

## Client Alert

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## Non-Agricultural Land Use Tax

On June 17, 2010, the National Assembly passed the **Law on Non-Agricultural Land Use Tax**<sup>1</sup> ("**Law No. 48**"). This law will take effect on January 1, 2012, and repeal the Ordinance on House and Land Tax on the same day. Under the new law, the following types of land are subject to the non-agricultural land use tax ("**NALU tax**"):

- (i) Residential land in rural and urban areas;
- (ii) Non-agricultural land used for business purposes, such as industrial, commercial, mining, etc.; and
- (iii) Other types of non-agricultural lands that are not originally used for business purposes (such as land for cemetery, public interest, or heritage site purposes, etc.) but are later converted to business purposes.

Entities, households and individuals who have land use rights (evidenced by land use rights certificates) or are using the land (if land use rights certificates are not granted yet) are required to pay NALU tax.

Like the Ordinance on House and Land Tax, this law does not impose a tax on houses (i.e., buildings) yet. However, for the first time, different NALU tax rates are provided in an attempt to curb land speculation and illegal encroachment of land. There are four rates, as follows:

- (a) 0.03%, applicable to land areas that are within the land use limits;
- (b) 0.07%, applicable to land areas that are beyond the land use limits, but not over three times the limit;
- (c) 0.15%, applicable to land areas that exceed three times the land use limits or are not used in compliance with the specified use;
- (d) 0.2%, applicable to land areas that are illegally encroached upon (i.e., not duly allocated). The collection and/or payment of this NALU tax does not constitute recognition of legal use by the government.

<sup>1</sup> Law No. 48/2010/QH12 on Non-Agricultural Land Use Tax, adopted by the National Assembly on June 17, 2010, effective January 1, 2012 ("**Law No. 48**").

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