



## VIETNAM – November 2022

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### CONSTRUCTION MINISTRY STUDIES REAL ESTATE TAX POLICIES

The Ministry of Construction (MoC) will study suitable tax policies in the real estate market to encourage the effective use of houses and land, limit speculation, and ensure State budget revenue.

The MoC discussed the changes with Deputy Prime Minister Le Minh Khai at a meeting aimed at removing difficulties and obstacles in the real estate market in HCM City this week.

Reporting to the Deputy PM, the ministry said that property prices, especially houses and residential land, are still higher than people's incomes. This makes it more difficult for low-income workers in urban areas and industrial zones to have accommodation.

Real estate transactions need to be more transparent. The phenomenon of declared prices which have been lower than the actual transaction price to avoid tax in real estate trading activities is quite common.

Another problem of the current real estate market is the decline in supply and the unreasonable structure. The supply of high-end property (apartment prices over VND50 million per sq.m), middle-class (over VND30 million per sq.m), and resort estate is too high. Some have exceeded the demand forecast by 2025.

Meanwhile, the market is in a serious shortage of social, worker, and affordable commercial housing (VND30 million per sq.m), the ministry added.

According to the ministry, supply to the property market in the first nine months of 2022 was also alarming.

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There were 63 commercial housing projects completed across the country, with a scale of about 14,948 apartments, equal to 50.4 per cent of the same period in 2021.

In contrast, the number of unfinished and ongoing commercial housing projects increased, with about 1,102 projects and 302,616 apartments. The number of unfinished projects equalled 156.7 per cent of the corresponding period last year.

In addition, there were 104 projects approved for investment, equal to 51 per cent in 2021, while 193 projects eligible to sell houses formed in the future, equal to 76 per cent of the same period in 2021.

The number of completed commercial housing projects across the country decreased sharply, while unfinished projects increased significantly, showing that the real estate market has seen difficulties. Many investors had to temporarily suspend construction due to capital shortages.

The current market also shows that while affordable, low-income, and workers' housing is in short supply, there are still urban areas with many blocks of villas abandoned for years. Therefore, investing in villas, townhouses, high-class apartments and land plots to keep assets is quite popular.

Dang Hung Vo, former minister of Natural Resources and Environment, said if there is no tax on second homes or more, it is not possible to reduce the current house prices. However, this is an effective tool to regulate the market and housing prices which has been applied in many countries.

Nguyen Chi Thanh, vice president of the Vietnam Real Estate Brokers Association, said the market is entering a price-adjusting cycle. Housing prices are too high, far beyond the real value. To increase the liquidity in the market, many investors are forced to reduce the selling price or increase discounts.

It's time for people who want to buy real houses and have real money to decide the selling price on the market, Thanh added.

While some experts expressed concerns about the imposition of tax on real estate, especially in the current difficult situation, many believed that it is necessary to choose a specific time to impose taxes to avoid unexpected effects on the market.

According to Le Hoang Chau, Chairman of HCM City Real Estate Association, the real estate market has seen difficulties, facing the possibility of falling into recession if the State does not soon issue adjustment solutions, timely and effective support, coupled with efforts to restructure the market, directing real estate products to real needs.

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Chau also said that some real estate corporations and businesses are facing many difficulties, plummeting profits, even losses, and liquidity drops deeply or lost liquidity. Some corporations have to take 'painful' measures to survive, such as downsizing production and business, stopping, extending and postponing projects, and cutting staff.

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