



VIETNAM'S REAL ESTATE MARKET AND THE LAND PRICE ADJUSTMENT EQUATION

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On August 1, 2024, Vietnam's real estate market saw major shifts with the implementation of the Land Law 2024. In response, local governments now face the challenge of adjusting land price tables to align with new legal frameworks and market realities. This process, however, has sparked significant debate among stakeholders, especially regarding the balance between fiscal responsibility and public affordability.

Vilasia, in collaboration with The Saigon Times, is proud to present an in-depth analysis by Nhung Nguyen, focusing on the intricate legal aspects of land price adjustments. Below is the last article in the series titled "Vietnam's Real Estate Market and the Land Price Adjustment Equation," originally published in Vietnamese in The Saigon Times on September 19, 2024.

Real-life Stories

Ho Chi Minh City is the first locality to implement procedures for adjusting land price tables. However, the proposed adjusted land price table has faced strong opposition from citizens and organizations. Many opinions argue that the land price adjustment is too high - increasing by an average of 5-10 times, with some areas in Hooc Mon district increasing up to 50 times - which will become a burden for people in fulfilling land-related financial obligations, especially in cases where people are carrying out procedures for recognizing land use rights and converting land use purposes. From the management aspect, the Ho Chi Minh City Tax Department argues that applying the current land price table, which is much lower than the market price but without the land price adjustment coefficient (K coefficient), will result in lower tax revenue for the state budget, causing the tax authority to worry about being accused of budget loss¹. The Ho Chi Minh City Tax Department has temporarily suspended processing submitted dossiers determining land-related financial obligations until there are more specific guidelines from the Ministry of Natural Resources and Environment and the Ho Chi Minh City People's Committee. According to statistics, more than 8,800 land dossiers have been backlogged within one month since the new law took effect as the tax authority is still waiting for guidance on the new tax calculation method.

Meanwhile, in Hanoi, the real estate market is also witnessing many fluctuations, especially after land auctions in suburban districts like Thanh Oai and Hoai Duc. The winning bid prices for land plots in

these areas have reached over 130 million VND/m², much higher than the starting prices and also considered much higher than market values. The reason is believed to be due to the very low starting prices in the auctions (currently applied according to the land price table issued under the 2013 Land Law and guiding documents), creating conditions for some speculative groups to take advantage and push prices up, causing market disturbance. Previously, Hanoi had not made any moves to adjust the current land price table.

Shortcomings in Legal Regulations Related to Land Price Tables

Clause 1, Article 257 of the 2024 Land Law stipulates that the current land price table can still be used without mandatory adjustment until January 1, 2026. However, there are currently the following shortcomings:

The 2013 Land Law and Decree 44/2014/ND-CP on land prices limit the cases of using land price tables to determine financial obligations; instead, the adjustment coefficient method is applicable, which means multiplying the adjustment coefficient with the price in the land price table to get the specific land price. In the 2024 Land Law, the cases of using land price tables are expanded in the context of eliminating the land price framework and stipulating annual updates of land price tables to closely follow market prices. Then, some cases that previously used the land price adjustment coefficient method will now apply the land price table. The case of households and individuals being recognized for land use rights, converting land use purposes exceeding the limit is an example.

As of August 1, 2024, the new law no longer stipulates the K coefficient but allows continued use of the current land price tables. This leads to the consequence that the state budget revenue from cases determining financial obligations based on the land price table will be reduced many times. Moreover, the state budget may suffer even more losses due to the expansion of cases applying the land price table.

Along with the policy of continuing to use the current land price table, Clause 1, Article 257 of the 2024 Land Law also allows the provincial People's Committees to decide to adjust the land price table according to the provisions of this Law to suit the actual situation of land prices in the locality, but it is specified as "in necessary cases". Thus, adjusting the land price table is not mandatory and not every locality needs to adjust.

However, after the land auctions in suburban districts of Hanoi, the Ministry of Natural Resources and Environment issued Official Letter No. 5774/BTNMT-QHPTTND dated August 23, 2024, with the content: "...requesting the People's Committees of provinces and cities directly under the Central Government, when applying land prices in the land price table for land management work, to direct a review, in case the area or location needs to apply the land price table but the land price is not suitable with reality, then based on legal regulations and the actual situation of the locality to decide to adjust the land price table issued by the provincial People's Committee according to the 2013 Land Law in that area or location to apply until the end of December 31, 2025.". This request from the Ministry of Natural Resources and Environment is aimed at preventing behaviors that take advantage of land

¹ See "Ho Chi Minh City Tax Department proposes to resolve land files", published on Vnexpress.net, <https://vnexpress.net/thue-tp-hcm-kien-nghi-khan-giai->

guyet-ho-so-dat-dai-4789234.html (accessed on September 9, 2024).

use right auctions for profit, causing market disturbance. However, it may cause a series of localities to adjust land price tables to reflect market prices. It is worth noting that if localities decide to suddenly increase land prices many times as in the draft of Ho Chi Minh City, it will no longer be in line with the spirit of the new law, which currently allows a preparation period extending to early 2026.

The Equation of Balancing Interests

As analyzed above, the lack of clarity in the transitional provisions in Clause 1, Article 257 of the 2024 Land Law is considered the main cause of the current complicated situation. Therefore, having early guidance and direction from the competent authorities to overcome this shortcoming will ensure that the transitional provisions are implemented in practice. Accordingly, the current land price tables can be applied until the end of 2025 to allow people, businesses, and state authorities a period of time to prepare for implementation according to the new land prices, except for truly necessary cases.

In truly necessary cases, the adjustment of the current land price table also needs to be calculated to ensure harmony between the needs and interests of entities participating in the real estate market. The goal is not only the suitability of the land price table with market land prices but, most urgently, to consider the impact of this adjustment on social life. Accordingly, the adjustment needs to take into account different groups of subjects and levels of priority and protection, such as non-business citizens and real estate business groups. At the same time, it is necessary to prevent profiteering, market disturbance, and ensure budget revenue, but also encourage and create conditions to develop the real estate market to solve the current supply shortage.

To build a harmonious and reasonable land price table, participation and feedback from a wide range

of social components is extremely important. In Ho Chi Minh City, one of the highly appreciated moves is the Department of Natural Resources and Environment issuing Document No. 7635/STNMT-KTĐ dated August 1, 2024, on providing information related to adjusting the Land Price Table in the city, which requests related agencies to publish a summary table of explanations related to adjusting the land price table, along with the proposed adjusted land price table. This widespread provision of information creates conditions for a large number of people, businesses, and organizations to participate in giving feedback. And a civilized society, built and operated for the people, very much needs voices from many different perspectives, where the voices of the people are listened to, acknowledged, and absorbed as the most practical measure.





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