

Investment Guide



Viet Nam

→ Overview

Viet Nam is now one of the leading emerging markets in Southeast Asia. From 2014 to 2016, strong GDP growth of 5.98%, 6.68% and 6.21% saw the economy recover with the implementation of effective monetary policies and strong performance from the tourism, manufacturing and construction sectors. In 2017, GDP growth of 6.81% year-on-year (YoY) was even higher than the target of 6.7%. With over 95 million people, Viet Nam is the 14th most populous country in the world and nearly 70% of the population, are of working age.

Viet Nam participates in the ASEAN Economic Community and has Free Trade Agreements (FTA) with the EU, Russia, Korea, Chile and the upcoming Regional Comprehensive Economic Partnership (RCEP). 2017 saw the successful Asia-Pacific Economic Cooperation (APEC) Economic Leaders' Meeting hosted in Da Nang.

Types of property ownership

The Land Law was updated in 2013 and has been effective since 1 July 2014. Organisations and individuals may acquire land-use rights (LURs) via land lease or allocations requiring a land-use fee (LUF). Land allocation is also referred to as a land grant. The differences between lease and allocation under LUFs are:

1) For land allocation, the land user pays a one-off fee. For a land lease, the user may either pay the land rental on an annual basis or by a one-off sum covering the entire lease term.

2) A land allocation term of agreement may be for a definite or indefinite timeframe, whereas a land lease is a fixed term. A land-use plan is annually approved by local authorities and allows users to know which LURs are possible.

TABLE 1

Key statistics

Official name	The Socialist Republic of Viet Nam
Currency	Vietnamese dong, US\$1 = VND22,463 (28 February 2018)*
Population	95.97 million (December 2017)
Land area	331,231 sq km (2016)**
GDP per capita	US\$2,306 (2017)***
Real GDP growth	6.81% (2017E)**
Principal business areas	Ha Noi, Ho Chi Minh City

* Based on the average inter-bank exchange rate published September 2017 by The State Bank of Vietnam.

** Source: General Statistics Office of Viet Nam

*** Source: IMF

According to the revised law, foreign enterprises are now eligible to allocate land requiring LUFs for the development of residential projects for sale, or for sale & lease. This is to promote greater fairness between local and foreign investors. Foreign investors involved in residential projects for lease may also acquire LURs via land lease, under which they pay the land rental annually or by lump-sum. The land lease term and land allocation for foreign enterprises may not exceed 50 years, although for certain major projects under more unique circumstances, it is possible to increase the term to 70 years. However, eligible buyers will require obtaining freehold LURs. For those sites used for diplomatic purposes, lease terms may be up to 99 years and extendable.

The new law also states foreign entities eligible for land allocation and land lease with a one-off lease payment are entitled to transfer, sub-lease, gift, mortgage and, contribute LURs within the term.

Overseas ownership restrictions

The amended Housing Law granting greater property rights to overseas nationals has been effective since 1 July 2015, with an implementation

guide recently issued under Decree No. 99/2015/ND-CP. There are two groups of overseas nationals allowed to own properties: legal entities, such as foreign investment funds and banks, Vietnamese branches and representative offices of overseas companies established in Viet Nam; and overseas nationals with an appropriate entry visa.

The Ministry of Construction issued Circular No.19/2016/TT-BXD to guide implementation of the Housing Law, and Decree No. 99/2015/ND-CP stipulating the number of units that foreigners may own.

The aim is to tighten resale procedures and increase transparency as well as streamline administrative procedures.

The new law limits overseas ownership to 30% of all units within an apartment complex, and to a maximum 250 houses in a Ward. Overseas nationals are allowed to own properties as stated in commercial contracts, but are limited to a 50-year tenure, with optional renewal three months before expiry. An overseas national married to a Vietnamese citizen or a Vietnamese expat is entitled to freehold tenure. →

- The decree also allows foreigners to pay for property via a financial organisation operating in Viet Nam. The retail banking sector is highly competitive and this will help promote property mortgage access for overseas nationals.

Measurement of areas

All are quoted in sq m. There is often a variety of area measurements quoted in agreements:

- Net floor area (NFA): usable area within a building from the internal face of perimeter walls on each level, excluding columns.
- Gross floor area (GFA): all areas as measured from the outside of external walls.

To better protect apartment buyer rights, The Ministry of Construction issued a new regulation on apartment unit areas, which came into effect 8 April 2014. The area of an apartment is the net area applied in S&P contracts and titles issued to buyers. This area is used to calculate the management fee chargeable to apartment owners. The net area is the usable area including the separated walls within the unit, attached balcony and loggia, but excluding external walls, interior columns and technical box.

Transaction costs

Agency fees

Leasing fees are equivalent to one month rent and are paid by the property owner. Purchase fees are usually 2% of the agreed price and paid by the seller.

Security deposit

This is commonly a non-interest bearing, returnable deposit of three months gross rent that includes service charge and rates.

Legal costs

Legal costs vary on a case-by-case basis. Most are negotiable.

Tax legislation

Stamp duty

Levied at 0.5% of the total land value and paid by the purchaser.

Property tax

From 1 January 2015, sellers will pay 2% tax against the selling price upon transference.

VAT

Since the implementation of the amended VAT Law in 2014, a 5% rate has been applied to just a few groups of goods and services, while the standard 10% rate applies across almost all categories including real estate. A proposal by the Ministry of Finance to increase the general rate

to 12% by 2019 is currently being considered.

Tax depreciation

The straight-line method is used for buildings.

Corporation tax

From 1 January 2014, the Corporate Income Tax (CIT) rate was 22%, except for those eligible for preferential rates. From 1 January 2016, almost all enterprises will be charged 20% CIT. Enterprises engaged in leasing and purchasing social housing will have a 10% rate.

PIT

Resolution No. 26/2012/QH13 on the Law on Personal Income Tax (LPIT), issued 22 November 2012 and effective 1 July 2013. Progressive tax tariffs on each portion of income applied to business and salaries are shown in Table 77. This applies to residential individuals with a taxable income from a business and/or from salary after deductions for dependents, insurance premiums and contributions to charitable funds.

Family exemption is deducted from taxable income before income tax is levied on business activities, salaries and wages. Family exemptions include the following:

- US\$432 per month (US\$5,185 per year);

- A deduction for each dependent of US\$173 per month. If CPI was over 20% when the law came into effect, or there is a recent adjustment to family exemption, the government will request the National Assembly Standing Committee to adjust the exemption based on price volatility. This exemption will then be carried forward to the next tax period.

With regard to assessing tax on other items of income, rates are shown in Table 78.

Withholding tax and tax treaties

Viet Nam has tax treaties with more than 50 nations and territories, which include:

Australia, Austria, Bangladesh, Belarus, Belgium, Brunei, Bulgaria, Canada, China, Cuba, Czech Republic, Denmark, Finland, France,

TABLE 2
Lease terms

Lease period	Typically a 3-year fixed term. Longer leases are possible.
Rent reviews	Rent reviews are typically conducted based on the inflation ratio and market rents applied at the time.
Sub-letting/assignment	Not an accepted market practice. Possible to assign to subsidiaries or branches.
Termination	No early termination is the norm. In special cases, 4 to 6 months' written notice in advance is required.
Deposit	3 months.
Payments	Quarterly in advance. Payments made longer in advance may reduce rental rates.
Rent-free period	During fit-out. This is usually within a month to 45 days.
Repairs	The landlord is responsible for the building exterior and common areas. Tenants are expected to be responsible for internal repairs.
Security of tenure	Option for a further term is best agreed in the first term contract.
Dilapidations	Tenants are normally expected to reinstate a property to its original condition at term expiry.

Source: Savills Research & Consultancy

Germany, Hong Kong, Hungary, Iceland, India, Indonesia, Ireland, Israel, Italy, Japan, Republic of Korea, Democratic People's Republic of Korea, Laos, Luxembourg, Malaysia, Mongolia, Morocco, Myanmar, Netherlands, New Zealand, Norway, Oman, Pakistan, Philippines, Poland, Qatar, Romania, Russia, Saudi Arabia, Serbia, Seychelles, Singapore, Slovakia, Spain, Sri Lanka, Sweden, Switzerland, Taiwan, Thailand, Tunisia, UAE, UK, Ukraine, Uzbekistan and Venezuela.

Legal issues

Foreign currency control

Decree No. 70/2014/ND-CP allows foreign investors to use the Vietnamese Dong (VND) to buy foreign currencies from authorised banks and transfer them abroad within 30 days of the exchange date. Any transfer must first be requested and subsequently approved.

Land price framework

According to the Revised Land Law of 2013, a local People's Committee will no longer establish a yearly land prices framework. Instead, the government regulates the general land prices framework on a five-year basis. The local People's Committee will consider decisions on a yearly framework and case-by-case. Authorities may refer to land prices surveyed by different valuation institutions for decisions, and to compensate values not based on

government frameworks. This policy will support investors hiring valuation consultants during their project selection stage.

Land-use taxation

Under the Law on Land Use Taxation as of 17 June 2010, the following kinds of LURs are subject to tax: 1) urban and rural residential land; 2) land used for non-agricultural production, such as industrial parks, production facilities and mines; 3) other non-agricultural land uses for business or religious purposes, including cemeteries.

The law specifies tax calculation methods and provides progressive tax rates from a minimum 0.03% up to a maximum 0.15%.

Apartment-as-offices banned

The use of apartments for office or trading space is now forbidden under Article 6, Clause 11 of the Residential Housing Law 2014. This activity is considered to cause disruption to other residents and diminish the safety of the building.

Land plots sales without raw buildings

Decree No. 11/2013/ND-CP allows investors to sell land plots without any raw buildings. Investors must fulfil all necessary infrastructure requirements before handing over the title to buyers. This regulation will only be applied to projects in specified areas.

Development projects payment restriction

The implementation of the Revised Housing Law has been effective since 1 July 2015. Residential developers may only accept payment upon completion of a project foundation. The first payment cannot exceed 30% of the unit value and the sum of all payments is not to exceed 70% before handover. The threshold is limited to 50% for overseas developers.

Trading floor

The revised Law on Real Estate Business (LREB) was passed 25 November 2014, and came into effect 1 July 2015. The new law does not require individuals and enterprises to lease, sell or purchase properties through a real estate trading floor. Any enterprise engaging in real estate trading floor activities must have at least two certified real estate brokers as employees.

Contract templates

Decree No. 76/2015/ND-CP regulating implementation of the LREB was issued 10 September 2015 and became effective 1 November 2015. It provides contract templates for certain real estate transactions, such as sale and purchase agreements, pre-sales contracts and hire-purchase contracts.

Foreign ownership

Following Decree 12/2015/ND-CP adopted July 2017 on the sublease, mortgage, trade and inheritance of →

TABLE 3
PIT

Tax bracket	Portion of annual assessable income (VND million)	Portion of monthly assessable income (VND million)	Tax rate (%)
1	Up to 60 (US\$2,881)	Up to 5 (US\$240)	5
2	Over 60–120 (US\$2,881–US\$5,761)	Over 5–10 (US\$240–US\$480)	10
3	Over 120–216 (US\$5,761–US\$10,371)	Over 10–18 (US\$480–US\$864)	15
4	Over 216–384 (US\$10,371–US\$18,437)	Over 18–32 (US\$864–US\$1,536)	20
5	Over 384–624 (US\$18,437–US\$29,960)	Over 32–52 (US\$1,536–US\$2,497)	25
6	Over 624–960 (US\$29,960–US\$46,092)	Over 52–80 (US\$2,497–US\$3,841)	30
7	Over 960 (US\$46,092)	Over 80 (US\$3,841)	35

Source: Savills Research & Consultancy

TABLE 4
Other income taxes

Taxable income	Tax rate (%)
Capital investments (including interest from loan and dividend)	5
Royalties and income from franchises	5
Winings or prizes valued more than VND10 million for each reward	10
Inheritances and/or gifts valued more than VND10 million each	10
Capital transfers pursuant to Clause 1 Article 13 of LPIT	20
Transfers of securities regulated in Clause 2 Article 14 of LPIT	0.1
Property transfers regulated in Clause 2 Article 14 of LPIT	2

Source: Savills Research & Consultancy

→ a 50 year leasehold title. Foreigners will now have the same rights as Vietnamese. Decree 99/2015/ND-CP provides the required documents foreigners will require to prove house ownership eligibility.

Major property legislation

Legislation affecting real estate is detailed below:

- Revised Law on Real Estate Business 2014
- Revised Law on Residential Housing 2014
- Revised Land Law 2013
- Revised VAT Law 2013
- Decree 11/2013/ND-CP
- Decree 70/2014/ND-CP

- Decree 76/2015/ND-CP
- Decree 12/2015/ND-CP
- Decree 99/2015/ND-CP
- Circular No. 19/2016/TT-BXD
- Circular No. 06/2016/TT-NHNN

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