



## Tax Alert

Keep you informed with tax in Real Estate

January 2012

Valued added tax



In accordance with the previous regulations on VAT, in respect of real estate business activities, ***the VAT taxable price shall be the price for transfer of real estate minus (-) the actual price of the land at the date of transfer.*** Where the price of the land at the date of transfer declared by the taxpayer is ***not sufficient to determine a reasonable VAT taxable price,*** the deductible price of the land shall be the price of the land (or the rent for the land) stipulated by the provincial People's Committee under central authority at the date of transfer of real estate. However, there is no clear guidance on how to determine the reasonableness of deductible land price, which result in obstacles for enterprises in calculating VAT payables.

To overcome the difficulties, Decree No.121/2011/ND-CP has specifically stipulated the deductible land price as below:

- For enterprises which are allocated or lease land from the State to develop houses/infrastructure for sale, deductible land price is determined **as land using fee/land rental fee** (excluding land using fee/land rental entitled to exemption and reduction) plus **compensation, ground clearance cost** in accordance with current regulations.
- For enterprises which receive land using right from individuals and organizations, deductible land price is land price at the time of transfer **including infrastructure value**, if any.

Up to now, the Decree has not provided any specific guidance on invoice and document presentation to reflect the change in calculation method as above. We will keep you updated with any further development on the issue. In the meantime, the Company is recommended to review and consider your calculation of the VAT taxable price in order to be in line with newly issued Decree 121, which will be effective from 1<sup>st</sup> March 2012.



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