



VALUE-ADDED TAX ACCOUNTING: A CASE STUDY IN HANOI CITY, VIETNAM

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Abstract

Since its enactment, the Law on Value-Added Tax (VAT) has undergone several amendments. Compliance with the VAT Law to ensure revenue for the state budget and safeguard the interests of enterprises remains a challenging task, which is undertaken through VAT accounting in enterprises. On that basis, this paper surveyed and evaluated the current VAT accounting practices in enterprises located in Hanoi. Consequently, an evaluation of the strengths and limitations of VAT accounting at the surveyed enterprises was conducted in order to propose solutions for enhancing VAT accounting in these enterprises.

Keywords: Value-added tax, value-added tax declaration form, list of invoices and documents.

1. INTRODUCTION

Taxes serve as the primary source of revenue for the state budget and play a pivotal role in income distribution, thereby regulating the macroeconomic economy. Recognizing their significance, the National Assembly, during the second phase of tax reform (1996 - 2004), promulgated the Law on Value-Added Tax (VAT) as a substitute for the Law on Turnover Tax, which became effective on 1/1/1999. This law is fundamental and important, particularly concerning indirect taxation. The scope of adjustments made to this Law was comprehensive, affecting various socioeconomic aspects. It can be considered the most noteworthy breakthrough of the second phase of tax reform. VAT accounting is a crucial instrument for implementing the provisions of the new VAT Law. However, comprehending the content and implications of tax laws and accounting regimes, and applying them to individual enterprises is a complex undertaking. Several provisions within the accounting regimes and the VAT law present challenges for enterprises in practice. The survey conducted on the VAT accounting practices in enterprises located in Hanoi revealed deficiencies in tracking and presenting information. Consequently, thorough research of VAT accounting to address these shortcomings and limitations, and to align with the need for quicker and more accurate information processing is imperative and essential for enterprises to establish a strong footing in an era of intense competition.

2. VALUE-ADDED TAX ACCOUNTING PRACTICES IN ENTERPRISES LOCATED IN HANOI

2.1. Overview of surveyed enterprises

* Grand Power Vietnam Company Limited

Address: 278 Bach Dang Street, Chuong Duong Ward, Hoan Kiem District, Hanoi City.

Tax Identification Number: 0106588198

The enterprise currently operates within three primary business segments:

Commercial trading of waterproof materials, which includes Bitumex, VersiCell, reinforced net, maxbond.

Commercial trading of electric generators.

Commercial trading of tissue paper, liquid hand soap.

* Malta Real Estate Services Investment and Development Joint Stock Company

Address: 506 Doi Can Street, Cong Vi Ward, Ba Dinh District, Hanoi City.

Tax Identification Number: 0108392232

Currently, the enterprise's business operations are centered around two key areas:



Real estate distribution

Malta Land is currently a sales agent, offering comprehensive consulting services for all housing estate projects at Ecopark. With over a decade of collaboration with the project investors, Malta possesses in-depth understanding of each product type, market peculiarities, and perspectives of project investors. Supported by a consulting team of nearly 200 systematically and professionally trained employees, Malta Land consistently showcases the expertise of a seasoned broker.

Investment Advisory

To meet the various real estate budgets and preferences of their clients, Malta provides comprehensive information related to housing transfer services, covering apartments, townhouses, villas, rental and lease consulting services for real estate products including both residential and commercial properties, as well as investment advisory services and other offerings.

2.2. Value added tax accounting practices in enterprises located in Hanoi

2.2.1. Documents in use

In accordance with the provisions outlined in Article 91 of the 2019 Law on Tax Administration, Decree No. 123/2020/ND-CP and Circular No. 78/2021/TT-BTC, it is mandated that enterprises use electronic invoices (e-invoices) for the purchase and sale of goods and services from 01/7/2022.

There are two categories of e-invoices: E-invoices with tax authority's codes and e-invoices without tax authority's codes. Both of the surveyed entities use e-invoices with tax authority's codes.

2.2.2. Value Added Tax Declaration

Among the surveyed enterprises, one, namely Malta Real Estate Services Investment and Development Joint Stock Company, adheres to a monthly VAT tax declaration, while the other, Grand Power Vietnam Co., Ltd, opts for a quarterly VAT tax declaration.

In general, the surveyed enterprises fulfill their monthly or quarterly obligations including timely preparation, submission of VAT tax reports, and full tax payment.

In 2023, these enterprises have adopted the declaration form in accordance with Circular No. 80/2021/TT – BTC dated September 29, 2021. On a monthly or quarterly basis, the designated accountants compile a tax report that includes the following components:

** A list of invoices and documents for sold goods and services, as per form No. 01-1/GTGT*

This list is compiled based on all invoices and documents related to goods sold during the reporting period. The accountants make monthly/quarterly lists and fill all criteria chronologically. In the event that no sales are incurred during a particular month or quarter (no sales invoices are issued), the list is left blank.

** A list of invoices and documents for purchased goods/services, as per form No. 01-2/GTGT*

This list is based on VAT invoices of goods and services purchased during the reporting period, in addition to details of payments made to the national budget. This list is created monthly/quarterly, with all criteria filled chronologically. Surveyed entities categorize their inputs solely under group 1 "tax-deductible goods, services used exclusively for production and sale subject to VAT" while they do not allocate any entries to group 2 ("tax-deductible goods, services used for both production and sale subject to VAT and not subject to VAT") and group 3 ("tax-deductible goods and services used for investment"). The purchased goods and services in these surveyed entities are subject to a standard VAT rate of 10%, with the exception of clean water expenses, which are subject to a reduced VAT rate of 5%.

** VAT declaration form, as per form 01/GTGT (Circular 80/2021)*

On a monthly or quarterly basis, based on the list of invoices and documents for sold goods/services according to form No. 01-1/GTGT and the list of invoices and documents for purchased goods/services according to form No. 01-2/GTGT, the designated accountants complete the VAT declaration form stipulated by form No. 01/GTGT.

3. LIMITATIONS AND RECOMMENDATIONS FOR THE IMPROVEMENT OF VALUE-ADDED TAX ACCOUNTING IN ENTERPRISES LOCATED IN HANOI

3.1. Invoice and document preparation and compilation

In the surveyed enterprises, it is observed that a number of accountants display a lack of dedication to their duties, leading to insufficient research on pertinent policies and laws, especially those of recent enactment. It is a key factor contributing to various shortcomings, including but not limited to: Failing to issue invoices for retail transactions, utilizing cash payments for VAT invoices exceeding 20 million VND, recording incorrect buyer information on VAT invoices.

The practice of document archiving is a monthly routine in the surveyed enterprises. Prior to archiving, all documents are collected and categorized in a chronological manner, assembled into books, and subsequently archived. The organization of documents solely based on chronological order, without due consideration of the economic context of the documents, leads to complications in locating specific documents when the need arises.

In the case of retail sales to customers, accountants are required to prepare a List of retail goods and services in chronological order during the day. By the day's end, they must generate VAT invoices to record the volume of goods sold as the basis for tax declaration.

LIST OF GOODS AND SERVICES DIRECTLY RETAILED TO CONSUMERS

Day..... month..... year.....

Name of organization/individual: Grand Power Vietnam Company Limited

Address: 278 Bach Dang Street, Chuong Duong Ward, Hoan Kiem District, Hanoi City.

Unit of currency: VND

No .	Name of goods/services	Unit of measurement	Quantity	Unit price	Amount payable	VAT rate	VAT amount	Total payment
1								
2								
3								
4								
5								
6								
7								
8								
9								
	Total			0	0		0	0

List maker

(Signature and full name)

Table 1. List of goods and services directly retailed to consumers

Regarding input invoices and documents, it is imperative that the information on these documents remains unaltered. The seller must ensure that their company’s information is accurately reflected on these invoices.

Distinct management is mandated for invoices and documents falling under the following categories:

- Invoices, documents associated with goods, services purchased at a VAT-inclusive cost of twenty million VND or more.
- Invoices and documents pertaining to goods and services purchased from a supplier, each less than twenty million VND, but when aggregated on the same day, their cumulative worth amounts to twenty million VND or more.

Enterprises are advised to formulate specific regulations governing the organization and archival of documents in a systematic manner to facilitate efficient retrieval and examination. It is suggested that documents directly used for registration purposes be dated with pencil to prevent the oversight or duplication of documents. Upon archiving, these documents and related records should be categorized based on

Chief Accountant

(Signature and full name)

content (such as wage documents, asset documents, cash documents, and so on), in chronological order, and by relevance, for example, among purchase documents, VAT invoices should consistently accompany purchase contract, paycheck and other pertinent records. On a monthly basis, accountants are responsible for reviewing and reorganizing documents in the correct order to promptly address any emerging concerns.

3.2.Value Added Tax Declaration

- In the surveyed entities, lists of invoices and documents for purchased/sold goods and services did not totally adhere to the prescribed forms.

- Regarding non-deductible purchase invoices:

+ At Grand Power Vietnam Co., Ltd, the accountants listed the VAT amounts of an invoice exceeding 20 million VND, paid in cash, as well as an invoice with incorrect buyer information, under “group 1” for “tax-deductible goods, services used exclusively for production and sale subject to VAT” on the List of invoices and documents for purchased goods, services, which contravened established regulations.

- Concerning retail sales to customers:

The accountants at Grand Power Vietnam Co., Ltd neglected to issue a VAT invoice, leading to the omission of the entire



VAT amount corresponding to the retail goods from the List of invoices and documents for sold goods and services, which also violated the applicable regulations.

Consequently, it is crucial for the accountants to accurately fill the List of invoices and documents for purchased goods and services, the List of invoices and documents for sold goods and services, and the VAT declaration form based on the enterprise's input and output invoices and documents to prevent the need for error corrections when these documents have already been submitted to the tax authorities.

4. CONCLUSIONS

In tandem with the global trend of economic integration, the official participation of Vietnam in the World Trade Organization has introduced a spectrum of opportunities and challenges to domestic enterprises. To merely survive, each enterprise is compelled to explore ways to enhance its business performance, underscoring the escalating importance of tax accounting. In this context, VAT accounting has consistently played a pivotal role within the sphere of enterprise accounting. Its significance extends beyond the confines of individual enterprises, as it also contributes to the effective management of enterprises by the state. Hence, it is imperative to undertake research on fundamental theories and, based on these foundations, conduct an assessment of current practices to formulate recommendations for enhancing VAT

accounting in enterprises located in Hanoi. Such research is deemed essential given the prevailing conditions.

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