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PHÂN TÍCH ĐỊNH LƯỢNG VỀ TÁC ĐỘNG CỦA THUẾ THU NHẬP CÁ NHÂN ĐẾN TĂNG TRƯỞNG KINH TẾ TẠI VIỆT NAM

Nguyễn Hương Giang¹, Bùi Trung Kiên, Nguyễn Lê Minh Hằng, Vũ Phương Duyên

Sinh viên K61 – CLC Kinh tế Quốc tế – 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

Mục tiêu của nghiên cứu định lượng này là phân tích tác động của Thuế thu nhập cá nhân (TNCN) đối với tăng trưởng kinh tế tại Việt Nam trong giai đoạn 1994 – 2023. Tác giả áp dụng mô hình phân phối trễ tự hồi quy (ARDL), sử dụng dữ liệu thứ cấp từ các nguồn trong nước và quốc tế để kiểm định mối quan hệ giữa thuế TNCN và tăng trưởng kinh tế, đồng thời xem xét các yếu tố kinh tế vĩ mô như lạm phát, độ mở thương mại và tỷ lệ phụ thuộc dân số. Kết quả nghiên cứu cho thấy: (i) tại Việt Nam, thuế thu nhập cá nhân (TNCN) không có tác động dài hạn có ý nghĩa thống kê đối với tăng trưởng kinh tế; (ii) trong ngắn hạn, thuế thu nhập cá nhân (TNCN) có tác động tiêu cực đến tăng trưởng kinh tế; (iii) các biến kiểm soát (lạm phát, độ mở thương mại, tỷ lệ phụ thuộc, năng suất lao động nông nghiệp) có tác động khác nhau đến tăng trưởng kinh tế trong từng giai đoạn. Các phát hiện từ nghiên cứu cho thấy rằng các nhà hoạch định chính sách tại Việt Nam nên tiến hành cải cách hệ thống thuế thu nhập cá nhân nhằm nâng cao tính công bằng, hiệu quả và đảm bảo sự phù hợp với các mục tiêu phát triển dài hạn. Nhìn chung, nghiên cứu này nhấn mạnh tầm quan trọng của việc xây dựng chính sách thuế phù hợp với bối cảnh đặc thù để thúc đẩy phát triển kinh tế bền vững tại các nền kinh tế mới nổi.

Từ khóa: Việt Nam, thuế thu nhập cá nhân, tăng trưởng kinh tế, ARDL

ASSESSING THE IMPACT OF PERSONAL INCOME TAX ON ECONOMIC GROWTH IN VIETNAM: A QUANTITATIVE ANALYSIS

Abstract

¹ Tác giả liên hệ. Email: k61.2212150063@ftu.edu.vn

The objective of this quantitative study is to investigate the impact of personal income tax (PIT) on economic growth in Vietnam over the period 1994 – 2023. The authors apply an Autoregressive Distributed Lag (ARDL) model using secondary data from domestic and international sources to examine the relationship between PIT and economic growth, along with macroeconomic factors such as inflation, trade openness, and dependency ratio. The findings show that: (i) in Vietnam, PIT does not show a statistically significant long – run impact on growth, (ii) in the short – run, PIT is negatively correlated with economic growth ; (iii) control variables (Trade Openness, Inflation, Dependency Ratio, Agriculture) affect economic growth differently in each period. Our findings suggest that policymakers in Vietnam should reform the personal income tax system to enhance its fairness, efficiency, and alignment with long – term development goals. Overall, this study highlights the importance of contextually appropriate tax policies to promote sustainable economic development in emerging economies.

Keywords: Vietnam, personal income tax, economic growth, ARDL model

1. Introduction

Personal income tax (PIT) plays an important role in government revenue systems and economic policy frameworks worldwide. In emerging economies such as Vietnam, PIT not only contributes significantly to fiscal revenues but also influences economic behavior, investment decisions and ultimately economic growth. Vietnam has undergone significant economic transformations over the past three decades, with tax policies evolving to balance revenue mobilization with growth incentives. Therefore, understanding how PIT affects economic growth is essential to designing effective fiscal strategies that promote sustainable development. Economic theories offer contrasting views on the impact of PIT on growth. Exogenous growth theory argues that high personal income tax rates can reduce savings and investment, thereby slowing growth. In contrast, Endogenous Growth Theory argues that tax revenues can finance productive public investments that improve human capital and infrastructure, promoting long – term growth. The Laffer curve further emphasizes the existence of an optimal tax rate that can maximize revenue without undermining economic activity. Despite these theoretical insights, empirical evidence remains mixed, especially in the context of developing economies with distinct institutional and demographic characteristics.

The economic systems of Vietnam provide important evidence through their particular tax structures and development patterns in the Asian region. Existing research demonstrates that Vietnam's Personal Income Tax presents mixed findings with some studies reporting no effect while others show positive results. Previous studies have focused mainly on the impact of corporate taxes or aggregate tax burdens on growth, with little attention paid to the specific role of PIT. This study addresses these gaps by examining the impact of PIT on economic growth in Vietnam from 1994 to 2023. The study incorporates additional macroeconomic variables such as inflation, trade openness, and dependency ratio to capture broader growth determinants.

This research employs a quantitative approach, using the Autoregressive Distributed Lag (ARDL) model to analyze both short – run and long – run relationships between economic growth (dependent variable) and independent variables PIT, with control variables: inflation,

trade openness, and dependency ratio. The study utilizes secondary data sourced from national statistical agencies and international organizations, covering the period from 1994 to 2023.

The general objective of this study is to assess the impact of personal income tax on Economic Growth in Vietnam – in both the short run and the long run. This analysis covers a 30 – year period from 1994 to 2023, using the Autoregressive Distributed Lag model.

Specific objectives of the research include:

- Assess the impact of personal income tax on economic growth in Vietnam in both the short run and the long run;
- Provide policy recommendations to improve the effectiveness of personal income tax systems in promoting economic growth.

By achieving those objectives, the study is aimed to answer the following research questions:

Question 1: What is the short run and long run impact of personal income tax to economic growth in Vietnam?

Question 2: In addition to personal income tax, which other factors significantly affect Vietnam's economic growth in the short and long run?

Question 3: What policy recommendations can be introduced to reform the personal income tax system in order to promote economic growth?

2. Theoretical framework and Literature review

2.1. Literature review

2.1.1. Prior research

Personal Income Tax (PIT) is an important fiscal tool that affects economic growth through mechanisms that affect disposable income, savings, and investment. Many previous studies have examined the relationship between personal income tax and economic growth, but the results are different depending on the national context and research methods. Barro (1990) argued that personal income tax can promote economic growth to a certain extent, but when the tax exceeds the optimal threshold, it will reduce the incentive to save and invest, thereby inhibiting growth. Studies by Marrero and Novales (2007), Koch et al. (2005) also show a positive relationship between personal income tax and economic growth in some cases. Additionally, study by Kaewsopa, Tan and Fu (2022) examines the relationship between personal income tax and economic growth in Thailand and China – using the OLS quantitative method with data from 1999 to 2018 point out the positive relationship between personal income tax and economic growth in China whereas there is a negative relationship between variables in Thailand. However, Venkataraman & Urmi (2018) found that personal income tax has no clear impact on long – term economic growth in India. Moreover, Vietnam indicates that reducing personal income tax can promote the process of industrialization and modernization of the economy (Bhattarai et al., 2019). Study by Nguyen (2019) also pointed out that the impact of direct taxes, including personal income tax, on economic growth in Vietnam is unclear.

In addition, other macroeconomic factors such as international trade, inflation and population dependency ratio are also considered by many studies as factors affecting economic growth. Shahbaz and Lean (2012) demonstrate that trade openness has a positive impact on economic growth, while studies in India and Vietnam also show a complex relationship between trade and growth, with different impacts in the short and long run (Yen et al., 2022; Hye and Lau, 2014). Regarding inflation, studies in China and Vietnam show that moderate inflation can support growth, but high inflation is detrimental (Hwang and Wu, 2011; Ngoc, 2020). The population dependency ratio is also identified as a multidimensional factor affecting economic growth in Vietnam (Nguyen and Nguyen, 2017).

Some studies also emphasize the role of the agricultural sector in economic growth, with different results across countries. In India, agriculture still contributes positively to GDP and economic growth (Hinami), while other studies show that over – reliance on agriculture can limit growth due to lack of modernization.

2.1.2. Research gap

Based on the literature review, the research gaps are identified as follow:

Firstly, although there have been many studies on the impact of personal income tax (PIT) on economic growth, most of the previous studies focused on developed countries or large economies, with the scope of analysis mainly being aggregate taxes or corporate taxes, while the specific role of PIT in developing economies such as Vietnam has not been clarified. In particular, studies on Vietnam are limited in number, and the results are inconsistent: some studies suggest that PIT has a negative impact, while others show an insignificant or even positive impact on economic growth.

Secondly, previous studies have identified the lack of synchronized and comprehensive data on different types of taxes as a significant limitation, especially in countries like Vietnam where data collection and synchronization on various taxes remain inadequate. This limitation hinders the use of time series models to comprehensively analyze the specific impacts of individual taxes on economic growth

Thirdly, many previous studies relied on traditional methods like OLS or short – term analyses that do not fully capture both short – and long – term effects. This study applies the ARDL model with comprehensive, multivariate data from 1994 – 2023 to provide a more complete and practical understanding of how personal income tax affects Vietnam's economic growth in both short run and long run, contributing to theory and policy reform for sustainable development.

2.2. Theoretical framework

2.2.1. Personal income tax

According to OECD, Personal Income Tax is defined as the taxes levied on the net income (gross income minus allowable tax reliefs) and capital gains of individuals. In Vietnam, personal income tax is progressive tax, meaning the tax rate increases as an individual's income rises. This means that individuals with higher income will be subject to higher tax rates. According to Article 22 of the Personal Income Tax Law (2007), the progressive tax rates in Vietnam range

from 5% to 35%, applied to income from wages and salaries. The progressive tax system is designed to promote social equity by reducing tax burden on those with lower incomes while enhancing the contribution of those with higher incomes. Additionally, personal income tax is also an important source of state budget revenue as statistics from the Vietnam's Ministry of Finance show the proportion of revenue from personal income tax (PIT) in the total state budget revenue (SBR) of Vietnam has increased from 5.33% in 2011 to over 9% in 2023. Despite its important role in the economy, Vietnam's personal income tax system still has certain limitations that may negatively affect economic growth and may require future reforms.

2.2.2. Economic growth

Economic growth is defined as the expansion of an economy's size, measured by the increase in Real Gross Domestic Product (RGDP), which represents the inflation – adjusted total value of all final goods and services produced within a country's borders over a specific period, typically a year. RGDP captures the aggregate income or output of an economy, reflecting its capacity to generate wealth and improve socio – economic conditions. Sustainable economic growth occurs when RGDP continues to rise over an extended period, enabling structural transformations in living standards, infrastructure, and productivity (Ševčenko – Kozlovska and Čižiūnienė, 2022). For a country to achieve sustained prosperity, consistent RGDP growth is essential, as it drives improvements in employment, income distribution, and public welfare.

In Vietnam, RGDP has been a critical indicator of economic progress, reflecting the country's transition from a primarily agrarian economy to an industrialized, export – driven one. According to World Bank data, Vietnam's RGDP grew at an average annual rate of approximately 6 – 8% from 2011 to 2023, fueled by robust manufacturing, foreign direct investment (FDI), and trade liberalization. This growth has enabled significant investments in public goods and services, such as education, healthcare, and infrastructure, which further reinforce economic expansion. The RGDP growth rate serves as a key parameter for assessing domestic economic performance, as highlighted in the study of (Amin, Chen and Huang, 2018) and (Wang, Tang and Guo, 2024), providing policymakers with insights into the effectiveness of fiscal and monetary strategies.

2.2.3. The impact of personal income tax (PIT) on economic growth

This section outlines the theoretical foundations for assessing the relationship between personal income tax and economic growth.

Exogenous Growth Theory (Solow, 1956) posits that economic growth is driven by external factors such as capital accumulation, labor, and technological progress. Personal income tax affects growth by reducing disposable income, which in turn impacts savings and investment. High tax rates may constrain capital formation, thereby slowing economic growth (Barro, 1990).

Endogenous (Neo – Classical) Growth Theory (Lucas, 1988; Romer 1991): Contrary to exogenous models, endogenous growth theories argue that internal factors such as human capital, innovation, and policy measures – including tax policy – play a crucial role in determining the long – term growth rate of an economy. High personal income tax may

discourage individual productivity, investment in education, or entrepreneurial activity, thus reducing growth potential. Alternatively, if taxes are efficiently used to finance public goods like infrastructure and education, they may contribute positively to growth.

Laffer Curve Theory (Laffer, 1980) suggests that there is an optimal tax rate that maximizes government revenue without hindering economic activity. Excessively high personal income tax rates can discourage work effort, savings, and investment, leading to reduced economic growth. Conversely, moderate tax rates may stimulate economic activity by enhancing individuals' incentives to participate in the economy (Wanniski, 1978).

These theoretical perspectives provide contrasting views on how personal income tax policies might influence economic growth, thereby forming the basis for the empirical analysis in this study.

3. Methodology

3.1. Research Data

Our study utilizes secondary data gathered from reputable sources, covering the period from 1994 to 2023. The variables included in the analysis are as follows:

Table 1. Variable Descriptions

Variable	Description	Unit	Source
RGDP	Real GDP Per Capita	Current US\$	World Bank
PIT	Personal Income Tax (% GDP)	%	IMF
TO	Trade Openness (exports plus imports divided by GDP)	%	World Bank
CPI	Inflation (measured by consumer price index)	%	World Bank
DEP	Dependency Ratio (people younger than 15 or older than 64)	%	World Bank
AGR	Agriculture (value added per worker)	Constant 2015 US\$	World Bank

Source: Author's compilation

3.2. Research Model

Building upon the model proposed by Amin, Chen and Huang (2018), we introduced several modifications and derived the following estimated model, in which the dependent variable is Real GDP Per Capita (RGDP), the main independent variable is Personal Income Tax (PIT), and the control variables include Trade Openness (TO), Inflation (CPI), Dependency Ratio (DEP), and the Agriculture Sector (AGR) which presented in the form of an ARDL model as follow:

$$\begin{aligned}
LN(RGDP)_t = & \alpha_0 + \sum_{i=1}^p \alpha_i LN(RGDP)_{t-i} \\
& + \sum_{i=0}^{q_1} \beta_i LN(PIT)_{t-j} + \sum_{k=0}^{q_2} \gamma_k LN(TO)_{t-k} \\
& + \sum_{l=0}^{q_3} \delta_l LN(CPI)_{t-l} + \sum_{m=0}^{q_4} \theta_m LN(DEP)_{t-m} + \sum_{n=0}^{q_5} \phi_n LN(ARG)_{t-n} + \varepsilon_t
\end{aligned}$$

3.3. Research Method

In our research, the autoregressive distributed lag model (ARDL) model is applied due to the suitability with the data with relatively small observation ($n = 30$) compared to traditional cointegration methods like Johansen's test (Cheung & Lai, 1993) and its flexibility in handling variables with mixed integration orders – whether stationary at level $I(0)$, first difference $I(1)$, or a combination of both. This adaptability makes ARDL especially suitable for the empirical conditions present in this research.

To ensure the robustness of the model, we first perform the Augmented Dickey – Fuller (ADF) test is used to confirm that all variables are either $I(0)$ or $I(1)$, ensuring that none are $I(2)$, which would invalidate the ARDL methodology. In the next step, The ARDL model is then estimated by selecting the optimal lag length for the variables based on the AIC (Akaike Information Criterion). Then, the ARDL Bounds Test is conducted to determine the presence of a long – run relationship, where the computed F – statistic is compared against critical values to assess cointegration. If cointegration is established, we estimate the Error Correction Model (ECM) to analyze short – run dynamics and determine how quickly deviations from long – run equilibrium are corrected. Additionally, diagnostic tests including the Breusch – Godfrey LM test for autocorrelation, Breusch – Pagan – Godfrey test for heteroskedasticity, Jarque – Bera test for normality, and CUSUM/CUSUMSQ tests for stability confirm the model's reliability. The results of these tests indicate no issues with autocorrelation, heteroskedasticity, or non – normal residuals, affirming the validity of our findings.

4. Result and Discussion

4.1. Empirical results

Firstly, The Augmented Dickey – Fuller (ADF) test is initially conducted to verify that all variables exhibit stationarity at either level $I(0)$ or first difference $I(1)$. The corresponding results are presented in the table below.

Table 2. Stationary test results

Variable	At level (p – value)	At 1 st level difference (p – value)	At 2 nd level difference (p – value)	Order of integration
LN(RGDP)	0.8729	0.00		I(0)
LN(PIT)	0.8974	0.00		I(1)

Variable	At level (p – value)	At 1 st level difference (p – value)	At 2 nd level difference (p – value)	Order of integration
LN(TO)	0.3112	0.00		I(0)
LN(CPI)	0.00			I(1)
LN(DEP)	0.00			I(1)
LN(AGR)	0.9448	0.00		I(1)

Source: Authors' computation

⇒ The ADF test have shown that all variables are either I(0) or I(1), which means it is perfectly suitable for the ARDL model.

In the next step, the optimal lag structure ARDL(2, 2, 2, 2, 2, 2) was selected based on the Akaike Information Criterion (AIC). To assess the existence of a long – run relationship, the bounds testing procedure was conducted using the ARDL(2, 2, 2, 2, 2, 2) model with a restricted constant and no trend. The F – statistic of 10.99308 exceeds the upper bound critical value (I(1) = 4.68 at the 1% significance level), indicating a statistically significant long – run relationship among the variables. The results are presented in the table below:

Table 3. Long – run Estimation results

Variable	Coefficient	Std. Error	t – Statistic	Probability
LN_PIT	0.119931	0.254025	0.472123	0.6567
LN_TO	0.12985	0.409294	-0.31724	0.0078
LN_CPI	-0.09204	0.039335	-2.339913	0.0461
LN_DEP	-3.80866	4.636148	-0.82152	0.4487
LN_AGR	0.09852	0.442388	0.2227	0.0084

Source: Authors' computation

The findings illustrate that the Personal Income Tax (PIT) is not statistically significant in the long run with p – value is $0.6567 > 0.05$. Additionally, the relationship between Trade Openness and economic growth is positive, with a coefficient of 0.12985, which is significant at the 10% level in the long term. This suggests a 10 – unit increase in trade openness increasing economic growth by 0.12985 units in Vietnam in the long run. Additionally, inflation negatively impacts economic growth in Vietnam at a coefficient of -0.09204 at 5%. This suggests a 0.09204 – unit decrease in growth per unit decrease in inflation in Vietnam. The dependency ratio exerts a negative effect on economic growth with the coefficient of -3.80866, indicating a detrimental impact on economic growth. This means that a 1 – unit increase in dependency ratio decreases economic growth by 3.80866 units in Vietnam in the long run. For the variable LN_AGR, which represents agricultural output, the coefficient is 0.09852 in Vietnam. However, this variable does not exhibit statistical significance indicating that agricultural output does not have a meaningful long – run impact on economic growth.

Table 4. Short – run ECM estimations

Variable	Coefficient	Std. Error	t – Statistic	Probability
D(LN_PIT)	-0.320803	0.051157	6.270989	0.0015
D(LN_PIT(-1))	-0.62617	0.061855	-10.1232	0.0002
D(LN_TO)	-0.48777	0.097427	-5.00652	0.0041
D(LN_TO(-1))	0.193732	0.086966	2.227669	0.0164
D(LN_CPI)	0.038256	0.010167	3.762762	0.0031
D(LN_CPI(-1))	0.044895	0.010191	4.405245	0.007
D(LN_DEP)	-1.06967	2.175152	-0.49177	0.6437
D(LN_DEP(-1))	9.814123	2.076338	4.726649	0.0052
D(LN_AGR)	0.616966	0.124232	4.966238	0.0042
D(LN_AGR(-1))	0.387841	0.100398	3.86305	0.0118
ECM	-0.87607	0.143369	-6.11061	0.0017

Source: Authors' computation

The short – run results from the ECM regression suggest that several variables significantly influence real GDP per capita. Personal Income Tax (PIT) has a significantly negative impact on economic growth in the short term. Both the current and one – period lagged values of PIT carry negative coefficients and are statistically significant ($p < 0.01$), suggesting that an increase in PIT can reduce economic growth both in the current period and in the previous period's influence that persists into the present. Trade openness (TO) negatively impacts the economic growth in the current period but is then positively associated with growth at lag 1, indicating short – term gains from greater global integration. Inflation (CPI) shows positive and significant coefficients (0.0382 and 0.0449, both $p < 0.01$), possibly reflecting demand – driven expansion in the short run . The dependency ratio (DEP) reflects no statistical impact in the current period but a large positive impact at lag 1 (9.8141, $p = 0.005$), indicated. Last but not least, agriculture value added per worker (AGR) is significant in the short run in both current period and at lag 1. The t – value of ECM coefficient is -6.11061 which is significant and shows the convergence to the long run equilibrium.

Table 5. Diagnostic test results

Test	Null hypothesis	Test statistics	Probability	Decision
Breusch – Godfrey LM	There is no correlation in residuals	Obs * R - squared = 17.70243	0.5620	There is no autocorrelation
Breusch – Pagan – Godfrey	Residuals are homoscedastic	Obs * R - squared = 12.82086	0.2944	There is no heteroscedasticity

Test	Null hypothesis	Test statistics	Probability	Decision
Normality test	Residuals are normally distributed	JB Test = 0.708322	0.701762	Residuals are normally distributed

Source: Authors' computation

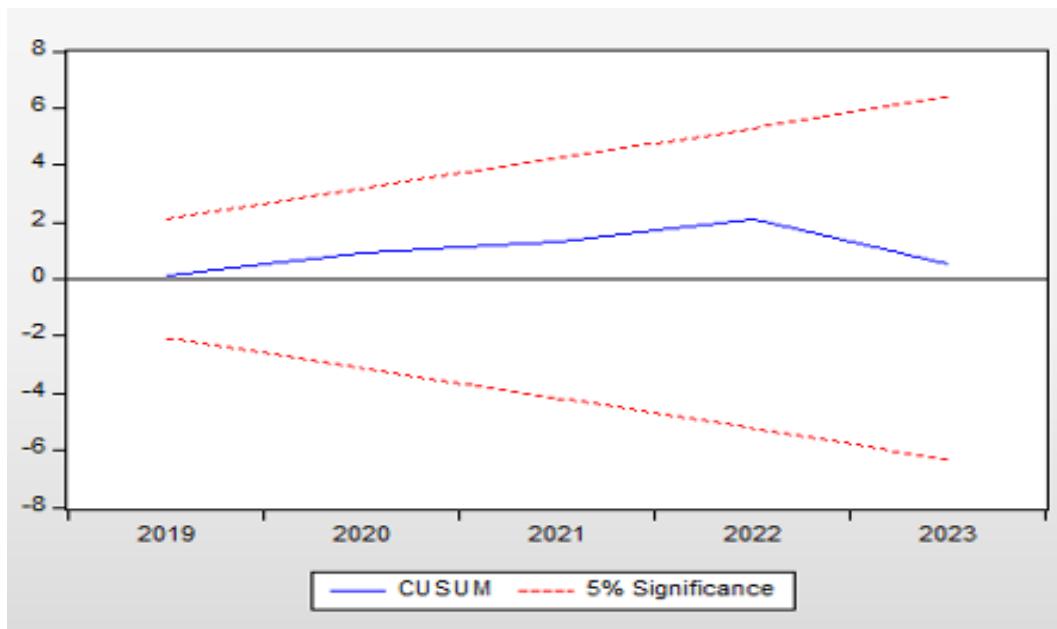


Figure 1. CUSUM test results

Model stability is investigated by the CUSUM of recursive residuals tests, suggesting that the parameters are stable as the values fall inside the critical bands at 5% level.

The graphs of CUSUM statistics remain within the bounds at 5% significance level, so that we can say that the coefficients in the model are stable.

4.2. Discussion

The empirical results of the ARDL model have shown that Personal Income Tax has a negative impact on economic growth in the short – run but has no statistical impact with economic growth in the long term. The similar result was also demonstrated in the study by Le (2022), which focused on developing countries during the period 2000 – 2019, as well as in the research conducted by Kaewsopa, Tan and Fu (2022) in the context of Thailand. This phenomenon can be explained by the current backwardness in Vietnam's personal income tax structure which comprises 7 brackets with narrowly defined income thresholds. This can lead to the problems of taxpayers being easily pushed into higher brackets, then increases their tax burden. Additionally, the existing PIT system remains overly complex and administratively burdensome, which causes difficulties for individuals to fulfill tax payments procedures. Moreover, many individuals have outstanding personal income tax (PIT) liabilities amounting to hundreds of millions of VND due to a lack of updated information and an insufficient understanding of their tax obligations. These backwards can lead to reduction in disposable income, constraining household purchasing power, which in turn leads to a contraction in

consumption expenditure and postponement of individual investment activities. As a result, reduced household spending and delayed private investment activities contribute to a decline in aggregate demand, thereby placing downward pressure on economic growth in the short run.

In the long run, personal income tax (PIT) exhibits no statistically significant impact on economic growth which aligns with the result of Le (2022). This outcome can be attributed to the fact that PIT primarily functions as a mechanism for income redistribution and the regulation of consumer behavior, rather than directly influencing fundamental drivers of sustainable long – term growth such as infrastructure investment, labor productivity, educational development, and technological innovation. In the context of Vietnam, PIT constitutes only a small fraction of total tax revenue, which limits its capacity to generate sufficient fiscal resources necessary for substantial investment. Additionally, the primary sources of funding for long – term growth initiatives are derived from corporate taxation, foreign direct investment (FDI), and public debt financing. Therefore, while PIT affects income distribution and consumption in the short term, it lacks the capacity to significantly influence long – term economic growth – consistent with empirical findings.

For other control variables, trade openness impacts economic growth both in the short and long run promoting trade openness can have sustained benefits for economic growth over time which aligns with Su and Nguyen's research in 2019. Dependency Ratio also has a positive impact in the short run but then shows negative impacts in the long run, this phenomenon can be explained by in the short run, people in dependent groups have the demand on sectors such as healthcare, educations,... but in the long run, higher dependency ratio might create financial and social burdens, reducing the economy's sustainable growth potential. These results align with Ahmad's study in 2021 in five most populated Asian countries. Additionally, the results from this study indicate that Inflation has a positive impact on economic growth in the short run but negative impact in the long run. Moderate inflation can boost short – term activity, but sustained inflation increases uncertainty and undermines long – term growth which align with the study of Abdo (2025) in the developing country Ethiopia. Moreover, the Agricultural output has no significant impact on the economic growth in the long run, which is consistent with the previous studies from Hien et al. (2023) and Chaudhary and Kumar Mishra (2021).

5. Recommendation

Based on the research findings, several policy recommendations are proposed for Vietnam to address the existing issues of the personal income tax (PIT) system.

Firstly, the government should reform the PIT brackets by adjusting taxable income thresholds and the gaps between tax bands to ensure fairness, rationality, and compatibility with actual income fluctuations. A proposed solution is to reduce the number of tax brackets from seven to five and revise the thresholds of each bracket to target the appropriate income groups (Quy T., 2024). Maintaining a moderate number of brackets with wider gaps between them can alleviate the burden on households, especially the issue of "bracket creep". Indonesia is a notable example, where the authority has implemented a new PIT structure with only five brackets, thus significantly reducing the tax burden on workers (Medina A., 2024). Additionally,

to align with the goals of digital economic development, the government could consider offering PIT incentives to attract and retain high – quality human resources in Vietnam, thereby preventing talent from migrating to other countries (Quang M., 2025). These reforms would not only help protect real income for workers but also maintain purchasing power, stabilize consumption, enhance the competitiveness of Vietnam’s labor market, and ultimately foster sustainable economic growth.

Secondly, Vietnam should promote the simplification of tax procedures and systematically invest in public awareness efforts to strengthen voluntary compliance with PIT obligations. An effective tax administration strategy in the modern context must be supported by a clear, accessible administrative system that fully employs digital technology, while also implementing regular, targeted tax education programs for the general public. This policy will not only shorten processing times but also create a transparent tax environment that reduces burdens on individuals and businesses, thereby attracting long – term investment and supporting sustainable economic growth. Furthermore, a user – friendly tax system can help reduce compliance costs and improve voluntary compliance among citizens, especially those with multiple sources of income.

In addition, Vietnam should also draw lessons from countries that have successfully developed comprehensive and effective PIT systems. Countries such as China and Thailand have implemented innovative PIT policies with significantly positive outcomes while maintaining alignment with the national long – term development strategies (Kaewsopa et al., 2022). This highlights the importance of designing tax policies that closely follow the specific socio – economic goals at each stage of development. A periodic policy review mechanism should also be developed to ensure that the system evolves in line with economic and social dynamics.

6. Conclusion

This study analyzed the impact of personal income tax (PIT) on economic growth in Vietnam over the period 1994 – 2023 using the Autoregressive Distributed Lag (ARDL) model. The empirical results reveal that PIT has a statistically significant negative effect on economic growth in the short run, primarily due to its impact on disposable income and household consumption. However, in the long run, the relationship between PIT and economic growth is not statistically significant, suggesting that other factors, such as inflation, trade openness, and demographic structure, play a more dominant role in driving long – term growth. These findings are consistent with existing literature and theories. The model passed key diagnostic tests, indicating robustness and stability of the estimation results.

Based on practical evidence and current status of Vietnam’s PIT system, several policy recommendations have been proposed, including restructuring the PIT bracket system, enhancing and simplifying digital tax administration, raising taxpayer awareness, and developing policies in alignment with national strategic plans, as well as reviewing them frequently to improve the fairness and effectiveness of Vietnam’s PIT system.

While the study offers useful insights, it also has limitations. Most notably, the analysis is constrained by data availability and focuses primarily on macro – level variables, which may not fully capture institutional or behavioral factors. Future research should examine qualitative factors or disaggregated data to further explore the interaction between tax policy and long – term economic outcomes in Vietnam.

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