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TAG ACCOUNTABILITY TO PROPERTY TAX, VIETNAM ADVISED *WORLD BANK SAYS TAX SHOULD BE PART OF FINANCIAL POLICY REFORM.* 1

Tag accountability to property tax, Vietnam advised *World Bank says tax should be part of financial policy reform.*

Vietnam’s proposed property tax should be accompanied by accountability in the use of funds collected, World Bank officials say.

In a meeting with government officials on Thursday, they also said that under the proposed regime, poorer families will end up paying a higher proportion of their properties’ value.

The draft law proposed by the Ministry of Finance in April will have owners of an apartment, house or land worth VND700 million (\$30,500) or more to pay an annual property tax of 0.4 percent of the amount over VND700 million.

1.8 million Vietnamese households will be affected by the tax, accounting for 7.2 percent of total number of households in Vietnam, World Bank representatives said.

Even though only 23,000 of those families are poor, they will have to pay a tax rate of 0.83 percent, higher than the rich who only need to pay 0.58 percent, they added.

They also estimated the money collected from the poor at just VND17 billion compared to the VND2,000 billion from the rich.

Ousmane Dione, World Bank Country Director for Vietnam, said that if the bill takes effect, there should be accountability in the funds being invested for infrastructure development.

Vietnam should implement this tax as part of a reform of financial policy in order to gain the best results, Dione added.

Sebastian Eckardt, World Bank Vietnam’s Lead Economist, said that property tax was not only an income for the country, but also a tool to elevate fairness, efficiency and accountability in local governments, which would contribute to further development of the real estate market.

The country will be able to collect VND3,000 billion from the tax, but tax management will take 10 to 20 percent of that amount, Eckardt said.

Therefore, Vietnam should consolidate the tax policy periodically, and consider calculating the tax according to the asset absolute value or asset value proportion, he added.

Vietnam has room to take its property tax further, Eckardt said, explaining that it now accounts for just 0.04 percent of the country’s GDP, while this number in transition economies and other developing countries are 0.5 and 2 percent respectively.

Deputy Prime Minister Vuong Dinh Hue said at the meeting that the Ministry of Finance should continue cooperating with the World Bank Vietnam and other international organizations to research the topic and select the most appropriate property tax option in Vietnam's economic context.

International Property Tax Institute

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The ministry should also review tax policies towards reducing the costs of tax management, Hue added.

The property tax bill will continue to be discussed and will not take effect until 2020, Nguyen Van Phung, chief of the Tax Policy Department under the General Department of Taxation, said at a conference last month.

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