



VIETNAM

TECHNICAL ASSISTANCE REPORT—TAXPAYER COMPLIANCE RISK MANAGEMENT – TOURISM COMPLIANCE IMPROVEMENT PLAN

April 2023

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TECHNICAL ASSISTANCE REPORT

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Taxpayer Compliance Risk Management – Tourism Compliance Improvement Plan

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I. BACKGROUND

1. This is a summary report concerning a remotely delivered capacity development (CD) activity by Mr. Joshua Aslett (IMF Fiscal Affairs Department (FAD), Mr. Andy Ditchfield and Mr. Steve Howlin (FAD Short Term Experts (STX)) to the General Department of Taxation (GDT) of Vietnam during the period September 22 to December 15, 2022. The purpose of this CD was to consolidate and build on the compliance risk management (CRM) theory training delivered in June 2021¹ by practically applying those CRM principles to the tourism sector to create a tourism sector compliance improvement plan (CIP). This remotely delivered activity will be followed by onsite assistance in February 2023 at which time the tourism CIP will be completed.

2. The CD activity focused on identifying risks in the tourism sector and identifying information and data sources to enable completion of the tourism CIP in February 2023. The specific tasks of the assignment include:

- Building on previous CRM support by assisting the GDT to develop actionable CIPs for the tourism industry and e-commerce, commencing with tourism;
- Providing international good practices on CRM using IMF technical notes (particularly “Revenue Administration - Compliance Risk Management Framework to Drive Revenue Performance”; “Compliance Risk Management for Tax Administration leaders”, and “Compliance Risk Management: Developing Compliance Improvement Plans”), the IMF revenue portal, and experiences from other tax jurisdictions; and
- Providing background information on various issues identified by the GDT during earlier assistance, such as legal provisions required to use data; and centralized versus decentralized ways of organizing CRM activities.

II. RECENT DEVELOPMENTS

3. The Risk Management Board (RMB) has a good knowledge of the CRM framework and has drafted internal guidance on CRM. This internal guidance aligns with the theoretical CRM training provided in June 2021 which focused on laying the foundations of CRM principles.

4. This CD activity focused on providing GDT with practical assistance on the application of CRM processes and data required for each key step in building a tourism CIP. Following this assistance, the GDT will gather the data which will be used in onsite assistance in February 2023.

¹ Vietnam – Enhancing Compliance Risk Management in Tax Administration – Brondolo et. al., August 2021

III. SUMMARY OF THE SUPPORT PROVIDED

Introduction

5. Four three-hour video conference workshops were conducted on November 7 to 10, 2022. The workshop material used and provided to GDT is described in section V below. The workshop participants were provided with practical guidance on each stage of the CRM process in relation to tourism in Vietnam, as follows:

- A.** Risk Intelligence scan that identifies the risk hypotheses for the tourism sector
- B.** Risk assessment that assesses all risks in the tourism sector and provides a consistent risk matrix to assess risks and create a risk register
- C.** Risk treatment plan that sets out the high-level treatment strategies to address behaviors that drive the risks
- D.** Compliance improvement plan that sets the context for the risks, the treatment strategies and details the treatment activities that are to be delivered, including reporting requirements and measures of efficiency and effectiveness.

6. To supplement these activities, an additional three remote seminars on the use of data analytics for risk analysis were delivered between December 12 and 15. As part of the seminars, the concept of a Risk Differentiation Framework (RDF) was introduced, along with the templates and guided instruction needed to produce an analysis.

7. All of the workshops focused on identifying potential risks within the tourism sector and the information/data that GDT needs to gather before the onsite assistance in February 2023. GDT was provided with a detailed "Tourism - Information and data gathering template". The document is provided in Appendix I.

8. GDT should establish and implement a plan to obtain and analyze information and data. The completion of a CIP will require a significant amount of information and data to complete the CIP and establish the risks, the priorities and treatment strategies. GDT should establish an information and data needs plan that identifies what needs to be gathered, when the information is required, by who and how the data will be analyzed.

9. The following subsections (A to D) describe how the information and data will be used in February 2023 to complete a Vietnamese Tourism Compliance Improvement Plan.

Subsection E describes some of the organizational matters that will need to be addressed before implementing the CIP.

A. Risk Intelligence Scan

10. As a first step to building the CIP, a risk intelligence scan for the tourism sector will be drafted during the February, 2022 onsite assistance. This will set out the environmental factors for tourism within Vietnam, along with tax performance in the sector and will identify the risk hypotheses.

11. The risk intelligence scan will set out fundamental information, data and analysis that enables identification of risks. This will include:

- A clear definition of the tourism sector that enables GDT to identify the taxpayers and other parties that are within the sector, including any relevant sub-sectors.
- Information relating to the general environment of tourism within Vietnam, including economic factors, political and regulatory issues, industry issues, general environmental matters such health, infrastructure, climate change, technology developments and other relevant matters.
- Information and analysis of tax performance for the sector by tax type and the four pillars of core obligations (registering, filing, reporting and payment).
- A brief explanation of how the tax laws apply in the sector.
- Identified risk hypotheses.

12. A number of potential risks were identified during the workshop. These will be discussed further during the February assistance and include:

- Cash payments
- Complex and invisible supply chains involving online sales, payment by WeChat Quick Pay, non-resident tour operators, pre-paid sales, non-issue of receipts, transfer pricing issues,
- Tourist outlets
- Overstated salaries
- Household businesses and presumptive tax
- Poor record keeping
- Debt, bankruptcy and "missing trader"
- Poor access to banking information

B. Risk Assessment

13. A risk assessment will be drafted for the tourism sector in February 2023. The risk assessment will include a detailed description of the risks, the risk matrix used to assess the risks and a risk register identifying the risk rating for each risk.

14. The risk assessment document and risk register will set out the fundamental risk information, data and analysis. This will include the following:

- A clear description of the identified risks by tax type and the four pillars of obligations (registration, filing, reporting and payment)
- Using an RDF analysis, detailed review of the population at risk (including sub-sector analysis) and which subsectors in the tourism industry comprise the risk
- A summary of the drivers and behaviors for each risk
- How the tax law applies to the risks
- The risk matrix used to assess risk, including assessment of risk consequence and likelihood
- The rating for each risk
- A risk register showing the respective risk ratings
- Relevant risk clusters (by sub-sector, tax type, tax obligation (four pillars of obligations), geographical location, market segment (large, medium and small) and other risk clusters appropriate to the tourism industry)

C. Risk Treatment Plan

15. The risk treatment plan will be developed in February 2023. This will include analysis of the behaviors and drivers behind the observed risks, a summary of the treatment strategies to address the risks and baseline measures of success to monitor the treatment strategies.

16. The treatment plan will set out fundamental information and analysis which will include

- Further research and analysis of the risks to clearly describe the drivers and behaviors
- Identification of the treatment strategies by general activities (under the themes of enforcing and/or facilitating compliance and in context of each of four RDF "quadrants") that are designed to change taxpayer behavior
- Case selection methodology for identifying taxpayers to be treated
- Details of capability improvements required to enable GDT staff to deliver strategies
- Baseline measures of success for monitoring the effectiveness of strategies in changing taxpayer behavior

D. Compliance Improvement Plan

17. The final step is the development of the CIP during the onsite assistance in February 2023. The CIP will include a summary of the risk intelligence scan, risk assessment and treatment plan. It will also include a high-level plan of the numbers of treatment activities to be undertaken and the expected outcomes, supported by a workflow plan. It will also include the baseline measures of success.

18. The CIP will set out fundamental information, data, analysis, conclusions and the treatment strategies that will encourage and compel taxpayers to voluntarily comply. The CIP will include the following:

- The context to the risks as set out in the risk intelligence scan, assessment and treatment plan.
- A high-level plan of treatment activities to be undertaken.
- A workflow plan identifying the numbers of each type of treatment activity by period along with the expected additional revenue collections, resources required and capacity for reporting on what has been delivered against the plan.
- Research and analysis of the risks to clearly describe the drivers and behaviors
- Treatment strategies (educate, facilitate and enforce) that will change taxpayer behavior and improve voluntary compliance
- Capability improvements required to enable GDT staff to deliver strategies
- Baseline measures of success for monitoring the effectiveness of strategies in changing taxpayer behavior

E. Implementing the CIP

19. GDT should establish governance, reporting and workflow processes to enable GDT staff to deliver the treatment activities and report on outcomes. Implementation of the CIP requires the engagement and support of staff across all of GDT to deliver and report on the many components in the CIP. The RMB should develop processes to enable this, including:

- Meetings/workshops with GDT staff to explain, discuss and obtain feedback on the CIP. These should occur before the CIP is finalized.
- Establish a CIP Steering Committee consisting of RMB and other senior GDT staff involved in delivering the CIP. This would be chaired by the General Director or Deputy General Director of GDT. The CIP Steering Committee would be responsible for endorsing the CIP, monitoring progress on delivery of the CIP and endorsing significant changes.
- GDT should consider appointing a project manager to monitor the delivery and effectiveness of the CIP and provide reports to the CIP Steering Committee

- The RMB should establish processes and timelines for creating cases for GDT staff and supporting documents to inform GDT staff of the risks identified in the cases selected and what staff are required to do in completing the cases.
- The RMB should consider what capability improvements may be required for staff to deliver cases and determine who will provide training and when it will be delivered to GDT staff.
- A suite of effectiveness measures should be established to measure the effectiveness of the treatment strategies.

F. Promote the use of VITARA modules, the IMF Revenue-Portal and material

20. The Vitara modules and IMF Revenue Portal materials were discussed. GDT has access to a translated copy of the IMF document “Compliance risk management - Developing compliance improvement plans – IMF Technical note 2022”.

IV. RECOMMENDED KEY ACTIONS

| Objectives | Key Actions | Timelines |
|---|---|---------------------|
| Information and data gathering (Paragraph 6) | <ul style="list-style-type: none"> • Commence information and data gathering • Complete Appendix I. | By 31 December 2022 |
| Establish an information and data needs plan (Paragraph 7) | Establish an information and data needs plan that identifies: <ul style="list-style-type: none"> • What data needs to be gathered, • When the data is required • Who will analyze the data • How the data will be analyzed. | By 30 November 2022 |
| Governance, reporting and workflow processes (Paragraph 18) | Commence establishing governance, reporting and workflow processes | By 31 January 2023 |

V. MATERIALS PROVIDED

21. The following is a list of workshop materials and other documents provided during the CD activity:

| # | Document number, aim and description (Translated into Vietnamese unless stated otherwise) | Workshop (W) Document (D) |
|--|--|------------------------------------|
| V1.0 | CRM Introduction, Video conference, September 2022 | W |
| V2.0 | Day 1_Risk Identification_7 November | W |
| V3.0 | Day 2_Risk Assessment_8 November | W |
| V3.1 | Tourism Risk Assessment – Research and data gathering template. November 2022. | D |
| V4.0 | Day 3_Risk Treatment_9 November | W |
| V5.0 | Day 4_Compliance Improvement Plan_10 November | W |
| V5.1 | Day 4. Example - Overview diagram of treatment strategy cafe and restaurant project- revised | D |
| Other documents provided on November 19, 2022 | | |
| | Australian Taxation Office (ATO) - data plan | |
| | Australian government guidance-data-sharing-Australian-govt-entities | |
| | Aust_govt_public_data_policy_statement_1 | |
| | Australian government- guidelines on data matching in Australian Government | |
| | ATO data matching | |
| | Australian-privacy-principles | |
| | Data matching programs | |
| | Third party data sources | |
| | Use of data and analytics | |

Appendix I. Tourism Risk Assessment – Research and data gathering template, November 2022.

Document V3.1 - Vietnam Tourism Risk Assessment – Research and data gathering template. November 2022.

Purpose of this template

1. This template is to be used by GDT as a guide to the areas of research and data needed to carry out a risk assessment of the tourism industry in Vietnam

Background

2. In 2021 GDT received instruction from the IMF about the principles of contemporary compliance risk management (CRM). GDT has prepared a draft document that sets out its approach to CRM.

3. In November 2022 GDT received remote IMF assistance to provide further guidance on how to complete a risk assessment, treatment strategy and a Compliance Improvement Plan (CIP) for the tourism industry. This template will assist GDT to research and gather data to assist with completing the risk assessment.

4. In February 2023, IMF will provide GDT with on-site assistance to review the research and data gathered by GDT. This information will be used to assess (likelihood and consequence) and prioritise the risks in the tourism sector. The information will also be used in developing treatment strategies.

Data Sources

5. There are two major sources of data:

- GDT internal data. For example, taxpayer registration, filing, returns and payment. This is the richest and most easily available data.
- External data. For example, data held or created by third parties (such as Immigration and Customs data), macro-economic data, industry data, academic research data, consultant and marketing data.

How to use this template

- 6. The template below sets out the information and data required using internal and external data sources.** The template is based on the many perspectives of risk which were discussed in the video conference meetings of November 7 to 10. The aim is to gather information and data about the many perspectives so that the many different risks can be risk assessed and prioritised.
- 7. GDT may find that some of the information and data is not available.** It is okay to make assumptions/hypothesis about missing information and estimates of data that is not available so long as this is clearly marked/noted as such.
- 8. Some of the categories of information requested may not be relevant or applicable to Vietnam and should be marked as “not applicable”.**
- 9. The major source of internal GDT data will be returns relating to VAT, income tax, wages withholding and personal income.**
- 10. The tax return data should include the following for each tax type:**
 - Sales data for all taxes plus VAT output tax
 - Distribution analysis of taxpayers by sales/turnover. For example, horizontal axis records value of sales in increments of 10 000 value, the vertical axis records the frequency of each sales value amongst the population
 - Purchases data for all taxes, plus VAT input tax
 - Profit data, plus net VAT (output VAT minus input VAT)
 - VAT refunds by number of returns and value
 - Employee numbers, wages withholding, social contributions
 - Other relevant data contained in returns
- 11. The timespan of the data should be the last three years. For example, sales data and VAT output tax data should be provided for the last three years.**
- 12. The data should be in aggregate form and not data for each taxpayer.**

About the template

13. The template has three columns:

- Area of risk – This is a description of each risk perspective.
- Explanation/description – This is a more detailed description of the risk perspective
- Comments/conclusions/attachments – This column will be used by GDT to record its conclusions or attach documents or links to the requested data.

| 1, Area of risk | 2, Explanation/description | 3, Comments/conclusions/attachments |
|--|--|-------------------------------------|
| Analysis of tourists | | |
| Domestic tourists - | Number of tourists | |
| | Estimated tourist spend | |
| International tourists inbound - | Number of tourists. Source could be immigration department, industry associations, university research, google. | |
| | Estimated tourist spend | |
| International tourists -country of origin | Number of tourists by country | |
| Method of arrival | Numbers arriving by land, sea, air | |
| Duration of visit | Number of days total and average per tourist | |
| International tourist outbound - | Number of tourists | |
| Immigration data | Any other relevant immigration data | |
| Department of Tourism – regional offices | Any relevant data | |
| Tourism Sub-sectors. This section can be further subdivided by geographic location. | | |
| Transport Source: internal and external data | Tax return data and external data for the following: | |
| | Domestic air travel | |
| | International air travel | |
| | International sea travel (For example, cruise ships) | |
| | Domestic road | |
| | Domestic rail | |
| | Other | |

| 1, Area of risk | 2, Explanation/description | 3, Comments/conclusions/attachments |
|---|---|-------------------------------------|
| Accommodation Source: internal and external data | Tax return data and external data for the following, including occupancy rates: | |
| | Hotels - domestic owned | |
| | Hotels – foreign owned | |
| | Hostels | |
| | Airbnb | |
| | Other | |
| Restaurants Source: internal and external data | Tax return data and external data for the following: | |
| | Bars | |
| | Restaurants – business type | |
| | Restaurants – household type | |
| | Café | |
| | Other | |
| Entertainment Source: internal and external data | Tax return data and external data for the following: | |
| | Disco | |
| | Sporting and recreation | |
| | Other | |
| Retail Source: internal and external data | Tax return data and external data for the following: | |
| | Retail shops | |
| | Tourist gift shops | |
| | Tourist retail malls | |
| | Other | |
| Taxpayer market segment (large, medium and small and any other type) | | |
| Large taxpayers | Tax return data – all taxes | |
| Medium taxpayers | Tax return data – all taxes | |
| Small taxpayers | Tax return data – all taxes | |
| Micro taxpayers | Tax return data – all taxes | |
| Other market type | | |
| Registration – pillar of compliance | | |
| Number registered | Market segment (large, medium, small, micro) | |
| | Geographic location | |
| | Sub-sector (accommodation, restaurants etc.) | |
| Number not registered but required to be registered | | |

| 1, Area of risk | 2, Explanation/description | 3, Comments/conclusions/attachments |
|--|--|-------------------------------------|
| Number of passive taxpayers (taxpayers not trading) | | |
| Number of deregistrations per year | | |
| Any special registration rules for specific sectors or groups of taxpayers | | |
| Filing – pillar of compliance | | |
| Number expected to file | Tax type (VAT, income tax etc) | |
| | Market segment (large, medium, small, micro) | |
| Number filed on-time/late | Tax type | |
| | Market segment | |
| Number of non-filers | Tax type | |
| | Market segment | |
| Estimated value of late filers and non-filers | Late filers value | |
| | Non-filers value | |
| Correct reporting – pillar of compliance | | |
| Number of audit adjustments | Market segment (large, medium, small, micro) | |
| | Geographic location | |
| | Sub-sector (accommodation, restaurants etc.) | |
| | Market segment (large, medium, small, micro) | |
| Value of audit adjustments | Market segment (large, medium, small, micro) | |
| | Geographic location | |
| | Sub-sector (accommodation, restaurants etc.) | |
| | Market segment (large, medium, small, micro) | |
| Reasons for adjustments | | |
| Penalties imposed, number and value | Market segment (large, medium, small, micro) | |
| | Geographic location | |
| | Sub-sector (accommodation, restaurants etc.) | |
| | Market segment (large, medium, small, micro) | |
| Payment/debt – pillar of compliance | | |
| Number of taxpayers with debt | Market segment (large, medium, small, micro) | |
| | Geographic location | |
| | Sub-sector (accommodation, restaurants etc.) | |
| | Market segment (large, medium, small, micro) | |
| Value of debt | Market segment (large, medium, small, micro) | |

| 1, Area of risk | 2, Explanation/description | 3, Comments/conclusions/attachments |
|---|---|-------------------------------------|
| | Geographic location | |
| | Sub-sector (accommodation, restaurants etc.) | |
| | Market segment (large, medium, small, micro) | |
| Value of debt by age | 3 months, 6 months, 1 year, 2 years, 3 years, 4 years | |
| Value of debt written off in the last three years | | |
| Number and value of bankruptcies | | |
| Number of missing taxpayers that cannot be found | | |
| Stakeholder/participants analysis – Identify all stakeholders and participants, including supply change participants | | |
| GDT internal stakeholders | Risk unit | |
| | Steering committee | |
| | Media and communications | |
| | Regional offices managers | |
| | Regional offices auditors | |
| | Other? | |
| External stakeholders/participants | Tourists (inbound, outbound, domestic) | |
| Taxpayers – within Vietnam | List all types of taxpayers | |
| Taxpayers outside Vietnam | | |
| Intermediaries | | |
| On-line platforms | | |
| Banks | | |
| Others? | | |
| On-line payment methods (WeChat and Paypal) | | |
| Taxpayer advocates | Lawyers and accountants | |
| Taxpayer associations | | |
| Academic researchers | | |
| Industry bodies | | |
| Government departments relevant to tourism | | |
| Government regulators of the industry | | |
| Other government departments that hold information | | |
| Research relevant law | | |
| List all law relating to tourism | | |
| Are there any special tax rules (eg presumptive tax, reduced VAT rates, zero-rate, VAT exemption?) | | |

| 1, Area of risk | 2, Explanation/description | 3, Comments/conclusions/attachments |
|---|----------------------------|-------------------------------------|
| Are there any proposed law changes in the tourism sector? | | |
| What law changes would you like to see? | | |

Next Steps After the Data Is Captured

14. The information and data should be critically examined by GDT.

- Is the data consistent with what you thought was the risk?
- Is there an indication of a specific area of risk?
- What is the highest risk perspective based on the data?
- What is the lowest risk perspective?
- What further information do you need?