



UNIVERSITY OF TAMPERE

Faculty of Management

A comparative study of the real estate tax of Korea and Vietnam

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Abstract

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In Korea and Vietnam, real estate is considered as a means of proliferating wealth beyond the meaning of human basic living space, and real estate speculation has been widespread. As a result, real estate prices have skyrocketed and it has become very difficult for low-income people who need a home to buy a real estate. The government's role in this situation is very important, and one of the means to control the real estate market is the real estate tax. However, there have been questions about whether the real estate tax has properly performed the function of curbing real estate speculation, as well as the role of financing, a basic function of taxation. Therefore, this study suggested institutional and operational problems of real estate tax and improvement measures for continuous stable real estate tax operation in Korea and Vietnam.

Through this, it is hoped that the real estate tax will strengthen the nation's finances by securing state funds, which are the basic functions of taxation, and that the real estate market control function will restore the original function of real estate and make it a world where everyone can live happily.

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Abbreviations

RET Real estate tax

LLA Land-attached assets

LUL Land use levy

LR Land rental

SMP Standard market prices

IHP Individual housing prices

CHP Collective housing price

MFHP Multi-Family housing prices

ILP Individual land prices

FMV Fair market value

FMPR Fair market price rates

CREHT Comprehensive real estate holding tax

NALUT Non-agricultural land use tax

ALUT Agricultural land use tax

CGT Capital gains tax

VAT Value-added tax

PIT Personal income tax

CIT Corporate income tax

ATV Actual transaction value

1. Introduction

1.1 Background and purpose of research

Real estate has functioned as an essential commodity throughout human history. It provides space to lead a human life, and it also becomes a production component in economic activities. Recently, however, the tendency to degenerate into a means of producing or accumulating wealth has led to a surge in real estate prices and a problem that people in need of real estate cannot buy. In particular, ownership of real estate assets was concentrated in some classes, resulting in an uneven distribution in which the majority of people did not own the property.¹ Although real estate tax has various roles such as prevention of real estate speculation besides supply of public finance, there have been a number of problems in the real estate market in Korea² and Vietnam³ recently, which makes one wonder if these functions are working properly.

The main question of this study is “What are the problems and improvements of real estate tax in Korea and Vietnam?”

Sub-questions:

1. What is the main reason for the high real estate prices in Korea and Vietnam?
2. Is the real estate tax effective against real estate speculation?
3. What is the biggest problem with the current real estate tax?
4. Is the real estate tax helping the government to expand its finances?
5. How to run real estate taxes for sustainable and stable national financial operations
5. Is the strengthening of real estate taxes negatively affecting the real estate market?
6. What are some ways to prevent the writing of false contracts(down contracts)?
7. Is the government providing sufficient tax support to support housing for low-income families?

¹ <http://www.ipsnews.net/2005/03/human-rights-more-than-100-million-homeless-worldwide/>

² <https://www.reuters.com/article/southkorea-economy-housing/update-1-skorea-imposes-tougher-taxes-on-properties-to-curb-price-surge-idUSL4N1TO173>

³ <https://e.vnexpress.net/news/business/experts-fear-potential-real-estate-bubble-in-vietnam-3753024.html>

In particular, the reasons for analyzing real estate taxes in Korea and Vietnam are as follows. Korea achieved economic growth in the 1970s~1980s and as a result of the development of the real estate market, the related real estate tax system was also improved. However, since Korea recognizes private property for all real estate including land, the real estate speculation has been severe in that process and the tax policy as a function of real estate market adjustment has not worked properly. Therefore, unlike actual purpose, real estate is distorted as a means of speculation and real estate prices had been risen abnormally in some big cities such as Seoul, so real consumers are suffering from the failure to get real estate. Since Vietnam's reform and opening policy has been implemented for 30 years from 1987, the economy of Vietnam has grown rapidly and the level and degree of foreign openness has been continuously improved. Vietnam does not recognize the power to dispose of land but the power to use it, so there is a limit to the development of the real estate market. However, since people in Vietnam can make a profit with land use right and foreigners can buy a house from 2015, thus the real estate investment has become a subject of interest and speculation is emerging. Although the Vietnamese government is trying to improve the real estate tax policy in order to prevent the adverse effects of real estate speculation and to establish the order of real estate transactions, the current system of property taxation has not been designed to capture any of this increase in property wealth (Loan & McCluskey, 2010). In other words, there are many commons between Korea and Vietnam because they are in the same East Asian culture and many problems in society are similar. Therefore, by studying the Korean system that has undergone trial and error in the process of development of the real estate market and the tax system, the real estate tax system of Vietnam may find its direction. Korea still has many problems and the same problems that developed countries have had to worry about first. Therefore, real estate tax system can be further developed by introducing and operating advanced countries' systems.

Therefore, the main purpose of this study is to summarize the real estate tax system in Korea and Vietnam and compare the real estate tax systems in both countries to identify the problem and suggest the improvement measures of the real estate tax system in Korea and Vietnam by comparing with other countries. In addition, Korea is the biggest investor in Vietnam⁴, but many Korean individuals and companies who want to invest in Vietnam often face business difficulties because they find it hard to get information on Vietnamese real estate tax laws. Another purpose of

⁴ <https://vietnamnews.vn/economy/425207/south-korea-largest-foreign-investor-in-vietnam.html#QHZCIXpM0cKGGCJy.97>

the study is to provide useful information not only to Koreans but also to Vietnamese who need Korean real estate tax information.

1.2 Method and composition of research

The author organizes this thesis into seven parts as follow: Chapter 1 is Introduction; Chapter 2 relates to the real estate and its taxation system, and introduces the real estate systems and real estate tax systems in Korea and Vietnam; Chapter 3 shows real estate tax in Korea and Vietnam in an international comparative view; Chapter 4 explains the problems and improvement plan of real estate tax in Korea and Vietnam; Chapter 5 is Conclusion.

In Chapter 1, the paper will introduce (1) background and purpose of research; (2) method and composition of research. Chapter 2 consists four parts: (1) definition and characteristics of real estate; (2) concept, function and rationale of real estate tax; (3) system of real estate of Korea and Vietnam; (4) system of real estate tax of Korea and Vietnam. Chapter 3 shows the real estate tax in Korea and Vietnam in an international comparative view. In this chapter, according to the stages of Vietnam and Korea real estate tax system, the author analyzed comprehensively with statistical data of many countries, and compared the real estate tax system of both countries and other countries together. Chapter 4 explains the problems and improvement plan of real estate tax in Korea and Vietnam. In this chapter, the author compared the real estate tax systems of both countries from a wider perspective. Taxes, for example, are determined by tax base and tax rate, so the author compared how they evaluate real estate in Korea, Vietnam and other countries, and the tax rates with those of other countries. Chapter 5 concludes what is examined in this thesis. Furthermore, this section also shows the Korean and Vietnamese real estate tax system presenting the situation that has not been studied as limit of this study and suggesting the direction of future research briefly.

For this study, the author reviewed the theory of real estate tax and described the development process of real estate tax system based on collection and arrangement of existing tax laws, regulations, research papers, periodical academic publications and analyzed the problems and suggest improvement measures of the real estate tax system in the two countries through comparison. Since the tax system is operated in accordance with the legal regulations, the main

research method is to analyze the literature by referring to legal regulations, various articles and reports. And for comparison of financial resources, tax revenue estimates and other foreign taxes, the author utilized statistical data (for example, OECD data, Korean statistical data and Vietnamese Statistical data)

2. The real estate and its taxation system

In this chapter, it will be explained the definition and features of real estate, and concept, functions and rationale of real estate tax system, and introduced the real estate system and real estate tax system of Korea and Vietnam. The real estate tax system is different depending on the acquisition, possession and disposal stages of real estate

2.1 Definition and characteristics of real estate

2.1.1 Definition of real estate

Real estate is “부동산(Boo dong san)” in Korean and “Bất động sản” in Vietnamese, both of which are similar pronunciation. The Korean word "부(boo)" and Vietnamese word "bất" are the same meanings as "not", and "동산(dong san)" and "động sản" are the same meanings as "movable property". In other words, real estate means “immovable property” like land, building, and housing. In the dictionary, real estate is defined as property in the form of land or buildings (Cambridge Dictionary, 2019).⁵ The Korean Local Tax Act defines real estate as “immovable property” like land, building and housing (Article 6) and the Vietnamese Circular On Guidelines For The Registration Charge defines real property as buildings and land (Article 2). Basically, real estate functions as an essential commodity and is not only a means to enable a living worthy of human dignity, but also a means to accumulate wealth as an asset to the state and individual.

2.1.2 Characteristics of real estate

Publicness

⁵ There is a view that Real Estate and Real Property are similar concepts in dictionaries, but there are subtle differences between them. Real estate refers to physical land, structure, and assets attached to it. Real property includes physical properties of real estate but extends the definition to include ownership and use rights bundles (<https://www.investopedia.com/ask/answers/100214/what-difference-between-real-estate-and-real-property.asp>)

Land is an essential commodity as one of the three elements of production (land, labor and capital) as the basis of the social community. Land is not produced by human effort or labor and is a limited resource, so it has different characteristics from other goods because of limited supply. In other words, the use and ownership of land should pursue the interests of the social community and may impose certain social constraints (W.J. Lee, 2009).

High price

In general, real estate is much more economically valuable than other assets. For example, in the United Kingdom, according to the data, potential first-time buyers usually have to save for eight years to pay a deposit to buy a house.⁶ As such, it takes a lot of time to acquire a real estate house and proves that it is an expensive asset.

Uneven distribution

In general, real estate is more unevenly distributed than income. Real estate is a relatively expensive asset, so it is not easy for anyone to own, and the ownership distribution is concentrated. Every human being is born with a labor force, but real estate is not. The ownership of real estate assets is concentrated in some stratum and supports the distributional unevenness.

High use value due to possession of real estate

In general, the value in use of goods appears when consumed, when goods are reduced or eliminated. Real estate, however, has a trait that does not dissipate from its use. That is, value in use can be obtained while acquired and held as an asset.

2.2 Concept, function and rationale of real estate tax

⁶ <https://www.bbc.com/news/business-42565427>

2.2.1 Concept of real estate tax

The government performs many roles. R. Musgrave(1996) divided the economic role of government into allocation, distribution, and stabilization. Governments may intervene in market processes if the outcomes are inequitable or if the market fails to produce certain goods and services or produces non-optimal amounts (Ulbrich, 2011). The main division in public finance is between public income and public expenditure, which form two symmetrical branches of the subject (Dalton, 2003). According to Bailey (2004), public finances consist of all income or expenditure that passes the state budget, derived from all sources, but disbursed expenses. The three major areas of government expenditures are defense, education, and transfers (Stiglitz & Rosengard, 2015). Governments are part of the economic cycle; in fact government spending is part of the national income or, measured on the supply side rather than the demand side, the GDP measured by the expenditure method:

$$GDP = C + I + G + X - M$$

where GDP stands for the gross domestic product, C for consumption, I for investment, G for government spending, X for revenue from exports, M for imports. Thus, an increase in government spending leads, *ceteris paribus*, to an increase of the national income. Public sector spending, of course, needs to be financed somehow (Bergmann, 2009). The major source of revenue for the government is tax. A tax is a compulsory contribution to state revenue, levied by the government on workers' income and business profits, or added to the cost of some goods, services, and transactions (Oxford Dictionary, 2019). Public sector entities are not equity financed, they do not have shareholders and they are mainly tax financed with the purpose of incurring expenses to provide services to the public, not profits (Oulasvirta, 2014).

Real estate tax means a tax that is based on the value of buildings or land (Cambridge Dictionary, 2019) The taxes on real estate are the most important wealth taxes. They target the largest group of taxpayers (both natural and legal persons), the taxes are simple and, because of the solid tax base, the taxes are not easily avoided (EU commission, 2014). According to Marková (2010), the preservation of property taxes is considered by the proponents of this view as the opinion for the fair tax. Property tax satisfies the standards of a good tax, which are fairness, simplicity and sustainability. As an *ad valorem* tax, the property tax was statistically proved to be approximately proportional to income thus obeys the principle of "ability to pay" (Li, 2006). However, there are

opposing views about real estate tax. Property and transfer taxes reduce housing ownership and transfer taxes have a greater impact on the decision to own homes. High transfer taxes reduce the wealth of households and high property taxes reduce family income (Kang, 2001). Moreover, annual real estate taxes are an ever-increasing overhead expense in many U.S. jurisdictions, which increase from 5 percent to 15 percent each year (Arden, 2000).

2.2.2 Functions of real estate tax

Financial expansion

Real estate taxes serve as a financial supplement to cover the necessary funds for the state or local governments to carry out their own purposes and functions. This is the basic and most important function of the real estate tax as well as other types of taxes. According to Presbitero, Sacchi, & Zazzaro(2014), the positive effects of property taxes are likely to be attributed to their efficiency and incentive virtues arising at the local level and the relative benefits of this type of taxes that promote the accountability, responsibility and discipline of sub-national authorities with respect to other forms of local revenues.

Redistribution of wealth

Real estate taxes serve as a redistribution of wealth to correct inequality by taxing those who own many real estate assets and make unearned income. The inequality of wealth and income causes social problems, causing social costs, and serves as factors that hinder economic development and social integration and stability. Real estate assets are likely to generate monopoly of property ownership because they can be used continuously and profitable and can be passed on to the next generation. It is being used as a valid means to correct inequality in real estate taxes.

Controlling the real estate market

The taxation of wealth may be approached not as a matter of charging for benefits received or of ability to pay, but as a form of social control (R. Musgrave; P. Musgrave, 1980). Real estate taxes also have a function as policy taxation⁷ aimed at curbing real estate speculation or revitalizing the real estate market. If the real estate market is overheated due mainly to soaring real estate prices, the government will strengthen taxes to curb speculative demand⁸ and, in the opposite case, seek to revitalize the real estate market through tax and financial support policies.

Supplementing income tax

Real estate, which occupies most of the wealth, is easy to reveal the source of tax revenue, but real estate tax is complementary to income tax because real estate rental income is difficult to capture the source of tax revenue. For example, the majority of multiple homeowners in Korea generate real estate rental income, but the real estate holding tax serves as a complement to rental income because the taxation on rental income is not done properly.

The other functions

The property tax is imposed on the market value of a given piece of real estate without a distinction being drawn between its land and improvement components. Since the supply of land is given, taxing the rent of land or imposing tax on the value of land (reflecting the capitalized value of its rent) has long been recognized as a form of taxation which is least likely to deter incentives to invest in improvements. Urban property tax, by placing a tax burden on improvements has discouraged such investment, especially in low-income housing. A heavier tax on land value, combined with a lighter tax on improvement, would have slowed rather than accelerated urban decay. Government should avoid real estate tax shelters, in which real estate investments are permitted to accelerated depreciations and then the investor sells the property after a short time and is able to convert taxing from real estate to capital gains tax that may be lower rate than the real estate tax rate (R. Musgrave; P. Musgrave, 1980).

⁷ Unlike neutral taxation, in some cases the taxation authority intentionally uses taxation as a means of government intervention, which is called policy taxation (D.S. Lee, 2016).

⁸ Even a moderate transfer tax of a few percentage points will hinder some transactions (Shukla, Pham, Engelschalk, & Le, 2011).

2.2.3 Rationale of real estate tax

Some argument for wealth taxation may be made on both benefit and ability-to-pay grounds, but neither suggests a tax such as the existing property tax, imposed more or less uniformly on real property only. R. Musgrave and P. Musgrave(1980) stated that benefit considerations point to a set of in rem-type property taxes on real assets while ability-to-pay considerations point to a personal tax on net worth.

Benefit considerations

According to R. Musgrave and P. Musgrave(1980), the benefit rationale for wealth taxation is that public services increase the value of real properties and should therefore be paid for by the owners. The prevailing view has been that real estate taxes are taxes that are more in line with the principle of benefit taxation, as real estate is fixed in certain areas, and its value is closely correlated with the public services of local governments. If the real estate tax system is made based on the principle of benefit taxation, all the people will be required to pay taxes in proportion to the benefits of the state or local governments, so that the economic ability of the taxpayers is not considered at all, and the proportional tax rate that does not increase according to the size of the real estate taxation basis would be appropriate.

Ability-to-pay considerations

The ability-to-pay principle of taxation is that taxes should be allocated commensurate with the economic ability of taxpayers (Lee D.S., 2004). If the real estate tax system is based on the principle of ability-to-pay taxation, the tax burden should be allocated according to the economic ability of the taxpayer, and the progressive or progressive marginal tax rate, which increases the tax rate according to the size of the real estate taxation basis, would be appropriate.

Modern countries are oriented toward social state principles, and in order to achieve this national ideology, allocating real estate taxes on the basis of the principle of benefit taxation is discrepant. Through such changes as globalization, modern countries have achieved great achievements in economic development, while exposing social problems such as deepening wealth inequality and widening income disparities, and the nation is asked to reallocate policies for this deepening inequality. Considering this reality, it is necessary to allocate real estate tax based on the principle of ability-to-pay taxation, and to recognize real estate as an indicator of the taxpayer's economic ability.

2.3 The real estate systems of Korea and Vietnam

2.3.1 The real estate systems of Korea

The Article 23 (1) of Constitution of The Republic of Korea regulates that the property rights of all citizens are guaranteed, and their contents and restrictions are determined by law and acknowledges ownership of private property of real estate. The principle of guarantee of ownership is closely related to the principle of freedom of law act, which enables the acquisition of ownership as a basic principle governing the civil law in relation to the private property system. By guaranteeing ownership, the human being can enjoy freedom of business activities, residence transfer, and career choice, and can lay the property base for the free development of personality. However, real estate ownership is not a laissez-faire land system that is absolutely guaranteed to be included in property rights, but it implements a real estate system that permits various restrictions and regulations on property rights for public welfare and social benefit.

Anyone may request a registry so that he or she can access all or part of the items listed in the registration record or issue a certificate of the registered items (figure 1), upon paying fees. (Article 19 of REGISTRATION OF REAL ESTATE ACT)

Figure 1 A certificate of registered matters of Korea (column for title)

등기사항전부증명서(말소사항 포함) - 집합건물				
[집합건물] 경기도 화성시 향남읍 행정리440 향남시범보은마을향남가정2차				
표시번호	표	계	부	(1등의 건물의 표시)
1	2010년5월13일	경기도 화성시 향남읍 행정리440 향남시범보은마을향남가정2차	소계지번, 건물명칭 및 번호	건물내역 원근권크리드구조 (원근)권크리드지장 18층 공동주택(아파트) 지상1층 265,962㎡ 지상2층 453,82㎡ 지상3층 453,82㎡ 지상4층 453,82㎡ 지상5층 453,82㎡ 지상6층 453,82㎡ 지상7층 453,82㎡ 지상8층 453,82㎡ 지상9층 453,82㎡ 지상10층 453,82㎡ 지상11층 453,82㎡ 지상12층 453,82㎡ 지상13층 453,82㎡ 지상14층 453,82㎡ 지상15층 453,82㎡ 지상16층 453,82㎡ 지상17층 453,82㎡ 지상18층 453,82㎡
등기원인 및 기타사항 도로명주소 2012년4월26일 등기				
(대지권의 목적인 토지의 표시)				
표시번호	소 계 지 번		지 목	면 적
1	1. 경기도 화성시 향남읍 행정리 440		대	32739.7㎡
등기원인 및 기타사항 2010년5월13일				
(전유부분의 건물의 표시)				
표시번호	집 수	건물번호	건 물 내 역	등기원인 및 기타사항
1	2010년5월13일	제17층 제1703호	원근권크리드구조 84,843㎡	건상도면번호 10-1348-0
(대지권의 표시)				
표시번호	대지권종류		대지권비율	등기원인 및 기타사항
1	1 소유권대지권		32739.7분의 62.3707	2010년5월13일 대지권 2010년5월13일

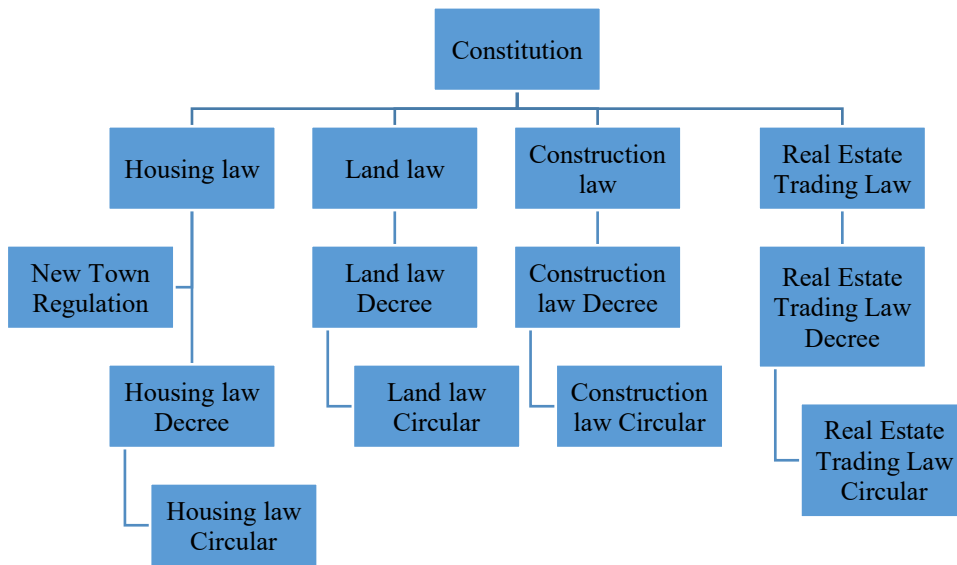
Source : <http://www.iros.go.kr/pos1/html/eng/PEngRegistryIntroH.html>

2.3.1 The real estate systems of Vietnam

The amendment of the law on Real Estate in Vietnam began with the abolition of collective farm in 1988. Although the land use right transaction was not approved in the Land law in 1988, it is granted the right to sell, inherit, transfer, lease, mortgage and compensation in the Land law to promote the productivity and efficient use of land after the implementation of reform and opening policy in 1993. In 1994, Decree No. 61 enacted a law to sell state - owned housing to tenants and in 2003, the government revised the Land law completely to allow foreigners to participate in housing business. Despite the enactment of major laws such as the Construction law in 2003, the Housing law in 2006, and the Real Estate trading law in 2007, the legislative framework has been insufficient to implement until now⁹. According to the Housing law amended in July 2015, foreign entities' housing ownership was recognized to activate the real estate market.

⁹ For example, although Vietnam allows expatriates to own houses in the country, many of them are finding it challenging to obtain ownership documents. (<https://e.vnexpress.net/news/business/industries/vietnam-yet-to-streamline-foreigners-property-ownership-process-3804047.html>)

Figure 2 The system of Vietnamese Real Estate Regulation



Source : Noh, Yoon, & Choi, 2008

A certificate of land use rights and ownership of houses and other land-attached assets (figure 3) is granted to those with land-use rights and ownership of houses and other land-related assets, which are in accordance with a single form used throughout the country. (Article 97 of Land law)

Figure 3 Certificates of real estate in Vietnam



Source : www.google.com, 2019

2.4 The real estate tax systems of Korea and Vietnam

Article 38 of the Korean Constitution stipulates that all citizens are obliged to pay taxes, and Article 59 stipulates that types and rates of taxes shall be determined by Act. Article 47 of the Vietnamese Constitution stipulates that the citizen has the duty to pay taxes according to the provisions of the statute. Real estate is taxed in all processes such as acquisition, possession and transfer, and the details of taxation vary according to each act. The real estate is subject to transaction tax¹⁰¹¹, holding tax, and transfer tax in all acts. The transaction tax is a tax whose tax rate is applied differently to each acquisition reason for one acquisition activity. The holding tax is a tax levied repeatedly on the holding behavior of the real estate and the tax is applied differently according to the type of the real estate (land, building, house, etc.). The transfer tax is a tax levied on the transfer profits of real estate, and the tax is decided according to the type of real estate, the cause of the act, and the holding period.

Figure 4 Korean National Tax Service and Ho Chi Minh City Tax Department



Source : www.naver.com, 2019; Kwon, 2018

The taxes levied in Korea and Vietnam during the acquisition, possession, transfer and lease of real estate are shown in the table below.

¹⁰ Transaction tax is sometimes referred to as transfer tax. (European Commission, 2014)

¹¹ Most developed countries tax the change of ownership of real estate and the trio - inheritance tax, gift tax and transfer tax regarding real estate- is included in the majority of national tax systems, including those of Central Europe (Pelikánová & Jánošíková, 2017). In this context, transfer tax refers to transaction tax, not the capital gains tax.

Table 1 Types of Real Estate Taxes in Korea and Vietnam

Real Estate Activities	Korea	Vietnam
Acquisition (Transaction tax)	Acquisition tax	Land use levies
	Stamp tax	Registration fee
Possession (Holding tax)	Property tax	Land rental
	Comprehensive real estate holding tax	Non-agricultural land use tax
		Agricultural land use tax
Transfer (Transfer tax)	Capital gains tax	Personal income tax
	Inheritance tax	Corporate income tax
	Gift tax	Value-added tax
	Value-added tax	
Lease	Income tax	Personal income tax
	Value-added tax	Value-added tax

Source : Kwon, 2019

As real estate tax in Korea, acquisition tax and stamp tax are paid when acquiring real estate, which belongs to transaction tax. Property tax and comprehensive real estate holding tax are paid when holding real estate, which belongs to the holding tax, and capital gains tax (transfer for value), inheritance tax, gift tax (gratuitous transfer) and value-added tax are paid when transferring the real estate, which belongs to the transfer tax. There are opinions that inheritance tax and gift tax are regarded as transaction tax, however in the OECD classification(4300), it is separated from the holding tax (4100) and the transaction tax (4400), so this study considers them to be transfer taxes, not transaction taxes¹². Capital gains tax is also taxable only once at the transfer stage of assets, it is sometimes classified as transaction tax, but it is classified as an income tax rather than property tax

¹² The OECD code compiles the real estate holding tax to 4100 and the property transaction tax to 4400. The property transaction tax includes the securities transaction tax. Korea excludes securities transaction tax. However, considering that most OECD countries, except the UK (which can not classify the securities transaction tax), do not charge a securities transaction tax, some international comparison is possible. (OECD, 2019)

as OECD classification(1000), therefore this study classifies it as transfer tax and excludes from the current tax status and the OECD international comparison.¹³ In addition, income tax and value-added tax are imposed when renting real estate.

Vietnam has seven types of revenue items related to land and houses. These items include: (1) agriculture land use tax; (2) non-agricultural land use tax (3) capital gain tax (e.g. these collected from transfer of land use right); (4) levies on the issuance of land use right certificates; (5) land rental; (6) sale or lease of state-owned houses and buildings and (7) house and land registration fee.¹⁴ These seven types of taxes and fees could be divided into 3 main categories. The first one are these related to the primary acquisition of the land use rights or houses, which include land use levies and proceed collected from sale or lease of state-owned house and buildings and registration fee and these belongs to transaction tax. The second category includes these related to the process of utilizing the real estate, which include non-agricultural land use tax, agricultural land use tax and land rental and these belongs to the holding tax. The imposition of these types of taxes and fees increases the costs of holding the real estate. The last category consists of taxes and fees imposing on the process of transferring the real estate. Income tax and value-added tax on real estate is the item belongs to this category¹⁵ and transfer tax. In addition to the transfer taxes are imposed when a land user sells their land use rights, there are two main forms of revenue: single-event revenue sources and annual revenues. Single-event revenue is mainly derived from a land-use charge, land rental, and the sale of State-owned housing units in addition to other related fees. The annual revenues are obtained from the Agricultural Land Use Tax and the Non-agricultural Land Use Tax.

¹³ Capital gains taxes do not aim to tax the sole possession or transfer of certain assets, because tax is only due when the possession or transfer of the assets results in the realization of income (European Commission, 2014).

¹⁴ The Vietnamese translation of the registration fee is 'Lệ phí trước bạ', where 'Lệ phí' means 'cost; expenses, fee'. The Vietnamese translations of land rental and land use levy are 'Thu tiền cho thuê đất' and 'Thu tiền sử dụng đất' respectively, where 'Thu tiền' is a verb meaning 'receive money'.

¹⁵ As noted above, Vietnam has seven types of taxes and fees imposed on real estate and its transaction. There are only two taxes should be considered as "property tax", namely agricultural land use tax and non-agricultural land use tax. However, although land use levies, land rental, and registration fee do not have the name of tax, no distinction is made between real property taxes and other real estate revenue sources in the Vietnamese budget, thus in this study, it was analyzed and analyzed as a tax - like nature. Personal income tax, corporate income tax, and value-added tax are not property tax, so they are excluded from the taxation status and the international comparison of this study. And since the sale or lease of state-owned houses and buildings is revenue from sales or leases, it differs in nature from taxes collected without compensation, thus it will not cover this study.

3. Real estate tax in Korea and Vietnam in an international comparative view

In this chapter, the proportion of real estate tax of GDP and total taxation in Korea and Vietnam and its fluctuation will be compared to the current situation of OECD countries, and the similarities and differences between Korea and Vietnam's real estate tax system will be explained by comparing them with other countries.

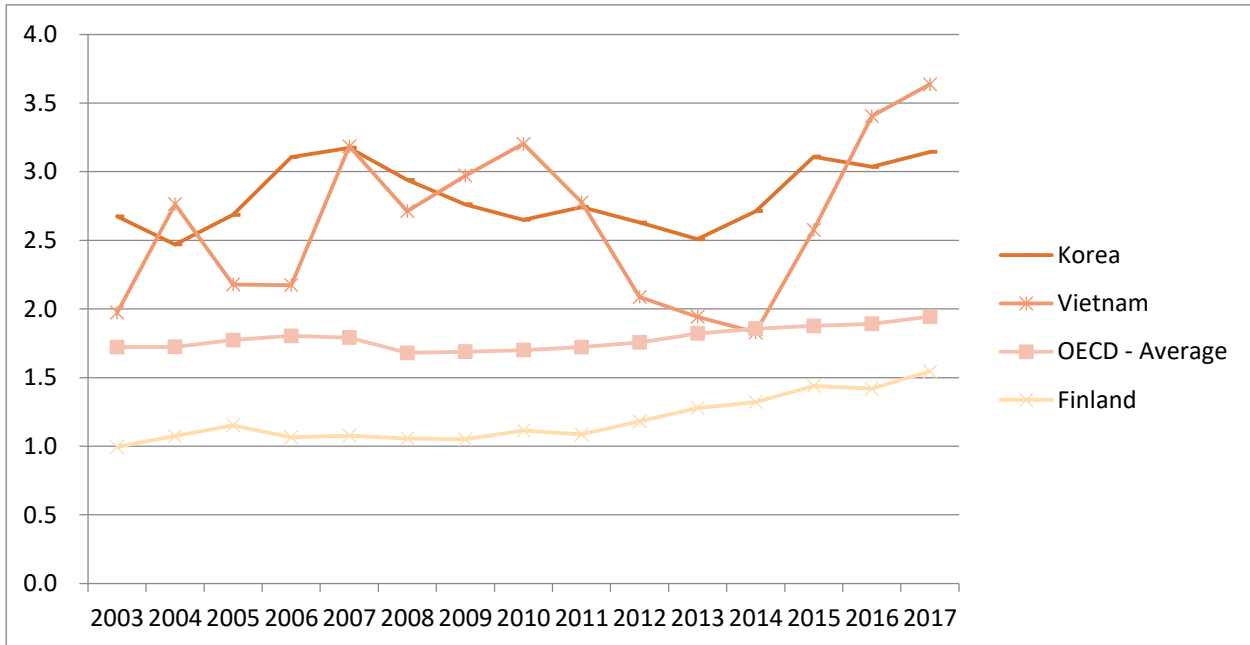
3.1 Comprehensive comparison of taxation on real estate between Korea and Vietnam

Table 2 Tax on property of GDP (%)

Location / Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Ranking of 2015
France	3.2	3.3	3.4	3.5	3.5	3.4	3.4	3.7	3.8	3.9	4.0	4.0	4.2	4.3	4.4	1
United Kingdom	3.7	3.8	3.9	4.1	4.1	3.8	3.8	3.9	3.9	3.9	4.0	4.0	4.0	4.1	4.2	2
Canada	3.6	3.5	3.5	3.5	3.5	3.6	3.9	3.8	3.7	3.7	3.7	3.7	3.9	3.9	3.8	3
Belgium	2.0	2.3	3.0	3.1	3.1	3.0	2.9	3.1	3.1	3.3	3.5	3.6	3.5	3.5	3.5	4
Israel	2.8	3.2	3.3	3.2	3.3	3.2	3.1	3.3	3.3	3.0	3.1	3.1	3.3	3.2	3.3	5
Luxembourg	2.8	2.9	3.2	3.3	3.5	2.7	2.5	2.6	2.6	2.7	2.8	2.9	3.3	3.5	3.7	6
Korea	2.7	2.5	2.7	3.1	3.2	2.9	2.8	2.6	2.7	2.6	2.5	2.7	3.1	3.0	3.1	7
Greece	1.4	1.3	1.3	1.6	1.7	1.7	1.9	1.7	2.5	2.7	3.2	2.9	3.1	3.2	3.2	8
Australia	2.8	2.6	2.6	2.7	2.7	2.2	2.5	2.4	2.2	2.4	2.6	2.8	3.0	3.0		9
United States	3.0	3.0	3.0	3.0	3.1	3.1	3.2	3.1	3.0	2.9	2.9	2.9	2.8	2.9	4.2	10
Italy	3.1	2.4	2.0	2.0	2.0	1.8	2.6	2.0	2.2	2.7	2.7	2.9	2.8	2.8	2.6	11
Spain	2.5	2.7	3.0	3.2	3.0	2.3	2.1	2.1	2.0	2.1	2.4	2.5	2.6	2.6	2.5	12
Vietnam	2.0	2.8	2.2	2.2	3.2	2.7	3.0	3.2	2.8	2.1	1.9	1.8	2.6	3.4	3.6	13
Japan	2.5	2.5	2.5	2.5	2.5	2.6	2.6	2.6	2.7	2.6	2.6	2.6	2.5	2.6	2.5	14
Switzerland	2.4	2.4	2.2	2.2	2.1	2.0	2.1	2.0	2.0	1.8	1.9	1.9	2.0	2.0	2.0	15
New Zealand	1.7	1.7	1.8	1.8	1.8	1.9	2.0	2.0	2.0	2.0	1.9	2.0	2.0	1.9	1.9	16
Iceland	2.3	2.5	2.6	2.1	2.4	2.1	2.1	2.3	2.3	2.5	2.4	2.5	1.9	1.76	2.0	17
Denmark	1.8	1.8	1.8	1.8	1.8	1.9	1.8	1.8	1.9	1.8	1.8	1.8	1.9	1.9	1.8	18
OECD - Average	1.7	1.7	1.8	1.8	1.8	1.7	1.7	1.7	1.7	1.8	1.8	1.9	1.9	1.9	1.9	19
Ireland	1.9	2.0	2.2	2.7	2.4	1.8	1.4	1.4	1.7	1.8	2.0	2.2	1.5	1.4	1.3	20
Finland	1.0	1.1	1.2	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.3	1.3	1.4	1.4	1.5	21
Netherlands	1.8	1.8	1.9	1.7	1.7	1.5	1.4	1.4	1.2	1.1	1.2	1.4	1.4	1.5	1.6	22
Poland	1.5	1.5	1.5	1.4	1.4	1.4	1.3	1.3	1.3	1.3	1.4	1.4	1.4	1.4	1.2	23
Portugal	1.1	1.1	1.1	1.2	1.3	1.2	1.1	1.1	1.1	1.1	1.1	1.2	1.3	1.3	1.4	24
Hungary	0.8	0.8	0.8	0.8	0.8	0.8	0.8	1.1	1.1	1.2	1.3	1.3	1.3	1.1	1.1	25
Turkey	0.8	0.7	0.8	0.8	0.9	0.8	0.9	1.0	1.1	1.1	1.2	1.2	1.2	1.2	1.1	26
Norway	1.1	1.1	1.1	1.2	1.2	1.1	1.2	1.2	1.2	1.2	1.2	1.2	1.1	1.3	1.3	27
Sweden	1.4	1.5	1.4	1.4	1.1	1.0	1.0	1.0	1.0	1.0	1.1	1.1	1.0	1.1	1.0	28
Germany	0.8	0.8	0.8	0.8	0.9	0.8	0.8	0.8	0.9	0.9	0.9	1.0	1.0	1.1	1.0	29
Latvia	1.0	1.0	1.0	1.0	0.9	0.6	0.7	0.9	1.0	1.0	1.0	1.0	1.0	1.1	1.0	30
Chile	1.4	1.3	1.3	1.2	1.1	1.2	0.9	0.8	0.8	0.9	0.8	0.8	0.9	1.0	1.1	31
Slovenia	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	32
Austria	0.5	0.5	0.5	0.6	0.6	0.5	0.5	0.5	0.5	0.6	0.7	0.6	0.6	0.6	0.5	33
Czech Republic	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	34
Slovak Republic	0.6	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	35
Lithuania	0.4	0.4	0.3	0.3	0.3	0.3	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	36
Mexico	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	37
Estonia	0.3	0.3	0.3	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	38

Source: OECD Tax Revenue data, 2019; General Statistics Office of Vietnam, 2019; Ministry of Finance of Vietnam, 2019

Figure 5 Changes in the proportions of tax on property of GDP (%)



Source: OECD Tax Revenue data, 2019; General Statistics Office of Vietnam, 2019; Ministry of Finance of Vietnam, 2019

The share of property tax¹⁶ of GDP of 36 OECD member countries in table 2 is 3.1% in Korea and 2.6% in Vietnam¹⁷ in 2015. Since the average of the real estate tax of the GDP of OECD member countries is 1.9%, the share of real estate tax in Korea's GDP is higher than that of OECD member countries (7th place among OECD member countries) and Vietnam is also higher than that of OECD member countries. According to the yearly fluctuation trend in figure 5, Korea, Finland and OECD average do not fluctuate largely, but Vietnam has the fluctuation due to business cycle of real estate and change of real estate tax system.

¹⁶ According to OECD(2019), tax on property is defined as recurrent and non-recurrent taxes on the use, ownership or transfer of property. These include taxes on immovable property or net wealth, taxes on the change of ownership of property through inheritance or gift and taxes on financial and capital transactions. This indicator relates to government as a whole (all government levels) and is measured in percentage of total taxation.

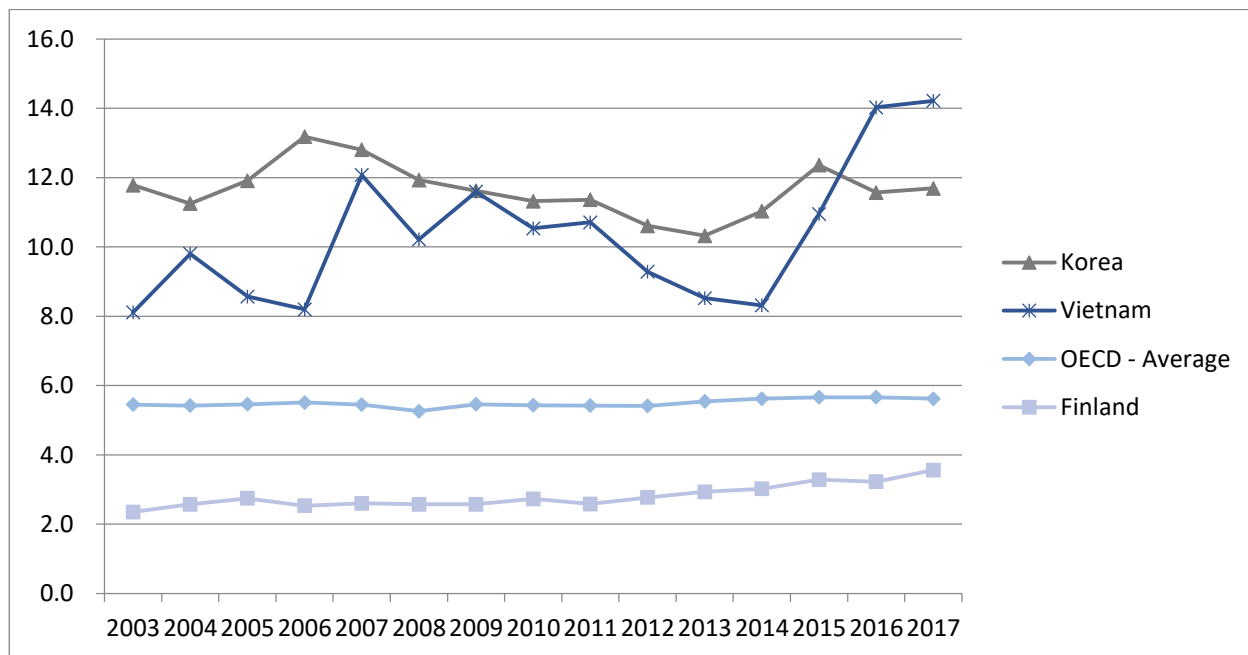
¹⁷ Vietnam is not an OECD member, but it is analyzed in this study.

Table 3 Tax on property of total taxation (%)

Location/Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Ranking of 2015
United Kingdom	11.9	11.9	11.9	12.4	12.5	11.8	12.2	12.0	11.6	11.9	12.4	12.7	12.6	12.6	12.6	1
Korea	11.8	11.3	11.9	13.2	12.8	11.9	11.6	11.3	11.4	10.6	10.3	11.0	12.4	11.6	11.7	2
Canada	10.8	10.8	10.7	10.6	10.6	11.5	12.2	12.3	12.0	11.9	11.9	11.8	11.8	12.0	11.9	3
Vietnam	8.1	10.5	8.9	8.5	12.7	10.4	12.0	12.0	10.9	9.3	8.5	8.3	10.9	14.0	14.2	4
United States	12.1	12.0	11.4	11.2	11.4	12.0	14.1	13.1	12.4	12.1	11.3	11.0	10.8	11.1		5
Australia	9.5	8.7	8.6	9.2	9.0	8.3	9.6	9.4	8.7	8.7	9.5	10.2	10.7	10.8		6
Israel	8.5	9.6	9.9	9.3	9.7	10.1	10.4	10.7	10.7	10.1	10.0	10.0	10.6	10.3	10.0	7
France	7.5	7.8	8.0	8.1	8.2	7.9	8.3	8.7	8.7	8.8	8.8	8.9	9.3	9.4	9.5	8
Luxembourg	7.5	7.8	8.5	9.3	9.7	7.4	6.6	7.1	7.0	7.0	7.3	7.8	8.9	9.3	9.6	9
Greece	4.4	4.2	4.2	5.3	5.3	5.5	6.1	5.2	7.4	7.6	8.9	8.0	8.4	8.1	8.1	10
Japan	10.3	10.0	9.7	9.1	9.0	9.4	10.1	9.7	9.7	9.1	8.8	8.5	8.2	8.4		11
Belgium	4.7	5.2	7.0	7.3	7.2	7.0	6.9	7.2	7.3	7.4	7.8	7.9	7.8	8.0	7.9	12
Spain	7.5	8.0	8.6	9.0	8.2	7.2	6.9	6.7	6.4	6.7	7.3	7.5	7.7	7.7	7.5	13
Switzerland	8.8	9.0	8.4	8.4	8.0	7.6	7.6	7.6	7.3	6.8	6.9	7.1	7.2	7.3	7.1	14
Italy	7.8	6.1	5.0	5.0	4.9	4.3	6.2	4.8	5.3	6.2	6.2	6.7	6.5	6.6	6.0	15
Ireland	6.7	7.0	7.5	8.7	8.0	6.2	5.3	5.3	6.1	6.4	7.2	7.6	6.5	6.0	5.6	16
New Zealand	5.1	5.0	4.9	5.2	5.3	5.9	6.5	6.6	6.7	6.3	6.4	6.3	6.2	6.1	6.0	17
OECD - Average	5.5	5.4	5.5	5.5	5.5	5.3	5.5	5.4	5.4	5.4	5.5	5.6	5.7	5.7	5.6	18
Iceland	6.4	6.7	6.5	5.3	6.1	6.1	6.5	7.1	6.7	7.1	6.9	6.4	5.4	34.2	5.4	19
Turkey	3.3	3.1	3.3	3.6	3.8	3.6	3.6	4.1	4.1	4.2	4.6	4.9	4.9	4.8	4.5	20
Chile	7.6	6.8	6.3	5.4	4.9	5.5	5.4	4.1	4.0	4.3	4.1	4.2	4.4	5.1	5.4	21
Poland	4.7	4.7	4.5	4.3	4.2	4.2	4.3	4.2	4.0	4.2	4.4	4.4	4.2	4.1	3.6	22
Denmark	3.9	3.9	3.8	3.9	3.9	4.3	4.1	4.1	4.2	3.9	3.9	3.8	4.2	4.0	4.0	23
Netherlands	5.1	5.3	5.5	4.7	4.7	4.3	4.0	3.9	3.4	3.0	3.4	3.9	3.8	4.0	4.0	24
Portugal	3.5	3.5	3.7	3.8	4.1	3.8	3.6	3.5	3.4	3.3	3.3	3.6	3.7	3.7	4.0	25
Latvia	3.7	3.7	3.6	3.5	3.1	2.3	2.5	3.1	3.5	3.4	3.3	3.6	3.4	3.5	3.3	26
Hungary	2.2	2.3	2.3	2.2	2.0	2.2	2.1	3.1	3.1	3.2	3.4	3.4	3.3	2.8	2.8	27
Finland	2.4	2.6	2.7	2.5	2.6	2.6	2.6	2.7	2.6	2.8	2.9	3.0	3.3	3.2	3.6	28
Norway	2.6	2.6	2.6	2.7	2.8	2.8	2.9	2.8	2.8	2.9	3.0	3.2	3.0	3.3	3.3	29
Germany	2.4	2.5	2.5	2.5	2.5	2.4	2.3	2.3	2.4	2.5	2.5	2.6	2.8	2.8	2.7	30
Sweden	3.2	3.2	3.0	3.0	2.4	2.3	2.4	2.4	2.4	2.4	2.6	2.5	2.4	2.4	2.3	31
Mexico	2.1	2.3	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.3	2.1	2.3	2.0	1.9		32
Slovenia	1.5	1.6	1.5	1.6	1.6	1.6	1.6	1.7	1.6	1.7	1.8	1.7	1.7	1.7	1.8	33
Czech Republic	1.4	1.1	1.2	1.2	1.2	1.1	1.1	1.3	1.5	1.5	1.4	1.4	1.4	1.4	1.4	34
Austria	1.3	1.3	1.3	1.4	1.4	1.3	1.3	1.3	1.2	1.3	1.7	1.4	1.3	1.3	1.3	35
Slovak Republic	1.8	1.7	1.6	1.5	1.3	1.3	1.5	1.5	1.4	1.5	1.5	1.4	1.3	1.3	1.3	36
Lithuania	1.5	1.4	1.2	1.1	1.0	0.9	1.2	1.3	1.1	1.1	1.0	1.1	1.2	1.1	1.3	37
Estonia	1.1	1.0	1.0	0.8	0.7	0.9	1.0	1.1	1.0	1.0	1.0	0.9	0.8	0.8	0.7	38

Source: OECD Tax Revenue data, 2019; General Statistics Office of Vietnam, 2019; Ministry of Finance of Vietnam, 2019

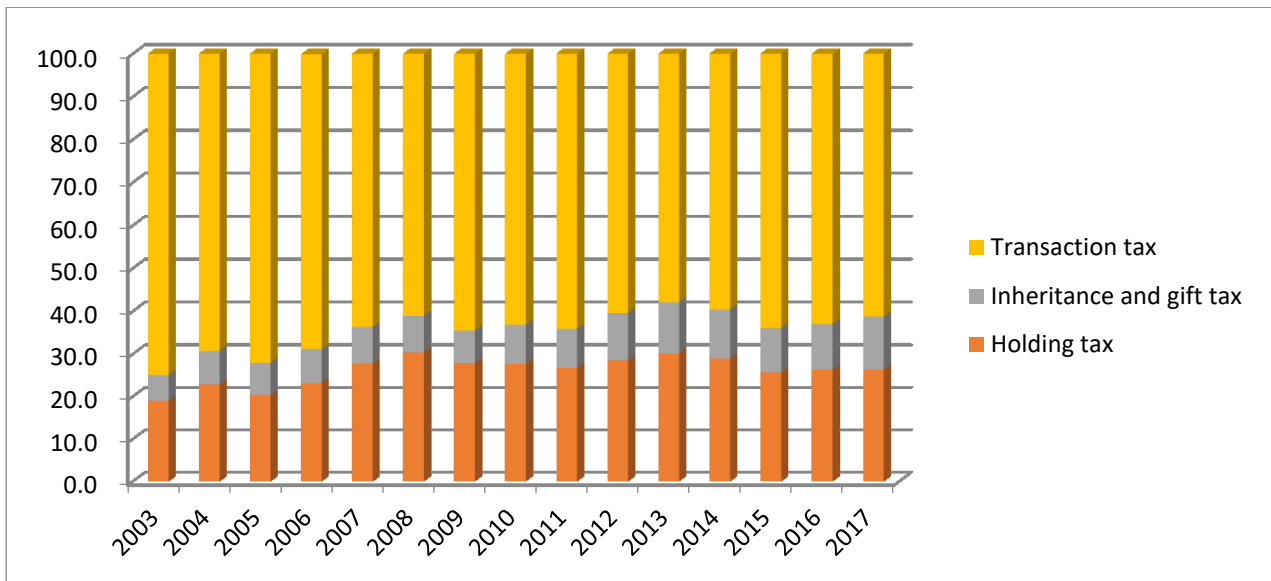
Figure 6 Changes in the proportions of tax on property of total taxation (%)



Source: OECD Tax Revenue data, 2019; General Statistics Office of Vietnam, 2019; Ministry of Finance of Vietnam, 2019

According to the ratio of real estate taxes to the total tax revenues of 36 OECD countries in table 3, Korea accounts for 12.4 percent, while Vietnam accounts for 10.9 percent in 2015. Since the average of OECD member countries is 5.7%, the share of real estate tax on total tax income is much higher than that of OECD member countries (2nd place among OECD member countries), more than twice that of OECD member countries, and Vietnam is also higher than that of OECD member countries. According to the yearly fluctuation trend in figure 6, Korea, Finland and OECD average do not fluctuate largely, but Vietnam has the fluctuation due to business cycle of real estate and change of real estate tax system. The high proportion of real estate taxes in Korea and Vietnam is due to the high percentage of transaction taxes that OECD countries rarely depend on.

Figure 7 Changes in the proportions of the specific tax on property in Korea (%)



Source: OECD Tax Revenue data, 2019

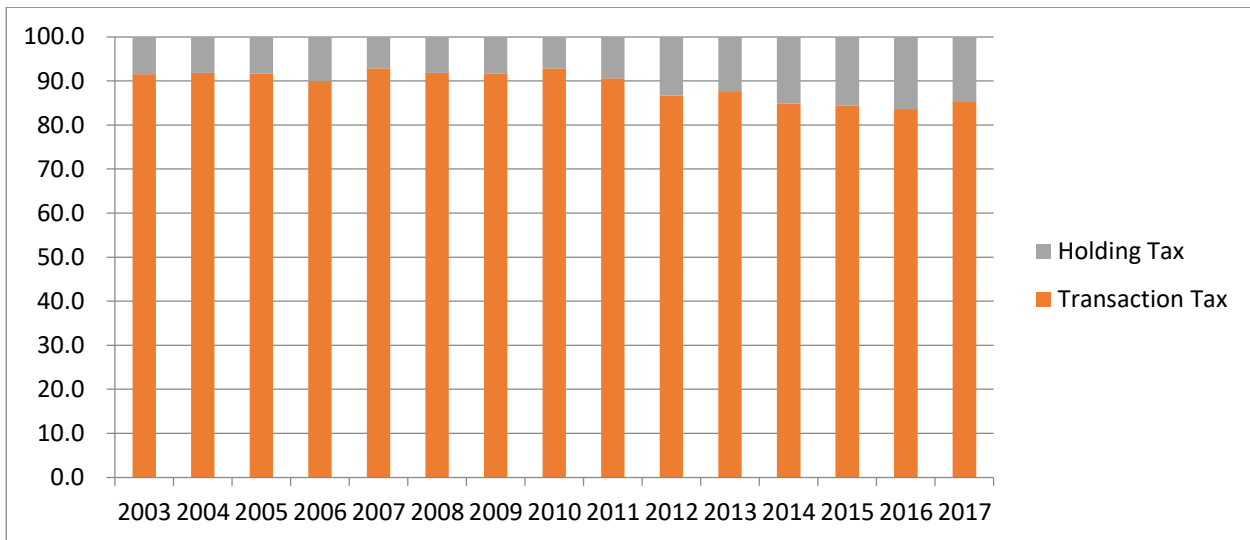
Looking at the changes in the proportion of transaction taxes in figure 7, the portion of the transaction tax gradually decreased to 61% in 2017 and that of inheritance and gift taxes has increased little by little to 13% in 2017 and that of holding taxes has increased since the introduction of comprehensive real estate taxes in 2005, which has remained at 26% presently. However, Korea's real estate tax structure has a higher percentage of transaction taxes and a lower percentage of holding taxes than the OECD average¹⁸. For this reason, the OECD recommended in 2015 that Korea's property tax structure, which is costly at the beginning of the transaction, be converted to a market-friendly 'low transaction tax, high holding tax'.¹⁹ Korea's inheritance and gift taxes account for 1.2 % of the total tax revenue in 2012²⁰, more than the average of 0.25% of the EU's 28 member countries in 2012.(European Commission , 2014)

¹⁸ As of 2015, the average proportion of holding tax of property tax was 70 %, and that of transaction tax was 30 % in the OECD countries.

¹⁹ The tax burden is low but the tax system can be made more growth-friendly, in particular given that the VAT is the second lowest in the OECD area. Recommendations: Rely primarily on indirect taxes, notably the VAT, as well as environmental taxes and property-holding taxes. Keep taxes on labour income low. (OECD, 2015)

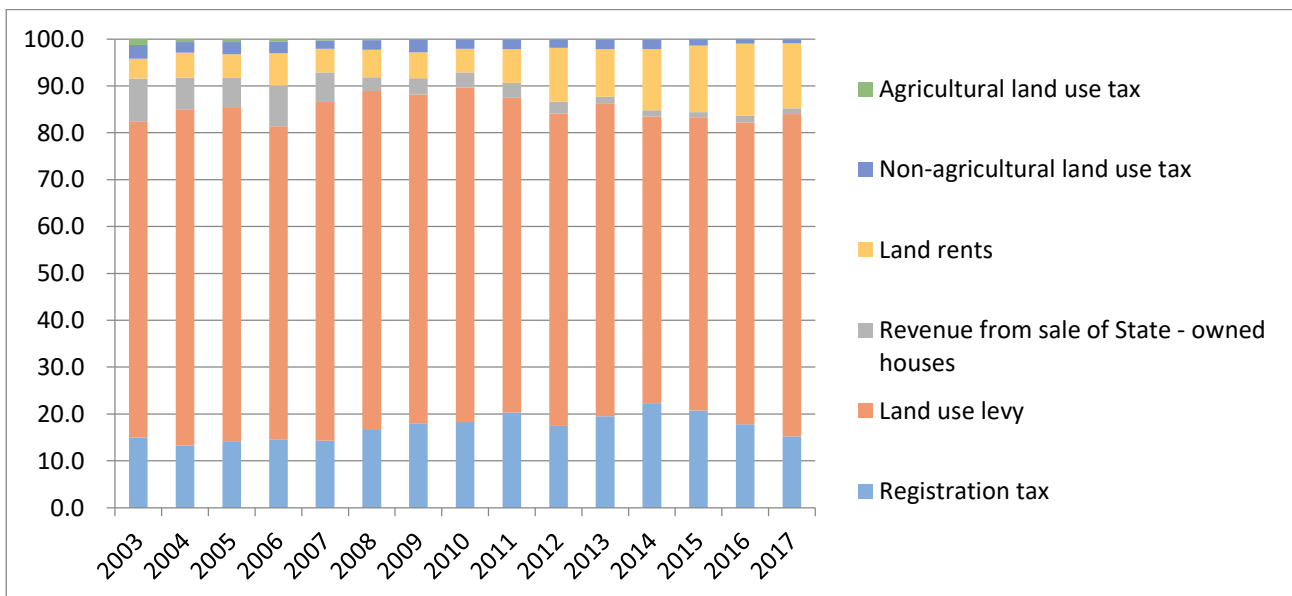
²⁰ Korea's inheritance and gift taxes account for 11.1% of the property tax in 2012.

Figure 8 Changes in the proportions of holding tax and transaction tax on property in Vietnam (%)



Source: General Statistics Office of Vietnam, 2019; Ministry of Finance of Vietnam, 2019

Figure 9 Changes in the proportions of the specific tax items on property in Vietnam (%)



Source: General Statistics Office of Vietnam, 2019; Ministry of Finance of Vietnam, 2019

In Vietnam, the share of transaction taxes has also decreased since 2011, accounting for 85 % in 2017, and that of holding taxes has increased to 15 % in 2017. (Figure 8) Because the proportion of tax revenue on land rentals belonging to the holding tax has increased since 2011.(Figure 9) However, Vietnam's real estate tax structure has a higher percentage of transaction taxes and a

lower percentage of holding taxes even than the Korean average. More than 60% of property tax and more than 70% of transaction tax is land use levies. Also, the registration fee belonging to the transaction tax accounts for around 20 % of the real estate tax, therefore, Vietnam's proportion of transaction tax is overwhelmingly higher than its holding tax.

Table 4 Real property tax revenues in Vietnam (Value : billion VND, 1 billion VND = US\$ 42,936)

Division / Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
GDP	613,443	715,307	914,001	1,061,565	1,246,769	1,616,047	1,809,149	2,157,828	2,779,880	3,245,419	3,584,262	3,937,856	4,192,862	4,502,733	5,005,975
Tax revenues	149,305	188,051	224,498	271,575	311,659	421,136	446,878	576,560	709,701	724,616	817,224	866,647	986,373	1,092,933	1,280,755
Registration tax	1817	2607	2797	3363	5690	7363	9670	12,611	15,700	11,816	13,595	16,090	22,405	27,311	27,613
Land use levy	8149	14,202	14,176	15,416	28,677	31,598	37,695	49,368	51,824	45,167	46,394	43,993	67,548	98,753	125,287
Revenue from sale of State - owned houses	1116	1338	1283	1993	2488	1287	1893	2196	2401	1737	1046	1017	1199	2134	2202
Land rents	513	1053	1003	1596	2017	2591	2956	3481	5570	7762	7067	9407	15,295	23,621	25,230
Non-agricultural land use tax	359	438	514	592	711	902	1464	1394	1604	1193	1447	1464	1479	1419	1687
Agricultural land use tax	151	130	132	111	113	97	67	56	72	69	69	61	58	60	39
Real property tax	12,105	19,768	19,905	23,071	39,696	43,838	53,745	69,106	77,171	67,744	69,618	72,033	107,984	153,298	182,058
Real property tax Tax revenues (%)	8.1	10.5	8.9	8.5	12.7	10.4	12.0	12.0	10.9	9.3	8.5	8.3	10.9	14.0	14.2
Real property tax GDP (%)	2.0	2.8	2.2	2.2	3.2	2.7	3.0	3.2	2.8	2.1	1.9	1.8	2.6	3.4	3.6

Source: General Statistics Office of Vietnam, 2019; Ministry of Finance of Vietnam, 2019

Figure 10 Changes in registration fee revenue (value : billion VND)

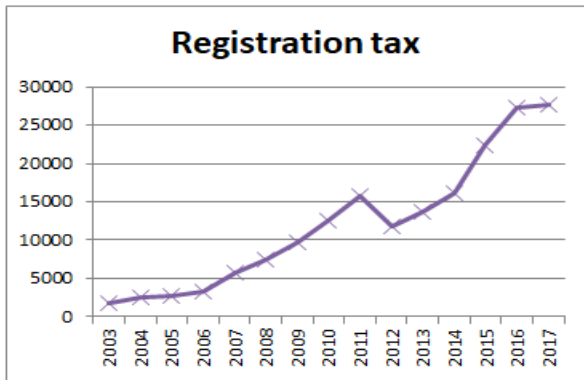


Figure 11 Changes in land use levy revenue (value : billion VND)

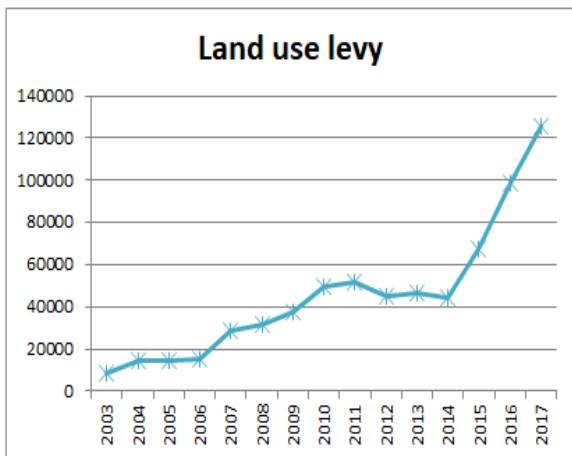


Figure 12 Changes in land rents revenue (value : billion VND)

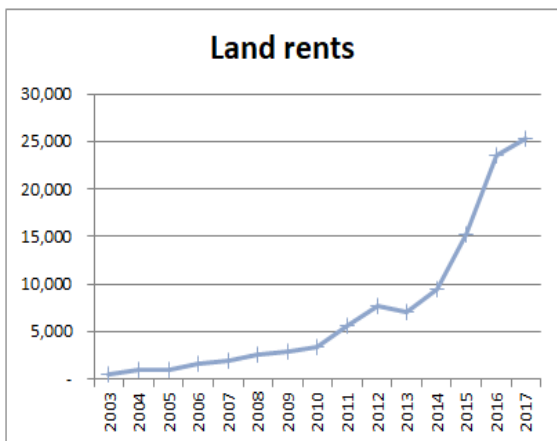


Figure 13 Changes in non-agricultural land use tax revenue (value : billion VND)

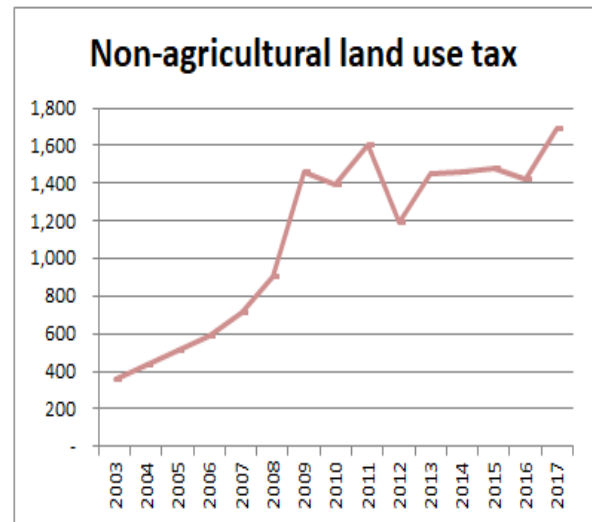


Figure 14 Changes in agricultural land use tax revenue (value : billion VND)

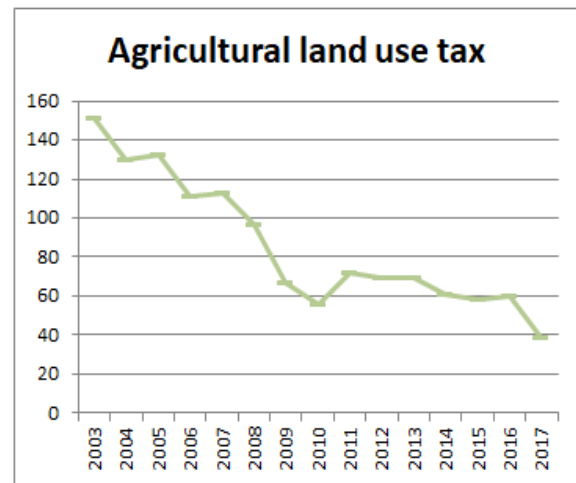


Figure 10~14 Source: General Statistics Office of Vietnam, 2019; Ministry of Finance of Vietnam, 2019

The land use charge and land rental are one-off payments and do not generate recurring revenue for the government. Thus, as more land is allocated with land-use rights, the revenue from these sources is expected to decrease in the future. (Loan & McCluskey, 2010) Unexpectedly, figure 11 & 12 show that land use levy and land rental revenues have been increased rapidly until lately. This is attributed to a rise in public land prices and an increase in land-related tax rates.^{21 22} Having one-event based revenue sources contributing some 80 percent of property tax revenue is an over-reliance on a revenue reduction in 2017. Other revenue sources need to be considered. The non-agricultural land use tax is a possible alternative and revenue is also increasing in general (figure 13), but it currently raises only about 1% of property tax revenue and represents just 0.03 percent of the country's gross domestic product (GDP).

The changes in Vietnam's real estate tax revenue ratio by tax item is as follows: In line with the international trend to reduce the tax burden on agricultural production, the government introduced an exemption based on "standard" land units allocated to rural households, slums and agricultural cooperatives in 2003 (National Assembly 2003, Article 1.1). All other taxpayers is given a 50% reduction in Agricultural Land Use Tax. These tax cuts and exemptions accounted for a drop in revenue (McCluskey & Loan, 2013). (figure 14)

Other noteworthy in table 4 is that, although the portion of real estate tax revenues is increasing year by year, the real estate tax revenues, excluding land rental, was reduced from the previous year in 2012, and that the share of real estate tax revenue of the total tax revenue was decreased between 2011 and 2014. The reason is that in 2011, the inflation of Vietnam was high and the price of gold and dollar rapidly increased, the Vietnamese government restricted the remaining loan to the limit of 16% in the non-production sector. However, this government policy has made the stagnation of the real estate market serious. In 2012, many real estate brokers and investors went bankrupt due to the intense competition of real estate management companies and by 2012, real estate trading volume was down, many projects were not traded, and real estate prices fell. Also in 2013, the Vietnamese real estate market was in trouble and real estate volume continued to fall. In addition, property prices have fallen 30 percent from the past few years due to a large number of unsold real estate inventories and a failure to settle bad debts, which is why it is believed that real estate

²¹ <https://vietnamnews.vn/economy/260072/maximum-land-price-to-be-increased.html#1p25pvOlhSPWCFRb.97> (2014.09)

²² <https://vietnamnews.vn/economy/253801/land-rentals-likely-to-rise.html#75misEgJmEyGpZ3.97> (2014.04)

revenues have also decreased. (Do, 2014) Since 2014, all real estate tax revenues have skyrocketed, except agricultural land use tax and non-agricultural land use tax. The reason for this is that the Vietnamese government sought various supporting policies to overcome the difficult situation of the real estate market and established a Vietnamese asset management company(VAMC) to purchase bad debts from financial institutions and provided 300 trillion VND to home buyers and construction companies. As a result, since 2014, the volume of real estate transactions has increased and real estate inventory has decreased and therefore, the related real estate tax revenue seems to have increased greatly. (Le, 2016)

3.2 Comparison of taxation on real estate acquisition between Korea and Vietnam

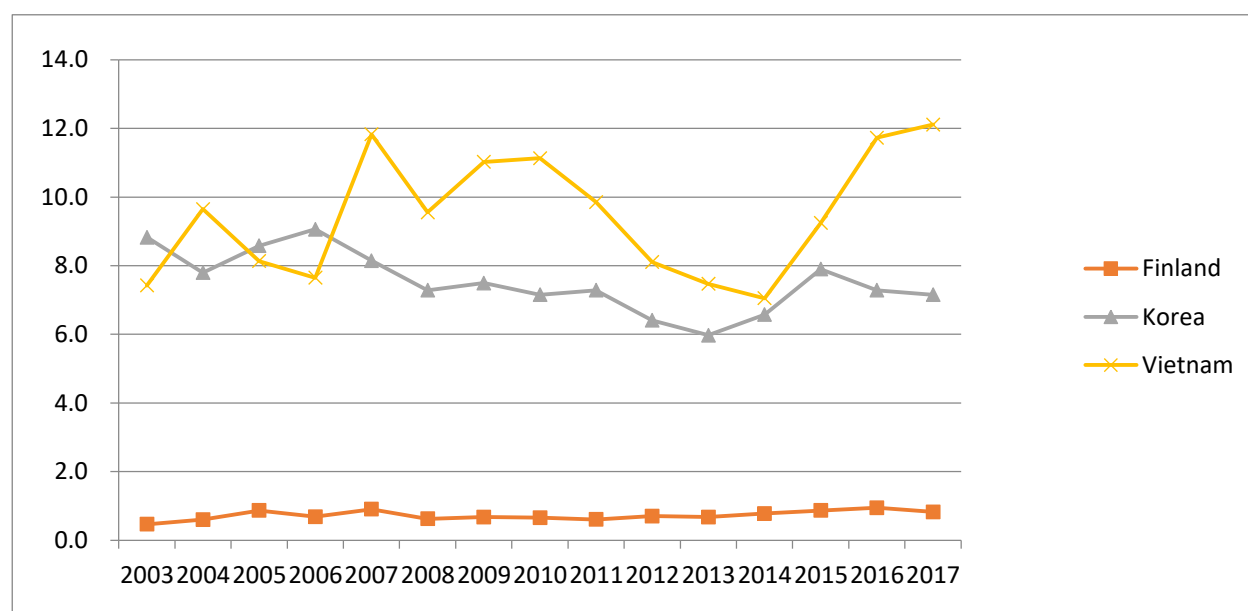
Table 5 The proportions of OECD countries' Transaction tax of total taxation in 2015

Location / Year	Unit	Total tax in 2015	Transaction tax in 2015	Transaction tax portion of total tax in 2015	Ranking of transaction tax portion
Vietnam	Dong, Billions	986373	91152	9.2	1
Korea	Won, Billions	393559	31095	7.9	2
Australia	Australian Dollar, Billions	463.4	22.5	4.9	3
Turkey	Turkish Lira, Billions	586.7	22.3	3.8	4
Ireland	Euro, Billions	60.6	1.5	2.5	5
Italy	Euro, Billions	712.5	17.4	2.4	6
Belgium	Euro, Billions	183.9	4.4	2.4	7
United Kingdom	Pound Sterling, Billions	609.6	13.8	2.3	8
Spain	Euro, Billions	362.8	7.2	2.0	9
Israel	New Israeli Sheqel, Billions	364	6.7	1.8	10
Luxembourg	Euro, Billions	19.3	0.3	1.6	11
France	Euro, Billions	995.5	14.3	1.4	12
Portugal	Euro, Billions	61.9	0.8	1.3	13
Switzerland	Swiss Franc, Billions	180.4	1.9	1.1	14
Germany	Euro, Billions	1127.8	11.2	1.0	15
Japan	Yen, Billions	163533.1	1426.3	0.9	16
Finland	Euro, Billions	92.1	0.8	0.9	17
Chile	Chilean Peso, Billions	32532.4	272.1	0.8	18
Greece	Euro, Billions	64.5	0.5	0.8	19
Czech Republic	Czech Koruna, Billions	1532.6	11.6	0.8	20
Canada	Canadian Dollar, Billions	651.9	4.9	0.8	21
Austria	Euro, Billions	148.5	1.1	0.7	22
Netherlands	Euro, Billions	255.3	1.8	0.7	23

Hungary	Forint, Billions	13286.7	93.4	0.7	24
Norway	Norwegian Krone, Billions	1198.2	8.4	0.7	25
Mexico	Mexican Peso, Billions	2953.5	19.7	0.7	26
Sweden	Swedish Krona, Billions	1809.4	11.4	0.6	27
Denmark	Danish Krone, Billions	935.1	5.7	0.6	28
Iceland	Iceland Krona, Billions	812	4.3	0.5	29
Poland	Zloty, Billions	582.4	2.2	0.4	30
New Zealand	New Zealand Dollar, Billions	81.5	0.1	0.1	31
United States	US Dollar, Billions	4754	0	0.0	32
Latvia	Euro, Billions	7.1	0	0.0	32
Estonia	Euro, Billions	6.9	0	0.0	32
Slovenia	Euro, Billions	14.1	0	0.0	32
Slovak Republic	Euro, Billions	25.4	0	0.0	32

Source: OECD Tax Revenue data, 2019; General Statistics Office of Vietnam, 2019; Ministry of Finance of Vietnam, 2019

Figure 15 Changes in the proportions of the property transaction tax of total taxation (%)



Source: OECD Tax Revenue data, 2019; General Statistics Office of Vietnam, 2019; Ministry of Finance of Vietnam, 2019

The ratio of transaction tax by country of table 5 is as follows: In Vietnam, the ratio of transaction tax to total tax revenue is 9.2% in 2015, which has the largest portion of transaction tax among the OECD member countries(1st place) and it is more than twice that of England, France and Spain.

Considering that in most OECD countries, the average portion of the transaction tax in total tax revenue is 1.3% and there are some countries like Japan which has a small portion(0.9%) or the US which does not have transaction tax, that of Vietnam is excessive. However, more than 80% of transaction tax of Vietnam is a one-time payment of land use levies. Korea is also 7.9%, which is higher than the OECD average of 1.3%. Although the real estate transaction tax rate is not relatively high in Korea, the portion of the transaction tax to total tax revenue appears to be high in the world, for reasons such as frequent real estate transactions and relatively high real estate acquisition prices. According to the yearly fluctuation trend of transaction tax of total tax revenues in figure 15, there is no significant change at 7% of Korea and at 1% of Finland respectively. However, Vietnam has repeatedly increased and decreased the portion of transaction taxes due to business cycle of real estate and change of real estate tax system.

Table 6 The transaction tax system of major countries

State	Tax	Competent level of government	Tax base	Tax payer	Tax rates (or range)
Bulgaria	<i>Данък при придобиване на имуществва по възмезден начин</i>	Local (Municipality)	Transaction value or tax value of land and buildings (if transaction value is lower),	Buyer	Between 0.1% and 3% depending on the municipality
Czech Republic	<i>Daň z nabytí nemovitých věcí.</i>	Central	Tax value or transaction value	Transferor	4%
Germany	<i>Grunderwerbsteuer</i>	Federal	Purchase price	Buyer / Seller	Between 3.5% and 6.5% dependant on the state , Under 2,500 euros, inheritance, gift, and marital transaction are not taxable.
Greece	<i>Φόρος Μεταβίβασης Ακινήτων</i>	Central	Tax value of a property (or contractual value, if the latter is higher)	Buyer	3.09%
Spain	<i>Impuesto sobre el Incremento de Valor de Terrenos de Naturaleza Urbana</i>	Local (Municipality)	Cadastral value of a property multiplied by factor depending on years owned	Seller	30%
	<i>Impuesto sobre Transmisiones</i>	Local (Community)	Fair market value of property	Buyer	6%

	<i>Patrimoniales Oneroras</i>				
France	<i>Droit de vente d'immeubles</i>	Department & Municipality	Transaction Value	Buyer	5.09%
Croatia	<i>Porez na promet nekretnina</i>	Central	Market value of real estate	Buyer	5%
Cyprus	<i>Τέλη Κτηματολογίου</i>	Central	Fair market value of the property estimated by authorities as at 1.1.1980	Buyer	Progressive from 3% to 8%
Latvia	<i>Valsts nodeva par nekustamā īpašuma reģistrāciju zemesgrāmatā</i>	Central	Highest of cadastral value or transaction value of real estate	The one who registers the transfer	Between 0.5% and 3% dependant on the type.
Luxembourg	<i>Droits d'enregistrement / Droits de transcription sur les mutations à titre onéreux d'immeubles</i>	Central	Sales price of real estate	Buyer	7%
	<i>Surtaxe communale</i>	Local (Municipality)	Real estate transfer tax due.	Buyer	50%
Hungary	<i>Visszterhes vagyonátruházási illeték</i>	Central	Fair market value of a property	Buyer	Degressive from 4% to 2%
Malta	<i>Duty on Documents and Transfers Act</i>	Central	Fair market value of real estate	Buyer	5%
	<i>Property Transfer Tax</i>	Central	Fair market value of real estate	Seller	12%
Netherlands	<i>Overdrachtsbelasting</i>	Central	Fair market value; at least the acquisition price of real estate	Buyer	2% (dwelling) or 6% (commercial property)
Austria	<i>Gründerwerbsteuer</i>	Local (Province)	Purchase price or fair market value of real estate, land or property.	Purchaser	3.5%, 2% in case of a paid or non-paid transfer between close relatives
	<i>Eintragungsgebühr des Eigentumsrechts</i>	Local (Court / Land register)	Purchase price or fair market value of real estate, land or property.	Purchaser	1.1%
Poland	<i>Podatek od czynności cywilnoprawnych</i>	Central	Market value of real estate	Buyer	2%
Portugal	<i>Imposto Municipal sobre as Transmissões Onerosas de</i>	Central	The higher of the transaction value or cadastral value	Buyer	5% for rural property. 6.5% for other urban immovable

	<i>Imóveis</i>				properties and other non-gratuitous transfers. Progressive in case of dwellings and houses. 10% if corporate tax payer resident of a listed tax haven
Finland	<i>Varainsiirtovero</i>	Central	Purchase price of real estate	Buyer	4%, 2% in case of (a share in) a real estate company
Sweden	<i>Stämpelskatt</i>	Central	Highest of transaction value or tax value	Buyer	1.5%
United Kingdom	<i>Stamp Duty Land Tax</i>	Central	Purchase price of real estate	Buyer	Progressive from 0% up to 15%, 0% for housing acquisitions of a certain amount (£ 125,000) or less
United States	<i>Tax exemption</i>	Local			
Japan	Real estate acquisition tax	Local	Acquisition price	Buyer	6% (acquisition tax 4%, registration tax 0.4 ~ 2%) ,The acquisition tax exemption below a certain amount (land 100,000 yen, house 230,000 yen, etc.)
Australia	The goods and services tax (GST)	Central	Transaction price	Buyer	10%(GST)
China	Acquisition tax	Local	Transaction price	Buyer	Land 3% Normal housing 1.5%
Indonesia	Real estate acquisition tax	Local	Applied value of real estate tax	Buyer	5%
Cambodia	Property transaction tax	Central	Transfer value	Buyer	4%

Source : European Commission, 2014; J.C. Kim, 2017; S.H. Lee et al, 2017

First, the transaction tax is operated in various forms for each country as seen table 6. The acquisition tax in Korea is the local tax and the registration tax in Vietnam is the national tax. Vietnam has no local taxes, only national taxes. The competent authority of the taxes on real estate transfers is normally the central government. In general, tax rates are constant and range from 1% to 8%. Transaction taxes are compared to double-edged swords, and when the transaction tax is low,

real estate transactions are activated, but real estate speculation may occur. A higher transaction tax could curb real estate speculation and prevent property prices from rising, but on the contrary, too high a transaction tax can be passed on to real estate prices, encouraging real estate prices to rise and can seriously hamper the real estate market and people's mobility.

Figure 16 Korean Acquisition Tax Bill

The figure displays the front and back of a Korean Acquisition Tax Bill. The front side (left) includes a QR code, a QR code for tax basis, and a table with columns for '세액' (Tax Amount) and '납부금' (Payment Amount). The back side (right) contains 'Local Tax Information' (지방세 안내), 'Penalty Tax Rate' (가산세율), 'Local Tax Payment Methods' (지방세 납부방법 안내), and 'Local Tax Relief System' (지방세 구제제도).

Source : Kwon, 2019

Second, some countries are tax-free on the acquisition of small amounts of real estate. No acquisition tax shall be imposed if the acquisition value is 500,000 Won or less in Korea. The maximum fee for registration of a property call be VND 500 million per property application in Vietnam. The UK applies a differential tax rate for each acquisition value (progressive from 0% up to 15%), but applies 0% for housing purchases of a certain amount (£ 125,000 or less). In Germany, transaction taxes are not levied on real estate with an acquisition value of €2,500 or less, and in Japan, transaction taxes are not levied on the acquisition value of a certain amount or less (such as house value of €230,000).

Third, Korea and Vietnam have similar application of the tax bases. In case of Korea, that if no report is filed or the reported value is not indicated, or the reported value is less than the standard market price, the standard market price shall be the tax base for acquisition tax. In case of Vietnam, if the price specified in the land use right transfer or building sales contract exceeds the price set by the provincial People's Committee, the registration fee shall be paid at the contract price. In other words, the higher one among transaction value and fair market value is the tax base, but the method of determining the fair market value is different.

In the case of real estate tax, the taxation authorities determine artificially valued value as the standard market price, and the tax burden of residents and the size of local resources are directly influenced by how the standard market price is determined. In addition, unlike other countries such as the United States, Japan, and the United Kingdom, Korea is subject to taxation assessments every year, so tax burdens vary according to tax bases rather than tax rates. In other countries such as the Vietnam, United States, Japan, and the United Kingdom, assessments of real estate are conducted every three to five years. Since the tax base does not change every year, local governments adjust tax rates to collect taxes. In other words, tax burdens are determined by tax bases in Korea and tax burdens are determined by tax rates in the Vietnam, United States and the United Kingdom (S.S.Park & B.R. Yoo, 2015).

3.3 Comparison of taxation on real estate ownership between Korea and Vietnam

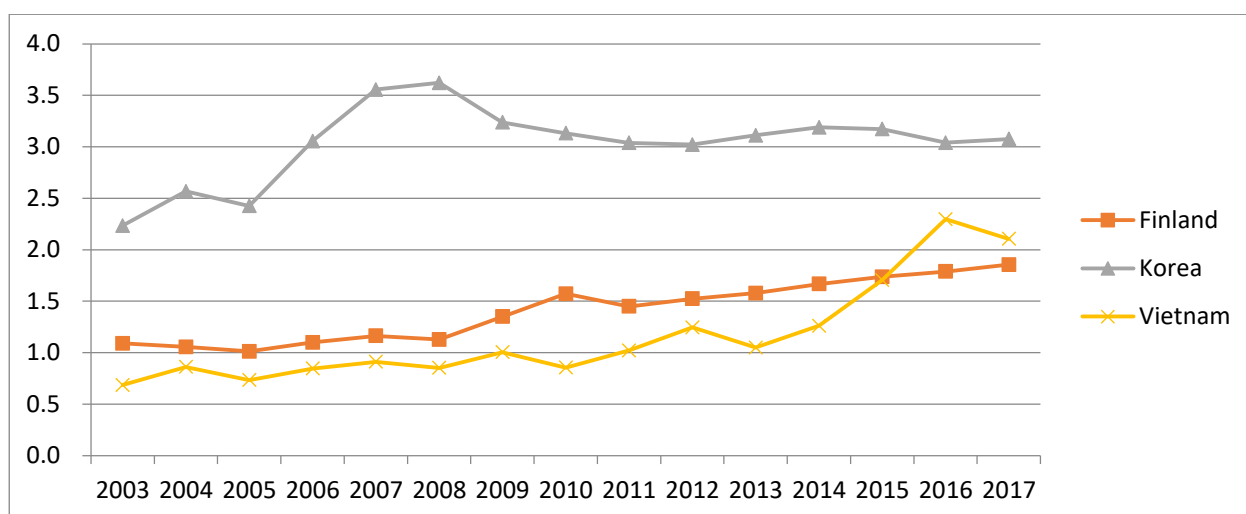
Table 7 The proportions of OECD countries' holding tax of total taxation in 2015

Location / Year	Unit	Total tax in 2015	Holding tax in 2015	Holding tax portion of total tax in 2015	Ranking of holding tax portion
United States	US Dollar, Billions	4754	479.4	10.1	1
Canada	Canadian Dollar, Billions	651.9	62.3	9.6	2
United Kingdom	Pound Sterling, Billions	609.6	58.2	9.5	3
Israel	New Israeli Sheqel, Billions	364	23.6	6.5	4
New Zealand	New Zealand Dollar, Billions	81.5	5	6.1	5
Japan	Yen, Billions	163533.1	10005	6.1	6
France	Euro, Billions	995.5	60.4	6.1	7
Australia	Australian Dollar, Billions	463.4	27.1	5.8	8
Greece	Euro, Billions	64.5	3.6	5.6	9

Iceland	Iceland Krona, Billions	812	34.9	4.3	10
Poland	Zloty, Billions	582.4	22.2	3.8	11
Italy	Euro, Billions	712.5	25.6	3.6	12
Spain	Euro, Billions	362.8	12.6	3.5	13
Chile	Chilean Peso, Billions	32532.4	1056.9	3.2	14
Korea	Won, Billions	393559	12486	3.2	15
Ireland	Euro, Billions	60.6	1.9	3.1	16
Denmark	Danish Krone, Billions	935.1	28.1	3.0	17
Belgium	Euro, Billions	183.9	5.4	2.9	18
Latvia	Euro, Billions	7.1	0.2	2.8	19
Netherlands	Euro, Billions	255.3	6.4	2.5	20
Portugal	Euro, Billions	61.9	1.5	2.4	21
Sweden	Swedish Krona, Billions	1809.4	32.4	1.8	22
Finland	Euro, Billions	92.1	1.6	1.7	23
Vietnam	Dong, Billions	986373	16832	1.7	24
Hungary	Forint, Billions	13286.7	200.9	1.5	25
Estonia	Euro, Billions	6.9	0.1	1.4	26
Slovenia	Euro, Billions	14.1	0.2	1.4	27
Mexico	Mexican Peso, Billions	2953.5	38	1.3	28
Slovak Republic	Euro, Billions	25.4	0.3	1.2	29
Germany	Euro, Billions	1127.8	13.2	1.2	30
Norway	Norwegian Krone, Billions	1198.2	12.7	1.1	31
Turkey	Turkish Lira, Billions	586.7	5.9	1.0	32
Czech Republic	Czech Koruna, Billions	1532.6	10.3	0.7	33
Switzerland	Swiss Franc, Billions	180.4	1.1	0.6	34
Austria	Euro, Billions	148.5	0.8	0.5	35
Luxembourg	Euro, Billions	19.3	0	0.0	36

Source: OECD, Tax Revenue data, General Statistics Office Of Vietnam, Ministry of Finance of Vietnam

Figure 17 Changes in the proportions of the real estate holding tax of total taxation (%)



Source: OECD, Tax Revenue data, General Statistics Office Of Vietnam, Ministry of Finance of Vietnam

In terms of the percentage of holding taxes by country, the proportion of holding taxes of Korea's total tax revenue is 3.2% (15th place), slightly lower than the OECD average of 3.4%, and Vietnam is 1.7%, far lower than the OECD average. (table 7) According to the trend of changes in the proportion of holding taxes of total tax revenues, Korea's share of holding taxes increased to 3.6% from 2007 to 2008 due to the realization of real estate values publicly announced and the introduction of comprehensive real estate holding taxes since 2005, since then, it has remained at 3.0%. (figure 17) Korea's low share of holding taxes is due to low holding tax rates, low realization rates of tax basis and high tax cuts. The low cost of owning real estate in Korea makes it more profitable to buy real estate than to save it in a bank, which also contributes to the preference of real estate and to the widening gap in tax revenues between the capital region and the provinces, where land prices and housing prices are different. This is in contrast to the general situation of 'low holding tax, high transaction tax' structure in Europe. Finland has a low but modest share of holding taxes, and Vietnam has seen its share of holding taxes increase somewhat sharply since 2014 as seen figure 17 due to the Vietnamese government's policy to support the real estate market.

The "low holding tax, low transaction tax" structure is the most common in European countries with a small population, such as the Czech Republic, Slovakia, Slovenia, Estonia, Norway and Austria. Non-European countries such as the United States, Canada, Australia, Japan, Korea and European

countries which have a large population, such as France, Britain and Italy have chosen between holding taxes and transaction taxes, showing a relatively high tax burdens.

Table 8 The holding tax system of major countries

State	Tax	Competent level of government	Tax base	Taxpayer	Tax rates (or range)
Bulgaria	<i>Данък върху недвижими те имоти</i>	Local (Municipality)	Tax value of land and buildings.	Owner	Municipal rates between 0.01% and 0.45%
Czech Republic	<i>Daň z nemovitých věcí</i>	Central	A fixed amount based on the type of property	Owner	Base amount depending on the type of property multiplied by a factor ranging between 1 & 4,5 depending on the size of the community.
Denmark	<i>Ejendomsværdiskat</i>	Central	The public property value of the property	Owner	Progressive from 0.1% up to 0.3%
	<i>Ejendomsskat</i>	Local (Municipality)	The public property value of the property	Owner	Depending on municipality between 1.6% and 3.4%
Germany	<i>Grundsteuer</i>	Local	Tax value real estate multiplied by a factor dependant on the type of real estate.	Owner	Tax base multiplied by 0.0026 and 0.01 dependant on use and a tax rate of 311% or 425% dependant on use.
Estonia	<i>Maamaks.</i>	Central	Tax value of land	Owner	Depending on municipality between 0.1% and 2.5%
Ireland	<i>Local property tax</i>	Central	Fair market value of a property	Owner	0.18% applied on a mid-point of a valuation band.
Greece	<i>Ενιαίος Φόρος Ιδιοκτησίας Ακινήτων</i>	Central	Tax value of real estate	Owner	Tax value as calculated based on several coefficients
	<i>Τέλος Ακίνητης Περιουσίας</i>	Local (Municipality)	Tax value of real estate	Owner	Between 0.025% and 0.035% depending on the municipality.
Spain	<i>Impuesto sobre Bienes Inmuebles</i>	Local (Municipality)	Cadastral value of a property	Owner	Between 0.3% and 1.1% dependant on usage and the municipality.
France	<i>Taxe d'habitation</i>	Central	Deemed rental value of a	Occupier of a dwelling	Depending on various coefficients that can be

			dwelling		determined by the local authority.
	<i>Taxe foncière sur les propriétés bâties.</i>	Central	Half the deemed rental value of a property	Owner	Depending on various coefficients that can be determined by the local authority.
	<i>Taxe foncière sur les propriétés non-bâties.</i>	Central	80% of the deemed rental value of the land	Owner	Depending on various coefficients that can be determined by the local authority.
Croatia	<i>Porez na kuće za odmor</i> (Vacation house tax)	Local	Surface area of a vacation house	Owner	Fixed amount per square meter
Italy	<i>Imposta sul valore degli immobili siti all'estero</i>	Central	Foreign cadastral value if applicable, purchase price or market value of real estate located outside of Italy	Owner, if Italian tax resident	0.4% for the primary home, 0.76% for other properties
	<i>Imposta municipale unica</i>	Local (Municipality)	Notional income from a property	Owner	Between 0.2% and 1.82% depending on the municipality.
Cyprus	<i>Φόρος Ακίνητης Ιδιοκτησίας</i>	Central	Value of the property on 1/1/1980	Owner	Progressive from 0.6% up to 1.9%
	<i>Φόρος Ακίνητης Ιδιοκτησία</i>	Local (Municipality)	Value of the property on 1/1/1980	Owner	0.15%
	<i>Τέλος Ακίνητης Ιδιοκτησίας</i>	Local (Community)	Value of the property on 1/1/1980	Owner	Up to 0.10%, depending on the community.
Latvia	<i>Nekustamā īpašuma nodoklis</i>	Local (Municipality)	Cadastral value of a property	Owner	0.2% - 3% dependant on type and use of real estate
Lithuania	<i>Nekilnojamoj o turto mokestis</i>	Central	Tax value of real estate	Owner	1%
	<i>Žemės mokestis</i>	Local (Municipality)	Tax value of land	Owner	Between 0.1% and 4% depending on the municipality.
Luxembourg	<i>Impôt foncier</i>	Local (Municipality)	Tax value of real estate	Owner	Rate between 0.8% and 10% depending on use multiplied by a municipal factor of up to 750% dependant on use.

Hungary	<i>Építményadó</i>	Local (Municipality)	Floor space or adjusted market value of a property.	Owner	Fixed amount per square meter to be set by the local authorities.
	<i>Telekadó</i>	Local (Municipality)	Land area or adjusted market value of a parcel of land	Owner	Fixed amount per square meter to be set by the local authorities.
Netherlands	<i>Onroerende zaakbelasting</i>	Local (Municipality)	Tax value of real estate	Owner	Between 0.0434% and 0.4203% dependant on the municipality and use
Austria	<i>Grundsteuer</i>	Local (Municipality)	Assessed value of immovable property	Owner	0.005% - 0.2% depending on usage multiplied by a municipal factor of max. 500%
Poland	<i>Podatek leśny</i>	Local (Municipality)	The surface area of forests	Owner	Price of 0,22 cubic meters of wood per hectare
	<i>Podatek rolny</i>	Local (Municipality)	Surface area of agricultural land	Owner	Price of 2.5 quintals of rye per hectare
	<i>Podatek od nieruchomości</i>	Local (Municipality)	Surface/usable floor area of land/buildings	Owner	Fixed amount per square meter dependant on the use and the municipality
Portugal	<i>Imposto Municipal sobre Imóveis</i>	Central	The cadastral value of immovable property	Owner	Between 0.3% and 0.8% dependant on type (rural, urban or mixed) and municipality. 7,5% in case of entities resident of a listed tax haven
Romania	<i>Impozit pe cladiri</i>	Local	Tax value of a building	Owner	0.1%
	<i>Impozit pe teren</i>	Local	Tax value of land	Owner	Rate dependant on municipality and size.
Slovenia	<i>Nadomestilo za uporabo stavbnih zemljišč</i>	Local	Surface area of the land	Owner	System of value points depending on various coefficients.
Slovakia	<i>Daň z nehnuteľnosti</i>	Local	Floor/surface area of property/land	Owner	0.25% for land, fixed amount per square meters for buildings.
Finland	<i>Kiinteistövero</i>	Central	Tax value of property	Owner	Depending on the use and municipality between 0 and 3%
Sweden	<i>Fastighetsavgift</i>	Central	Tax value of property	Owner	Fixed amount dependant on type of property.

United Kingdom	Council tax.	Local (Council)	Value of property in 1991	Owner	Fixed amount dependant on district and based on the value of the property and which band it falls in.
United States	Property tax	Local	Appraisal value × Evaluation tax rate	Owner	0.3%~4.0%
Japan	Fixed property tax	Local	Fixed property price registered in tax register	Owner	1.4%
	City Planning Tax	Local	Fixed property price registered in tax register	Owner	0.3%
Australia	Property tax	Central	Appraisal value	Owner	1.6%
China	City land use tax	Local	Using land area	Land use right holder	0.2~10 yuan (m ²)
	Real estate tax	Local	Year rent or real estate value	Land use right holder	12% of rent
Taiwan	House Tax	Local	Standard price	Owner	1.38%~2.5%
Sri Lanka	Property tax	Local	Yearly value	Owner	Residential : 25% Business : 35%
Cambodia	Real estate tax	Central	Market value	Owner	0.1%
	Abolished land tax	Central	Market value	Owner	2%
Philippines	Property tax	Local	Fair Market Value × Assessment level	Owner	Province : less 1% City and municipality : 2%
Indonesia	Real estate tax	Local	Applied value of real estate tax (NJOP)	Owner	0.01%~0.3%

Source : European Commission, 2014; J.C. Kim, 2017; S.H. Lee et al, 2017

First, the holding tax is operated in various forms for each country as seen table 8. However, some countries tend to accept only part of the government's valuation price as tax bases. Through the fair market price rate, 60 to 80 % of the 'officially announced price' (the property tax is 60 to 70% and the comprehensive real estate holding tax is 80%) are recognized as the tax base in Korea, while 59.0 % (the simple average of 51 cities) in the U.S., 16.7 to 100 % of the United Kingdom, and 50 to 80 % of France are applied respectively. In Vietnam, there is a rate of 0.5% to 3% to calculate the land price only for land rental.

Second, Korea, the U.K. and Japan applies the real estate tax rate set by the central government equally to all regions, while the U.S. and Germany have different rates of applicable taxes. Germany, in particular, followed the basic tax rate set by the federal government (0.35%), but applied different collection rates (2.8 ~ 8.1 times) to local governments to meet their needs.

Third, the tax rates on the possession of real estate are relatively low, ranging between 1% and 3% in general. (European Commission, 2014) However, for the review about the Korean housing market, it can be asserted that the housing-related tax rates in Korea are too low. (Pak, 2000) Korea's property tax rate is generally low, with 0.15 percent to 0.5 percent excluding villas, golf course and high-end recreation center. In Vietnam, current non-agricultural land use tax burden on real estate is starting from very low level and the tax rates for residential land, including land used for commercial purposes of between 0.03% and 0.15% are still much lower than international common tax rates on land and building (Truong, 2011).

Figure 18 Vietnamese Non-agricultural land use tax payment notice

CỤC THUẾ TP. HỒ CHÍ MINH
CHI CỤC THUẾ QUẬN GÒ VẤP
SỐ: 02/TBPNN-CCT

CỘNG HÒA XÃ HỘI CHỦ NGHĨA VIỆT NAM
Độc lập - Tự do - Hạnh phúc

Mẫu số: 01/TB-SDDPNN
 (Được ban hành kèm theo Thông tư số 133/TT-BTC, ngày 11/11/2011 của Bộ Tài Chính)

Gò Vấp, ngày 19 tháng 09 năm 2012.
THÔNG BÁO NỘP THUẾ
 Lần 01 Năm 2012

Căn cứ vào thông tin kê khai của người nộp thuế và thông tin xác định của các cơ quan chức năng, cơ quan Thuế thông báo nộp thuế sử dụng đất phi nông nghiệp như sau:

1. **Người nộp thuế:**
 - Họ và tên: [redacted]
 - Mã số thuế: [redacted]
 - Địa chỉ nhận thông báo: CHUNG CƯ AN LỘC_NGUYỄN OANH P17

2. **Tên Đại lý thuế (nếu có):** [redacted]

3. **Địa chỉ thửa đất:** CHUNG CƯ AN LỘC_NGUYỄN OANH P17

4. **Vị trí thửa đất chịu thuế:**
 4.1. Loại đất: Đất ở đô thị **Land type**
 4.2. Tên đường/vùng: ĐƯỜNG SỐ 5, PHƯỜNG 17 - từ: LÊ ĐỨC THỌ - đến: ĐƯỜNG SỐ 7
 4.3. Đoạn đường/khu vực: [redacted]
 4.4. Loại đường: [redacted]
 4.5. Vị trí/hạng: Mặt tiền **land price per 1 square meter**
 4.6. Hệ số (đường/hẻm): 1
 4.7. Giá 1 m² đất: 2 500 000
 5.1. Trong đó diện tích đất ở trên GCN: [redacted]

5. Diện tích chịu thuế (m²): [redacted]

6. Hạn mức: 160

7. Tổng số thuế trước khi miễn, giảm: 12 900

7.1. Trong đó: Số thuế tính cho phần diện tích đất ở trên GCN: [redacted]

8. Thông tin chi tiết các khoản thuế:

STT	Nội dung	Tiêu mục	Thuế phát sinh trong kỳ	Thuế miễn giảm	Số thuế thừa thiếu của kỳ trước	Thuế phải nộp
1	Thuế đất ở tại đô thị	1602	12 900			12 900
	Cộng		12 900			12 900

9. Thời hạn nộp tiền: Chậm nhất là ngày 31/10/2012. **Tax amount**

10. Địa điểm nộp thuế: UBND Phường 17 Q.GV TP.HCM.

Nếu có vướng mắc, đề nghị người nộp thuế liên hệ với Chi cục thuế Quận Gò Vấp theo số điện thoại: 39894426, địa chỉ: 308 Nguyễn Văn Nghi P.07 Q.GV TP.HCM.

Chi cục thuế Quận Gò Vấp thông báo để người nộp thuế được biết và thực hiện./.

KT. CHI CỤC TRƯỞNG
PHÓ CHI CỤC TRƯỞNG
 Cao Văn Ty

701252354

*Source : <http://dien-dan-chung-cu-an-loc-go-vap.2301163.n4.nabble.com/THONG-BAO-N-P-THU-quot-PHI-NONG-NGHI-P-2012-quot-td4640991.html>

Fourth, as taxes on property ownership, in general, the competent authority is the local government. If not, the local government is at least entitled to most of the revenue (European Commission, 2014). Because the holding tax is low in the possibility of tax avoidance on and the taxation system is clear so that stable tax revenues can be secured without many administrative costs, which makes it suitable for local taxes. Real estate holding taxes are taxed in the form of local taxes in all countries except Vietnam and the United Kingdom (national taxes), and France collects property taxes collectively from the central government and gives them to local governments in full. In Korea, property taxes are local taxes and comprehensive real estate holding taxes are national taxes, while Vietnam has no local taxes but only national taxes. The real estate holding tax system in most major countries except Japan is not a policy measure aimed at preventing speculation in real estate and efficiently allocating real estate and easing income inequality, but rather, it is mainly aimed at securing funds to enhance the autonomy of local governments and there are many cases in which assessment of taxation is based on rental values for the reason that whoever benefits from the services of the local government has to pay taxes.

Fifth, the assessment of the tax bases of property taxes, is operated differently for countries. Each country has different valuation subjects, evaluation methods, evaluation cycles, and actualization rates for fair market value. According to a study by McCluskey and Bell (2008), 52 of the 121 countries surveyed determine the tax base based on capital improved value, 42 on the area of real estate, 37 on annual rental value, and 16 on land value. (See table 9) Korea's property tax base is based on land value²³ and Vietnamese property tax is calculated on area based, not on market value.

Table 9 Property tax base

Region	Number of Country	Land value	Capital Improved Value	Land and improvement (Separately)	Improvements only	Annual Rental Value	Area	Flat rate
Africa	25	1	8	3	4	7	11	6
Caribbean	13	4	4	2	0	8	5	0
Asia	24	2	6	2	0	11	11	0
Oceania	7	6	2	0	0	4	0	0
Western Europe	13	0	9	0	0	6	0	0

²³ Land value is defined as fair market value in the usual sense and will ordinarily be closely coordinated with cash sales prices (McCluskey & Bell, 2008).

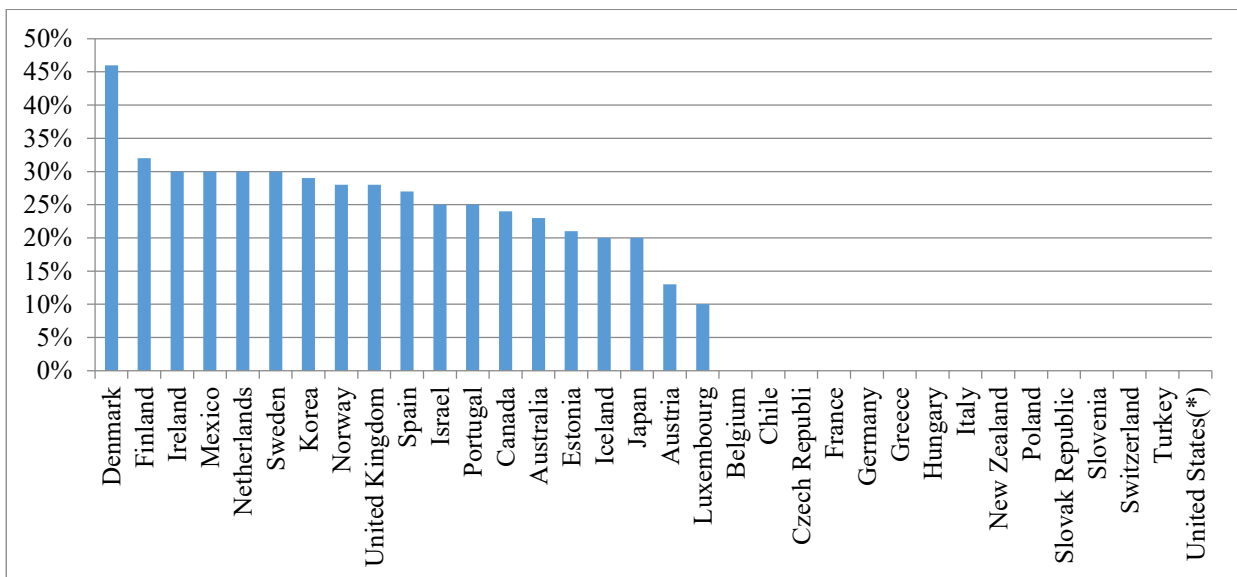
Eastern Europe	20	1	6	0	0	0	15	0
Central and South America	16	2	14	1	0	1	0	0
North America	3	0	3	0	0	0	0	0
TOTALS	121	16	52	8	4	37	42	6

Source : McCluskey & Bell, 2008

Taxes on high property holdings include Korea's comprehensive real estate holding tax and France's wealth tax. Wealth tax in France will be levied if the total amount of real estate assets minus debts exceeds 1.3 million euros, and Korea has a different taxation system for items such as housing without considering debts. Both systems prevent a sharp increase in the amount of tax revenue, while Korea's comprehensive real estate holding tax does not allow the sum of comprehensive real estate holding tax and property taxes to exceed 150% of the previous year's total, while France's wealth tax does not allow the sum of income taxes and wealth taxes to exceed 75 % of the previous year's income. The general net-wealth taxes in France form a modest part of the total tax revenue with 0.6% in 2012 and Korea's comprehensive real estate tax revenue is 0.3 percent of the total tax revenue in 2012. (European Commission, 2014; Korean Statistical Yearbook of National tax, 2012)

3.4 Comparison of taxation on property transfer between Korea and Vietnam

Figure 19 Combined statutory tax rates on capital gains on real property (2012)



Source : Harding, 2013

(*)The tax rate on gains on real property in the United States varies under a number of assumptions and the United States are therefore not shown in this figure.

First, the statutory tax rates on capital gains range from 0% in many OECD countries to 45.5% in Denmark, with a simple average combined rate of 14.4% as shown in Figure 19. Korea has different tax rates for each tax bracket, but on average, 29 % is higher than the OECD average. In Korea, the tax system needs to be reformed to simplify the tax system at a single proportional rate because it is often revised due to the policy tax and too complicated. All OECD countries that tax capital gains do so on realization, but Vietnam has a singularity in calculating capital gains taxes at 2% of the transfer price even if a transfer loss occurs. And Vietnam's corporate capital gains tax rate is 20%, which is higher than the OECD average.

Second, in Korea and Vietnam, taxation is carried out to a limited extent by listing taxable assets under the law and the taxation is very small due to a wide range of non-taxation on one house for one household and farmland, but in foreign countries, taxation is comprehensively defined and widely levied capital gains of assets, including stocks, paintings, antiques and jewelries.

Third, two methods of taxation are used: global taxation and separate taxation. On which of these two options, the government will choose based on each country's policy objectives, considering the advantages and disadvantages of each other, and most major countries will choose a global taxation for short-term capital gains and a separate taxation method for long-term capital gains to operate in a mixed form. Korea, Vietnam and Japan adopt a separate taxation²⁴, the U.S. adopt a global taxation, and the U.K. adopt a simple way of levying independent taxation without distinction between short and long term.

Fourth, capital gains from long-term held assets are taxed less than ordinary income, taking into account processing profits from inflation, etc. The tax rate structure of each country's long-term real estate capital gains is mostly a single-proportional tax rate structure and is taxed at a low rate of

²⁴ It is believed that the reason why Korea and Japan separately taxed real estate rather than summing up ordinary income was to impose heavier taxes on real estate capital gains in order to curb the rise in real estate prices during the period of high growth. (E.S. Lee, 2015)

10%, and the tax system is operated in the form of separate taxation. For example, Korea has three separate holding periods, with a lower tax rate for longer holding periods. To be specific, 50% for assets the holding period of which is less than one year, 40% for those which is at least one year, but less than two years, and 6 step progressive tax rates (6% to 40%) for those which is at least two years shall be applied. In addition, if the holding period is longer than three years, the capital gains tax is less than the global income tax on the same income because a certain portion of the capital gains is excluded from the tax base by applying a special deduction for long-term holding²⁵.

Vietnam adopts a single tax rate(2%) and has no special deduction for long-term holding.

Fifth, most countries are exempt from capital gains tax for owner-occupied housing. As such, the rationale for exempting capital gains taxes on residential housing is to prevent capital gains taxes from limiting the mobility of housing and labor, which are the basic rights of the people. (Boadway, 1979) In Vietnam, tax-free incomes include the incomes from transferring houses, rights to use land and property on land or right to use in the case of transferring only one house or one land plot in Vietnam.

The inheritance and gift tax are generally taxed by the central government. Among the Organization for Economic Cooperation and Development (OECD) members, 22 countries impose inheritance taxes. Australia and Canada are taxed on capital gains rather than inheritance taxes, and 10 countries do not impose inheritance taxes, including Austria, Sweden, Portugal, Mexico and New Zealand. The countries such as Canada, Australia, New Zealand, the U.K. and the U.S. are taking steps to abolish or drastically reduce inheritance and gift taxes, and the abolition and reduction of inheritance and gift taxes is becoming an international trend. Inheritance and gift taxes are widely used, but they are a relatively small part of tax revenue. The average proportion of the EU-28 would be 0.25% of total tax revenue and 0.10% of GDP. From a revenue perspective, the taxes on real estate and land are much more important with respect to the revenue. (European Commission, 2014)

²⁵ The special deduction for long-term holding is a tax system designed to prevent short-term real estate speculation and induce the investment behavior or ownership behavior of sound real estate.

Table 10 Full List of Estate and Inheritance Tax Rates Worldwide

Jurisdiction	Top Rate to Lineal Heir	Tax Type
Japan	55%	Inheritance Tax
South Korea	50%	Inheritance Tax
France	45%	Inheritance Tax
United Kingdom	40%	Inheritance Tax
United States	40%	Estate Tax
Ecuador	35%	Inheritance Tax
Spain	34%	Estate Tax
Ireland	33%	Capital Acquisitions Tax
Belgium	30%	Inheritance Tax
Germany	30%	Inheritance Tax
Chile	25%	Estate Tax
Venezuela	25%	Inheritance Tax
Bermuda	20%	Estate Tax via Stamp Duty
Greece	20%	Inheritance Tax
Netherlands	20%	Inheritance Tax
Philippines	20%	Estate Tax
South Africa	20%	Estate Duty
Finland	19%	Inheritance Tax
Angola	15%	Inheritance Tax
Denmark	15%	Inheritance Tax
Lebanon	12%	Inheritance Tax
Malawi	11%	Estate Duty
Vietnam	10%	Inheritance Tax
Cameroon	10%	Estate Tax
Equatorial Guinea	10%	Inheritance Tax
Iceland	10%	Inheritance Tax
Puerto Rico	10%	Estate Tax
Taiwan	10%	Estate Tax
Turkey	10%	Inheritance Tax
Brazil	8%	Estate Tax
Poland	7%	Inheritance Tax
Switzerland	7%	Inheritance Tax
Aruba	6%	Inheritance Tax
Curacao	6%	Inheritance Tax
Guatemala	6%	Inheritance Tax
Sint Maarten	6%	Inheritance Tax
Botswana	5%	Capital Transfer Tax
Croatia	5%	Estate Tax
Zimbabwe	5%	Estate Tax
Italy	4%	Inheritance Tax
Guinea	3%	Inheritance Tax
Senegal	3%	Inheritance Tax
Mozambique	2%	Inheritance Tax
Jamaica	2%	Transfer Tax (rates specific to death)
Bulgaria	1%	Inheritance Tax
Lithuania	0%	Inheritance Tax
Luxembourg	0%	Inheritance Tax
Macedonia	0%	Inheritance Tax
Morocco	0%	Estate Tax

Serbia	0%	Inheritance Tax
Slovenia	0%	Inheritance Tax
Tunisia	0%	Inheritance Tax
Hungary	0%	Inheritance Tax
Australia	0%	–
Austria	0%	–
Canada	0%	–
China	0%	–
Estonia	0%	–
Hong Kong	0%	–
Israel	0%	–
Macau	0%	–
Mexico	0%	–
New Zealand	0%	–
Norway	0%	–
Portugal	0%	–
Serbia	0%	–
Russia	0%	–
Slovak Republic	0%	–
Slovenia	0%	–
Sweden	0%	–

Source: Cole, 2015

In table 10, the highest inheritance property tax for lineal heirs is 55% in Japan. Korea (50%) and France (45%) are also higher than the United States (40%). At the low end, fifteen of the thirty-four OECD countries' people do not pay any taxes on property handed over to their lineal heirs. The average estate tax rate across the OECD is 15 percent with a median tax rate of 7 percent (Cole, 2015). Vietnam's inheritance tax rate was 10%, lower than the OECD average tax rate of 15%.

In case of a reduction in gift tax among family members, the level of exemption varies from country to country. For example, Korea has an exemption limit, but Vietnam has no limit. Spouses and children are generally exempt from inheritance tax. Eleven out of eighteen EU member states will completely exempt their surviving spouses and seven out of eighteen will completely exempt their children. All countries state that the general exemption for spouses and children is based on the principle of constant care. Legislators seem to offer a clear wish for a society that cares financially for close relatives before and after death. In general it seems that children and spouses should be cared for to the same degree (European Commission, 2014).

The methods of evaluation of inheritance and gift properties vary from country to country. The assessment of inheritance and gift property is an important part of the sharp conflict between the interests of taxpayers and the tax authorities. Because the property of inheritance and gift is acquired for free at the time of inheritance and gift, and there is no exchange price, the property is assessed on the abstract basis of market value. (Oh, 2008) The general principle of inheritance and gifts in all EU Member States is fair market value, and basically most taxes use the fair market value that the transaction value represents. In most countries, the valuation of inheritance property is based on a market valuation at the time of inheritance, and in case of difficulty, a method similar to Korea's supplementary assessment method numerically evaluates the area, location and purpose of the asset. According to Nguyen, Duan, & Liu(2018), the potential value of land assets can only be fully explored in a market manner (such as through auctions, bidding on land allocations, and the use of property taxes) that would sustainably contribute to local budgets and effectively formalize land markets.

In case of Korea, the value of real estate where inheritance or gift taxes are levied should be based on its current market price and it should be regarded as a generally established value when many unspecified people engage in transactions freely, and includes what is recognized as the current market price, such as the price of expropriation, price of public auction, appraised value, etc. If the current market price cannot be determined in practice, the value assessed by the method, based on the type, size and transaction situation of the property concerned shall be regarded as the current market price. (Supplementary assessment method) However, in case of Vietnam, the value of land, houses, infrastructure works and architectures attached to land are determined by provincial-level Peoples Committees and other prices do not seem to be acceptable.

3.5 Comparison of Taxation on Real estate Lease between Korea and Vietnam

Table 11 Lease Income Taxation System in Major Countries

Division	Korea	Vietnam	U.S.	U.K.	Japan	France
Taxpayer	Lease business operator	Lease income receiver	Lease income receiver	Lease income receiver	Lease income receiver	Lease income receiver
Income Type	Business income	Business income	Investment income	Investment income	Real estate income	Real estate lease income
Taxation	Global	Separate	Global	Global	Global taxation	Global

type	taxation	taxation	taxation	taxation		taxation
Applicable tax rate	6-42%	5-35%	10-39.6%	20-45%	5-40%	0-45%
Report & payment	Same as the global income tax return date	Quarterly or every time the income is incurred	Self-reporting until the 15th day of the 4th month after the end of the taxation period	Until 31st January of next year	15th February~15th March in the following year of the end of the taxation period	Until the May in the following year of the end of the taxation period

Source : Noh, Kim, & Hong, 2014

While most countries impose tax obligations on those who receive lease income, there are differences in the types of income, such as business income or investment income. As seen in table 11, Korea classifies real estate lease income as business income, based on the premise that it will continue to engage in activities for profit and Vietnam also categorizes real estate lease income as business income. Major countries are basically based on a system of taxing real estate lease income by adding it to global income. The United States, the United Kingdom and Japan apply general tax rates by adding lease income to global income, and do not separately tax or apply special tax rates. In the case of the United States, if the investment income from rental income is \$ 200,000 or more than \$ 250,000, the additional taxation system is considered to be a good system considering the stability of ordinary people and the fairness of taxation. However, in Vietnam, real estate lease income is taxed separately. In terms of the applicable tax rate, Korea and Vietnam are lower than other major countries, specifically, the statutory tax rate applies to the general income tax rate in Korea, and the whole income tariff(5%) applies to taxed lease income in Vietnam.

In both Korea and major countries, taxable lease income is not significantly different in that it covers all types of benefits from lease and both allow cost deductions for expenses directly related to rental income-generating activities. In addition, there is no big difference in the reporting process and generally, VAT is not applied to housing leases. (Noh et al, 2014)

4. Problems and improvement plan of real estate tax in Korea and Vietnam

4.1 Problems of real estate tax in Korea

4.1.1 The complexity of taxation

Korea's real estate tax system is very complicated compared to other countries, with different tax rates applied to each taxable object within a single tax item. This is because the taxation system was applied differently by taxable object and policy purpose according to the needs of the government, and the revision of the tax law was repeated in accordance with the real estate market situation at that time. Before the industrialization, the property tax system was gradually revised because the real estate price was stable. However, as the industrialization and urbanization progressed, the property tax was used as a measure to control the demand for real estate since the 1970s, and after that, tax system restructuring was done whenever real estate prices skyrocketed. In other words, because of the shorter tax reform cycle, the tax system has become more complicated. Moreover, frequent tax reforms reduce the predictability of asset formation and disposal. For example, Korea's acquisition tax is complex compared to other countries. In some countries, including Germany (3.5%), France (5.09 %), the U.S. (0 %) and Vietnam (5 %), tax structures are simple, including the application a single tax rate or non-taxation for all real estate acquisitions, while Korea has the most complicated tax system with different tax rates for each cause and for residential or business real estates. In case of property tax, the applicable tax rate varies from taxable objects, and capital gains tax is also difficult to apply and calculate as the law is revised frequently, and it is difficult for experts to calculate because it has many deductions. This complexity makes it difficult for the public to understand the tax system easily and to calculate the tax amount they have to pay, resulting in additional tax administration costs, such as seeking advice from accountants and tax accountants and other experts.

4.1.2 'High transaction tax, low holding tax' structure

The proportion of transaction taxes of Korea's total tax revenue is 7.9%, which is higher than the OECD average of 1.3% and that of holding taxes of Korea is 3.2%, slightly lower than the OECD average of 3.4%. Korea's high portion of transaction taxes is not desirable because it has no clear policy intention other than the administrative convenience that it is easy to levy, and it has adverse side effects such as hindering the flow of real estate, writing false contract (down contract), and giving an incentive to avoid registration. Perhaps it is interpreted that the formation of a 'high transaction tax' structure in the national development stage in 1970 is maintained until the end of urbanization. However, real estate transaction taxes, such as acquisition taxes, are considered undesirable as they will have a 'lock-in effect' and thus curb the property market (M.S. Kim, 2018) and may also lock labor markets if it difficult to get rid of someone own house and to move to an area with better job supply. The low tax burden on real estate holdings not only undermines the efficient use of real estate assets and serves as a hindrance to balanced development of the national territory, but also strengthens the concentration of real estate assets, leading to inequality between assets and income. This concentration and inequality of wealth creates social problems and makes social integration difficult for continuous development.

4.1.3 Low tax base realization rate²⁶

The real estate tax is based on the assumption of an assessment of real estate, and the tax base is directly related to the problem of the burden and equity of taxpayers. To solve the problem of the unfairness of real estate tax, securing fairness in the standard market prices of real estate, which is the tax base of real estate tax, is a prerequisite. However, it is difficult to say that the tax base was set at less than half of the actual transaction price, and that relatively high-priced real estate are undervalued compared to low-priced real estate, making it difficult to gain taxpayer confidence, which is causing the equity problems. The actual transaction price reflection rate as of 2013 was 71.5 % for multi-family housing, 59.2 % for detached housing, and 61.2 % for land (S.S. Park, 2015), which differs between 30 % and 40 % from the actual market price, so it is difficult to say that it is a reasonable price or a market price. Furthermore, since the tax base is calculated by applying the fair market price rates to the standard market price of real estate, the rate of reflecting the market value of the tax base is lower and the tax base is determined at 30 ~ 40% of the actual market price. And while the assessment of real estate related to the standard market price, which is

²⁶ Tax base realisation rate = standard market price /actual transaction price * 100

the tax base of real estate holding taxes, is made by spending a huge amount of budget each year²⁷, the tax base of real estate holding taxes is quite different from market prices.

4.1.4 Dualization of real estate holding tax

Various problems arise from the dual operation of real estate holding tax with property tax as local tax and comprehensive real estate holding tax as national tax. First of all, it is constantly pointed out that property tax and comprehensive real estate holding tax are double taxation. Despite the fact that the Constitutional Court of Korea ruled that it is constitutional²⁸, there are many indications that the property tax and comprehensive real estate holding tax are typical double taxation on the same taxable object. And the maintenance of data on real estate taxation and the imposition and collection of real estate taxation data have been separated into the state and local governments, thus reducing administrative efficiency. In other words, there is an inefficiency that requires the state and local governments to manage and maintain their own real estate taxation data, and to perform similar work procedures in a double. In addition, taxpayers are inconveniencing taxpayers by paying property tax and comprehensive real estate holding tax at different times depending on the type of real estate they hold. Moreover, if the taxpayer wants to proceed the appeal procedures for the imposition of property taxes or comprehensive real estate holding taxes, it will be cumbersome to file an objection with the National Tax Service and local governments against the same taxable real estate.²⁹

²⁷ As of 2014, South Korea's real estate price assessment budget amounted to \$120 million. (M.S. Kim, 2018)

²⁸ Decision of Constitutional Court of Korea

Case Name : Comprehensive Real Estate Tax Case/ Decision date : Nov 13, 2008 / Case No. : 2006Hun-Ba112

Although a real estate may be subjected to both the property and comprehensive real estate taxation, the portion taxed as properties by the local government and that taxed as comprehensive real estates by the state are split and, therefore, comprehensive real estate taxes are not paid for the same object whose property taxes have already been paid for. Also, the purpose or object of taxation varies between the comprehensive real estate tax and the transfer income tax. For this reason, the problem of double taxation does not take place.

²⁹ FRAMEWORK ACT ON NATIONAL TAXES Article 55 (Protest)

(1) Any person whose rights or interests have been infringed on, by receiving an unlawful or unreasonable disposition or due to failure to receive a required disposition, may request the cancellation or modification of such disposition or request other necessary dispositions.

FRAMEWORK ACT ON LOCAL TAXES Article 89 (Subject Matter of Request)

(1) Any person whose rights or interests are infringed upon because he/she has been issued an unlawful or unfair disposition or he/she has not been issued a necessary disposition may raise an objection, or request an examination or an adjudication.

4.2 Improvement plan of real estate tax in Korea

4.2.1 The simplification of taxation

In the mid- to long-term, the government needs to push for simplification of the real estate tax system to reduce the cost of tax administration and the loophole in the tax law. In particular, the government should reduce the frequency of revision of the law in accordance with the real estate market situation and implement consistent real estate tax policies with a firm stance so that the taxes can be predictable. By simplifying the taxation system as much as possible, the general public can easily understand and calculate the amount of the tax, so that the taxpayer can understand the tax rules well, operate the real estate rationally and avoid paying unnecessary taxes.

4.2.2 Comprehensive and structural tax reform-‘Low transaction tax, High holding tax structure’

As the focus was on curbing real estate speculation, the overall structure of real estate holdings and transaction taxes was insufficient. The policy at the time of the increase in real estate prices was reorganized to strengthen the transaction tax, holding tax and transfer tax, and when the real estate market was depressed, it was reorganized to prop up the economy by easing transaction tax and transfer tax. Although there have been studies and recommendations on the restructuring of the nation's real estate tax system in academia and the OECD³⁰, it has been insufficient to seek comprehensive reform measures and push for implementation at the government level. The real estate tax system affects the entire nation, and the government's tax code revision can be clearly divided into pros and cons depending on individual's disadvantages and disadvantages. In light of this, the government should also collect various opinions and conduct a mid- and long-term real estate tax reform to strengthen the holding tax and reduce transaction taxes. In addition, it is necessary to review the appropriateness of the overall real estate transaction cost in Korea, as it covers not only the acquisition tax at a high rate but also real estate brokerage fees.

4.2.3 Raising the tax base and lowering the tax rate

³⁰ Recommendations : Higher taxes on property would reduce inequality. (OECD, 2017)

Even if the holding tax is strengthened, the tax base(standard market price) should be raised and the tax rate should be lowered. Tax burden equity can be implemented through the realization of the tax base. That is, a taxpayer with a high market price of real estate can pay a lot of taxes, and a taxpayer with a low market price of real estate can make it pay less. In addition, in Korea, the standard market price of real estate is not only used as the basis for levying real estate taxes, but also used as basic information in 60 administrative areas, including the determination of beneficiaries of basic pension and calculation of social insurance premiums. Therefore, related tasks can be handled accurately only when the standard market price is accurately calculated. For example, if a person who is not eligible for welfare policy support receives support because the standard market price of his/her property is calculated less, which increases the government's welfare spending and wastes the budget. In other words, the lower standard market price can lead to reduced tax revenues and increased welfare expenditure.

First, in order to raise the tax base, it is necessary to increase the reflectance ratio of the actual transaction price of the officially announced price of representative land and the reference housing price, which are the basis of the individual land prices and the price of the individual housing prices. Instead of the current annual assessment method, the assessment should be made every two to three years, but in the year when the assessment is not made, the tax base should be determined by applying an index that takes into account inflation or real estate prices in the existing valuation.³¹ In addition, there is a way to gradually increase the fair market value rate to reach 100% over the long term as a measure to raise the tax base. No matter how much it increases the market price reflectivity of the standard market price, a fair calculation of the standard market price is meaningless if the fair market price rate is too low. In addition, the tax rate needs to be lowered to prevent excessive tax burden while strengthening the holding tax through upgrading the tax base.

4.2.4 Unification of real estate holding tax

The dualised real estate holding tax should be integrated and unified in order to prepare a long-term real estate holding tax system. As a way of unifying the real estate holding tax, it is reasonable to operate the current comprehensive real estate holding tax and the property tax by combining it with

³¹ There is opposing opinion about this. Land should be reassessed annually to avoid huge value increases between assessments and to increase municipal tax revenues by taxing land value increases (Raslanas, Zavadskas, & Kaklauskas, 2010).

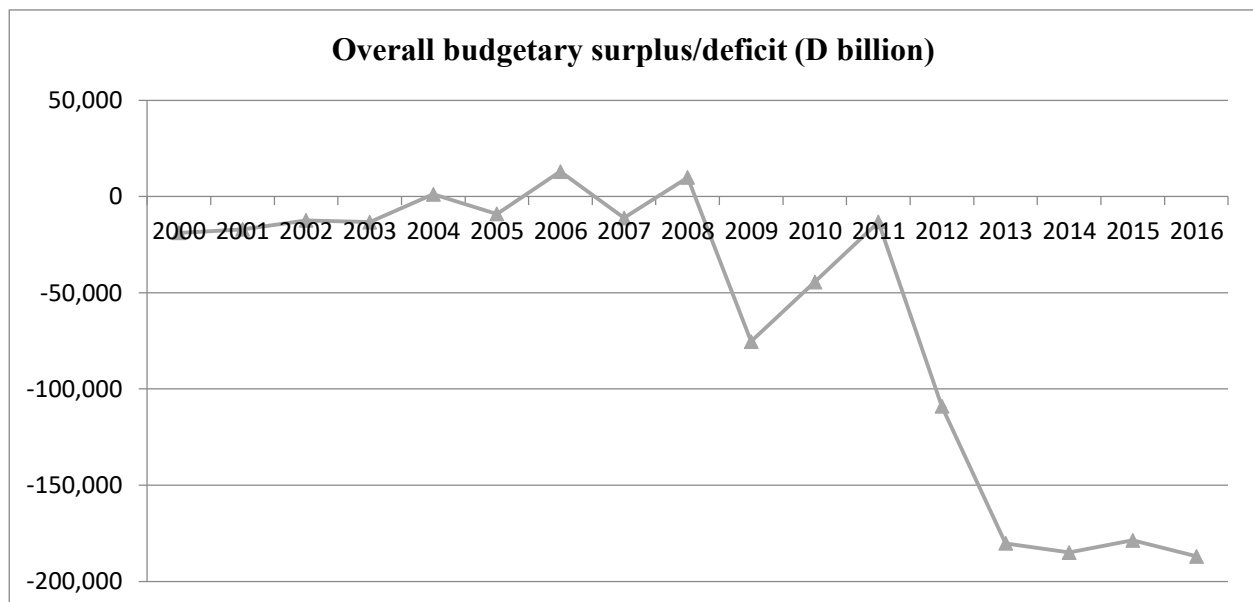
the integrated property tax as local tax. It is suggested that the integrated property tax operating method should be operated by integrating the national taxation data, and the tax base and tax rate should be set to a minimum of 6 levels and a maximum of 9 levels. The integrated property tax data are readjusted by local governments nationwide and sent to the central government, and the central government aggregates the data to calculate the tax amount, which is imposed and collected by local governments in real estate locations.³²

4.3 Problems of real estate tax in Vietnam

4.3.1 The lack of sustainable real estate taxes

Vietnam is the fastest growing country in the world, but every year there is a growing fiscal deficit and external debt. The Vietnam’s total deficit was VND186 trillion (USD 8.06 billion)(figure 20) and its external debt was USD 86,952 million in 2016.(figure 21) To make up for Vietnam's current lack of finances, there must be a real estate tax that can be collected reliably each year.

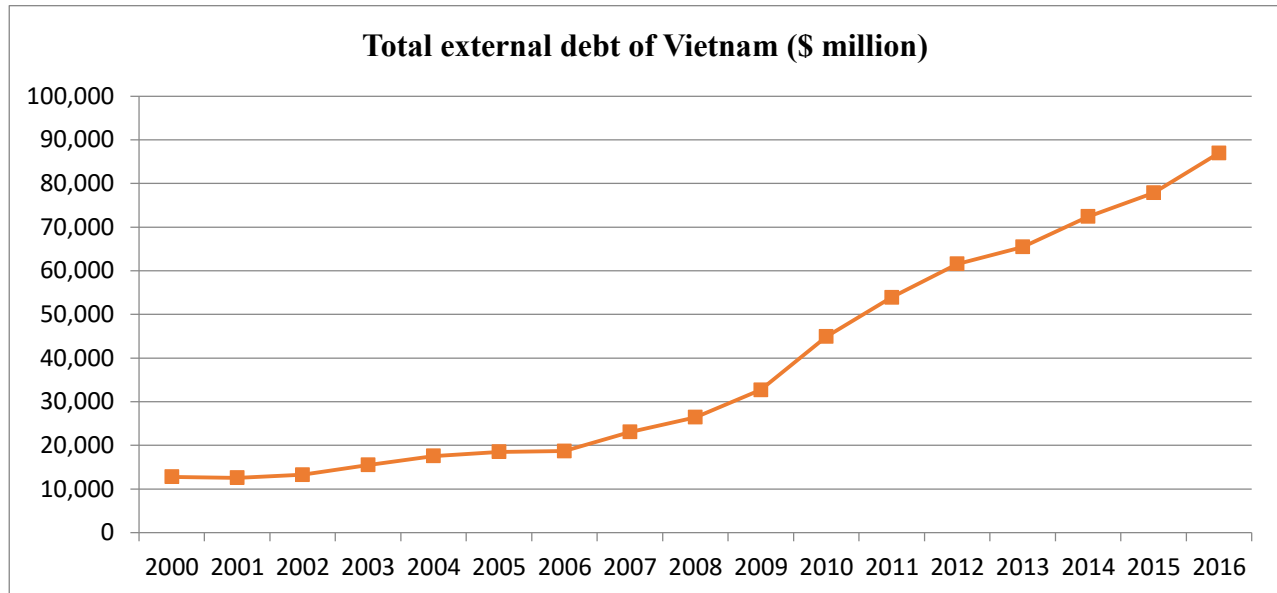
Figure 20 Overall budgetary surplus/deficit of Vietnam (D billion)



³² Local governments don't have a power to decide about the tax rates. According to the Article 59 of CONSTITUTION OF THE REPUBLIC OF KOREA, types and rates of taxes shall be determined by Act. Provided, according to the Article 5 of FRAMEWORK ACT ON LOCAL TAXES, when local governments designates items of taxation, taxable subject matter, tax bases, tax rates and other matters necessary for imposing and collecting local taxes, they shall promulgate municipal ordinances within the extent prescribed in this Act or local tax-related Acts.

Source : Asian Development Bank, 2019

Figure 21 Total external debt of Vietnam (\$ million)



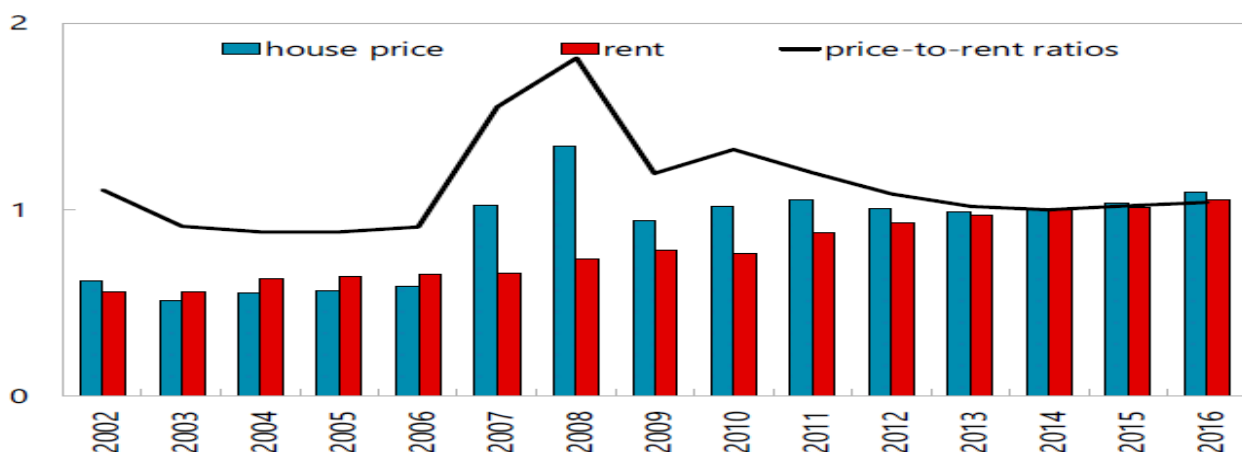
Source : Asian Development Bank, 2019

In Vietnam, land use charges, land rental, and the selling of State-owned houses are significant sources of income derived from land. However, unlike repeated annual taxes, they cannot be regarded as a sustainable taxes because the revenue is received from one-time transactions. According to McCluskey & Loan(2013), single event based property taxes whilst being important revenue sources have a major problem in tht the revenue lacks buoyancy and will decline in real terms over time. For example, when a state allocates land for use by an individual or organization, a land use charge (LUC) is imposed. As a matter of fact, in the future, the revenue source will decline as more land is allocated to the private sector. Sustainability is required in the national budget, but but this cannot be guaranteed because these single event income sources have finite lives. Loan & McCluskey(2010) stated that from a budget-forecasting perspective, it is important to balance budget revenues by developing sustainable income from sources such as the annual taxes based on agricultural and non-agricultural land uses. However, currently, the Vietnamese tax is levied on agricultural land and non- agricultural land, all of which are imposed only on the land. Agricultural land use tax is widely exempted and non-farm land use tax is too low to contribute to securing tax revenue.

4.3.2 No property tax on houses and buildings

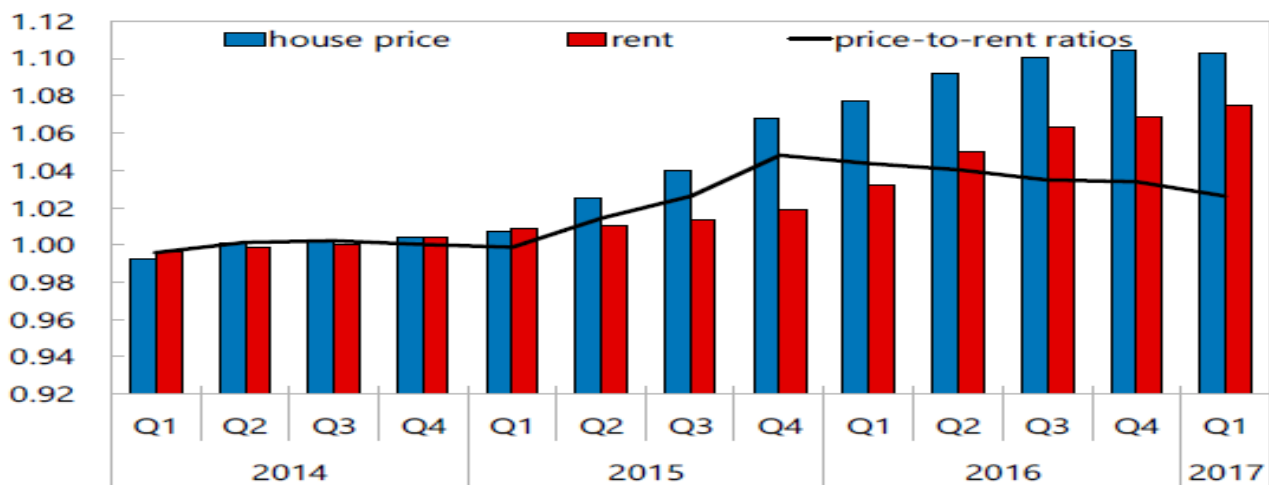
Vietnam has no property tax (holding tax) on houses and buildings, which is feared to result in a tax revenue shortage and real estate speculation. Unlike land, houses and buildings can be privately owned in Vietnam, so even if there is enough reason to charge a holding tax, real estate tax on high-priced houses and large office buildings is being neglected. It is a contradiction that the rent for large office buildings in Ho Chi Minh City is very high compared to the price level of Vietnam and the rents of other countries (Cushman & Wakefield, 2018), but there is no tax burden on the buildings. Also, there is no taxation on owners of high-priced homes, and as there is no tax burden for holding them, the real estate speculation will result in the widening gap between rich and poor, increasing the price of real estate and urban housing difficulties. Tax on improvements on land has not been efficient. Tax on improvements on land must capitalize on property prices and lower the price from the point of view of the buyer of existing property (R. Musgrave; P. Musgrave, 1980). Currently, there are no holding taxes for buildings in Vietnam, so no matter how many high-priced houses or large-scale commercial buildings, only a small amount of non-agricultural land use tax is paid, and the holding tax on building is not paid. Thus, real estate speculation takes place, and real estate speculation drives up real estate prices, depriving low-income households of opportunities to prepare their homes. According to the trend of real estate price fluctuations in Vietnam, it has risen steadily since 2002, soared in 2007 and 2008 and has been rising again since the property bubble burst as seen in figure 22. Figure 23 shows that housing prices have been on the rise since the second quarter of 2015.

Figure 22 Real estate prices of Vietnam(2002~2016) (2014 = 1.0)



Sources: IMF, 2018

Figure 23 Real estate prices of Vietnam (2014~2017) (2014 = 1.0)



Sources: IMF, 2018

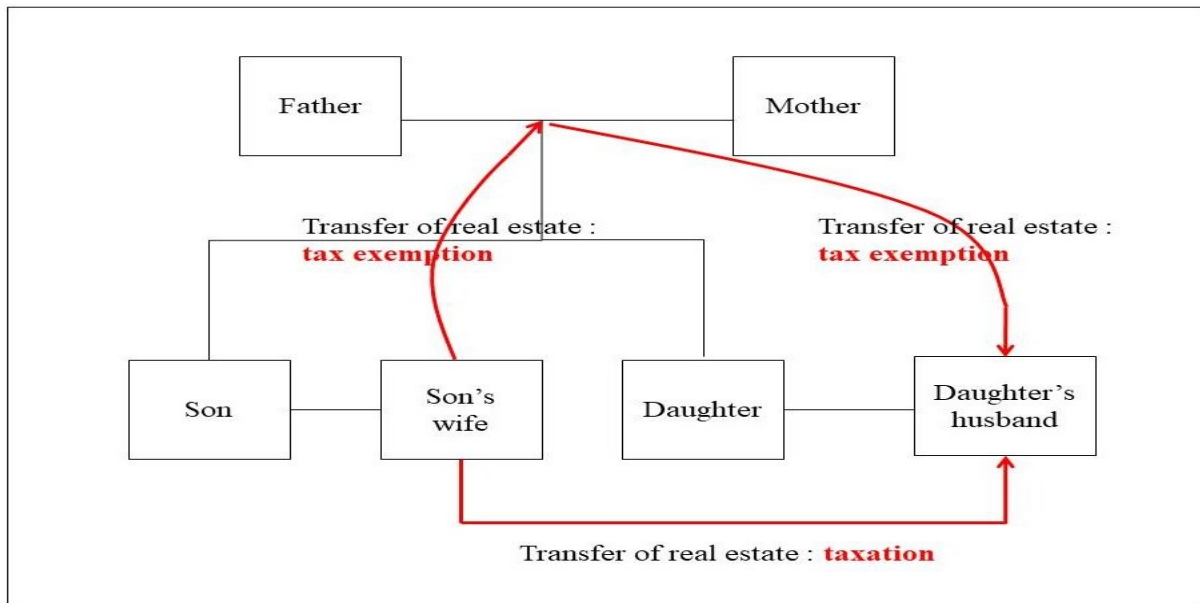
At present, real estate prices in Vietnam, especially in big cities, are several times higher than the Vietnamese economy and the average income of Vietnamese people. In early 2013, housing prices in Viet Nam were 20 times higher than average Vietnamese income, five times higher than in Southeast Asia, and 100 times higher than 20 years ago, but income is still low and unstable. In advanced countries, housing prices are only about five to seven times the annual income, and income is reliably higher. (M.H. Nguyen, 2016) The rise in real estate prices due to economic growth is natural, but the current sharp rise in real estate prices appears to be the result of real estate speculation, and the introduction of holding taxes on buildings can be a "prescription" to the overheated property market.

4.3.3 The problem of income tax on the transfer of real estate

There are cases that the transferred property is declared false as a single property to be exempted from personal income tax. Vietnam has not yet properly equipped its personal information management system, and most tax returners have reported that it is a single asset. (Ha, 2011) If the government fails to check the status of a single house on a computer in the future, it will have a huge impact on tax revenue reduction. In addition, income taxes are sometimes evaded in real estate transactions between relatives by marriage. For example, a son-in-law or daughter-in-law should

pay income tax if they transfer real estate to each other. However, if the son-in-law or daughter-in-law does not transfer directly to another son-in-law or daughter-in-law, but instead transfers it to the spouse's father or mother, then to another son-in-law or daughter-in-law, the income tax it be exempted.(figure 24)

Figure 24 Tax exclusion case for real estate transactions between relatives by marriage



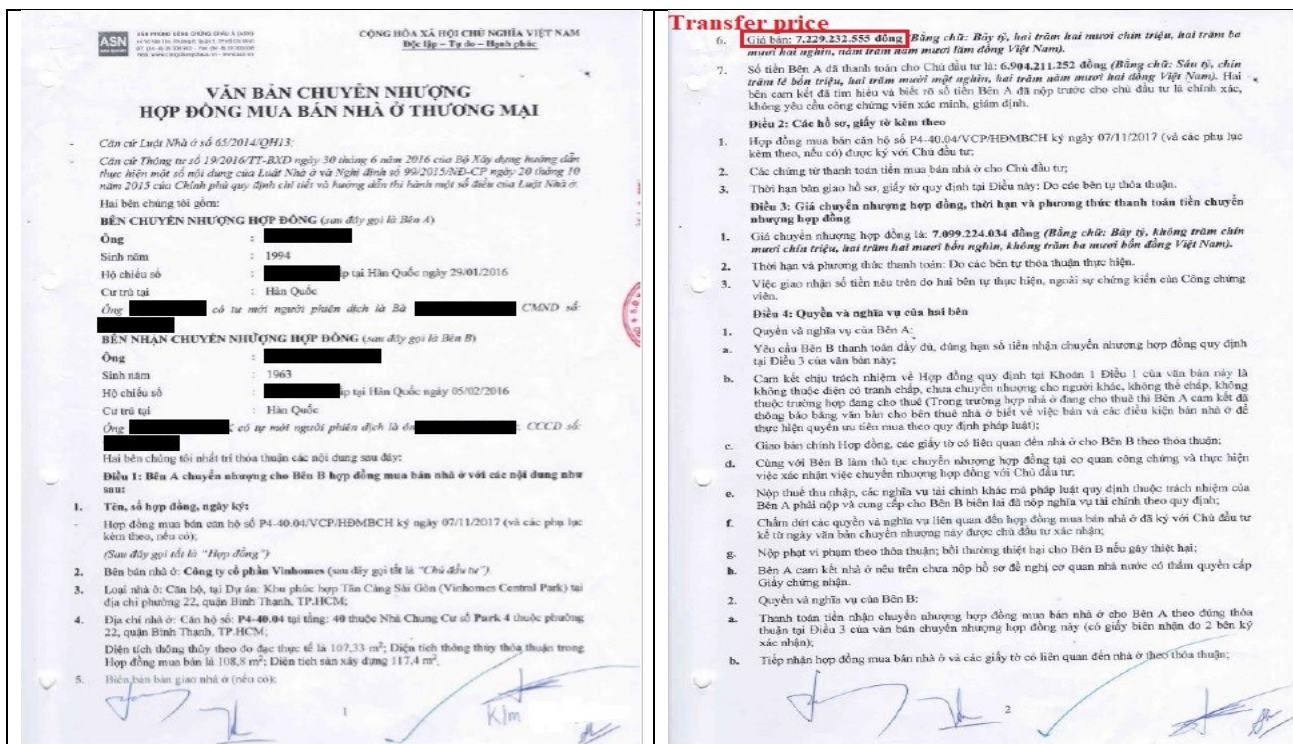
Source : Kwon, 2019

At present, the rate of tax on personal income from real estate transfer is 2% of the transfer price. However, before 2015, the income tax rate due to the transfer of real estate was 25% of taxed income (the selling price minus the buying price and reasonable expenses). If the taxpayer does not find a document to determine the cost or finds no legitimate document for determining the relevant expenses, which serve as a basis for determining taxed incomes, the tax rate of 2% of transfer prices was applied. Because as false contracts³³ became rampant and personal income tax evasion increased in a way that reduced capital gains to the maximum extent possible, the Vietnamese government revised the current regulations after 2015. This is because it is not necessary to pay the income tax if the gains on transfer is reduced closing to zero, but some personal income tax should be paid even if the transfer value is reduced. However, if the transfer value is manipulated to be less

³³ A false contract refers to a contract written at a price lower than or higher than the actual transaction price after the transfer of the property. The contracts written at prices lower than the actual transaction price are called down-contracts, and those written at higher prices are called up-contracts.

than the actual transaction value and higher than the price announced by the People's Committee with false contracts, the income tax return is still a small amount of tax, which is not a fundamental solution. Moreover, even if there is a loss on transfer, imposing 2% on the transfer price is an administrative expediency idea that the tax authority does not properly eradicate the false contract, leaving responsibility to the people. For example, a tax office in Binh Thanh District, Ho Chi Minh City, currently has one employee who is charged with the area of Ward 22 of Binh Thanh District, and it is thought that it would be impossible for one person in charge to distinguish a false contract in an area where 470,000 people reside, including an apartment 'VinHomes Central Park', where 10,000 households live.

Figure 25 Sample notarization contract of Vietnam (in Vietnamese)



Source : Kwon, 2019

To be specific, it manipulates the transfer price of the contract in the format shown in figure 25. In Vietnam, it is customary for real estate sales contracts to draw up contracts at about a third of the actual price to reduce taxes, and in general it is customary for buyers to pay capital gains tax and registration fee. (K.H. Kim, 2006) Although the legal framework for the real estate market is being developed, a significant number of transactions remain undeclared. Market data at best is scarce and in many places does not exist. (Loan & McCluskey, 2012) The performance of the real estate

market in Vietnam is somewhat lack of transparency. “Unofficial transactions” and undocumented trading are making the real estate market in Vietnam less transparent. Therefore, there is a need standardize land transactions and providing legal disincentives for unofficial real estate transactions before capital gain tax could plays its role in dealing with real estate speculations. (Truong, 2011) In other words, false contracts (down-contracts) reduce tax revenues and undermine a sound real estate transaction culture, so there should be a systematic way to eradicate them rather than tax policy. The most important flaw in tax on property transfers is that the taxes are collected only if the records are transferred. This leads to an inefficient subleasing scheme. These diminish the security of tenure, diminish transparency, and add to the difficulty of public revenue forecasting and budgeting (Shukla, G.P., Pham, D.M., Engelschalk, M. & Le, T.M., 2011). Therefore, it is necessary to find ways to fundamentally prevent a false contract, not a temporary stopgap measure.

4.3.4 Delay in issuing real estate certificates and lack of registration computerization

In Vietnam, there is not enough institutional infrastructure, such as the fact that ‘pink book’ issuance, which is a certificate of land use rights and ownership of houses and other land-attached assets, is not completely issued to real estate purchasers³⁴. This is because the Vietnamese government has failed to come up with clear standards for paperwork. Real estate that foreigners can own is limited to areas that are not related to national security. However, the Defense Ministry, which should set the criteria, has failed to present a detailed guide. If foreign investors buy real estate and do not get 'pink book' on time, the investment sentiment will sharply decrease, and that's how much the real estate market will be stagnated and the real estate tax will decrease. Real estate registrations are not computerized, making it virtually impossible to figure out the number of homes for a particular individual. If real estate registration is not computerized, it is difficult to confirm the current reduction of capital gains tax for single-home owners, and even if the government pushes for multiple-home owners in the future, it will be difficult to identify the number of houses per taxpayer, which could result in a decrease in tax revenues.

4.3.5 Problems of the Vietnamese land price calculation system

³⁴ <https://e.vnexpress.net/news/business/industries/vietnam-yet-to-streamline-foreigners-property-ownership-process-3804047.html> (2018.06)

How much the land price will be set is closely related to the people's property rights and finances, such as the state's revenue and expenditure, and this is a phenomenon such as "two sides of the same coin" where conflicting principles collide in the actual operation process. For example, when it comes to the collection of land use levies and land use taxes, lowering the land price will reduce the burden of the people, while when it comes to expropriating the right to use land, lowering the land price makes people resist the government.

With regard to the assessment of land prices, which serve as the tax base of real estate taxes, the relevant system for land price estimation in Vietnam should be overhauled altogether. The land policies including the Vietnamese Land Law are too complicated, and there are too many decrees and circulars as seen in table 12, and do not have uniform land price guidelines by province, which makes it difficult to apply to the work. Moreover, the real estate market and land market in Vietnam is an incomplete, so the management of the database on the land information is insufficient and not accurate.

Table 12 Status of laws and regulations related to land price calculation

Division	Legal documents	Note
Law	Land law	November 29, 2013, No. 45/2013/QH13
DECREE	DECREE DETAILING A NUMBER OF ARTICLES OF THE LAND LAW	May 15, 2014, No. 43/2014/ND-CP
	DECREE REGULATIONS ON LAND PRICES	May 15, 2014, No. 44/2014/ND-CP
	DECREE PROVIDING THE COLLECTION OF LAND USE LEVY	May 15, 2014, No. 45/2014/ND-CP
	DECREE REGULATIONS ON COLLECTION OF LAND RENT AND WATER SURFACE RENT	May 15, 2014, No: 46/2014/ND-CP
	DECREE ON THE LAND PRICE BRACKET	November14, 2014, No. 104/2014/ND-CP
CIRCULAR	CIRCULAR ON LAND PRICING METHOD; COMPILATION OF AND ADJUSTMENT TO LAND PRICE LISTS; DETERMINATION OF SPECIFIC LAND PRICES AND CONSULTANCY ON LAND PRICING	June 30, 2014, No. 36/2014/TT-BTNMT
	CIRCULAR DETAILING A	January 27, 2015, No. 02/2015/TT-

	NUMBER OF ARTICLES OF THE GOVERNMENT'S DECREE No. 43/2014/NĐ-CP AND DECREE No. 44/2014/NĐ-CP DATED MAY 15, 2014	BTNMT
	CIRCULAR PROVIDING GUIDANCE ON A NUMBER OF ARTICLES OF THE GOVERNMENT'S DECREE 46/2014 / ND-CP DATED MAY 15, 2014 DEFINING COLLECTION OF LAND RENTS AND WATER SURFACE RENTS	June 16, 2014, No: 77/2014/TT-BTC
	CIRCULAR ON PROVIDING GUIDANCE ON DECREE NO. 45/2014/ND-CP DATED MAY 15, 2014 OF THE GOVERNMENT ON COLLECTION OF LAND LEVIES	June 16, 2014, No. 76/2014/TT-BTC
Decision	DECISION ON HO CHI MINH CITY'S LAND PRICE COEFFICIENTS IN 2018	March 15, 2018, No:09/2018/QĐ-UBND

Source : Kwon, 2019

The People's Committee has the responsibility to draw up and publicly declare the land price tables. The state uses land price tables to calculate compensation or collect taxes when collecting land. However, the preparation of land price tables in accordance with the 2013 Land Act was carried out by hand, which did not guarantee objectivity and accuracy, and took a lot of time, and did not apply advanced information technology in the process of establishing land price tables and land information. Specific land prices calculated by each province lacked consistency in calculation due to different making methods of land price tables, and in some provinces, specific land prices could not be calculated, causing setbacks in the work of collecting land use levy, land rental and compensating land. And each year, the range of land price tables issued by the provincial-level People's Committee is usually only 20 % to 60 % of the actual market price. In particular, the range of land price tables issued by Hanoi and Ho Chi Minh City is usually only 40 % to 60 % of the actual market price (Chu, 2017).³⁵ However, the rapid economic growth in Vietnam has led to a significant rise in land prices, especially in major urban areas. According to Loan & McCluskey(2010), the current system of property taxation has not been designed to capture any of this increase in property wealth. (In other words, if property tax bases do not reflect market value,

³⁵ The Land Use Charge is based on "official prices" which are 50 to 70 percent lower than the real market value of land (Loan & McCluskey, 2010).

then rapidly rising real estate prices will not be reflected, tax equity will not decline. As a result, the revenue on land has been falling short and the number of land-related complaints has been increasing every year. (M.H. Nguyễn, 2007) And, this leads to insufficient tax collection at the time of sale and lease of the land, and the government causes legal problems when collecting the land. Declaring new land prices each year makes it difficult for government to collect land and compensate because people expect higher prices next year than this year's. In other words, for investors or potential housing beneficiaries, this sort of two-price system results in confusion and conflicts over land and insufficient supply of land for general housing. The land price determination process is taken more uncertain. (JICA, 2014) Moreover, Vietnam does not have much information related to the land price calculation yet, so if there is no relevant information for collection in the land price calculation area, there are limitations to the pricing, such as collecting similar information from nearby areas. (S.H.Lee, 2016) Moreover, in order to lower the personal income tax, the land users declares lower price than actual price, so that the accuracy of information about the market price of the land is very low. For reference, one of the principles of land valuation in Vietnam is being suitable with the popular market price of transferred land with the same land use purpose, or obtaining price in auctions of land use rights when organizing auctions of land use rights, or the income earned from land use.(Article 112 of Land Law)

4.3.6 Lack of tax support for low-income people

Currently, there is not enough tax support system for small houses and low-income households in Vietnam. Although the purpose of real estate taxation in Vietnam is to control the rise in house prices and curb real estate speculation, housing prices are generally on the rise even after various tax policies have been implemented. The cause is the demand for housing. Although the supply volume in the Vietnamese real estate market has continued to increase, the supply of the luxury real estate sector is higher than the actual demand, as construction companies have conducted real estate projects mainly for luxury real estate rather than middle and low income real estate projects. This is because real estate management companies can earn more profit by investing in the luxury real estate sector than social housing. However, since most of the Vietnamese are middle and low income, they can't purchase luxury real estate products, but demand for mid to low-priced real estate is high, resulting in an imbalance in demand and supply of real estate market. In other words, in the luxury real estate sector, there was a problem of oversupply, which was more supplying than in demand, and in the mid to low-priced real estate sector, there was a problem of excess demand,

which was more demanding than supply. Therefore, it is necessary to increase the supply of housing by promoting housing construction through the tax support policy for small and medium sized housing, and to increase the purchasing power of housing by tax support when the low income earner purchases the house.

4.4 Improvement plan of real estate tax in Vietnam

4.4.1 Operation stable tax revenue system

To make up for the deficient finances of Vietnam and prevent real estate speculation, there should be a real estate tax that can be collected in a stable manner each year. Currently, the taxes that can be collected repeatedly every year are agricultural land use tax and non-agricultural land use tax, but agricultural land use tax is widely exempted, and non-agricultural land use tax has very low tax rates (0.03 to 0.15%), so tax revenue contribution is very low. That is to say, the shortage of real estate tax is due to the fact that the Vietnamese government imposes only a small amount of non-agricultural land use tax on real estate owners, which is insufficient to be used for investment in public facilities. For example, if someone currently has a 100 m² residential land plot in Hanoi, the non-farming tax can be paid at a low rate of \$50. (Article 8 of CIRCULAR GUIDING NON AGRICULTURAL LAND USE TAX) Since many countries impose higher tax rates than Vietnam, such as the Philippines and Indonesia, as well as advanced countries, non-agricultural land use tax rates should be raised to 0.3 to 0.4 %, 10 times the current minimum tax rate of 0.03 %, or 1 to 1.5 % like other countries.

4.4.2 Establishment of a new property tax system

However, fundamentally, a new property tax imposed on buildings should be introduced to create real estate tax sources that can be collected reliably each year. If so, it should decide how to set the scope of the levy in the new property tax legislation. There are various real estate properties, such as land, factories, commercial facilities, housing and apartments, which must be decided whether to charge only dual homes and apartments or all facilities. In fact, the Vietnamese government recently acknowledged the need for a new property tax, so the Ministry of Finance proposed a tax on the

housing according to the value of the construction as part of the draft property tax law.³⁶ The proposed law, however, only levies taxes on houses and does not include taxes on non-residential buildings. Since non-residential buildings are mainly commercial, rather than residential, the tax rate is higher than housing in Korea. As Vietnamese economy grows, many non-residential buildings are being built and the prices of buildings are also rising, so it should be taxed on their holdings.

It should also determine how much tax rate it will impose on real estate over what amount and how to set the standard market prices for taxation of a building. For reference, under the proposed law, there are two options: taxing homes with construction value of either more than VND700 million (US\$30,400) or VND1 billion (US\$43,500). The proposed tax rate is 0.3 or 0.4 % per year, with only the surplus construction value above the proposed threshold to be taxed. However, the new property tax rate should be a progressive tax structure that increases with multiple homeowners. Since some luxury homes are built on large-scale land, homeowners must pay property taxes on the principle of social equality to prevent property speculation.

According to the proposed law, the value of a house's construction depends on its type, scale, and the years it has been used since construction. The author suggests introducing the Korean calculation model for the individual housing price that inspects and calculates, every year, reference housing price selected from among a group of detached housing deemed generally similar in terms of the specific use district, building structure, etc., as of the base date of public announcement, and calculates individual housing prices by using the standard comparison table of housing prices, based on the reference housing price deemed to have the usefulness similar to the housing concerned.

While property taxing may help increase the city's budget revenues, critics say it is a form of double taxation at a time when it is already paying income taxes, and some argue that it will hurt the growth of real estate-related industries by increasing costs for land and housing purchases.³⁷ Similarly, China, a socialist country similar to Vietnam, also had yet to introduce the holding tax due to opposition from the Communist Party establishment, but within five years it will introduce

³⁶ <https://www.vir.com.vn/finance-ministry-proposes-new-housing-tax-58461.html> (April, 2018)

³⁷ <https://vietnamnews.vn/economy/481933/property-tax-reduces-household-incomes-and-expenditures.html#iQdZE0JtxrETYO9W.97#4guE3e7Zj7KzVzzW.97> (December, 2018)

the holding tax at the level of property tax in Korea and Hong Kong due to a lack of budget for the Chinese provincial government.³⁸ Therefore, it is worth simultaneously implementing a land-use levy reduction policy when enacting property taxes in order to prevent the excessive tax burden on property in Vietnam, considering that land use levy accounts for less than 10% of an apartment's price, 30% of a townhouse's and 50% of a villa's now.³⁹

4.4.3 Introducing a real estate transaction price reporting system and imposing strong penalty taxes on tax evasion

To prevent false contracts(down contracts) currently prevalent in Vietnam, it is worth considering introducing a real estate transaction price reporting system in Korea and a real estate transaction value registry system. Korea has implemented a real estate transaction price report system since January 2006. The real estate transaction price reporting system is a system under which real transaction prices must be reported to the relevant government offices within the period (currently 60 days) set by law from the date of the transaction contract.⁴⁰ Also, the real estate transaction value registry system is a system of recording actual transaction value in the register when transferring ownership to a real estate transaction(figure 26), and is used as a very powerful means of curbing real estate speculation, which can expose the actual transaction value of real estate in Korea.^{41,42} If these two systems in Korea is introduced in Vietnam, accurate market prices can be confirmed, which will be very helpful for taxation on real estate as well as price calculation for individual real estate.

³⁸ <https://www.caixinglobal.com/2019-03-09/china-makes-property-tax-a-legislative-priority-101389716.html>

³⁹ <https://english.thesaigontimes.vn/57134/HoREA-voices-concern-over-property-tax-in-HCMC.html>

⁴⁰ ACT ON REPORT ON REAL ESTATE TRANSACTIONS, ETC. Article 3 (Report on Transaction of Real Estate)
(1) Where parties to a transaction shall enter into a real estate sales contract, they shall jointly report matters, including the real transaction price, etc., to the head of the relevant city/county/ward having jurisdiction over the location of the real estate, etc. which is the object of the title within 60 days from the date of the transaction contract.

⁴¹ REGISTRATION OF REAL ESTATE ACT Article 68 (Registration of Transaction Value)

If the registrar registers the transfer of ownership with a contract as the registration basis, he/she shall record transaction value.

⁴² This system has long been advocated by various scholars, and the introduction of the registration system for real estate transaction price can serve as a check device for mutual monitoring between the transferor and the transferee. (Choi, 2008)

Figure 26 A certificate of registered matters of Korea with transaction amount

【 갑 구 】 (소유권에 관한 사항)				
순위번호	등기목적	접수	등기원인	권리자 및 기타사항
1	소유권보존	2010년5월13일 제667호		소유자 주식회사코람코자관신탁 110111-2359837 서울특별시 강남구 역삼동 736-1 캐피탈타워 14층
3	소유권이전	2013년4월25일 제64호	2013년2월26일 대대	소유자 [redacted] 경기도 화성시 향남읍 행정중앙2로 38, [redacted] (향남시범농촌마을향남지철2차아파트) 거래가액 금262,000,000원

Transaction value ←

【 을 구 】 (소유권 이외의 권리에 관한 사항)				
순위번호	등기목적	접수	등기원인	권리자 및 기타사항
1	근저당권설정	2013년4월25일 제64호	2013년4월25일 설정계약	채권최고액 금120,000,000원 채무자 [redacted] 경기도 화성시 향남읍 행정중앙2로 38, [redacted] (향남시범농촌마을향남지철2차아파트) 근저당권자 주식회사하나은행 110111-0015671 서울특별시 중구 을지로1가 101-1 (화성향남지철)
1-1	1번근저당권이전	2013년10월28일 제169899호	2013년7월29일 확정채권양도	근저당권자 한국주택금융공사 110171-0029402 서울특별시 중구 남대문로5가 6-1

-- 이 하 이 백 --

* 본 등기사항증명서는 열람용이므로 출력하신 등기사항증명서는 법적인 효력이 없습니다.
*실선으로 그려진 부분은 말소사항을 표시함. *등기기록에 기록된 사항이 없는 갑구 또는 을구는 생략함. *증명서는 컬러 또는 흑백으로 출력 가능함

Source : <http://www.iros.go.kr/pos1/html/eng/PEngRegistryIntroH.html>

It should also curb real estate speculation by imposing strong penalty taxes on those who evade real estate tax and undermine a sound real estate trading culture with false contracts (down contracts). If a taxpayer fails to file a return on the tax base of national tax in accordance with the tax-related Acts by the statutory due date of return to an unlawful act, amounts collected by multiplying an amount he/she should pay upon filing the tax return by the rate of 40/100 shall be penalty taxes in Korea. (Article 47-2 of FRAMEWORK ACT ON NATIONAL TAXES) A taxpayer that commits tax evasion or tax fraud shall pay the tax amount in accordance with regulations and be imposed a fine of between one and three times the avoided tax amount in Vietnam. (Article 108 of Law on tax administration) Korea is cracking down on the writing of false contracts and actually levying penalty taxes. According to the National Tax Service (2017), the number of cases of real estate speculation in the past five years(from 2012 to 2016) was 1,866 while the amount of taxes levied (including penalty taxes) amounted to \$274 million. But Vietnam rarely applies additional taxes because false contract writing is so prevalent that the rules of penalty taxes have become nominal. Therefore, in order to prevent real estate speculation, penalty taxes should be strictly imposed on those caught in the preparation of false contracts and the penalty tax rate should be raised more than the current one in Vietnam.

4.4.4 Early issuance of real estate certificates and computerization registration data

If the legal system related to real estate is firmly in place, real estate-related tax revenues will increase. What's important for real estate investors is whether or not the property is issued with a legally effective certificate proving that it belongs to the investor, which, if uncertain, will inevitably dampen investor sentiment. If the ownership of real estate is issued without problems to investors through institutional improvement, investment sentiment on real estate will also rise sharply. In addition, the computerized real estate registration data can be useful for real estate tax policies, such as the easy maintenance of evidence data that can basically levy property taxes, the determination of the number of homes in a particular person to impose property taxes on multiple homeowners, and the accurate determination of whether to reduce capital gains taxes for single-home owners currently in operation, which can help increase tax revenues. In Korea, court-controlled real estate registry data is being shared with tax officials, which are useful for implementing various real estate tax policies.⁴³ Tracking land ownership information does not require a large bureaucracy and can be covered by fees same with marginal cost of services or by general public revenue. According to Shukla et al (2011), the public has an interest in a transparent and efficient system of land titles, to avoid the social costs of idle land and to promote the efficient and sustainable use of land.

4.4.5 Assessments based on the current market value of real estate

In order to maximize fairness and understanding in the real estate tax system, the valuation should be based on the current market value of the property.⁴⁴ In a dynamic economic environment, property values are constantly changing. The value of one area can be increased, but the value of another area can be reduced or stabilized. Property taxes move to areas where wealth increases

⁴³ REGISTRATION OF REAL ESTATE ACT Article 109 (Exchange, etc. of Computerized Information Materials)
(2) Any person who intends to utilize registration information materials recorded in the register shall obtain approval from the Minister of National Court Administration after examination by the head of the relevant central administrative agency: Provided, That where the head of a central administrative agency intends to use or utilize registration information materials, he/she shall hold consultations with the Minister of National Court Administration; his/her approval shall be deemed obtained when an agreement is reached in the consultation.

⁴⁴ The taxation value (assessment value) does not always match the market value. In other words, while market value is assessed on the basis of the effective use of the target property, the taxation value is assessed according to the relevant laws and regulations, and the market value is important to calculate the correct value of the target property, while the taxation value is important to maintain the taxation equity. Therefore, it is generally accepted that the taxation value is somewhat different from the market value, and it is desirable to not exceed the market value. (Lim, 2016)

when measured by property value. Only a system requiring current market value acknowledges these changes in local economies and the distribution of property-related wealth. (IAAO, 2010) Within Vietnam's current financial environment, the land value tax is a practical solution to the problem of property tax reform. Taxes on these local tax bases can be economically efficient, socially fair and financially rewarding. The introduction of property tax based on ad valorem tends to entail reforms in land ownership, land title and registration.⁴⁵ Modern property tax is regarded ad valorem tax. According to McCluskey et al(2002), ad valorem assessment bases reflect market value and such tax bases include an assessment to capital value, rental value.

For this reason, it is worth introducing the Korean calculation model for the officially assessed individual land price that inspects and assesses, every year, an officially announced price of representative land selected from among the pieces of land deemed generally similar among themselves in terms of land utilization, the surrounding environment or other natural and social conditions as of the base date of public announcement, and calculate in large quantities the officially assessed individual land price by using the standard comparison table of land prices, based on the officially announced prices of one, or at least two pieces of representative land which are deemed to have similar usefulness to the land in question. This is a method of calculating prices that are very close to market prices.

And it is worthy to introduce a multipurpose land information system that can perform land price calculation work simultaneously in the land information system. Like Korea's land information system⁴⁶, land registration, land price adjustment, and land use plan are integrated into one multipurpose land information system, while it is very necessary to establish a system that can be used in conjunction with the people as well as all institutions. The introduction of such a multipurpose land information system will ensure the objectivity and suitability of land pricing, and provide fast and accurate information to the public, as well as to taxing institutions and financial institutions.

⁴⁵ Babawale & Nubi (2011) stated that improving yield buoyancy, as ad valorem tax would also ensure equity, effectively relates tax to the capacity to pay, and "reimburses" public investments that stimulate increases in property values. Żróbek, Manzhynski, & Zysk (2016) found that the ad valorem tax better stimulates intensive use of land, but, on the other hand, may negatively affect its sustainable development.

⁴⁶ http://kras.seoul.go.kr/land_info/info/baseInfo/baseInfo.do

4.4.6 Tax support for the promotion of housing for low-income people

In order to satisfy the housing needs of the middle and low income brackets, a certain tax incentive policy should be provided for the development activities of low-cost housing (T.N. Nguyen, 2009). For example, land use levy and registration fee should be collected less, and real estate development companies should be allowed to receive VAT exemption from land when selling low-priced housing products. In addition, the government should provide tax-free measures such as registration fee for families who purchase low-priced houses to support housing for the working class, and provide income deductions for interest repayments of long-term mortgage loan as in Korea. In order to realize the fairness of housing taxation policies, the purpose of housing stabilization tax policies should be newly established. The focus of the current housing tax policy should be shifted from a tax model for low-income people to a tax model for high-income people. According to Shukla et al(2011), another solution to the problem of poor people with land of little value is to give every citizen with an identity card showing the right to an exemption from some amount of land taxes, say VND 1 million per year.

5. Conclusion

5.1 Conclusion

In Korea and Vietnam, real estate is considered as a means of proliferating wealth beyond the meaning of human basic living space, and real estate speculation has been widespread. As a result, real estate prices have skyrocketed and it has become very difficult for low-income people who need a home to buy a real estate. The government's role in this situation is very important, and one of the means to control the real estate market is the real estate tax. However, there have been questions about whether the real estate tax has properly performed the function of curbing real estate speculation, as well as the role of financing, a basic function of taxation. Therefore, this study suggested institutional and operational problems of real estate tax and improvement measures for continuous stable real estate tax operation in Korea and Vietnam.

The problems of real estate taxes in Korea suggested in this study are as follows; First, Korea's real estate tax system is very complicated compared to other countries, with different tax rates applied to each taxable object within a single tax item. Second, Korea has 'high transaction tax, low holding tax' structure which is not desirable. Third, tax base realization rate of real estate tax is low, which causes inequality. Fourth, The property holding tax is dualized, causing inefficiency.

The measures proposed in this study to improve the real estate tax in Korea are as follows; First, the government needs to push for simplification of the real estate tax system to reduce the cost of tax administration and the loophole in the tax law. Second, the government should also collect various opinions and conduct a mid- and long-term real estate tax reform to strengthen the holding tax and reduce transaction taxes. Third, the tax base of real estate tax should be raised and the tax rate should be lowered. Fourth, the dualised real estate holding tax should be integrated and unified in order to prepare a long-term real estate holding tax system.

The problems of real estate taxes in Vietnam presented in this study are as follows; First, most of the property taxes in Vietnam can't be regarded as sustainable taxes because it is the revenues from one-time transactions unlike the recurrence of annual taxes. Second, Vietnam has no property tax

(holding tax) on houses and buildings, which is feared to result in a tax revenue shortage and real estate speculation. Third, income taxes on transfer of real estate are often evaded because of loopholes in the law. Fourth, it is customary for real estate sales contracts to draw up contracts at lower price than the actual price to reduce taxes and false contracts (down contracts) reduce tax revenues and undermine a sound real estate transaction culture. Fifth, delay in issuing real estate certificates and lack of registration computerization result in a decrease in tax revenues. Sixth, the land policies including the Vietnamese Land Law are too complicated and property tax bases do not reflect market value. Seventh, there is not enough tax support system for small houses and low-income households in Vietnam.

The measures prescribed in this study to improve the real estate tax in Vietnam are as follows; First, there should be a real estate tax that can be collected in a stable manner each year to make up for the deficient finances of Vietnam and prevent real estate speculation, Second, new property tax imposed on buildings should be introduced to create real estate tax sources that can be collected reliably each year. Third, assessments should be based on the current market value of property to maximize fairness and understanding in a property tax system, Forth, in order to satisfy the housing needs of the middle and low income brackets, a certain tax incentive policy should be provided for the development activities of low-cost housing. Fifth, early issuance of real estate certificates and computerization registration data are needed. Sixth, it is worth considering introducing a real estate transaction price reporting system in Korea and a real estate transaction value registry system. Seventh, it should also curb real estate speculation by imposing strong penalty taxes on those who evade real estate tax and undermine a sound real estate trading culture with false contracts (down contracts).

This study comprehensively reviewed the problems of the current real estate tax and suggested reasonable improvement measures. Through this, it is hoped that the real estate tax will strengthen the nation's finances by securing state funds, which are the basic functions of taxation, and that the real estate market control function will restore the original function of real estate and make it a world where everyone can live happily.

5.2 Limitations of the research

Tax is calculated by multiplying the tax base by the tax rates. The direct variables that determine taxes are tax base and tax rates. Especially, in real estate tax, it is necessary to evaluate the real estate in order to determine the tax base and the tax is different according to the assessment of real estate. Since tax is forcibly transferred taxpayer's property to the state or local government without any compensation, the tax burden should be distributed equally among the taxpayers according to legitimate standards and in the case of real estate tax, the assessment of the real estate should be done in accordance with fair standards. However, if there is a large difference in tax assessment between real estates, there will be inequality among taxpayers. Thus, assessment in real estate tax is important to determine the equity of taxation. (Min, 2018) In addition, real estate tax revenues mainly depend on the accuracy of the assessment. In most countries, computerized mass evaluation systems have recently begun to be used.

The Korean and Vietnamese tax laws have detailed provisions on how to calculate the tax base on real estate, and discussions are also active on which method best determines the tax base on real estate. And there is also much controversy over how much the tax base should be measured at the actual transaction value. However, since the method of estimating the tax base on real estate is too much and complicated, the author could not explain the problem and the improvement plan by comparing the system of Korea and Vietnam in detail in this study. It is related to the theory of appraisal and it needs to be studied in a separate paper in the future.

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