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Improving the Management of Value-Added Tax Collection at the Ben Cat City Tax Sub-Department, Binh Duong Province: Current Situation and Solutions

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ABSTRACT: In the context of dynamic socio-economic development in Ben Cat City, Binh Duong Province, refining the management mechanism for Value-Added Tax (VAT) collection is crucial to ensuring a sustainable source of revenue for the state budget. This paper focuses on an in-depth analysis of the current situation, assessing the achievements and limitations in VAT collection management at the Ben Cat City Tax Sub-department for the period 2022-2024. Using a qualitative research method, primarily through the analysis of secondary data, descriptive statistics, and comparison, the study reveals that although the Tax Sub-department has consistently met and exceeded revenue collection targets, its management still faces significant challenges. Core limitations include the low efficiency of tax debt management and enforcement, a rising trend in outstanding tax debts, and the inadequacy of tax inspection and audit activities to deter invoice-related fraud. Based on these findings, the paper proposes a system of integrated solutions focusing on tightening debt management, enhancing the effectiveness of risk-based audits, promoting the application of information technology, and strengthening inter-agency coordination.

KEYWORDS: Tax Management, Value-Added Tax (VAT), Ben Cat Tax Sub-department, State Budget Revenue, Tax Fraud.

1. INTRODUCTION

Taxation constitutes the foundational pillar of public finance, serving as the primary and most sustainable source of revenue for the state budget while also functioning as a critical instrument for macroeconomic regulation. Among the various forms of taxation employed globally, Value-Added Tax (VAT) has emerged as a dominant and indispensable component of modern fiscal systems. Since its conceptualization, VAT has been adopted by over 160 countries, prized for its efficiency, broad base, and capacity to generate substantial and stable revenue streams. Unlike turnover taxes, which cascade through production chains and distort economic decisions, VAT is levied only on the value added at each stage of production and distribution. This characteristic ensures economic neutrality, as the tax burden does not depend on the number of stages in the supply chain, thereby promoting efficiency and specialization. Globally, VAT has proven to be a robust tool for fiscal consolidation, particularly for developing economies seeking to diversify their revenue sources away from volatile trade taxes and direct taxes that can be more difficult to administer.

In Vietnam, the adoption of VAT in 1999 marked a pivotal moment in the nation's journey of economic reform and integration. Replacing the multi-rate, cascading turnover tax system, the introduction of VAT was a strategic move aligned with the principles of the Doi Moi (Renovation) policy. It aimed to create a tax system compatible with international standards, foster a level playing field for businesses, and establish a more reliable revenue base to fund public expenditures. Over the past two decades, VAT has consistently been the largest single source of tax revenue for Vietnam's state budget. Its effective management is therefore not merely an administrative task but a strategic imperative directly linked to national financial security, the state's capacity to invest in critical infrastructure and social services, and the promotion of a fair, competitive business environment. As Vietnam deepens its global economic integration, the role of VAT becomes even more pronounced, serving as a key policy lever for encouraging exports through its zero-rating mechanism while ensuring that domestic consumption contributes equitably to public finances.

This national context finds a potent and concentrated expression in localities experiencing rapid industrialization, such as Ben Cat City in Binh Duong Province. Positioned at the heart of Vietnam's Southern Key Economic Region, Ben Cat has transformed from a largely agrarian area into a vibrant industrial powerhouse. Its strategic location, coupled with proactive investment promotion policies, has made it a magnet for both domestic and foreign direct investment (FDI). The city is home to major industrial parks like My Phuoc 1, 2, and 3, and Rach Bap, which host thousands of enterprises across diverse sectors, from manufacturing and electronics to textiles and wood processing. This economic dynamism has led to a dramatic and swift expansion of the taxpayer base. The number of registered enterprises has grown exponentially, economic transactions have surged in volume and complexity, and the city's population has swelled with an influx of migrant labor. This rapid socio-economic development, while a testament to the region's success, concurrently places immense pressure on local public administration systems, particularly tax administration.

In practice, the work of the Ben Cat City Tax Sub-department reveals a significant paradox. On the surface, revenue collection figures are impressive, consistently meeting and exceeding assigned targets. However, a deeper analysis of the administrative reality reveals numerous and persistent shortcomings. The very dynamism that drives economic growth also creates fertile ground for complex forms of tax non-compliance. Issues such as sophisticated fraud schemes to illicitly claim VAT refunds, the widespread use of illegal or fictitious invoices to understate tax liabilities, and persistent, growing tax arrears have become significant challenges. These problems are not merely administrative inefficiencies; they represent a direct threat to the integrity of the tax system, causing substantial revenue losses for the state budget and, critically, distorting the competitive landscape by disadvantaging honest, compliant businesses.

Stemming from this reality, a comprehensive study to rigorously assess the current situation and propose viable, evidence-based solutions to improve VAT collection management at the Ben Cat City Tax Sub-department is an urgent necessity. The central problem this paper addresses is the gap between the tax authority's current administrative capacity and the escalating demands of a rapidly growing and increasingly complex economic environment. This research aims to move beyond a simple acknowledgment of the problem by systematizing the relevant theoretical foundations of VAT management, conducting a deep and nuanced analysis of the operational realities at the Sub-department from 2022 to 2024, and subsequently proposing a set of integrated, actionable solutions. The ultimate goal is to provide a roadmap for enhancing management efficiency, not only to secure and sustain state budget revenue but also to foster a transparent and equitable economic environment that supports Ben Cat's continued development. This paper, therefore, seeks to contribute both to the academic literature on tax administration in transitional economies and to the practical improvement of fiscal governance at the local level.

2. LITERATURE REVIEW

2.1. Theoretical Foundations of VAT and Its Management

Value-Added Tax (VAT) is theoretically grounded in the concept of a broad-based consumption tax. As defined by the Vietnamese Law on Value-Added Tax (National Assembly, 2024), it is an indirect tax calculated on the increased value of goods and services arising from the process of production, circulation, to consumption. Its core strength lies in its non-cumulative nature; by allowing businesses to credit the tax paid on their inputs against the tax collected on their outputs, VAT avoids the cascading effect of turnover taxes, which penalize longer supply chains. This feature promotes economic neutrality and production efficiency. The tax is ultimately borne by the final consumer, making it a tax on consumption rather than on business activity. A key operational tenet of VAT, particularly in a globalized economy, is the destination principle, which dictates that tax is levied in the jurisdiction where the good or service is consumed, not where it is produced. This is achieved by zero-rating exports and taxing imports, a mechanism that is fundamental to preventing double taxation and ensuring a level playing field in international trade.

The management of VAT collection is a specialized field within public administration, defined as the comprehensive set of state activities aimed at ensuring the full, accurate, and timely remittance of VAT obligations by taxpayers (Le Xuan Truong et al., 2023). Effective tax administration transcends mere revenue collection; it involves a strategic system designed to maximize voluntary compliance while minimizing administrative and compliance costs. The principles underpinning modern tax management are legality, efficiency, fairness, openness, and transparency. Legality requires that all administrative actions be grounded in clear legal statutes. Efficiency is measured by the ability to collect the maximum amount of due tax with the minimum possible cost to both the state and the taxpayer. Fairness relates to both horizontal equity (taxing similar taxpayers similarly) and vertical equity (ensuring the tax system's burden is distributed according to the ability to pay), although VAT is often criticized for its regressive nature. Openness and transparency are crucial for building public trust and involve making tax laws and administrative procedures clear, accessible, and predictable.

2.2. Core Components and Processes in VAT Collection Management

Modern VAT management is a cyclical process composed of several interconnected functions. While specific structures may vary, the core components are universally recognized.

Taxpayer Services and Education: This function marks a paradigm shift from a purely enforcement-focused model to one that emphasizes taxpayer support. It involves providing clear information about tax laws, simplifying compliance procedures, and offering assistance through various channels (online portals, call centers, in-person support). The goal is to lower compliance barriers and foster a cooperative relationship between the tax authority and taxpayers.

Registration, Declaration, and Payment Management: This is the administrative backbone of the tax system. Registration ensures all liable entities are included in the tax net. The management of tax declarations (or returns) involves receiving, processing, and verifying the information submitted by taxpayers. In modern systems, this process is heavily reliant on electronic filing (e-filing) systems, which enhance efficiency and data accuracy. Payment processing involves managing the flow of funds from taxpayers to the state treasury, increasingly through digital payment gateways.

Tax Debt Management and Enforcement: This function addresses instances where taxpayers fail to pay their assessed tax liabilities on time. It involves a graduated response, starting with reminders and progressing to more stringent measures. Debt management includes classifying arrears based on their age and recoverability. Enforcement actions represent the state's legal power to collect overdue taxes and can range from levying bank accounts and seizing assets to, in severe cases, initiating legal proceedings.

Tax Inspection and Audit: This is the primary verification and control mechanism. It operates on two main levels: desk audits, which involve reviewing tax returns and supporting documents at the tax office, and field audits, which are more in-depth examinations conducted at the taxpayer's premises. A cornerstone of modern auditing is the risk-based approach, where audit resources are concentrated on taxpayers or sectors identified as having the highest risk of non-compliance, as determined by data analytics.

2.3. Factors Influencing the Effectiveness of VAT Management

The success of VAT management is contingent upon a complex interplay of factors. These can be broadly categorized into three groups. First, the institutional and policy framework plays a foundational role. This includes the clarity and simplicity of the tax law, the level of tax rates, the breadth of exemptions, and the severity of penalties for non-compliance. A complex legal framework with numerous exemptions can create loopholes and increase compliance costs, negatively impacting effectiveness. Second, the internal capacity of the tax authority is critical. This encompasses the professional competence, integrity, and motivation of tax officials; the quality of the IT infrastructure and digital tools available; and the effectiveness of organizational leadership and management processes. An under-resourced or poorly trained tax administration will struggle to manage a complex tax system effectively. Third, factors related to taxpayers themselves, such as their level of tax morale, perceptions of the fairness and legitimacy of the tax system, economic conditions, and the complexity of their business operations, significantly influence compliance behavior.

2.4. Synthesis of Previous Research and Identification of the Research Gap

The existing body of literature provides valuable insights into VAT management. International studies, such as that by Smith (2016), often highlight the challenges faced by developing countries, including resource constraints and low levels of voluntary compliance. Domestic research in Vietnam has focused on specific aspects of the system. For instance, Nguyen Cam Nhung & Le Minh Tuan (2021) empirically identified the key determinants of management quality from the perspective of businesses, emphasizing the importance of staff capacity and the audit function. Thuy Linh (2022) drew lessons from the successful practices of other provincial tax departments, concluding that decisive debt enforcement and risk-based auditing are critical success factors.

Despite these contributions, a distinct research gap exists. While general principles and national-level analyses are prevalent, there is a scarcity of in-depth, context-specific case studies on local-level tax administration, particularly in jurisdictions experiencing explosive industrial growth like Ben Cat City. The unique pressures created by a rapidly expanding and diversifying taxpayer base, the influx of FDI, and the corresponding increase in complex transactions present a set of challenges that are not fully captured by broader studies. This paper, therefore, seeks to fill this gap by providing a granular analysis of the operational realities, successes, and failures of VAT collection management within this specific, high-stakes environment, aiming to derive practical and tailored solutions.

3. RESEARCH METHODOLOGY

To conduct an in-depth and contextualized investigation into the complexities of VAT collection management, this study adopts a qualitative research paradigm. This approach is deemed most appropriate as it facilitates a comprehensive exploration of administrative processes, identifies the underlying causes of systemic issues, and allows for a nuanced interpretation of the data within its specific socio-economic setting. The research design is structured as an instrumental case study, focusing specifically on the Ben Cat City Tax Sub-department. This single-case design enables a detailed examination of a real-world phenomenon—tax administration in a rapidly industrializing locality - providing rich, contextual insights that might be lost in broader, more generalized studies.

The empirical foundation of this paper relies predominantly on the analysis of secondary data, sourced directly from the official records and reports of the Ben Cat City Tax Sub-department for the period spanning 2022 to 2024. This timeframe was selected to capture the most recent operational dynamics and challenges. The dataset collected is comprehensive, encompassing: (1) Annual summary reports on tax management activities, which provide an overarching view of performance against targets; (2) Detailed statistical reports on state budget revenue, with a specific focus on VAT collections to track performance trends; (3) Aggregated data on taxpayer compliance, including statistics on the number of tax declarations filed on time versus those filed late; (4) Official reports on tax arrears, which classify outstanding debt by age and recoverability status (e.g., collectible debt, bad debt); (5) Records of tax inspection and audit activities, detailing the number of audits conducted, key findings, and total amounts of tax reassessments and penalties imposed; and (6) Data on tax enforcement actions taken.

In addition to these primary institutional sources, the study also involves a thorough review of other secondary materials to build a robust theoretical and legal framework. This includes a systematic analysis of Vietnamese legal documents, such as the Law on Tax Administration, the Law on Value-Added Tax, and their guiding decrees and circulars. Furthermore, academic literature, including textbooks, scholarly articles, and previous research on tax administration, was reviewed to contextualize the findings within broader theoretical discussions.

The data analysis process is methodical and multi-faceted. Initially, descriptive statistical techniques are employed to summarize and organize the quantitative data. This involves calculating trends in revenue collection, debt levels, and audit frequencies to paint a clear picture of what has occurred over the three-year period. Following this, comparative analysis is used to identify patterns, variations, and significant shifts in performance year-on-year. This comparative lens is crucial for understanding the trajectory of management effectiveness. Finally, qualitative document analysis is applied to interpret the content of the narrative reports and legal texts. This method allows for an exploration of the why behind the quantitative trends, helping to identify the root causes of administrative limitations and the contextual factors driving successes. By synthesizing the findings from these analytical techniques, the study constructs a holistic and coherent narrative, linking empirical evidence to underlying causes, which in turn forms the logical basis for the proposed solutions. The primary limitation of this research lies in its reliance on secondary data, the quality and scope of which are determined by the providing institution, and the context-specific nature of a single-case study, which means findings may not be directly generalizable to other jurisdictions.

4. RESULTS AND DISCUSSION

The research on VAT collection management at the Ben Cat City Tax Sub-department from 2022-2024 reveals a multifaceted picture, with commendable achievements alongside profound challenges and limitations. On the positive side, the Tax Sub-department has consistently met and significantly exceeded its assigned revenue targets, reflecting the efforts of the management authority and the abundant financial potential of a developing industrial area. The realized revenue grew steadily at an average rate of over 20% annually, from VND 424.072 billion in 2022 to VND 633.782 billion in 2024. This success was partly due to relatively good compliance in the declaration stage, with the rate of on-time submissions maintained at a high level of over 96%. Furthermore, taxpayer communication and support activities were diversely implemented through various channels, helping to raise awareness and facilitate businesses in fulfilling their tax obligations.

However, behind the impressive revenue figures lie persistent weaknesses in critical management areas. The most prominent and alarming issue is the very low efficiency of tax debt management and enforcement. Data shows that the total VAT debt has not decreased but has trended upwards over the years, from VND 11.200 billion (2022) to VND 13.100 billion (2024). The application of enforcement measures has been largely formalistic and limited, primarily consisting of levying bank accounts with very few instances (13 cases in 2024), while more potent legal tools like asset seizure or business license revocation were almost never deployed. This lack of decisiveness has diminished the deterrent effect of the law, allowing tax arrears to persist and become a burden on management.

In parallel with the weakness in debt management, tax inspection and audit activities have not fully served their function of preventing and handling violations. Although some fraudulent activities were detected and tax amounts were recovered, the proportion of audited enterprises to the total number of active businesses remains low. More importantly, the selection of audit subjects is still heavily based on plans rather than a robust, risk-based approach using in-depth data analysis, especially data from e-invoices. This creates loopholes for fraudulent activities, such as the use of illegal invoices and fictitious input cost declarations to illicitly claim tax refunds, which continue to be complex issues. This indicates that the supervisory function of the tax authority lacks sufficient scope and deterrence.

These limitations stem from a combination of objective and subjective causes. Objectively, some legal regulations still have loopholes, and the compliance consciousness of a significant portion of taxpayers is low. However, subjective causes from the management authority play a decisive role. The capacity of a segment of tax officials in data analysis and the application of complex professional measures like enforcement or in-depth audits is still limited. The application of information technology, though implemented, has not been deep enough and has not fully exploited the potential of big data for risk management. Furthermore, coordination between the tax authority and other inter-agency units like banks and economic police is not yet tight or institutionalized, reducing efficiency in information verification and enforcement actions. It is clear that while the surface-level revenue results are very positive, the underlying management foundation still has many weaknesses that need to be thoroughly addressed.

5. SOLUTIONS AND RECOMMENDATIONS

Based on the analysis of the current situation and its causes, a system of integrated and focused solutions is necessary to address the persistent limitations in VAT collection management at the Ben Cat City Tax Sub-department. First and foremost, to tackle the two most pressing issues - rising tax arrears and low audit effectiveness - a breakthrough change in professional processes is required. Instead of merely applying formalistic dunning measures, the Tax Sub-department must shift to tightening discipline in debt management by decisively and fully applying all enforcement measures permitted by law, from freezing accounts and deducting wages to seizing assets in cases of persistent non-compliance. Concurrently, inspection and audit activities must be restructured towards a modern approach, moving strongly from plan-based subject selection to a risk-based analysis method. Developing and applying a set of risk criteria based on e-invoice data and unusual transaction patterns will help concentrate resources on enterprises with the highest risk of fraud, thereby enhancing effectiveness and deterrence.

For these professional solutions to be effective, the foundational elements of technology and human resources must be strengthened. Risk analysis and automated debt tracking cannot be implemented without a centralized and interconnected database. Therefore, a strategic solution is to promote the connection and automatic sharing of data between the tax authority and related agencies such as banks, business registration offices, and customs to form a cross-referencing information system. This data is an invaluable resource for detecting suspicious transactions and preventing the establishment of "ghost companies." At the same time, human resources are a decisive factor. It is necessary to organize in-depth training programs to enhance the skills of tax officials in data analysis, investigation techniques, and fraud detection in the digital economy, coupled with emphasizing individual accountability for the results of violation handling in their assigned areas.

Finally, a favorable external environment for tax compliance must be fostered. This requires strengthening and institutionalizing the coordination mechanism between the Tax Sub-department and law enforcement agencies like the economic police and market surveillance forces to exchange information and jointly investigate complex cases. Alongside strict management measures, communication strategies also need to be innovated. Instead of just disseminating policies, the focus should be on analyzing common fraud schemes, warning about legal risks, and raising awareness in the business community through modern communication channels like social media and short videos, thereby promoting voluntary compliance.

From these analyses, the paper makes specific recommendations. For the Binh Duong Provincial Tax Department, it is necessary to enhance guidance, allocate resources, and organize specialized training courses on risk management and debt enforcement for the Ben Cat Tax Sub-department. For competent state authorities, it is recommended to continue reviewing and perfecting legal regulations on e-invoice management and sanctions for violations to close policy loopholes and create a solid legal basis for tax administration activities.

6. CONCLUSION

This study set out to investigate the operational realities of Value-Added Tax (VAT) collection management within the specific, high-pressure context of Ben Cat City, a rapidly industrializing hub in Vietnam. The analysis for the period of 2022-2024 has illuminated a critical paradox: while the Ben Cat City Tax Sub-department has demonstrated considerable success in achieving its overall revenue collection targets, this achievement masks significant and systemic weaknesses in core administrative functions. The investigation confirms that fundamental areas of tax administration - particularly tax debt management, enforcement actions, and risk-based audits - have not kept pace with the scale and complexity of economic growth. The consistent rise in outstanding tax arrears, coupled with a largely formalistic and non-deterrent approach to enforcement and auditing, points to a management system that is more reactive than proactive, creating long-term risks to fiscal stability and competitive fairness.

The findings of this paper carry important implications for both policy and practice. They underscore the inadequacy of using headline revenue figures as the sole metric for evaluating tax administration performance. A more nuanced assessment, focusing on process efficiency, compliance rates, and the effectiveness of control mechanisms, is essential. The identified shortcomings - stemming from a confluence of policy loopholes, resource constraints, limited technological integration, and gaps in personnel capacity - highlight the urgent need for a strategic overhaul rather than piecemeal fixes. The proposed solutions, centered on tightening debt management discipline, institutionalizing risk-based auditing, leveraging data analytics, and enhancing inter-agency cooperation, are presented not as isolated actions but as an integrated framework for building a more resilient and effective tax administration system.

This research contributes to the broader academic discourse on public finance in developing economies by providing a detailed case study of the administrative challenges that accompany rapid economic transformation. However, the study's limitations must be acknowledged. Its reliance on secondary data from a single administrative unit means that the findings, while rich in context, may not be broadly generalizable. Furthermore, the absence of primary data from interviews with tax officials and business owners limits the ability to explore the deeper organizational culture and behavioral drivers of non-compliance.

Therefore, future research should aim to address these gaps. A quantitative study could be designed to measure the statistical impact of specific variables - such as audit frequency or penalty severity - on taxpayer compliance behavior in Ben Cat. Furthermore, qualitative research employing in-depth interviews could provide valuable insights into the decision-making processes of both tax administrators and taxpayers. Specifically, future investigations could explore the emerging challenges of managing VAT in the context of the burgeoning digital economy and cross-border e-commerce activities within Ben Cat’s industrial parks, a domain this study could only touch upon. Ultimately, the effective implementation of the recommendations outlined herein will not only resolve the immediate administrative issues at the Ben Cat Tax Sub-department but will also fortify its capacity to support the region's sustainable and equitable development journey in the years to come.

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