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PHÂN TÍCH CHÍNH SÁCH THUẾ HỖ TRỢ KHU VỰC TƯ NHÂN VƯỢT QUA KHÓ KHĂN TRONG ĐẠI DỊCH COVID-19 CỦA CHÍNH PHỦ VIỆT NAM

**Đinh Thị Thanh Trúc¹, Lê Diệu Linh, Vũ Thanh Đức, Đào Linh Giang,
Trần Thị Kim Ngân**

Sinh viên K60 CLC Kinh tế đối ngoại - Viện Kinh tế và Kinh doanh quốc tế

Trường Đại học Ngoại thương, Hà Nội, Việt Nam

Nguyễn Thu Hằng

Giảng viên Viện Kinh tế và Kinh doanh quốc tế

Trường Đại học Ngoại thương, Hà Nội, Việt Nam

Tóm tắt

Đại dịch COVID-19 đã gây ra những khó khăn chưa từng có cho nền kinh tế toàn cầu và đặt ra những thách thức lớn cho khu vực tư nhân ở Việt Nam. Bài nghiên cứu này phân tích các chính sách thuế được Chính phủ Việt Nam áp dụng để giúp khu vực tư nhân ứng phó với đại dịch Covid-19 và đồng thời đánh giá hiệu quả của các chính sách đó trong việc hỗ trợ khu vực tư nhân vượt qua khó khăn. Qua việc đánh giá các biện pháp thuế cụ thể được triển khai, nghiên cứu nhận diện được những thành tựu như hỗ trợ khu vực tư nhân một cách ngay lập tức và kịp thời cùng với việc nhắm đến một cách chính xác các đối tượng cần được hỗ trợ. Bên cạnh những thành tựu, nghiên cứu cũng nhận định được những hạn chế của các chính sách này, chẳng hạn như quy mô hỗ trợ hạn chế, còn tồn tại những giải pháp hỗ trợ không phù hợp, thủ tục hành chính phức tạp và khả năng tiếp cận thấp đối với các gói hỗ trợ thuế. Quan trọng hơn, bài nghiên cứu rút ra những bài học từ kinh nghiệm, đưa ra các đề xuất để chuẩn bị cho những khủng hoảng tương lai, bao gồm việc cải thiện sự phối hợp, linh hoạt và sự nhanh nhẹn trong việc đưa ra và thực hiện chính sách, tăng cường ứng dụng công nghệ thông tin và truyền thông chính sách. Nghiên cứu này đóng góp vào việc hiểu rõ về vai trò quan trọng của chính sách thuế trong việc khuyến khích sự phục hồi của nền kinh tế trong thời kỳ gặp nhiều khó khăn.

Từ khóa: Việt Nam, chính sách thuế, khu vực tư nhân, COVID-19

¹ Tác giả liên hệ, Email: k60.2113150072@ftu.edu.vn

ANALYZING THE VIETNAMESE GOVERNMENT'S TAX POLICIES FOR SUPPORTING THE PRIVATE SECTOR DURING THE COVID-19 PANDEMIC

Abstract

The COVID-19 pandemic caused unprecedented disruptions to the global economy, with Vietnam's private sector facing significant challenges. This paper examines the Vietnamese government's tax policies enacted in response to the pandemic and evaluates their effectiveness in supporting business resilience. Through a review of the pandemic's impact and the specific tax measures implemented, the study identifies both achievements, such as providing immediate relief, timely issuance, and precise targeting of entities in need of support; and limitations of these policies, such as limited support scale, inappropriate support solutions, complex administrative procedures, and low accessibility to tax support packages. Crucially, the paper extracts lessons learned from Vietnam's experience, offering recommendations to prepare for future crises, including improving the coordination, flexibility, and responsiveness of policymaking and implementation, and enhancing the application of information technology and policy communication. This research contributes to the understanding of the pivotal role tax policy plays in fostering economic resilience during times of severe disruption.

Keywords: Vietnam, tax policy, private sector, COVID-19

1. Introduction

The COVID-19 pandemic has posed unprecedented challenges to economies worldwide. Vietnam, like many other countries, has faced significant disruptions to its economy due to the pandemic. In response, a series of support tax policies have been implemented by the Vietnamese government to alleviate the financial burden on the private sector as well as to foster resilience and recovery efforts of affected enterprises during the pandemic. This paper analyzes Vietnam's tax support policies and evaluates their effectiveness in bolstering the private sector resilience in this difficult period.

Structured into four key sections, the first section of the paper provides a comprehensive review of the theoretical framework of tax policy, establishing the foundation for our research. In the second section, we analyze the tax policies implemented by the Vietnamese government in response to the pandemic, categorizing them into three groups: tax exemption, tax reduction, and tax extension, and detailing the government's actions within each category. The third section evaluates the effectiveness of these tax policies, examining both their achievements and limitations. Finally, in the fourth section, we extract lessons from the Vietnamese government's experience and offer valuable recommendations to enhance the country's preparedness for future crises.

2. Theoretical framework

2.1 Overview of tax policy

2.1.1 Definition of tax policy

Tax policy involves a diverse set of rules and guidelines established by the government to outline how taxes are imposed, collected, and distributed. This extensive framework covers aspects such as tax rates, exemptions, deductions, and the complex administrative system overseeing tax compliance (Vietnam Briefing, n.d.).

2.1.2 Components of tax policy

Tax rates: Vietnam utilized tax rates as a powerful mechanism to shape economic activity, especially during the upheaval caused by the pandemic. The government's skill in adjusting tax rates eased the financial pressures on businesses, creating a favorable climate for rejuvenation.

Exemptions and deductions: Tailored tax breaks and allowances were developed as a custom solution to ease the difficulties faced by industries that were particularly hard hit by the crisis.

Administrative procedures: The simplification of tax compliance procedures played a pivotal role in freeing businesses from bureaucratic obstacles. Through the streamlining of administrative processes, the government enabled a smooth shift towards recovery, enabling enterprises to concentrate on revitalization efforts (Mazars, 2020).

2.1.3 Role of tax policy in promoting business resilience

Liquidity Support: The Vietnamese government exhibited agility in augmenting liquidity for enterprises by guaranteeing loans, either partially or in full. This proactive measure preempted insolvencies, particularly in instances where private financial institutions hesitated amidst pervasive uncertainty (Vietnam News, 2023).

Tax Breaks: A wide-ranging economic stimulus package, including specific tax incentives, offered a glimmer of hope for people and businesses dealing with the economic challenges brought about by the pandemic. These tax benefits granted crucial support, alleviating financial pressures and promoting resilience in challenging times (Pope and Hourston, 2022).

Supply Chain and Trade Facilitation: Efforts to secure the smooth movement of goods and services within the country as well as across international borders strengthened businesses' ability to adapt and endure. By upholding supply chain reliability and easing trade processes, Vietnam reduced disruptions, thus reinforcing the overall economic environment (VietnamPlus, 2020).

2.1.4 Factors that influence tax policy

Government Policies: Flexible and effective tax policies are crucial for bolstering business resilience, especially in response to changing situations. Policies aligned with broader economic recovery plans have played a significant role in navigating the challenges of the pandemic crisis.

Macroeconomic Fundamentals: The interaction of macroeconomic factors, such as exchange rates and interest rates, had significant effects on market dynamics in various sectors. A stable macroeconomic environment helped support business resilience during the challenging times of the pandemic (VietnamPlus, 2020).

2.2 Overview of the COVID-19 pandemic

2.2.1 General information of the COVID-19 pandemic

COVID-19, or Coronavirus Disease 2019, is a highly contagious respiratory disease caused by the SARS-CoV-2 virus. It quickly spread worldwide, leading the World Health Organization (WHO) to declare it a global pandemic in March 2020. The pandemic has had devastating impacts on many aspects of society around the world, including Vietnam.

2.2.2 General impacts of COVID-19 pandemic on private sector

The COVID-19 pandemic had a huge impact on Vietnamese private businesses. While overall investment increased to 58.9% in the first three quarters of 2021 (Minh, 2021), companies themselves struggled to secure funding. According to Nguyen et al. (2023), 74% of businesses faced bankruptcy risks due to ongoing costs and declining revenue.

Financially, the pandemic significantly affected the private sector. Businesses had to deal with maintaining salaries, rent, and other expenses while profits and productivity plummeted. COVID-19 also disrupted supply chains and customer behavior (Dang and Nguyen, 2020; Malesky, 2020).

Production and business activities were severely disrupted. Broken supply chains, lost customer connections, and volatile markets led to significant revenue losses for many businesses. Some were forced to close or downsize entirely, while new business creation slowed dramatically. (Agency for Business Registration, 2021; Khanh, 2021).

3.1 The overall situation of the Vietnamese economy and businesses during COVID-19

3.1.1 The overall situation of the Vietnamese economy during COVID-19

The COVID-19 pandemic had a devastating impact on businesses. According to the Government Office (2023), business survey results of 355 businesses show an overall picture through the indicators of revenue growth and average labor scale of businesses from 2019 to 2022.

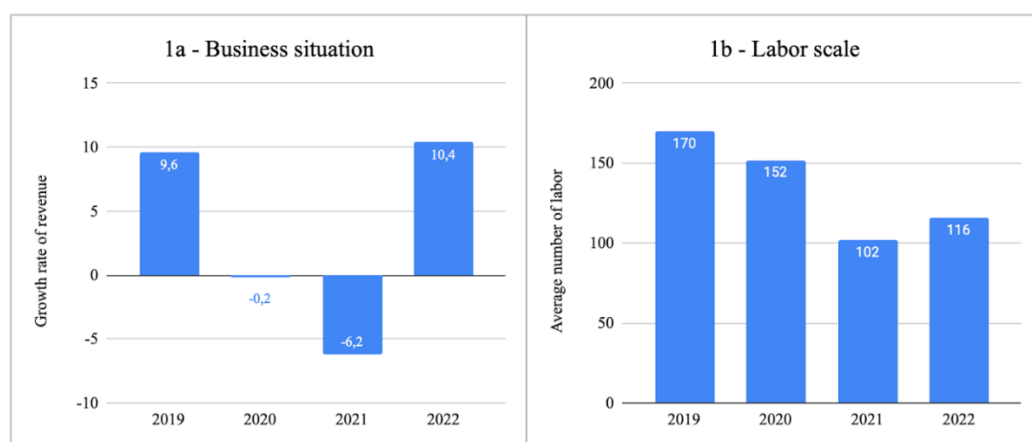


Figure 1. The situation of the economy and labor scale over 4 years

Source: Government Office (2023)

Data analysis paints a mixed picture for Vietnamese businesses. While weathering the initial pandemic shock (-0,2% average revenue in 2020), cost-cutting measures like unpaid leave (64.7% of businesses) became prevalent. As the pandemic intensified in 2021 (-6.2% revenue), businesses (16.5%) resorted to terminations to manage liquidity (Figure 1). Cost reduction remained the most effective strategy, aligning with IMF findings.

In early 2022, government support spurred a return to normalcy, resulting in 10.4% revenue growth. However, this growth is from a low pandemic base, with real growth of only 0.8% compared to pre-pandemic levels (2019), highlighting the need for ongoing support.

Despite improvements, employment remains 32% below pre-pandemic levels, with labor force participation rates seeing a slight but insufficient increase. Vietnamese businesses still struggle despite signs of recovery, necessitating continued support and targeted policies for sustained and equitable growth.

3.1.2 The overall situation of the Vietnamese economy during COVID-19

The COVID-19 pandemic severely impacted the Vietnamese business community, with 87.2% of businesses experiencing mostly or completely negative consequences (Figure 2) (VCCI and World Bank, 2021).

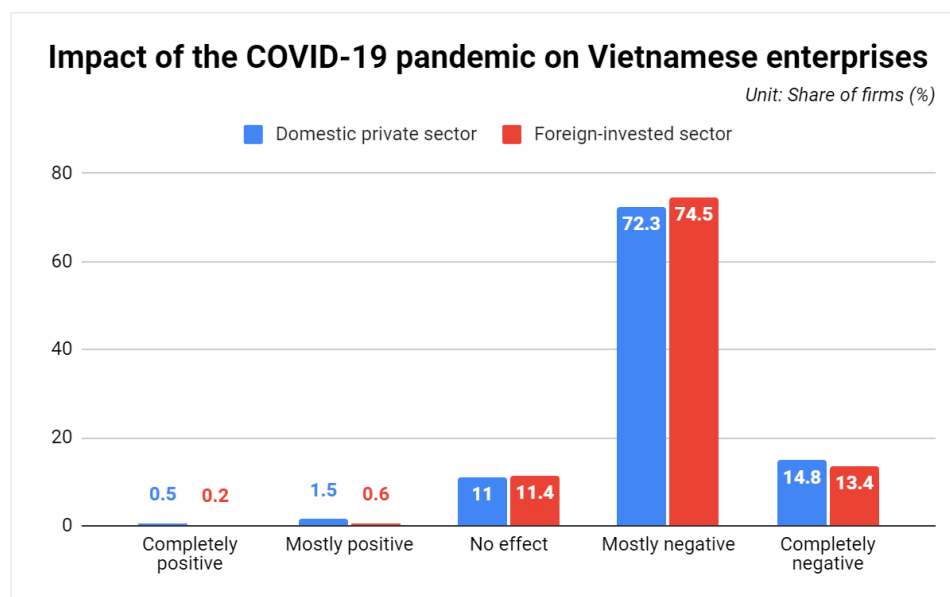


Figure 2. Impact of the COVID-19 pandemic on Vietnamese enterprises

Source: VCCI and World Bank (2021)

The COVID-19 pandemic hit Vietnamese businesses unevenly, with specific sectors experiencing more severe consequences. Private companies in garment and textiles (97%), information and communication (96%), and electrical equipment manufacturing (94%) were significantly impacted. Surprisingly, certain foreign investment sectors, particularly real estate (100%), information and communication (97%), and agriculture/fishery (95%), faced even greater challenges. This resulted in significant economic disruption, with shutdowns, investment delays, and an overall decline. The statistics reveal a concerning picture: 65% of private and 62% of FDI companies saw a decrease in turnover in 2020 compared to 2019, with

an average decline of 36% and 34% respectively. Notably, smaller businesses were disproportionately affected.

3.2 The business sectors facing difficulties amidst the COVID-19 pandemic

Despite positive signs of recovery, data analysis reveals several ongoing challenges impacting Vietnamese businesses in the near future. Among the nine challenges identified by businesses, the three most significant ones for 2022-2023, which are shown in Figure 3, are:

(1) *Inflation and rising prices of goods and materials*: This concern affects 70.1% of surveyed businesses and threatens to impact profitability.

(2) *Increased economic risk and rising costs from suppliers*: 62.3% of businesses express concerns about potential crises and higher direct costs from suppliers, further straining their financial stability.

(3) *Inadequate workforce skills*: 33.2% of businesses highlight the issue of a lower-skilled workforce lacking the necessary expertise, hindering their operations.

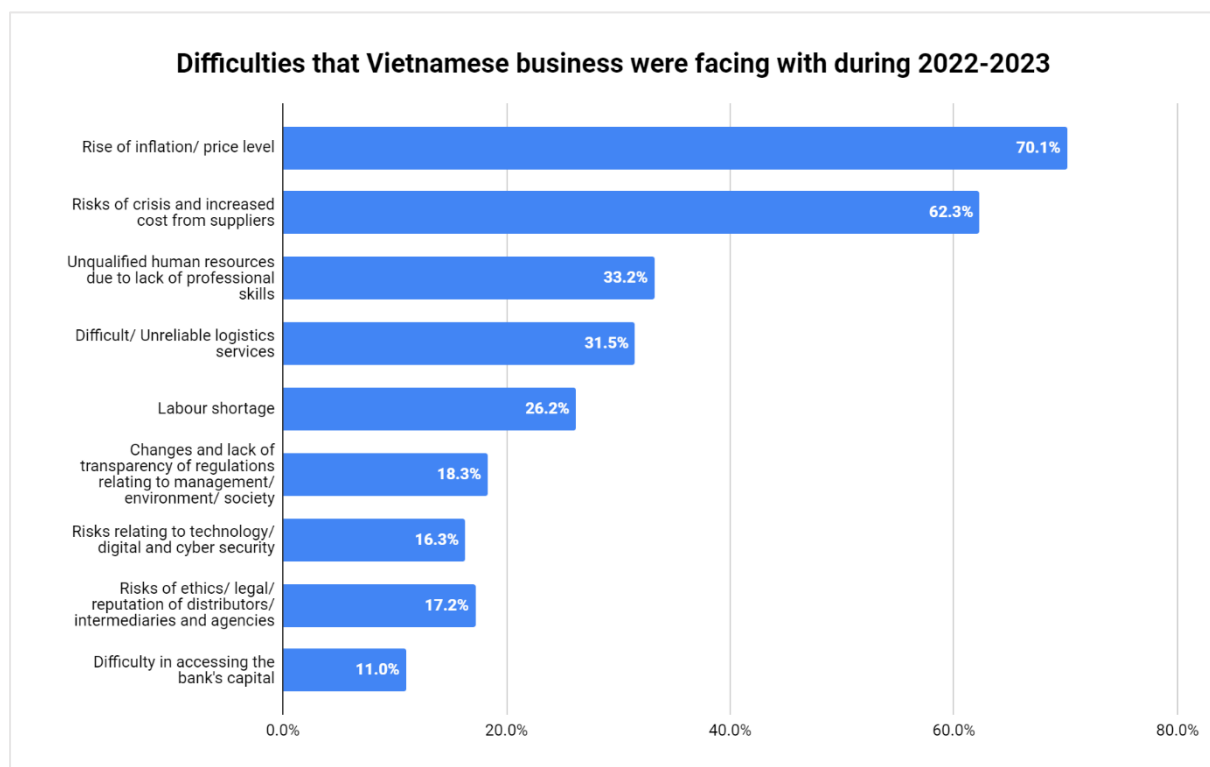


Figure 3. Difficulties that Vietnamese business were facing with during 2022-2023

Source: Government Office (2023)

While lockdowns have ended, financial difficulties remain a major concern for businesses, affecting over half (52.3%) of those surveyed in 2022 (Figure 4). This percentage is still significantly higher compared to pre-pandemic levels in 2019.

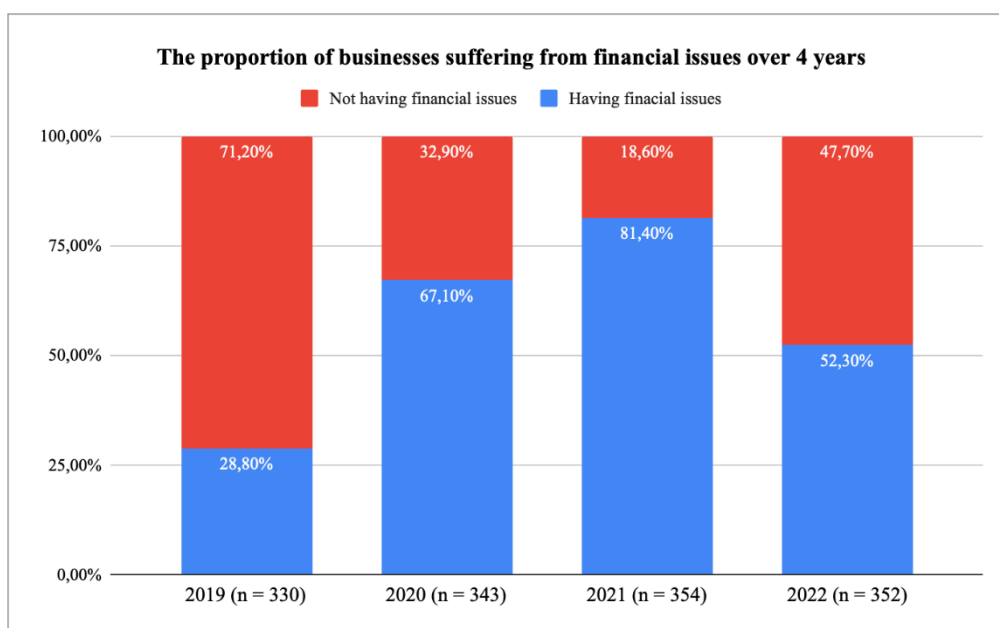


Figure 4. The proportion of businesses suffering from financial issues over 4 years

Source: Government Office (2023)

The root causes of financial difficulties, such as unpaid receivables, high operational costs, and increased interest rates, persist from before and during the COVID-19 pandemic. Additionally, global uncertainties, like the Russia-Ukraine conflict and China's Zero COVID policy, coupled with rising transportation costs and changing consumer demands, are expected to exacerbate these challenges for Vietnamese businesses in late 2022 and early 2023.

3.3 Tax policies employed by the Vietnamese government during the COVID-19 pandemic

This research focuses on three main groups of tax support policies for businesses affected by the COVID-19 pandemic, issued and implemented by the government in the years 2021 and 2022, including tax reduction policy, tax exemption policy, and tax extension policy.

Table 1. Typology of tax measures introduced by the Vietnamese government in response to the COVID-19 crisis to support the business sector

Tax reduction policies				
Year	Corporate Income Tax (CIT)	Value-added Tax (VAT)	Environmental Protection Tax	Import Duty
2020	Resolution No. 116/2020/QH14 30% reduction of CIT for enterprise with total revenue does not exceed VND 200 billion		Resolution No. 979/2020/UBTVQ H14 2,100 VND per liter (30% reduction)	
2021	Resolution No. 406/NQ-UBTVQH 15 30% reduction of CIT for enterprise with total revenue does not exceed VND 200 billion and the total revenue in 2021 must decrease compared to the total revenue in 2020	Resolution No. 406/NQ-UBTVQH 15 30% reduction in the VAT rate for companies conducting business in certain sectors	Resolution No. 1148/2020/UBTVQ H14 2,100 VND per liter	Decree No. 101/2021/ND-CP Reducing the tariff rates on import taxes for certain product categories affected by the Covid pandemic
2022		Decree No. 15/2022/ND-CP Reduction in VAT from 10% to 8% for certain goods and services	Resolution No. 13/2021/UBTVQH 15 1,500 VND per liter (50% reduction)	
Tax exemption policies				
2021	Decree No. 92/2021/ND-CP			

Exemption of Value Added Tax (VAT) and other applicable taxes arising from production and business activities in the III and IV

Decree No. 92/2021/ND-CP

Exemption of late payment interest. Interest accrued for late payments in 2020 and 2021, related to all outstanding taxes, land levies, and land rent obligations of enterprises and organizations (including their dependent units and business locations) that incurred losses in the 2020 tax period, will be exempted

Resolution No. 106/NQ-CP

Exemption from import duties and VAT for imported goods to support the prevention and control of Covid-19

Tax extension policies

2020	<i>Decree No. 41/2020/ND-CP</i>
	Extends the deadline for submitting VAT, CIT, personal income tax (PIT), and land rental payments
2021	<i>Decree No. 52/2021/NĐ-CP</i>
	Extends the deadline for submitting VAT, CIT, PIT, and land rental payments
2022	<i>Decree No. 34/2022/ND-CP</i>
	Extends the deadline for submitting VAT, CIT, PIT, and land rental payments

Source: Author synthesis (2024)

3.3.1 Tax support policies in the period of 2020

The preferential policies implemented during the early stages of the COVID-19 pandemic in 2020 mainly included tax extension and tax reduction policies (Figure 5). In the first six months of 2020, the policies were inclined towards tax extension, including extension for VAT and CIT which accounted for the majority of the support package, reaching up to 71% with an approximate value of VND 130 billion (Phạm, 2022).

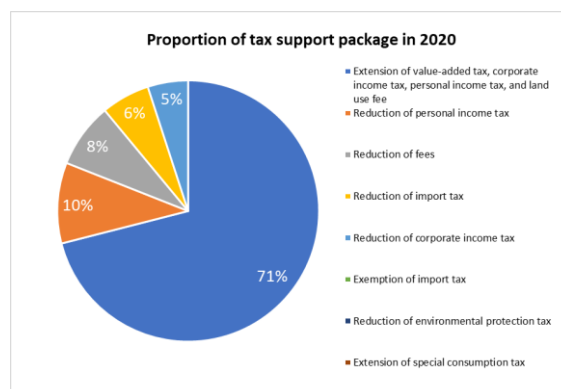


Figure 5. Proportion of tax support package in 2020

Source: Nguyen, T.H.T. and Tran, T.N. (2022)

Regarding the tax extension policy, the Vietnamese government issued Decree No. 41/2020/ND-CP on April 8, 2020, extending tax and land rental payment deadlines. This policy covered about 740,000 active enterprises (98% of total businesses) and most individual business households that temporarily ceased operations, amounting to an estimated VND 180 trillion. By August 31, 2020, tax authorities received 184,906 extension requests, granting a total of VND 66,392.9 billion. Despite 119,119 requests by July 28, only about 17% of active businesses benefited from this policy, indicating a relatively low impact (Phạm et al., 2020).

Apart from tax extensions, the government, through Decree No. 114/2020/ND-CP on September 25, 2020, implemented a 30% reduction in CIT for 2020. This reduction applies to enterprises, cooperatives, and other organizations with a total revenue not exceeding VND 200 billion. However, the beneficiaries are profitable businesses, rather than those severely impacted by the pandemic, leading to an ineffective targeting of struggling businesses. This approach is considered inappropriate, leading to a misallocation of resources in the current constrained environment (Phạm et al., 2020).

3.3.2 Tax support policies in the period of 2021

Over the first nine months of 2021, the number of businesses facing difficulties, temporarily suspending production, and undergoing dissolution procedures exceeded the number of newly established businesses for the first time (Hồ, T.T.H, 2022).

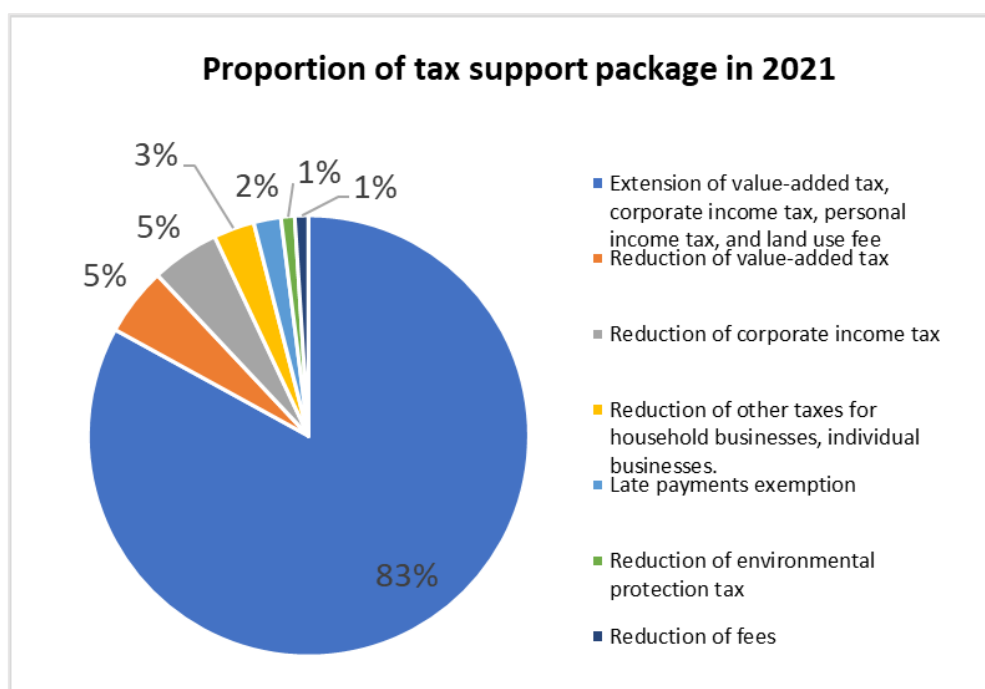


Figure 6. Proportion of tax support package in 2021

Source: Nguyen, T.H.T. and Tran, T.N. (2022)

In 2021, the National Assembly and Government introduced three key tax policies - tax reductions, extensions, and exemptions (Figure 6) - to aid businesses amid COVID-19 impacts.

One significant measure was Resolution No. 406/NQ-UBTVQH15 issued on October 19, 2021. It reduced CIT by 30% for businesses with 2021 total revenue not exceeding VND 200

billion and a decline compared to 2019. This adjustment aimed to accurately support entities facing pandemic-induced difficulties by targeting those with reduced revenue.

In addition to CIT reduction, the government also reduced other taxes. Resolution No. 1148/2020/UBTVQH14 issued in early 2021 reduced environmental protection taxes on aviation fuels in 2021 to support the aviation industry, which faced a crisis due to a 34.5 - 65.9% reduction in air transport demand in 2020 (Lan, 2021). Not only the aviation sector but also many others, including livestock farming, construction, and processing and manufacturing, faced challenges due to a surge in input material prices. Therefore, the government issued Decree No. 101/2021/ND-CP adjusting and reducing the MFN import tax rates on items such as steel, wheat, and corn. These are product categories that experienced significant price increases, impacting the input costs of many domestic manufacturing sectors.

Regarding tax extension policies, the Government, on April 19, 2021, issued Decree No. 52/2021/ND-CP, extending the deadline for VAT, CIT, PIT, and land rental payments in 2021. This policy covered enterprises in over 50 specific sectors, spanning agriculture, forestry, aquaculture, industry, construction, and services. Compared to Decree No. 41/2020/ND-CP and Decree No. 109/2020/ND-CP, issued in 2020, this decree had a broader application scope and a longer extension period. The extended deadlines provided businesses with additional financial resources, bolstering their resilience against disruptions, instability, or market downturns.

Regarding tax exemption policies, in 2021, the government introduced various policies to support businesses. Notably, Decree No. 92/2021/ND-CP, issued on October 27, 2021, exempted taxes for the III and IV quarters of 2021 for business households and individual businesses operating in all sectors. This policy targeted individuals engaged in production and business activities in specific districts and provincial cities that were affected by COVID-19 in 2021.

3.3.3 Tax support policies in the first 6 months of 2022

According to the report on the implementation of Resolution 43/2022/NQ-CP, in the first six months of 2022, around VND 22.6 trillion (accounting for 35%) of the planned budget has been exempted or reduced. This includes the extension of VAT, CIT, PIT, and land rental payments. As of June 2022, the total amount exempted or reduced is VND 49.1 trillion. This is a relative comparison with the corresponding figures for 2020 and 2021, which were VND 78.2 trillion and VND 115 trillion, respectively (Nguyen and Tran, 2022). The reduction in VAT rates, environmental taxes on aviation fuels, and a 50% reduction in vehicle registration fees for cars are among the measures taken.

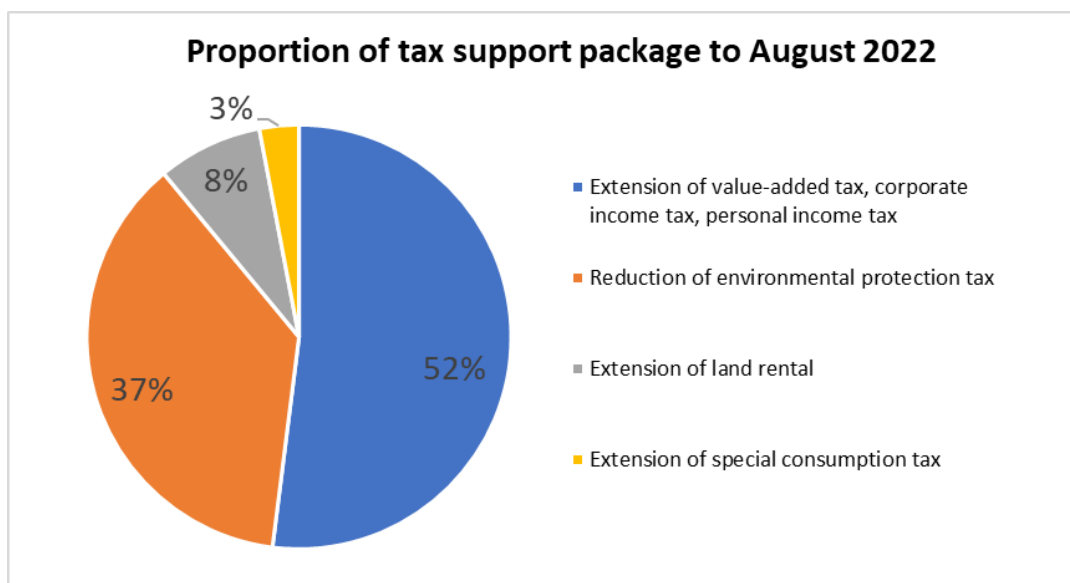


Figure 7. Proportion of tax support package to August 2022

Source: Nguyen, T.H.T. and Tran, T.N. (2022)

3.4 Accessibility and effectiveness of employed tax support policies during the COVID-19 pandemic

This report evaluates the accessibility and effectiveness of tax policies supporting businesses during the COVID-19 pandemic based on the results of the quantitative research conducted by the Government Office collaborated with the United States Agency for International Development (USAID) on 355 businesses in 46 provinces/cities, alongside a qualitative survey of 9 business associations in Hanoi and Ho Chi Minh City and 11 policy enforcement agencies (Government Office, 2023).

The survey results of the research show that tax, fee, and charge support policies have the highest level of accessibility and benefits, with 78.9% of businesses benefiting from at least one support program (Figure 8).

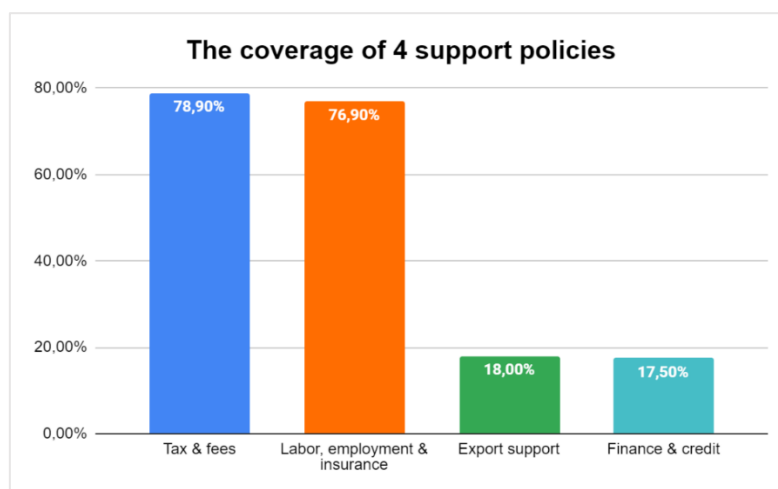


Figure 8. Accessibility of policy groups

Source: Government Office (2023)

The research also shows a commonality among all policies with a high level of accessibility, which is that these policies are implemented through an automatic mechanism, and businesses receiving support do not have to go through any administrative procedures to obtain assistance. However, the results also indicate a reverse ranking in terms of effectiveness compared to the accessibility ranking of policies (Figure 9). This suggests that automatic policies are not highly rated by businesses compared to the practical impact of support policies.

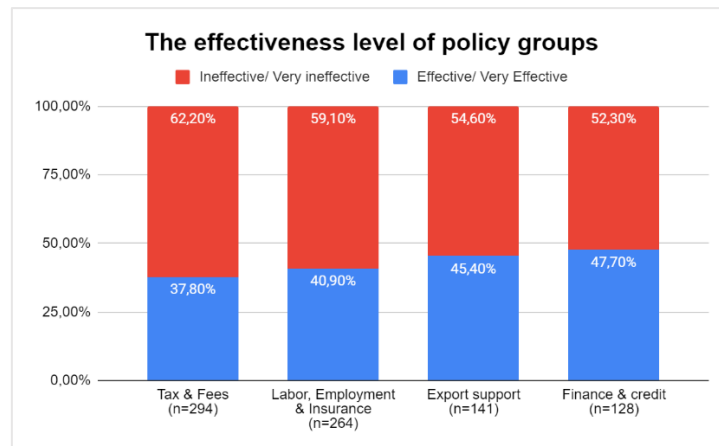


Figure 9. The effectiveness level of policy groups

Source: Government Office (2023)

An important point to note in the implementation of tax-related support policies is that the average percentage of businesses confirming "Benefited" reaches 72% among all businesses accessing these policies. Among the 11 tax-related support policies surveyed in the research, the two policies with the highest proportion of businesses responding "Benefited" or "Submitted documents", namely Reducing the VAT rate from 10% to 8% in 2022 and 30% reduction CIT in 2020 and 2021, are policies with board applicability and an automatic application mechanism.

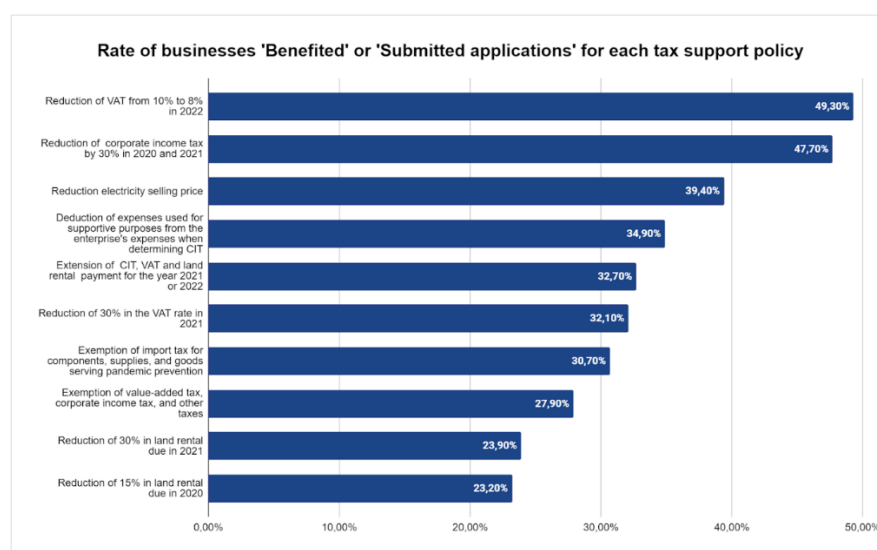


Figure 10. Rate of businesses 'Benefited' or 'Submitted applications' for each tax support policy

Source: Government Office (2023)

According to the Vietnam Association of Small and Medium Enterprises (VINASME), the Vietnam Textile and Apparel Association (VITAS), the European Chamber of Commerce (EuroCham), the Vietnam Tourism Association (VITA), etc., businesses have provided positive feedback on policies such as the reduction of VAT from 10% to 8%, policies waiving late payment fees, VAT reduction policies, especially the preferential tax, fee, and levy policies for specific business groups with a high rate of incentives (Government Office, 2023).

The finding of this research aligns with the survey results in the Ministry of Planning and Investment's Report on COVID-19 recovery (7/2022) (Ministry of Planning and Investment, 2022). According to the report, over 70% of businesses highly appreciate the usefulness of policies such as a 2% reduction in VAT rates, extension of deadlines for CIT, PIT, VAT, Special Consumption Tax (SCT), land lease payments, and policies reducing electricity costs. These policies are seen as effective in supporting businesses to overcome challenges posed by the COVID-19 pandemic.

4. Evaluations of the Vietnamese government's tax policies in the pandemic context

4.1 Achievements of tax support policies

4.1.1 Effectiveness in immediate relief on businesses' liquidity and survival

Ngo and Le (2022) highlight the positive impact of tax extension policies on businesses, enhancing financial resources, liquidity, and solvency amid market challenges. In 2020, interest-free credit offers amounted to 87,246.6 billion VND, covering VAT, land rent, and excise tax. Subsequently, the tax extension increased from VND 96,909 billion in 2021 to VND 125,300 billion in 2022 (Figure 11).

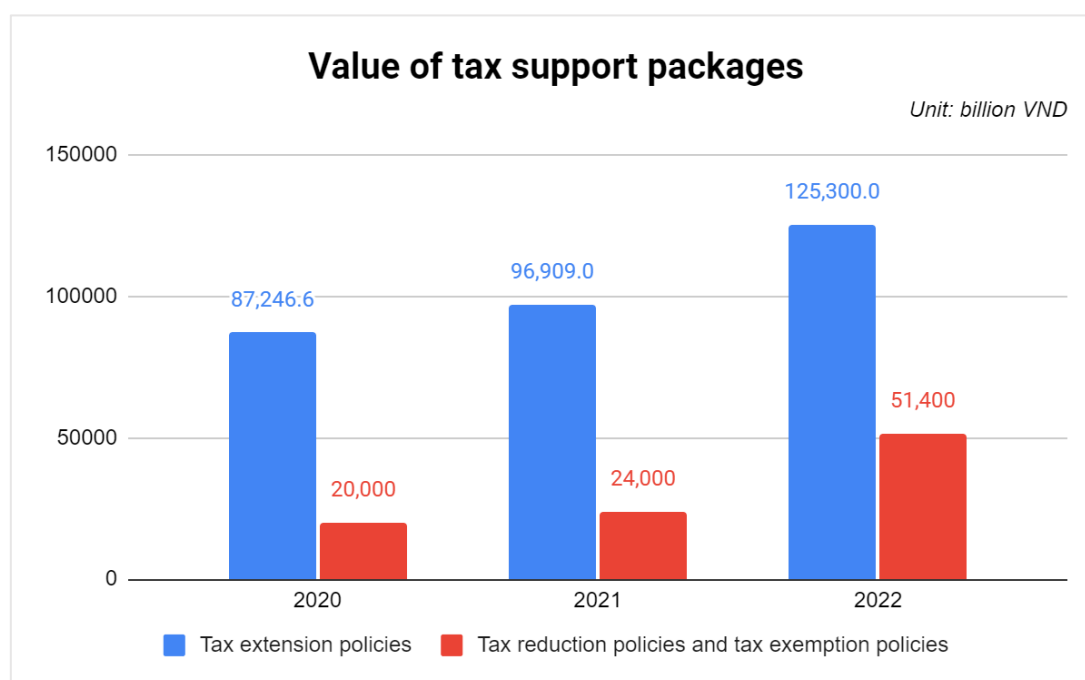


Figure 11. Value of tax support packages

Source: General Department of Taxation (2021, 2022)

Besides, tax reduction and exemption policies provided crucial support to business capital, alleviating challenges. These measures saved VND 20,000 billion in 2020, VND 24,000 billion in 2021, and doubled to VND 51,400 billion in 2022 for businesses and households (Figure 11). Although smaller in comparison to tax extensions, these packages played a vital role for vulnerable entities within the private sector. Consequently, despite global economic downturns, the Vietnamese economy maintained positive growth rates of 2.91% in 2020 and 2.58% in 2021 (General Statistics Office of Vietnam, 2020, 2021).

4.1.2 Effectiveness in timely issuance of tax policies to support enterprises

Just over two months after the first wave of the pandemic outbreak, on April 8, 2020, the Government issued Decree No. 41/2020/NĐ-CP on extending the deadlines for VAT and CIT payments for small and micro-sized enterprises and enterprises directly affected by the pandemic, as well as extending VAT and PIT deadlines for individual business households. Two months later, on June 19, 2020, the National Assembly passed Resolution No. 116/2020/QH14 on reducing CIT for entities heavily affected by the COVID-19 pandemic.

In normal circumstances, it would take from 3 to 9 months to prepare for the issuance of government decrees or resolutions of the National Assembly. However, thanks to the proactive approach of the Ministry of Finance and the active involvement of the entire political system, this process was shortened to only about 1 to 2 months, and in specific cases, the time from preparation to issuance was less than a month.

4.1.2 Effectiveness in precise targeting entities in need of support during the pandemic

Drawing from the supported entities under the tax policies, it is evident that the tax support policies focus on aiding groups directly affected by the pandemic, including:

- Businesses vulnerable due to financial constraints, such as small and micro-sized enterprises, and individual business households;
- Businesses in sectors facing difficulties due to a sharp decline in demand, such as tourism, hotels, arts and entertainment, sports services, and recreational activities;
- Businesses are forced to halt production or face difficulties due to supply chain disruptions or labor shortages, including food processing, textiles, clothing manufacturing, and supporting industries.

4.2 Limitations of tax support policies

4.2.1 Limitations of tax reduction policies

The list of goods and services eligible for VAT reduction was not clear and difficult for businesses to determine

The complexity of goods and services codes, with 7 levels and 6 digits for domestic products and 8-digit HS codes for imports, poses challenges for businesses, households, and tax agencies in determining VAT eligibility. Especially, small enterprises, lacking separate regulatory and accounting departments and specialized legal knowledge, face extreme difficulties. For instance, the VAT rate for alcohol sales is 10%, but if served at a restaurant, it may enjoy an 8% rate.

Furthermore, inconsistencies arise between businesses and local tax authorities in interpreting and applying tax rates for certain types of goods. According to Chu (2023), many businesses reported that purchasing domestic yarn for production in some localities is subject to a tax rate of 8% while some localities still apply a tax rate of 10%.

Recording multiple tax rates in the same VAT invoice causes an increase in businesses' expenses

Traditionally, a single VAT rate of 10% is applied to all goods and services on invoices. However, new tax policies introduced varying rates for different products, making it illegal to include them all in one invoice. To comply, businesses, especially in the retail and supermarket sector dealing with numerous items, have no option but to split invoices. This not only increases expenditures on paper but also poses accounting challenges. For instance, the retail industry, issuing thousands of invoices daily, faces a delicate balance between costs and legal compliance.

Wrong determination of beneficiaries in corporate income tax reduction policy

The 30% reduction in corporate income tax for 2020, as per Resolution 116/2020/QH14 on June 19, 2020, applies to entities with revenue below 200 billion VND. This policy benefits profitable businesses rather than those severely impacted by COVID-19. Consequently, the tax incentive lacks effectiveness in aiding businesses struggling with the pandemic, leading to potential resource wastage. This unequal approach may harm the business environment and foster disparities within the business community.

4.2.2 Limitations of tax extension policies

According to statistics, as of July 28, the number of extension requests submitted by businesses was 119,119, compared to more than 700,000 active businesses as beneficiaries, the number of actual favorable businesses accounted for only approximately 17% of the total (Phạm et al., 2020). Therefore, the number of enterprises benefiting from this policy is not significant.

The policy has a short duration and is not suitable

In 2020, the Corporate Income Tax (CIT) extension policy, taking effect from April, did not see much use as per Vietnam's Tax Administration Law 2019, which required finalization by March 31, 2023. Many small enterprises had already completed their 2019 tax filing in the first quarter of 2020 and did not request an extension. Similarly, the 2022 policy, effective from May, lacked attractiveness to businesses. Additionally, the 6-month extension duration was considered too short for manufacturing enterprises, contributing to the policy's limited effectiveness in alleviating the burden on enterprises.

4.2.3 Limitations on accessing to tax support packages

Using secondary data, the authors found the survey results of Vietnam Government Office about reasons for reducing the accessibility to tax-related policies and support packages (Figure 12).

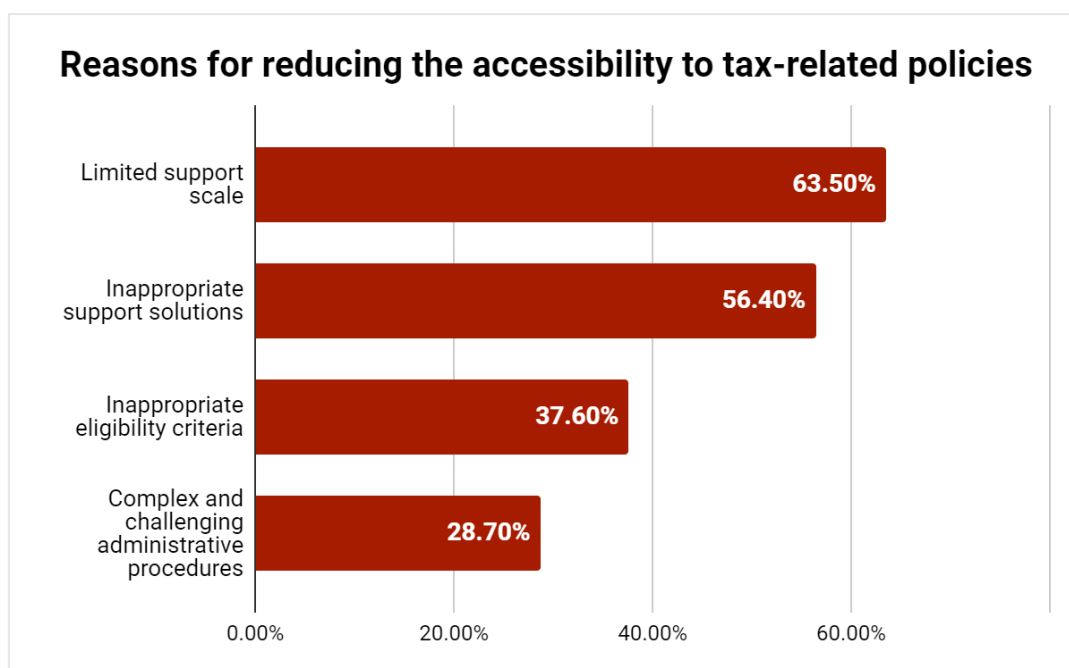


Figure 12. Reasons for reducing the accessibility to tax-related policies

Source: Government Office (2023)

Limited support scale: The scale of policies is insufficient to meet the needs of businesses. The number of supported businesses is too high, leading to dispersed benefits.

Inappropriate support solutions: As aforementioned, corporate tax and VAT extension policies came into effect after the deadline for finalizing tax in March, April, and Quarter I. Consequently, the timing of these policies renders them ineffective and unsuitable.

Inappropriate eligibility criteria: The criteria for eligibility in the tax policies seem to lack flexibility and responsiveness to the diverse needs of businesses during the COVID-19 pandemic. The rigid requirements may exclude certain businesses that are genuinely struggling due to the economic challenges posed by the pandemic.

Complex administrative procedures: Accessing support packages involves complex procedures and lengthy document processing times due to stringent eligibility requirements for tax incentives, subject to consistent reviews. Moreover, varying levels of awareness among taxpayers during incentive declarations result in businesses spending significant time identifying suitable packages.

5. Lessons learned for future crisis

5.1 Lessons learned for policymakers

5.1.1 Lessons learned in research and policy development

Effective support policies for businesses during crises require strong leadership, well-targeted assistance, and clear implementation. Swift and widespread support is crucial in urgent situations, but thorough assessments and streamlined procedures are essential for long-term

effectiveness. As we move towards a "new normal," policies should be reviewed and adapted to support businesses operating under new constraints. Collaboration with non-government entities requires aligning interests for successful implementation.

5.1.2 Lessons learned in policy implementation

In the process of policy implementation, the determination, proactiveness, creativity, and flexibility of policy implementation agencies at all levels, especially at the local level, is the key to ensuring the objectives of the support policies. Furthermore, the coordination process between agencies needs to be further improved to ensure the effective operation of state agencies in urgent emergencies.

5.1.3 Lessons learned in the application of information technology and policy communication

Utilizing information technology and national-scale shared platforms is vital for ensuring transparent policy implementation nationwide. Effective communication and awareness-raising are essential for businesses to understand and benefit from policies. Online channels play a significant role in providing access to information and facilitating discussions, while collaboration among policymakers, business associations, and industry groups enhances outreach and engagement efficiency.

5.2 Lessons learned for small and medium enterprises (SMEs)

Businesses, especially SMEs, must collaborate with larger enterprises to leverage development opportunities for post-pandemic recovery and growth. Additionally, SMEs must be adaptable to unexpected changes and take a proactive approach in seeking and providing mutual support to safeguard their rights and interests. Given their disadvantaged position, it's challenging for SMEs to be prioritized in government or local welfare programs, necessitating proactive efforts to access support.

With their own inherent weaknesses and very few comparative strengths compared to other enterprises (FDI ventures, private corporations, state-owned enterprises), SMEs need to leverage technology and catch up with the development trend of the Industrial Revolution 4.0 taking place around the world to cope with fluctuations, the unpredictability of the future with just pandemic as one of the typical examples (Vaccaro et al., 2020).

In summary, everyone – policymakers, business leaders, and global citizens alike – must constantly adapt their thinking to anticipate future crises. These crises might not be pandemics; they could be wars or devastating climate change on a global scale (Lu et al., 2020; Otundo, 2023). SMEs must prepare themselves with the right mindset, resources, and partnerships to avoid being caught off-guard, regardless of the challenge ahead.

6. Conclusion

The COVID-19 pandemic presented unprecedented challenges to Vietnam's economy, particularly for private enterprises. The government responded by implementing diverse tax policies, including CIT reduction, VAT reduction, environmental protection tax reduction, and tax exemptions/extensions. This paper analyzes the theoretical framework, components, role,

and influential factors of these policies, along with their achievements and limitations. Lessons learned and recommendations for crisis management are provided for both policymakers and SMEs. The paper advocates for timely, targeted, flexible, and responsive tax policies, stressing the importance of coordination, communication, and information technology. Additionally, businesses are urged to adapt, innovate, and collaborate for resilience in the new normal. Implementing necessary adjustments based on these lessons can enhance Vietnam's tax policy framework and economic resilience for future challenges.

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