

Taxation and Accounting of Corporate Income Tax in SMEs in Vietnam

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Abstract

Taxation is significant revenue for every country. Effective tax policy is a policy that both provides a stable income for the state budget and gives autonomy and equality to taxpayers. Small and medium enterprises (SMEs) in Vietnam have been essential for their contribution to employment, innovation, economic growth and diversity. As of 31/12/2016, the number of SMEs accounted for 97.7% of total enterprises (GSO, 2017). The total amount of taxes paid by SMEs was about 48% of the full fee collected from the business sector (Bui, 2018). This paper examines the tax reform in Vietnam since the economic revolution up to now, the characteristic of corporate income tax (CIT) and accounting treatment of SMEs for CIT purpose.

The research design is based on using qualitative research methods and combining expertise interview with studying the statements of the respondents. A survey methodology uses a sample of randomly selected SMEs in Hanoi and some provinces in the North of Vietnam.

The target population comprised of 94 SMEs operating as manufacturing, trade and services firms. It was concluded that a significant number of SMEs maintain two accounting book systems. Accounting practice in SMEs is influenced strongly of accounting regimes and tax regulations. In accounting for CIT purpose, SMEs are not affected by VAS 17 and there is discordance between tax compliance and accounting for tax.

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Keywords

Corporate income tax, accounting for tax, two accounting book, invalid expenses.

1. Introduction

On the one hand, taxation is the method or means by which the sovereign, through its law-making body, raises income to defray the necessary expenses of government. On the other hand, it is a method of

apportioning the cost of government among those who in some measure are privileged to enjoy its benefits and must, therefore, bear its burdens. Taxes are a compulsory financial contribution imposed by a government to raise revenue, levied on the income or property of persons or organizations, on

the production costs or sales prices of goods and services (R.Kee, 2013).

The reform of tax policy has been a vital part of economic transition in Vietnam. The taxable policy is leading to a fundamental change in the composition of taxpayers, from large State-owned enterprises (SOEs) and foreign directly invested (FDI) companies to a myriad of small and medium enterprises (SMEs). Economic transition is also leading to an equally significant change in the sources of government revenue, away from cross-border trade-related taxes and revenue collection from crude oil toward a more substantial share of domestic tax revenue, in particular taxation of business profits, labor income, and capital gains on land. However, completing the transition to a market economy will require changes going beyond tax collection and administration procedures, and will involve changes to the tax instruments themselves. At the end of this process, Vietnam should have a set of taxes that is simple and transparent, secures a stable flow of revenues for the government, encourages an efficient allocation of resources, and does not risk constituting a source of inequality or unfairness (Gangad et al., 2011).

SMEs in Vietnam play a crucial role in the success of employment, innovation, economic development, and diversity (Gangad et al., 2011). On 26 August 2016, the Vietnamese Ministry of Finance (MoF) issued Circular No. 133/2016/TT-BTC guiding the accounting regime for SMEs in replacement of Decision No. 48/2006/QĐ-BTC, valid from 1/1/2017. This circular has some points that are assessed progressively, openly and offer many options for SMEs. In particular, the circular has simplified the financial statements form for microenterprises. However, the implementation of regulations on organization of accounting practice, financial statement form makes the expense of compliance tax of SMEs increased. In addition, the regime is also making it difficult for small and micro-enterprises when requires them to maintain a bookkeeping

system and to apply in full with accounting principles and VASs, even if they have many or little economic transactions in their accounting period. (Nguyen, 2017).

This paper examines the tax reform in Vietnam since the economic revolution up to now, the characteristic of CIT and accounting treatment of SMEs for CIT purpose. The remainders of the paper are structured as follows: The next section investigates the overview of taxation in Vietnam. Section 3 reviews the historical development and characteristic of CIT in Vietnam. Section 4 presents the content of financial accounting for compliance with CIT in SMEs. Section 5 analyses the current tax situation of SMEs focusing on VAS 17. The last section of the paper designed the conclusion.

2. Overview of taxation in Vietnam

Tax regulations have a significant impact on the Vietnamese accounting field (Nguyen et al., 2012). The administration of the taxation system was the primary function of the Vietnamese accounting system. Thus, accounting information from financial reports was designed to serve mainly business management and the tax offices, by setting the standard forms and other disclosures for assessable compilations and comparatives by the authorities (Bui, 2011; Doan, 2013). To understand the changing of accounting on tax, an overview of taxation in Vietnam is necessary

Following the economic revolution (1986), there have been many vital changes in Vietnam's tax system over the last three decades. The scope and sequence of these reforms have been driven by the nature of the transition process. Focal points of tax reforms in Vietnam concentrated on broadening the tax bases, reducing tax rates and simplifying methods of tax calculation and declaration and payments (Oxfam and UN Women, 2016). Due to these reforms, tax system has contributed significantly to Vietnamese socio-economic

Table 2.1: Tax system in the first phase of tax reform (from 1990 to 1995)

Item	Tax law	Effective date	Main contents
1	Import-Export duty law	Jan 1988	36 tax rates
2	Turnover tax law	Oct 1990	11 tax rates
3	Special consumption tax law (SCT)	Oct 1990	For cigarettes, alcohols
4	Profit tax	Oct 1990	3 taxes rates based on industry
5	The agricultural land use tax law	Jan 1994	
6	The tax law on transferring land use right	Jan 1994	
7	The Ordinance on natural resource tax	Jan 1991	
8	The Ordinance on Income Tax for High Income Earners	April 1991	For high income earners
9	The Ordinance on housing and land tax	Feb 1992	For residential and construction land

Source: Own contribution

development as it is considered “State’s important tool in macroeconomic adjustment, contributing to production promotion, encouraging investment and export, promoting changes in the economic structure and the tax revenue becomes the major revenue of state budget” (Phung, 2008).

Phung, (2008) has indicated that **the first phase** of tax reform (from 1990 to 1995) mainly aims at setting up a unified tax system following with the multi-sector economy in order to ensure the state budget’s revenue. Before that Vietnam applied different revenue collection policies to economic sectors and areas: the regime of state collection and profit transfer was carried out in the economic state-owned sector, and this was the most important source of budget revenue. For example, depending on the type of industry, field and specific condition, enterprises must pay from 0.5% to 40% of its revenue to the State budget. If it makes a profit, it must pay 30% of the profit to the State for the heavy industry, 40% for the light industry, and 50% for the trade and service sector. The non-state areas of production, trade and services paid the enterprise tax and income tax, but these were collected by presumptive rates; meanwhile which private business households paid more than cooperatives. The agricultural sector paid from 10% to 20% of its annual harvesting yield to the State depending on the rank of the agricultural land used to cultivate. Individual farmers also paid higher tax than that belonging to cooperative. In this reform period, the tax system of Vietnam was initially taken shape and

uniformly applied to all economic sectors, including following tax laws and ordinances (Table 2.1).

The second phase of reform took place in the late of the 1990s and early 2000s. In this period, the tax system had also revealed its weaknesses, such as the overlapping of turnover tax, high tax rate and discrimination in profit tax. In order to tackle these issues, the second phase of tax reform was carried out mainly on issuing the value-added tax (VAT) and corporate income tax (from May 1997, coming into effect from January 1st, 1999), concurrently rearrangement of special consumption tax (May, 1998) and taxes on import and export goods (Phung, 2008). According to 2nd reform, import goods must be subjected to import taxes and VAT. Some kinds of import goods must also be subjected to special consumption tax.

The issuance of VAT was considered as a milestone that overcame the fundamental weakness of the turnover tax, has been double taxed and affected negatively economic activities. Moreover, the VAT levied on the consumption or use of goods or services that has increased budget revenue because the tax base of VAT widened. After several years of implementing, tax rates were amended from four levels (0%, 5%, 10%, and 20%) to three ones (leaving the tax rate of 20% out). At this time, VAT was applied to goods which belong to the domain of products levied by a special consumption tax. However, VAT of Vietnam has still revealed a variety of problems that must be solved in the long-term. First, there are large domains

of non-taxable goods, or shortage of suitable tax exemption threshold based on turnover. Second, VAT has also concurrently the application of two different approaches of tax calculations; such as tax deducting one, and direct calculation one. In addition, condition and basis for the tax deduction, or tax refund should be improved to limit tax evasion and other illegal activities (Phung, 2008).

Similar to VAT, the CIT was promulgated as to widen the tax base, and this has established equality among economic sectors. A unique tax rate of 32% was applied instead of three rates of 25%, 35% and 45% as before. The important point was that the personal income tax only applied to people who have a much higher income than average social level; thus business individuals who belong to the taxpaying will have to pay corporate income tax. Although having many advantages, the corporate income tax still revealed some shortcomings: unfair treatment between the domestic enterprises and foreign direct investment (FDI) companies in terms of the regulation of international investment law in Vietnam. This regulation stipulates that the normal tax rate of 25% and preferential rates of 10%, 15% or 20% were applied to newly established enterprises according to industries, fields or areas where needs the encouragement of investment.

To facilitate the investment environment, in June 2003, the National Congress of Vietnam approved the corporate income tax law (modified) No. 09/2003/QH11, based on unifying tax rates and preferential tax between domestic enterprises and FDI ones. According to the corporate income tax Law No. 09/2003/QH11, investors have two options. If investors were receiving highly preferential tax rates, they could have the right to maintain this application. Alternatively, if the new regulation is more profitable for investors, investors may shift to apply a new preferred rate in the rest time of the projects. However, before the Investment Law and the Business Law issued in 2005 and came into effect from 1st July 2006, the establishment of FDI

projects had still given higher preferential treatment than domestic enterprises due to the Government wanted to encourage and attract foreign investment.

The second phase of tax reform had highlights with the issuance of VAT and CIT. Furthermore, some taxes and fees had been remarkably adjusted to meet with requirements of economic development. Firstly, the proposals on the issuance of personal income tax to widen the tax base. Second, the proposal of tax reform that was concerned with land taxes deployed. Likewise, Issuance of the ordinance on fees aimed at reordering rules in fees management in the local and sub-localities. As a result of tax reforms, the Vietnamese tax system has been more and more comprehensive and gradually strengthened. The tax system has been applied synchronously to all economic sectors, to meet with requirements of the market economic mechanism.

The third phase of tax reform was carried out from 2005 to 2010 (Phan, 2016). In this phase, the changes have been made in all of Vietnam's primary tax legislation. Vietnam Government has undertaken a tax overhaul to meet the requirements of acceding to the World Trade Organization (WTO) (Oxfam and UN Women, 2016). The implementation of multilateral and bilateral international commitments led to a significant reduction in revenue from import tax, which was accounted for about 30% of total tax revenues in 2006 (GSO, 2012). In order to gradually increase the percentage of direct taxes and reduce the proportion of indirect taxes respectively, some existing taxes were amended and some new ones were issued. There were the specific contents of this reform. This stage was a critical because of the promulgation of many new kinds of Laws on tax. For example, they were Law on Tax Administration (2006); Law on Personal Income Tax (PIT) (2007); Law on Special Consumption Tax (SCT) (2008); Law on Natural Resource Tax (2009), Law on Non-agricultural Land Tax (2010) and Law on Environmental Protection Tax (2010).

Table 2.2: Types of taxes in Vietnam (As of January 2018)

1. Value-added tax	2. Natural resource tax
3. Special consumption tax	4. Agricultural land use tax
5. Export-import tax	6. Non-agricultural land use tax
7. Corporate income tax	8. Environmental protection tax
9. Personal income tax	10. Various types of fees and charges

Source: Own contribution

During this period, the tax reform program to 2010 completed the orientation of the Government that was promulgation new taxes; amendment and supplement the contents of main current taxes in order to suitable with the economic integration and international commitments towards free trade.

In the last seven years, Vietnam has also embarked in another round of tax reform in line with the directions set in the Tax Reform Strategy 2011-2020, which was approved by the Prime Minister in the Decision 732/QĐ-TTg dated May 17th, 2011 (Oxfam and UN Women, 2016). The objective of this strategy is to create a tax system that (i) is comprehensive, fair, efficient and consistent with a socialist market economy; (ii) is simple and transparent; (iii) promotes competitiveness and exports; (iv) encourages investment, especially in high technology; and (v) creates employment and growth (Minister, 2011). In accordance with these directions, all of Vietnam's major taxes have been amended and supplemented over the last seven years, including the Law on VAT, Law on CIT; Law on PIT, and the Law on SCT. Accordingly, Vietnam has reduced its CIT rate from 25% to 22% from 2014 and to 20% since January 1st, 2016 (Assembly, 2013). PIT deduction threshold for the taxpayer was increased by 2.25 times in 2012, from 4 million VND per month to 9 million VND per month (Assembly, 2012). This increase has contributed to a substantial reduction of the income tax burden for individuals in recent years. Vietnam has also set a three-year roadmap to increase the excise rates on cigarettes, beers and alcohol products, beginning from January 1st, 2016 (Assembly, 2014). The National Assembly also approved a new Law on fees and charges in November 2015, which from January 1, 2017,

replaced the Ordinance on Fees and Charges. By the end of 2017, most of the major types of taxes, which are considered as necessary for the functioning of a market-oriented economy, were presented in Vietnam's tax system (Table 2.2).

In general, Vietnam's achievements in tax reform have been quite impressive and the country has recorded itself as one of the strong performers in tax reform. Tax reform in Vietnam has yielded remarkable successes in term of revenue mobilization, especially up to the late 2010s (Oxfam and UN Women, 2016).

3. Corporate income tax in Vietnam

3.1 Historical of the corporate income tax in Vietnam

A profits tax was first introduced in Vietnam in 1990 and were levied on the income of all business enterprises of the private sector, state sector or established through foreign investment. The tax had a broad coverage with few exemptions. The corporate income tax in its present form was introduced in 1999. It was later amended in 2003 with a view of abolishing discrimination among different sectors of the economy, attracting more investment and enhancing tax revenues. It was amended again in 2008 effective January 1st, 2009 to remove certain anomalies and provide a more business-friendly tax environment. In 2013, in order to attract foreign investment and to create conditions for enterprises to develop, CIT law had continued to be revised. Up to now, this law is applying for all kinds of enterprises. The changes in the Law on CIT have focused mainly on (i) unifying and reducing the CIT rates; (ii) reforming the CIT

base (e.g. deductions for reasonable expenses); (iii) "rationalizing" tax incentives and (iv) simplifying CIT administration.

3.2 Features of the corporate income tax in Vietnam

Corporate Income Tax is levied on the income of business organizations and governed by the 2008 law on CIT, first amended in 2013 by Law 32/2013/QH13 and latest amended by Law 71/2014/QH13 dated 26th November 2014. The current tax rate applicable to the corporate income is 20%. In contrast to common tax systems, the Vietnamese law on CIT does not focus only on enterprises. Sole proprietorships are also subject to CIT (WTS, 2017). According to these laws, corporate income tax in Vietnam has some features.

Taxpayers

Organizations engaged in goods production, and trading or service provider are subject to corporate income tax. These include state enterprises, limited liability companies, joint-stock companies, partnerships, private enterprises, cooperatives and foreign-invested enterprises.

Similarly, FDI companies doing business and earning incomes generated in Vietnam are subject to this tax. Taxable entities include resident establishments of FDI companies comprising manufacturing and business facilities through which the ones conduct a part or all of their production and business activities in Vietnam such as:

- (a) Branches, executive offices, factories, workshops, means of transportation, mining, oil and gas fields or other sites of extraction of natural resources in Vietnam;
- (b) Construction sites, works of construction, installation or assembly;
- (c) Establishments providing services, for instance, consultancy services through employees, or an organization or individual;
- (d) Foreign enterprises' agents;

- (e) Representatives in Vietnam authorized and empowered to sign contracts in the name of foreign enterprises or representatives not authorized to sign contracts in the name of foreign enterprises but regularly delivering goods or providing services in Vietnam.

Tax Exempt Income

- (a) Income earned from agricultural production activities of Co-Operatives;
- (b) Income earned from performance of technical services directly serving agricultural production;
- (c) Income earned from performance of contracts for scientific research and technological development; from products during their period of test production, and from products made from new technology applied for the first time in Vietnam;
- (d) Incomes from the production and business of enterprises that employ disabled persons, detoxified people (former drug addicts now rehabilitated) and HIV sufferers. It excludes other salaries or income from activities outside the main business activities of the enterprise concerned. The number of these special category employees must be at least 30% of the average number of workers in a year employed by the enterprise. Enterprises engaged in financial activities or real estate are not entitled to this exemption and neither are enterprises that use less than an average of 20 persons during a year;
- (e) Income earned from occupational training activities specially reserved for ethnic minority people, disabled people, children living in particularly difficult conditions and reformed offenders;
- (f) Income distributed to an investment company that is like a return for capital contribution, joint venture and/or association with a domestic enterprise after payment of corporate income tax in accordance with CIT Law by the investee;

- (g) Aid funds received for use in educational, scientific research, cultural, artistic, charitable, and humanitarian and other social activities in Vietnam.

Taxable Income

Taxable income from goods production and trading or service provision activities is the total turnover minus deductible expenses related to earning the income plus “other” income.

“Other” taxable incomes include income from capital transfers and real property transfers. Real property transfers earned through the passive ownership of property, or right to use assets. For instance, “Other” taxable incomes would include as following:

- Income from the transfer, leasing out or liquidation of assets.
- Income from interest on deposits, loans, or sales of foreign currency.
- Capital gains reserves
- Bad debts on sales of capital property
- Income from business omitted in previous years, and other income including income receivable from activities of production and foreign source income.

Permissible Expenses

As mentioned above, taxable income is calculated from the gross income after deducting permissible expenses. The 2008 CIT law deems all payment that meet two conditions as deductible (except for certain specified non-deductible expenses). Expenses must meet the following two conditions for being considered deductible.

- They are actually paid for and used in production and business activities;
- They are backed by adequate legally acceptable invoices and documents as prescribed by law.

The Law No 32/2013/QH12 and The Law No 71/2014/QH13 also have more detailed regulations on this issue.

Turnover, Taxable Income and Tax Payable

Turnover means total sales revenue, processing fees and fees for the provision of services including price subsidies and additional charges and fees to which the enterprise is entitled, calculated in Vietnamese dong.

Assessable income = Turnover - deductible expenses + other incomes

Taxable income = Assessable income - exempt income - loss carry forward as permitted

CIT payable = {Taxable income - Deduction for payments into Science and Technology fund} * applicable tax rate

Tax Rates

Currently, standard CIT rate is 20% that is applied for all kind of enterprises in the economy except for the cases in Clause 2 and Clause 3 of this Article 10 and beneficiaries of tax incentives defined in Article 13 of Law No 32/2013/QH12.

The tax rate applicable to business establishments conducting activities of prospecting, exploration and exploitation of oil and gas and other precious and rare natural resources are between 32% and 50%, depending on each project and business establishment. Public service units that are involved in the activities of goods and services business subject to enterprise income tax that can account for their revenue but cannot account and determine the cost and profits of the business operation declare and pay enterprise income tax on the revenue from sales of goods and services as follows:

- For services: 5%.
- For goods business: 1%.
- For other activities (including activities of education, health, art performance): 2%.

Tax Incentives

Investment projects or cooperatives enjoy reduced tax rates of 20% or 10% on setting up new production establishments in branches, trades, fields or geographical areas in which investment is

encouraged. The preferential tax rate of 10% or 20% in different period is applicable in some special case, which the Government stipulated

Loss Carry Forward

If businesses suffer losses, they are entitled to transfer such losses to the following year, which shall be offset against their taxable incomes. The duration eligible for the loss carry forward should not exceed five years.

It can be said that, CIT is one of the major sources of revenue in Vietnam. In 2017, revenue collected from CIT (exclude from oil and gas) accounted for 19.38 % of total Government revenue (Policy, 2018).

4. Financial accounting for compliance with corporate income tax in SMEs

Although accounting for income tax (AFIT) requires expertise in both financial accounting and taxation, it is important to understand that AFIT is a financial accounting system. No tax statute mandates or governs AFIT. The purpose of all financial accounting is to provide useful information to stakeholders, such as investors and creditors. The specific purpose of AFIT is to present information about the firm's taxes, using the same accounting framework (Graham et al., 2010). In Vietnam, accounting regulations for income tax include Vietnamese Accounting Standard No 17 – Income tax (VAS 17) and Accounting regime for SMEs.

4.1 Vietnamese Accounting Standard No. 17 – Income tax (VAS 17)

Since 2001, Vietnam has established the Vietnamese Accounting Standards system (VASs) based on International Accounting Standards system (IASs). The VASs have been based on IASs with adjustments for economic, finance and accounting Vietnam's conditions (Gong and Nguyen, 2012). VAS 17 was issued in pursuance of the MoF Decision No. 12/2005/QĐ-BTC dated February

15th 2005 under full implementation of IAS 12 and Vietnam Accounting Law 2003. Following VAS 17 (MoF, 2005), the objective of this standard is to prescribe accounting principles and accounting treatment for income taxes. It includes accounting for the current and future income tax consequences of the future recovery or settlement of the carrying amount of assets or liabilities that are recognized in an enterprise's balance sheet; and the transactions and other events of the current period that are recognized in an enterprise's income statement.

This standard requires an enterprise to account for the tax consequences of transactions and other events in the same way that it accounts for the transactions and other events themselves. Thus, for transactions and other events recognized in the income statement, any related tax effects are also recognized in the income statement. For transactions and other events recognized directly in equity, any related tax effects are also recognized directly in equity.

This standard also deals with the recognition of deferred tax assets arising from unused tax losses or unused tax credits and the presentation of income taxes in the financial statements and the disclosure of information relating to income taxes.

Income taxes include all income taxes which are based on taxable profits including profits generated from production and trading activities in other countries that the Socialist Republic of Vietnam has not signed any double tax relief agreement. Income taxes also include other related taxes, such as withholding taxes on foreign individuals or organizations with no permanent standing in Vietnam when they receive dividends or distribution from their partnership, associates, joint venture or subsidiary; or making a payment for services provided by foreign contractors in accordance with regulations of the prevailing Law on corporate income taxes (Paragraph 2 – VAS 17).

VAS 17 also defines some key contents, which are the terminology used, tax base, recognition

of current tax liabilities and current tax assets, recognition of deferred tax liabilities and deferred tax assets, taxable temporary differences, re-assessment of unrecognized deferred tax assets, measurement, income statement and items credited or charged directly to equity.

Accounting profit is net profit or loss for a period before deducting tax expense, determined by the rules of accounting standards and accounting system.

Taxable profit is the taxable profit for a period, determined in accordance with the rules of the current Law on Income taxes, upon which income taxes are payable or recoverable.

Income tax expense (tax income) is the aggregate amount of current income tax expense (income) and deferred income tax expense (income) included in the determination of profit or loss for the period.

Current income tax is the amount of income taxes payable or recoverable in respect of the current year taxable profit and the current tax rates.

Deferred income tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences in the current year.

Deferred income tax assets: are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences; the carry forward of unused tax losses; and the carry forward of unused tax credits.

Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base. They may be either taxable temporary differences or deductible temporary differences.

The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

Income tax expense comprises current tax expense and deferred tax expense. Tax income comprises current tax income and deferred tax income.

Paragraph 4 and 5 of VAS 17 stipulate the tax base in detail. *The tax base of an asset* is the

amount that will be deductible for tax purposes against any taxable economic benefits that will flow to an enterprise when it recovers the carrying amount of the asset. If those economic benefits will not be taxable, the tax base of the asset is equal to its carrying amount. *The tax base of a liability* is its carrying amount, less any amount that will be deductible for tax purposes in respect of that liability in future periods. In the case of revenue which is received in advance, the tax base of the resulting liability is its carrying amount, less any amount of the revenue that will not be taxable in future periods.

About the recognition of current tax liabilities and current tax assets, current tax for current and prior periods should, to the extent unpaid, be recognized as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess should be recognized as an asset (Paragraph 8 – VAS 17).

In the content of recognition of deferred tax liabilities and deferred tax assets, VAS 17 refers to taxable temporary differences and deductible temporary differences. Deferred tax liability should be recognized for all taxable temporary differences, unless the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither accounting profit nor taxable profit (tax loss) (Paragraph 9). A deferred tax asset shall be recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction which at the time of transaction, affects neither accounting profit nor taxable profit (tax loss) (Paragraph 13). However, VAS 17 does not address temporary differences and deferred tax recognition, in respect of business combinations, assets carried at fair value, goodwill and government grants. Although VAS 17

fully implements IAS 12, these are major differences between VAS 17 and IAS 12.

In measurement, VAS 17 indicates that current tax liabilities (assets) for the current and prior periods should be measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities should be measured at the tax rates that are expected to apply to the financial year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

There are two ways in accounting for current and deferred tax. Firstly, the current and deferred tax should be recognized as income or an expense and included in profit or loss for the period. They are recognized in the income statement. Secondly, current tax and deferred tax should be charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity. VASs require or permit certain items to be credited or charged to equity. For examples, an adjustment to the opening balance of retained earnings resulting from either a change in accounting policies that is applied retrospectively or the correction of an error or exchange differences arises on the translation of the financial statements of a foreign entity and some other cases that was mentioned in paragraph 45, 46 and 47.

For presentation, paragraph 48 and 49 – VAS 17 indicate that deferred tax assets and deferred tax liabilities should be presented separately from other assets and liabilities in the balance sheet. Deferred tax assets and deferred tax liabilities should be distinguished from current tax assets and current tax liabilities. When an enterprise classifies its assets and liabilities as current and non-current assets and liabilities in its financial statements, the enterprise should not classify deferred tax assets (liabilities) as

current assets (liabilities). The tax expense (income) related to profit or loss from ordinary activities shall be presented in the income statement. (Paragraph 54 – VAS 17)

4.2 Accounting treatment for tax purpose under the accounting regime for SMEs

Circular No. 133/2016/TT-BTC dated August 26th, 2016 of the MoF (MoF, 2016b) is accounting regime, which provides instructions on bookkeeping, preparation of financial statements of small and medium enterprises (SMEs) and is not applied to the determination of enterprises' tax liability. According to Article 4, Circular 133, SMEs are applied by the accounting policy specified in this Circular and relevant VASs except Standard 11 – Amalgamation; Standard 19 – Insurance policies; Standard 22 – Supplementary contents of financial statements of banks and similar financial institutions; Standard 25 – Consolidated financial statement and accounting of investments in subsidiaries; Standard 27 – Mid-term financial statement; Standard 28 – Partial statement; Standard 30 – Interest on shares. The content means that SMEs must fully comply with VAS 17. This is a new point of the accounting policy applied to SMEs compared to the previous version. When fully compliant with VAS 17, SMEs will have to familiarize themselves with and determine the current income tax, deferred income tax (if any). Circular 133 also provides detail guidance of CIT expense account.

Corporate income tax expense – Account 821

Following Article 67 of Circular 133, this account reflects CIT earned in the year as the basis for determination of the after-tax enterprise outcome in the current fiscal year.

CIT recorded to this account is the amount of CIT on taxable income earned in the year and the applicable CIT rate.

The accountant shall record CIT payable quarterly according to tax payment documents.

At the end of the fiscal year, according to the annual tax declaration, if the CIT paid in the year is smaller than the amount payable, accountants shall record the additional amount of CIT payable to this account.

Immaterial errors in the CIT payable of previous years may be recorded as increases or decreases in corporate income tax payable in the year in which such errors are discovered.

In the case of material errors, accountants shall make retroactive adjustments. When preparing a financial statement, accounting shall transfer CIT to Account 911. Account 821 does not have a closing balance.

The contents above are detailed instructions on financial accounting for CIT purposes in the SMEs. It can be seen that there is a contradiction in the accounting regulations for tax purposes under Circular 133. According to Article 4 of Circular 133, SMEs must fully comply with 19/26 VASs (including VAS 17). Conversely, following Article 41 and Article 67 of this Circular, it only guides the accounting treatment of two contents that are Taxes and other payables to the State (account 333) and CIT expense (account 821). These contents of deferred CIT expenses; deferred income tax assets and deferred income tax liabilities were not mentioned in Circular 133. Thus, it is not consistent with the fully applicable requirements of VAS 17 in SMEs. The existence of these conflicts will make difficult for SMEs to implement Circular 133 even though the content that is not mentioned is rarely (or does not exist) in SMEs.

5. Accounting practice of SMEs focusing on taxation

Although SMEs play a crucial role in many economies, it is surprising that little SMEs has been known about their compliance with accounting standards. Unlike large firms, SMEs have somewhat different objectives, motivations, and actions (Dang,

2011). Collis and Jarvis (2000) found that users of SMEs' financial statements were seen as the limit. Main users of the financial statements have been identified as tax authorities, banks and owner-managers themselves. The separation of ownership and control is not common. The accountants were perceived to have a great influence on whether or not SMEs adopt accounting standards. However, in the case of smaller firms, the approach to skilled accountants who can understand and apply the standards tends to be limited (Dang, 2011).

To understand how the taxation of Vietnamese SMEs focus on VAS 17, this research uses qualitative research methods with expertise interview to study the statements of the respondents on issues related to income tax in SMEs, the difficulties of SMEs on taxation and the effect of VAS 17 in accounting treatment for CIT. To serve the research purpose, the author collected data with the random sampling method. The valid survey result obtained from 94 SMEs, mainly in Hanoi, the national economical center of Vietnam.

5.1 Profile of responding firms

In Vietnam, under the Law on Supporting SMEs, SMEs are defined as enterprises whose average number of employees participating in social insurance does not exceed 200 per year and that either have a total investment capital, not more than VND100 billion (about US4.4 million) or a previous year's total revenue of not more than VND300 billion (Assembly, 2017). To identify micro-enterprises, small enterprises and medium enterprises, it must be based on their sectors of activity such as agriculture, forestry and fisheries; industry and construction; trade and services (Government, 2018).

5.1.1 Characteristic of SMEs surveyed

Based on these criteria, SMEs surveyed were classified according to their scale, ownership and sectors of activity. The primary data of this sample is shown in Table 5.1.

In total 94 surveyed enterprises, small enterprises

Table 5.1: Characteristic of SMEs surveyed

	Medium		Small		Micro		Total	
	Quantity	Proportion	Quantity	Proportion	Quantity	Proportion	Quantity	Proportion
1. Type of organization	25	26.6	56	59.6	13	13.8	94	100.0
Limited liability company	10	10.6	28	29.8	7	7.4	45	47.9
Private company	0	0.0	2	2.1	0	0.0	2	2.1
Join stock company	12	12.8	26	27.7	6	6.4	44	46.8
FDI company	3	3.2	0	0.0	0	0.0	3	3.2
2. Business sector	25	26.6	56	59.6	13	13.8	94	100.0
Service	2	2.1	6	6.4	6	6.4	14	14.9
Manufacture	9	9.6	7	7.4	1	1.1	17	18.1
Commerce	4	4.3	25	26.6	6	6.4	35	37.2
Combine many sectors	10	10.6	18	19.1	0	0.0	28	29.8

Source: Own survey (2017-2018)

held the largest proportion, which was 59.6%, followed by 26.6% of medium enterprises and micro enterprises took the least ratio with 13.8%. As for organizations' structure, most of the interviews were conducted in a limited liability company with 47.9%, the second is a joint stock company with 46.8%. Only three FDI companies and two private companies subjected in this survey accounted for 3.2% and 2.1% respectively. However, all of FDI companies have medium scale.

About business sector, the largest percentage of respondents was commercial enterprises, accounted for 37%. 29.8% of enterprises were doing their business in two business sectors or more. They often mix between manufacture and trade, trade and construction, trade and service, etc. Particularly, there are several enterprises operating in all fields of manufacture, commerce and service. The next is 16% of the manufacturing enterprises and the lowest rate is 14.9% belong to service enterprises. In the manufacturing sector, medium entities accounted for the biggest rate at over 50% because manufacturing is an area that requires high capital investments, long periods of payback and intensive use of labor. Thus, it is difficult for small and micro companies to meet these requirements.

5.1.2 Accounting organization and facility

Table 5.2 shows different types of accounting activity organization and supporting facility of SMEs in Vietnam. There are three options for them to

organize their accounting activity. The first option is self-doing, the second one is using accounting service, which is supplied by an accounting service company or a professional in accounting (it is accepted under the Accounting Law 2015). The last one is the combination of both self-doing and hiring. According to the survey results, 78.7% of samples have organized their accounting work themselves and 21.3% of the interviews have had the combination of both self-doing and hiring. There was no answer for only using accounting services. All of the SMEs that have sector combination are using accounting services to make a financial statement and tax reports. They often are the companies that have one or several accountants, who specialize in tracking their production activities to provide timely information for managers to make business decisions. However, these accountants often (1) do not understand the rules of tax, or the enterprises do not believe in their accountant's skills, or (3) they are in fear of tax-penalty related. Therefore, they choose to hire accounting services to make accounting books and to complete financial statements and tax reports. In other words, accounting services companies will help them to prepare accounting information for external audiences. This also means that in order to provide accounting information for decision makers, it will be done by internal accountants. Commonly, it is different between internal and external accounting

Table 5.2: Accounting organization and facility

	Medium		Small		Micro		Total	
	Quantity	Proportion	Quantity	Proportion	Quantity	Proportion	Quantity	Proportion
1. Acc. information supply	25	26.6	56	59.6	13	13.8	94	100.0
By Self-doing	23	24.5	43	45.7	8	8.5	74	78.7
By using accounting service	0	0.0	0	0.0	0	0.0	0	0.0
By both self-doing and hire	2	2.1	13	13.8	5	5.3	20	21.3
2. Acc. support facility	25	26.6	56	59.6	13	13.8	94	100
Accounting software	25	26.6	49	52.1	9	9.6	83	88.3
Internet (Update and tutorials)	24	25.5	55	58.5	13	13.8	92	97.9
Textbook	11	11.7	13	13.8	6	6.4	30	31.9
Others facilities	10	10.6	20	21.3	5	5.3	35	37.2
3. Application internal control	12	12.8	43	45.7	2	2.1	57	60.6

Source: Own survey (2017-2018)

information in these enterprises

About accounting facility, 88.3% of SMEs surveyed are using accounting software while only 11.7% are using excel tool or nothing in their accounting practices. The enterprises that do not use accounting software are (1) small or micro units, (2) having elementary business operations, (3) or based on their accountant habits. There are many different types of accounting software, which are being used in surveyed SMEs. They often are packaged software. The cost of using accounting software is also cheap. SMEs usually have to pay from VND 3 to 10M (about from USD 130 to USD 430) for a new software investment. Most software is free of maintenance and updates annually.

Besides that, there were 97.9% of surveyed enterprises use internet and consider it an useful tool in support for accountants when they need to find out or look up relevant documents. Only 31.9% of the respondent use textbook and 37.2% of them got others facilities, such as getting advice from experts or tax officers

Regarding internal control, there were 60.6% of samples having internal control, wherein 12.8% of the medium enterprise, 45.7% of small ones and only 2.1% of microenterprise had this system. In the samples, internal control systems are usually created by SME's self; some of them were built by ISO standard. In micro groups, only two enterprises were setting up independent internal control.

However, they said that their internal control system is just formed because they are micro joint-stock company have just been equitized from the State entities, where the internal control system is a necessary part.

5.2 Accounting information purpose

5.2.1 The number of accountant in SMEs

From the data collections, the study found out that 41.5% of the respondents had only from 1 or 2 accounting practitioners. 37.2% of interviewee had from 3 to 5 accountants and there were 21.3% of the samples had more than six accountants. The enterprises that are medium size or having many branches often use more accountant than the others. One accountant in SMEs often undertakes many activities of their enterprise rather than specialization. They are involved in other tasks such as clerical, labor management, treasurer, warehouse manager, and so on at the same time. It is the unprofessional job assignment that makes many accountants passive in their work. There is not enough time for them to focus on their accounting

Table 5.3: Number of accountant in SMEs

Number of accountants in SMEs (person)	Observation	
	Frequency	Percentage
From 1 to 2	39	41.5
From 3 to 5	35	37.2
Over 5	20	21.3
Total	94	100

Source: Own survey (2017-2018)

Table 5.4: Accounting treatment organization for tax purpose

Accounting organization for tax purpose	Observation	
	Frequency	Percentage
Separate accountant for taxes	23	24.5
No separate accountant for taxes	7	7.4
Using accounting service for taxes	20	21.3
Chief accountant for taxes	28	29.8
General accountant for taxes	16	17.0
Total	94	100

Source: Own survey (2017-2018)

practice and to update the improvements of the accounting and tax regulations. It is one of the main reasons of many mistakes in SMEs' accounting practice.

5.2.2 Organization of accounting activity for tax purpose in SMEs

As mentioned above, 21.3% of surveyed SMEs have been using accounting services to complete accounting books, financial statements and tax reports. 78.7% of samples have organized their accounting work themselves (include accounting for tax purpose). Table 5.4 below shows the allocation of accounting work for tax purposes in SMEs. 24.5% of firms separate the accountant for tax purpose. Up to 29.8% of samples that are having a chief accountant work as an accountant for tax purpose. Besides that, there were 17.0% of SMEs whose accounting treatment for the tax was done by a general accountant. Especially, there were only 7 enterprises, equivalent to 7.4% that did not separate accounting for tax purposes. They are micro-enterprises, which have very few arise economic operations. They often have only one staff working as an accountant and other general parts of the entities.

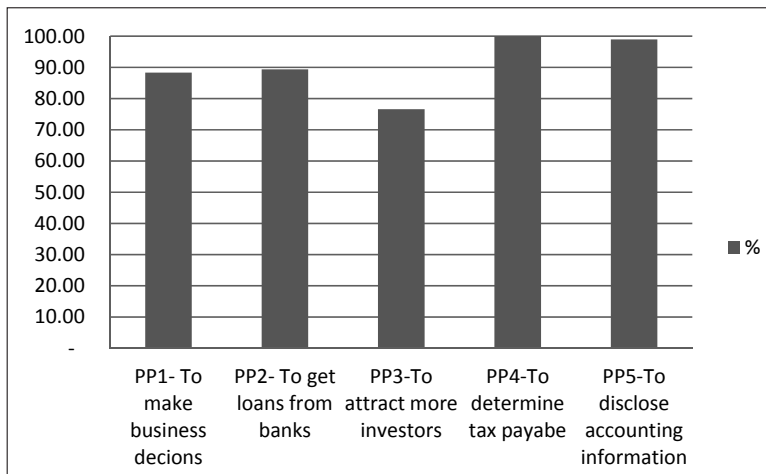
All of this proves that financial accounting for tax purpose and the provision of accounting information to tax authorities are of great concern to SMEs. Despite the different ways in the accounting activity between enterprises, 95.7% of SMEs interviewed said that they are maintaining two accounting books system. One accounting book system followed the requirement of accounting regimes, which provides

accounting information for external users such as tax authority, bank, investor, etc. The other system is usually unofficial bookkeeping that supplies real information for the owners to make the business decision. Certainly, the accounting information provided by two bookkeeping systems is different.

5.2.3 Accounting information supplying by SMEs

From the data collection, five main purposes of using accounting information were found (see Figure 5.5). The most concern related to financial statements (FS) and tax reports (TR), including determining payable taxes. The least one was to attract more investors. 100% of respondents used FS and TR to submit information to the tax authority and 98.94% of samples used to provide accounting information for local Government agencies, such as the Department of Statistics or the Department of Planning and Investment. There were only 76.6% surveyed SMEs used their FS to attract more investors while 88.3% and 89.5% ones used the FS and TR for making business decisions and getting loans from banks respectively.

Although FS and TR are used for all purposes of SMEs' activities, there is a big difference in the level of accounting information's influence on each decision in each type of enterprise. Table 5.6 illustrates the impact of accounting information on the samples' activities. A Likert scale was used to measure the level of influence of accounting information on each business activity. The scale used five points. Point 1 is "no impact," Point 2 is "low impact," Point 3 is "medium impact," Point 4 is "high impact," and Point 5 is "very high impact."



Source: Own survey (2017-2018)

Figure 5.5: Purposes of accounting information supplying by SMEs

Table 5.6: The affection of accounting information on SMEs' activities.

	<i>PP1- To make business decisions</i>	<i>PP2- To get loans from banks</i>	<i>PP3- To attract more investors</i>	<i>PP4- To determine tax payable</i>	<i>PP5- To disclose accounting information</i>
Mean	2.457446809	3.574468085	2.680851064	4.244680851	3.489361702
Median	2	4	2	4	3
Mode	2	4	2	4	3
Standard Deviation	0.771326098	1.102190992	1.305182111	0.713708627	0.839158319
Range	3	4	4	3	4
Minimum	1	1	1	2	1
Maximum	4	5	5	5	5
Sum	231	336	252	399	328
Count	94	94	94	94	94

Source: Own survey (2017-2018)

As a result, the impact of accounting information on tax determination is the biggest, receiving a score of 4.244 on the Likert scale. Meanwhile, the impact on business decision making was lowest at 2.457. Therefore, somehow accurately reflects the current situation when the financial statements from SMEs are not regarded as the main channel or reliable source of information in making economic decisions.

However, as the finding, most FSs were adjusted for tax purposes under the owners or chief accountants' opinions before submission. Thus, accounting information provided by SMEs does not often strongly reflect business reality, and it does not accurately reflect organization performance. According to the results of the survey, SMEs can

reduce their tax payable by increasing expenses or decreasing back on sales. These results support the finding of Dang.T.V (2016), that many SMEs are using this method to offset the invalid expenses that they had to pay but are not considered being deductible under the tax regulations (Tu and Lan, 2015).

Alternatively, SMEs accounting information cannot attract more investors because of two reasons: (1) SMEs are less likely to attract investment from investors, (2) investors also do not believe in the unaudited financial report provided by enterprises themselves.

Accounting information of SMEs also has a relatively important role in helping them obtain

Table 5.7: Taxes are most interested in SMEs

Taxes are most interested in SMEs	Observation	
	Frequency	Percentage
1. Corporate Income Tax (CIT)	92	97.87
2. Value Added Tax (VAT)	90	95.74
3. Personal Income Tax (PIT)	50	53.19
4. Business fees	18	19.15
5. Special consumption tax	1	1.06
6. Export Tax	6	6.38
7. Import Tax	23	24.47
8. Environmental Protection Tax	1	1.06
9. Fees for lands using	1	1.06
Total surveyed SMEs	94	

Source: Own survey (2017-2018)

loans from banks (mean is 3.574 score on the Likert scale). In addition to having collateral for the loans, some banks also agree to provide a loan to SMEs if these SMEs provide a reliable FS, TR and a good business plan.

Disclosure information to local government agencies is a vital essential task for Vietnamese enterprises. However, the requirements for information disclosure are not necessary. As a result, the impact of accounting information on it is only moderate.

Basically, accounting information serves all purposes of SMEs' operations. However, the level of using and the reliability of accounting information for each activity are different. Applying accounting regulations is the ground for the making and effects to the quality of accounting information in these enterprises.

5.3 The contents of corporate income tax in SMEs.

5.3.1 Taxation in SMEs

Depend on the business sector, Vietnamese enterprises are incurring on some types of taxes and fees. There is a total of ten kinds of taxes and fees that Vietnamese enterprises have to pay. According to the survey results, SMEs are carrying two types of taxes and fees at least; especially, some of them are carrying 7/9 types of taxes and fees. Most SMEs are subject to five types of taxes and fees include

Corporate Income Tax (CIT), Value Added Tax (VAT), Personal Income Tax (PIT), License fees and Import Tax. License fees are an annual fee based on the registered capital of each enterprise (MoF, 2016a). Because it is a fixed fee that every enterprise has to contribute to the State budget, so it is not difficult in determination and accounts it. Thus, it is not the most interesting taxes while it is the most popular taxes.

When being asked about the three types of taxes that SMEs are most interested in, the survey results are not beyond the researcher's expectations. Table 5.7 shows the level of SMEs' concern on these taxes. CIT, VAT, and PIT are the three taxes that are most interested in SMEs. 97.87% of SMEs choose CIT as the biggest concern taxes. There are only 2 SMEs, which are not interested in this type of taxes because of having tax incentives; 95.74% of the samples choose VAT and 53.19% choose PIT. They are considered the most important taxes because (1) these are the main taxes that arise regularly, (2) the amount of tax payable to the State budget often is big, (3) the amount of tax payable directly affect the enterprises' after-tax profits or employee incomes, and (4) SMEs usually have many mistakes that lead to being fined on these types of taxes.

5.3.2 Accounting practice for Corporate Income Tax

According to the Law on VAT and the Law on CIT, the tax declaration of enterprises takes place monthly or quarterly, depending on their turnover

Table 5.8: Accounting practice for Corporate Income Tax

Criteria	Observation		Criteria	Observation	
	Frequency	Percentage		Frequency	Percentage
1. Tax declaration period			2. Tax rate of CIT		
Monthly	25	26.60	20%	91	96.81
Quarterly	69	73.40	Others (Tax incentives)	3	3.19
Total	94	100.00	Total	94	100.00
3. The content of Financial Accounting and Accounting for tax purpose in SMEs			4. The contents of CIT in surveyed SMEs		
Same	39	41.49	Current CIT	94	100.00
Different	55	58.51	Deferred CIT	0	0.00
Total	94	100.00	Total	94	100.00
5. Tax inspection, tax finalization or auditing			6. The result after tax inspection, tax finalization or auditing		
Yes	64	68.09	Keep stable	6	9.38
No	30	31.91	Increase the tax payable and penalty	54	84.38
			Reduce the tax payable or deductible	0	0.00
			Others	4	6.25
Total	94	100.0	Total	64	100.0

Source: Own survey (2017-2018)

in the previous year. Table 5.8 presented about accounting practice for CIT in surveyed SMEs. The survey found that there are 73.4% of SMEs submit their tax report quarterly while only 26.6% of them have declared monthly tax. This implies that 26.6% of the surveyed SMEs have had a turnover of over 50 billion VND (around 2.2 million USD) last year, which is a high level of revenues among SMEs.

In CIT, 100% interviewees only have current CIT. SMEs do not have the temporary difference in revenue or expense which is subject of deferred CIT. Under the provisions of the Law on CIT, every quarter, enterprises have to calculate temporary CIT payable then pay it to the State budget. Temporary CIT payable is calculated based on quarter taxable income multiplied by applicable tax rate of SMEs. This is the current CIT expense. However, according to the survey results, the determination of CIT expense in SMEs usually is incorrect. It often bases on (1) SME's accounting profit, (2) the owner's opinion or (3) the tax paid in the previous period. In other words, SMEs did not apply truly the regulations on accounting and CIT when determining the amount of CIT temporarily paid

into the State budget. They just wanted to minimize the tax amount to be paid.

SMEs are usually interested in the amount of tax payable and worried about the result after tax finalization. Because of worry about tax fines after tax finalization, SMEs usually pay attention to the tax regulations rather than accounting policies. Besides that, they usually would like to reduce CIT payable, so most of SMEs often use counterfeit vouchers to offset permanent differences when determining the revenue or the deductible costs if they have the accounting expense that is the permanent difference with a deducted expense.

According to the survey results, 58.51% of SMEs are willing to select appropriate accounting policies under tax policies to offset temporary differences. That is one of the reasons for SMEs not appearing deferred corporate income tax. To account for the amount of temporary payment of current CIT, paid and payable into the State budget, 100% of the SMEs surveyed are based on the guide under the accounting regime. They did not apply VAS 17 as the main regulation. VAS 17 has the lowest impact on the CIT regulations when assessing the impact of

legal frameworks based on financial accounting for CIT compliance.

Like the survey, on average from 2 to 3 years, SMEs will get tax finalization. The content of tax finalization is an inspection of financial accounting activity, using vouchers, declaration and payment of taxes in SMEs by local tax authorities. Although the main purpose of accounting information is a determination of tax payable to the tax office and accounting practice in SMEs observes tax policies (as the survey results); However, 84.38% of SMEs have adjusted increase the current CIT expense and fined after the tax finalization. Only 9.38% of SMEs still keep the tax amount as declared and paid.

There are many reasons why SMEs have paid more taxes and penalties after each tax finalization or audit. The first reason is the knowledge of SMEs accountants. They do not understand clearly the rules of accounting and tax so their determination about revenue, costs is not correct leading to wrong profit and wrong taxes of the enterprises. When the tax administration agency discovers the mistakes, under the tax law, the enterprises will be fined on the delayed tax. The second reason is the knowledge of the owners of SMEs, they actively evade taxes. Through the survey results, most of the owners of SMEs are private and have not aware of tax in full; they always want to reduce the amount of tax payable to a minimum because they think it is their money. Therefore, all accountants must comply with the owner requirement for tax evasion.

6. Conclusions

This paper systematizes the profiles of CIT in Vietnam and investigates the current status of SMEs focusing VAS 17. Some key findings include: (1) In parallel with the economic revolution, the taxation law reforms have been taking place from 1990 to present in Vietnam. Currently, Vietnam has a relatively comprehensive tax system that includes ten types of taxes and fees applicable to

enterprises; (2) In comparison with the profit tax law introduced in 1990; the CIT law dated in 1999 has a narrower coverage and more exemptions. Since its introduction in 1999, the CIT has been amended several times in order to build a business-friendly environment. There have been many CIT incentives for SMEs in the previous period. However, SMEs are not entitled to CIT incentives at present (2018); (3) In SMEs, accounting for CIT compliance based on VAS 17 and accounting regime (Circular 133). However, there is a conflict that makes it difficult for SMEs to implement under the guidelines of this circular; (4) The paper also shows the strong influence of accounting regimes and tax regulations on accounting practice in SMEs. In accounting for CIT purpose, SMEs are not affected by VAS 17; main intent of accounting information is supplying for tax office or local government agencies. 95.7 % of SMEs surveyed are maintaining two accounting book systems (tax declaration and internal management); there is discordance between tax compliance and accounting for tax. 89.5% SMEs of the survey have to adjust their CIT expenses increase when tax inspection.

Since the study focuses on accounting practitioners in 94 SMEs, the generalizability of the research findings is restricted. These limitations provide a basis for further research to be conducted in other contexts or with more significant sample to verify the results of this study.

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