



**GUIDE FOR FOREIGN INVESTORS ON  
RESIDENTIAL PROPERTY INVESTMENT IN VIETNAM**





## INTRODUCTION

With the amendment to Vietnam's Housing Law which came into effect in July 2015, the country's residential property market offers long term growth potential and immerses opportunities for foreign investors.

This guide aims to provide foreign investors with a quick overview of Vietnam's legal framework as well as some key information on residential property investment in Vietnam.





## TABLE OF CONTENTS

### Introduction

#### Section 1: About Vietnam

At a glance  
Vibrant Ho Chi Minh City  
Top reasons to invest in property in Vietnam

#### Section 2: Foreign Home Ownership

- a. New Law on Housing
- b. Land use rights
- c. Eligibility
- d. Rights & Protections
- e. Restrictions

#### Section 3: Purchasing Property

Purchase Process

#### Section 4: Payment

Quoted price for apartment units  
Transaction costs  
Payment methods  
Payment scheme

#### Section 5: Handover

Warranty & Insurance  
Failure to deliver  
After-sale costs

#### Section 6: Subleasing & Transferring property

Subleasing property and tax obligation  
Selling property and tax obligation  
Professional support

#### Section 7: Finance

Movement of physical currency





Section 1

## ABOUT VIETNAM



### a. At a glance

Vietnam lies in the heart of Southeast Asia and spans across 330,967 km<sup>2</sup>. It is home to over 90 million people with nearly 50% of the population below age of 30 <sup>(1)</sup>. The country has experienced stable economic growth in recent years with GDP growth rate averaging 6,3% from year 2007 and 2017. GDP in 2017 is highest in past 10 years at 6,81%. The formation of ASEAN Economic Community and the passing of the TPP will provide a favourable setting for Vietnam's economy and increase foreign investments into the country.

### b. Vibrant Ho Chi Minh City

Located in the South of Vietnam, Ho Chi Minh City (HCMC), formerly named Saigon, is one of the largest and most important cities in Vietnam. This city is not only a centre of commerce and finance, but also Vietnam's hub for science, culture, education and technology. With a young and dynamic population of over 10 million people and a growing middle class, HCMC has enormous market potential. The city boasts the best infrastructure in the nation including modern transportation and telecommunication systems to create modern well-planned city that can become the most desirable and international business centre in Southeast Asia.

## c. Top reasons to invest in property in Vietnam



**Capital appreciation.** The property market's long term growth is highly potential, driven by the country's stable political environment, promising economy, high urbanisation rate and young population.

FOR  
RENT

**Rental yields.** With the increasing inflow of foreign investment, more expatriates and local professionals are expected to relocate to Vietnam's major cities, which promises good rental yields for homeowners. (Around 7% in HCMC 2017).



**Affordability.** High-end residential options with a full suite of complimentary facilities, good location, and convenient accessibility are very affordable, compared to its regional peers. (Avg Price \$1,558/sqm 2017 CBRE report).



**Tourism paradise.** A popular tourist destination with major ASEAN cities located within a 2-hour flight, Vietnam is an ideal place for vacationers and retirees.





## Section 2

# FOREIGN HOME OWNERSHIP

### a. New Law on Housing

The Law provides regulatory conditions for residential property ownership in Vietnam. The new law which took effect on 1 July 2015 allows foreigners granted entry into Vietnam to buy residential properties in the country.

### b. Land use rights

Private ownership of land is not recognized in Vietnam. Under the laws, the Vietnamese hold all ownership rights with the State as the administrator on their behalf.

However, the laws of Vietnam allow individual person or corporate entity to have ownership of a right to use land as the land user. Such right is called the land use right (“LUR”). A building, house or apartment constructed on land may be owned where a person has a consolidated legal document called as “Certificate of Land Use Right and Ownership of House and Other Assets on the Land”.



### c. Eligibility

**Foreign individuals:** who are granted entry into Vietnam and not entitled to privileges and diplomatic immunity.

Detailed documentation: valid passport affixed with an entry stamp by the immigration authority of Vietnam and such individual must not be in the category of people entitled to preferential treatment or diplomatic immunity.

**Foreign entities:** who are foreign invested enterprises, branches and representative offices of foreign enterprises, foreign funds, and branches of foreign banks duly operating in Vietnam.

Detailed documentation: an investment registration certificate or document proving permission to operate in Vietnam (both referred to as investment registration certificate or IRC) as issued by the competent agency of Vietnam and effective as at the time of entering into the residential housing attraction.



#### d. Rights & Protections

Foreign individuals granted Pink Books for their residential property in Vietnam will be entitled to ownership and use rights similar to the local Vietnamese, except for certain restrictions including purchase limit & ownership tenure (as discussed in Section 2e below).

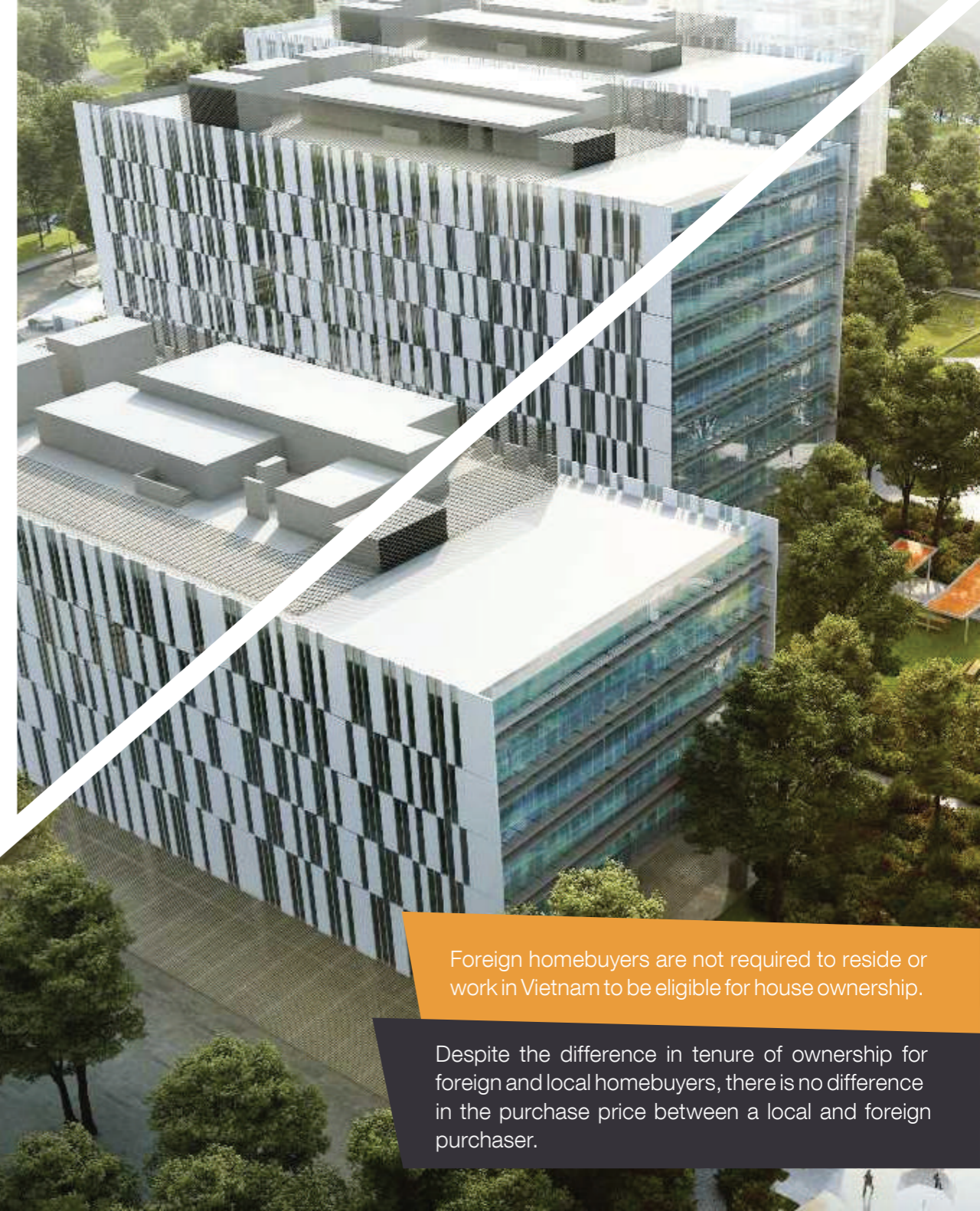
These rights include without limitations:

- To use their houses for residential and other purposes not prohibited by law;
- To maintain, renovate, demolish, or rebuild their houses in accordance with conditions and procedures of Laws on Construction;
- To carry out real estate transactions on their properties such as selling, leasing, mortgaging, bequeathing, etc., in accordance with conditions and procedures of Laws on Real Estate Business.
- To receive the compensation in accordance with market price as prescribed in Laws when the State demolishes, purchases compulsorily, or commandeers their houses for the purposes of national defense and security, socio-economic development, disaster prevention, or in the state of wars or emergencies;
- To file complaints, denunciation, or lawsuits over violations against their lawful ownership rights.

Foreign entities can use their properties with similar rights as mentioned but only as accommodation available to their staff. Such rights are also subject to certain restrictions including purchase limit and ownership tenure (to be provided below). To clarify, foreign entities are not allowed to use their houses for business including sublease, offices for other purposes.

Foreign homebuyers are not required to reside or work in Vietnam to be eligible for house ownership.

Despite the difference in tenure of ownership for foreign and local homebuyers, there is no difference in the purchase price between a local and foreign purchaser.







## FOREIGN HOME OWNERSHIP

### e. Restrictions

#### e.1 Land tenure

- Foreign individuals - up to 50 years (with possible extension) upon issue date of the Pink Book.
- Foreign individuals - married to Vietnamese citizens - freehold tenure.
- Foreign entities – up to the duration (inclusive of extended duration) indicated in the investment certificate

#### e.2 Purchase limit

- (a) 30% of the total units within one condominium complex;
- ((b) 10% of the total separate landed homes within one residential compound; or
- (c) 250 homes within an administrative unit equivalent to a ward.

In case the foreigners receive or inherit house(s) in a particular area where housing quota for foreigners has been met, they are only entitled to the value of the house(s).

Three (03) months prior the expiry of ownership duration, foreign homeowners can apply for tenure renewal which must not exceed fifty (50) years. They can also sell or bequest their property. If the foreign homeowner fails to do so before the expiry date, his/her property will be converted into the State property.



Swimming pool at Riviera Point, District 7, Ho Chi Minh City





## Section 3

# PURCHASING PROPERTY

1

Booking

Place a non-refundable deposit of VND 100 - 200 million (by credit card payment or bank telegraphic transfer) and sign the Option to enter into Deposit Contract Agreement

2

1<sup>st</sup> instalment &  
Deposit contract

Pay the 1<sup>st</sup> instalment by bank transfer within 5 - 15 days from the date of deposit to get ready to sign Sale and Purchase Contract (SPC).

3

Sign SPC

“COME TO VN” to sign Sale and Purchase Contract

4

Other instalments  
as schedule

Pay subsequent instalments in accordance to the payment schedule

5

Handover

Pay maintenance fee 2%, and an instalment amount upon handover of the apartment

6

Preparation for  
Ownership Certificate

Submit documentation for the application of Ownership Certificate (for buyers who have signed the Sales & Purchase Agreement)

7

The last payment

Pay the remaining balance within 14 days from the date of the notice to take delivery of the ownership certificate.



Unit measurement: Selling price & management fee will be based on Net Usable Area (Carpet Area or Inner Area), which will also be clearly indicated in the Sales & Purchase Agreement (SPA). In general, Carpet Area is the area within the building and inclusive of areas taken by room-divided walls, balcony/loggia attached to the building. It excludes the area of external walls, columns, service ducts, and technical compartments.

Note: As the guidance for the new Law on Housing is pending, transaction involving foreigners shall be conducted under the Long Term Lease Contract, which will be subsequently converted into Sales & Purchase Agreement if the purchasers are eligible, upon the issuance of the official guidance.





## Section 4

# PAYMENT

For a quick overview on financial support available to foreign homebuyers, please refer to Section 7.

### a. Quoted price for apartment units

Whether the quoted price is inclusive of Value Added Tax or Maintenance Fee should be clearly indicated in the Sales & Purchase Agreement:

$$\text{Quoted Price} = \text{Apartment Price} + \text{Value Added Tax} + \text{Maintenance fee}$$

**Value Added Tax (VAT)** is usually 10% of the apartment value at the moment. VAT rate is subject to change in accordance with VAT laws.

**Maintenance Fee (or Sinking Fund)** Before the handover of the unit, all apartment owners have to contribute 2% of the apartment price for the maintenance and major repairs of common areas in the apartment building. This Maintenance Fee is not used for the operation and management of the condominium, which will be covered by Management & Operation Fee.

### b. Transaction Costs

Besides VAT and Maintenance Fees which have been included in the quoted price, real estate transactions often result in the following transaction costs:

**Registration Tax (Upon registration for Ownership Certificate):** 0.5% of the apartment value (capped at VND 500 mil.) and in the case of land residential property, 0.5% \* land or house area \* land price announced by the local people's committee at the time of registration.

**Notary's Fees:** Calculated based on the value of the property under transaction (from VND 1 mil. and capped at VND 10 mil.)

**Personal Income Tax (PIT)** Income gained from real estate transaction is taxable with tax rate fixed at 2% (of the selling price). Currently, tax laws in Vietnam allow PIT exemption in case the transfer is between immediate family members or the seller owns only one real property and meets other criteria.

(All these costs are subject to change in accordance with relevant laws and regulations)

It is a common practice in Vietnam for:

- + The seller to bear the PIT;
- + The buyer to bear the Registration Tax;
- + Both parties to negotiate who will bear the remaining taxes and fees.







### c. Payment Methods

Foreign homebuyers can choose one of the following paying methods;

- (a) open a local bank account in Vietnam to transfer payments to the Developer's bank account;
- (b) transfer payment directly from abroad to the developer's bank account set up in Vietnam; or
- (c) make cash payment in VND to the developer's bank account in Vietnam.

Please note that cross-border cash transfer and movement are strictly monitored in Vietnam, read more on Section 7

### d. Payment Scheme

The developers will decide the payment scheme, which will be clearly indicated in the SPA. Usually subject to negotiation between buyers and sellers, homebuyers can choose to pay in lump sum or to make milestone payments. For projects being under construction, the current Law on Real Estate Business sets the collection limit to 50% for foreign developers and 70% for local Vietnamese developers prior to the handover. Plus, they can only collect up to 95% of the home value before the clients receive the Ownership Certificate (Pink Book).







## Section 5 HANDOVER

### a. Warranty & Insurance

Developers are required by laws to provide homebuyers warranty services for the house structures and equipment which malfunction or are damaged. The warranty period starts from handover date and must last at least 24-60 months depending on the property types. Warranty terms shall be clearly indicated in the sales and purchase agreement.

Developers are not bounded by law to offer homebuyers insurance for their purchased properties. Homeowners are recommended to arrange insurance for their property on their own.

### b. Failure to deliver

Late handover may result in a compensation amount equal to the interest on the paid amounts to the buyer. The interest rate shall be equal to the lending rate at a commercial bank at the time of the late handover.

In case the developer cannot commit to the ultimate deadline for handover as stated in the SPA, the buyer has the right to unilaterally terminate the SPA. The buyer shall be refunded the full paid amount plus compensation amount as mutually agreed in the SPA.

### c. After-sale costs

**Management Fee** will be paid monthly by the residents and used for the operation and management of the condominium. Services include, but are not limited to, elevator's operation, security services, garbage collection, pest control, janitorial and gardening services, and maintenance of common facilities etc. The monthly fee is calculated based on the carpet area.

Miscellaneous Fees such as utilities fees, parking fees, etc. will also subject to negotiation between residents and the developer





## Section 6

# SUBLEASING & TRANSFERRING PROPERTY

### a. Subleasing property and tax obligation

Foreigners are allowed to sublease property, but they shall report to the district-level housing authority if he/she wishes to rent out property. Rental income is taxable. Tax rate will vary in accordance with the rental income.

### b. Selling property & tax obligation

Foreigners are allowed to sell property. If a homeowner with a valid Pink Book sells to another eligible foreigner the remaining tenure is pending the Government's guidance. If the transferee is a Vietnamese, the tenure shall be automatically converted to Freehold. Personal income tax from sale of property is subject to 2% of the selling price.

### c. Professional support

The Foreign homeowners are encouraged to consult with professional brokerage firms or real estate agents who have experiences in property management, transactions, and leasing. Developer can refer some of these well-known consultants to the foreign homeowners.



### a. Movement of physical currency

Foreigners carrying cash exceeding USD 5,000 or VND 15 million (or equivalent amount in other foreign currencies) will have to declare upon entering or exiting Vietnam via international border checkpoints. This also applies to individuals carrying less than the cash limit but has the intention to use the amount for later payment via bank deposit.

In case the individual wants to carry an amount of cash exceeding the cash limit out of Vietnam, they must declare and produce the following document:

- (a) Confirmation of carrying cash overseas from a credit institution authorized to issue such document; and
- (b) Document showing approval for individuals to carry cash overseas issued by the State Bank of Vietnam.

### b. Inward and outward remittances

Transfer limit for inward remittances will be subject to the rules and regulations of the transferor's home country. Outward remittances are closely monitored in Vietnam and are subject to the regulations of the State Bank of Vietnam and the Vietnam's laws. For outward remittances from Vietnam, the transferor is expected to produce necessary documents proving his source of income such as Proof of Income in Vietnam (if applicable), Proof of Inward Remittances to Vietnam, Sales & Purchase Agreement, etc. He/she shall also produce proofs of his/her tax fulfillment (income gained from real estate transactions and leasing activities are taxable).

### c. Opening a bank account in Vietnam

Foreigners can set up a bank account with either Vietnamese banks or branches of foreign banks in the country. Most banks require valid passport, visa/entry permit, residential address, and a minimum deposit amount.

## Section 7 FINANCE



The Estella, District 2, Ho Chi Minh City



# VNK Investment Consultancy



## BUSINESS

### For global real estate investors:

Provide one-stop service for buying, furnishing, leasing, managing and selling property; help global buyers find the best real estate opportunities with expert real estate consulting in Vietnam.

### PURCHASING

Success story with worldwide clients  
Expertised Consultancy

### FURNISHING

Lease out faster and better price  
Ready to move in

### MANAGEMENT

No worry but enjoy  
New in - New out

### LEASING

Average 2weeks rented out  
20% better return

### RESELL

Risk free  
Worry free



# **VNK** Investment Consultancy

3rd Floor, No. 30 Nguyen Co Thach Str., Sala New City, Dist. 2, HCM City

---

 (+84) 966 913 131