



# VIETNAM - August 2017

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## **FINANCE MINISTRY WANTS TO TAX SECOND HOMES TO RESTRICT SPECULATION ..... 1**

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### **Finance Ministry wants to tax second homes to restrict speculation**

The Ministry of Finance (MOF) believes that it is necessary to tax second and subsequently owned homes to restrict property speculation and oversupply.

The revenue from property tax makes up 2 percent of GDP in OECD countries and 0.6 percent in developing economies, according to the ministry.

In Vietnam, housing purchases have increased as the average income per capita rose from \$1,400 in 2013 to \$2,200 in 2016. It is expected to rise to \$3,400 by 2020.

Nguoi Lao Dong newspaper quoted a source from MOF as saying that it is still unclear when the policy on taxing second homes would be applied.

“The property tax law is included in the medium-term law compilation program 2016-2020. MOF is still researching the issue,” the source said.

In Vietnam, there is no specific property tax law, but there are taxes related to property such as the tax on agricultural and non-agricultural land use. However, the policies have not resulted in a stable revenue source for the state budget.

The taxation on house owners was first proposed in 2010 but the draft was amended and approved as a non-agricultural land use tax law.

The government then suggested three taxation solutions. First, imposing a single tax rate of 0.03 percent on houses with taxable value of VND500 million and higher. Second, taxing houses based on their area, and third, zero percent tax on houses valued at up to VND500 million, and 0.03 percent tax on the rest.

The government preferred the third solution.

Tran Khanh Quang, CEO of Viet An Hoa Real Estate, said that the tax rate should be moderate. if the tax rate is high, this will push real estate prices up, making it difficult for people to buy or lease houses.

National Assembly committees once discussed the taxation on second and subsequent houses purchased to restrict speculation in 2016, but it is still unclear when the tax would be applied. It would depend on market conditions and other factors.

A tax policy, even if reasonable, will fail if it is implemented when conditions are not favorable. Meanwhile, the taxation on second and subsequent houses is expected to have a big impact on the real estate market.

The finance ministry in late 2016 said people who own a house will not have to pay tax for the second house they buy in 2017.

### **International Property Tax Institute**

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