



# Vietnam's New Land Law and Real Estate Business Law 2024

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# **Vietnam's New Land Law 2024**

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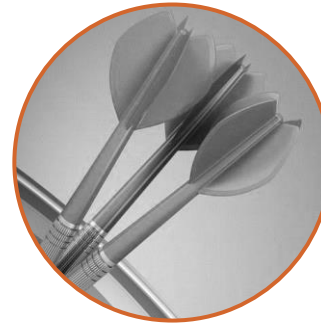
**AUG 2020:**

The revision of the Land Law 2013 was officially launched



**18 JAN 2024:**

Ratified by XXV National Assembly



**01 AUG 2024:**

Law No. 31/2024/QH15 comes into effect





# Land price evaluation method

- The new land price evaluation method focuses more on market principles
- Abolishment of the subtraction method to determine land prices
- Abolishment of the “land price frame” issued by the Government
- “Land price table” shall be issued annually instead of every 5 years. The first table will be published by the Provincial People's Council and applied from 2026 onwards and then adjusted annually from January 1 of the following year if necessary
- Land rental fees will be maintained for a 5-year cycle, with adjustments for the subsequent period not exceeding the national annual CPI of the preceding 5 years



# Conversion of land rental payment from one-time payment to annual payment

- Companies and individuals who lease land from the State with a one-time rental payment have the option to shift to annual rental payments, allowing flexibility in the financial planning of real estate projects.



# Land recovery and compensation for land recovery

- 32 new cases of land recovery for socio-economic development, emphasizing on new goal of ensuring efficient land use, promoting economic development, and addressing societal needs.
- Offering further clarity on exemptions and procedures related to land recovery.
- Additional conditions for land recovery for socio-economic development:
  - (i) There must be an investment decision document according to the Investment Law (only for projects under the approval authority of the National Assembly and the Prime Minister), the Public Investment Law, and the Law on Investment in the form of public-private partnerships;
  - (ii) It is required to complete the compensation, support, and resettlement plan before land recovery.



# Land recovery and compensation for land recovery

- Diversified forms of compensation:
  - (i) Land for the same purpose;
  - (ii) Land for a different purpose;
  - (iii) Housing;
  - (iv) Monetary compensation upon request.
- In cases where the person whose land is recovered does not accept the compensation and support money, the amount will be deposited into a commercial bank with interest at a non-term rate.



# New regulations on multi-purpose land use

- Multi-purpose land use is now permitted, provided the following conditions are met:
  - Does not change the land type according to land classification;
  - Does not remove the necessary conditions to revert the land to its primary use;
  - Does not affect national defense and security;
  - Minimizes impact on the conservation of natural ecosystems, biodiversity, and environmental landscapes;
  - Does not affect the land use of adjacent plots;
  - Fulfills all financial obligations as prescribed;
  - Complies with relevant laws.
- In cases where land is used in combination with commerce and services, a land use plan must be submitted to the competent authority for approval.





# Land lease & allocation approach

- The new law enhances the auction bidding method for land lease and allocation => Limiting cases where the State allocates or leases land without auction or bidding.
- Bidders will participate in a transparent process to secure land use rights, ensuring fairness and efficiency. However, initiating real estate projects will face many difficulties and take a lot of time.



# Land Use rights

- New definition of “right to lease in a land lease contract”, which is the right of the land user formed when the State leases the land with annual rental payments. This “right to lease” can be transferred.
- FDIs are allowed to receive the transfer of land use rights in industrial zones. Previously, FDI organizations could only use land by receiving “the value of land use rights” in industrial zones.
- Domestic organizations now can mortgage their land use rights and any assets on the land as collateral for loans not only at banks but also at other economic organizations or individuals, as long as it follows the applicable law.



# Additional dispute resolution methods

- Vietnamese commercial arbitration or mediation is allowed to settle disputes on:
    - (i) commercial activities related to land,
    - (ii) ownership and usage rights of housing by organizations and individuals,
    - (iii) transactions involving housing and the management and operation of apartment buildings.
- Generally faster and more flexible than traditional court proceedings

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# **Vietnam's New Real Estate Business Law**



# Law No. 29/2023/QH15

- Passed on 28 November 2023, takes effect from 1 August 2024
- Some key changes of interest for real estate developers, investors and Foreign Invested Enterprises



# Transparency in real estate business

- The new law requires developers to publish all project details on the Ministry of Construction's residential housing and market information system
- Real estate services must be operated by enterprises or business households
- No fixed minimum capital to be able to engage in real estate business but real estate developers must ensure:
  - (i) their ratio of outstanding credit debt and corporate bond debt to equity is balanced;
  - (ii) an equity level of at least 20% of total investment in the project (if the area of land used is less than 20 ha) or 15% of total investment (if the area is 20ha or higher) and the capability of raising capital for implementing the project
- Payments in the real estate business (including brokerage commissions) must be made via bank transfer



# New types of real estate assets/projects allowed to be traded

- Passed on 28 November 2023, takes effect from 1 August 2024
- Some key changes of interest for real estate developers, investors and Foreign Invested Enterprises



# Real estate business for foreign invested enterprises

- Certain foreign invested enterprises (those that are not subject to conditions and procedures applicable to foreign investors under Article 23.1 of the Law on Investment 2020) are now able to engage in real estate businesses like domestic companies
- FDIs are now explicitly entitled to buy or lease buildings or floor areas from investors or enterprises for serving their business purposes or for subleasing to others





# Maximum deposit amount and timing of deposit receipt

- The maximum deposit amount is 5%, with the first payment installment being less than 30% (including the deposit) of the asset value.
- The deposit receipt is only allowed after the eligibility for sale opening.
- The selling or lease purchase price of the project must be specified in the deposit agreement

# GET IN TOUCH



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