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**TAX ADMINISTRATION FOR FOREIGN-INVESTED  
ENTERPRISES IN HANOI CITY**

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# INTRODUCTION

## 1. Urgency of the Dissertation Topic

Hanoi is one of the localities attracting the largest volumes of FDI in the country, hosting numerous multinational corporations operating in manufacturing, high technology, trade, services, and real estate. During the period 2020–2025, the number of FDI enterprises in Hanoi continued to increase in terms of capital scale, scope of operations, and degree of cross-border integration. Many enterprises belonging to global groups possess complex ownership structures, giving rise to multi-tier related-party transactions involving intangible assets, intra-group services, and international supply chains. This has made tax administration by the Hanoi tax authority increasingly complex, requiring modern management approaches and advanced analytical capacity.

In practice, tax administration for FDI enterprises in Hanoi reveals several prominent issues: persistent loss declarations over many years despite continued investment expansion; the occurrence of large-value related-party transactions with difficulties in determining arm's length prices; risks of transfer pricing and base erosion; the abuse of tax incentive policies; tax arrears and late payment; as well as challenges in controlling tax obligations in the context of e-commerce, digital transformation, and cross-border services. In addition, Vietnam's implementation of the global minimum tax and the Tax System Reform Strategy for the period 2021–2030 imposes urgent requirements on the Hanoi Tax Department to innovate its management model, strengthen risk management, leverage digital data, and enhance inter-agency coordination.

In the context where Hanoi must both ensure high levels of state budget revenue collection and maintain an attractive investment environment while complying with emerging international tax standards, studying the topic “Tax administration for foreign-invested enterprises in Hanoi City” is of urgent significance both theoretically and practically.

## **2. Research Objectives and Tasks**

The overall objective of the dissertation is to develop and refine the theoretical framework; to analyze the current situation in order to propose solutions for improving tax administration for foreign-invested enterprises in Hanoi as administered by the municipal tax authority, in line with the context of digital transformation and the requirements of tax system reform.

## **3. Research Questions**

- Which theoretical issues in tax administration for foreign-invested enterprises at local tax authorities are no longer appropriate under current conditions, particularly regarding tax administration methods in the context of digital transformation?
- What international experiences and practices from other localities in tax administration for foreign-invested enterprises can Hanoi learn from to improve its tax administration performance for this group?
- What limitations and shortcomings exist in the current tax administration for foreign-invested enterprises by the Hanoi tax authority that need to be addressed?
- What solutions can be applied to improve tax administration for foreign-invested enterprises in Hanoi in the coming period? What conditions are required to implement these solutions?

## **4. Research Subject and Scope**

The dissertation examines theoretical and practical issues of tax administration for foreign-invested enterprises at provincial-level tax authorities.

### **Scope of the study:**

- Content scope: The dissertation focuses on tax administration for foreign-invested enterprises under the authority of the tax administration, and does not cover tax administration activities under the responsibility of other relevant state agencies. Specifically, the study follows the tax administration process in conjunction with the functions performed by the

Hanoi Tax Department, concentrating on the following areas: (1) Tax registration management; (2) Taxpayer services and support; (3) Tax declaration and tax accounting management; (4) Tax debt management and enforcement; and (5) Tax audit/inspection. The dissertation does not address tax administration related to export and import activities under the jurisdiction of the Customs authority.

- Spatial scope: Foreign-invested enterprises administered by the Hanoi Tax Department (excluding FDI enterprises in Hanoi managed by the Large Taxpayers Department under the General Department of Taxation).

- Temporal scope: The study period covers 2020–2025, with projections to 2030.

## **5. Research Methodology**

The dissertation employs a variety of research methods, combining qualitative and quantitative approaches (including testing to quantitatively evaluate survey results); thereby highlighting the factors affecting the effectiveness of tax administration for FDI enterprises, providing a basis for proposing and developing a system of solutions.

## **6. New Contributions of the Dissertation**

- Theoretical contributions: The dissertation further analyzes and clarifies the factors affecting tax administration for foreign-invested enterprises at local tax authorities, including: the risk management model in tax administration for FDI enterprises, data management systems, differences in tax compliance culture, and international financial management practices of FDI enterprises; it also further clarifies several indicators for evaluating tax administration performance for FDI enterprises.

- Practical contributions: The dissertation systematically synthesizes, analyzes, and evaluates the current state of tax administration for foreign-invested enterprises in Hanoi during the period 2020–2025, identifying achievements, limitations, and their causes. In combination

with international experiences in tax administration for FDI enterprises in several countries, the dissertation proposes solutions to strengthen tax administration for foreign-invested enterprises through 2030.

## **7. Structure of the Dissertation**

In addition to the Introduction, Conclusion, and References, the dissertation is structured into four chapters.

### **Chapter 1**

#### **LITERATURE REVIEW ON TAX ADMINISTRATION FOR FOREIGN-INVESTED ENTERPRISES**

##### **1.1. Literature Review**

###### ***1.1.1. Studies on Tax Administration in General***

Era Dabla-Norris et al. (2017), *Tax Administration and Firm Performance: New Data and Evidence for Emerging Market and Developing Economies*, IMF Working Paper, analyze the impact of tax administration quality on firm performance in developing countries and emerging markets. The authors construct a multidimensional Tax Administration Quality Index (TAQI), which is comparable across countries, based on the TADAT assessment framework. They combine the TAQI with World Bank enterprise survey data from 21 developing and emerging economies. The findings indicate that higher tax administration quality helps reduce performance gaps between newly established firms and more mature firms. Based on these results, the study provides policy implications, emphasizing that improvements in tax administration can promote growth and enhance firm performance by reducing compliance costs. The report also recommends supporting small and medium-sized enterprises as well as newly established firms through tax administration reforms.

Irene Belmonte-Martin, Lidia Ortiz, Cristina Polo (2021), *Local Tax Management in Spain: A Study of the Conditional Efficiency of Provincial Tax Agencies*, Socio-Economic Planning Sciences 78 (2021),

analyze the efficiency of local tax administration by provincial tax agencies in Spain under the delegation of authority from provincial governments. The study employs the conditional efficiency order-m model to calculate efficiency scores, while incorporating environmental and socio-economic variables. It also applies metafrontier analysis to assess the impact of establishing autonomous agencies in tax administration. The findings indicate that variables such as the net property tax base, population density, and the size of the population in provincially administered urban areas have a negative impact on efficiency, particularly at higher levels. Moreover, the establishment of autonomous agencies to perform tax administration functions does not result in higher efficiency levels. The study suggests that local socio-economic factors should be carefully considered when evaluating and improving the performance of provincial tax authorities.

Bui Thi Thu Thao (2020), *Tax Administration to Promote Corporate Tax Compliance in Ho Chi Minh City*, Doctoral Dissertation in Economics, Academy of Finance. The dissertation provides additional evidence on tax administration factors and firm characteristics affecting tax compliance behavior. It also develops and refines measurement scales for specific tax administration factors. The study examines in depth the current state of tax administration and the compliance behavior of enterprises in Ho Chi Minh City, offering an overall assessment of management practices, thereby identifying achievements as well as existing limitations and shortcomings. On that basis, the author proposes solutions to enhance taxpayer compliance in terms of management policies, compliance measurement tools, and practical applications.

Ha Minh Hai (2022), *Tax Administration for Private Sector Enterprises: Evidence from Hanoi*, Doctoral Dissertation in Political Economy, National Economics University. The dissertation focuses on clarifying the characteristics and challenges of tax administration in the private enterprise sector—an important contributor to state budget revenue

but also a sector with significant risks of revenue loss in Hanoi. Based on surveys of enterprises, tax officials, and management leaders, the author develops an analytical model of factors affecting tax administration effectiveness, including the policy framework, institutional and human resource quality, application of information technology, inter-agency coordination, transparency, and taxpayer compliance awareness. The findings reveal key limitations such as inconsistencies in the legal framework, potential lack of transparency in audit and inspection activities, underutilization of data systems, and constraints in human resource quality. Accordingly, the dissertation proposes solutions including improving tax policy planning, strengthening institutional capacity and workforce quality, promoting digitalization and the development of tax data systems, enhancing transparency and accountability, and improving inter-agency coordination. The dissertation's new contributions lie in systematizing a theoretical framework for tax administration tailored to the private sector, incorporating supervision and accountability into tax administration, and providing empirical evidence on the impact of various factors on tax administration effectiveness in the study area.

### ***1.1.2. Studies on Tax Administration for Foreign-Invested Enterprises***

Paul Marsh and Oliver Petzold (2022), *Tax Administration 2022: Comparative Information on OECD and Other Advanced and Emerging Economies*. This report is the tenth edition of the OECD's Tax Administration Series, based on the third and fourth rounds of the International Survey on Revenue Administration (ISORA), collecting data from 58 tax authorities across advanced and emerging economies, covering the fiscal period 2018–2020. Drawing on cross-country comparative data and a repository of tax technology initiatives, the study highlights major challenges such as integrating COVID-19 emergency measures into routine operations, enhancing system resilience, and

improving tax collection efficiency from large enterprises, particularly multinational corporations (MNCs). A key contribution of the report is its comprehensive overview of modern tax administration performance, identifying gaps among countries in areas such as the level of digital service provision and audit coverage of MNCs, while also emphasizing the benefits of international cooperation in sharing anti-tax avoidance practices. Based on these findings, the authors propose policy recommendations including accelerating digital transformation to simplify taxpayer obligations, strengthening big data analytics in high-risk audits, and developing sustainable tax administration models in the post-pandemic context, thereby contributing to the scientific foundation for improving the efficiency and transparency of global tax administration.

Rosanne Altshuler, Lysle Boller, Juan Carlos Suárez Serrato (2024), *Tax Planning and Multinational Behavior*. The study examines how U.S. multinational corporations (MNCs) utilize Hybrid Tax Planning Structures (HTPs) based on tax data from the Internal Revenue Service (IRS). It focuses on three strategies that exploit mismatches in the tax laws of the United States, Ireland, the Netherlands, and Luxembourg to shift profits and restructure subsidiary ownership networks in order to reduce the effective tax rate (ETR) on foreign income. Network analysis of ownership structures derived from IRS tax filings shows that the use of HTPs increased rapidly, accounting for approximately 35% of the foreign profits of U.S. MNCs by 2016, with planning costs estimated at around 1.2% of pre-tax income, and being more prevalent among firms reliant on intellectual property assets. Empirical results indicate that the adoption of HTPs not only significantly reduces foreign ETRs but is also associated with increased investment and R&D activities. Based on these findings, the study suggests strengthening oversight of complex hybrid structures, improving tax data systems to detect profit shifting, and reconsidering “Check-the-Box” regulations to limit tax avoidance behaviors by MNCs.

Tran Ngoc Linh (2022), *Tax Administration for Foreign-Invested*

*Enterprises in Ho Chi Minh City*, Doctoral Dissertation in Economics, Graduate Academy of Social Sciences, Vietnam Academy of Social Sciences. The dissertation focuses on examining the current state of tax administration for the FDI sector in Ho Chi Minh City—an area with a high concentration of foreign-invested enterprises. The author develops an analytical model of factors affecting tax administration effectiveness, including the stability of the legal framework, institutional capacity, taxpayer compliance, the application of information technology, and inter-agency coordination. The findings reveal several limitations such as an unstable legal framework, inadequate human resources, fragmented data systems, and low levels of taxpayer compliance. On that basis, the dissertation proposes comprehensive solutions including improving tax policies, enhancing human resource training, developing a national data system, strengthening inspections to combat transfer pricing, and promoting international tax cooperation. A key contribution of the study is the provision of empirical evidence from the country’s largest economic hub, thereby offering feasible solutions to improve the effectiveness of tax administration for FDI enterprises.

Nguyen Thuy Trang (2023), *Countering Base Erosion for Foreign Direct Investment Enterprises in Vietnam*, Doctoral Dissertation in Economics, Academy of Finance. The dissertation approaches the issue from a new perspective associated with international trends on BEPS and the global minimum tax. The author analyzes the theoretical framework of base erosion, assesses the current situation in Vietnam, and identifies loopholes in tax incentive policies, monitoring mechanisms, and administrative capacity. The findings indicate significant risks arising from FDI enterprises exploiting tax incentives to reduce tax liabilities, while existing management tools remain insufficient for effective control. The dissertation proposes solutions such as aligning tax incentive policies with international standards, enhancing transparency in profit reporting, developing tax data systems, and strengthening international cooperation

in cross-border tax information exchange. A key contribution of the study is the application of the OECD’s BEPS framework to the Vietnamese context, providing a scientific basis for tax policy reform in the context of international integration and adaptation to global tax mechanisms.

## **1.2. Overall Assessment and Research Orientation of the Dissertation**

### ***1.2.1. Contributions of Previous Studies***

### ***1.2.2. Research Gaps Addressed by the Dissertation***

First, from a theoretical perspective, the assessment of several factors affecting tax administration for FDI enterprises at local (provincial-level) tax authorities, as identified under previous conditions, is no longer appropriate in the current context. In addition, new factors have emerged in recent and forthcoming conditions—particularly those related to tax administration methods for FDI enterprises at local tax authorities (such as digital transformation and the implementation of the global minimum tax)—which have not yet been fully identified.

Second, from a practical perspective, in Vietnam, the most common research approach to tax administration for FDI enterprises has focused on transfer pricing control. In reality, this approach addresses only one aspect of tax administration for FDI enterprises and does not comprehensively reflect the overall tax administration activities for this group. Most existing studies related to FDI enterprises remain at a general, nationwide level of analysis. Meanwhile, tax administration for FDI enterprises is directly implemented at provincial tax authorities—where all day-to-day operational activities take place—yet this level has not been adequately addressed in existing research.

### ***1.2.3. Research Orientation of the Dissertation***

First, the dissertation is oriented toward refining and developing the theoretical framework of tax administration for FDI enterprises at provincial-level tax authorities. It aims to construct a comprehensive analytical framework for tax administration of FDI enterprises based on a

functional approach aligned with the tax administration functions performed by local tax authorities.

Second, the study is oriented toward practical research associated with Hanoi. It focuses on analyzing and evaluating the current state of tax administration for FDI enterprises in Hanoi during the period 2020–2025.

Third, the dissertation is oriented toward referencing and selectively adopting both international and domestic experiences. It seeks to examine and analyze tax administration practices for FDI enterprises in several countries and localities with similar conditions, particularly in areas such as risk management, control of related-party transactions, application of information technology, and the organization of specialized administrative units.

Fourth, the dissertation is oriented toward proposing solutions to improve tax administration for FDI enterprises in Hanoi. Based on theoretical findings, practical analysis, and experience review, the study aims to propose a comprehensive set of solutions to enhance tax administration for FDI enterprises in Hanoi through 2030.

## **Chapter 2**

### **THEORETICAL FRAMEWORK OF TAX ADMINISTRATION FOR FOREIGN-INVESTED ENTERPRISES**

#### **2.1. Theoretical Framework of Foreign-Invested Enterprises**

##### ***2.1.1. Foreign Direct Investment and Foreign-Invested Enterprises***

##### ***2.1.2. Characteristics of Foreign-Invested Enterprises***

#### **2.2. Tax Administration for Foreign-Invested Enterprises**

##### ***2.2.1. Perspectives on Tax Administration for Foreign-Invested Enterprises***

Tax administration for foreign-invested enterprises refers to the purposeful intervention of competent authorities within the state apparatus in the process of fulfilling tax obligations by foreign-invested enterprises,

with the aim of generating revenue for the state budget and achieving the objectives set by the government. This concept encompasses the following elements:

- Tax administration for foreign-invested enterprises is one of the activities within the overall tax administration system.
- The entities responsible for tax administration for foreign-invested enterprises are the tax authorities and other competent state agencies.
- The objects of administration are foreign-invested enterprises.

### ***2.2.2. Objectives of Tax Administration for Foreign-Invested Enterprises***

### ***2.2.3. Contents of Tax Administration for Foreign-Invested Enterprises***

- Tax revenue forecasting: This refers to the process by which tax authorities determine, estimate, and allocate tax revenues expected to arise during the planning period based on legal grounds, socio-economic conditions, and the characteristics of taxpayers. For FDI enterprises, tax revenue forecasting plays a particularly important role in tax administration, as these enterprises typically operate on a large scale, across diverse sectors, and are strongly influenced by both domestic and international factors.

- Taxpayer communication and support: Communication involves delivering tax policy and legal information to taxpayers through appropriate forms, methods, and channels. Taxpayer support refers to the facilitation provided by tax authorities to enable taxpayers to fulfill their obligations in a timely and efficient manner, such as guidance on tax filing, clarification of issues, and advisory services. These activities help taxpayers fully and accurately understand tax regulations in specific circumstances, thereby enhancing tax compliance.

- Tax registration management: This includes receiving and processing initial tax registration dossiers; issuing tax identification numbers; and updating changes during operation such as adjustments in

investment capital, business lines, business locations, suspension, termination, or transformation of the enterprise. Effective and timely management of tax registration changes enables tax authorities to accurately monitor taxpayers' operational status and minimize risks of omission or revenue loss.

- Tax declaration and payment management: Tax declaration management refers to the activities of tax authorities in recording, monitoring the submission of tax returns, and analyzing and assessing the accuracy, truthfulness, and legal compliance of tax filings submitted by taxpayers.

- Tax debt management and enforcement of tax arrears
- Tax audit/inspection

#### ***2.2.4. Criteria for Evaluating Tax Administration Performance for Foreign-Invested Enterprises***

#### ***2.2.5. Factors Affecting Tax Administration for Foreign-Invested Enterprises***

##### **Subjective factors:**

- Professional qualifications and experience of tax officials
- Level of application of information technology and data management systems
- Risk management model in tax administration for foreign-invested enterprises
- Coordination among functional departments within tax authorities in administering taxes for foreign-invested enterprises

##### **Objective factors:**

- Legal and macroeconomic environment factors
- Factors related to the characteristics of foreign-invested enterprises affecting tax administration

### **2.3. Tax Administration Experience for Foreign-Invested Enterprises in Selected Countries and Localities, and Lessons for the Hanoi Tax Department**

## Chapter 3

### CURRENT STATUS OF TAX ADMINISTRATION FOR FOREIGN-INVESTED ENTERPRISES IN VIETNAM

#### **3.1. Socio-Economic Context of Hanoi Affecting the Operations of FDI Enterprises and Tax Administration for FDI Enterprises**

#### **3.2. Overview of Foreign-Invested Enterprises in Hanoi and the Organizational Structure of the Hanoi Tax Department**

#### **3.3. Current State of Tax Administration for Foreign-Invested Enterprises in Hanoi**

##### ***3.3.1. Current Status of Tax Revenue Forecasting***

During the period 2020–2025, the implementation of tax revenue forecasts for FDI enterprises in Hanoi has generally met and exceeded the planned targets. This indicates that, overall, tax revenue forecasting has closely reflected the actual business performance of FDI enterprises in the area. Throughout the period, both projected and actual revenues show a relatively stable upward trend, demonstrating the appropriateness of the forecasting process as well as the increasingly sustainable development of FDI enterprises in the city, particularly reflected in the consistency between projected and actual revenues from production and business activities.

In general, during this period, most tax categories have met their projected targets. However, the Hanoi Tax Department should pay particular attention to tax administration for certain taxes, especially personal income tax and, notably, value-added tax arising from FDI enterprises.

##### ***3.3.2. Current Status of Taxpayer Communication and Support***

During the period 2020–2025, the Hanoi Tax Department has implemented a wide range of integrated multi-channel communication measures, combining both direct and online approaches. According to

statistical data, the number of instances of providing guidance documents and responding to tax policy inquiries for FDI enterprises has increased steadily over the years, from 980 cases in 2018 to 1,486 cases in 2025, reflecting continuous efforts to support enterprises in accessing new tax policy information, particularly regulations related to value-added tax (VAT), corporate income tax (CIT), transfer pricing, and tax incentives.

In addition, the number of communication publications issued annually has grown steadily, from 7,200 publications in 2018 to 9,850 publications in 2025. These include tax guidebooks, informational leaflets, electronic newsletters, and specialized publications on FDI taxation in both Vietnamese and English, facilitating access and application for foreign enterprises. Communication through mass media has also been strengthened, with an average of 50–64 television programs and 58,000–71,000 radio broadcasts per year. Many specialized programs such as “Tax and Integration” and “Tax Policy Dialogue” have been jointly produced with Hanoi Radio and Television and financial sector media outlets.

For enterprises engaged in related-party transactions, the Hanoi Tax Department has annually issued numerous guidance documents and provided responses to taxpayer inquiries at different stages of implementing policies on related-party transactions in accordance with legal regulations.

### ***3.3.3. Current Status of Tax Registration and Taxpayer Information Management***

After receiving tax registration dossiers from relevant units, the tax registration division of the municipal tax authority reviews and cross-checks the information provided in the tax registration documents. In cases where the registered information is duplicated or contains errors, the tax registration division refuses to issue a tax identification number (TIN) to the taxpayer. Where the registration information is incomplete or invalid, the tax registration division issues a notification requesting explanation and supplementation of information and documents, requiring the taxpayer

to submit a replacement dossier or amend and complete the missing information. Where the registration information is complete and valid, the tax registration division confirms the taxpayer's registration information and inputs the data into the tax registration system.

In Hanoi, the tax authority consistently applies standardized operational procedures in accordance with sectoral regulations, thereby facilitating taxpayers in general, and FDI enterprises in particular, in tax registration, amendments, and updates of information. As a result, the Hanoi Tax Department has been able to promptly bring newly established enterprises under its management and continuously update enterprise information in line with tax registration procedures. At the same time, the review and reconciliation of tax identification numbers are given due attention, ensuring that taxpayers are assigned TINs accurately and in accordance with the actual entities managed and monitored by the Hanoi Tax Department. Each FDI enterprise is assigned a unique TIN, enabling the tax authority to efficiently classify enterprises based on their operational status, such as active, inactive, or temporarily suspended.

#### ***3.3.4. Current Status of Tax Declaration and Assessment Management***

In recent years, 100% of FDI enterprises in Hanoi have submitted tax returns on time, completely overcoming the previous situation of late submissions (which was approximately 98% during the period 2015–2020). At the same time, the quality of tax returns has improved significantly. Tax returns generally comply with prescribed formats, and declared indicators are consistent with actual transactions, reflecting an increasingly high level of tax compliance among taxpayers. These results have been achieved due to the Hanoi Tax Department's strengthened efforts in supervision, inspection, and guidance on tax declaration, as well as regular review and updating of information on newly established, suspended, or temporarily inactive FDI enterprises to monitor tax filing compliance.

However, inspections have still detected certain violations in tax declarations, mainly related to value-added tax (VAT) and corporate income tax (CIT). For VAT, errors typically arise from incorrect identification of taxable objects, misapplication of tax rates, improper input VAT credit claims based on invalid invoices or those not meeting payment conditions, as well as discrepancies in tax refund documentation. Meanwhile, violations related to CIT primarily involve improper determination of deductible expenses, incorrect timing of revenue recognition, misapplication of tax incentives, and issues associated with related-party transactions and transfer pricing within corporate groups.

### ***3.3.5. Current Status of Tax Debt Management and Enforcement***

The data indicate that the VAT arrears ratio ranges from 0.7% to 1.6%, which is relatively low and shows a downward trend. For corporate income tax (CIT), the arrears ratio remains at an even lower level, ranging from 0.3% to 0.6%, reflecting a clear improvement in the tax payment discipline of FDI enterprises. Notably, in 2021 - during the period affected by the COVID-19 pandemic - the VAT arrears ratio was only 0.7% and the CIT arrears ratio was 0.3%, the lowest levels in the period, demonstrating the timely support of tax deferral and extension policies, as well as the flexible and effective debt management measures implemented by the Hanoi Tax Department.

The recovery and handling of tax arrears for FDI enterprises have become increasingly effective. The amount of recovered tax debt rose from VND 139 billion in 2022 to VND 275 billion in 2024, nearly doubling within two years. This result reflects the consistent implementation of enforcement measures in accordance with the Law on Tax Administration 2019, such as account garnishment, notification of invalid invoices, and exit suspension.

### ***3.3.6. Current Status of Tax Inspection and Audit Activities***

During the period 2019–2024, the tax authority conducted a total

of 6,768 inspections, averaging more than 1,100 cases per year, indicating that inspections at tax office premises were carried out regularly and in a focused manner. The period 2020–2022 recorded the highest number of inspections, peaking at 1,886 cases in 2022, a significant increase compared to 545 cases in 2019, mainly due to enhanced application of information technology and the use of risk management data in the context of the COVID-19 pandemic.

The total amount of tax adjustments during the period exceeded VND 2,044 billion, concentrated mainly in 2023–2024, with more than VND 1,117 billion recorded in 2024 alone. At the same time, reported losses were reduced by over VND 1,679 billion, reflecting effectiveness in reviewing and controlling transfer pricing practices. The amounts of tax arrears recovered, refunds reversed, and penalties imposed following inspections and audits remained at high levels, with 100% of the additionally assessed tax collected into the state budget.

In addition, the Hanoi Tax Department has shifted toward a data-driven risk management approach through systems such as TMS and eTax to identify enterprises with abnormal signs, thereby improving the effectiveness of inspection and audit activities and reducing widespread, unfocused inspections. Post-inspection monitoring and tax debt management have also been strengthened, contributing to the full enforcement of inspection conclusions and enhancing the overall effectiveness of tax administration for the FDI sector.

### **3.4. Analysis of Factors Affecting the Effectiveness of Tax Administration for Foreign-Invested Enterprises at the Hanoi Tax Department**

#### ***3.4.1. Regression Model and Survey Procedure***

The regression model is specified as follows:

$$HQ\_MEAN = 0.347 + 0.525 \times NT1 + 0.093 \times NT2 + 0.323 \times NT3.$$

NT1, NT2, and NT3 correspond to: (1) Tax administration capacity and enforcement coordination (NT1), (2) Policy environment and

infrastructure conditions (NT2), and (3) Characteristics and compliance capacity of FDI enterprises (NT3). HQ\_MEAN is the dependent variable, adjusted through EFA, representing the effectiveness of tax administration for FDI enterprises at the Hanoi Tax Department.

#### ***3.4.2. Results of Survey Data Analysis***

The regression model provides a clear managerial implication: the effectiveness of tax administration for FDI enterprises at the Hanoi Tax Department is shaped by the combination of “the enforcement capacity of the tax authority” and “the level of taxpayer compliance,” while the policy and infrastructure environment serves as a supporting foundation. Accordingly, the system of solutions proposed in the next chapter should be designed based on the following priority logic: (i) strengthening implementation capacity, human resource quality, inter-agency coordination, and risk management; (ii) enhancing voluntary compliance of FDI enterprises through support measures, transparency, dialogue, and incentive mechanisms; and (iii) continuing to improve institutions and infrastructure in a coherent manner, with emphasis on operational efficiency and data utilization rather than broad-based investment.

### **3.5. Overall Assessment of the Current State of Tax Administration for Foreign-Invested Enterprises at the Hanoi Tax Department**

#### ***3.5.1. Achievements***

#### ***3.5.2. Limitations and Causes***

Subjective causes: Limitations in tax administration for FDI enterprises in Hanoi mainly stem from internal factors within the tax authority. The professional capacity, international financial analysis skills, foreign language proficiency, and technological competence of a portion of tax officials remain limited, while the operations of FDI enterprises are becoming increasingly complex. The database system and information technology infrastructure are not yet fully integrated, and the exploitation and analysis of data for risk management purposes remain constrained. In

addition, internal coordination mechanisms, implementation processes, and taxpayer communication and support activities have not been fully effective. Management, supervision, and internal inspection activities sometimes lack focus and are not closely linked to performance evaluation.

Objective causes: The tax policy system still exhibits certain shortcomings in terms of stability and coherence, particularly in regulations related to tax incentives and related-party transactions. Moreover, macroeconomic fluctuations and changes in the international investment environment increase the difficulty of revenue forecasting and tax risk management. The globally integrated operations of FDI enterprises, involving numerous cross-border transactions, pose risks of transfer pricing and challenges in information control. Furthermore, coordination among regulatory authorities has not been sufficiently close, and the level of tax compliance among a segment of FDI enterprises remains limited.

## **Chapter 4**

### **IMPROVING TAX ADMINISTRATION FOR FOREIGN- INVESTED ENTERPRISES IN HANOI**

**4.1. Outlook of International and Domestic Developments Affecting Tax Administration for Foreign-Invested Enterprises in Hanoi**

**4.2. Perspectives on Improving Tax Administration for Foreign-Invested Enterprises in Hanoi**

Improving tax administration for FDI enterprises in Hanoi should be aligned with the objective of building a transparent, stable, and equitable investment environment, ensuring a balance between risk control and the promotion of business development. Tax administration should be grounded in the principles of voluntary compliance, transparency, and taxpayer-centricity, through administrative reform and enhanced quality of taxpayer support services. At the same time, it is necessary to accelerate

digital transformation, develop integrated data systems, and apply risk management approaches to improve the effectiveness of monitoring complex transactions, particularly related-party transactions. In addition, the improvement of tax administration must go hand in hand with strengthening institutional frameworks, organizational structures, and the professional capacity of tax officials. Finally, greater inter-agency coordination and international cooperation should be promoted, with a view to building a modern, transparent tax administration system aligned with international standards, thereby ensuring state budget revenues and fostering the sustainable development of the FDI sector.

### **4.3. Solutions to Improve Tax Administration for Foreign-Invested Enterprises in Hanoi**

#### ***4.3.1. Solutions to Enhance the Enforcement Capacity of Tax Authorities***

##### *Enhancing the professional qualifications of tax officials*

FDI enterprises often operate on a large scale, with complex organizational structures and numerous related-party transactions within global value chains, making tax administration more challenging. Therefore, tax authorities should strengthen specialized training for tax officials in areas such as financial statement analysis of multinational enterprises, management of related-party transactions, transfer pricing determination, and international taxation. At the same time, officials should be encouraged to participate in both domestic and international training programs and to engage in knowledge exchange with international organizations. In the long term, it is necessary to develop a pool of highly specialized personnel and tax experts in the field of FDI enterprise management.

##### *Strengthening data analytics capacity and tax risk management*

In the context of the increasing number of FDI enterprises, tax authorities need to shift from traditional administrative approaches to data-driven and risk-based management. This requires enhancing the capacity

of tax officials in financial data analysis and risk identification in tax declarations. At the same time, it is necessary to effectively leverage data sources such as centralized tax management systems and e-invoicing systems to develop risk assessment criteria and early warning mechanisms, thereby enabling more accurate selection of cases for inspection and audit.

*Improving the performance evaluation and management mechanism for tax officials*

#### **4.3.2. Solutions on the Application of Information Technology and Digital Transformation**

#### **4.3.3. Solutions on Innovating Management Models and Methods**

##### **4.3.4. Solutions on Improving Tax Administration Functions**

##### *Innovating Tax Revenue Forecasting*

First, it is necessary to improve the quality of revenue forecasting through the application of analytical models and the exploitation of data on revenue, profits, and operational characteristics of FDI enterprises by sector, while also taking into account factors such as economic fluctuations, tax policies, and investment trends. In addition, the forecasting process should be refined toward greater transparency and enhanced coordination between tax authorities and relevant departments and agencies to ensure timely updates of investment activities. Promoting the application of digital technologies and big data analytics in tax administration will help improve the accuracy of forecasts and support real-time monitoring of revenue sources. At the same time, it is essential to strengthen the professional capacity of officials involved in forecasting, enhance supervision of forecast implementation, and link the accountability of leaders to the quality of tax revenue forecasting and execution.

*Enhancing Taxpayer Communication and Support for FDI Enterprises*

Taxpayer communication and support activities should be

innovated in a more professional, diversified, and FDI-oriented manner to enhance voluntary compliance and improve the investment environment. First, tax authorities should develop specialized communication content on taxes relevant to FDI enterprises, prepare bilingual guidance materials, and maintain regular dialogue channels with businesses. At the same time, support services should be diversified through digital platforms such as web portals, chatbots, email, and 24/7 online support systems.

In addition, it is necessary to strengthen the capacity of staff engaged in taxpayer support, establish specialized units dedicated to FDI enterprises, and enhance coordination with foreign business associations as well as relevant regulatory agencies. The segmentation of taxpayers based on characteristics and risk levels should also be applied to design appropriate communication and management measures. Furthermore, mechanisms for evaluating the effectiveness of support activities should be developed, alongside promoting the image of a modern and taxpayer-friendly tax authority, thereby enhancing awareness and encouraging tax compliance within the FDI sector.

#### *Improving Tax Declaration and Tax Accounting Management*

#### *Improving Tax Debt Management and Enforcement of Tax Arrears*

First, tax authorities should enhance the electronic tax debt management system by integrating it with existing tax data systems to enable centralized monitoring, classification, and early warning of tax arrears. At the same time, it is necessary to strengthen the analysis and forecasting of tax debt by enterprise groups in order to identify high-risk taxpayers and apply appropriate handling measures. In addition, the implementation of debt recovery and enforcement measures should be carried out in a flexible yet firm manner, combining taxpayer support and persuasion with enforcement actions in accordance with legal regulations. Furthermore, inter-agency coordination and data connectivity with relevant institutions should be strengthened to better monitor the

operations of enterprises with outstanding tax debts. The public disclosure of tax arrears should also be conducted transparently to enhance deterrence and promote compliance with tax obligations.

#### *Innovating and Strengthening Tax Inspection for Foreign-Invested Enterprises*

Tax inspection for FDI enterprises should be reformed toward a risk-based and technology-driven approach. Tax authorities need to develop risk assessment criteria and leverage data from multiple sources to target inspections more effectively, particularly for enterprises engaged in related-party transactions or exhibiting signs of transfer pricing. At the same time, inspection procedures should be improved through the application of information technology, the development of profit margin databases, and the implementation of thematic inspections in high-risk areas. The increased use of digital technologies, artificial intelligence, and big data will facilitate the early detection of tax fraud indicators. In addition, stronger coordination with relevant agencies and the establishment of specialized risk analysis units are necessary to enhance the effectiveness of tax inspection for FDI enterprises.

#### **4.4. Recommendations**

#### **CONCLUSION**

Based on the theoretical and practical study of tax administration for FDI enterprises in Hanoi, the dissertation has achieved the following main results:

- First, in terms of theoretical contributions, the dissertation has systematized and clarified the theoretical framework of tax administration for FDI enterprises, including concepts, characteristics, contents, and criteria for evaluating tax administration effectiveness for this group of enterprises. It analyzes the specific characteristics of FDI enterprises in relation to tax administration, thereby clarifying the requirements imposed on tax authorities in the context of cross-border business operations, complex related-party transactions, and the influence of international

standards and practices. At the same time, the dissertation identifies and further clarifies the factors affecting tax administration for FDI enterprises, emphasizing the role of subjective factors such as the capacity of tax officials, data systems, management methods, and coordination among state management agencies.

- Second, in terms of the assessment of the current situation, the dissertation provides a comprehensive analysis of tax administration for FDI enterprises in Hanoi during the study period. Based on empirical data, it highlights the achievements of the Hanoi Tax Department in tax registration management, tax declaration and payment, revenue forecasting, tax inspection and audit activities, and the management of related-party transactions. At the same time, the dissertation identifies existing limitations in tax administration for FDI enterprises, such as transfer pricing risks, a high proportion of loss-declaring enterprises, tax revenue forecasts not fully aligned with actual conditions, as well as difficulties in inspecting and controlling complex transactions. On that basis, the dissertation clarifies the causes of these limitations, stemming both from the tax authority and from the specific characteristics of FDI enterprise operations.

- Third, the dissertation approaches and analyzes modern trends in tax administration in the context of digital transformation and international integration, particularly data-driven tax administration, risk-based management, and the promotion of voluntary taxpayer compliance. It highlights that the transition from traditional management methods—largely based on supervision and enforcement—to modern approaches grounded in data and viewing taxpayers as cooperative partners is an inevitable requirement to enhance the effectiveness of tax administration for FDI enterprises. This trend is also consistent with international practices and the ongoing reform orientation of Vietnam’s tax sector.

- Fourth, based on the theoretical framework, empirical analysis, and modern tax administration trends, the dissertation proposes a system

of solutions to improve tax administration for FDI enterprises in Hanoi. These solutions are designed to be comprehensive, feasible, and aligned with the practical conditions of the Hanoi Tax Department, including: data-driven tax administration; shifting from enforcement to promoting voluntary compliance; improving the management of related-party transactions; enhancing the capacity of tax officials; strengthening inter-agency and internal coordination; and investing in infrastructure and information technology systems. This system of solutions not only contributes to improving tax administration effectiveness for FDI enterprises but also aims to build a transparent, stable, and sustainable investment environment in Hanoi.

Although the dissertation has achieved certain results, it still has some limitations due to the scope of the study and constraints in data accessibility. Nevertheless, the research findings provide valuable theoretical and practical references, contributing to the improvement of tax policy and the enhancement of tax administration effectiveness for foreign-invested enterprises in Hanoi in the coming period./