suit the country's situation in each period and has achieved a number of significant achievements. Tax policies on personal income are generally consistent with the country's economic and social conditions, making an important contribution to ensuring budget revenue, controlling individual income, and redistributing income, implementing social justice as well as initially creating habits and contributing to raising awareness of tax payers about the responsibility to fulfill tax payment obligations to the state budget, contributing to promoting public Tax management in general and personal income tax in particular help increase revenue for the budget, specifically achieving a number of significant achievements as follows (Table 1).

Table 1: Situation of tax collection paid to the state budget from 2018-2022

Targets	2018	2019	2020	2021	2022
Personal income tax (billion VND)	94.364	109.406	115.150	127.655	163.781
Total state budget revenue (billion VND)	1.431.662	1.553.611	1.510.579	1.568.453	1.766.078

Source: Ministry of Finance, 2022

Currently, Vietnam is implementing the self-declaration and self-payment tax mechanism. Taxpayers are only given a single tax code to use throughout the entire operation process, from tax registration until it no longer exists. Tax codes are used to declare and pay all taxes that taxpayers must pay, including cases where taxpayers operate many different industries or operate production and business activities in different locations.

The tax collection management method by deduction at source has helped reduce the number of individuals registering to pay taxes at tax departments, and tax collection management is also more careful. Tax collection by proxy has been implemented better by tax authorities due to closer coordination with other agencies and departments, and taxpayers have become more conscious about paying income tax. The management of tax collection through the state treasury has quickly concentrated revenue sources for the state budget, gradually reducing the situation of tax officials appropriating and trespassing on tax money, reducing time and travel costs, tax declaration and payment of each individual, organizational stability, helping tax officials work easily and conveniently.

The management of personal income tax from salaries and wages in recent years still has some shortcomings such as: there are no effective measures to control deductions, especially deductions for taxpayers's family circumstances, The inspection and control of tax deduction at source is not strict in some places, mainly only seriously implemented at State agencies, social organizations, and administrative and non-business units.

In addition, the issue of controlling individual income is also a challenging problem for tax authorities today. Individuals receive income from many different sources, especially income through e-commerce activities such as retailing goods through online sales systems; Online Advertising; trading in digital content products; provide online services. These activities do not carry out transactions on paper and some of the goods exchanged in transactions are intangible goods (such as digital products) so it is very difficult to control, tax evasion acts often occur. more frequent and popular. Or for individuals who work as freelancers (such as singers, artists, foreign language teachers, lawyers, foreigners, independent consulting service providers...), they are people with "huge income" but the tax authorities do not have a suitable management method to be able to collect taxes from them. Normally, artists have many sources of income: performance fees, advertising fees, events and other work, even when a singer sings three songs, the salary is 30 million VND but on paper. The receipt only shows a few million dong to avoid taxes. Therefore, it is difficult to determine accurate information about their income. Regarding income from real estate transfers, controlling actual transfer prices for transfers between individuals is still difficult, because current payments are mainly using cash, gold, and foreign currencies. The price of land use rights transfer is determined according to the principle of contract price. If the contract price is lower than the land price prescribed by the People's Committee of the province/city, it is determined according to the land price of the People's Committee of the province/city. Such a regulation inevitably leads to the parties to the contract only recording the price announced by the Provincial/City People's Committee, reducing revenue for the state budget.

Control work is carried out monthly/quarterly, the General Department of Taxation directs the Tax Department/Tax Branches at all levels to prepare reports on the implementation of personal income tax policy with assessment of policy implementation. Local personal income tax, problems during implementation, sent to the General Department of Taxation for synthesis. On that basis, the General Department of Taxation has compiled, evaluated, analyzed and advised the Government and the Ministry of Finance to promulgate legal documents to adjust the contents of personal income tax policy. The General Department of Taxation has also sent inspection teams to the units to coordinate with the Department of Taxation in inspecting and monitoring the implementation of tax policies in the locality. According to quick report data of the Hanoi Tax Department, as of May 4, 2021, the Hanoi Tax Department and Tax Branches have received about 98.2% of personal income tax finalization dossiers of Individuals directly finalize taxes compared to the expected number of documents. Of these, over 60% of documents are submitted electronically by taxpayers and do not have to go to the tax authority (Lam Phong, 2021) [5].

4. Experience in personal income tax management in other countries and lessons for Vietnam

4.1 Experience in personal income tax management in other countries

In countries around the world, personal income tax management is carried out according to two systems: First, deduction at source for types of income paid by agencies or organizations (salaries, salaries, etc.) remuneration, interest payments on loans...). Income payment agencies will deduct income tax to pay taxes before paying income to individuals. Second, individuals declare and pay taxes for business individuals (pay their own expenses and collect money from selling goods and services). Individuals who declare and pay taxes themselves must declare on declaration forms according to each country's regulations and pay taxes themselves.

Tax management through deductions from sources of China, Indonesia, Malaysia. Income tax laws of all countries stipulate deduction at source for types of income such as salaries, remunerations, and loan interest payments. Accordingly, units and individuals that pay taxable income to individuals are obliged to deduct and pay personal income tax on behalf of themselves, and at the same time send to the tax authority a declaration to pay on behalf of personal income tax.

Tax declaration and payment in China also stipulates deduction at source, whereby the person paying the tax payer will deduct, and then pay it to the tax authority. If a taxpayer has income from wages and salaries in two places but does not have anyone obligated to pay on his/her behalf, the taxpayer has the obligation to declare and pay tax himself/herself. Income subject to personal income tax includes: Income from wages, salaries, production and business, property rental, property transfer, securities trading, services, royalties, and use special rights, loan interest, dividends, commissions, incidental income and other income. Incomes that are not subject to personal income tax are: Bonuses, interest on savings deposits, interest on bonds authorized by the Ministry of Finance to issue, and credit bonds authorized by the State Council to issue. onion; Allowances, allowances, welfare payments, retirement benefits, relief payments, insurance compensation, career transfer payments, and military service allowances; Severance pay, pensions... The partially progressive tax schedule (monthly schedule) is divided into 9 levels with the lowest tax rate being 5%, the highest being 45%.

Indonesia's income tax law stipulates: income deducted by the income payer from an individual's salary, wages, remuneration and other amounts must be declared monthly on the 10th of the following month. Monthly personal income tax returns must be filed no later than the 20th of the following month. At the end of the calendar year, the income payer must finalize the personal income tax amount of each individual and pay the personal tax amount payable no later than March 25 of the following year. Filing annual personal income tax returns is preferred, no later than March 31 of the following year.

Withholding tax is regulated in Malaysia as follows: In the case of employees, the employer must deduct tax from the employee's remuneration based on the tax deduction table prescribed for that tax year. and transfer this tax amount directly to the Tax Department. Any tax difference is due until April 30 of the following year, late or non-payment of the return will incur a maximum penalty of 15.5%. Malaysian tax law stipulates that interest, royalties, payments for services rendered under contract and certain other types of income are subject to tax withheld at source when paid to non-residents. In case the subject does not deduct the tax withheld at source, the Tax Department can collect that tax amount as a debt payable by the payer. Failure to deduct and pay the above tax amount to the Tax Department within 1 month from the date of payment or crediting to a non-resident will result in a penalty of 10% of the total taxable amount withheld at source. Currently, royalties and interest on loans paid to or credited to non-residents are subject to withholding tax at source at rates of 10% and 15%, respectively. Tax rates may be reduced in cases where there are specific provisions in the Tax Agreement.

Manage personal income tax by self-declaration and self-payment of taxes in Singapore, Indonesia, Malaysia, and Thailand.

According to Singapore's personal income tax law: individuals are responsible for declaring personal information, taxable income, and deductible amounts according to tax authority declaration forms. Taxpayers at (i) Tax authorities (in the form of cash, check, network and Giro calculation program - method of declaring and paying taxes in installments without losing interest); (ii) post office (in the form of cash, check and net); (iii) Bank (fund transfer...); (iv) self-service machine (AXS Station, Sam); (v) Online banking (via banks' websites, tax authorities' websites...). The program ensures integration of taxpayer databases from wages, salaries and payment sources; From there, there are conditions for full and correct management of taxable income. From experience in tax declaration through the electronic tax declaration system of the Singapore Inland Revenue Department, it can be seen that Singapore tax authorities apply 3 methods of declaring tax declarations: paper, electronic tax declaration via phone, electronic tax declaration via the Internet. This electronic tax declaration system is available 24 hours a day and is easy to use because it is designed similarly to the paper form, and the declaration process is simple. Declaring taxes through the electronic tax declaration system is a method that meets requirements such as: Using appropriate technology to simplify declaration and payment for taxpayers; Help taxpayers adapt through promotion, marketing, and system improvement.

In Indonesia, individuals are obliged to deduct, declare, and pay income that is not a salary or wage (for example, loan interest, dividends, rental income, interest, etc.) from assets...). Tax payment must be made no later than the 10th of the following month and the deduction declaration must be made no later than the 20th. The remaining tax amount must be paid no later than March 25 of the following year. Annual tax is carried out no later than March 31.

In Malaysia, there are specific regulations on this issue: The self-declaration and self-payment tax system for individuals has been implemented since the tax year 2004. Based on this self-declaration and self-payment system, tax declarations must be submitted by April 30 of the following year. However, for individuals generating income from business activities, the declaration deadline is extended to June 30 of the following year. The Tax Department has the authority to prevent an individual from leaving Malaysia until the outstanding tax is paid or appropriate arrangements have been made for the payment of tax.

According to the provisions of the Income Tax Law in Thailand, taxpayers who are residents of Thailand are issued a tax code and must record it on all income tax declarations. Citizens who have an ID card number will use that card number to write on income tax declarations.

4.2 Lessons for Vietnam

Through reference to the experience of other countries on personal income tax, it shows that personal income tax, although it is an important source of revenue for the national budget, is a very complex tax that can cause many different impacts on the economic and social life of each country. In developing personal income tax collection policy in each country, policymakers must consider a number of major issues related to this tax law such as:

Firstly, develop tax policies based on careful research of the State's goals and the actual living standards of the majority of taxpayers. From there, reasonably determine issues such as: tax subjects, taxable revenue sources, family deduction levels, tax schedules... This will bring stability to tax policy, as well as people gradually getting used to it. with a new Tax Law that directly affects your own income, and will gradually create the habit of self-awareness in paying personal income tax. In addition, there must be timely adjustments and additions to policies when socio-economic conditions change.

Second, increase the use of deduction at source method for income tax. At the same time, use modern electronic services, including: filling out electronic records, paying electronic tax debt, accessing taxpayer accounts online. The main benefits of increased use of modern electronic services are faster tax collection, data accuracy, elimination of duplicate work, and reduced paperwork for taxpayers. When providing services to taxpayers, it is necessary to develop service delivery standards and regularly evaluate performance results against established standards.

Third, strengthen coordination between tax authorities and social insurance agencies, customs agencies, and credit institutions. These agencies can support each other in the field of providing information and data or other activities such as tax collection, social insurance collection, enforcement of tax debt collection...

Fourth, in developing countries, although national budget revenue is a priority, the development of personal income tax laws needs to take into account simple, transparent regulations that are easy to apply because of the process. The education level and capacity of tax administration agencies in these countries still have many limitations. This will limit the costs associated with collecting personal income tax such as compliance costs and administrative costs.

Fifth, regarding tax management organization: Vietnam is in the integration phase, the economy has made many positive changes, but the management level is still at an average level. High-quality human resources are scarce, with limited qualifications, experience, and professional skills. To be consistent with reality, it is necessary to learn and absorb international experience, choose a simple management form, suitable for the majority of taxpayers, and reduce administrative management costs for both taxpayers and tax authorities. Apply risk management methods to all stages of tax management to effectively use limited resources, focusing on monitoring and controlling high-risk subjects.

Sixth, about the form and declaration method: The personal income tax declaration form needs to be improved to be simple, easy to understand, and easy to declare for taxpayers. Regarding the declaration method, a limited method should be applied. This method will help eliminate the requirement that all taxable entities must submit tax returns, creating reasonable fairness in management. From there, tax authorities can focus their resources on controlling the highest risk areas, which are paying agencies, subjects with multiple sources of income, small businesses and individuals. Freelance. If the limited method is not applied, tax authorities will have to process a large number of tax declarations. In fact, each declaration only requires very small adjustments, which is ineffective and wasteful of resources.

Seventh, on building databases and applying information technology: Tax authorities need to focus on building a centralized database of personal income taxpayers, supporting cross-referencing information from different sources of income to check declared information without having to go to the taxpayer's headquarters. This is an important measure for tax authorities to effectively monitor taxpayers. On the basis of this data, the tax authority performs risk analysis and assessment of taxpayers through applying a system of risk assessment criteria (for example, criteria for selecting taxpayers who do not declare, non-payment of tax, late payment of tax...) to correctly select cases of not complying well with tax laws for inspection and examination. At the same time, it is necessary to promote the application of information technology in tax management, applying electronic tax declaration and payment. This is a condition to ensure success for tax management with the number of taxpayers and the "huge" amount of information increasing rapidly.

Eighth, focus on developing human resources for tax officials: Human resource quality is the core for all success of personal income tax management, training to improve the quality of human resources to meet requirements. Personal income tax management is urgent, especially in Vietnam. The team of tax officials must have enough management capacity and professional ethics to successfully implement the state's Personal Income Tax policy and operate the modern information technology system applied to the system.

Ninth, it is necessary to supplement tax investigation functions and forces to promptly handle cases of tax crimes that are constantly progressing, increasingly sophisticated, complex and expanding both subjects and fields. and location.

5. Conclusion

Personal income tax management is an important part of state financial management. Therefore, in the context of an open economy and integration with the regional and world economy, personal income tax management needs special attention and needs to be viewed at the macro level in order to improve the economy. Highly effective personal income tax management, contributing to increasing state budget revenue and ensuring social equity.

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