

**CIRCULAR No. 114/2004/TT-BTC OF NOVEMBER 26, 2004 GUIDING THE IMPLEMENTATION OF THE GOVERNMENT'S DECREE No. 188/2004/ND-CP OF NOVEMBER 16, 2004 ON METHODS OF DETERMINING LAND PRICES AND ASSORTED-LAND PRICE BRACKET**

In furtherance of the Government's Decree No. 188/2004/ND-CP of November 16, 2004 on methods of determining land prices and assorted-land price brackets; after consulting the Ministry of Natural Resources and Environment, the Finance Ministry hereby guides the methods of determining land prices, determining the prices of assorted land categories by the People's Committees of the provinces and centrally run cities (hereinafter called the provincial-level People's Committees for short) for decision on and publicization of specific land prices in localities as follows:

**I. METHODS OF DETERMINING THE LAND PRICES**

**1. Direct comparison method**

***1.1. The land price determination by direct comparison method must go through the following steps:***

*a) Step 1: Survey and collection of information:*

- Determining the locations of the land plots or land areas, which are comparable with the to be-valuated land plots, land areas in order to gather information.

To select from 3 to 5 land plots or land areas, which are identical in land category, land acreage, infrastructure and legal grounds and lie adjacent to, or in the vicinities of, the to be-valuated land

plots, land areas and have conditions similar to and comparable with those of the to be-valuated land plots, land areas with the land use rights being already transferred, or to organize transactions on real estate transaction floor, organize successful land use right auctions in order to gather necessary information.

- Time for information collection:

The to be-collected information must happen within the period nearest the time of survey for comparison, determination of the prices of the to be-valuated land plots or land areas.

In cases where information within the most recent period cannot be collected, the information on the land use right transfer transactions within one year before the time of land price determination can be collected. If the information on land use right transfer transactions in the most recent period or within one year is not available, the information within three years before the time of land price determination shall be collected.

- To be-collected information:

+ Locations, current conditions of the land plots (land category, land grade, position, types of urban center grade, streets; acreage, shape, geographical features of the land plots, assets affixed to land);

+ Environment (including the natural environment characterized by such basic conditions as landscape, water sources; air and water pollution levels; soil degeneration, etc, and the socio-economic environment characterized by such basic conditions as good or bad infrastructure, convenient or inconvenient traffic, trade, information and communications, healthcare, culture and education, social order and security, etc.);

+ Legal characteristics (land planning, land use right certificate, inheritance right, donated, leased, encroached,... land);

+ Time of land use right transfer, successful transactions or auctions;

+ Statistics on land use right transfer prices, land rents, land use right auctions;

+ Time and conditions for transfer transactions and payment.

- Conditions of information:

The above information must be gathered from the results of actual land use right transfer transactions on the market under normal conditions, i.e. voluntary transactions between purchasers and sellers, each having adequate information on, and full knowledge about, the land categories, land plots, land areas for which they participate in transactions. These buying and selling transactions are of no speculative nature, under no temporal pressure, are not coerced nor conducted between parties of blood ties or without lawful papers or for other subjective reasons which adversely affect the normal process of formation and evolution of land use right transfer prices on the market.

*b) Step 2: Comparison, analysis of information:*

Based on the information surveyed and collected at Step 1, to make comparison and analysis so as to select similar and different criteria between the comparable land plots or land areas and the to be-valuated land plots or land areas. On that basis, to determine similar and different price criteria so as to calculate, determine the prices of the to be-valuated land plots, land areas.

*c) Step 3: To adjust distinctive price elements between the comparable land plots, land areas and*

the to be-valuated land plots, land areas in order to determine the prices of the to be-valuated land plots.

The estimated prices of the to be-valuated land plots, land areas shall be calculated by adjusting distinctive price elements for each comparable land plot, land area as follows:

The estimated price of to be-valuated land plot, land area	=	The land use right transfer price of each comparable land plot, land area	±	The adjusted money level of the price formed from distinctive price elements of each land plot, land area comparable with the to be-valuated land plot, land area
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In which, the adjusted money level of price between each comparable land plot, land area and the to be-valuated land plot, land area is the adjusted level of price differences originating from differences in the land plot position, infrastructure, characteristics of land category, environmental pollution extent, etc. The price difference between the comparable land plot and the to be-valuated land plot (which can be calculated according to the absolute value or in percentage of the land use right transfer price) shall be determined on the basis of valuation by experts and land-pricing agencies.

Where the land prices fluctuate within the period from the time of successful land use right transfer of the comparable land plot to the time of determining the price of the to be-valuated land plot, the price of the comparable land plot must be adjusted to be equal to the actual land use right transfer price on the market, then the price of the comparable land plot shall be further adjusted according to the above-mentioned formula.

*d) Step 4: To determine the price of the to be-valuated land plots by taking the average of the*

prices of 3 to 5 comparable land plots, land areas already calculated for adjustment of price difference at Step 3.

Example, applying the direct comparison method to determine the land price (to make it simple and understandable, this example only presents the comparison method to determine the price of the to be-valuated land plot, land area with one comparable land plot, land area).

Assuming that in the course of determining the price of a residential land area of 20,000 m<sup>2</sup> in a grade-V urban center (coded as land area B), the pricing agency has collected information on an

adjacent land area of 25,000 m<sup>2</sup> which is comparable with the to be-valuated land area and already put up for land use right auction with success for construction of dwelling houses (coded as land area A), which happened within the period nearest the time of determining the price of land area B. The total money amount earned from the auction of land area A is VND 125 billion, with the unit price per square meter being VND 5 million (VND 5 million/m<sup>2</sup>).

With all gathered information, the pricing agency shall proceed with the comparison between land area A and land area B as follows:

Comparable criteria	Similarities		Differences	
	Land area A	Land area B	Land area A	Land area B
<b>1. Legal ground</b>	With land use right certificate	With land use right certificate		
<b>2. Use purpose</b>	Residential land in grade-V urban center	Residential land in grade-V urban center		
<b>3. Land position</b>	Position 1: Land with one frontage side close to street	Position 1: Land with one frontage side close to street		
<b>4. Street grade</b>	Grade 2	Grade 2		
<b>5. The frontage width (m)</b>			100	70
<b>6. The length of the land area</b>			250	285.7
<b>7. Infrastructure - Traffic road</b>			- Convenient (with 2 sides fronted to big alleys)	- Less convenient (with 1 side fronted to a big alley)
<b>8. Environment - Noise - Dust</b>	- Noisy	- Noisy	- Dusty	- Less dusty
<b>7. Assets on land</b>	No	No		
<b>8. Trading status</b>	Voluntary	Voluntary		

Through comparison, the pricing agency has drawn out 7 similar criteria and 4 different criteria between the two land areas. To determine the quantitative difference between comparable elements in order to adjust the price level, the pricing agency applies the expert method in combination with the statistical method to calculate the coefficient of differences between criteria.

The method of marking according to the point scale with the highest point being 10 to every criterion with the best conditions, (example, when considering the positions, the land occupying the best position shall be given 10 points; or when considering the street grades, land lying in streets of highest profitability and with the most convenient infrastructure shall be given 10 points. Other points of under 10 shall apply to identical criteria with poorer conditions. Based on the practical situation, localities shall formulate point scales to determine the specific prices:

- The frontage width of the land area	Wider: 10 point	In land area A
	Narrower: 8 points	In land area B
- The length of the land area	Shorter: 10 points	In land area A
	Longer: 9 points	In land area B
- Traffic	Convenient: 10 points	In land area A
	Less convenient: 8.5 points	In land area B
- Dustiness	Dusty: 8 points	In land area A
	Less dusty: 9 points	In land area B

Each lower point shall be subject to 5% price reduction; vice versa, each higher point shall be added with 5% of the price of the comparable land area (A). Under such convention:

On the basis of the successful auction price of the comparable land area A being VND 125 billion to determine the price for land area B, the price

level of land area B shall be reduced:

- The frontage width: B is inferior to A: 2 points, decrease 10% = VND 12.5 billion.

- The land area's length: B is inferior to A: 1 point, decrease 5% = VND 6.25 billion.

- Traffic: B is inferior to A: 1.5 point, decrease 7.5% = VND 9.375 billion.

The total price reduction due to B's inferiorities to A: VND 28.125 billion

B shall be added with:

- Dustiness: B is superior to A: 1 point, increase 5% = VND 6.25 billion

The total price increase due to B's superiorities over A: VND 6.25 billion

Land area A's price readjusted (coded A') according to different elements of land area B shall be calculated as follows:

$$A' = 125 - 28.125 + 6.25 = 103.125 \text{ (VND billion).}$$

So, the unit price per square meter shall be:  
 $\text{VND } 103.125 \text{ billion} : 25,000 \text{ m}^2 = \text{VND } 4.125 \text{ million/m}^2.$

Similarly, it is assumed that the pricing agency additionally selects two land areas C and D for comparison with land area B. The results of analysis and comparison have determined that land area C's

unit price already adjusted according to elements of land area B is VND 4.5 million/m<sup>2</sup> and land area D's adjusted unit price being VND 4.05 million/m<sup>2</sup>.

Land area B's unit price is determined by taking the average price of the three above adjusted prices:

$$(4.125 + 4.5 + 4.05) : 3 = 4.225 \text{ (VND million/m}^2\text{)}.$$

So, the unit price of residential land of land area B in a grade-V urban center is estimated at VND 4.2 million/m<sup>2</sup>. This price level shall serve as basis for drawing up schemes on specific land prices, to be submitted to the provincial-level People's Committees for decision.

### **1.2. Deduction of the value of assets on land**

In cases where the land use right transfer prices also cover the value of assets on land (works, houses, architectural objects, land planted with such perennial trees as rubber, coffee, tea, cashew, etc. or fruit trees, when the land price is calculated, the remaining value of such works, houses, architectural objects, cultivated plants already invested in land must be deducted according to the following formula:

$$\begin{array}{l} \text{Land price} \\ \text{at the time of price} \\ \text{determination} \end{array} = \begin{array}{l} \text{The total value of} \\ \text{the land area (including the} \\ \text{value of land and works} \\ \text{on land) at the time of} \\ \text{price determination} \end{array} - \begin{array}{l} \text{The remaining value of} \\ \text{the works, houses,} \\ \text{architectural objects, cultivated} \\ \text{plants at the time of price} \\ \text{determination} \end{array}$$

*In which:*

$$\begin{array}{l} \text{The remaining value of} \\ \text{works, houses, architectural} \\ \text{objects, cultivated plants} \\ \text{at the time of price} \\ \text{determination} \end{array} = \begin{array}{l} \text{The historical} \\ \text{cost or total cost} \\ \text{of investment} \\ \text{in the construction} \\ \text{of works} \end{array} - \left[ \begin{array}{l} \text{Annual} \\ \text{depreciation} \\ \text{percentage (\%)} \end{array} \times \begin{array}{l} \text{Historical cost or} \\ \text{total cost of} \\ \text{investment in the} \\ \text{construction} \\ \text{of works} \end{array} \times \begin{array}{l} \text{The number} \\ \text{of years of} \\ \text{using the} \\ \text{investment} \\ \text{works} \end{array} \right]$$

The method of calculating the total cost of investment in the construction of works, perennial tree gardens; the method of depreciation calculation; the depreciation percentages shall comply with the current regulations of the State.

For works, architectural objects or perennial trees not on the State's currently prescribed lists of those subject to depreciation, the provincial/municipal Finance Services shall coordinate with the concerned provincial/municipal Services and/or branches in guiding the appropriate depreciation methods, based on the depreciation calculation principles.

Where works, houses, architectural objects or perennial trees on the land plots have been fully depreciated but are still exploited and used, their value shall be calculated according to the asset re-valuation value.

For cultivated plants being in the period of capital construction duration, depreciation shall not be calculated. The historical cost of perennial trees being in the capital construction duration are the accrued investment value by the time of land price determination or calculated according to the actual evaluation value.

## 2. Income-based method

### 2.1. The land price determination by income-based method must go through the following steps:

a) *Step 1:* Calculating the total annual income brought about by the to be-valuated land plots.

- For land used for lease or for construction of architectural objects (houses) for lease, the total incomes from the to be-valuated land plots shall be the annual land rents or land and on-land works rentals.

- For land used for agricultural production, the total incomes from the to be-valuated land plots are the total annual revenues from production activities on the land plots, land categories.

b) *Step 2:* Calculating the total expenditure on the generation of the total income and the law-prescribed remittances.

The total expenditure embraces such specific expenses as taxes, renovation investment costs, production cost. These expenses are calculated according to the State's current regulations; any expenses not prescribed by the State shall be calculated according to the actual common prices on the local markets, which have been paid by production and/or business establishments (indicated in contracts, goods purchase and sale invoices issued by competent finance bodies).

c) *Step 3:* Determining the annual net incomes according to the following formula:

$$\begin{array}{r} \text{The} \\ \text{annual net} \\ \text{income} \end{array} = \begin{array}{r} \text{The total annual} \\ \text{income calculated} \\ \text{at Step 1} \end{array} - \begin{array}{r} \text{The total} \\ \text{expenditure} \\ \text{calculated} \\ \text{at Step 2} \end{array}$$

d) *Step 4:* Estimating the prices of to be-valuated land according to the following formula:

$$\begin{array}{r} \text{The} \\ \text{estimated} \\ \text{land price} \end{array} = \frac{\begin{array}{r} \text{The annual net income from land} \end{array}}{\begin{array}{r} \text{The 12-month savings interest rate} \end{array}}$$

Upon determination of land prices by the income-based method, the expenses determined at Step 1, Step 2 and the net income determined at Step 3 must be the average total income, total expenditure and net income of the land grade or land position of the categories of land which needs to be valuated and are used for the right purposes already approved by competent authorities. At the same time, to calculate the annual average of three years preceding the time of land price determination.

Where data in three years cannot be collected, the data of the year preceding the time of land price determination shall be used.

For example, applying the income-based method to determine the prices of paddy land (annual crop land) of grade IV in commune A (a delta commune) of district C, province X in the Mekong River delta, cultivated with three rice crops a year, according to the following assumed data:

	Calculation unit	Year 2001	Year 2002	Year 2003
Total annual paddy output	kg	15,000	20,000	12,000
Annual average sale price	VND/kg	2,500	2,500	2,700
Total income	VND	37,500,000	50,000,000	32,400,000
Cost	VND/kg	1,150	1,100	1,250
Production cost	VND	17,250,000	22,000,000	15,000,000
12-month savings interest rate (*)	%	6.5	7.0	7.5

Note: (\*) It is assumed that the annual average savings deposit interest rate of the 12-month savings at a branch of the Bank for Agriculture and Rural Development, a State-run bank which has the highest savings interest rate among the State-run commercial banks in the locality.

+ The total income of three years is VND119,900,000 /ha

+ The total production cost of three years is VND 54,250,000/ha.

+ The average annual net income is:

$$\frac{119,900,000 - 54,250,000}{3} = \frac{65,650,000}{3} = 21,883,333 \text{ (VND/ha)}$$

+ The average interest rate of the 12-month VND savings at the State-run commercial bank is 7%/year.

+ The value of one hectare (10,000 m<sup>2</sup>) of the paddy land, calculated according to the formula mentioned at Step 4, Section 2, Part I of this Circular shall be:

The value of one hectare of paddy land

$$= \frac{21,883,333}{7} \times 100 = 312,619,000 \text{ (VND/ha)}$$

or  $\approx$  VND 31,260/m<sup>2</sup>

So, the value of the paddy (annual crop) land of grade IV in commune X mentioned above is estimated at around VND 31,260/m<sup>2</sup>. This price level constitutes a basis for elaboration of price schemes to be submitted to the provincial-level People's Committees for decision on specific land price levels.

## 2.2. Deduction of the value of assets on land

For land where exist constructions, houses, architectural objects, land where such perennial trees as rubber, coffee, pepper, cashew,... or fruit trees are grown, upon the land price calculation, the remaining value of works, houses, architectural objects, cultivated plants invested in land must be deducted by method of deducting the value of assets on land as guided at Point 1.2, Section 1, Part I of this Circular.

### 3. Conditions for application of land price-determining methods

3.1. Upon the land price determination, the direct comparison method shall apply only when the adequate information and data on the similar land category comparable with the category of the to be-valuated land as guided at Point 1.1, Section 1, Part I of this Circular are collected; the income-based method shall apply to determine the prices of assorted land categories only when the element of income from land is determined, if the data on land use right transfer prices of various similar comparable land categories on the market cannot fully collected.

3.2 Where there is a land category for which the common land use right transfer price on the market can be collected and the income from the to be-valuated land plot can also be calculated, the direct comparison method shall be used as the principal method for land price determination.

3.3. In the following cases, both land price-determining methods prescribed in this Circular should be used together for examination, comparison of various estimated price levels in order to decide on the specific price levels:

- The land use right transfer has not yet been common in the market, the collected data are

unsystematic;

- The land use transfer prices on the market have fluctuated unpredictably, failing to correctly reflect the land supply-demand relationship under normal conditions.

- The land price level estimated by way of applying either of the land price-determining methods is higher than the maximum price level of the price bracket prescribed in Clause 1, Article 6 and the limits permitted to be applied to the category of the to be-valuated land prescribed in Clause 2, Article 6 of the Government's Decree No. 188/2004/ND-CP of November 16, 2004 on methods of determining land prices and assorted-land price brackets.

3.4. The above land price-determining methods shall apply to determine the value of specific land plots, land areas for use as basis for mass land price determination for each land grade or land position under the guidance in Part II of this Circular.

## **II. DETERMINATION OF SPECIFIC LAND PRICES IN LOCALITIES**

### **1. A number of jobs to be done in preparation for land price determination**

a) To classify communes into delta communes, midland communes and mountain communes for appropriate application of assorted-rural land price brackets prescribed by the Government according to regions: delta, midland, mountain to each type of commune in the localities (provinces, cities).

b) To grade land for determination of prices of assorted land categories: annual crop land, perennial tree land, aquaculture land, production-forest land, protective-forest land and special-use forest land and other agricultural land categories

according to the Government's regulations.

Land grading shall comply with the current provisions of the Agricultural Land Use Tax Law and documents guiding the implementation thereof.

Where the provinces have already graded land and such land grades are being applied to the calculation of agricultural land use tax, the land grading results shall be used for land price determination and be changed only when so approved by competent authorities according to the State's regulations.

c) To prescribe specific criteria on land positions from No. 1 to the last number, suitable to local conditions and determine the number of positions of salt-making land and positions of rural non-agricultural land for land price determination according to the common criteria prescribed in Article 9 of the Government's Decree No. 188/2004/ND-CP of November 16, 2004 on methods of determining land prices and assorted-land price brackets, concretely as follows:

- For salt-making land: Based on concrete local conditions, the provincial-level People's Committees shall classify land positions according to the criteria based on the distance from salt-making fields to concentrated salt storehouses in production areas or the distance from salt-making fields to inter-district traffic roads (in case of non-availability of inter-district traffic roads, to base on the distance to the inter-commune traffic roads).

- For rural residential land, rural non-agricultural production and/or business land: Based on concrete local conditions, the provincial-level People's Committees shall determine the areas which need to be valuated; classify land positions and decide on the number of land positions of each land area for price determination.

d) To prescribe specific criteria on land positions so as to classify land positions and decide on the number of land positions in each street grade; to grade streets and decide on the number of streets in the order from No. 1 to the last number, suitable to local conditions in each urban center grade for price determination according to the common criteria prescribed in Article 10 of the Government's Decree No. 188/2004/ND-CP of November 16, 2004 on methods of determining land prices and assorted-land price brackets.

Based on concrete local conditions, the provincial-level People's Committees may not classify streets, but can classify land positions and prescribe the number of land positions for each street section, each specific street name for land price determination. The land position classification, the street section division, the street classification of each grade of urban city for price determination must also comply with the common criteria prescribed in Article 10 of the Government's Decree No. 188/2004/ND-CP of November 16, 2004 on methods of determining land prices and assorted-land price brackets.

e) The provincial-level People's Committees shall base on the decisions to set up urban centers and to grade urban centers, issued by competent authorities for urban centers in their respective provinces, to properly apply the urban land price brackets prescribed by the Government to various grades of urban centers in the localities.

## **2. Price determination and adjustment of specific land prices**

a) Land prices must be decided in strict accordance with the land use purposes inscribed in the land use right certificates issued according to law provisions; the decisions on land assignment, land lease or land use purpose change permission

of competent State bodies, registration for land use purpose change in conformity with land use plannings, plans approved by competent authorities.

For land not yet issued the land use right certificates, not yet put under any land use plannings or already put under land use plannings which are, however, not yet implemented, not yet registered for land use rights, the land prices shall be determined according to current use purposes.

Where land users fully or partially use the land plots not for the right purposes recognized by law or approved by competent bodies; use agricultural land, forestry land for alternate farming, for combination with ecological tourism and use non-agricultural land for combined purposes, the land prices shall still be determined according to the land use purposes prescribed in the land use right certificates, land assignment or land lease decisions of the State, land use plannings or plans, land use right registration as mentioned above.

b) The specific price level of each land grade, land position of assorted land categories shall be prescribed by the provincial-level People's Committees in Vietnam dong on a land acreage unit (m<sup>2</sup>) and must not fall beyond the assorted-land price brackets according to each land region or each urban center grade prescribed by the Government in Clause 1, Article 6 and the limits permitted for application by localities under the provisions in Clause 2, Article 6 of the Government's Decree No. 188/2004/ND-CP of November 16, 2004 on methods of determining land prices and assorted-land price brackets.

Where the actual land use right transfer market prices under normal conditions in localities of certain land categories, land positions fluctuate (locally) with increase or decrease over the land prices set by the provincial-level People's Committees, only the fluctuating prices of such land

categories or land positions shall be adjusted as provided for in Clause 1, Article 15 of the Government's Decree No. 188/2004/ND-CP of November 16, 2004 on methods of determining the land prices and assorted-land price brackets.

c) Determining the specific prices for each land grade, land positions of various land categories for which the Government has prescribed the land price brackets:

- For annual crop land, perennial tree land, aquaculture land, production-forest land, the price shall be determined for every land grade classified according to three regions as determined under the guidance at Point a and Point b, Section 1, Part II of this Circular.

In cases where on the agricultural land of the same category mentioned above, different animals are raised or different crops are cultivated, only one uniform price shall be prescribed for every land category according to land on which plants of one key kind in the region are cultivated or animals of one key kind in the region are raised (example, paddy land or the land region cultivated with annual crops); the different land price of the same grade of land of the same category of agricultural land in the same land region shall not be prescribed according to every different kind of plant, animal.

Based on the specific conditions in localities, the determination of price for each land grade can be made by either of the two following ways:

+ The first way: Determining the price directly for each land grade

For each land grade classified according to three regions within the determined administrative boundaries, to select at least three typical land plots of representative character. Then, to determine the price of each land plot by applying the land price-determining methods as guided in Part I of this

Circular and calculating the land acreage unit ( $m^2$ ) price of each land plot.

The determined land grade price (per square meter) is the average of various price levels of the selected land plots as mentioned above.

+ The second way: Determining grade 1- land price, then using the land price-determining coefficient to determine the prices of the remaining land grades.

The way of determining grade 1- land price shall comply with the guidance in the direct pricing method applicable to every land grade mentioned above.

Based on the element criteria of each land grade used for tax calculation or the land use right transfer price of assorted land grades, the provincial-level People's Committees shall elaborate land grade coefficients to determine land prices on the principle that grade 1 land has the highest price level corresponding to coefficient 1, land of subsequent grades shall have lower coefficients corresponding to lower price levels.

The price-determining land grade coefficient is the comparative ratio between the land use right transfer price of land grades and the land use right transfer price of grade 1 land, or the comparative ratio between element criteria of each tax calculation land grade and grade 1- land.

The assorted-land prices calculated according to the above-mentioned land grades shall be calculated by multiplying the land price of the determined land grade (grade 1) by the land price-determining coefficient of each land grade.

Example: It is assumed that the price of annual crop land of grade 1 in delta communes of district X, province H is determined according to the annual crop land price bracket prescribed by the Government as being VND 80,000/ $m^2$ ; and the

elaborated coefficients of price-determining land grades of from grade 1 to grade 6 are 1; 0.85; 0.67; 0.50; 0.32; 0.1 respectively, the land prices of the land grades following grade 1 shall be specifically calculated as follows:

coefficients for every land area on the principle that land at position No. 1 of an area shall have the highest price level in such area, corresponding to coefficient 1; land in subsequent positions of the corresponding land areas shall have lower

Land grade	Price-determining land grade coefficient	Pre-determined land grade price (VND/m <sup>2</sup> )	Specific land grade price (VND/m <sup>2</sup> )
1	2	3	4 = 2 x 3
Grade 1	1.00	80,000	80,000
Grade 2	0.85		68,000
Grade 3	0.67		53,000
Grade 4	0.50		40,000
Grade 5	0.32		25,600
Grade 6	0.10		8,000

In localities where grade 1 land is not available, the highest land grade of every land category shall be used as coefficient 1.

- For salt-making land, the price determination shall comply with land positions. Based on the criteria for land position classification, the provincial-level People's Committees shall elaborate the land price-determining position coefficients on the principle that land at position No. 1 has the highest price level, corresponding to coefficient 1, land at subsequent positions shall have lower coefficients corresponding to lower price levels. Ways of determining land price for every land position shall be similar to that of determining price for each land grade as guided above.

- For residential land, non-agricultural production and/or business land in rural areas, the land prices shall be determined according to land positions in three land areas in the localities. Based on the criteria for land position classification, the provincial-level People's Committees shall elaborate the land price-determining position

coefficients corresponding to lower price levels. The way of determining the land price for every land position shall be similar to that of determining land price for every position of residential land and non-agricultural production and/or business land in urban centers.

Particularly for a number of rural land positions fronting main traffic axes (provincial road, national highways) or lying adjacent to industrial parks, trade zones, tourist resorts, thus being particularly favorable for business and service activities, which have high actual land use right transfer market prices, the land prices shall be prescribed higher but must not more than treble the maximum price level of the rural residential land price bracket prescribed in Clause 1, Article 6 of the Government's Decree No. 188/2004/ND-CP of November 16, 2004 on methods of determining the land prices and assorted-land price brackets.

The provincial-level People's Committees shall prescribe the specific criteria and the number of positions for this land category for price

For residential land, non-agricultural production and/or business land in provincial towns, district townships, new urban centers not yet graded and lying in rural land areas (outside boundaries of urban land of graded cities, provincial towns), upon the determination of specific land prices, the price brackets of residential land, non-agricultural production and/or business land in grade-V urban centers prescribed in Clause 1 and the limits permitted for application prescribed in Clause 2, Article 6 of the Government's Decree No. 188/2004/ND-CP of November 16, 2004 on methods of determining land prices and assorted land price brackets.

d) Determining specific prices for land categories for which the Government has not prescribed the land price brackets:

- For protective-forest land and special-use forest land: Based on the specific price levels set by the provincial-level People's Committees for production-forest land to determine the prices of protective-forest land, special-use forest land. The process of determining prices for protective-forest land, special-use forest land shall comply with the process of determining the price of production-forest land as guided at Point c, Section 2, Part II of this Circular.

The maximum specific price level for every grade of protective-forest land, special-use forest land shall not exceed the specific price level of each land grade of the production-forest land.

- For other agricultural land as prescribed in Item e, Section 4, Article 6 of the Government's Decree No. 181/2004/ND-CP of October 26, 2004 guiding the implementation of the Land Law:

The prices of other agricultural land categories shall be determined on the basis of specific land price levels prescribed by the provincial-level

People's Committees for agricultural land category lying adjacent or in vicinities in the same region (if the adjacent land is unavailable).

The maximum specific land price level prescribed for every other agricultural land category shall not exceed the specific price level set for adjacent agricultural land category or the highest price level set for agricultural land in the vicinities.

- For land used for construction of working offices and land used for construction of non-business works:

Based on the specific price levels prescribed by the provincial-level People's Committees for residential land to determine the prices of land used for construction of working offices and the construction of non-business works on the principle: For land used for construction of working offices and construction of non-business works in rural areas, the rural residential land prices shall be based on; for land used for construction of working offices and construction of non-business works in urban centers, the urban residential land prices shall be based on.

The maximum specific price level prescribed for every land position of the land used for construction of working offices and construction of non-business works shall not be higher than the specific price levels set by the People's Committees for similar positions of adjacent residential land or residential land in the nearest vicinity if the adjacent land is unavailable.

- For land used for defense, security purposes; land used for public purposes under the Government's regulations; land used by religious establishments; land with works being communal houses, temples, shrines, worshipping halls, ancestral worship houses; land for cemeteries, graveyards and other non-agricultural land as

prescribed by the Government (in Item f, Section 5, Article 6 of the Government's Decree No. 181/2004/ND-CP of October 29, 2004 on implementation of the Land Law).

Based on the specific price levels prescribed by the provincial-level People's Committees for adjacent land categories to determine the prices of the above land categories, concretely:

+ In cases where the above land categories are only adjacent to residential land, only the residential land prices shall be based on or only adjacent to non-agricultural production and/or business land, only the non-agricultural production and/or business land prices shall be based on; if adjacent land categories are unavailable, the prices of non-agricultural production and/or business land in the nearest area shall be based on for price determination.

+ In cases where the above land categories are adjacent to different land categories, the price of the land category with the highest price level shall be based on.

The maximum specific price level prescribed for every land position of the above-mentioned land categories shall not be higher than the specific price level prescribed by the provincial-level People's Committees for similar position of the residential land or adjacent non-agricultural production and/or business land.

### **3. Determining the prices of land in adjacent areas:**

a) Prices of land in adjacent areas between provinces, centrally run cities:

- When determining the prices of land in adjacent areas between provinces, centrally run cities, the People's Committees of the provinces having adjacent land must base on the provisions in Clause 1 of Article 12, Clause 1 of Article 14 of the

Government's Decree No. 188/2004/ND-CP of November 16, 2004 on methods of determining land prices and assorted-land price brackets and the land price determination guidance in this Circular.

- Before deciding on the prices of land in adjacent areas prescribed in Clause 1, Article 12 of the Government's Decree No. 188/2004/ND-CP of November 16, 2004 on methods of determining the land prices and assorted-land price brackets, the provincial-level People's Committees must refer to and exchange ideas with one another on the price levels projected for promulgation and must strictly comply with the principles prescribed in Item c, Section 1, Article 56 of the 2003 Land Law: "Land in adjacent areas between provinces, cities, having similar natural conditions, the same current use purposes and the same planned use purposes shall have the same price level."

Where land in adjacent areas between provinces, cities having the same current use purposes, the same planned use purposes and the same natural conditions and infrastructures, but different socio-economic development policies, different investment attraction policies, the prices of land in adjacent areas may differ but the maximum shall not exceed 20%.

- Where localities cannot reach agreement with one another on the prices of land in adjacent areas, they shall report such to the Prime Minister for decision.

b) The prices of land in adjacent areas between urban districts, rural districts, towns and cities of provinces, centrally run cities.

The provincial-level People's Committees shall, basing themselves on the practical situation in their respective localities, prescribed appropriate prices of land in adjacent areas on the principle that land in province-prescribed adjacent areas, having the

same natural conditions, the same infrastructures, the same current use purposes, the same planned use purposes shall have the same price level.

Where the infrastructure conditions in adjacent areas differ, the prices of land in the adjacent areas shall be determined on the basis of the practical conditions of each area.

For rural residential land on the outskirts (covering communes adjacent to inner areas or townships of urban centers of special grade or grade 1 and villages adjacent to inner areas, townships of the remaining urban centers), the land prices in these areas shall be determined on the principle of determining prices for adjacent land plots and applying land price brackets prescribed by the Government for types of adjacent urban centers.

The provincial-level People's Committees shall specify the rural residential land in suburban areas.

### **III. IMPLEMENTATION ORGANIZATION**

1. Based on Land Law No. 13/2003/QH11; the Government's Decree No. 188/2004/ND-CP of November 16, 2004 on methods of determining the land prices and assorted-land price brackets and the contents guided in this Circular, the provincial-level People's Committees shall decide on specific land prices; publicize and inspect the application of assorted-land price brackets in localities.

2. Annually, the provincial-level People's Committees shall each arrange a funding amount from the local budget for carrying out the investigation, surveys and statistics on land use right transfer prices, land price consultancy and determination of assorted-land prices, organizing

training on execution of land price decisions, organizing professional training and fostering for land price-managing officials in localities. The management of this funding shall comply with the current regulations of the State.

The provincial-level People's Committees shall direct the provincial/municipal Finance Services in organizing networks to monitor and make statistics on the actual land use right transfer prices on local markets, periodically report thereon to the Finance Ministry according to regulations. Where the actual land use right transfer prices on local markets fluctuate continuously for a long period, thus causing big price differences, they must report such to the Finance Ministry for sum-up report to the Government for considering the adjustment of assorted-land price brackets.

3. This Circular takes implementation effect 15 days after its publication in the Official Gazette.

This Circular replaces Joint Circular No. 94 TT/LB of November 14, 1994 of the Government Pricing Committee, the Finance Ministry, the Construction Ministry and the General Department of Land Administration guiding the implementation of the Government's Decree No. 87/CP of August 17, 1994 prescribing the assorted-land price brackets.

If problems arise in the course of implementing this Circular, the provincial/municipal People's Committees are requested to report them to the Finance Ministry for settlement guidance.

***For the Finance Minister***  
***Vice Minister***  
**HUYNH THI NHAN**