

# THE ROLE OF TAX ON LAND IN VIETNAM

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**L**and is a precious possession for men. Land provides conditions for the life of plants, animals and human beings. Vietnam is a populous country, the per capita land area is small, ranking 120<sup>th</sup> among 220 countries and territories. That is why the land is more precious to the Vietnamese people.

The preciousness of land could be seen in the following facts:

- Land is a special and irreplaceable means of production needed for development of agricultural production.

- Land creates stable life for human beings.

- Land is one of natural conditions that determine distribution of population and employment of labor.

- Land is one of important internal strengths and potential financial resources needed for the modernization and industrialization.

Making the most of land will allow people to meet requirements for production development and ensure a stable life.

The land itself can't produce values without human labor. In the process of exploiting the land to produce things, relations of production and other social relations come into being, along with economic mechanism and policies needed for management and optimal employment of land.

There are many measures to manage the land with a view to

making the best use of it. Of these measures, taxation of land is an important one to increase budget income and manage stock of land effectively. This could be seen in the policies on land tax in Vietnam and many other countries.

In the present tax system, taxes on land include: farming land use tax, property tax (at present, it is just charged on land for building houses and other works) and tax on transfer of land use right. In addition, there are fees relating to the use of land, such as land use fee, land rent, land registration fee and land charge.

Taxes, fees and charges relating to land are paid by persons who use land, receive land use right, transfer their land use right, have their land use right registered and buy land-related services.

Vietnam, like many other countries, both developed and developing ones, considers taxes on land as indispensable part of the tax system. Based on local conditions and characteristics, taxes on land are divided into various classes. Generally, these classes are:

- Property tax (on land), land tax, land value tax, urban land tax, farming land use tax: these taxes are charged on the ownership or right to use land and applied by governments in Vietnam, Taiwan, China, Indonesia, Germany and France. Bases for assessing taxes are divided into

three groups: (1) area, price of land (or value of land) and tax rate as in France, Germany Taiwan and Indonesia; (2) area, class of land and tax rate as in Vietnam; and (3) area, annual produce and tax rate as in China.

- Income and value added taxes on land, tax on transfer of land use right: these taxes are charged on income (or profit) from trade in produce from farming land (as in Sweden and Taiwan), or from transfer of ownership and land use right (as in Vietnam, Taiwan and Indonesia).

Although they have different names, taxes on land in general are charged on persons who:

- hold rights to use land or its ownership,

- transfer ownership or right to use land to other persons or organizations,

- trade in produce from farming land.

By studying taxes on land applied in developed and developing countries and realities of taxation in Vietnam in recent years, we could affirm that these taxes play an important role in the tax system. This argument is supported by the following facts:

- Income from taxes on land could be used for reclaiming waste land, extending farming land, thereby creating new sources of tax income.

- Taxes on land constitute a stable, constant and direct source of income for national and local budgets. In Vietnam in the years 1993-97, taxes and fees on land help cover most of expenditures by local governments at district and commune levels.

- Taxes on land help redistribute income and ensure social equality because the value of land varies according to many factors (fertility, climatic conditions, location, investment, etc.) therefore personal income from land also differs.

- Taxes on land constitute an instrument for managing the stock of land. The government, by studying land registers and records of tax collection, can annually estimate the quality of land in use and efficiency of land use.

The above analyses show that taxes on land provide the government with an effective instrument for managing the stock of land, regulating and directing the use of land, encouraging the agricultural production and increasing the budget income. ■

