



DRAFT LAW ON TAX ADMINISTRATION: PROMOTING DIGITALIZATION IN TAX ADMINISTRATION TO FACILITATE TAXPAYERS AND IMPROVE TAX ADMINISTRATION EFFICIENCY

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After more than five years of implementation, the Law on Tax Administration No. 38/2019/QH14 (**Law on Tax Administration 2019**) has become an important legal basis affecting the production and business activities of organizations and individuals. However, with rapid changes in the practical socio-economic development, especially the explosion of the digital economy with new business types and transaction digitalization tendency, this Law has not kept up with the development. Accordingly, a Draft Law on Tax Administration (**Draft Law**) is currently being drafted and consulted by competent agencies to overcome the inadequacies of the Law on Tax Administration 2019, and promote the modernization and comprehensive digital transformation of tax collection management. The Draft Law also aims to apply modern, interconnected, and integrated information technology to promote digital transformation in tax management with three main aspects, namely: creating favorable conditions for taxpayers, improving the effectiveness and proficiency of tax administration, and promoting the digitalization of tax management. In this Legal Newsletter, NHQuang&Associates will analyze some new provisions of the Draft Law that might affect individuals, enterprises, and organizations as follows:

*Firstly, the Draft Law **adds taxpayer subjects** to match the development of e-commerce activities and new economic models, including:*

- Enterprises with taxable incomes, foreign organizations engaged in taxable income-generating business activities, foreign organizations, and foreign individuals conducting business on e-commerce platforms who are taxpayers in accordance with the tax law;

- Organizations and individuals that deduct and pay the deducted tax amounts on behalf of taxpayers in accordance with the tax law, tax administration law, and other laws.

According to the explanation of the Draft Law, the above subjects are supplemented in accordance with the Law on Corporate Income Tax 2025 and the Law on Value Added Tax 2024, specifically: (1) Enterprises with taxable income and foreign organizations engaged in taxable income-generating business activities are taxpayers in accordance with the provisions of the Law on Corporate Income Tax 2025 while foreign organizations and foreign individuals conducting business activities on e-commerce platforms that are taxpayers in accordance with the tax law are taxpayers under the provisions of the Law on Value Added Tax 2024; and (2) Organizations and individuals that deduct and pay tax obligations on behalf of taxpayers in accordance with the provisions of tax law and other laws are included to cover organizations being foreign digital platform managers and managers of e-commerce platforms with payment functions, who are taxpayers in accordance with the Law on Value Added Tax 2024. This addition also aims to cover the subjects arising from new economic models, financial technology, artificial intelligence, virtual assets, virtual currencies, digital assets, and cryptocurrencies specified in other regulations.

The Draft Law assigns the Government to specify this clause so that the Government's Decree will regulate details about taxpayers under tax laws and other laws (if any) in order to make the policies transparent.

*Secondly, the Draft Law supplements regulations on **taxpayer classification** to facilitate and support them in actively complying with tax regulations*

In Article 3 of the Draft Law, taxpayers will be grouped by tax authorities according to: (i) Scale of operation and revenue; (ii) Business lines and fields of operation; (iii) Legal form, ownership, operational characteristics; and (iv) Other criteria as prescribed by the Ministry of Finance.

This is the basis for assessing tax risks and the level of taxpayers' compliance with tax laws; applying tax administration measures, tax obligation performance supervision measures, tax administration professional procedures suitable to each subgroup of taxpayers, the level of tax risks, and taxpayers' compliance history; and determining the priority regime for taxpayers in tax administration and allocation of management resources.

Such classification creates favorable conditions and

promotes good compliance by taxpayers, contributes to improving management efficiency and effectiveness, and encourages voluntary compliance. Accordingly, instead of applying the same regime to all, there will be different management approaches for taxpayers with different scales, fields of operation, and compliance levels. Grouping is an important premise to design tax management procedures by risk level, thereby taking appropriate management measures such as inspection, enforcement, support, supervision, or prioritization during the implementation of administrative procedures.

Under this regulation, taxpayers will be managed by their characteristics and compliance behaviors. Good compliants may enjoy minimized procedures and priority for quick settlement, while high-risk ones shall be subject to strengthened inspection and supervision. In addition, taxpayer grouping can be implemented immediately by taking advantage of tax industry databases, information systems of invoices, declarations, financial statements, compliance history, and information from third parties. The Ministry of Finance will provide detailed guidelines for the criteria, grouping procedure, and organize implementation supervision through a centralized information technology and data system.

*Thirdly, the Draft Law **reduces the time limit for additional tax declaration from 10 years to 5 years***

According to clause 5, Article 12 of the Draft Law, if a taxpayer detects that the tax declaration dossier submitted to the tax authority contains any errors or omissions, he/she may make additional declaration to such dossier **within 5 years** from expiration of the deadline for submitting the tax declaration dossier of the tax period in which the errors are detected but before announcement of the inspection or examination decision by the tax authority or competent agency or beyond the period stated in the written request by relevant investigation agency, which asks the taxpayer not to make additional tax declaration in accordance with the Law on Organization of Criminal Investigation Agencies (*clause 1, Article 47 of the Law on Tax Administration 2019 stipulates that the time limit for supplementing tax declaration dossiers is 10 years*).

According to the Draft Law explanation, this adjustment is consistent with the statute of limitations for handling tax-related administrative violations (05 years from the date of occurrence of the violation), compliant with international practices (such countries as Singapore, Japan, Germany, Republic of Korea allow additional declaration within 03 to 05 years); enhancing taxpayers' responsibility to declare tax truthfully, fully and accurately; reducing tax authorities' storage workload of tax declaration dossiers, and facilitating

quick and effective digital transformation and electronic tax record processing.

Fourthly, the Draft Law **also amends and supplements the rights and obligations of taxpayers**, particularly:

- Regarding the rights of taxpayers: The Draft Law adds new rights such as: the right to look up and use electronic documents (view, print, request for issuance of electronic deduction documents); the right to be prioritized in procedure handling if taxpayers are good compliants; the right to trace and adjust information when there are any discrepancies. These rights are divided into 05 groups, including the right to support, to know and explain, to protect information, to be compensated, and to be exempted from liability, and the right to adjust information.
- Regarding taxpayers' obligations: The Draft Law supplements the obligations to declare and archive records of related-party transactions (including overseas affiliates), to declare revenues from sponsorship for social enterprises, to ensure technical infrastructure for electronic transactions with tax authorities, and to pay in advance any set tax amounts despite any complaint. These additions aim to improve management efficiency, enhance transparency, and prevent evasion of tax obligations in the new context.

The Draft Law on Tax Administration is an important legal step to soon remove the difficulties and obstacles of the Law on Tax Administration 2019, at the same time meet the urgent requirements of current socio-economic development practices. Enterprises need to actively and carefully study the Draft Law and relevant guidelines by tax authorities to promptly update and implement these new tax policies. Should you need to study more about the provisions of the Draft Law or tax-related issues, feel free to contact NHQuang&Associates for further answers and support./.

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