Policy Implications for Enhancing Tax Compliance of Small and Medium Enterprises in Dong Nai Province of Vietnam

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Abstract

Tax compliance is a matter of interest to many researchers and tax administrators. Based on research results of information collection from 1.000 survey questionnaires were distributed across 5 Tax Departments in Dong Nai province. The number of votes collected was only 945 valid votes, and the rate of correct answers was 94.5%. With this official data, the authors analyzed descriptive statistics, the method of synthesis and analysis, the authors' studies of tax compliance from documents, and scientific research published in prestigious scientific journals from 8 factors. Eight factors include Perceived quality of tax services, tax policy, business type, management of tax authorities, society, the structure of the tax system, economy, and characteristics of enterprises. Also, the analysis results show that all eight aspects mentioned below positively influence the tax compliance of small and medium enterprises. And this is also critical scientific evidence for policymakers to apply research results to improve and enhance tax compliance of small and medium enterprises in Dong Nai province.

Disciplinary: Business Taxation Policy & Management (Tax Compliance & Enterprises).

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1 Introduction

Taxes are considered the primary source of state budget revenue, an essential tool for the State to regulate the macroeconomy, promote investment, control inflation, protect domestic production, guide production and consumption, and redistribution of wealth and income in society.

Tax is a compulsory payment to the state budget of organizations, households, business households, and individuals following tax laws (National Assembly, 2019; Wamm, 2015). Therefore, tax compliance is paramount for each country's Government because when taxpayers comply and pay the total amount of tax on time, the Government can ensure the budget to provide the goods. Publicity and rational resource allocation (Alecxandrina, 2016; Newman et al., 2018).

Besides, taxes are the most critical part of the State budget, contributing significantly to the cause of national construction and defense. An effective and efficient tax system is an important goal of every country (Wenzel, 2004; Yaobin, 2017). This depends not only on a reasonable tax policy but also considerably on the tax management activities of the State. This is a matter of great social concern. In particular, tax is one of the critical tools, both as a source of encouragement for the national budget, as a tool to regulate domestic production, and as a lever to promote economic growth in the country, developed countries, and international trade. Effective tax policies are always a matter of concern to the State (Chobek, 2017; Inasius, 2015).

Increasing taxpayer compliance is one of the tax field's most significant and vital issues. Therefore, identifying factors affecting tax compliance of SMEs to propose policy implications to prevent and limit tax fraud is necessary and urgent in the current period. In addition, tax compliance is the correct and complete implementation of tax laws and taxpayers. However, taxpayers do not always fulfill their obligations. Therefore, it is necessary to study the contents of legal compliance in general and tax compliance of small and medium-sized enterprises in particular. With the problems analyzed above, the author chooses the topic of policy implications for enhancing tax compliance of small and medium enterprises in Dong Nai province.

2 Literature Review

2.1 Tax Compliance

According to Benk et al. (2011) and Manchilot (2018), the concept of tax is a compulsory contribution from natural and legal persons to the State according to the extent and duration prescribed by law to use for public purposes. From this concept, it can be seen that tax compliance is a mandatory item stipulated in the laws of all countries, both developed and developing countries. Therefore, businesses must pay taxes to generate revenue for that country. Tax compliance is a big issue for many tax authorities, and convincing taxpayers to comply with tax requirements is difficult, even though tax laws are not always precise (Inasius, 2015; Smatrak, 2016; Allingham & Sandmo, 2017).

Thus, it can be understood that tax compliance is the correct and complete implementation of the provisions of tax law. Tax compliance is mandatory for many entities such as tax administration agencies, taxpayers, other relevant organizations, and individuals as prescribed in tax legal documents. Tax compliance is always the most concerned issue (Manchilot, 2018; Hischer & Mark, 2014). Tax compliance is reflected in the complete, timely, and correct observance of the tax law provisions, namely the keeping of time, accuracy, honesty, and completeness criteria.

Activities of tax registration, tax declaration, tax payment, and other tax obligations of taxpayers (Newman et al., 2018; Bahl & Murray, 2018).

2.2 Components of Tax Compliance of Small and Medium Enterprises

Elements of a business type (NNKD): According to the OECD (2004), Hischer and Mark (2014), and Jerome et al. (2018) show the size of the industry, it is clear that the number of actors in a given industry has a significant influence on the revenues and costs of firms in that industry. An industry with a low level of competition will increase a firm's potential profits and positively affect its tax compliance in that industry. The profit rate or profitability that the sector brings will directly impact the business's taxable income. Enterprises operating in highly profitable sectors tend to be more tax compliant and voluntary than complex industries.

Table 1: Descriptive statistics from elements of a business type (NNKD) (N = 945).

Contents	Code	Min	Max	Mean	SD
Industry profitability affects corporate tax compliance	NNKD1	1.00	5.00	3.087	0.996
The degree of internal competition of enterprises in the industry affects tax compliance	NNKD2	1.00	5.00	3.095	1.001
The characteristics of revenue control of each business will affect tax compliance	NNKD3	1.00	5.00	3.123	0.972
The cost control characteristics of each business will affect tax compliance	NNKD4	1.00	5.00	3.084	1.012

Table 1 shows that the elements of a business type with the lowest answer is 1.0, and the highest is 5.0. The mean between the variables is around 3.0. The standard deviation of the data is approximately 1.0. This is scientifically evident for improving business type.

Economic factors (KT): Marti (2010) proved that to what extent enterprises comply with tax, there will be no less influence from economic factors. In the country, this factor was mentioned in the analysis study of OECD (2004); Deichen (2017), the economic factor is also considered an essential factor that has a strong influence on tax-paying enterprises. Level of inflation and growth of the economy: The rate of inflation or expansion of the economy will affect the profitability of businesses. Inflation too high will hinder enterprises from complying with taxes and vice versa. Or an excellent economic growth rate will make companies more aware of tax compliance issues (Jerome et al., 2018; Hischer & Mark, 2014; Thuy and Thach, 2022).

Table 2: Descriptive statistics from economic factors (KT) (N = 945).

Contents	Code	N	Min	Max	Mean	SD
The level of inflation in the economy will affect tax compliance	KT1	945	1.00	5.00	3.386	0.883
The bank's interest rate is higher than the penalty for late tax payments, which will affect the tax compliance of businesses	KT2	945	1.00	5.00	3.522	0.976
The degree of international economic integration will affect tax compliance	KT3	945	1.00	5.00	3.330	0.993
Dong Nai's local policy on the efficiency of public spending from taxes	KT4	945	1.00	5.00	3.396	0.924

Table 2 shows the economic factors, with the mean between the variables being around 3.0. The standard deviation is nearly 1.0. This is scientifically evident in improving economic factors.

Social factors (XH): According to Newman et al. (2018), Gerbing (2016) said that today's businesses are always oriented towards sustainable development. They must balance 03 issues: environment, economy, and society. Therefore, implementing social responsibility through tax payment also contributes to national development and brings intangible benefits which are the image and reputation of that business to the community. However, the new social issue significantly impacts developed countries while implementing corporate social responsibility in developing countries (Damayanthi, 2015; Targler, 2017).

Table 3: Descriptive statistics from social factors (XH) (N = 945).

Contents	Code	Min	Max	Mean	SD
Criticism of the society for non-compliance with corporate tax	XH1	1.00	5.00	3.056	0.974
Fairness to corporate tax compliance responsibilities will affect tax compliance	XH2	1.00	5.00	3.076	0.983
The higher the awareness of business managers, the more tax compliance will be affected	XH3	1.00	5.00	3.106	0.946
Reputation and image of that business in the locality in which it operates	XH4	1.00	5.00	3.085	0.978

Table 3 shows that the number of social factors (XH) with the lowest answer is 1.0, and the highest is 5.0. The mean between the variables is around 3.0 and is less than 1.0 apart. The standard deviation of the data is approximately 1.0, which is scientifically evident for improving social factors.

Tax policy factors (CST): Lin and Valerie (2018) mentioned the role of tax policy in the tax compliance behavior of enterprises. Although tax policies apply to different businesses in different countries or at other times, it is undeniable that tax policies' role and influence in creating corridors is juridical. Simple and straightforward administrative procedures will make it easier for businesses to comply with the tax. Besides, companies always demand fair treatment of other firms in paying taxes. Therefore, the deterrence of measures and sanctions in dealing with tax fraud and late tax payments of enterprises will help businesses be aware of their tax compliance behavior and build the trust of customers' surnames (Tandreoni & Feinstein, 2015).

Table 4: Descriptive statistics from tax policy factors (CST) (N = 945).

Contents	Code	Min	Max	Mean	SD
Low tax rates increase corporate tax compliance	CST1	1.00	5.00	3.075	0.979
The stability of corporate tax laws and regulations will affect corporate tax compliance	CST2	1.00	5.00	3.061	1.002
Deterrence and sanctions in dealing with tax fraud and tax delay of enterprises affecting tax compliance	CST3	1.00	5.00	3.102	0.965
Loopholes in corporate tax policy will create conditions for businesses to circumvent the law, which will affect tax compliance	CST4	1.00	5.00	3.100	0.978

Table 4 shows the number of tax policy factors (CST) with the lowest answer at 1.0 and the highest at 5.0. The mean between the variables is around 3.0 and less than 1.0; this is scientific evidence for improving tax policy factors.

Elements of the management of tax authorities (QLT): According to Swistak (2016), studied that the management of the tax authority demonstrates the management capacity of the local Government in ensuring fairness as well as supporting the development of tax collection activities of each locality with taxpayers being businesses. In addition, companies are also interested in whether the tax authorities encourage them during the tax payment process, such as granting certificates of merit or certificates confirming tax payment in full and on time. In previous studies, tax authorities have also considered the management of tax authorities as one factor affecting enterprises' tax compliance. This is shown through global studies (Lin & Valerie, 2018).

Table 5: Descriptive statistics for the management of tax authorities (QLT) (N= 945).

Contents	Code	Min	Max	Mean	SD
Tax audits and inspections of businesses by local tax authorities affect tax compliance	QLT1	1.00	5.00	3.077	0.993
Simple tax filing procedures will facilitate better tax compliance for businesses	QLT2	1.00	5.00	3.082	1.003
The extent of technology application in corporate tax declaration activities affects tax compliance	QLT3	1.00	5.00	3.111	0.970
Tax officials are friendly, enthusiastic, and ready to support businesses, so businesses will have better tax compliance	QLT4	1.00	5.00	3.090	1.006

Table 5 shows that the number of elements of the management of tax authorities with the lowest answer is 1.0, with the highest 5.0. The mean between the variables is around 3.0 and is less than 1.0 apart. The SD is 1.0, which is scientifically evident in improving the management of tax authorities.

Characteristics of the enterprises (DDDN): Research by OECD (2004) and Sophia (2016) studies assessed the role of this group of factors as being quite important to the tax compliance levels of enterprises. Meanwhile, in developed and emerging economies, this factor is also mentioned when studying enterprises' tax compliance models (Deichen, 2017).

Table 6: Descriptive statistics from characteristics of the enterprises (DDDN) (N = 945).

Contents	Code	Min	Max	Mean	SD
The organizational structure of the business will affect tax compliance	DDDN1	1.00	5.00	3.398	0.946
The size of the business will affect the tax compliance of the business	DDDN2	1.00	5.00	3.338	0.956
For enterprises with a long operating time and business efficiency, the ability to comply with tax is high	DDDN3	1.00	5.00	3.284	0.991

Table 6 shows that the number of characteristics of the enterprises is from 1.0 to the highest is 5.0. The mean between the variables is around 3.0, and the SD is approximately 1.0. This is scientifically evident in improving the characteristics of the enterprises.

Feel the quality of tax service (CLDV): Many researchers have confirmed that taxpayers' perception of tax service quality influences taxpayers' tax compliance, in which service quality perceived tax service as measured by criteria including the fairness of the business towards the tax system); business satisfaction with tax authorities; corporate tax knowledge; opportunities for tax non-compliance (Reriksen & Fallan, 2016; Thau & Teung, 2019).

Table 7: Descriptive statistics for feeling the quality of tax service (CLDV) (N = 945)

Contents	Code	Min	Max	Mean	SD
Propagating and guiding the procedures related to tax declaration for all taxpayers	CLDV1	1.00	5.00	2.367	0.652
Tax officials can quickly, accurately, and objectively deal with tax compliance	CLDV2	1.00	5.00	2.434	0.670
Raise the sense of responsibility of tax collection managers	CLDV3	1.00	4.00	2.399	0.643
The higher the incentives, encouragement, and support of the tax authorities, the more will affect the tax compliance of enterprises	CLDV4	1.00	5.00	2.447	0.696
Propaganda and information support businesses regarding tax law	CLDV5	1.00	5.00	2.456	0.706

In Table 7, the number of feeling the tax service quality with the lowest answer is 1.0, and the highest 5.0. The mean between the variables is around 3.0 and is less than 1.0 apart. The data SD is approximately 1.0, which is scientifically evident for improving the feeling of the tax service quality.

The structure of the tax system (HTT): As for the tax system, on a national scale, most countries have to adjust their tax policies and laws under international regulations. It is noteworthy that traditional protectionist barriers such as tariffs and customs unions are gradually being removed, but non-tariff measures that are essentially obstacles to international trade are becoming increasingly diverse and more used (Shahrodi, 2010; Ranaf, 2014; Tope & Jabbar, 2018).

Table 8: Descriptive statistics from the structure of the tax system (HTT) (N = 945).

Contents	Code	Min	Max	Mean	SD
Develop appropriate tax policies for each business line	HTT1	1.00	5.00	2.362	0.651
Promoting the application of information technology to help businesses comply with tax regulations	HTT2	1.00	5.00	2.444	0.665
Strict and fair regarding taxes	HTT3	1.00	5.00	2.401	0.647
Publicity and transparency of public expenditures from taxes	HTT4	1.00	5.00	2.470	0.707

Table 8 shows that the number of the structure of the tax system with the lowest answer is 1.0, and the highest is 5.0. The mean between the variables is around 3.0 and is less than 1.0 apart. The data SD is approximately 1.0, which is scientifically evident in improving the structure of the tax system.

3 Method

The research method of the article is a combination of qualitative and quantitative research methods.

Qualitative research method: Research the theoretical basis for developing a research model and designing a scale. According to statistical theory, the author then conducts group discussions with 30 managers in the field of tax administration to calibrate the model and scale to suit the research context (Hair et al., 2010).

Specifically, the authors consulted with 30 managers in the field of tax administration in the following 2 groups: group 1 has 15 managers from departments in the province, namely the Dong Nai Tax Department. Group 2 has 15 deputy heads of Dong Nai Tax Departments. Based on the opinions of 30 managers who are knowledgeable about tax administration, the author has determined exactly what information to collect from experts' comments, and from that, a survey has been formed. The goal is to highlight new aspects of the range of prepared questions (Hair et al., 2010).

Building an official survey for the research project of 1.000 taxpayers participating in the survey, representing 1.000 small and medium enterprises in Dong Nai province (Hair et al., 2010). The detailed steps are as follows: Collect and synthesize theories related to the research topic. Design preliminary questions. Interview businesses and experts and conduct tailored questions. Conduct test interviews and test runs to verify the scale.

Tax Department of Dong Nai Province. Quantitative research method: the authors used the technique of surveying data to serve the quantitative research method collected through a survey questionnaire about 1.000 small and medium-sized enterprises paying taxes in different provinces. The authors used the convenient sampling method. The collected survey data was analyzed using SPSS 20.0 software, and the reliability of the scales was tested by Cronbach's Alpha reliability coefficient, and descriptive statistics analysis for the rankings by the software SPSS 20.0 (Hair et al., 2010).

4 Result and Discussion

Orientation for the development of the tax system to 2030: During 2021-2030, the domestic and international economies will continue to experience complicated and unpredictable developments, and geostrategic competition among significant countries will become increasingly fierce. Accordingly, the openness of the large economy makes the negative impacts of the world economy on the domestic economy faster and more robust. In addition, the Covid-19 pandemic severely affected the world economy and countries and changed the economic structure, causing general instability in the global economy and Vietnam. While the pressure to secure revenue to increase expenditure is still high, the revenue structure is still not balanced between income tax revenues, consumption taxes, and property taxes. Tax policy needs to properly integrate social policies to regulate the macroeconomy.

Faced with that situation, formulating a strategy to reform the tax system by 2030 is of great significance to the tax industry to implement the Party and State's viewpoint that taxes, fees, and charges are the tools of the Government. The State contributes to the management, regulation, and stabilization of the macro-economy, restructuring the economy and mobilizing resources to ensure quality, efficient, fast and sustainable growth of the economy; harmoniously solving economic and environmental development issues associated with the goals and tasks of the 10-year socio-economic development strategy 2021-2030.

Table 9: Testing the Cronbach's Alpha for components of tax compliance (N = 945)

Independent factors	Min	Max	Mean	SD	Cronbach's Alpha	Cronbach's Alpha if Item Deleted
NNKD1	1.00	5.00	3.087	0.996		0.942
NNKD2	1.00	5.00	3.095	1.001	0.964	0.962
NNKD3	1.00	5.00	3.123	0.972		0.958
NNKD4	1.00	5.00	3.084	1.012		0.946
KT1	1.00	5.00	3.386	0.883		0.811
KT2	1.00	5.00	3.522	0.976	0.857	0.810
KT3	1.00	5.00	3.330	0.993		0.845
KT4	1.00	5.00	3.396	0.924		0.805
XH1	1.00	5.00	3.056	0.974		0.939
XH2	1.00	5.00	3.076	0.983	0.957	0.949
XH3	1.00	5.00	3.106	0.946		0.947
XH4	1.00	5.00	3.085	0.978		0.939
CST1	1.00	5.00	3.075	0.979		0.952
CST2	1.00	5.00	3.061	1.002	0.967	0.966
CST3	1.00	5.00	3.102	0.965		0.959
CST4	1.00	5.00	3.100	0.978		0.948
QLT1	1.00	5.00	3.077	0.993		0.944
QLT2	1.00	5.00	3.082	1.003	0.962	0.955
QLT3	1.00	5.00	3.111	0.970		0.956
QLT4	1.00	5.00	3.090	1.006		0.946
HTT1	1.00	5.00	2.362	0.651		0.860
HTT2	1.00	5.00	2.444	0.665	0.887	0.831
HTT3	1.00	5.00	2.401	0.647		0.873
HTT4	1.00	5.00	2.470	0.707		0.854
CLDV1	1.00	5.00	2.367	0.652		0.923
CLDV2	1.00	5.00	2.434	0.670		0.902
CLDV3	1.00	4.00	2.399	0.643	0.924	0.922
CLDV4	1.00	5.00	2.447	0.696		0.889
CLDV5	1.00	5.00	2.456	0.706		0.893
DDDN1	1.00	5.00	3.398	0.946		0.945
DDDN2	1.00	5.00	3.338	0.956	0.953	0.904
DDDN3	1.00	5.00	3.284	0.991		0.946

Table 9 shows that the strategic objectives oblige the tax sector to build in the direction of modernity, leanness, effective and efficient operation; unified, transparent, intensive, and professional management of taxes, fees, and charges according to risk management methods, promoting information technology application, simplifying administrative procedures, reducing compliance costs of people and businesses. At the same time, the focus of tax administration is based on the electronic tax platform and three fundamental pillars: a complete, synchronous, modern, and integrated tax administration institution; professional human resources, integrity,

innovation; modern, integrated information technology to meet tax management requirements in the context of the digital economy.

Policy implications of tax policy: The tax department continues to improve laws and regulations on corporate tax. Although a system of tax policies has been carefully researched, appropriate and correct, in the implementation process, the strictness of tax laws cannot be ensured, and the compliance of relevant entities is not fully achieved. Tax policy cannot be effectively promoted, even causing adverse effects on state management in all aspects of socio-economic life. Tax policy reform and implementation management must ensure correct and sufficient tax collection for the state budget.

Policy implications of economic factors: The tax department must consider how international economic integration will affect tax compliance. Global economic integration is a stage in the development process and a premise for the sustainable development of the world economy in the current period. This trend brings benefits and puts countries' economies facing challenges due to unfavorable global markets, finance, and economic fluctuations. Dong Nai's local policies need to improve the efficiency of public spending from taxes. In addition, the tax branch needs to establish a mechanism to share information between credit institutions and tax authorities, which cannot be done by the tax sector and must coordinate with other functional units such as network security agencies.

Policy implications of feeling the quality of tax service: The tax department needs to propagate and guide the procedures related to tax declaration to all taxpayers. The tax sector should continue to promote the provision of electronic services to support taxpayers, such as: speeding up the granting of electronic transaction accounts in the tax field for individuals; electronic tax declaration and payment for individuals engaged in house rental activities, personal income tax for real estate transfer, electronic registration fee declaration and pay for cars and motorbikes, etc. upgrade software and system to meet advanced tax management. Expanding electronic tax services and database warehouses. Organizing the operation and support of technical infrastructure and information security systems; electronic declaration, submission, and refund services to ensure regular and continuous operation of the system; handling security holes to ensure system safety.

Policy implications of the management of tax authorities: The tax department needs to improve local tax authorities' tax inspection and inspection activities for businesses, which affects tax compliance. The tax department needs to strengthen communication and direct dialogue with taxpayers: seminars and conversations with organizations, businesses, and individuals paying taxes, promptly remove difficulties and problems for taxpayers and listen to feedback and contributions of taxpayers. Research and organize weeks to listen to taxpayers, weeks to support taxpayers... according to the topic, content, and scale appropriate to each locality. In addition, the tax industry needs to promptly and thoroughly publicize tax administrative procedures and some

information according to regulations on tax payment according to the presumptive method, information on invoices, and businesses at risk on the website and at the tax office's headquarters.

Policy implications of the structure of the tax system: The tax department needs to develop appropriate tax policies for each business line. In addition, it is necessary to study and perfect the regulations on tax declaration dossiers in the most reasonable way to create favorable conditions for taxpayers and ensure tax authorities' requirements to control business activities for taxpayers. Along with that, the tax industry needs to ensure the process of promulgating legal documents closely, reasonably, openly, and transparently so that it can get opinions from the masses of people, experts, and those affected by legal documents. It is necessary to conduct a thorough investigation and survey of reality before promulgating legal documents.

Policy implications of the business type: Businesses that need to control costs will increase tax compliance. Cost control is an essential activity of cost management. Cost management is the synthesis, analysis, and assessment of the actual situation of using capital sources and expenses, thereby making decisions about the short-term and long-term costs of the enterprise. For businesses to control the expenses incurred daily, it is crucial to identify the types of costs, especially those that can be controlled, devise appropriate cost control measures, and should ignore costs that are not within the control of the enterprise. Otherwise, the control will not be effective compared to the effort and time spent.

Policy implications of the characteristics of the enterprises: The tax department creates favorable conditions for businesses to have long-term operations and business efficiency, and the ability to comply with taxes is high. Small and medium-sized enterprises promote technological innovation, improve employment, maintain social stability and economic growth, and increase state budget revenue. However, in the context of implementing social distancing to prevent and control the Covid-19 epidemic, small and medium-sized enterprises' production and business activities suffer significant impacts due to which the tax sector at all levels is affected. It is necessary to effectively implement policies to support and remove difficulties for businesses and taxpayers to stabilize and develop production and trade, have the cash flow to fulfill obligations to the state budget, create a basis for nurturing sustainable income sources; promptly grasp new forms of production and business to have effective management methods.

Thus, the policy implications include 8 groups of recommendations that the tax department, as well as small and medium-sized enterprises in Dong Nai province, need to prioritize, including: (1) Tax policy, (2) Economy, (3) Perception of tax service quality, (4) Management of tax authorities, (5) Structure of tax system, (6) Business type, (7) Society and (8) Characteristics of the enterprise policy implications to contribute to improving tax compliance of small and medium-sized enterprises in the coming time.

5 Conclusion

It is very urgent and essential to study the contents of tax compliance in general and tax compliance of small and medium-sized enterprises in Dong Nai province. Specifically, looking at

the factors affecting tax compliance of small and medium-sized enterprises in Dong Nai province from a theoretical perspective and applying it to the specific conditions and circumstances of Dong Nai province during the period is very important now, both in terms of tax policy formulation, strategies and plans to improve the tax system, and tax administration organization. Besides, the above research has also indicated the methods of assessing the taxpayer's tax compliance and the factors affecting the taxpayer's tax compliance. In particular, the effectiveness and efficiency of the tax administration of the State are considered the most critical factor, directly affecting the taxpayer's sense of tax compliance. Finally, from research data that has been processed from SPSS 20.0 software and the results of descriptive statistics, the authors propose policy implications related to tax compliance of small and medium enterprises. And this is also vital scientific evidence for researchers and policymakers for tax departments to apply research results to improve and enhance tax compliance of tax authorities at small and medium enterprises in Dong Nai province.

6 Availability of Data and Material

Data can be made available by contacting the corresponding author.

7 Acknowledgment

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