



Vietnamese Micro-enterprise During Covid-19 Pandemic

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Abstract. Micro-enterprises are enterprises with a very small scale of operation, operating in many business fields such as commerce, services, transportation, construction, etc. These enterprises are numerous, widely distributed across localities, and make significant contributions to the economy. However, with a small capital scale, micro-enterprises are vulnerable to fluctuations in the economy. The Covid-19 pandemic has been having a heavy impact on the entire economy of Vietnam, particularly on the production and business activities of micro-enterprises. There are many micro-enterprises that have had to suspend operations, close for a long time. There is no revenue but still incurs costs in the long run, causing micro-enterprises to be seriously affected. The Vietnamese government has issued many policies to timely support businesses. Support packages have been implemented, but in reality, micro enterprises still face many difficulties and challenges. In order for practical support packages to reach the right subject, the author has proposed a number of solutions to contribute to improving policy effectiveness, assisting micro-enterprises in maintaining, stabilizing, and developing their production and business.

Keywords: Micro-Enterprises · Covid-19 Pandemic · Policies · Solutions · Tax · Disadvantages

1 Introduction

1.1 Definition of Micro-enterprise

Considering the criteria of the number of employees, capital or revenue, micro-enterprises covering the fields of agriculture, forestry, fishery, industry, and construction are enterprises with an average annual number of employees registered with the state social insurance scheme is no more than 10 people, and the total capital or the total revenue of the year shall not exceed 3 billion VND [1].

Micro-enterprises cover the fields of commerce and services are enterprises with an average annual number of employees registered with the state social insurance scheme is no more than 10 people, and the total capital of the year shall not exceed 3 billion VND or the total revenue of the year shall not exceed 10 billion VND.

1.2 Characteristic of Micro-enterprise

Micro-enterprises have a small number of employees, usually fewer than 10 people in an enterprise. Micro-enterprises operate in a wide range of industries, including commerce, services, construction, manufacturing, and processing, etc. However, a large proportion of micro-enterprises operate in the field of commerce and services, while a small proportion operates in the fields of construction, production, processing, and so on. This corresponds to the size of the operation of micro-enterprises.

Have a very small capital scale. For this reason, it is difficult for them to obtain large amounts of investment capital from banks. Subsequently, when it comes to investing in new equipment or expanding their production and business activities, micro-enterprises frequently face challenges.

Flexible in choosing and transforming business areas. Due to their small size, micro-enterprises can easily select a business field. When changes occur in the market, micro-enterprises are highly adaptable to changing business areas and can quickly adapt to market fluctuations.

Micro enterprises have a large number, fierce competition with each other, and are also subject to stiff competition from medium and large enterprises. Therefore, micro-enterprises face difficulties in expanding their markets, especially in foreign markets.

1.3 Role of Micro-enterprise

Create jobs and income for localities. According to statistics on registered enterprises in Vietnam, 95% are small and medium-sized businesses. Micro-enterprises are numerous and widely distributed throughout all localities, as opposed to large enterprises, which are concentrated in a few areas. These are businesses that create many jobs for workers and make important contributions to local budget revenues. From there, it makes an important contribution to the country's GDP.

Contribute to economic stability and growth. Micro-enterprises operate in a wide range of business sectors, actively participate in value-added creation, and become partners and subcontractors to larger corporations. This promotes stability in the supply chain, production, and business, allowing the economy to grow in a sustainable manner.

Increases the economy's dynamism. With a small scale, micro-enterprises are easy to adjust and adapt to change in accordance with the needs of the economy.

2 Discussion

Vietnam has received positive feedback for its implementation of measures to fight against the Covid-19 epidemic. Vietnam's anti-epidemic measures have garnered approval and appreciation from both the domestic and international communities.

2.1 Advantages of Micro-enterprises During the Covid-19 Pandemic in 2020

In the face of adversity, the government issued a flurry of supportive policies in 2020, with a focus on small and medium-sized businesses. There are some basic packages,

such as a 250.000 billion VND credit support package, a 62.000 billion VND package for social security, and a 16.000 billion VND package to help businesses pay employees' wages, so on.

Besides many economic relief packages, in 2020, the Government has implemented many flexible tax policy solutions such as exemption, reduction, extension on tax, fees, and charges, land rents with nearly 124.000 billion VND, timely support for businesses and business households to overcome difficulties caused by the Covid-19 pandemic.

In April 2020, the Government issued Decree 41/2020/ND-CP extending the deadline for tax and land rent payment to alleviate difficulties for businesses, organizations, households, and individuals, among others, affected by the Covid-19 pandemic.

In September 2020, the Government issued Decree 114/2020/ND-CP detailing the implementation of National Assembly Resolution No. 116/2020/QH14 on reducing corporate income tax payable in 2020 for businesses, cooperatives, non-business units, and other organizations. Accordingly, the Decree specifies that if the enterprise's total revenue in 2020 is less than 200 billion VND, 30% of the payable CIT amount for the 2020 CIT calculation period will be reduced.

2.2 Advantages of Micro-enterprises During the Covid-19 Pandemic in 2021

In April 2021, the Government issued Decree 52/2021/ND-CP dated April 19, 2021 extending the deadline for payment of VAT, CIT, personal income tax, and land rents in 2021. In October 2021, the Government issued Decree No. 92/2021/ND-CP guiding 4 groups of solutions to support enterprise on tax including:

Enterprises and organizations with a revenue of less than 200 billion VND in 2021 and revenue in 2021 is lower than the revenue in 2019 will have their 2021 CIT payable reduced by 30%; business households and individuals that have production and business activities in district-level areas affected by the Covid-19 epidemic in 2021 are exempt from personal income tax, VAT, special consumption tax, resource tax, and environmental protection tax in the third and fourth quarters of 2021.

Groups of goods and services in industries eligible for VAT reduction until December 31, 2021, include transportation services; accommodation services; food services; services of travel agencies, tour operators, and support services related to the promotion and organization of tours; products and publishing services; cinematographic services, television program production, sound recording, and music publishing; artwork and creative, artistic, entertainment services; services of libraries, archives, museums, and other cultural activities; sports and entertainment services. These goods and services are entitled to a 30% reduction of the VAT rate if the enterprise calculates VAT by the deduction method. If the enterprise calculates VAT according to the method of the percentage of revenue, it is entitled to a 30% reduction on the percentage rate used to calculate VAT for goods and services [2].

Enterprises and organizations that incur losses in 2020 shall be granted exemption of late payment interest incurred in 2020 and 2021 on debts of taxes, land use levies, and land rents [3].

2.3 Advantages of Micro-enterprises During the Covid-19 Pandemic in 2022

On January 11, 2022, the National Assembly enacted a Resolution on fiscal and monetary policies to support the socio-economic recovery and development program, with a total fiscal scale of 291,000 billion VND, of which the state budget portion is 240,000 billion VND. The Government plans to exempt, and reduce 64,000 billion VND in taxes, land rents, fees, and charges levied for enterprises, cooperatives, and business households, including:

Reduce 50% of the environmental protection tax on jet fuel to support the aviation industry. Reduce the VAT rate from 10% to 8%, effective until the end of 2022. This tax reduction policy applies solely to groups of goods and services currently subject to the 10% VAT. The tax reduction policy does not apply to a number of goods and services including telecommunications, information technology, financial activities, banking, securities, insurance, real estate business, metal production and prefabricated metal production, mining (excluding coal mining), production of coke, refined petroleum, production of chemicals and chemical products, products and services under the special consumption tax.

Continue to reduce 30% of land tax payable in 2022 as applied in 2021; adjust import tax on many items to support businesses; reduce 50% of the registration fee for cars manufactured and assembled in the country for a 6-month period; reduce the collection of around 35 fees and charges.

Interest rate support for businesses, cooperatives, business households, especially industries affected by the COVID-19 epidemic such as aviation, transportation, tourism, accommodation services, catering, education and training, agriculture, forestry, fishery, processing industry, manufacturing, social housing, renovation of old apartments [4].

The support package is also expected to spend 176,000 billion VND directly from the state budget, only used for development investment. Among these are investments in new construction, renovation, upgrading, and modernization of the grassroots health system, preventive medicine, regional disease control centers, clinics and central level hospitals, as well as spending on public investment projects.

The promulgated policies have assisted companies and individuals in overcoming the challenges posed by the Covid-19 outbreak. The reduction in taxes, particularly the drop in VAT, will increase demand, and people will consume more products and services as prices for goods and services fall. This will assist to strengthen enterprise output and business operations, and thus the economy will quickly recover.

2.4 Disadvantages of Micro-enterprises During the Covid-19 Pandemic

The Covid epidemic has had a devastating effect on businesses. Businesses have encountered numerous challenges since the outbreak of the 2020 epidemic began. From April 2021 till the present, there has been a severe outbreak of the Covid 19 epidemic, which has been followed by protracted quarantine and social isolation.

Enterprise production and business operations were significantly impacted, according to the General Statistics Office, particularly in the third quarter of 2021. Despite the fact that enterprises have been highly proactive in responding to the COVID-19 outbreak, the reality is that their economic potential and resilience are limited, especially for small,

medium, and micro-sized enterprises, which account for up to 98% of all businesses. As a result, many enterprises burn out, and their resiliency deteriorated over time.

In September 2021, the number of newly registered businesses, as well as the quantity of registered capital, both dropped dramatically. The number of newly registered businesses fell by 62.2% from the same period in 2020, to 3,899, with a registered capital of only 62.4 trillion VND, down 69.3%. Since 2016, September has seen the lowest number of new enterprises and the lowest amount of registered capital [5].

The number of newly-established businesses is 85,5 thousand enterprises, fell by 13.6% within the first nine months of 2021 compared to the same time in 2020; 1,195.8 trillion VND in registered capital fell by 16.3%; and total additional registered capital entering the economy is 2,873 trillion VND fell by 20.2%.

In 2021, the number of businesses suspending operations for a period of nine months climbed by 16.7% over the same period last year; businesses shutting down and awaiting dissolution processes increased by 17.4%; businesses completed dissolution procedures increased by 5.9%. The majority of those businesses are small and micro-enterprises. Although the government's support packages for those afflicted by the COVID-19 outbreak have been prompt in the past, implementation levels have remained limited, posing numerous challenges to these businesses.

3 Conclusion

The Government's tax, fee, charge and land rent support solutions for businesses are timely and have a positive impact on helping to remove difficulties in maintaining and expanding production and business activities. However, there are many businesses that do not generate revenue or profit due to the heavy impact of the Covid-19 epidemic, in which there are many micro-enterprises that have to shrink or temporarily suspend production. The author would like to propose a number of measures in order for practical support packages to reach the right subject, assist existing enterprises in maintaining and stabilizing their production and business, and encourage new businesses to enter the market.

3.1 The Beneficiaries of Government Support Policies

The government needs to clearly define the industries, affected subjects, and the scope of influence of the Covid-19 pandemic. Formulating policies close to reality, to meet the set goals based on the actual situation of businesses directly and severely affected by the pandemic. The government can accomplish this by utilizing micro-enterprise management data from local and national tax authorities, as well as business surveys. Surveys of actual enterprise activities can be conducted publicly and in a variety of formats, such as surveys in electronic newspapers, surveys on forums, surveys of enterprises in the same field or surveys of businesses in the same area, and so on.

Because the State's resources are limited, it is necessary to clarify the beneficiaries of support policies, ensure that the State's support reaches the right people who are heavily affected by the epidemic, avoid the situation of those who are not affected by the Covid-19 pandemic are still eligible for the subsidy policy. Therefore, it is necessary to focus

on micro-enterprises whose business activities must take place in reality, and cannot or difficult to switch to online business activities such as micro-enterprises operating in the tourism, restaurants, garment, construction, transportation sector, etc.

3.2 The Value-Added Tax Reduction Policy

The government has applied a reduction in value-added tax rates for a number of items negatively impacted by the Covid-19 pandemic from 10% to 8% by the end of 2022 [2]. The author believes that this reduction is not appropriate. Proposing the government should reduce the VAT rate to 5%, and extend the tax reduction period until the end of 2023.

Subject to the Law on Value-Added Tax, there are 3 rates of value-added tax, 10%, 5%, and 0%, with the majority of businesses in goods and services are subject to VAT with a tax rate of 10%.

According to Decree 92/2021/ND-CP applies until the end of 2021, which is in effect until the end of 2021, goods and services eligible for a 30% VAT reduction correspond to a 7% tax rate. And thereby, in the Resolution passed by the National Assembly in January 2022, the VAT rate is reduced to 8%, the VAT in 2022 will increase compared to 2021 [3].

Many countries have implemented VAT reduction policies for specific industries, as a way to stimulate demand and support businesses in severely affected sectors. Specifically, China reduced VAT from 3% to 1% for certain industries such as tourism, hotels, etc., effective from March 1, 2020, to December 31, 2021. In July 2020, the British Government decided to temporarily reduce VAT from 20% to only 5%, effective until September 30, 2021, for some industries facing serious difficulties such as the field of tourism, hotel. From October 1, 2021, the VAT rate will rise from 5% to 12.5% until March 31, 2022, before returning to the standard rate of 20% on April 1, 2022. To assist businesses, hotels, restaurants, and consumers during the Covid-19 crisis, the German government also reduced VAT temporarily from the standard rate of 19% to 7%, effective from July 1, 2020, to December 31, 2022. For certain industries and goods, such as pharmaceuticals, transportation, tourism, and hotels, the French government reduced the VAT rate from 20% to 10%. In September 2020, due to the impact of the pandemic, the Thailand Government decided to reduce the VAT rate from 10% to 7% for all sales, services, and imports until September 31, 2021. However, due to the increasingly difficult economic situation, Thailand decided to maintain the VAT reduction for another 2 years, from October 1, 2021, to September 30, 2023.

Meanwhile, the Covid-19 epidemic is still very complicated, with the number of infections continuing to rise in early 2022. This leads to micro-enterprises already struggling, continuing to face more difficulties. Furthermore, it takes time for businesses to recover and develop production and business activities, so tax support policies need to be stable. The 2% tax cut is great, but it is far from sufficient to help businesses. As a result, the author proposes that the VAT rate be reduced to 5%, rather than the current 8%. This will make tax management simplified because the disparity in tax rates between businesses can cause accounting confusion or lead to fraud, errors in financial statements, or a loss of tax revenue for the state.

In addition, the tax reduction policy is valid until the end of 2022, so the author recommends that the tax reduction policy should continue to be applied. Hence, creating favorable conditions, helping enterprises feel secure in their production and business activities.

At the same time, tax management must be strengthened to ensure that end consumers truly benefit from the VAT reduction, avoiding the situation in which businesses do not reduce the selling prices of goods and services to profiteer from the policy. Special attention should be paid to the management of businesses that use the direct method of applying VAT because these businesses only use Sales Invoices.

3.3 The Micro Enterprises Themselves

Microenterprises themselves have to work hard to adapt to the new situation. Digital transformation will be good support for micro businesses so encourage microenterprises to go digital. Small and micro-enterprises account for a large proportion of the economy, but they are enterprises with limited resources, are vulnerable and have poor governance capacity. Micro-enterprises, in particular, frequently face difficulties in financial and accounting management because these businesses frequently lack a complete accounting apparatus, often using financial accounting and tax accounting services.

Micro-businesses should prioritize digital transformation. Despite their limited resources, micro-enterprises can change and adapt to change more quickly. As a result, micro-enterprises require assistance from a variety of sources, including specialized agencies, competent authorities, accounting service units, and businesses that provide tools and platforms to process their business as well as accounting data. Along with tax exemptions and reductions, the government can direct the support packages into creating an environment to improve corporate governance by promoting the connection between micro-enterprises and accounting, financial, management software design enterprises. Implement introduction and training support packages, as well as management software and so on.

3.4 How to Implement Support Policies

Assistance policies must be clear, open, and transparent. To be able to quickly recover their production and business activities, micro-enterprises must be fully informed, clear, and transparent, as well as publicize with policies and support regimes. Simultaneously, in order for businesses to quickly access support packages, a number of conditions must be relaxed and also minimized the procedures, and processes for accessing support packages, particularly procedures for proving financial resources.

References

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2. Decree No. 52/2021/ND-CP issued by the government on April 19, 2021
3. Decree No. 92/2021/ND-CP issued by the Government on October 27, 2021.
4. Resolution No. 43/2022/QH15 issued by the Government on January 11, 2022.
5. <https://vtc.vn/9-thang-so-doanh-nghiep-dang-ky-thanh-lap-moi-sut-giam-manh-ar638859.html>

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