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Vietnam
Real Estate

Vietnam: New Law on Land Price Determination Methods and Price Frameworks for All Types of Land

Summary

On 6 December 2007 the Ministry of Finance issued Circular No. 145/2007/TT-BTC Providing Guidelines for Implementation of Decree 188/2004/ND-CP on Land Price Determination Methods and Price Frameworks for All Types of Land ("**Circular 145**").

Circular 145 provides some clarity in this area by determining the methods to be used by the local authorities in setting land prices and values.

Circular 145 became valid on 1 January 2008.

Full Update

Under Circular 145, there are 4 methods to be used by the authorities in determining land price, including:

1. Direct comparison method:

Step 1: Surveying and gathering of information;

Step 2: Comparison and analysis of information;

Step 3: Adjust the different price elements;

Step 4: The price for the land in question shall be determined by using the average of prices for three to five comparable land parcels or vacant blocks which has been adjusted for the price difference in Step 3.

The land price will be determined by the way of using the average of prices in respect of three to five comparable land parcels or vacant blocks which adjoin or are situated in an area adjacent to the land in question and which have similar characteristics to the land in question in terms of land type, location, land area, infrastructure, legal grounds and use purpose.

2. Income method:

Step 1: Calculation of total annual income derived from the land in question;

Step 2: Calculation of expenses payable for generation of total income;

Step 3: Calculation of annual net income in accordance with the formula set out in Circular 145;

Step 4: Determining of an estimated land price in accordance with the formula also set out in Circular 145.

The authorities calculate the total annual income derived from the land. With respect to a vacant block or land on which buildings (housing) have been constructed for lease, the total annual income derived from the land in question is the rent for the real estate (comprising the land plus assets on the land) collectable annually. The land rent or the rent of real estate is calculated on the basis of actual prevailing rates and prices in the local market at the time of calculation.

With respect to agricultural land on which a person allocated with such land himself organises agricultural production, the total income earned means the total turnover from production activities on the land collectable annually.

3. Subtraction method:

Step 1: Gathering of information;

Step 2: On-site survey;

Step 3: Determine a present value for the assets in question in accordance with the formula set out in Circular 145;

Step 4: Determine the value of the property;

Step 5: Determine a price for the land in question.

Under this method, the authorities will gather market information in order to select at least three properties (comprising the land plus assets on the land) which have been successfully sold on the market and which have similar characteristics to the land in question in terms of location, status quo, infrastructure conditions, legal grounds, use purpose, cost and so forth.

4. Surplus method:

Step 1: Determine the optimal use purpose and effectiveness of the land in question on the specified base;

Step 2: Estimate the total developed value of the property;

Step 3: Estimate the total costs of developing the property;

Step 4: Determine an estimated land value.

The authorities determine the optimal use and purpose for the land, based on characteristics, advantages and plans for the land. The total developed value of the property includes the total value of housing, of sub-divided plots, etc. which it is proposed to sell after completion of the investment project.

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