

NEW REGULATIONS ON THE REDUCTION OF LAND RENTS IN 2023

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To support enterprises during difficult economic periods, on October 3, 2023, the Prime Minister issued Decision 25/2023/QĐ-TTg on the reduction of land rents in 2023 (**Decision 25**). The below outlines some outstanding contents of Decision 25:

Firstly, regarding the subjects for land rent reduction. According to Decision 25, beneficiaries of land rent reduction are organizations, units, enterprises, households, and individuals that are directly leasing land from the State under Decisions or Contracts or Certificates of land use rights and rights to ownership of houses and other properties on land issued by competent authorities under the method of land lease with annual rental payment (**Land lessees**). This regulation also applies to cases where Land lessees do not qualify for land rent exemption or reduction, have reached expiration of land rent exemption or reduction, and are having their land rents reduced under the regulations of land laws and other relevant laws.

Secondly, regarding the rate of land rent reduction. Under Decision 25, the reduction in land rents is 30% of land rents payable (generated receivable amounts) of 2023 for Land lessees, no tax reduction is applied to outstanding land rents and late payment penalties (if any). In the case that a Land lessee is enjoying a reduction in land rents as prescribed by laws and/or a deduction of compensation and ground clearance from land rents under regulations of laws on land rents, the 30% reduction shall apply to the land rents payable (if any) after making such reduction or/and deduction (except for land rents that have been reduced according to Decision 01/2023/QĐ-TTg dated January 31, 2023 of the Prime Minister).

Thirdly, regarding procedures for reduction of land rents. To be considered for a reduction in land rents, Land lessees should prepare the dossier for land rent reduction including (i) An application form for reduction of land rents under the Form stipulated in Annex II Decision 25; (ii) The Lease Decision or Lease Contract or Certificate of land use rights and rights to ownership of houses and other properties on land issued by



competent authorities (Copies). Land lessees shall submit such dossier to one of the following authorities from the effective date of Decision 25 to the end of March 31, 2024: (i) Tax authority assigned to collect land rents; (ii) the Management Board of relevant Economic Zone, Hi-Tech Park; (iii) Other agencies as prescribed by laws on tax administration. Besides, Decision 25 also sets out some notes for performance as follows:

- The regulation on reduction of land rents under this Decision shall not be applied to Land lessees who submit their applications after March 31, 2024;
- In the event that the competent authority has decided to reduce the land rent for a Land lessee under the provisions of Decision 25 but then the State management agency discovers, through inspection and examination, that the Land lessee is not eligible for land rent reduction, the Land lessee must repay the same to the State budget;
- If land rent reduction is granted by the competent authority after a Land lessee has paid the land rent of 2023, any overpaid rent shall be deducted from the land rent payable in the next period or the next year following provisions of the laws on tax administration and other relevant laws. In the case where land rents will no longer be paid for any period, the overpaid rent shall be offset or refunded as prescribed by laws on tax administration and other relevant laws.

COMMENTS AND RECOMMENDATIONS

Decision 25, which is promulgated by the Prime Minister and comes into force from November 20, 2023, has contributed to reducing businesses' burden in the context where the economy is facing numerous fluctuations, creating opportunities as well as motivation for enterprises to overcome the current difficulty. Decision 25 has specific regulations on the procedures to apply for a reduction in land rents, forms for preparing applications, and deadlines for submitting applications to be considered for reduction; therefore, enterprises need to keep this in mind for proper and prompt implementation to ensure their legitimate interests.