

Land Use Management and Real Property Taxation in Vietnam

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Presentation Structure

- Background on Land Management in Vietnam
- Current Property Tax System in Vietnam
- Government Proposal for Tax Reform
- Pilot Study and Alternative Proposal for Tax Reform

Geographic location



Geographic location



- Size: 331,689 km², comprises 64 provinces and cities

- Population: 87 millions

- GDP/capita (IMF, under PPP): US\$ 3,393

- Population density: 267 inhabitants per km²

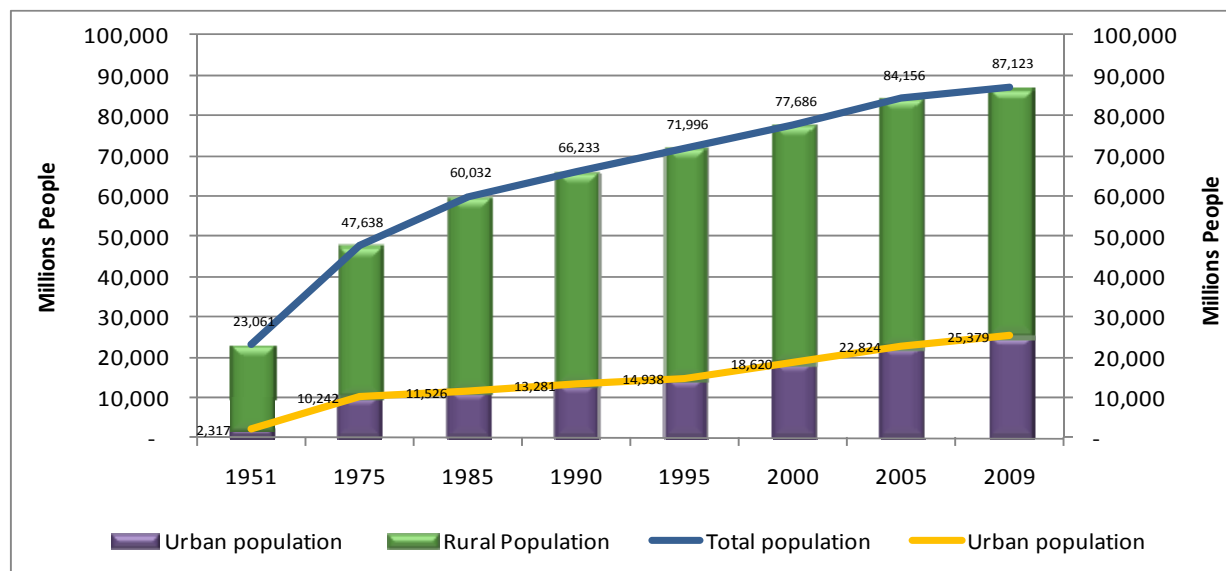
- Urbanization rate: 27.4%

- Urbanization rate: 2% per year

- 712 cities and towns

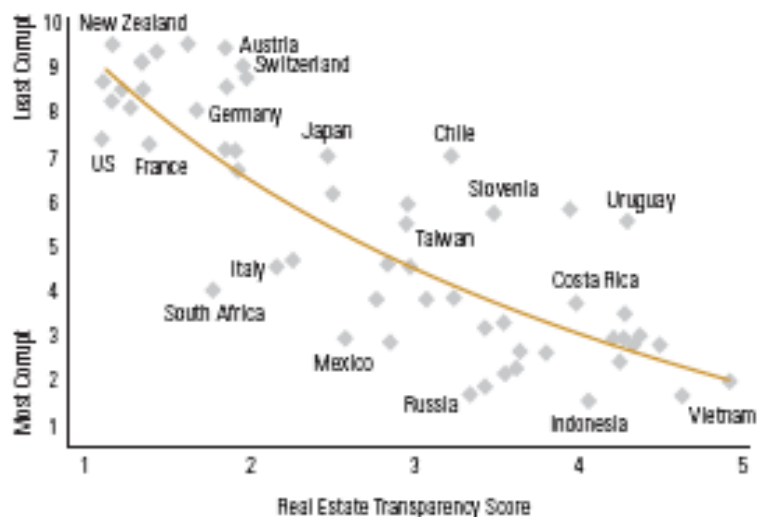


Demographic Growth and Urbanisation Rate



Source: Vietnam Statistics 1930 -1984, Statistics Edition 1985; Annual Statistics books 1985-2006

Real Property Transparency Index



Sources: Jones Lang LaSalle, LaSalle Investment Management, Transparency International

Transparency Level	2008 Composite Rank	Market	2008 Composite Score ¹	2008 Composite Tier
High	1	Canada	1.17	1
	2	Australia	1.20	1
	2	United States	1.20	1
	4	New Zealand	1.21	1
	5	United Kingdom	1.31	1
	6	Netherlands	1.33	1
	7	France	1.34	1
	8	Sweden	1.43	1
	9	Belgium	1.48	1
Low	66	Kuwait*	3.71	4
	67	Turkey	3.75	4
	68	Colombia	3.81	4
	69	Peru	3.85	4
	70	Uruguay	3.89	4
	71	Venezuela	3.93	4
	72	China Tier 3 Cities*	3.97	4
	72	Pakistan*	3.97	4
	72	UAE - Other Emirates*	3.97	4
	75	Kazakhstan*	4.04	4
Opaque	76	Dominican Republic*	4.27	4
	77	Vietnam	4.29	4
	78	Belarus*	4.53	5
	79	Sudan*	4.65	5
	81	Syria*	4.76	5

Legal Framework of Real Property Tax

- 1992 – First Decree on Land and Housing Tax
- 1994 – Amended Decree on Land and Housing Tax



Current Real Property Tax Base

- Taxing land only
- Improvements are tax exempt
- Taxing non-agricultural land



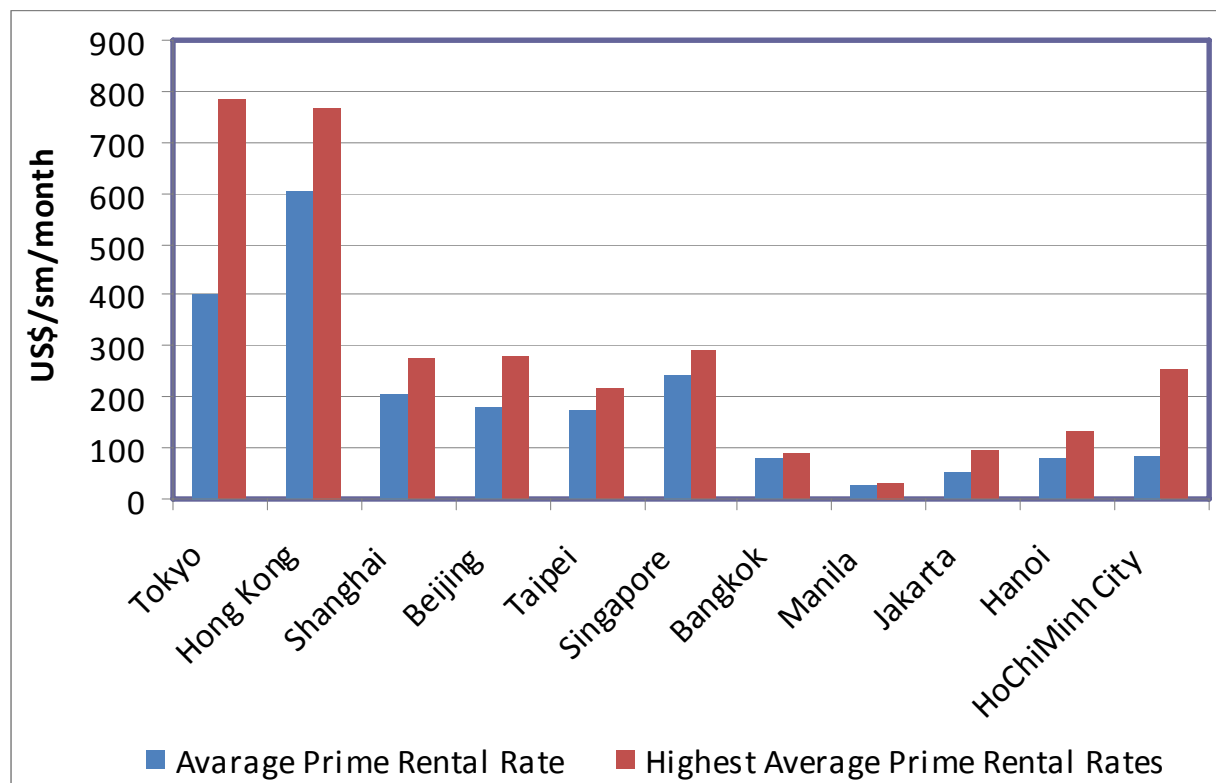
Land Tax Determination

Tax on Residential, Industrial and Commercial Land is based on Agricultural Land Use Tax

Tax categories	Tax base	Tax burden calculation	Adjustment
Tax on agricultural land use	Area	Kilogram of rice per area unit * Rice price	Five land categories
Tax on land and housing (real property tax)	Area	Agricultural land use tax * coefficient * Rice price	Differentiated according to land categories as (i) land classification, (ii) rural rural or urban area, (iii) location

Sources: based on Agricultural Land Use Tax Law (1993) and Decree on Land and Housing Tax(1994)

Real Property Price in Vietnam and key Asian Cities



Sources: based on RECB report, Nov 2008

Tax Rate within Hanoi Area in 2009

Land categories	Best land					Poorest land				
	Coefficients	Tax liabilities in rice (kg)	Tax liabilities in VND	Official prices	Tax Rate	Coefficients	Tax liabilities in rice (kg)	Tax liabilities in VND	Official prices	Tax Rate
1. Hanoi center	32	2	7,920	67,500,000	0.0117%	9	0.4950	2,228	7,800,000	0.0286%
2. First class town	19	1	4,703	18,000,000	0.0261%	9	0.4950	2,228	5,600,000	0.0398%
3. Second class town	13	1	3,218	5,500,000	0.0585%	3	0.1650	743	1,250,000	0.0594%
4. Rural residential land	1	0.055	248	1,356,000	0.0183%	1	0.0550	248	200,000	0.1238%
<i>The local price of rice at February 2008 is 4500VND/kg</i>										

Sources: based on decision 62/QĐ-UB in 31 Dec 2008 of Hanoi People Committee on Land Pricing; General Department of Taxation Regulations

Property Tax Reform in Vietnam 2010 – First Law on Land and Building Tax ?

- Proposed Law of Vietnamese Government
 - Land: market value determined annually by municipal and provincial authorities.

Tax levels	Taxable land area (sq. m)	Tax rate (%)
1	Area within standard	0.03
2	Area over standard but not over 3 times of standard area	0.06
3	Area over 3 times of standard area	0.09

- Buildings: construction value \geq 600 million VND (=35,000\$), based on the new replacement cost

Tax levels	Taxable value	Tax rate (%)
1	Up to 600 million VND	0
2	Over 600 million VND	0.03

Land Value Assessment

- **Location 1:** Land fronting a street with good vehicle access
- **Location 2:** Land fronting a street with average vehicle access
- **Location 3:** Land fronting a street with no vehicle access
- **Location 4:** Land having extremely limited access



Legal Framework of Real Estate Valuation

- Valuation profession has not been created
- Valuation results of private companies do not have legal value
- No superior education program in real estate valuation and management.



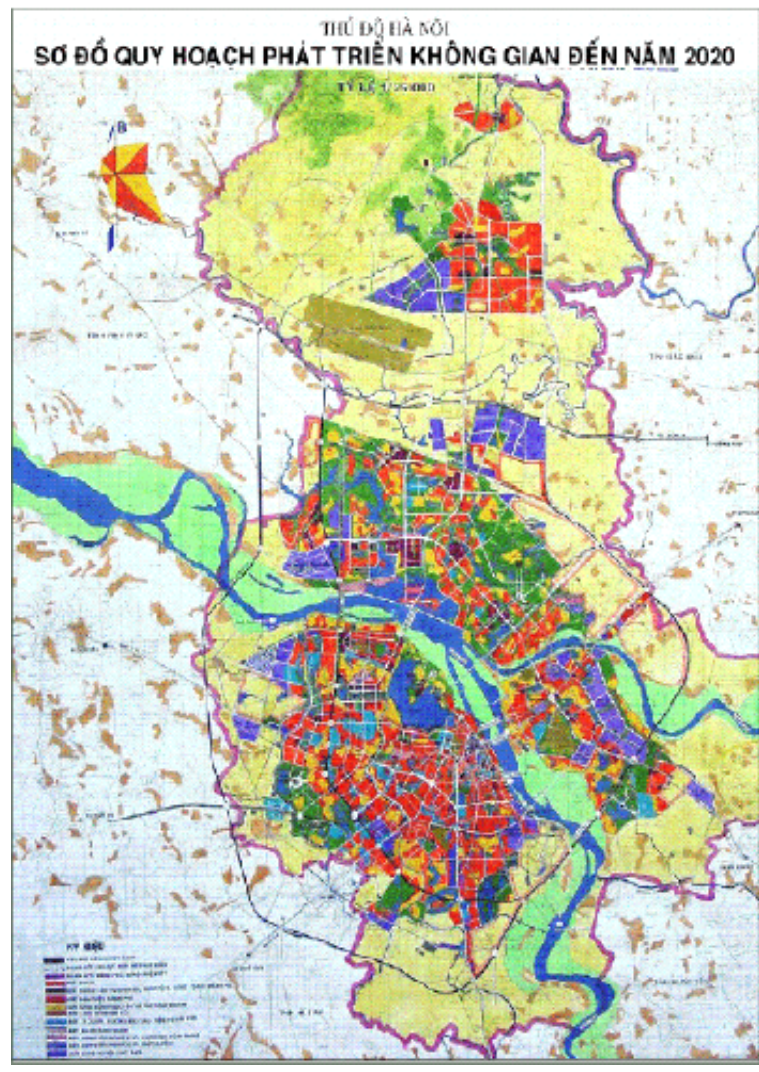
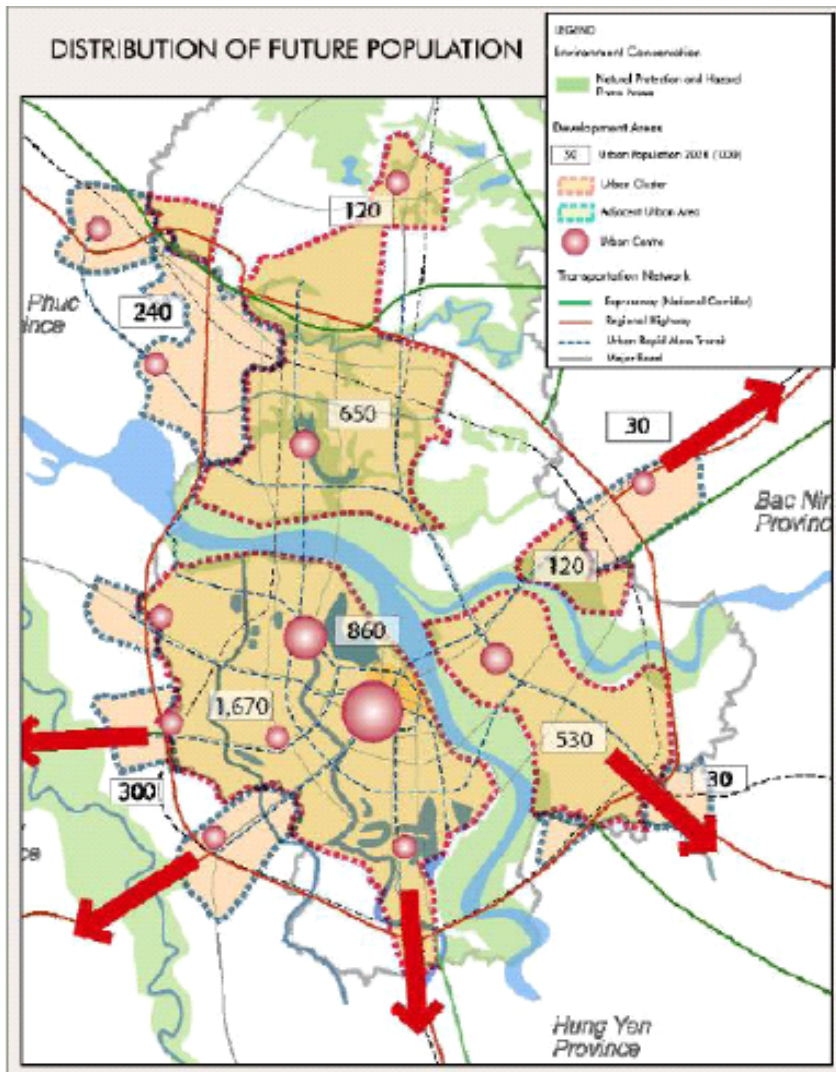
Purposes of the pilot project

- Propose a proposal for tax reform
- Estimate the capacity to pay of taxpayers
- How the real property tax can improve the land use in high density urban areas of Vietnam

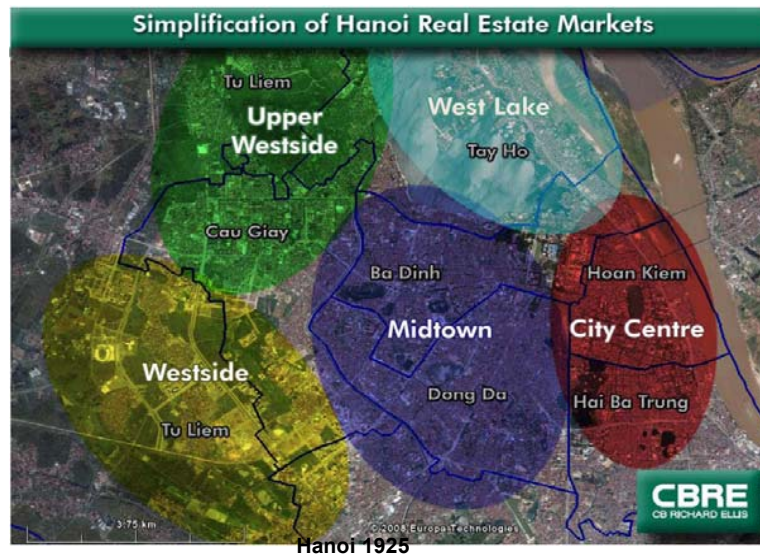


Pilot Project in Hanoi

Study Area: County Phan Chu Trinh, Hanoi



Study area: County Phan Chu Trinh, Hanoi, Vietnam



Hanoi 1925

Hanoi 1925



Hanoi 2009



Methodology

- Collect physical information of individual properties
- Estimate the land values by using multiple regression analysis
- Set up the coefficients for area-based taxation of improvements
- Estimate the property tax of individual properties.

Data Collection Form

PHIẾU ĐIỀU TRA NHÀ ĐẤT/ FORM FOR DATA COLLECTION FOR LAND, BUILDING			
01 THÔNG TIN CHUNG/ GENERAL INFORMATION			GEOCODE
COMMUNE		01 = OWNER	02 = TENANT
ADDRESS	ST.		
UNIT/APT.	CITY	Phone	
02 LOCATION/ Vị trí			
01 = MAIN ROAD/ Mặt phố chính		03 = SIDE STREET/ Phố nhỏ	
02 = MAIN STREET		04 = OTHER	
03 SERVICES/Dịch vụ			
01 = WATER PIPE/ Cấp nước		03 = ELECTRICITY/ Điện	
02 = SEWAGE PIPE/ Thoát nước		04 = GABbage COLLECTION/ Thu gom rác	
		05 = Air conditioner/ Điều hòa	
		06 = ELEVATOR/ Thang máy	
LAND / Thừa đất			
04 LAND			
FRONTAGE/ Mặt tiền		DEPTH/ Chiều sâu	
01 AREA =	Please w rite	m2	
05 LAND SHAPE/ Hình			
01 = SQUARE/ Vuông		03 = IRREGULAR/ Không đều	
02 = RECTANGULAR/ Chữ nhật		04 = TYPICAL/	
06 LAND USE			
01 = RESIDENTIAL/ Nhà ở		03 = INSTITUTIONAL/ Cơ quan	
02 = COMMERCIAL/ Kinh doanh		04 = INDUSTRIAL/ Công nghiệp	
BUILDING(S)/Nhà			
07 TYPE of PROP			
01 = BUILDING/ Nhà		03 = SECONDARY BUILDING/ Nhà thứ cấp	
02 = UNIT IN BUILDING/Căn hộ			
08 MAIN BUILDING/NH			
Please w rite		01 - ORIGINAL CONSTRUCTION YR/X	
		03 - # Floors/Số tầng	
		02 - APPARENT CONSTRUCTION YR	
		04 - Floor No. # UNIT/Tầng nếu là căn hộ	
09 TOTAL AREA - MAIN BLDG or UNIT			
01 AREA =Diện tích		m2	ROOMS/Số lượng phòng
10 BUILDING TYPE/CH			
01 = DETACHED HOUSE		03 = APART./Căn hộ	
02 = DUPLEX		04 = MIX RESID-COMM/Nhà ở+Kinh doanh	
		05 = COMMERCIAL/Kinh doanh	
		06 = INDUSTRIAL/Công nghiệp	
11 BUILDING USE/Sử			
01 = RESIDENTIAL/ Nhà ở		07 = CONSTRUCTION/ Xây dựng	
02 = SHOP/Cửa hàng		08 = SCHOOL LIBRARY/ Trường học, hiệu sách	
03 = RESTO, CAFE, BAR/ Hàng ăn, café		09 = EMERGENCY, SAFETY ETC/ Cấp cứu, an ninh	
04 = OFFICE/ Văn phòng		10 = UTILITIES WATER TREAT, ELECTRICITY/ Cơ	
05 = HOTEL/ Khách sạn		11 = STORAGE/ Kho bãi	
06 = MANUFACTURING/ Cơ sở sản xuất		12 = HEALTH CARE/ Y tế	
		13 = TRAVEL, (Park, station)	
		14 = PUBLIC MEETING/ Đi đến gặp gỡ công cộng	
		15 = RECREATIONAL/ Địa điểm vui chơi	
		16 = OTHER/ Sử dụng khác	
		17 = VACANT/ Bỏ không	

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PHIẾU ĐIỀU TRA NHÀ ĐẤT/ FORM FOR DATA COLLECTION FOR LAND, BUILDING			
BUILDING(S)...			
12 BUILDING LEVELS/Cấp độ nhà			
01 = PERPETUEL/ Vĩnh viễn		03 = FAIR/ tốt	
02 = SOLIDE/ Chắc chắn		04 = ONE LEVEL OR BAMBOU/ Tam bộ	
13 FRAMEWORK/ Khung nhà			
01 = CONCRETE/ Bê tông		03 = MASONRY	
02 = WOODY/ Gỗ			
14 WALLS AROUND/ tường bao			
01 = CONCRETE/ Bê tông		03 = MIXED MATERIALS/ Vật liệu tổng hợp	
As a %		02 = BRICK/ Gạch	
		04 = CONCRETE, BAKED BRICK, TIN/ Bê tông, gạch, t	
15 ROOF/ Mái			
01 = CONCRETE/ Bê tông		03 = TIN/ Tôn	
As a %		02 = BRICK/ gạch	
		04 =	
18 BATHROOM			
01 = FINISHED AREA/ Diện tích sử dụng		02 = LIVING/ Phòng khách	
03 = STORAGE/ Kho			
19 PLUMBING			
Please w rite		01 = # BATHROOMS/ Số lượng	
		02 = # SINKS/ Bồn tắm	
		03 = Vòi hoa sen	
20 MAINTENANCE: bảo dưỡng			
01 = GOOD/ Tốt		03 = POOR/ Kém	
02 = FAIR/ tương đối tốt			
SOCIO-ECONOMIC/ Kinh tế, xã hội			
21 LIVING-IN/ Số lượng nhân khẩu			
Please w rite		01 - # OF CHILDREN/ Trẻ em	
		02 - # OF ADULTS/ Người lớn	
		03 - # OF PENSIONERS/ Hưu trí	
23 INCOME BRACKET/ Thu nhập			
Per Month/ 1		01 = LESS THAN 5M/ dưới 5 triệu	
		02 = 5,1M to 8M	
		03 = 8,1M to 15M	
		04 = 15M Plus	
Comments			
Data collector/ Điều tra viên			
24 Market Value estimation/ Giá thị trường		Please w rite: Triệu đồng/Million VND	
		Date: DD MM YEAR	
25 Monthly rental value/ giá thuê		Please w rite: Triệu đồng/Million VND	
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Data collection in Hanoi

Steps to follow	Sources	Variables
<p>Step 1: Project Preparation Survey targets determination Identification of variables Design data collection form <i>Participants: local advisers, real estate brokers, international experts</i></p> <p>Step 2: Administrative Procedure Identify study area Contact local authorities Ask for data collection permission <i>Participants: local advisers, local officials</i></p> <p>Step 3: Team Training Invite and select collectors Meetings with collectors and local authorities Collectors training <i>Participants: private real estate companies, quarter representatives, local authorities</i></p> <p>Step 4: Data Collecting Communication with households Data collection Data collection following up and checking Data collection forms verification Data entry Data cleaning <i>Participants: local advisers, local officials, real estate valuers, quarter representatives</i></p>	<p>Owners and users Not available Owners, User and collectors Collectors</p> <p>Circular 83* Collectors</p> <p>Owners and users</p> <p>Owners and users Cadatral maps Data collectors</p> <p>Norms of Ministry of Construction</p> <p>Owners, users and collectors</p> <p>Collectors Owners and users</p>	<p>1. General information Geocode Occupations (public, private, rent) Address and phone number</p> <p>2. Location Good vehicle access Average vehicle access Low vehicle access No vehicle access</p> <p>3. Service Water Electricity Sewage Gabbage collection</p> <p>4. Land Area, frontage, depth Shape Use</p> <p>5. Building Type of property "ownership" Area Year of construction Number of rooms Type of building Use Building levels Framework Walls around Roof (concrete, brick, tin) Bathroom Blumbing Maintenance</p> <p>6. Socio-economic Number of household members Income blacket</p>

* Circular 83*TC/TCT of 7 October 1994 of Ministry of Finance

Property data collected by the survey

03Orientation	06 Electricity	07Land Cadastral No	07Land Frontage	07Land Depth	07Land Diện tích Area	08Land Shape	10Type of bldg	12Total area main bldg	12Total area main bldg	13Bldg type
01=East 02=West 03=South 04=North 05=S-E 06=S-W 07=N-E 08=N-W	02 = Điện áp A Đủ B Thiếu					01=Square or rectangular 02=Irregular 03=Smaller at the bottom	01 = Villa 02 = High quality apt 03 = Normal house	01=Area	02=Rooms	01 = Detached house 02 = Multi-family bldg 03 = Apartment 04 = Mix resid+Com. 05 = Sevice/Commerce 06 = Industry/Institutio
7	A		3	7	21	1	3	63	5	1
7	A		3	17	51	1	3	1	1	3
7	A		3	17	51	1	3	153	6	1
7	A					1	4	30	2	3
4	A				0	1	1	2	1	2
4	A				0	1	4	12	1	2
4	A				0	1	4	20	1	2
4	A					1	4	36.6	2	3
1	A					1	4	34.39	2	3
8	A	18/1F	3	10	30	1	3	90	5	1
7	A	18/1F			384.6	1	4	33.2	2	3
7	A					1	4	54	2	2
1	A		6	10	60	1	3	120	4	1
4	A		3	3.33	10.0	1	3	10	1	1
4	A				49	2	3	100	3	1
	A		3	10	30	1	3	60	4	1
5	A					1	4	30	3	2
3	A		15	17.6	264	1	3	383	10	1
7	A					1	4	50	3	2
1	A					1	4	12	1	2
2	A		5	11.3	56.5	1	3	112	3	1
4	A				58.5	1	3	200	7	1
2	A					1	4	51.8	2	3
5	A					1	4	33	2	2
	A					1	4	9.9	1	3

Property data provided by the City

TenVoChongal	No /SoThuat	al Year /SoTo	/DienTichDat	area /DTRieng	and /DTChung	ucSuDungDat	ngDTSuDung	/DTXayDung	walls /KetCau
Hoàng Thị Nam Liên	4^1/1P	J2-lập 1956	267.4	0	267.4		72.9		Tường gạch, mái ngói
Đào Thị Chồi			218.5	0	218.5		73.14		Tường gạch - Mái bằng
Nguyễn Thế Tuy			217.3	47.8	169.5		22.8		Tường gạch - Mái ngói
Đào Thị Nụ	100/1F	H3 - lập 1956	76.4	38.8	37.6		16.8		Tường gạch - Mái ngói
Chu Thị Bình		Lập 8/7/1998	280	0	280		37.1		Tường gạch - Mái bằng
Nguyễn Thị Đầy			379.1	0	379.1		29.2		Tường gạch chịu lực, mái BTCT
Đào Thị Nụ	100/1F	H3- Lập 1956	76.4	38.8	37.6		16.8		Tường gạch, mái ngói
Phạm Thị Xuyên			280	0	280		76.2		Tường gạch mái bằng
Hà Chí Đức	6/1F	Khu J Lập 1956	200.3	38.8	161.5		87.3		Tường gạch - Mái ngói
Trần Thị Quỳnh Châu	615/1F	H3 Lập 1956	129.34	0	0		91.3		Tường gạch - Mái ngói
Nguyễn Thị Phương	615/1F	H3 Lập 1956	94.5	0	94.5		71.91		Tường gạch - Mái ngói
Trần Tiến Dũng			541.8	0	541.8		36.8		Tường gạch chịu lực - Mái BTCT
Nguyễn Ngọc Tuấn			541.8	0	541.8		36.9		Tường gạch chịu lực - Mái BTCT
Phạm Viết Nghị	23/1F	H3 Lập 1956	202.7	26.8	0		28		Tường gạch, mái ngói

Digital maps and GIS layers provided by the City



Alternative Proposal for Tax Reform

- Land: market value-based
- Building: area-based using coefficients system on
 - Floors rates
 - Materials of the roof
 - Date of construction
 - Construction categories



