The Ministry of Finance proposes a 20% personal income tax rate on profit from real estate transfer

In the process of amending the Personal Income Tax Law, the Ministry of Finance is studying the application of two methods of calculating personal income tax from real estate transfer:

(1) 20% tax rate on taxable income (equal to transfer price minus purchase price and related costs)
(2) 2% tax rate on transfer price if purchase price and related costs cannot be determined

This proposal is similar to the 2007 Personal Income Tax Law applied from 2009 to 2014. The only difference is that method (1) calculates a tax rate of 20% instead of 25% on taxable income.

Currently, personal income tax from real estate transfer is calculated as follows:

- For land use rights (LUR): Tax rate of 2% multiplied by the land price in the land price table issued by the People's Committee of the province/city
- For other types of real estate: 2% tax rate of on the transfer price.

Table: Summary of changes in personal income tax from real estate transfers

Time of application	Legal document	Method to calculate personal income tax from real estate transfer
From 1/1/2009 to 12/31/2014	Personal Income Tax Law 2007, Article 14	25% tax rate on taxable income or 2% tax rate on transfer price
From 1/1/2015 to 7/31/2024	Law No. 71/2014/QH13, Article 2	2% tax rate on transfer price
From 8/1/2024 to present	Law No. 71/2014/QH13, Article 2 and Land Law 2024, Article 247	For LUR: 2% multiplied by the land price in the land price table For other types of real estate: 2% tax rate on the transfer price
Proposal of the Ministry of Finance		20% tax rate on taxable income or 2% tax rate on transfer price

Comment: The method of calculating personal income tax at 20% on taxable income helps increase transparency in the real estate market and reduce land speculation. However, the application of this method is difficult because:

- the tax authority's database only has the transaction history of real estate and taxpayers from 2018,
- there is no statistical data to ensure that the transfer price stated on the contract is correct with the actual transaction price, and
- it is difficult to determine and prove the costs related to real estate transfer

Therefore, it is likely that the method of calculating tax at 2% on the transfer price will continue to be applied as it is now and we believe that in the short term, the impact of the Ministry of Finance's proposal is insignificant on the real estate market and real estate stocks.

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