

GOVERNMENT REVENUES IN VIET NAM

For the past three years the Michigan State University Advisory Group has made several studies of government revenues. Most of this work was done by Richard W. Lindholm and David C. Cole, nearly all of it in the area of taxation. In addition, Wayne W. Snyder has studied government revenues as related to organizations having budget autonomy, including both state enterprises and public corporations. The major items in this series of publications include the following:

(1) Richard W. Lindholm made an important contribution with the publication of his lengthy study, AN ANALYSIS OF VIETNAM'S TAX SYSTEM AND RECOMMENDATIONS. Lindholm collected material for this study during one year of close association with the General Direction of Taxes. During this time he was temporarily assigned to USOM as Senior Tax Advisor, and the study was prepared "FOR MISSION USE ONLY".

(2) David C. Cole prepared a study of local government taxes, with some additional information on non-tax sources of revenue after two months of field work in South Viet Nam. It also contains information on those national taxes which bear surcharges for local government use. The report is called REPORT ON TAXATION IN THE PROVINCES OF SOUTH VIET NAM, and was published in November, 1956.

(3) A month later, Lindholm presented some new information in Parts V and VI of his ten part lecture series at the National Institute of Administration, published under the title, GENERAL CONSIDERATIONS IN THE FORMULATION OF ECONOMIC POLICY.

(4) In July, 1957 Cole published two volumes on local taxation as text material for a course given at the NIA that year. The title of the entire work is PROVINCIAL AND LOCAL REVENUES IN VIET NAM, and the two volumes are sub-titled GENERAL AND THEORETICAL CONSIDERATIONS and STUDIES OF IMPORTANT TAXES AND PROPOSALS FOR IMPROVEMENT.

(5) Two final contributions by Cole appeared in October, 1957. The first, SUMMARY OF VILLAGE FINANCES IN THE SOUTH REGION OF VIET NAM, was written in collaboration with Mr. Bui Quang Da and received the advice and assistance of the Director of Provincial Budgets. This study was based on replies to questionnaires from 126 villages. The second, FINANCIAL ACTIVITIES OF THE PROVINCES, PREFECTURE, AND MUNICIPALITIES OF VIET NAM 1956, is based primarily on data from the National Treasury, and was completed for national income purposes.

The following paragraphs summarize the work done by Lindholm and Cole at each level of government.

NATIONAL REVENUES

Lindholm's principal study contains an explanation of all tax regulations and gives statistical data on collections. The regulations pertaining to the bases are not published in full, but the explanation gives all the

necessary information. For example, his discussion of the Business License Tax (Patente) gives a general understanding, but a much more detailed presentation is made by Cole in his REPORT ON TAXATION IN THE PROVINCES OF SOUTH VIET NAM, pages 7-9. Unfortunately, he was not able to present data on collections in a uniform way. In some instances, he provides a good deal of detail; in others, details are quite lacking. Sometimes data were not available for both 1954 and ~~1955~~ in a few instances he was only able to present partial data for 1956. In some cases, only assessment information was available. His section on custom duties and régie taxes is quite brief. Finally, he was unable to include any information on the changes in tax regulations which occurred in May, 1957. The principal change at that time was the creation of a Production Tax on local and imported goods.

Lindholm often made estimates of the cost of tax collection which should be quite useful in determining the assignment of new personnel. He was often able to compare assessments with actual collections. In many places, he indicated his appraisal of the economic effect of a tax, and the changes he thought desirable. Some of his recommendations are quite long and detailed, for example, his suggestion concerning a Paddy Transformation Tax. The study does not contain any information on the non-tax sources of national revenue such as the receipts from government leases, PTT, and other government services.

PROVINCIAL REVENUES

The principal source of revenue for provincial budgets is the Pacification Tax on exportation of local products from a province. Some provinces have enlarged this tax to include an import tax on goods coming into the province as well. The tax is not supposed to be levied on goods in transit. Cole treated this tax at length in his first study, and again in the second volume of his text, PROVINCIAL AND LOCAL REVENUES IN VIET NAM. Other tax and non-tax sources of revenue are covered in less detail, but sufficient for a comprehensive understanding. These sources include prestations and the market and slaughter taxes. His statistical information is complete for 1956, but it covers only South Viet Nam for 1955. His discussion of government leases is quite cursory.

MUNICIPAL, PREFECTURE, AND VILLAGE REVENUES

The market tax is by far the most important municipal and village tax and it is covered very thoroughly in Cole's studies. Other tax sources include surcharges levied on the national real estate taxes and business licenses. Other revenues come from city leases on public utilities, rentals of fishing sites, and the rentals from village-owned land. Cole has thoroughly covered the principal sources of revenues, but the minor ones receive light treatment. Statistical coverage at this level is complete for the municipalities and the prefecture in South Viet Nam for 1955, and for all of Viet Nam in 1956. The coverage of village revenues involves only about 10% of the villages in South Viet Nam. No data has been collected or published on village revenues in the Center and the PMS.

CONCLUSIONS AND SUGGESTIONS

It seems that there is a great deal of descriptive material concerning the various bases for taxation in Viet Nam (with the exception of custom duties, régie taxes, and the relatively recent Production Tax). Anyone interested in understanding the various taxes and their revenues-producing importance may refer to the studies mentioned above. All of them, with the exception of Lindholm's USOM study, are available in both Vietnamese and English. Discussions of the economic consequences of various taxes are given for the major revenue-producing taxes. However, the statistical picture is not quite so complete. Comprehensive data do not exist at all levels for both 1955 and 1956. Soon it will be possible to add data for 1957, since the supplementary budgetary period closes on May 31st. Further basic research consisting principally of tax data collection is desirable always and should be useful to any future tax studies. However, it should be weighed against other possible projects which MSUG can work on at the present time. Only under one of the following conditions should a high priority be given to such work:

- (1) If the Government of Viet Nam requests such assistance, or
- (2) If such a study is made to prepare basic data for a competent tax specialist brought for a specific tax assignment.

The past studies are quite justified without either of the above conditions because they provide a basis for any future work on taxation in Viet Nam.