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Acknowledgements

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1. Introduction

1.1 About VNMOD

Tax-benefit microsimulation models, which combine representative household-level data on incomes and expenditures and detailed coding of tax and benefit legislation, have proven to be an extremely useful tool for policymakers and researchers alike. The models apply user-defined tax and benefit policy rules to micro-data on individuals and households and calculate the effects of these rules on household income. The effects of different policy scenarios on poverty, inequality, and government revenues can be analyzed and compared.

Vietnam, like other developing countries, is now building up its social protection system and the financing of public spending will need to be increasingly based on domestic tax revenues. In this process, understanding the system-wide impacts of different policy choices is critically important, and tax-benefit microsimulation models are very well suited for this purpose.

Against this backdrop UNU-WIDER, the EUROMOD team at the Institute for Social and Economic Research (ISER) at the University of Essex, and Southern African Social Policy Research Insights (SASPRI) have launched SOUTHMOD, a major research project in which tax-benefit microsimulation models for selected developing countries in Africa (Ethiopia, Ghana, Mozambique, Vietnam, Zambia) South America (Ecuador) and South East Asia (Viet Nam) are built in addition to those that already exist for South Africa and Namibia.

VNMOD, the tax-benefit microsimulation model for Vietnam, has been developed in cooperation with KU Leuven. VNMOD is based on the Viet Nam Household Living Standard Survey 2012/2014 (VHLSS) allowing for representative results on the national and sub-national level. Policies are simulated for 2012-2013 (based on VHLSS 2012) and 2014-2017 (based on VHLSS 2014).

Microsimulation is a technique that involves taking household survey data and applying a set of policy rules to the data to calculate individual entitlement to benefits and/or liability for taxation. The resulting output at individual and household level can then be analyzed to provide national data on, for example, impact of social benefits on poverty and inequality. The base model simulates the existing tax and social insurance contribution arrangements within the country. However, the real strength of the model is that it enables hypothetical changes to tax/social insurance contribution system to be simulated and the impact of such changes on the income distribution (including changes in poverty and inequality) to be assessed.

The EUROMOD platform on which VNMOD is based was built by Professor Holly Sutherland and colleagues at the University of Essex to simulate policies for the European Union countries.\(^2\) EUROMOD has been built and developed over a 21 years period and now runs simulations for over 25 countries. The main benefits of EUROMOD which make it a particularly suitable basis for the Vietnam model are that: all the calculations are transparent and can be easily modified by the user, and the model is very flexible as it allows policies to be modified and almost any type of new policy to be created.
EUROMOD has a stand-alone user-friendly interface which is stable and compatible with computers running on Windows operating systems. It provides greater control and guidance over user actions and offers increased functionality and improved user-friendliness.

This manual was originally prepared with reference to VNMOD version 1.0. However, it has been updated to include screenshots of the latest version of the model. The manual will be equally applicable to future iterations of version 1.0 of VNMOD.

1.2 Introduction to this manual

This manual is designed as an introductory guide for new users and a reference for those already familiar with the basic operations of VNMOD. The manual provides comprehensive instructions on using the model for the first time as well as more complex tasks such as building new policies. The focus of the manual is on the technicalities of how to use the model VNMOD, in practice, rather than a manual about the many processes that could be undertaken using the EUROMOD software more generally. A separate Country Report has been produced which describes each of the taxes and social insurance contributions that are included in VNMOD. The report describes the different tax-social insurance contribution policies in place, how the microsimulation model picks up these different provisions, and the database on which the model runs. It concludes with a validation of VNMOD results against external data sources.

This manual is organized into four main interlinked sections. Section 1 provides an introduction and background to VNMOD and the manual. Section 2 introduces users or readers to the model and its interface. Section 3 presents VNMOD in detail by describing how to interpret and use the content in the main content file which stores all the information the model needs for its policy simulations. Section 4 explains how to undertake a number of tasks in VNMOD such as running the model, adding in new SYSTEMS (the rules necessary to simulate a particular tax-benefit system, e.g. rules for 2012 and 2015 or rules for a reform scenario), and implementing policy reforms.

Throughout the manual special EUROMOD terms are printed in blue capitals, e.g. INCOMELIST, TAXUNIT, PARAMETER. Filenames, tab names, policy names, names of menu items, etc. are printed in italics, e.g. (file) vn.xml, (tab) Display, (policy) uprate_vn, (menu item) Save Country.

The following boxes are also used:

- Boxes on technical details are marked with a gearwheel. These boxes provide additional information to the main text which is not crucial to understanding the main operations of the model.

- Boxes with a warning sign contain information that will help you avoid some of the more common mistakes that can be made when running the model. All users should pay special attention to text in these boxes.
More detail on all aspects of EUROMOD can be found in the EUROMOD help which can be accessed from the Help & Info tab within VNMOD. For general information about the EUROMOD microsimulation model and related research please refer to https://www.iser.essex.ac.uk/euromod.

Boxes with a notepad provide a summary of key points and can be used as a quick reminder or reference.
2. Getting started with VNMOD

2.1 A brief description of VNMOD

VNMOD consists of a software file and several content files. The software file includes the user interface, the executable and the integrated help menu. The content files include the country xml files, as well as various other tools and applications. The software and content files can be updated separately from each other allowing greater flexibility.

The information the model needs for its calculations is stored in the main content files (VN and VN_DataConfig). These files contain both the information for the implementation of the framework of the tax-benefit model and for the implementation of the particular policies that make up the tax-social insurance contribution system. However, these files are not accessed directly by the user. All user input is via the user interface. Within the user interface information is mainly written into POLICIES, and all POLICIES – whether relating to the framework of the model or to the tax-benefit policies being modelled – are directly embedded in the POLICY SPINE so that the whole system can be displayed all at once in a single workspace.

The POLICIES are made up of FUNCTIONS which are the building blocks for implementing a country’s tax-social insurance contribution system. Each POLICY is described by one or more such FUNCTIONS. Each FUNCTION comprises a number of PARAMETERS which represent a particular element of the POLICY functionality. Usually more than one FUNCTION is used to calculate a tax or benefit and FUNCTIONS can interact with each other.

VNMOD is run from the main window of the ‘countries’ tab of the user interface. VNMOD draws on data stored in text files and returns the output to a text file.

<table>
<thead>
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<th>VNMOD can be summarized as follows:</th>
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<tr>
<td>• DATA – in text format – supplied with the model (but new datasets can be added and existing ones amended)</td>
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<tr>
<td>• MODEL PROGRAM – stores all the model parameters and allows the user to make changes and run simulations</td>
</tr>
<tr>
<td>• OUTPUT – in text format – can be analyzed using a statistics package</td>
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</tbody>
</table>
2.2 The VNMOD user interface

Once the software is launched, the main window of the user interface can be accessed (Figure 1).

Figure 1: VNMOD interface

![VNMOD interface](image)

The user interface has seven tabs – Countries, Display, Country Tools, Administration Tools, Add-ons, Applications, Help & Info – which each opens up to reveal a ribbon menu with a number of functionalities. In addition, there is a Run EUROMOD button to the far left of the main window. The main menu directly above the Run EUROMOD button contains additional functionalities. Many of these components are described in subsequent sections of this manual.

In order to access the model, click on the Vietnamese flag and this opens the main VNMOD workspace. The main part of the window displays the representation of Vietnam’s tax-social insurance contribution system, which when opened is in a ‘collapsed’ format. In EUROMOD terminology this is frequently referred to as the POLICY SPINE, or simply SPINE. The VNMOD user interface showing POLICIES in collapsed form and the SPINE is shown in Figure 2.
Figure 2: The VNMOD user interface
3. VNMOD in detail

3.1 Introduction to policies

The first step in microsimulation is to collect data on the incomes and expenditures of individuals in a representative survey of households. The second step is to have a series of policy rules which can be applied to the individuals in the data to determine what taxes they should pay. In the model there can be (a) one or more dataset(s) (i.e. survey data collected in different years) and (b) one or more SYSTEM(S) (i.e. tax-social insurance contribution rules for different policy years).

Ideally, to calculate taxes and social insurance contributions for the years 2013 (or 2017), for example, you would use the 2013 policy rules together with data referring to the year 2013 (or the 2017 policy rules together with data referring either to the year 2013 or 2017). However, corresponding data are not always available and even if so, preparing and integrating new data in the model is a very laborious task.

Therefore, datasets are used for simulating several policy years, by uprating monetary values to the corresponding policy year. For each SYSTEM there is a dataset that is most suitable, normally the one whose collection year is nearest to the policy year (the 'best match').

It is EUROMOD good practice to set the best match flag only for BASELINES. The EUROMOD Basic Concepts section of the EUROMOD Help (accessed from the Help & Info tab) states that BASELINE is the term used for a SYSTEM-dataset combination which fulfils the best match criterion, and in addition, the SYSTEM must refer to an actual policy year and the SYSTEM-dataset combination must be the main or default implementation for the respective policy year.

VNMOD v1.0 is underpinned by a micro-dataset constructed using the Viet Nam Household Living Standard Survey 2012/2014 (VHLSS) (which relates to a 2012 time point) and currently contains SYSTEMS relating to 2013, 2014, 2015, 2016, 2017 (v 1.6). The 2012 dataset can be used with any of the SYSTEMS because the uprate_vn POLICY (see below) uprates the monetary values to 2015/2016/2017 using the CPI. See Section 3.4 for further information about SYSTEM-dataset combinations.

There are 17 POLICIES in VNMOD v1.0, which can be grouped into definitional and tax-benefit POLICIES. All 17 POLICIES are visible in the POLICY SPINE and each row of the SPINE represents one POLICY. The POLICIES are processed by the model in the order they appear in the SPINE: first the definitional POLICIES uprate_vn, ildef_vn, tudef_vn and constdef_vn. This is followed by a POLICY which sets the poverty lines poverty_lines_vn, then the social insurance contributions POLICIES tscee_vn and tser_vn. The tax-benefit POLICIES tinkt_vn and tin_vn. Definition of output POLICIES output_std_vn and output_std_hh_vn. In other words, first, monetary data variables are uprated to the year to which the tax-social insurance contribution system refers; second, expenditure variables for VAT and special sales taxes are brought into the model. Third, definitions of income concepts and
assessment units are specified; fourth, **CONSTANTS** are defined; fifth, there is a policy which specifies the poverty lines appropriate for the year in question; sixth, social insurance contributions are modelled; seventh, the taxes and benefits (income tax and social benefits) are computed; and finally, the results are outputted. The order in which the **POLICIES** are simulated (and thus defined in the **POLICY SPINE**) is crucial because some **POLICIES** draw on variables produced in other **POLICIES** and so these need to be created first.

Under the **Display** tab you can choose whether to view the **Full Spine** or a **Single Policy** by checking the appropriate box.

The structure is now described briefly using the Labor income tax (**tin_vn**) as example. The **POLICY tin_vn** is the thirteen policy in the model.

**Figure 3: The **POLICY** **tin_vn**

Figure 3 shows the **POLICY** for labour income tax (**tin_vn**). Each **POLICY** consists of a header displaying the name of the **POLICY** (**tin_vn** in the example) and a ‘switch’ defining whether the **POLICY** is activated or not in each **SYSTEM** (only **SYSTEM TZ_2017** is shown in Figure 3.2). This facility to switch off a **POLICY** may, for example, be used if a reform scenario is implemented where the **POLICY** is not required.

The **POLICY** is composed of **FUNCTIONS**. By right-clicking on the blue dot next to the **POLICY** name and selecting **Expand All Functions** you can view all the **FUNCTIONS** of the **POLICY**. You can also do this in a stepwise way by using the grey arrow heads next to the **POLICY** name and the **FUNCTIONS** within. It is also possible to expand all **POLICIES** in the model at once by right-clicking on the word **Policy** and selecting **Expand All Policies**.

Each **FUNCTION** is a self-contained building block that has its own **PARAMETERS** and represents a particular component of the **POLICY** functionality. The purpose of using **FUNCTIONS** as building blocks of the model is to provide a general structure and standardized language to describe policy instruments.
FUNCTIONS can be classified in three categories: policy (for implementing tax-benefit policies), system (for implementing the framework of the model) and special. Ten FUNCTIONS are used in VNMOD, four are policy FUNCTIONS (Elig, ArithOp, BenCalc, SchedCalc) and six are system FUNCTIONS (Uprate, DefVar, DefIL, DefTU, DefConst, and DefOutput). There are no special FUNCTIONS in VNMOD. A summary of all the FUNCTIONS and their PARAMETERS available for use can be found in the EUROMOD Functions section of the EUROMOD Help (accessed from the Help & Info tab).

The Labour income tax example is a fairly typical tax POLICY that can be implemented. In the tin_vn POLICY there is just one FUNCTION – BenCalc – which determines eligibility for the benefit and assigns the relevant amount to each household. The BenCalc FUNCTION is one of the most frequently used FUNCTIONS in VNMOD. More complex POLICIES may have a number of FUNCTIONS.

Each FUNCTION consists of a header displaying the name of the FUNCTION (BenCalc in the example) and a ‘switch’ defining whether the FUNCTION is activated or not (the FUNCTION is switched on in the example). This facility to switch off a FUNCTION may, for example, be used if a reform scenario is implemented where, in a policy with more than one FUNCTION, one of the FUNCTIONS is not required.

VNMOD is told how to calculate a particular POLICY by setting the PARAMETERS of a FUNCTION to appropriate values. Many PARAMETERS appear within multiple FUNCTIONS, while some are specific to particular FUNCTIONS. Most of the policy FUNCTIONS and some of the system and special FUNCTIONS provide COMMON PARAMETERS. There are compulsory and optional PARAMETERS, for example the PARAMETER TAX_UNIT must be included in all policy FUNCTIONS otherwise VNMOD will issue an error message. PARAMETER VALUES can take a number of different forms, for example yes/no values, amounts, variables and formulae. These will be introduced as necessary in subsequent sections. The PARAMETER VALUES may change for each SYSTEM.

Figure 4: The POLICY bsa_vn with the BenCalc FUNCTION expanded
3.2 Definitional policies

**Uprate_vn**

Overview: Datasets are usually used for simulating several policy years, by uprating monetary values to the corresponding year. The POLICY uprate_vn contains information for uprating monetary variables in the dataset.

Figure 5: The POLICY uprate_vn

![Image of POLICY uprate_vn](image)

Figure 5 shows the POLICY uprate_vn. The FUNCTION Uprate allows for the uprating of monetary dataset variables to the price level of a policy year.

The PARAMETER dataset specifies the name of a dataset for which the uprating settings apply. The default uprating factor is specified in def_factor. This is the CPI (NBS, 2015). It is expressed as $f_{\text{CPI, Overall}}$. The numerical values of the uprating factors are specified in the ‘uprating indices’ dialogue which is called from the tab ‘Country Tools’ and pressing the ‘uprating indices’ button. This is shown in Figure 6. This dialogue defines the uprating factors, gives a reference name and describes the source. Additional indices, for example wage inflator, can be added as additional rows. New years of data can be added by pressing the ‘add year’ button which will result in a new column being added to the table.
Ildef_vn

Overview: The POLICY ildef_vn contains definitions of INCOMELISTS. Technically an INCOMELIST is the aggregate of several variables, which are added or subtracted to build the aggregate. The most common applications of this concept are income definitions, for example disposable income or taxable income. INCOMELISTS are used in tax-benefit POLICIES for the implementation of the respective tax or benefit.

INCOMELISTS are an important concept. In a single country tax-benefit model such as VNMOD, definitions of income may simply be hard-wired with a single variable. However, in a multi-country tax-benefit model such as EUROMOD it is important to have a standardized output format for all countries, which still allows for country specific definitions of the single variables. INCOMELISTS achieve this and are therefore retained within VNMOD.

Figure 6: Uprating Indices

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Figure 7: The POLICY ildef_vn

Figure 7 shows the POLICY ildef_vn. The FUNCTION DefIL defines each of the INCOMELISTS. There are a number of such FUNCTIONS in ildef_vn but only six have been expanded in Figure 3.6: the FUNCTION for defining the INCOMELIST for taxable employment income (used in income tax policy),
original income (*ils_origy*) and disposable income (*ils_dispy*). Names of **INCOMELISTS** start either with *ils_* or *il_* , mainly to distinguish them from ordinary variables. **INCOMELISTS** starting with *il_* are ‘normal’ **INCOMELISTS** (which are model specific), while **INCOMELISTS** starting with *ils_* are ‘standard’ **INCOMELISTS** which exist in all countries’ models and have a particular definition.

The income list *ils_dispy* describes one of the most important EUROMOD concepts: standard disposable income. In general the following components make up disposable income in EUROMOD:

- original income (essentially employment and self-employment income; capital, property and investment income; private pensions and transfers)
- plus benefits (cash transfers, that is unemployment benefits, public pensions, family benefits, social transfers, other (country specific) cash transfers)
- minus direct taxes (income tax, turnover tax, and other (country specific) direct taxes)
- minus social insurance contributions (paid by employees and the self-employed)

This is a fairly standard definition of disposable income but it could easily be modified if a slightly different definition was required, by either amending the existing **INCOMELIST** or adding a new **INCOMELIST**.

It can be seen in Figure 7 that different income components, listed by their variable name (e.g. *ils_origy*, *ils_benism*, *ils_tax*), are either added (+) or subtracted (-) to create *ils_dispy*. In VNMOD *ils_dispy* is not used within any **POLICY**, but rather is an important concept for the analysis stage. Three **INCOMELISTS** that are used within **POLICIES** in VNMOD are *il_taxabley*, *il_taxabley2*, and *il_exp_vat01* (standard rated items for VAT). The **INCOMELISTS** *il_taxabley* and *il_taxabley2* define taxable income and are used in the income tax policy (*tin_vn*). The **INCOMELIST** *il_exp_vat01* lists all expenditure items subject to standard rate VAT. In fact, it lists all expenditure items imported by the **POLICY** *expenditure_vn* and puts a + sign against items subject to standard rate VAT and an ‘n/a’ against items that are exempt from VAT or zero rated. N.B. items that are VAT exempt or zero rated should not have a ‘-’ sign alongside them as this would mean they are subtracted from the total **INCOMELIST** and this would be incorrect.

There are also a group of **INCOMELISTS** that are required for the correct functioning of the **STATISTICS PRESENTER** application. These are described in detail in the section relating to the **STATISTICS PRESENTER** (Section 4.5).

In principle any **POLICY** other than *uprate_vn* may contain **INCOMELIST** definitions. Indeed this was the case for the purpose of creating an **INCOMELIST** for uprating in the **POLICIES** *expenditure_vn*. However, for reasons of transparency, most **INCOMELISTS** are defined centrally in the **POLICY** *ildef_vn*. This rule may be disregarded if a particular **INCOMELIST** is just used temporarily in one special policy. In any case, an **INCOMELIST**, once defined, is available for all subsequent **FUNCTIONS** and **POLICIES**.
**Overview:** The POLICY tudef_vn contains definitions of TAXUNITS or assessment units. TAXUNITS specify which household member belongs to the different assessment units and who is a child, etc. TAXUNITS are used in tax-benefit POLICIES for the implementation of the respective tax or benefit.

**Figure 8: The POLICY tudef_vn**

Figure 8 shows the POLICY tudef_vn. The FUNCTION DefTu defines the assessment units or TAXUNITS. There are three assessment unit definitions in VNMOD, and they are called tu_individual_vn, tu_household_vn, and tu_partners_vn and tu_family_vn (as indicated by the PARAMETER Name). The PARAMETER Type has three possible values: HH, IND and SUBGROUP. HH refers to household type units, which means that all members of the household belong to the same unit. IND denotes individual type units, which means that each member of the household forms its own unit. SUBGROUP means that the household may be split into several units of different size.

The simplest form of definition is for the TAXUNIT tu_individual_vn. This definition is used all the income taxes and social insurance contributions, as these are calculated for each person and child/adult definitions are not relevant.

The most complex form of definition is for the TAXUNIT tu_family_vn, where Type is set to SUBGROUP, meaning that the household is split into several units of different size. Which household member belongs to which unit primarily depends on the PARAMETER Members. This is set to Partner & OwnDepChild. The PARAMETER Members usually defines relations with respect to the head of the unit, which is the richest person in the unit, or if there are several equally rich persons, the oldest, and if there are several equally rich and equally old persons, the one with the lowest number for the variable idperson. Knowing this, the PARAMETER Members can be interpreted as follows: a unit consists of the head, her/his partner and their own dependent children.

The PARAMETERS DepChildCond, NoChildIfHead, LoneParentCond and AssignPartnerOfDependents further specify the TAXUNIT (and are the same as for the TAXUNIT tu_family_vn). The
DepChildCond determines who is treated as a dependent child: \(\neg \{\text{IsParent}\}\) specifies that they should not themselves be a parent and \(\text{dag} \leq 19\) specifies that they should be aged under 19. The \textbf{PARAMETERS} AssignDepChOfDependents and LoneParentCond mean that dependent children or partners respectively of dependent unit members (i.e. persons who are not the head or partner of the unit are assigned to the unit).

In order to build the family unit, first the head of the household is determined and her/his (potential) partner and their (potential) own dependent children are assigned to her/his unit. If there are any persons left in the household who have not yet been assigned, a head is determined amongst them and her/his (potential) partner and their (potential) own dependent children are assigned to her/his unit. This process is continued until all persons in the household are assigned to a unit.

\textit{Constdef\_vn}

Overview: The \textbf{POLICY} constdef\_vn contains definitions of \textbf{CONSTANTS}. A \textbf{CONSTANT} is simply a way of storing a number (usually a monetary amount) for use in one or more tax-benefit \textbf{POLICIES}. Because the \textbf{CONSTANTS} defined reside in one place, this \textbf{POLICY} is a particularly good place to define the social benefit amounts that are uprated each year.

Figure 9: The \textbf{POLICY} constdef\_vn

![Figure 9: The POLICY constdef\_vn](image)

Figure 9 shows the \textbf{POLICY} constdef\_vn. The \textbf{FUNCTION} DefConst defines the \textbf{CONSTANTS}.

The name of the \textbf{CONSTANT} is defined in the Policy column (the first character of a \textbf{CONSTANT}'s name should always be \$) and the value of the \textbf{CONSTANT} is defined in the respective \textbf{SYSTEM} column. The \#m after the value indicates that it is a monthly amount and the \#y indicates that it is an annual amount. By default, a \textbf{CONSTANT} is created as a monetary variable. In VNMOD v1.0 \textbf{CONSTANTS} are defined and relate to benefit amounts, tax rates etc.

The \textbf{CONSTANTS} are referred to in the benefit \textbf{POLICIES}, as will be seen in Section 3.3.
Overview: The POLICY output_std vn contains the specification of the output file.

Figure 10 shows the POLICY output_std vn. The FUNCTION DefOutput specifies the output.

The name of the output file is determined by the PARAMETER file. STANDARD OUTPUT for the 2017 SYSTEM is written to a text file named VN_2017_std.txt, and for the 2015 SYSTEM it would be named VN_2015_std.txt etc. The PARAMETER vargroup allows for a group of variables to be output indicated by the initial letter (S) followed by the * symbol. The asterisk is a ‘wild card’ and thus for example, vargroup b* will output all variables in the input data set as well as any simulated variables that begin with the letter b (i.e. the benefit variables both original and simulated).

However, it is also possible to output individual variables by using the PARAMETER var and specifying the name of the variable, though this is not used currently in VNMOD. Just as wild cards can be used to output groups of variables this also is the case with income lists so, for example, ILgroup ils* will output the value of all the standard INCOMELISTS. The PARAMETER nDecimals determines the number of decimal places for monetary variables (any amounts with more decimal places are rounded). The PARAMETER TAX_UNIT defines the level of output. In VNMOD it is set to an individual assessment unit (tu_individual_vn), which means that the output contains one row for each individual.

There is also the option to use the PARAMETER defIL, which stands for ‘definition INCOMELIST’, or in other words, the set of variables that are included within a particular INCOMELIST will be outputted. So, for example, specifying the PARAMETER DefIL as ils_dispy would mean that the output file would contain all variables included in standard disposable income. Using the PARAMETER ILGroup and specifying as ils_dispy instead results in only the overall value for standard disposable income being outputted.

3.3 Tax-social insurance contribution policies
Tax-social insurance contribution POLICIES usually contain the description of one tax or social insurance contributions, where this description is made up of FUNCTIONS. Examples of some FUNCTIONS are given below.

- *Elig* determines eligibility/liability for benefits/taxes.
- *BenCalc* calculates the benefit/tax amount for all eligible units.
- *ArithOp* is a simple calculator, allowing for the most common arithmetical operations.
- *SchedCalc* allows for the implementation of the most common (tax) schedules.
- *Allocate* allows (re)allocating amounts (incomes, benefits, taxes) between members of assessment units.
- *Min and Max* are simple minimum and maximum calculators.

FUNCTIONS are described in detail in the EUROMOD Functions section of the EUROMOD Help (accessed from the Help & Info tab) and they are not elaborated in great detail here.

Figure 11: The POLICY *tin_vn*

The *BenCalc* FUNCTION calculations are at the individual level. This is specified in the final parameter TAX_UNIT which has the value tu_individual_vn. The PARAMETER *Comp_Cond* (an abbreviation for ‘component condition’) is the eligibility condition that has to be fulfilled before an amount specified in *Comp_perTU* can be allocated. In this particular *BenCalc* there are one *Comp_Conds* and one *Comp_perTU*. The first PARAMETER *Comp_Cond* specifies that individual has income (**ils_earns > 0**). The second PARAMETER *Com_perTU* specifies additional condition if the *Comp_Cond* is satisfied. In this case, *Com_perTU* condition is that monthly income is 9 million dong per month (**tinta01=9000#m**).

With the similar POLICY *tin_vn*, *ArithOp* summarizes conditions specified in *BenCalc* (**tinta00_s + tinta01_s**). **tinta00_s** is the condition in which the individual has income greater than 0 (**ils_earns > 0**). **tinta01_s** is another condition to exclude dependent of that individual, which is either a person less than 18 years old (**dag < 18**), or a person 18 years old or older who is studying (**dag >= 18**).
{dec>0}), or a female person more than 55 years old that does not have income ({dgn = 2} & {ils_earns#1 = 0} & {dag > 55}) or a male person more than 60 years old having no income ({dgn = 1} & {ils_earns#1 = 0} & {dag > 60}). ArithOp summarizes all those conditions and create another variable called tinty_s

Elig is a condition for eligibility. For the policy tin_vn, Elig requires individual to have earnings greater than 0 ({ils_earns > 0}).

Figure 12: The POLICY tin_vn implemented using ArithOp and Elig
Certain syntax rules have to be followed when writing the PARAMETER Comp_Cond or elig_cond:

First and foremost each condition must be included within curly brackets {}.

A single condition {...} has either one component, e.g. a yes/no QUERY (e.g. {IsParent}) or two components separated by a comparison operator > (greater than), < (less than), >= (greater than or equal to), <= (less than or equal to), = (equal to) or != (not equal to) (e.g. {ddi=1}).

There can be conditions which must be fulfilled e.g. {dag<18} and conditions which must not be fulfilled e.g. !(IsMarried).

Conditions are combined by the logical operators & (and) and | (or) and parentheses can be used to group conditions.

The PARAMETER who_must_be_elig can have the following values:

- one_member (or one): one member of the assessment unit must be eligible
- one_adult: one adult member of the assessment unit must be eligible
- all_members (or all or taxunit): all members of the assessment unit must be eligible
- all_adults: all adult members of the assessment unit must be eligible
- nobody: calculations are carried out for each assessment unit (the default)

Further details on the PARAMETER who_must_be_elig can be found in the EUROMOD Functions section of the EUROMOD Help (accessed from the Help & Info tab).

When using the Elig FUNCTION it is not actually necessary to specify the PARAMETER output_var as there is a default output variable called sel_s (s=system, el=eligibility, s=simulated) that can be used if an output variable is not specified. This is the only FUNCTION where there is a default value for the PARAMETER output_var. This also means that it is not necessary to specify the PARAMETER elig_var in the ArithOp FUNCTION.

However, for transparency it can be helpful to specify an output variable in the Elig FUNCTION. In all other FUNCTIONS the PARAMETER output_var is compulsory as there is not a default output variable. The PARAMETER output_var is referred to as a COMMON PARAMETER within EUROMOD, in other words the PARAMETER is found in more than one FUNCTION.
The **PARAMETER** formula in the **FUNCTION** ArithOp allows for the following operations:

- addition: operator +
- subtraction: operator –
- multiplication: operator *
- division: operator /
- raising to a power: operator ^, e.g. 2 ^ 3 (result: 8)
- percentage: operator %, e.g. yem*3% (result: yem*(3/100))
- reminder of division: operator \, e.g. 22\5 (result: 2)
- minimum and maximum: operators <min> and <max>, e.g. 10 <min> 15 (result: 10)
- absolute value: operator <abs>(), e.g. <abs>-22 (result: 22), <abs>(50-70) (result: 20)
- negation: operator !(), e.g. !IsMarried), !17 (result: 0), !0 (result: 1)

To be used with the following operands:

- numeric values, e.g. 10, 0.3, -25
- numeric values with a period, e.g. 12000#m, 1000#y #i as place holders for numeric values specified by footnote parameters variables, e.g. yem
- INCOMELISTS, e.g. ils_dispy
- queries, e.g. IsUnemployed
- random numbers, rand

Order of operation rules:

- ^, <min>, <max>, <abs>, (), !(), %
- before multiplicative operations */ \%
- before additive operations + –

The remainder of this section comprises points of particular relevance to VNMOD, but again it is recommended that the user refers to the EUROMOD Functions section of the EUROMOD Help (accessed from the Help & Info tab) for a more comprehensive introduction to the **FUNCTIONS**.

**Common parameters**

**COMMON PARAMETERS** are provided by many of the **FUNCTIONS** and can be classified into four categories:

- **COMMON PARAMETERS** affecting output. An example already encountered is output_var which is provided by all tax-benefit **POLICY FUNCTIONS**. Other options are output_add_var (with output_var any existing value is overwritten, but with output_add_var the result is added to any existing value of the output variable) and result_var (allows a second output variable, generally used in combination with output_add_var). These are provided by all **FUNCTIONS** that have the
PARAMETER output_var (except Elig where it is not meaningful to add to a yes/no variable).

- COMMON PARAMETERS affecting eligibility. Examples already encountered are who_must_be_elig and elig_var. These are provided by all tax-benefit POLICY FUNCTIONS.
- COMMON PARAMETERS limiting results. There are three PARAMETERS in this category: lowlim (for setting a lower limit), uplim (for setting an upper limit) and threshold (to define a threshold). These are provided by all tax-benefit POLICY FUNCTIONS.
- The COMMON PARAMETER TAX_UNIT. As we have seen, this allows for the definition of an assessment unit to which a FUNCTION refers and is compulsory for all tax-benefit POLICY FUNCTIONS.

There are also features that control whether a FUNCTION is processed, including the switch (for turning off FUNCTIONS - not a PARAMETER per se) and the PARAMETER run_cond which allows for conditional processing of the FUNCTION (in other words the FUNCTION is only carried out if the respective condition is fulfilled). These are provided by all POLICY FUNCTIONS.

Further detail on COMMON PARAMETERS can be found in the EUROMOD Functions section of the EUROMOD Help (accessed from the Help & Info tab).

Interpreting conditions with respect to assessment units
There is an issue of interpretation if PARAMETERS taking variables, INCOMELISTS and queries as their values are used with assessment units comprising more than one person.

The following rules of interpretation apply:

- PARAMETERS relating to monetary variables and INCOMELISTS are interpreted at the level of the assessment unit (defined by the PARAMETER TAX_UNIT). Values are therefore added up over all members of the unit.
- PARAMETERS relating to non-monetary variables and individual level QUERIES are interpreted at the level of the individual, if a condition, or at the level of the head of the assessment unit for all other PARAMETERS.
- PARAMETERS relating to non-individual level QUERIES are interpreted in varying ways.

It is possible to change the assessment unit generally used by the FUNCTION for single variables, INCOMELISTS or QUERIES.

Footnotes
There are PARAMETERS which serve to further specify other PARAMETERS. These are referred to as footnote PARAMETERS (or FOOTNOTES). They can be easily identified by names starting with the character # with an integer number, i, given in the Grp/No column, e.g. #_amount1 and #_level1. FOOTNOTES are applicable with several FUNCTIONS, specifically all FUNCTIONS providing formula and/or condition PARAMETERS.

The four most commonly used types of FOOTNOTE are:
1. Limits – it is sometimes necessary to set limits (lower, upper, threshold) to FUNCTION results and single operands.
2. Amounts – it is sometimes more transparent to indicate amounts outside the formula (particularly in a complex formula and/or implementation of several policy years).

3. Assessment units – it is possible to change the FUNCTION’s assessment unit (indicated by the PARAMETER TAX_UNIT) for a single operand.

4. QUERIES – a few queries need further specification (e.g. nDepChildrenInTaxunit counts the number of dependent children in the assessment unit and has two optional PARAMETERS, #_AgeMini and #_AgeMaxi, which allow you to specify the age of the dependent children).

Amounts
Amount PARAMETER values are usually followed by their ‘period’. It is good practice to always indicate a period, although #m (monthly) has no real effect as EUROMOD internally converts all amounts to monthly and would assume a monthly amount if no period was specified. Only #m (monthly – no conversion) and #y (yearly – divided by 12) are used in VNMOD, but other options are possible, for example quarterly (#q), weekly (#w) and daily (#d). In general it makes sense to specify amounts as the time period in which they are commonly discussed (e.g. benefit/grant amounts in monthly terms, income tax thresholds in annual terms).

Interactions between functions
Usually more than one FUNCTION is used to calculate a benefit or tax, which means that the FUNCTIONS interact in some way. These interactions can be classified in four categories:

- Condition: one FUNCTION (usually Elig) evaluates a condition and a subsequent FUNCTION operates on the basis of the result of this evaluation.
- Input: one FUNCTION calculates some result, which is used as an input by a subsequent FUNCTION.
- Addition: one FUNCTION calculates a part of a POLICY and a subsequent FUNCTION calculates another part of the POLICY and therefore needs to add to the first part.
- Replacement (actually not a real interaction): a subsequent FUNCTION replaces the result of a precedent FUNCTION, which of course only makes sense if the result of the first FUNCTION is used in between.
3.4 General settings

The following is a list of some of the key actions which can be undertaken from the Country Tools tab:

configuring country settings (e.g. name, short name), SYSTEM settings (e.g. currency) and the input datasets which can be used for simulating the country's tax benefit system;

adding or deleting SYSTEMS;

• searching – standard search and replace and help with finding errors and assessing if and where certain EUROMOD components (e.g. variables) are used in the respective country’s ARAMETERS (see Working with EUROMOD - Searching section of the EUROMOD Help, accessed from the Help & Info tab);

• formatting tools, e.g. highlighting with colours and setting bookmarks (see Working with EUROMOD – Formatting section of the EUROMOD Help, accessed from the Help & Info tab).

The first of these actions is described in this section. Adding or deleting SYSTEMS is dealt with in Section 4.2.

There are three buttons to the left hand side of the Country Tools ribbon: Country, Systems and Databases.

Country

Figure 13: The Country Configuration dialog

In the Country Configuration dialog the Long Name of the country can be changed, however the Short Name of the country cannot be changed by the user as it needs to correspond to the filenames of the country XML files.
All systems and their settings are listed and can be changed in the System Configuration dialog (see Figure 14). The settings include:

**Exchange Rate:** Indicates the rate used by the model to convert national currency into Euro or vice versa (i.e. Euro amounts are multiplied by the rate to get amounts in national currency). This setting is not relevant in VNMOD and so is set to 1.

**Currency Parameters:** Indicates the currency used for monetary PARAMETER values. It is set to *national* in VNMOD, which means the national currency is used (the alternative in EUROMOD would be *euro* but this is not relevant for Vietnam).

**Currency Output:** Indicates the currency used within the output file (e.g. *VN_2017_std.txt*), which again is set to *national* (the alternative in EUROMOD would be *euro*).

**Income for Unit Head Definition:** Indicates which INCOMELIST (from the dropdown list) is to be used as a default for determining who the head of the assessment unit is. The default setting is *ils_origy*.
Databases

Figure 15: The *Configure Databases* dialog

The concept of SYSTEM-dataset combinations was introduced in Section 3.1. There are various options relating to databases:

**Assigning datasets to systems**

The upper part of the *Configure Databases* dialog (see Figure 15) shows a table where the row headers list all datasets available for the country, while the column headers list all available SYSTEMS. The intersection of a dataset (row) and system (column) indicates whether the SYSTEM can be run with the dataset, in other words whether they form a so-called SYSTEM-dataset combination (as described in Section 3.1). There are three possible settings: a cross (x) indicates that the dataset and the SYSTEM form a SYSTEM-dataset combination; best denotes a SYSTEM-dataset combination that is a ‘best match’ (as described in Section 3.1), and n/a means that the SYSTEM cannot be run with the dataset. In VNMOD v1.x there is only one dataset and so this is the ‘best match’ for the SYSTEMS VN_2013 and VN_2015.

**Adding, removing or renaming a dataset**

To add a dataset click the Add Dataset button, which opens a file search dialog allowing for the search of a text file containing data suitable to run (one or more of) the SYSTEMS.

To delete a dataset, select it and click the Delete Dataset button. Note that the dataset is removed without any further warning, but you can still undo this action by closing the dialog with the Cancel
button or by using the undo functionality. The dataset is not deleted physically of course; the removal concerns only the ability to use the dataset within VNMOD.

To rename a dataset, select it and click the Rename Dataset button, which opens a textbox where the new name can be entered.

**Settings of the selected dataset**

Below the Datasets/Systems table the dialog shows the settings of the selected dataset:

- **Collection Year**: Indicates the year the data were collected.
- **Income Year**: Indicates the year to which the monetary values within the data refer.
- **Currency**: Indicates in which currency data are stored. This is set to national in VNMOD (euro would be an option in EUROMOD).
- **Decimal Sign**: Indicates whether data uses point (.) or comma (,) as the decimal sign.
- **Path**: Indicates a specific path to locate the dataset. Usually it is left empty, to instruct the model to locate the dataset at the default path.
- **Use Common Default**: Checking this option means that any variable not in the data, but used by the SYSTEM, is set to zero (i.e. no error message is issued).

With all of these buttons, click OK to confirm any changes or Cancel to close the dialog without any consequences. Note that changes are only definite once the project is saved. Before that you can still use the undo functionality (see the Working with EUROMOD - Undo and redo section of the EUROMOD Help, accessed from the Help & Info tab) or close the project without saving.

For further information see the Working with EUROMOD - Changing Countries' Settings section of the EUROMOD Help (accessed from the Help & Info tab).

### 3.5 Variables

All countries implemented in EUROMOD and based on the EUROMOD framework (e.g. VNMOD) use the same set of variables to store information taken from the input data and information generated by the model.

Variables follow specific naming conventions. All variables generated by the model end with _s for simulated, whereas variables in the input data do not have such an ending (e.g. bch is a child benefit taken from the data i.e. reported receipt, whereas bch_s is a simulated child benefit). The first character of a variable’s name indicates its type and the rest of the name is composed of two-character acronyms:

- **b** = benefit (e.g. bsa: b=benefit, sa=social assistance)
- **t** = tax (e.g. tin: t=tax, in=income)
- **p** = pension (e.g. poa: p=pension, oa=old age)
- **d** = demographic (e.g. dag: d=demographic, ag=age)
- **l** = labour market (e.g. les: l/labour market, es=economic status)
\[ y = \text{income} \text{ (e.g. } y_{em} \text{: income, } e_{m} = \text{employment}) \]
\[ a = \text{assets} \text{ (e.g. } a_{fc} : \text{assets, } f_{c} = \text{financial capital}) \]
\[ x = \text{expenditure} \text{ (e.g. } x_{hh} : \text{expenditure, } h_{h} = \text{household}) \]
\[ k = \text{in kind} \text{ (e.g. } k_{ed} : \text{in kind, } e_{d} = \text{education}) \]

Variables are stored in the **VARIABLE DESCRIPTION FILE** (VarConfig.xml file). The file contains the names and properties of all variables available in the model. Some of the properties help the model to distinguish if certain routines should be applied to the variable (e.g. only monetary variables are uprated). Other properties are descriptions of the variables, including an automatically generated description of each variable and columns which allow for a special description for the country in question. The file also stores the acronyms of which the variable names are composed.

The VNMOD user interface provides a tool for administering the information stored in **VARIABLE DESCRIPTION FILE** (VarConfig.xml file). To access this tool click on the button **Variables** in the **Administration Tools** tab. To the left hand side is a list of all available variables. For each variable there is a checkbox indicating whether the variable is monetary (checked) or not (not checked). There is a verbal description (**Automatic Label**) which is automatically generated out of the acronyms building the variable’s name and the user cannot edit it.

To the right hand side is a list of all available acronyms, organized into three levels. The first level is the type as described above (i.e. benefit, tax, income, ...). The second level subdivides types into different categories and the third level shows the acronyms themselves together with a verbal description, which is used to generate the **Automatic Labels** of the variables. If an acronym is categorical (e.g. gender has two categories: male and female), selecting the acronym lists the respective categories below the list of acronyms.

A number of operations can be performed within the tool, all of which are described in the Working with EUROMOD – Administrating variables section of the EUROMOD Help (accessed from the **Help & Info** tab):

- Adding variables (see also Section 4.4)
- Changing the name of a variable
- Changing the monetary state of a variable
- Changing the country specific descriptions of a variable
- Deleting variables
- Filtering variables
- Sorting variables
- Searching variables
- Adding acronyms

As has been shown, it is also possible to add variables using the **DefVar FUNCTION**. Such variables fall outside the standard EUROMOD variable naming conventions. They are used sparingly as their use impedes harmonization of variables across different SOUTHMOD models.
In fact, there are just two general uses of such variables within VNMOD. The first is for temporary or intermediate variables within policies which are generally not output to the final output file (except for the purpose of debugging). These all begin with \textit{i}_i (i for intermediate). The rest of the name is as meaningful as possible.

The other exception is VAT/special sale tax expenditure variables which all begin with an \textit{x} and quantity variables for excise duties which begin with \textit{q}. These are then followed by the COICOP code for the item in question. The main reason that these are not introduced in the usual way via the Variables Tool is because there are large numbers of these within the model.
VNMOD can be summarised as follows:

1. VNMOD’s central access point is the main user interface. From here the content files can be accessed. These store the information the model needs for its calculations and provide other tools and applications.

2. VNMOD’s content files contain information required for both the implementation of the framework of the tax-benefit model, and for the implementation of the particular policies which comprise the tax-benefit system. This information is mainly contained in POLICIES displayed in the POLICY SPINE.

3. FUNCTIONS are used as building blocks of both definitional and tax-benefit POLICIES. FUNCTIONS are comprised of PARAMETERS.

4. The definitional POLICIES include uprate_vn, ildef_vn, tudef_vn and constdef_vn.

5. Uprate_vn contains the uprating factors for monetary variables.

6. Ildef_vn contains definitions of INCOMELISTS (i.e. aggregates of variables defining for example disposable income, taxable income, etc.). INCOMELISTS are used in tax/benefit POLICIES for the implementation of the respective tax or benefit.

7. Tudef_vn contains definitions of assessment units, which are also used in tax-benefit POLICIES for the implementation of the respective tax or benefit.

8. Constdef_vn contains definitions of CONSTANTS used in tax-benefit POLICIES.

9. There is also a definitional POLICY output_std_vn which contains the specification of the output from the model.

10. Information relating to country settings (e.g. name, short name), SYSTEM settings (e.g. currency) and the input datasets is contained and modified within Country Tools.

11. The VARIABLE DESCRIPTION FILE (VarConfig.xml file) contains descriptions of all variables available in the model.
4. Tasks in VNMOD

4.1 Running VNMOD

The next step, having implemented each of the POLICIES and configured the settings in VNMOD, is to run the model to simulate the tax and benefit policies.

As we have seen, VNMOD output is based on two inputs: (a) household micro-data and (b) rules on how to calculate taxes and benefits stored in the content file. Using these two information sources, the model calculates all taxes and benefits that have been implemented. The calculations are carried out for each individual or household in the dataset and the result is written to a micro-output file. The output is at the individual level (unless specified otherwise).

To activate the Run EUROMOD dialog (see Figure 4.1) click on the Run EUROMOD button in the top left corner of the user interface (see inset of Figure 16).\(^{13}\)

Figure 16: The Run VNMOD dialog
The main part of the dialog is a list of SYSTEMS which are ready to run. VNMOD only covers Vietnam and so the Country column only shows SYSTEMS for Vietnam (T2) but it has the capability (though not the content) to cover other countries as well. To select a SYSTEM for running, check the box to the right of the SYSTEM. The list provides a drop down box for each SYSTEM which contains all available datasets. As a default these boxes show the best matching datasets. It is however possible to choose another dataset by selecting it from the list. In VNMOD v 1.6 there are four SYSTEMS (VN_2013, VN_2014, VN_2015, VN_2016, VN_2017 and VN_2018).

The buttons to the left of the Run button facilitate the selection of more than one country and/or SYSTEM.

The field Output path at the bottom of the dialog defines the folder where the model writes its output. By default this is the output folder defined when installing VNMOD (or when opening a project – see Section 4.5). The folder can be changed by clicking the folder button right of the field to browse and select the appropriate folder, or by typing. Please note that the output folder must exist, otherwise VNMOD issues an error message.

Once the required selections have been made, click on the Run button to start the simulation process. A window appears providing information about the progress of the run and allowing for some manipulation. All SYSTEM-dataset combinations selected for running are listed and their status is shown: running, queued, finished or aborted (either by the user or due to an error). Once a run is started, its starting time is displayed, and once it is finished (or aborted), the finishing time is indicated as well, together with the time taken. The total time needed by the simulation depends on the processing speed of the computer, on the size of the dataset (i.e. how many households must be processed), and on the extensiveness of the SYSTEM (i.e. the number and complexity of implemented taxes and benefits).

There are three buttons for each run. The Stop button enables the user to abort the run. Once a run is started, the Run Log button is activated. If it is clicked, the field below the list of runs shows progress information. If a run produces an error (stopping the run) or a warning (allowing the run to continue) the Error Log button is activated. Clicking the button shows the run’s warnings and/or errors in the field below the list of runs. Note that the content of this field is determined by the most recently clicked button - its heading indicates what is currently displayed. If any warnings or errors are issued, an error log file is generated, named yyyyymmddhhm_erlog.txt (e.g. 201709081530_erlog.txt).

The information window will stay open until it is closed by the user, even if all runs are finalised, to allow possible error logs to be checked and to inform about the times taken. If the user closes the window before all runs are finished (after a warning), the still active runs are aborted and the queued runs are taken from the queue. To hide the window, use the minimise button.

When VNMOD has finished its calculations, the output is stored as one or more text files at the storage place defined in the field Output path. An output text file is produced: the STANDARD OUTPUT. Output files can be viewed in a text editor program such as notepad or imported into any
statistical analysis package, for example Stata, for more detailed analysis. The output can be viewed in Excel by using the in-built tool Open Output File (accessed from the Applications tab). The output data can also be analysed using the STATISTICS PRESENTER (See Section 4.5).

The model produces a header file relating to the output file with the following information: system, database, EUROMOD version number, user interface version number, executable version number, start date and time, end date and time, name and location of the output file, currency and exchange rate. The name of this file is yyyyMMddhhmm_EMHeader.txt (e.g. 201709081530_EMHeader.txt).

How to produce output:
1. Enter the user interface and click on the button Run VNMOD in the top left corner.
2. Check the box for the SYSTEM-dataset combination of choice. Also ensure that the path to the output file is correct.
3. Click on Run.
4. When the simulations have finished running use your favourite text or statistical package to explore the output files or utilise the STATISTICS PRESENTER.

SYSTEMS will need to be added for future years, for example the policy rules for 2018 will need to be incorporated as a new SYSTEM in due course. In addition, there may be a need to test the impact of reforms to the current tax and benefit rules. These two related tasks are discussed next.

4.2 Adding a new system in VNMOD

There is a tool in VNMOD that allows you to add a new SYSTEM. There are two ways to access this tool: either click on the Add System button in the Country Tools tab or right click on the header of an existing SYSTEM and select Copy/Paste System. Either option opens a dialog which asks for the new SYSTEM NAME (e.g. a SYSTEM for 2018 could - and should! - be named VN_2018) and the SYSTEM YEAR (in the example this would be 2018). Note that the SYSTEM’s name must not contain any other characters than letters, numbers and underscores. If any other character is used or if the chosen name is equal to an existing SYSTEM’s name, an error message is issued, and you are asked to change the name. Clicking OK adds the new SYSTEM.

In the first instance the new SYSTEM is almost an exact copy of the base SYSTEM and is automatically configured to run with the same datasets as in the base SYSTEM. There is just one small difference between the base SYSTEMS and their copies: the Add System tool changes the names of the output files for the new SYSTEM to reflect the new SYSTEM’s name (e.g. the output file for VN_2015 is called VN_2015_std.txt, but in a new SYSTEM, say VN_2018, the name of the output file would be VN_2018_std.txt).

The user interface allows the differences between a base and a derived SYSTEM to be highlighted, using background and/or text colour (Tab Display – Automatic Conditional Format button). This is very useful to highlight the changes introduced by a reform (see below). If the base SYSTEM
highlights differences to its own base SYSTEM, the new SYSTEM will inherit this feature.

Changes to PARAMETERS (e.g. inputting the 2018 values) can now be made in the new SYSTEM.

Deleting a SYSTEM can similarly be undertaken in two ways: either click the Delete System(s) button in the Country Tools tab, which opens a dialog (Select Systems) where the SYSTEM to be deleted can be selected, or right click the SYSTEM’s header and select Delete System.

Note the warning that SYSTEM(S) will be deleted permanently. Take great care when using the Delete System tool in order to avoid inadvertently deleting a SYSTEM that you did not intend to delete.

Conditional formatting can be used to highlight the differences between SYSTEMS. Under the Display tab you can choose Automatic Conditional Formatting to highlight the differences between the newest SYSTEM and the previous SYSTEM. Alternatively you can specify your own Conditional Formatting.

4.3 Implementing a policy reform in VNMOD

In order to implement a policy reform, it is necessary to remember that a SYSTEM is a collection of tax and benefit policies that apply to a particular point in time, for example the VN_2017 SYSTEM records the tax and benefit rules in existence in 2017.

Understanding how to correctly implement a policy reform is a crucial part of using VNMOD. There are two ways of doing this but only one way which is regarded as good modelling practice. The process of implementing a reform should begin with adding a new SYSTEM to VNMOD (as described above). This could be called VN_2017_reform, for example, and can be made to copy an existing SYSTEM. Having done this all the changes can be made in the reform SYSTEM and the PARAMETERS in both the existing SYSTEM and the reform SYSTEM will be preserved so that it is easy to see the differences between them and simulations can easily be run for both SYSTEMS.

This is preferable to making changes to particular policies in an existing SYSTEM, which although possible is definitely not recommended. The existing SYSTEM is a record of the POLICY PARAMETERS at a particular time point. If it is amended then this record is lost and it would not be possible to run simulations on the existing SYSTEM without undoing the changes made in the reform scenario.

The exact process of implementing a policy reform will then depend on whether the reform is a change to an existing policy (e.g. amending a means test threshold or grant amount, removing a means test, or varying the means test amount by criteria) or the introduction of a new policy. The possible options are too many and varied to explain in detail here, so instead the main operations that will be required when implementing a policy reform are described next.
Adding a policy

To add a POLICY right click on the name of the POLICY either before or after which you want to insert the new POLICY. This opens the POLICY’s context menu, where you select the menu item Add Policy Before or Add Policy After (see Figure 4.2). A sub menu opens where the type of the new POLICY can be chosen (Benefit, Tax, ...). Click the respective POLICY type to open a dialog where you are asked to indicate the new POLICY’s name. Clicking OK adds the new POLICY. Note that the POLICY’s name must not contain any characters other than letters, numbers and underscores. If any other character is used or if the chosen name is equal to an existing POLICY’s name, an error message is issued, and you are asked to change the name. Moreover, the POLICY name is by convention expected to end with _vn. If this is not the case the user interface asks whether it should add this ending for you. You may answer this question with No to use a non-standard policy name, it is however recommended to answer with Yes.

Figure 17: The Add Policy tool

Adding a function

To add a FUNCTION to a POLICY right click on the name of the FUNCTION either before or after which you want to insert the new FUNCTION. This opens the FUNCTION’s context menu, where you select the menu item Add Function Before or Add Function After. A sub menu opens where the
FUNCTION to be added can be chosen.

This sub menu is slightly different depending on the POLICY that the new FUNCTION will be part of. Click the respective FUNCTION to add the FUNCTION itself as well as the compulsory PARAMETERS of this FUNCTION (e.g. for most FUNCTIONS, TAX_UNIT and Output_var).

Figure 18: The Add Function tool accessed from FUNCTION’s context menu (right click on preceding or succeeding FUNCTION)

Alternatively, the POLICY context menu offers the menu item Add Function (see Figure 19). This adds the FUNCTION as the very last FUNCTION of the POLICY.
Figure 19: The Add Function tool accessed from POLICY’s context menu (right click on POLICY name)

Adding a parameter

To add a PARAMETER to a FUNCTION right click the respective FUNCTION to open its context menu and select the menu item Show Add Parameter Form (see Figure 20).

The form shows all PARAMETERS that can be added to the FUNCTION (in the column Parameter) with a description (in the column Description). Compulsory PARAMETERS of the FUNCTION are not listed (e.g. the PARAMETER TAX_UNIT). Exceptions to this rule are ‘special’ PARAMETERS such as those which can be added more than once (e.g. the PARAMETER Var of the FUNCTION DefOutput or the PARAMETER Comp_Cond of the FUNCTION BenCalc) and those which have ‘aliases’ (e.g. the PARAMETER Output_Var with its alias Output_Add_Var). The form observes what the user is doing and adapts its content respectively.
In brief, to add one or more **PARAMETERS** to the **FUNCTION** select them by ticking the corresponding check boxes. Then click the **Add** button (the button with the green plus). It is possible to add **PARAMETERS** in bulk (where more than one incidence is allowed e.g. the **PARAMETER** `Var` of the **FUNCTION** `DefOutput`). To understand the full functionality of the **Add Parameter Form** see the Working with EUROMOD - Changing countries' tax-benefit systems - Adding parameters section of the EUROMOD Help (accessed from the Help & Info tab).

Note that if in the main view a **PARAMETER** is selected, new **PARAMETERS** are added after this **PARAMETER**, whereas if a **FUNCTION** is selected (as in Figure 4.3), new **PARAMETERS** are added at the end of the **FUNCTION**.

**Figure 20: The Add Parameter Form**
For further information on adding POLICIES, FUNCTIONS and PARAMETERS see the Working with EUROMOD - Changing countries' tax-benefit systems section of the EUROMOD Help (accessed from the Help & Info tab).

To make the process of implementing a reform more manageable, sometimes it is helpful to concentrate only on this SYSTEM and maybe its base SYSTEM. To facilitate this, SYSTEMS can be hidden. Right click on a SYSTEM’s header and then move the mouse over the menu item Move to Hidden Systems Box ... to reveal various sub menu items where there are options for hiding and un-hiding SYSTEMS from the main view. SYSTEMS hidden from the main view are listed in the Hidden Systems Box. This is a small window, which is displayed by choosing the sub menu item Show Hidden Systems Box or by any of the other sub menu items except Unhide All Systems. The sub menu item Unhide all Systems redisplay all hidden SYSTEMS (i.e. the SYSTEMS listed in the Hidden System Box). To redisplay a single SYSTEM, double click on the SYSTEM in the Hidden System Box. It is also possible to hide and unhide a SYSTEM by dragging it into the Hidden System Box or by dragging it from the Hidden System Box to its old or any other position.

Note that the user interface draws attention to any changes which could affect hidden SYSTEM.

4.4 Adding new variables to VNMOD

As part of implementing a reform or a new SYSTEM where there has been a change to a policy, it may be necessary to incorporate new variables. As described above, the VARIABLE DESCRIPTION FILE (VarConfig.xml file) is accessed via the button Variables in the Administration Tools tab. In order to add a variable click on the button Add Variable in the top left hand corner of the Variables tab or alternatively press the keys Alt and V simultaneously. This adds an empty row to the list of variables. Initially the row is added below the selected row. Re-sorting the list (manually or by an automatic update due to another change) moves empty rows to the beginning (ascended sorting) or end (descended sorting) of the list of variables.

The variable name can be entered by typing directly into the cell of the Name column, using the listed acronyms. If the required acronym is not in the list it can be added using the buttons in the Acronyms tab (see the Working with EUROMOD – Administration of EUROMOD variables section of the EUROMOD Help, accessed from the Help & Info tab). The Monetary box is checked by default but can be unchecked. As discussed above, the Automatic Label is automatically generated from the acronyms used in the name of the variable, and cannot be edited. A Vietnam specific description of the variable can be added by typing directly into the Description cell. Remember to save the file before closing.
4.5 Using the statistics presenter

The STATISTICS PRESENTER is an extremely powerful (and flexible) tool within VNMOD. It allows immediate analysis of the output data. At the present time the STATISTICS PRESENTER calculates the costs of benefits and amount of taxes simulated. It produces estimates of both consumption poverty and inequality and income poverty and inequality taking into account simulated taxes and social transfers. It also allows comparisons between two systems.

The STATISTICS PRESENTER is accessed from the Applications menu by clicking on the Statistics Presenter button displayed:

At this point the user is asked to choose between two templates: SOUTHMOD STATISTICS or
SOUTHMOD STATISTICS COMPARISON (NB Other Templates may be added in due course). Choosing SOUTHMOD STATISTICS will reveal a list of possible output files to be analysed. One or more may be selected. To select more than one use the control key and mouse click to select the desired output files. Pressing OK will give another dialogue which enables the user to select whether poverty and inequality statistics are consumption based or income based.

After the user has selected either consumption or income based poverty/inequality the STATISTICS PRESENTER will begin to process the results and will display the following gear wheel whilst it is doing so:

When the calculations are complete the following screen is showed first:

![SOUTHMOD STATISTICS](image)

This is referred to as the TAX-BEN POLICY PANEL and presents information on modelled annual government revenue through taxes (direct and indirect) and social security contributions. It also displays annual government expenditure on various kinds of social transfer. What is displayed under different headings is controlled through INCOMELISTS. These will be discussed later in this section.

The POVERTY PANEL (see next page) and the INEQUALITY PANEL are accessed using the tabs to the right of the TAX-BEN POLICY tab (see screenshots below). The POVERTY PANEL shows both the percentage of the population in poverty (also shown broken down by the following types of household: male headed households; female headed households; households with children and households with older persons). The POVERTY PANEL also displays the average normalised poverty gap FGT(1). The poverty line used in the POVERTY PANEL (reported in the last row of information) is specified in a special POLICY in the model and can be modified as needed. This poverty POLICY will be discussed later in this section.

In addition to the GINI coefficient, the INEQUALITY PANEL also displays the P80/P20 ratio measure of inequality (the ratio of the income of those at the eightieth percentile of the distribution compared to the income of those at the twentieth percentile). The income at each quintile of the income distribution is also shown.
If the user had selected more than one output file then tabs at the bottom of the screen for each output file selected would be shown.

The initial dialog also allowed users to select **SOUTHMOD STATISTICS COMPARISON**. After this dialogue the user is presented with the choice of whether to proceed with consumption based or income based estimates and the final output shows the difference between the base system and the comparator system.

This option is particularly useful when examining the impact of policy reforms.

The output for all three panels takes the form of a comparison between the base system (i.e. the output file selected in the leftmost part of the dialogue box shown above) and the comparator system.

Before turning to the model requirements to enable the **STATISTICS PRESENTER** to work correctly it should be noted that on each panel, there is a button to enable the user to Export the results. Various options are presented. Perhaps ‘ALL’ is most useful as it will export to Excel the tables on each of the panels.

**Compulsory information required by the **STATISTICS PRESENTER**

There are two sets of information that the **STATISTICS PRESENTER** requires in order to function correctly. Certain information is generated when the baseline data is prepared and forms part of the data preparation process: this will not need to be altered by the user and is recorded here only for information purposes. The second set of information is contained in the model: some of these will require alteration in certain circumstances but again most will not require alteration.
Data requirements for STATISTICS PRESENTER - generated during the data preparation stage and not requiring alteration by the user

The following variables are generated during the data preparation step and will not require alteration:

Variable \( x_{hh} \) - household consumption as used by the Vietnam National Bureau of Statistics for calculating consumption poverty measures in the base year (2012).
Variable \( ses \) – Equivalence scale in adult equivalents used in Vietnam for poverty and inequality measurement.
Variable \( dh\)h – set to 1 for household head, 0 for other members Variables representing social benefits reported in data (where applicable). Variables representing direct taxes reported in data (where applicable).
Variable \( xivot \) - value of home-grown produce where available to add to income to estimate income poverty. This will be set to 0 when not known or where it is desirable to estimate income property without taking into account home-grown produce.

Requirements for STATISTICS PRESENTER – to be included in the model

Apart from new variables generated within the data preparation stage, the STATISTICS PRESENTER requires certain information mainly in the form of INCOMELISTS to generate the requisite output. As with the variables generated during the data preparation stage many will never require amendment. However, some will require amendment particularly if a new policy is introduced. Where this is the case, this will be clearly indicated in the following sections. The sections indicate the information required for each of the three panels in the STATISTICS PRESENTER output and are grouped accordingly.

i) The INCOMELISTS required for the TAX-BEN POLICY PANEL

The first three INCOMELISTS represent the revenue from taxation reported in the first part of the table in the TAX-BEN POLICY PANEL. They will only require amendment if new taxes or Social Security contributions are simulated.

\( ils\_tax \): contains simulated direct taxes (income tax and presumptive tax)
\( ils\_taxind \): contains simulated indirect taxes (such as VAT and excise taxes)
\( ils\_sic \): contains simulated social security contributions (employee and employer).

The second group of six INCOMELISTS contain the benefits simulated in the model. They are required for the second part of the table in the TAX-BEN POLICY PANEL - the costs of social benefits. **It is important to note that these six lists are mutually exclusive:** a simulated benefit can only occur in one of the lists. So, for example, if a disabled child benefit were simulated, a decision would need to be made whether to insert this into the child benefit income list or the disability benefit income list. Amendments to these lists will need to be made any time that a reform scenario is introduced that introduces a new benefit, or when a new benefit is introduced by government.

\( ils\_bch \): contains all simulated child-related benefits
**ils_bsa:** contains all simulated social assistance-related benefits

**ils_bsu:** contains all simulated orphan and widowhood-related benefits

**ils_bdi:** contains all simulated disability-related benefits

**ils_bun:** contains all simulated unemployment-related benefits

**ils_pen:** contains all simulated pension benefits

ii) The **INCOMELISTS** and other requirements for the **POVERTY PANEL** and the **INEQUALITY PANEL**

There are a number of income lists required for the **POVERTY PANEL** and the **INEQUALITY PANELs** to work correctly.

For the consumption based measures the following **INCOMELISTS** are essential. **However, in general, they will not need to be altered.** Any alterations will have been made to component income lists e.g. if a new benefit is simulated it will have already been added to **ils_bensim** just as any new tax simulated will have been inserted within **ils_taxsim**. This is good practice and should have been carried out whether or not the **STATISTICS PRESENTER** is used.

The **INCOMELISTS** for consumption poverty are as follows:

**ils_tistn** - this is composed of the following items recorded or imputed in the underpinning data: employee social security, turnover tax and any other direct tax.

**ils_bendata** – these are social benefits as reported in data.

The key Income list supporting consumption-based poverty is **ils_xhh_s** – this comprises the following components which are either added (+) or deducted(-): xhh (+), **ils_sicee** (-), **ils_tistn** (+) and **ils_bendata** (-).

There is only one **INCOMELIST** used for income based measures of poverty and inequality. This is **ils_dispy2**. It is comprised of the standard **INCOMELIST** of **ils_dispy** (see Section 3.2 above) together with the variable **xivot** (which may or may not contain any value – see above).

In addition to the income lists there is a **POLICY** – **poverty_lines_vn** which specifies the poverty line to be used. The **POLICY** is a simple one comprising of two Arithop **FUNCTIONS**. One **FUNCTION** calculates the basic needs poverty line while the other **FUNCTION** calculates the food poverty line.

Only one of these two **FUNCTIONS** can be turned on at once, and the choice depends on whether the user requires the poverty panel to report food poverty or basic needs poverty. The **FUNCTIONS** are very straightforward. The key **PARAMETER** is the formula which takes the constant for the poverty line (basic or food) and multiplies it by the overall CPI factor $S_f \cdot CPI\_Overall$. The output variable is **spl** and this is fed into the **STATISTICS PRESENTER**.
4.6 Other tasks

Saving changes

To save your changes open the main menu (above the Run VNMOD button) and select the menu item Save Country (see Figure 21). Alternatively press Ctrl-S.

Figure 21: Saving changes

Opening a new project

The main menu also has an option to Open Project. This opens a dialog which allows the content displayed by the user interface to be changed, as well as the default input and output paths (see Figure 22). This may be required if, for example, you wish to create a version of VNMOD for testing purposes, or a new version of VNMOD is issued and you wish to switch to using the new version.

Figure 22: The Open Project dialog

In the dialog box you are asked to provide the locations of the EUROMOD (i.e. VNMOD) Folder (e.g. C:\VNMOD v1.0).
References

