

THE TAXATION OF REAL PROPERTY IN VIET-NAM

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INTRODUCTION

This report on the taxation of real property in Viet-Nam is the second in a series, following an earlier one on the system of taxing income. Present plans are to continue research on tax policy and the administration of particular central government taxes, and issue individual reports on each tax. At a later time, the several reports will be integrated into a single document.

Real property taxation in Viet-Nam is particularly difficult to describe and analyze. In the first instance, the property tax system departs sharply from Western practice, so research involves delving into the strange rather than the familiar. Secondly, there are serious gaps in the available information, not only of a quantitative nature, but also with respect to the legal application of the tax. The reason for this is that the legal basis of the tax is derived from a Fiscal Code, numerous uncodified decrees and arrêtés, as well as administrative regulations.

Among the major taxes used in Viet-Nam, the tax on real property is probably more in need of rehabilitation than any other levy. The tax breaks the canons of equity, convenience, productivity, and neutrality to an alarming degree. The basic law promulgated in the Fiscal Code is structurally unsound and archaic, while special decrees and arrêtés have supplemented the law unevenly. Weak assessment and collection, together with low rates, have resulted in the tax being a minor source of revenue at all levels of government. Nothing less than a

major reform of the whole tax, together with its administration, is needed,

And the tax is worthy of reform. Although there are certain philosophical weaknesses with respect to the taxation of real property, the fact remains that it is a better tax than principal alternatives available. In the present stage of Viet-Nam's development, the evolution of a productive system of taxing income will be a gradual process. In the meantime, reliance must be placed on other sources of revenue. Among these other sources, the taxation of real property has a stronger justification than many of the indirect taxes which impede economic growth and are largely borne by low income groups. In other words, real property taxation can serve as a second line of defense between a productively weak income tax system and the tax wilderness of import duties and sundry taxes on production and exchange. It is a tax that must be developed if Viet-Nam is to close the gap between its budgetary needs and its present tax resources.

PART 1 - DESCRIPTION

1. An Overview of the System

For an observer unfamiliar with the history and institutions of real property taxation in Viet-Nam, it is quiet easy to become lost in a maze of rates and classifications, with the result that it is difficult to see the forest for the trees. Consequently, it is desirable at the outset to present a brief schematic outline of the general picture before entering into the technical intricacies of the property tax system.

There are three important basic characteristics of the Vietnamese system of taxing real property: (1) The tax is primarily a central government source of revenue, with other levels of government receiving income based on percentage additions to the central government tax. (2) Land is taxed a specific amount per square meter or per hectare according to locational value or productive capacity, while buildings are taxed on the basis of actual or estimated rental value. (3) Four basic distinctions are made in the tax rates applicable to land depending on whether it is located in an urban center, used for rice production, used for mixed cultivation, or borders a highway or street. Integrating these three basic characteristics and adding some additional detail provides the following general picture:

1. Urban Centers:

- (1) There are two schedules for classifying urban land, one for occupied and the other for unoccupied land. Each schedule has

a series of tax rates. The schedule for occupied land is uniform throughout Viet-Nam, but the schedule for unoccupied land varies among urban centers and the provinces.

(2) The tax on buildings is uniform throughout Viet-Nam. It is 6 per cent of net rent, and net rent is 75 per cent of gross rent. The tax is applicable to both rented and owner-occupied buildings.

(3) Prefectures, provinces, and villages receive percentage additions of the total central government tax on land and buildings, and these percentage increases vary throughout Viet-Nam.

II. Rice Land:

(1) All rice land in Viet-Nam is classified according to one schedule, which provides a series of tax rates.

(2) Provinces and villages receive percentage additions of the total central government tax on rice land, with these increases varying among the provinces.

(3) Buildings on rice land are exempt if modest and taxed on the basis of rental value if of permanent construction.

(4) The total land tax for all governments is increased by an agricultural service tax.

III. Mixed Cultivation:

(1) Land used for other agricultural purposes than the cultivation of rice is classified according to three different schedules, one each for South Viet-Nam, Central Viet-Nam, and the Highlands.

(2) Provinces and villages receive percentage additions of the total

central government tax on land used for mixed cultivation, with these increases varying among the provinces and being different than those applicable to rice land.

(3) Buildings are exempt if modest and taxed on the basis of rental value if of permanent construction.

(4) The total land tax for all governments is increased by an agricultural service tax.

IV. Land Bordering Highways and Streets:

(1) Land is classified according to one schedule with a series of tax rates applicable to all Viet-Nam.

(2) Provinces and villages receive the same percentage increases of the central government tax which are used in the case of taxing urban centers.

(3) Buildings are taxed on the basis of rental value.

2. History of Real Property Taxation:

As noted previously, a principal feature of the levy on land and improvements is that it has been a shared tax among different levels of government during the period of modern taxation in Viet-Nam. When Viet-Nam had three regional governments -- in the North, Central and South -- the tax was a regional government levy, with an additional percentage of the regional tax being added for the revenue needs of the cities, provinces, and villages. For example, in South Viet-Nam, the additional real property tax for Saigon might have been 200 per cent of the regional tax, while a particular province might have received 10 per cent and a village 5 per cent

of the regional tax. There was no uniformity in the rates of taxation among the three regional governments, however, and there was also no uniformity in the additional percentage additions to the basic regional tax within a particular region. These percentage additions for each province, city, and village were determined by the Finance Directorate of each regional government, while assessments were undertaken at the city and provincial levels.

Another basic feature of the land tax is that the rental value of improvements has been used as a basis of assessing improvements on urban land, while both urban and rural lands have been classified into categories based on productive quality, with variable tax rates for differing qualities of land. Before the new Fiscal Code was introduced in 1953, rental value as a basis of assessing improvements on the land was used only in the cities of Saigon and Cholon, while the method of land classification based on productive and locational value differed among the three regional governments. The Fiscal Code of 1953 extended rental value as a basis of taxation to all urban centers throughout the three regional governments, and also provided for a standardized method of classifying urban and rural land for all three regional governments.

A further change in the land tax resulted from the elimination of regional governments. After the Geneva Agreement in 1954, the area to the South of the 17th parallel comprised all of the former regional government of South Viet-Nam, but only a portion of Central Viet-Nam. The land tax continued to be a source of revenue for these two regional governments.

until January 1, 1956, when the two governments ceased to exist. After January 1, 1956, the land tax became a central government levy, with the cities, provinces, and villages being given additional percentages of the central government tax for their revenues needs. Also, on January 1, 1956 the General Directorate of Taxation of the Central Government was given the responsibility for all tax assessments in the Republic of Viet-Nam (except for small agricultural holdings) instead of having the assessments made by either city authorities or chiefs of provinces.

3. The Tax On Urban Land And Improvements

(1) Classification of the land: In taxing urban real estate, a basic distinction is made between the taxing of land and the improvements on the land. Urban land is taxed at a specific amount per square meter or hectare, with variable tax rates depending on the value of the land and whether it is occupied or unoccupied. Improvements are taxed on the basis of rental value, which is legally the actual market rent in the case of rented property and estimated market rent for owner-occupied property.

Considering first the classification of urban land, the Fiscal Code makes provision for two sets of schedules for occupied and unoccupied land. The schedule for classifying occupied urban land has five categories:

Super class :	.85\$VN per square meter
First class :	.40\$VN per square meter
Second class :	.25\$VN per square meter
Third class :	.15\$VN per square meter
Fourth class :	.05\$VN per square meter

Provisions in the Fiscal Code for classifying unoccupied urban land

are more extensive. Separate schedules are established for (a) Saigon-Cholon; (b) a group of specially designated large towns in Central Viet-Nam; (c) urban centers, which includes small towns and villages; and (d) other local property bordering highways and streets. These schedules for classifying unoccupied urban land are assembled in Table 1.

TABLE 1

Classifications and Tax Rates for Unoccupied

Urban Land

A. Prefecture of Saigon-Cholon:

First zone	1.0\$VN per square meter
Second zone	.6\$VN per square meter
Third zone	.2\$VN per square meter
Fourth zone	
- Land with buildings	.1 . \$VN per square meter
- Gardens	.02 \$VN per square meter
- Rice fields	.006\$VN per square meter
- Marsh	.002\$VN per square meter

B. Hue - Tourane:

First zone	2,000\$VN per hectare
Second zone	1,000\$VN per hectare
Third zone	500\$VN per hectare

C. Quang-Tri -- Dong-Ha -- Hoi-An:

First zone	500\$VN per hectare
Second zone	200\$VN per hectare

D. Nha-Trang -- Phan-Thiet -- Phan-Rang -- Thap-Cham:

First zone	2,500\$VN per hectare
Second zone	1,000\$VN per hectare
Third zone	500\$VN per hectare

E. Urban Centers:

a. First Category:

First zone	2,000\$VN per hectare
Second zone	1,000\$VN per hectare
Third zone	500\$VN per hectare
Fourth zone	200\$VN per hectare
Fifth zone	100\$VN per hectare

b. Second Category:

First zone	1,000\$VN per hectare
Second zone	500\$VN per hectare
Third zone	200\$VN per hectare
Fourth zone	100\$VN per hectare

c. Third Category:

First zone	500\$VN per hectare
Second zone	200\$VN per hectare
Third zone	100\$VN per hectare

F. Local property and villages other than Urban Centers:

a. Bordering a national, provincial or interprovincial highway	50\$VN per hectare
b. Bordering a secondary road, path or in the center of a village:	30\$VN per hectare

Source: Ordinance No. 7 of April 13, 1953, promulgating the National Code of Land Tax.

For Saigon-Cholon, and the specially designated large towns in Central Viet-Nam listed in Table 1, the classification of both occupied and unoccupied urban land follows the designations in the Fiscal Code. For example, all occupied urban land in Saigon-Cholon is classified according to the occupied land tax schedule, although in practice the fifth category in the schedule is not used. This fifth category is reserved for land used for gardens, but no land in the city is considered eligible for this

use. The greater proportion of occupied land in Saigon-Cholon is classified either in the Super or Third classes, and by inspection of a land classification map, the proportion of land falling into these two categories appears to be about two-thirds of all the land in the city. In general, the classification of land in the city follows the United States procedure of zoning; that is, large areas rather than individual properties are placed into particular categories. On the other hand, unoccupied urban land in Saigon-Cholon may be classified according to the first four zones indicated in Table 1. Similarly, the specially designated large towns of Central Viet-Nam listed in Table 1 classify urban land according to the occupied land tax schedule and the applicable unoccupied land tax schedules indicated in Table 1.

In practice most of the land in Saigon-Cholon (and the same is probably true of other urban centers) bears a tax following the occupied rather than the unoccupied land classification schedule. The reason for this is that for each one-storied building, land surrounding the building to the extent of six times the area of the building is taxed as occupied land, while only any land in excess of this amount is taxed as unoccupied land. For a building in excess of one story, nine times the area of the building is taxed on the basis of the occupied land schedule and only the remainder is taxed according to the unoccupied rates.

One might expect that the tax rate in every zone would be either consistently higher or lower for occupied land as compared to unoccupied land, but such is not the case. By comparing the two schedules applicable

to land in Saigon-Cholon, it may be seen that the tax rates on unoccupied land are higher than those ^{on} occupied land for the first two zones, while for the third and fourth zones the rates on occupied land are higher than those on unoccupied land.

The classification of occupied and unoccupied urban land becomes more complicated for the other urban centers not specially designated in Table 1. The reason for this is that special central government decrees require towns and villages to classify their occupied and unoccupied urban land according to certain categories listed in the Fiscal Code. For example, a particular decree requires all occupied urban land in Pleiku to be classified under the Fourth Class while all unoccupied land must be classified under the Third Zone of the Third Category in Table 1.

To add to the complication, only partial information on these decrees is available in the office of the General Directorate of Taxation in Saigon. To complete the information, it would be necessary to contact various district offices of the General Directorate of Taxation. The importance of this data, however, did not appear to warrant the time and effort necessary to obtain the information. Table 2 has been prepared in order to summarize the availability of information in this report on the classification of all urban land in Viet-Nam.

(2) Land Reclassification: Existing classifications are subject to review and reclassification every three years. Any changes in the classification of land involve an area of a city or town rather than individual parcels of land. These changes are recommended by the

TABLE 2

Availability of Information on the Classification of
Occupied and Unoccupied Urban Land in Viet-Nam

South Viet-Nam

Occupied Urban Land

1. Available for Saigon-Cholon
2. Decrees not available for towns and villages

Unoccupied Urban Land

1. Available for Saigon-Cholon from the Fiscal Code
2. Assembled for towns and villages in Appendix A

Central Viet-Nam

Occupied Urban Land

1. Available for large towns from the Fiscal Code
2. Decrees not available for other towns and villages

Unoccupied Urban Land

1. Available for large towns from the Fiscal Code
2. Decrees not available for other towns and villages

Highlands

Occupied Urban Land

1. Assembled for five urban centers in Appendix B.
2. Not available for villages

Unoccupied Urban Land

1. Assembled for five urban centers in Appendix B.
2. Not available for villages

mayors in the case of cities and by the chiefs of provinces for towns and villages. Then the recommendations are considered and approved by the Minister of Finance. Any change in the classification of land has the force of law; there is no provision for appeal.

Some of the arbitrary bluntness in land classification is removed by the provision in the Fiscal Code which requires the mayors and chiefs of provinces to appoint an advisory committee at the time when reclassification is under consideration. Apart from the requirement that one member of this committee must be a landowner of the area, there are no other restrictions on the number or representation of the committee members.

In Saigon-Cholon, a reclassification of the land was made recently for the three years 1958 to 1960 inclusive. The advisory committee appointed by the mayor for this undertaking numbered about 12 members and met on two occasions. In addition to the advice of this committee, the mayor consulted with the Cadastral Service and heads of particular prefectural departments. The most significant result of the last reclassification of land in Saigon-Cholon was to transfer a considerable amount of land from First class to Super class.

(3) Taxation of Improvements: By comparison to the specific tax on land, the tax on improvements is based on net income. Actual gross rent (or estimated gross rent in the case of owner-occupied buildings) is first reduced by 25 per cent in order to obtain net rent, and then net rent is taxed at 6 per cent. This amount is added to the land tax, and the aggregate represents revenue for the central government.

Gross rent estimates for the application of the tax on net rent are based on declarations forwarded by owners of property. Landbands

are required to report actual rents received, while owners occupying their own buildings are required to report estimated rental value. These reports are required every three years, coincident with the reclassification of land. The last time that these reports were required to be forwarded in Saigon-Cholon was by January 31, 1958, but it is reported that more than one-half of the owners did not forward the required reports. In the absence of these declarations, estimated gross rents are based on previous reports or on the basis of comparisons with other properties for which the rental values are known. Each taxable piece of property is supposed to be visited every three years in order to verify the information supplied by landlords, but in practice this goal is not attained. For example, in Saigon-Cholon only about three-fourths of the estimated 25,000 properties are visited in every three-year period.

The Fiscal Code provides for a second committee to advise the General Directorate of Taxation on the determination of the rental value of properties. This committee is appointed by the Minister of Finance every three years, and the number and representation of its members is determined on the basis of recommendations by the General Director of Taxation. For the period 1958 to 1960, the committee appointed for Saigon-Cholon is composed of the Chief of the Land Tax Bureau, as chairman, one member from the Cadastral Service of the Central Government, one representing the Mayor of Saigon, and two members representing landlords. This committee in practice confines itself to advising the Chief of the Land Tax Bureau on difficult individual cases of rental value assessment and to considering

appeals of particular taxpayers. During 1958, the committee met approximately 35 times.

(4) Percentage Additions of the Central Government Tax:

The determination of the total central government tax on urban land follows two steps: the classification of a particular parcel of land in order to determine the applicable land tax rate, and the computation of the tax based on the rental value of the building. Following the determination of this total central government tax, the provinces, cities, towns, and villages are then permitted to levy additional percentages of the total central government tax. These additions are prescribed by the central government in two ways. There are first maximum percentage increases established for each region and urban center (See Appendix C), and secondly, actual percentage additions are prescribed for each region and urban center. (See Appendix D). It is not known why the central government prescribes both maximum and actual percentage increases.

In addition to the percentage increases of the central government tax established for the revenue needs of Saigon-Cholon, this city has two special charges based on net rent for urban services. One is at the rate of 6 per cent for garbage removal, while the other is 3 per cent of net rent for sewage. There is no garbage tax levied on unoccupied land, but there is a sewage tax of 20 per cent of the central government land tax. These specific charges for urban services are not uniform throughout Viet-Nam and some cities do not have them.

(5) Exemptions: Exemptions from the real property tax are classified into

permanent and temporary. Permanent exemptions include: 1. buildings used as offices by public administrators; 2. justice courts and tribunals; 3. schools, libraries, and museums; 4. town and village halls; 5. military establishments; 6. jails; 7. real estate belonging to religious organizations; 8. buildings belonging to institutions which are non-profit and are devoted to serving the public interest; 9. straw-covered huts and other houses of light construction reposing directly on the ground; and 10. foreign embassies.

Temporary exemption of the tax for three years is extend to buildings or portions of buildings which were constructed to replace war damage, provided that the buildings are to be used principally for living quarters. This exemption is not allowed if: 1. the reconstructed building is to be used for a different purpose than previously; 2. the new building is different in construction from the old one; and 3. the owner has received an allowance for war damage.

(6) Total Tax Burdens: In recapitulation, the various taxes on urban property in Saigon-Cholon may be summarized by means of an example. The illustration refers to the usual case (at least with the more valuable properties) in which both the land and the buildings are owned by the same person. The building is assumed to be located on 1,000 square meters of land in the Super class, and the gross rent of 120,000\$VN per annum may be viewed as either the gross rent received by the owner from a tenant or as the estimated rent reported by an owner occupying his own building. In either case, for illustrative purposes it is assumed that the gross rent

actually represents the real market rent. The various steps in calculating the real estate tax follow:

(1) Determination of the Tax on Land:

Area	Rate
1,000 meters	x .85\$VN = 850\$VN

(2) Determination of the Tax on Improvements:

Gross rent - 250/o for Expenses x 6 per cent	
120,000\$VN - 30,000\$VN x 6 per cent	= 5,400\$VN

(3) Real Estate Tax for the Central Government:

Land Tax + Improvements Tax	
850\$VN + 5,400\$VN	= 6,250\$VN

(4) Real Estate Tax for Saigon-Cholon:

Central Government Tax x 2	
6 250\$VN x 2	= 12,500\$VN

(5) Garbage Removal Tax for Saigon-Cholon:

Net Rent x 6 per cent	
90,000\$VN x 6 per cent	= 5,400\$VN

(6) Sewage Tax for Saigon-Cholon:

Net Rent x 3 per cent	
90,000\$VN x 3 per cent	= <u>2,700\$VN</u>

Total Tax: 26,850\$VN

This total tax of 26,850\$VN represents a burden of 22.4 per cent of the gross rent or 29.8 per cent of the net rent.

The calculations become more complex when the ownership of land is separate from the ownership of the buildings, which is often the case in slum areas. There are two possible cases: (1) If the owner of the building actually pays rent for the use of the land, the owner

of the land will pay total taxes following the above illustration, including special charges for garbage and sewage. In addition, the owner of the building must pay a tax on the estimated rental value of the building as well as garbage and sewage charges based on this rental value. Thus, there is a double charge for garbage and sewage in the case where there is separate ownership of land and buildings as compared to when a taxpayer owns both the land and the building. (2) If the owner of the building does not pay rent to the owner of the land, the land is considered to be unoccupied, and is taxed according to the unoccupied land tax schedule. In this case, the owner of the land will pay 20 per cent of the central government land tax as a sewage tax and there will be no charge for garbage removal, while the owner of the building will pay garbage and sewage charges based on the estimated rental value of the building.

However, the tax ~~rates~~ noted above of 22.4 per cent of gross rent and 29.8 per cent of net rent are more nominal than real because of two circumstances. As mentioned before, possibly as much as one-quarter to one-third of the buildings in Saigon-Cholon is not on the tax rolls. Secondly, the prevailing practice in negotiating all new rental leases is to pay rent in the form of both a legal rent and a "key rent," and only the former enters into the base of the tax. A subsequent section of this report analyzes the problem of key rents and the effect of key rents on the real tax burden.

(7) Appeals: There are three levels of appeal. First, when the tax roll is completed, notice to this effect is placed in the newspapers. Taxpayers are given 15 days after the appearance of this notice to inquire about their

assessment and raise an objection. Secondly, after the roll has been forwarded to the General Treasury for collection, taxpayers are given three months to request a review of their assessment by the General Directorate of Taxation. Finally, taxpayers may appeal assessments to the administrative courts. Resort to the latter occurs very infrequently.

4. The Tax on Rural Land and Improvements

(1) Classification of the land: The first broad distinction made in the assessment of rural land is between rice production and the use of land for all other agricultural purposes, the latter being referred to as mixed cultivation. Then the land in each of these two categories is classified into several sub-groups. In the case of rice land, the classification into sub-groups is based on productive ability, while for mixed cultivation the classification is based on the type of product grown. The tax rates applicable to mixed cultivation are generally higher than those on rice lands.

Rice lands are first classified into six groups according to average yield per hectare:

Super Grade	:	over 2,000 kilos of paddy
First Class	:	less than 2,000 and over 1,200 kilos of paddy
Second Class	:	less than 1,200 and over 700 kilos of paddy
Third Class	:	less than 700 and over 500 kilos of paddy
Fourth Class	:	less than 500 and over 300 kilos of paddy
Fifth Class	:	less than 300 kilos of paddy

On the basis of this classification, rice land is taxed for central government purposes according to the following schedule:

Super Grade	:	85\$VN per hectare
First Class	:	65\$VN per hectare

Second class : 50\$VN per hectare
Third Class : 35\$VN per hectare
Fourth Class : 20\$VN per hectare
Fifth Class : 10\$VN per hectare

According to the Fiscal Code, classification of the land into the various tax groups is to be undertaken by a committee appointed by the regional governors. Since the demise of regional governments in 1956, these committees are appointed by the province chiefs. Claims against the inequity of particular classifications may be submitted to the province chiefs for review.

In practice, each of the six groups for classifying rice land are used in Viet-Nam, but there are no statistics available for the distribution of all rice land among the groups. In the ten provinces in the northern section of South Viet-Nam, it is reported by tax administrators that the greater proportion of rice land is classified in either the Super Grade or Second Class.

The classification of land used for mixed cultivation is more complex, and follows two procedural steps. First, the Fiscal Code provides seven categories of land with respective tax rates:

Special Category : 300\$VN per hectare
Super Grade Category : 250\$VN per hectare
First Category : 190\$VN per hectare
Second Category : 110\$VN per hectare
Third Category : 55\$VN per hectare
Fourth Category : 20\$VN per hectare
Fifth Category : 15\$VN per hectare

Each agricultural product is then assigned to a particular group; for example, all land used for rubber production may be classified under the Super Grade Category, while all land used for tea production may be

classified under the First Category. These designations are determined by arrêtés for each of the three regions of Viet-Nam -- the South, Center, and Highlands. This means that land used for coffee production in South Viet-Nam may be classified as First Category, while land used for the production of the same crop in Center Viet-Nam may be classified as Special Category. If more than one crop is grown on a parcel of land, the area is prorated, say between one-half for tea production and one-half for coffee. Appendix E presents a summary of all arrêtés for the classification of land used for mixed cultivation in the three regions of Viet-Nam.

(2) Percentage Additions of the Central Government Tax:

Given the classification of a particular parcel of rice land into a certain class, say the Super Grade, the assessment of the land tax for the Central Government merely represents multiplying the number of hectares by the applicable tax rate, in this case 85\$VN per hectare. Tax rates applied for provincial and village revenue purposes are then given percentages of the central government tax. These percentage increases vary from one province to another, and are generally higher on lands used for mixed cultivation than on rice fields. Provincial and village rates are recommended by the Chief of each province and are approved by the Minister of Finance. Appendix F summarizes all of the provincial and village rates in effect for the provinces and villages for tax year 1959.

As a final addition to the total land tax levied by the village, provincial, and central governments, there is a tax of one tenth of one per cent of the central government tax for the specific use of the National

Chamber of Agriculture. This tax is applied uniformly to agricultural land.

(3) Illustrative Tax Calculations: In recapitulation of the foregoing, the total tax on one hectare (2.471 acres) of rice land may be computed under the assumptions that: (1) the land is classified as Super Grade, and thus bears a central government rate of 85\$VN per hectare; and (2) following the general pattern in South Viet-Nam, the provincial rate is 10 per cent and the village rate is 5 per cent of the central government tax. Procedurally, the various steps in calculating the total land tax are:

1. Central government tax:

Area X Rate		
1 hectare X 85\$VN	=	85\$VN

2. Provincial tax:

10 per cent of central government tax		
.10 X 85\$VN	=	8.5\$VN

3. Village tax:

5 per cent of central government tax		
.05 X 85\$VN	=	4.25\$VN

4. National Chamber of Agriculture tax:

1/10 of 1 per cent of central		
government tax		
.001 X 85\$VN	=	.085\$VN

Total tax 97.835\$VN

It is important to note two basic characteristics of the land tax burden: First, the provincial and village rates, particularly for the rice fields of South Viet-Nam, represent, even in combination, a relatively

small percentage of the central government tax, with the result that the tax on rice fields is principally a source of revenue for the central government. In the above illustration, 87 per cent of the total tax represents a source of revenue for the central government. Secondly, the total land tax on rice fields represents an extremely light tax burden. Converting the tax of 97.835\$VN per hectare of Super Grade rice land into U.S. dollars at the free market rate of exchange results in a tax of only \$1.36 per hectare or 55 cents (U.S.) per acre.

Relating this tax burden to the productive ability of the best grade of Mekong Delta rice land demonstrates that the land tax could be exploited further. On the assumption that gross income per hectare is 6,000\$VN per hectare, it was determined in one village in South Vietnam that net income per hectare varies from 1,902\$VN to 2,382\$VN for owners and from 500\$VN to 980\$VN for tenants.¹ The range in net income is determined by the availability of government loans. Whether the land is owned or rented, therefore, it is obvious that there is latitude for a heavier tax liability than 98\$VN per hectare.

Assessments for land used in mixed cultivation follow the same procedure, except that the basic central government tax rates, as well as the provincial and village rates, are higher. For example, assume that one hectare of land is used in South Viet-Nam for the cultivation of coffee. Land used in South Viet-Nam for the production of this crop

¹An unpublished study by Professor James B. Hendry entitled Study of a Vietnamese Rural Community -- Economic Activity.

is classified under the First Category (see Appendix E), and thus will bear a basic tax rate of 190\$VN per hectare. Additional rates for mixed cultivation in South Viet-Nam are generally 10 per cent for the provinces and 5 per cent for the villages. On the basis of these variables, the procedural steps for calculating the total tax are:

1. Central government tax:

Area X Rate			
1 hectare X 190\$VN	=	190.	\$VN

2. Provincial tax:

10 per cent of central government tax			
.10 X 190\$VN	=	19.0	\$VN

3. Village tax:

10 per cent of central government tax			
.5 X 190\$VN	=	9.5	\$VN

4. National Chamber of Agriculture tax:

1/10 of 1 per cent of central government tax			
.001 X 190\$VN	=	.190\$VN	

Total tax 218.69\$VN

These calculations demonstrate that the total land tax burden in South Viet-Nam is over two times heavier on land used for coffee production (218.69\$VN per hectare) compared to the best quality land used in rice production (97.835\$VN per hectare). Converting the tax burden on land used for coffee production from piasters to U.S. dollars at the free market rate of exchange results in a tax of \$1.34 per acre of coffee land as compared to 55 per cents per acre of rice land.

(4) Rural Taxes on Buildings: In Viet-Nam there is a general tendency for farmers to live communally in hamlets rather than on the land which

they cultivate. As a result, the taxing of agricultural land, which has been outlined above, tends to be a separable issue from the taxing of living quarters. All modest housing tends to be exempt in Viet-Nam from property taxation, because the Fiscal Code provides for the taxation of only those buildings with permanent roofs. On the other hand, the land on which the houses are built is invariably taxed, and is classified for taxation purposes into two categories:

1. Land bordering national, provincial, or inter-provincial highways is taxed at 50\$VN per hectare; and
2. Land bordering secondary highways or village streets is taxed at 30\$VN per hectare.

In those instances in which farmers actually live on their cultivated land, there are three possible tax alternatives: 1. There is a tendency, again, to exempt modest housing, which includes all houses without permanent roofs. 2. If the house is not exempt and is located within 50 meters of a highway, the building is taxed on the basis of rental value, and the land on which the building is located is classified according to the schedule directly above. 3. If the house is not exempt and is located at a distance of more than 50 meters from a highway, the building is taxed on the basis of rental value, while the land on which the building is located is taxed at the same rate as the land under cultivation.

(5) Appeals: Provisions in the Fiscal Code relating to appeals are meager and very general. Taxpayers are permitted to appeal their assessments within three months to the regional governors. Since the regional governments

have been abolished, presumably appeals would now be made to the province chiefs. Appeals from assessments on the nominal roll (the one prepared by provincial tax offices) are made by the taxpayer, while appeals on assessments appearing on the recapitulatory roll (the one prepared at the village level) are made by the village authorities. Claims against rice field classification must be made to the committee which has classified the land. A general review of the classification of an entire village, canton, or province can be undertaken only with the authorization of the regional governors (now presumably province chiefs).

PART II - ANALYSIS

1. Procedures and Problems in Urban Assessment and Collection

(1) Staff Resources: Property tax assessment in Saigon is undertaken by one bureau, which is staffed by a bureau chief and ten employees. Only five of these persons have the technical capacity and experience necessary to add new property to the tax rolls. No person has specialized training for the assessment of large commercial and industrial properties. The staff of the bureau has been stabilized at 10 persons since 1957, but incongruously, there were 13 persons in 1956. Additional employees have been requested by the chief of the bureau, but without success.

According to the chief of the bureau, the present staff could be expanded from 10 to about 16 persons. This expansion would be a good public investment. On the assumption that a good employee capable of field work would require a salary of 100,000\$VN, it is estimated that he could obtain one million \$VN in tax assessments. Low-level clerks unable to add new properties to the tax roll should not be hired.

There is the likelihood that the absence of a specialist capable of assessing large commercial and industrial holdings results in the underassessment of these properties. Inquiry resulted in the disclosure that two very large commercial buildings had rental values of only 100,000\$VN and 250,000\$VN per month. These assessments may be compared to the average assessment of 25,000\$VN for residences rented to United

States agencies.

Cholon is even more under-staffed in personnel than Saigon, with only three employees available for property tax assessments. Although Saigon is larger than Cholon, the two staffs for property tax assessment purposes should be about evenly divided because of the more difficult assessment problems in Cholon.

The shortage of competent staff manifests itself in an inability to place all property on the tax roll and in a delay in making assessments. The delay in completing the tax roll is not excessive when no review of assessments is undertaken, being completed by about June of the taxation year. This is understandable, because making out the tax roll merely involves duplicating the previous year's role. But when tax assessments are reviewed every three years, which was the case with 1958 assessments, there is an undue delay in advising taxpayers of their assessments. As of June, 1959, Vietnamese property owners, who account for about 80 per cent of the total number of 30,000 owners in Saigon, have not been given their assessments for 1958 taxes.

Delinquent taxpayers are treated generously. When it is determined that property has never been on the tax rolls, the maximum assessment levied is for two years. This follows the principle of French taxation that the taxpayer has no obligation to pay the tax unless it is assessed. Similarly, penalties are never levied, regardless of how low the owner's declaration of rental value may be, and even, in fact, if the owner refuses to make a declaration of rental value.

After the tax roll has been completed, it is forwarded to the Bureau of Legislation, where one employee verifies the roll. Since this employee checks all property tax assessments undertaken by the General Directorate of Taxation in Viet-Nam, the process is obviously superficial and an arithmetical check at best. After verification, the tax roll is approved by the Director of Direct Taxes and forwarded to the General Treasury for collection. The Bureau of Legislation is also responsible for initiating new property tax legislation, but no amendments have been introduced since the Fiscal Code was revised in 1953.

Another unit, the Bureau of Contested Cases, handles appeals. One employee of this bureau receives written complaints from taxpayers and channels these out to the various tax assessment bureaus for investigation. Later, this same employee notifies the taxpayers of the decisions reached as a result of the review.

Only a rough estimate is possible of the staff available for property tax assessment in the provinces. The larger provinces usually have two bureaus, one for direct taxes and the other for indirect. The bureaus handling direct taxes, in turn, usually have one person employed on property tax assessments. Smaller provinces are likely to have one man handling both the property and patente taxes. This means that there are probably about 30 full-time employees of the General Directorate of Taxation engaged in property tax assessment work in the provinces. Combining this total with the 16 persons employed in Saigon-Cholon results in an over-all staff of about 46 persons in all Viet-Nam who are employed by the General Directorate

of Taxation in the assessment of the property tax. No estimate is possible of the staff employed in the assessment and collection of property taxes at the village level.

(2) Collections: The collection of the property tax in Saigon is undertaken by the Service of Collection of the General Treasury. In other areas of Viet-Nam, collections are made by provincial offices of the General Treasury. The only property tax collections not made by the Treasury are land tax levies of less than 200\$VN, which are collected by the village authorities.²

In Saigon, the Service of Collection has a total staff of 45 persons. This Service collects the land tax, patente, the various income taxes, as well as all prefectoral taxes. Only six of the 45 persons in the Service undertake field work. Also, these six persons are not allowed to make collections; they merely look for the taxpayers, serve warning letters, and encourage the taxpayers to visit the General Treasury.

The ritual of tax collection after the property tax rolls have been received from the General Directorate of Taxation involves the following steps: (1) assessments are mailed out and taxpayers are given one month to pay their taxes after receipt of the assessments; (2) the first warning letter is mailed if the taxpayer has not paid within one month, with permission to pay the tax without a penalty if the payment is made within eight

²The central government grants a collection bonus to the villages based on the amount of central government tax collected. This premium is 4 per cent of central government tax collections and it becomes a part of village revenues.

days of receiving the warning letter; (3) the second warning letter carries a progressive penalty of from .5 to 2 per cent, depending on the amount of the assessment, with three days being given to pay the tax and penalty; (4) the third warning letter carries a progressive penalty of 1.75 to 7 per cent with three days being given to pay the tax and penalty.

Should taxpayers still refuse to pay the property tax after the receipt of warning letters, the General Treasury is authorized to sell the furniture of the delinquents at auction without prior approval of the courts. At this stage of delinquency, there is a progressive penalty of 2.5 to 10 per cent plus the cost of the registration tax on the legal papers required for conducting the auction. If the amount of the property tax cannot be satisfied by auctioning the furniture, it is necessary to institute court proceedings in order to attach the property.

Since only 61.0 per cent of property tax assessments were collected in Saigon-Cholon in 1957, and these delinquents cut across both small and large taxpayers, it is obvious that the legal machinery of collection breaks down in practice. It is claimed that all warning letters are sent out, but there is a disinclination to do anything more than exhort the taxpayer to pay. While there are literally thousands of delinquents each year, furniture was auctioned in only 10 cases last year. One case was taken to the courts for permission to attach the property last year, but no decision was rendered. It is reported that decisions from the court require six months to a year.

Rather than admit this reluctance to be tough with delinquents, the Service of Collection, instead, denies that there is a collection problem.

The Service apparently believes that 90 per cent of assessments are collected,³ and explains the inability to collect the remaining 10 per cent of assessments on: (1) there is excessive delay in receiving the tax rolls from the General Directorate of Taxation, and this lapse of time permits taxpayers to move so that it is difficult to find them; (2) this elapse of time also allows taxpayers to become insolvent; (3) the addresses furnished by the General Directorate of Taxation are generally poor; (4) there is inadequate staff, especially in field work for the serving of warning letters.

While these explanations are contributory causes of the collection problem, there is no question that the real fault lies with the fact that taxpayers in Viet-Nam may ignore the payment of taxes with impunity. Tax payments are actually on a voluntary basis in the sense that punitive action is seldom taken against a delinquent. For this reason, the problem must be met not so much at the level of the Service of Collection but at the ministerial level and at the Presidency, where a decision must be made to incur the political displeasure of a tougher enforcement policy. A Chief of Service cannot be expected to take the initiative in a stronger enforcement policy without the support and active encouragement of his superiors.

Apart from this, the most important technical improvement which may

³ A possible explanation for this irregularity is that the Service of Collection is concerned with collections per se and does not associate assessments and collections.

be recommended is to give the General Directorate of Taxation the responsibility of collecting the property tax instead of the General Treasury. As in the income tax, it is a poor principle to separate assessment and collection. Such a separation of functions causes delay in collection and it provides an opportunity for each agency to blame the other for its own shortcomings.

(3) The Dilemma of Key Rents: Key rent is an outgrowth of the movement of population into the cities during and after World War II. This pressure of population on a limited amount of buildings in the urban centers, especially Saigon-Cholon, resulted in the practice of a new tenant having to pay an existing tenant a subsidy in addition to assuming the contract rent in order to obtain occupancy of a residence or a business establishment. While these subsidies or key rents are principally an arrangement between tenants, owners usually share part of the key rent when new rental leases are signed. Also, owners will exact a key rent from the first tenant on property which has never been rented before. The practice of exacting key rents was further encouraged by the initiation of rent control laws in 1953, which established unrealistic rental ceilings. Furthermore, the fact that key rents are illegal and are therefore not recognized by the government means that the property tax is based on contract rents. This procedure, in turn, encourages owners of property to accept low contract rents in order to keep their tax payments low and to share in the proceeds of key rents.

The situation is further complicated by the fact that key rents are not characteristic of all rented property. Some French real estate owners,

for example, insist on receiving a full contract rent without the payment of a key rent. This is also true of contracts entered into by the United States Government. It is also likely that there is no key rent involved in those cases where the present tenancy dates back before the initiation of key rents. The rent control law exempts all commercial and industrial property built after July 1, 1947, so this absence of controls may tend to restrict key rents in these areas. On the other hand, key rents have become so institutionalized that there is a tendency for them to be exacted both as a matter of general business practice and to reduce property tax payments.

Key rents pose an unusual dilemma for the assessment of a property tax, when the latter is based on rental value. There are three possible circumstances to consider. First, where there has been tenancy turnover and a key rent has been exacted by the owner, there is no question that the true rental value for tax purposes should be the contract plus the key rent. Similarly, the true rental value of an owner-occupied building is established by the combination of the contract plus key rents paid for similar buildings. But if all properties were assessed on the basis of contract plus key rents, a discrimination would arise against those landlords who have had the same tenant for a long period and on whose property no key rents have arisen. Furthermore, if the government admits the reality of key rents for property tax enforcement purposes, it faces the embarrassment of having to admit that its rent control laws are ineffective. On the other hand, if the government continues to ignore key rents, as it

is doing at the present time, the discrimination is in favor of those properties on which key rents arise, and the property tax system is based on unrealistic levels of rental value.

There is no way of knowing explicitly the relative importance of contract and key rents, but an indication may be obtained from the method of taxing property rented to agencies of the United States Government. These properties are rented without key rents, so the legal rent reflects the actual gross market rent. This market rent is then reduced by the General Directorate of Taxation by 60 per cent "to compensate for the fact that the residences are furnished." More likely, the reason for most of this reduction of 60 per cent is to compensate for the fact that such residences would be over-taxed without the reduction, since they would not gain the benefit of the exemption of key rent. In other words, it seems likely that the administrative officials are permitting a reduction of about 50 per cent of the gross rent in lieu of key rent. This would mean that the previous calculations with respect to the burden of the property tax as a percentage of gross and net rents are about double the real burden, at least on properties on which key rents are paid.

Another indication of the importance of key rent is afforded by a single example considered to be more or less typical by tax enforcement personnel. When this particular property was rented in 1955, the new tenant paid the previous tenant 45,000\$VN in key rent, while the legal rent assumed by the new tenant was only 4,800\$VN per year. In turn, the old tenant paid 5,000\$VN in key rent to the owner of the house. In general, owners receive

about 10 per cent of the key rent whenever there is a change in tenancy, and the tenant assumes the obligation of finding a new tenant and exacting the key rent. In the instant case, the amount of key rent approximated the market value of the house, but in general key rent is considered to be more in the area of 50 per cent of the value of the house. This means that in general no more than 50 per cent, and more likely in the area of 30 to 50 per cent of the actual gross market rent is reported at present for purposes of determining the tax on improvements.

Key rents constitute such a problem in the administration of the property tax in Saigon-Cholon that it appears necessary to abandon rental value as the base of the tax. In effect, rental value as a base has been ruined by key rents. Since rental values for tax purposes in practice are based on contract rents and ignore key rents, there is widespread and serious under-assessment. This problem would be manageable if key rents were uniform and universal, for tax rates could be raised. But the fact that some properties do not give rise to key rents would mean that these properties would be discriminated against by an increase in tax rates. Nor is it possible to legislate key rents out of existence, for they are already illegal. Using rental value as a base for the property tax, therefore, appears to prevent the realization of both fiscal adequacy and neutrality of treatment for the property tax.

2. Procedures and Problems in Rural Assessment and Collections:

There are two rural assessment rolls because the process of making assessments is divided between village authorities and provincial tax

bureaus operated by the General Directorate of Taxation. The tax roll for foreign land owners and for Vietnamese with a tax liability of more than 200\$VN in central government tax is prepared by the provincial tax bureaus, while the roll for assessments of less than 200\$VN in central government tax is prepared by the village authorities. These village tax rolls are prepared from real estate books maintained at the village level. After the tax rolls are prepared by the village authorities, they are forwarded, together with the real estate books, to the district authorities for verification. Later, the real estate books and tax rolls are forwarded to the provincial tax bureaus to be checked with the cadastral books.

The responsibility for making collections is also divided. All collections on the role prepared by the provincial tax bureaus (payments of more than 200\$VN) are made by the General Directorate of the Treasury, while the village authorities make collections from the village role. Collection and assessment periods run concurrently, extending for 17 months from January 1st of one year to May 31 of the following year.

The information upon which assessments are prepared comes from two sources -- the maintenance of a real estate book at the village level, which is supposed to show the the owner of each piece of property, and the requirement on the part of owners of land to forward declarations every three years to the provincial tax bureaus. At least in the provinces of South Viet-Nam, these two sources of information for assessment purposes are imperfect, with the result that variable amounts of land do not appear on the tax rolls.

There is no way of estimating precisely within the confines of this

study how much property is absent from the tax rolls. One responsible official estimates that 30 per cent of the land is not on the tax roll in South Viet-Nam and 10 per cent is not on the roll in Central Viet-Nam. The statistics would appear to show that this estimate may be conservative. There are, at present, 2,914,000 hectares of rice land under cultivation in Viet-Nam, and even if the average classification of this land was Second Class at 50\$VN per hectare (700 to 1,200 kilos per hectare), total assessments should be 145,700,000\$VN. Instead, total rice field assessments in 1958 will only be about 100 million \$VN. Thus, one-third of the rice land in all Viet-Nam may be off the tax roll.

A senior tax administrator in the 10 northern provinces of South Viet-Nam has indicated that no village within the 10 provinces has more than 95 per cent of the property on the tax rolls, and some villages have as little as 30 per cent. This variation depends principally on the completeness and accuracy of the real estate books maintained at the village level, and the degree to which owners comply with the requirement to forward declarations to the provincial tax bureaus. There is a presumption that land tax enforcement and compliance are somewhat better in Central Viet-Nam than in the South, because the provinces in Central Viet-Nam are smaller, the political situation was more stable in this area during the period from 1945 to 1954, and the land holdings are smaller.

The deterioration of rural land tax administration in South Viet-Nam dates to the end of World War II, during the lapse of time between Japanese withdrawal and the return of the French. Civil strife during this period

resulted in the partial or complete destruction of many of the real estate books. These books have been improved over the past 15 years, but are still incomplete.

Several factors account for the fact that property tax administration has only been partially rehabilitated. In the first instance, the village chiefs do not have the technical competency or the staff to place missing property on the real estate rolls, so the responsibility for this undertaking falls on the Cadastral Service. This service, in turn, is faced with a job that is beyond its present resources, especially in view of the fact that most of its personnel is engaged in the land reform program. For example, only 6 out of the 10 provinces surveyed for this report are served by the Cadastral Service. Some appreciation of the extent of the problem may be gained from the fact that there are nearly 400 villages in these 10 provinces.

Another complication is that about 90 per cent of the rice land in these 10 provinces is cultivated by tenants, and many of the owners have, in effect, abandoned their land. Some of these owners left their land for security reasons during the long period of civil strife and have never returned; others are no doubt dead; and still others could not be found even if their identity was known. In many of these cases of absentee ownership, the tenant pays no rent, and the landlord does his best to remain anonymous so that he will not have to pay taxes. For some of the landlords, it would even be physically dangerous to return to their land to exact rents.

The other alternative of adding property to the tax rolls by voluntary

declarations on the part of the owners is even more unsuccessful. This is understandable, because owners cannot be expected to forward voluntary declarations when they receive no rental income. In fact, even if the owners receive rent, they cannot be expected to pay taxes if they can evade their liabilities by remaining anonymous, especially in view of the fact that there is no penalty in practice for the non-payment of taxes. Furthermore, the liability for the tax payment rests on the owner and not on the property; therefore, he may evade his responsibility and still retain legal ownership as long as he cannot be found.

Voluntary declarations were so unsuccessful that they were not required in the 10 provinces surveyed until 1958. Instead, reliance for all assessments was placed on the real estate books, inadequate as they are. Since 1958, 3 out of the 10 provinces use declarations, but they are so inadequate that they must be supported by the real estate books. The other seven provinces still do not use declarations. In the 3 provinces using declarations, it is reported that only 30 per cent of all declaration forms obtained from the tax bureau was returned, and probably only a small percentage of owners bothered to request the forms.

The net result is a very unhappy dilemma for the Government for those properties not on the tax rolls. While the tenants enjoy the use of tax-free land, and the owners retain their legal ownership without paying taxes, the Government is forestalled from taking action unless the owners can be located.

Nor is the owner of the land in a very happy position. Consider the

case of one owner of rice land now living in Saigon and interviewed for the purpose of this study. This man at one time owned 300 hectares of rice land, but 200 hectares were expropriated under the Government's land reform program. On the remaining 100 hectares, he is unable to collect rent because the 40 tenants either cannot be found when he goes to collect rent or the tenants claim that they have no money. He has offered to sell the land to the tenants at 3,000\$VN per hectare, which is below the Government purchase price of 5,000\$VN per hectare, but the tenants do not wish to purchase the land because they are already enjoying its use rent-free and tax-free. He has also offered to sell the 100 hectares to the Government and has even approached the province chief with the offer of placing the land under his jurisdiction if he will collect enough rent to satisfy the tax liabilities. In the meantime, this owner pays no taxes, even though his identity is easily available for the assessment and collection of taxes. (He happens to work in the General Directorate of Taxation).

The principal administrative weakness in respect to those properties on the tax roll and being taxed is the lack of revisions in the classification of rice land. According to the Fiscal Code, the chief of each province is required to appoint a commission for the purpose of advising him on the reclassification of rice land. The Code does not specify the number and representation of the members, except that there shall be one representative of the landowners concerned. On the basis of the advice of the Commission, the chief of the province is then required to recommend reclassification of land to the Minister of Finance for his approval. In actual practice, however,

there have been no commissions appointed in South Viet-Nam since 1945, and consequently no recommendations have been made for the reclassification of rice land. In the meantime, present classifications are no doubt seriously inconsistent with the present productive ability of the land.

The situation is no better with respect to land use for mixed cultivation. The chief of each tax bureau is expected to verify if the particular product for which the land is taxed is actually grown, but in practice this verification is not done. There would be a particular temptation for owners to exaggerate the amount of land not under cultivation because of the lower tax rate on such land.

Conditions with respect to assessment and collections are somewhat different in the five most southerly provinces of South Viet-Nam. In this area, both the village real estate books and the cadastral books are reported to be relatively complete, but there is still as much as 20 per cent of the rice land not on the tax rolls. Once again, the problem stems from absentee ownership. The greater proportion of land in this area is reported to be owned legally by medium and large landowners, who left the area during the period of civil strife and have never returned. These owners do not receive rental payments and cannot be located in order to enforce tax collections. Village authorities have adjusted to this situation by entering into contracts with the present cultivators, who commit themselves to pay rent and taxes to the village for the use of the land. Thus, most of the cultivated land is on the tax roll, although the tax is paid by non-owners. On the other hand, most of the land not on the tax roll involves land which is not under

cultivation for security reasons. As a result, improvement of both assessments and collections depends principally on providing better security measures so that more of the abandoned land can be used and taxed.

It seems evident that if further properties are to be added to the tax roll in those cases where the village real estate books are incomplete, the Cadastral Service will have to assume the responsibility. Village chiefs have neither the competence nor the staff to undertake the job, while tax bureaus at the provincial level are also inadequately staffed. For example, in the 10 provinces surveyed in the northern section of South Viet-Nam, there are only 8 persons assigned to the land tax for nearly 400 villages. Once the properties are on the roll, an attempt should be made to find the owners, and then after a reasonable search, the Government should be authorized to claim the land for non-payment of tax. This policy may appear harsh on those landowners who are unable to collect rents, but it seems to be the only way out of the dilemma of tenants paying no rent and owners paying no taxes. In other words, if owners are forced to pay taxes, they will, in turn, be forced to collect rents.

Other recommendations are: (1) To facilitate the collection of the tax, the liability for payment should be placed on the land rather than on the owner. (2) The Cadastral Service should be encouraged to classify all rice land and land used in mixed cultivation. (3) Adequate staff should be made available in the provincial tax bureaus in order to verify the production of crops on land used for mixed cultivation. (4) Village assessment and collection should be strengthened by more effective advisory and supervisory

efforts on the part of district chiefs.

3. Assessment and Collection Statistics

The data in Table 3 indicate that the property tax as a source of revenue for the central government has experienced a sharp increase in collection since financial year 1954. Total collections have risen from 21.2 million \$VN in financial year 1954 to 98.5 million \$VN in financial year 1957, the last year for which complete statistics are available. Despite this increase, however, the property tax remains a relatively minor source of revenue for the central government. Property tax revenues were only .39 per cent of total tax revenues of the central government in 1954 and have risen to only 1.21 per cent in 1957.

The present weakness in the revenue productivity of the property tax is attributable principally to two factors: (1) the assessment and collection procedures for rice land, in particular, broke down in 1955, and have never been fully rehabilitated; and (2) the general collection effort for all types of properties is weak. Both of these developments are illustrated by the statistics in Table 4.

Table 3

Central Government Property Tax Collections
Compared to Central Government Tax Revenues

Financial Year	Central Government Property Tax Collections (Millions of \$VN)	Central Government Tax Revenues (Millions of \$ VN)	Ratio of Tax collections to Tax Revenues (Per Cent)
1954	21.2	5,586	.39
1955	31.2	5,252	.59

Table 3 (Continued)

Financial Year	Central Government Property Tax Collections (Millions of \$ VN)	Central Government Tax Revenues (Millions of \$ VN)	Ratio of Tax collections to Tax Revenues (Per Cent)
1954	21.2	5,586	.39
1955	31.2	5,252	.59
1956	77.6	6,308	1.23
1957	98.5	8,138	1.21
1958 ⁽¹⁾	70.3	7,334	.96

(1) Incomplete -- 12 out of 17 months.

Source: General Directorate of the Treasury for property tax collections and the Ministry of Finance for total tax revenues.

In 1954, and presumably in previous years as well, rice field assessments were the dominant source of central government property tax revenues. Table 4 indicates that rice field assessments were 215,671,257\$VN in 1954 out of total assessments of 268,866,594\$VN, or rice land represented 80 per cent of central government property tax assessments. Then rice field assessments fell abruptly to 67,468,157\$VN in 1955, and have made only a partial recovery to 95,816,547\$VN by 1957. At the same time, assessments on land used for mixed cultivation decreased from 34,403,803\$VN in 1954 to 27,983,044\$VN in 1955, but rose again to a new high of 43,518,864\$VN in 1957. Assessments in urban centers never experienced a decrease in 1955, and by 1957 reached

Table 4
Real Property Tax
Assessments and Collections for the National Budget for All Viet-Nam

Source	1954	1955	1956	1957	1958 ⁽¹⁾	Totals
I. Rice Fields:						
Assessments	215,671,257	67,468,157	86,574,347	95,816,547	89,311,870	554,842,178
Collections	7,437,856	9,279,564	34,065,655	43,869,699	35,600,131	130,252,905
Per Cent collected	3.4	13.7	39.3	45.7	39.78	23.4
II. Mixed Cultivation:						
Assessments	34,403,803	27,983,044	43,187,279	43,518,864	40,703,968	189,796,958
Collections	3,737,353	10,081,729	23,938,722	29,466,822	26,319,875	93,544,501
Per cent collected	10.8	36.0	55.4	67.7	64.6	49.2
III. Urban Centers:						
Assessments	18,791,534	25,767,922	39,511,446	41,498,314	24,503,820	150,253,036
Collections	10,038,640	11,809,661	19,561,515	25,145,878	8,366,380	74,922,074
Per Cent collected	53.4	45.8	49.5	60.5	34.1	49.8
IV. Unclassified⁽²⁾:						
Assessments	-	-	6,703,679	2,810,952	1,355,056	10,869,687
Collections	-	-	6,172,685	1,784,179	609,704	8,566,568
Per cent collected	-	-	92.0	63.4	44.9	78.8
T O T A L						
Assessments	268,866,594	121,219,123	169,273,072	180,833,725	154,519,658	894,712,172
Collections	21,213,849	31,170,954	77,565,892	98,482,399	70,286,386	298,719,480
Per cent collected	7.8	25.7	45.8	54.4	45.4	33.3

(1) Incomplete -- for 12 months ending Dec. 31, 1958.

(2) "Unclassified" refers to all assessments and collections for years previous to the current tax year. There is no breakdown for this category among rice fields, mixed cultivation, and urban centers, and the category was not used during financial years 1954 and 1955.

Source: General Directorate of Taxation and General Directorate of the Treasury.

41,498,314\$VN, which is more than double the 1954 assessment of 18,791,534\$VN.

These statistics mean that there has been an appreciable shift in the total property tax burden from rice land to both land used in mixed cultivation and to real estate in urban centers. Eighty per cent of total central government property tax assessments were derived from rice land in 1954, with 13 per cent arising from mixed cultivation and 7 per cent from urban centers. By 1957, this distribution was changed to 53 per cent from rice land, 24 per cent from land used in mixed cultivation, and 23 per cent from urban centers.

Collections have shown steady improvement, from a very low record of 7.8 per cent of assessments in 1954 to 54.4 per cent in 1957. Despite this improvement, the historical collection performance is poor. In this respect, the most revealing single collection statistic in Table 4 is the one appearing in the lower right-hand corner of the Table, which shows that only 33.3 per cent of all assessments were collected during the period from 1954 to 1958. Collections are weak in all areas of the property tax, but rice land has the lowest score with only 45.7 per cent of assessments being collected in 1957.

Table 5 has been developed in order to determine the importance of Saigon-Cholon property tax assessments for the benefit of central government revenues as compared to assessments for the same purpose in all Viet-Nam. Saigon-Cholon's assessments reached a peak of 18.3 per cent of all property tax assessments for the use of the central government in 1956, and then decreased to 15.8 per cent in 1957. This decrease was occasioned by a drop in assessments in the city of 7.4 per cent from 1956 to 1957. By utilizing

Table 5

Comparison of Assessments and Collections in Saigon--Cholon and Viet-Nam
for Financial Years 1954 to 1958

Financial Year	Total Assessments in Saigon-Cholon for Central Government	Total Collections in Saigon-Cholon for Central Government	(2) as a per cent of (1)	Total Assessments in Viet-Nam for Central Government	(1) as a per cent of (3)	Total Collections in Viet-Nam for Central Government	(2) as a per cent of (4)
	(1)	(2)		(3)		(4)	
1954	12,640,701	(Not available)	—	268,866,594	4.7	21,213,849 ¹	—
1955	21,763,949	(Not available)	—	121,219,123	17.9	31,170,954 ¹	—
1956	30,883,103	15,854,508	51.3	169,273,072	18.3	77,565,892 ¹	20.4
1957	28,605,539	17,450,770	61.0	180,833,725	15.8	98,482,399 ¹	17.8
1958	28,418,830 ¹	2,111,225 ²	7.4	154,519,658 ²	18.4	70,286,386 ²	3.0

¹ Incomplete -- 16 months ending April, 30, 1959.² Incomplete -- 12 months ending December 31, 1958.Source: General Directorate of Taxation.

assessment information in both Table 4 and 5, it may be determined, also, that Saigon-Cholon's share of total urban center assessments for central government purposes decreased from 84.5 per cent in 1955 to 69.2 per cent in 1957. There is no apparent economic explanation for this growing weakness of assessments in Saigon-Cholon, as the city has experienced a steady growth in size and valuation of property.

The collection record in Saigon-Cholon also shows no appreciable superiority over property tax collections in all urban centers. In 1957, the ratio of collections to assessments in Saigon-Cholon for the central government tax was 61.0 per cent, while the same ratio for all urban centers was 60.5 per cent.

Table 6 indicates that property tax assessments in Saigon-Cholon for the benefit of the prefectoral budget are at present approximately three times the size of total assessments for central government purposes. There is, however, possibly a trend for the central government to receive an increasing percentage of total assessments. In 1955, the central government received 24.6 per cent of total assessments, while in 1957 this share had risen to 32.2 per cent.

Despite the fact that property tax assessments for the benefit of Saigon-Cholon are three times the size of assessments for the central government, the property tax is not a strategic source of revenue for the city. Based on the trend established in Table 6, property tax assessments for the benefit of Saigon-Cholon are likely to be about 100 million \$VN in 1958, which is only about 14 per cent of the city's total estimated budget receipts of 685

million \$VN. Saigon-Cholon has avoided sizeable deficits within recent years by the receipt of subsidies from the central government, and these subsidies, estimated to be 121,260,000\$VN in 1958, have exceeded revenues from the property tax.

An important facet of property tax assessments in Saigon-Cholon is the degree of concentration in the ownership of land and buildings. Research was undertaken to provide empirical evidence to the commonly held belief that the members of one Chinese family -- the Hui Bon Hoa -- own a large segment of city property, and corporations in general own a disproportionate amount. Investigation shows that the total property tax assessment of the Hui Bon Hoa family was 11,255,832\$VN in 1958, which was approximately 10 per cent of all assessments in Saigon-Cholon. Included in this total assessment of the Hui Bon Hoa family was one real estate corporation controlled by members of the family with a tax assessment of 6,901,036\$VN. Total assessments for 17 real estate corporations in Saigon-Cholon was 24,465,530\$VN, which is nearly 25 per cent of all assessments. (See Appendix G for particulars.) Assessments for all corporations, including the real estate companies, was 53,364,799\$VN in 1958, which was about 44 per cent of total assessments.

The particular relevance of this information on the concentration of ownership of land and buildings in Saigon-Cholon is that it supports the conclusion that the collection performance in the non-corporate sector is unusually weak. Previous analysis have shown that the ratio of collections to assessments for all property in Saigon-Cholon is only 61 per cent.

Table 6

Total Assessments in Saigon-Cholon
for All Government Purposes

Year	Assessments in Saigon		Ratio of Assess. in Saigon		Assessments in Cholon		Ratio of Assess. in Cholon		Assessments in Saigon - Cholon		Ratio of Total Assessments		
	Finan- cial Year	National Budget (\$VN)	Prefectural Budget (\$VN)	Total Assessments in Saigon (\$VN)	(Per cent)	National Budget (\$VN)	Prefectural Budget (\$VN)	Total Assessments in Cholon (\$VN)	(Per cent)	National Budget (\$VN)	Prefectural Budget (\$VN)	Total Assessments in Saigon- Cholon (\$VN)	(Per cent)
1954	7,124,982	23,749,941	30,874,921	59.5		5,515,719	15,437,364	20,953,328	40.5	22,640,701	39,187,305	51,828,006	
1955	11,694,743	36,190,736	47,885,479	54.4		10,069,206	30,561,468	40,610,933	46.0	21,763,949	66,752,204	88,516,153	
1956	20,685,155	64,435,677	85,120,832	67.4		10,197,948	30,947,864	41,146,114	32.6	30,883,103	95,383,541	126,266,644	
1957	18,033,993	56,572,538	74,606,531	63.5		10,571,546	32,141,564	42,713,521	36.5	28,605,539	88,714,102	117,319,641	
1958	15,854,432	52,155,507	68,009,939	56.6		12,564,398	39,385,064	51,999,466	43.4	28,418,830	91,540,571	119,959,401	

¹Incomplete -- approximately 90 percent of full year total.

Source: General Directorate of Taxation.

Associated with this fact is the additional information that 44 per cent of total assessments is levied on corporations, and it is reported that the ratio of assessments to collections for these corporations is very high. This means that the collection score for the non-corporate sector is possibly only about 30 per cent.

Financial statistics for the provinces of Viet-Nam are an elusive type of data. Several attempts to assemble available data resulted in inconsistencies, gaps in the information, and ambiguities. Rather than use uncertain and incomplete information, it was decided that it would be desirable to develop original statistics from the records of the General Directorate of the Treasury. These appear in Table 7. Statistics were obtained only for financial year 1957 because of the amount of work involved in the collection of the data.

Table 7

Summary of Provincial Tax
Statistics, Financial Year 1957

<u>Category</u>	<u>Amount</u> (\$VN)
Estimated budgetary receipts for property taxes	40,214,557
Total assessments for property taxes	50,875,654
Total collections for property taxes	31,032,003
Total assessments for all taxes	607,112,536
Total collections for all taxes	471,384,613
Provincial subsidies from the central government	1,129,500,000
Total assessments for all taxes plus subsidies	1,736,612,536
Total collections for all taxes plus subsidies	1,600,884,613

Source: General Directorate of the Treasury.

From the data in Table 7, it is apparent, first, that the provinces are heavily subsidized by the central government, receiving 70.5 per cent

of their total revenues from grants-in-aid in 1957. This need for subsidies would arise even if the collection effort were at a high level. The statistics in Table 7 show that subsidies in the order of one billion piasters would have been necessary to balance provincial budgets in 1957 even if all assessed taxes had been collected.

It is also known that the fiscal plight of the provinces is even more acute in 1959. The reason for this is that the provinces lost their principal form of tax revenue on January 1, 1959, when the pacification tax was eliminated. This was a tax on the movement of goods into and out of each province, and in 1957 it accounted for as much as 50 per cent of provincial tax collections.

By agreement, the central government has guaranteed that 80 per cent of the revenue which the provinces obtained from the pacification tax will be restored by the central government through subsidies. But this will still leave the provinces with a need for more revenue, which the provincial chiefs have estimated to be 164 million \$VN in 1959.

It is apparent from the foregoing that property taxes are a minor source of provincial tax collections. One reason for this is that the greater share of property tax revenues goes to the central government. Referring back to statistics developed in Table 1, it may be seen that property tax collections at the provincial level in 1957 amounted to only 31 per cent of central government property tax collections for the same year. The property tax accounted for only 6.6 per cent of total provincial tax revenues in 1957, but now that the pacification taxes have been eliminated, the property tax

will represent about one-third of total provincial tax revenues.

For all provinces, the ratio of property tax collections to assessments was 60.9 per cent in 1957, which is lower than the similar ratio for all other taxes of 79.2 per cent. This collection score for the property tax may also be somewhat deceptive because it is reported that some provinces deliberately leave particular properties off the tax roll in order to make the collection record appear better. Moreover, the collection score varies considerably among provinces. One variable in collection is the security problem, property tax collections being lower in those provinces where there is more insecurity. For example, in An-Kuyen, the most southerly province of Viet-Nam, where there are problems of both security and absentee ownership of land, the ratios of collection to assessments in 1958 were 16 per cent for rice land, 17 per cent for mixed cultivation, and 23 per cent for urban centers.

This analysis of property tax statistics should be concluded with data on total property tax collections and total revenue of the villages, but the necessary statistics could not be obtained. This is unfortunate, for it is difficult to prescribe reforms for the property tax in general without a basic understanding of village budgets and the importance of the property tax as a source of revenue for the villages.

The reason why financial information for the villages is not available in Saigon is that the Minister of Finance assumes the responsibility for approving the budgets of only those villages which spend over 500,000\$VN annually. This amounts to only 140 villages out of 2,589. Budgets for

another 1,339 villages are approved by provincial chiefs, but no records are maintained for these by the central government. The remaining 1,110 villages have no budgetary supervision by either the central or provincial governments. The only way to obtain budget information for all villages would be to write some 40 province chiefs and hundreds of village chiefs. Not only would this require at least two months, but probably the replies would be incomplete and ambiguous.

As a result, if judgments are to be made on the importance of the property tax at the village level, they must be based on informed opinion. On this level, there is little doubt that most observers who are familiar with village finances are of the opinion that the property tax is a relatively minor source of village income. Support for this opinion is found in the fact that in general the percentage additions which villages may add to the central government tax is lower than similar additions which are permitted for the provinces. From what is known about assessments and collections of the property tax at both the central and provincial government levels, it may be speculated (and probably without much error) that property tax assessments at the village level total about 40 million \$VN, with collections about one-half this amount.

Furthermore, while there are some relatively rich villages in the sense that they are self-sufficient financially, there is also a consensus that most villages are just as heavily subsidized by the provinces as the provinces are by the central government. Therefore, the conclusion appears warranted that the property tax is of no more importance as a source of revenue at the

village level than it is at the central government or provincial levels.⁴

In summary, total property tax collections in Viet-Nam for the three levels of government approximate in round numbers about 165 million \$VN for 1958, of which amount 110 million \$VN is received by the central government, 35 million \$VN by the provinces and 20 million \$VN by the villages. These amounts, in turn, constitute a minor source of revenue at each level of government. And even in Saigon-Cholon, where the prefectoral tax is 200 per cent of the central government tax, the levy on real property is a minor source of city revenue.

4. Survey of Selected Blocks in Saigon - Cholon

The objective of this research was to place property tax assessment and collection in a few city blocks of Saigon-Cholon under close microscopic examination. It was hoped that several insights would be gained by this procedure into such problems as the amount of property not on the tax roll, the degree and characteristics of underassessment, and the collection record relative to assessments.

(1) A Commercial Block: The analysis was initiated with a relatively simple or "clean" commercial block located in the heart of the business

⁴These conclusions are supported by research undertaken by Professor Lloyd Woodruff in one village of South Viet-Nam, where it was found that: (1) the tax on privately-owned rice fields was so unimportant as a source of village revenue that it was exceeded by the tax on animals; (2) tax delinquency was high, with only 23 taxpayers out of 101 having paid their 1956 and 1957 taxes by 1958; and (3) village authorities were not particularly concerned about improving property tax assessments or collections.

section of Saigon. The properties were homogenous; without exception, there was a commercial establishment on the ground floor, with one or two stories above used for living quarters. Unlike many Saigon blocks, there were no lanes or paths leading to other properties in the inside of the block. It was found that the area was subdivided into 30 parcels of land, and for each parcel both the land and the buildings on the land were owned by the same person. There was little concentration in ownership; one landowner held title to three parcels of land, and three others owned two parcels each, while all the remaining taxpayers owned only one piece of land each. As a result, the 30 parcels of land represented 24 different owners.

The first important determination was that all 30 properties were presently on the tax roll. There was one unusual case in which the assessment record could not be found in the property tax bureau, but subsequent investigation disclosed that the tax on this property had been paid to the General Treasury. Because the assessment record was not available, however, this particular property was deleted from the analysis, with the result that all subsequent statistics refer to 29 properties.

Table 8 presents a summary of the property tax statistics obtained from the commercial block. The ensuing observations and implications derived from these statistics follow the lines of the Table:

Lines (1) and (2): Declarations were received in 1958 from 26 out of the 29 properties, and these declarations totaled 115,575\$VN in monthly gross rent. This total was then raised by the property tax bureau to 128,100\$VN,

Table 8

Summary of Statistics Resulting from
a Property Tax Survey of a Commercial Block
in Saigon

<u>Line</u>	<u>Category</u>	<u>Amount in \$VN</u>
(1)	Rental declarations by owners for 26 properties (monthly total), 1958	115,575
(2)	Corrected rental declarations for the same 26 properties (monthly total), 1958	128,100
(3)	Central government tax on land, 1958	2,735
(4)	Central government tax on improvements, 1958	75,654
(5)	Central government tax on land and improvements, 1958	78,389
(6)	Saigon prefectoral tax (200 per cent of central government tax), 1958	156,778
(7)	Saigon garbage removal tax, 1958	37,827
(8)	Saigon sewage tax, 1958	75,654
(9)	Total Saigon tax, 1958	270,259
(10)	Total tax assessment on land, 1958	8,205
(11)	Total tax assessment on improvements, 1958	340,443
(12)	Total tax assessment on land and improvements, 1958	348,648
(13)	Estimated value of land, 1959	13,144,000
(14)	Estimated value of improvements, 1959	17,249,000
(15)	Estimated total value of land and improvements, 1959	30,393,000
(16)	Total corrected monthly rental declarations, 1958	140,100
(17)	Total estimated monthly contract rents, 1959	151,000
(18)	Total estimated monthly key rents, 1959	63,927
(19)	Total estimated monthly rents, 1959	214,927
(20)	Total collections as of June 1, 1959 on 1958 assessments	13,643
(21)	Total tax assessments on land and improvements, 1957	272,946
(22)	Total tax collections as of June 1, 1959 on 1957 assessments	108,249

or by approximately 11 per cent. Thirteen of the 26 declarations were accepted for assessment purposes, while the other 13 were increased.

Lines (3), (4) and (5): The total central government tax assessment on both land and improvements for 1958 was 78,389\$VN. Only 3.5 per cent of this total represented a tax burden on land, while the remaining 96.5 per cent of the tax was borne by buildings.

Lines (6), (7), (8), and (9): The total property tax assessment for the benefit of Saigon was 270,259\$VN, which is three and one-half times more than the amount of assessment for the central government. Garbage removal and sewage charges amounted to 42 per cent of the total Saigon assessment.

Lines (10), (11), and (12): The total tax assessment for both Saigon and the central government in 1958 was 348,648\$VN, of which 8,205\$VN was a burden on land and 340,443\$VN was borne by improvements. Expressed in ratios, this means that 2.4 per cent of the total property tax burden falls on land and 97.6 per cent on improvements.

Lines (13), (14), and (15): An attempt was made to estimate the market value of each building and parcel of land. Viet-Nam has a registration tax of 18 per cent levied on the market value of property when land and buildings are sold. The services of a technician experienced in assessing property for this registration tax was obtained for the purpose of assessing all properties in the commercial block. His efforts resulted in total valuations of 13,144,000\$VN for the land and 17,249,000\$VN for the buildings, or 30,393,000\$VN for the combination of the two. It is important to note that although the total valuation for the land is nearly as great as the

total valuation for the buildings, previous calculations have indicated that improvements bear 97.6 per cent of the total tax burden. Another important calculation is that the ratio of total property tax assessments to in 1958 total market value of land and buildings is 1.11 per cent, which is a moderate burden by United States standards.

Lines (16), (17), (18), and (19): An attempt was made to estimate key rents, but it must be admitted frankly that not much confidence can be attached to the results. As explained previously, key rents arise only where there has been a turnover of tenancy. In the commercial block under survey, however, at least one-half of the properties were owner-occupied, while in the remaining cases the tenants were naturally reluctant to divulge the amounts of key rent paid because of the illegality of this form of payment.

The procedure followed in estimating the relationship of key rents to contract rents was to obtain the services of an employee of the Saigon property tax bureau and to request him to answer the following hypothetical question for each property: "If this land and building were rented by a new tenant today, what is the likely contract and key rents which would have to be paid?" Admittedly, this procedure is rather fanciful. To some degree, it is like posing the question: "If I had a brother, would he like green cheese?" The only confidence that can be attached to the results arises from the fact that few people in Saigon would know more about the levels of contract and key rents than the person asked to make the estimates for this research. But on the other hand, much of what is known about key

rents by anyone, including this expert, is based on hunch, intuition, and hearsay.

The procedure used provided the information that a total of 9,590,000\$VN in key rent would have to be paid in order to obtain occupancy of all of the properties, which is in addition to total estimated monthly contract rents of 151,000\$VN. This total of estimated key rents was then translated into what might be called the "real" cost of making the key rent payments, which is the alternative earning power (at an assumed rate of interest of 8 per cent) of the funds invested in key rents. Next, the real cost of the key rent was converted to a monthly basis, which resulted in a total 63,927\$VN per month. In summary, the research resulted in total estimated monthly contract rents of 151,000\$VN and total estimated monthly key rents of 63,927\$VN, or 214,927\$VN for the combination of the two.

Stating the results in approximate terms, the research indicates that key rents tend to be about 40 per cent of contract rents. This would mean, in turn, that about 70 per cent of the true market rent is being used for the assessment of property taxes on buildings in those cases where key rents are being charged for occupancy.

Lines (20), (21), and (22): Finally, an attempt was made to relate assessments and collections, but here again, the results are more suggestive than definitive. The property tax assessment period is 17 months, or for 1958 property taxes, the tax bureau is required to make assessments during the period from January 1, 1958 to May 31, 1959. Normally, the principal assessment roll for 1958, which would include about 75 per cent of all properties,

would be sent to the General Treasury for collection in September, 1958.

In 1958, however, the roll was late in preparation because of the need to revise the assessments and the institution of a new IBM procedure. As a result, 1958 tax assessments for only 17 out of the 29 properties had been forwarded to the General Treasury for collection by June 1, 1959. Only two taxpayers out of 29 had paid their 1958 taxes by June 1, 1959.

Assessments and collections for 1957 were then reviewed on the assumption that 1958 might ^{not} have been a typical year. This attempt was frustrated, however, by an inadequate system of keeping records in the Saigon property tax bureau, which prevented a cross-check for all cases between assessments and collections. Out of 29 assessments made in financial year 1957, 9 assessments could not be checked, 16 assessments were found to be collected, while two 1957 tax assessments were identified as still being delinquent as of June 1, 1959.

(2) A Slum Block: The second block selected for analysis was an area in the residential slums of Saigon. Typical of this type of block is a rather presentable appearance from the outside, where commercial establishments line the city streets. The inside of the block, however, is another world, with a labyrinth of winding lanes and paths and a helter-skelter jumble of hundreds of small dwellings. There is a considerable variation in the housing; some buildings are rather large and of permanent construction, while others are hovels. Generally speaking, this slum was above average in the sense that there are several much worse in Saigon-Cholon.

Only a portion of the block was surveyed, comprising a section of

several commercial establishments bordering a city street and an adjacent residential slum area lying behind the business stores. The area surveyed contained 52 separate structures and the land under the buildings was owned by five different persons.

All of the buildings were found to be constructed during the war or shortly after and without authorization from the owners of the land. The owners of the land receive no rent from the squatters, and in fact, do not want to receive rent because it is thought that the receipt of income would constitute approval of the illegal use of their land and this would prejudice the eventual removal of the squatters. It is reported that the owners of the land wish to obtain removal of the squatters but are prevented from taking legal action.

The buildings were assessed for the first time in 1958 and the properties are presently (in June, 1959) in the process of being placed on a tax roll for the payment of 1958 taxes. As a result, no taxes have ever been paid on the buildings, even though some of them were constructed five to ten years ago. Assessments were obtained in 1958 by sending an inspector to the area for physical examination of the properties. The owners of the buildings have never complied with the requirement of making voluntary declarations of rental value, and assessments would never be obtained without direct action on the part of the property tax bureau.

Not all of the properties will appear on the 1958 tax roll. One building was considered to be too small to be taxed, while six were exempt because they had thatch roofs. Another five had either escaped assessment, or the

assessments had been lost in the tax bureau. The remaining 40 buildings will likely be taxed on a supplementary 1958 tax roll, and the total tax for these has been calculated to be 18,529\$VN.

With some surprise it was found that the land also had never been placed on the tax rolls, although personnel of the tax bureau indicated that it "may" appear on a supplementary 1958 tax roll for the first time. A possible reason why the land has never been taxed is that the low tax rate on land as compared to buildings makes it more productive to place buildings rather than land on the tax roll. Because the owners of the land receive no rental payments, the land will be classified for tax purposes as "unoccupied". Should the land become taxable, the tax liability has been computed to be 3,590\$VN.

From this token study, there is no way to determine how much of the land and buildings in the slum neighborhoods of Saigon-Cholon escapes property taxation. There is a presumption that it is considerable, however, for two reasons. First, the slum block visited is above the average, and if this particular area is only in the process of being placed on the tax roll, the likelihood is that the worst slums remain to be assessed. Secondly, slum properties must be placed on the tax roll by direct action of the tax bureau, and very little staff is available for this work.

(3) An Upper-Income Residential Block: The third block selected for analysis is situated in the best residential area of Saigon, where all of the houses are of permanent construction and are generally of the type rented for the use of United States personnel. There were 32 properties in the block, but

three governmentally-owned buildings were deleted from the sample because of their tax-exempt status. One corporation owns nine of the remaining 29 properties, which probably introduces a bias into the analysis because of the likely superior compliance record of corporations as compared to individual owners.

All properties were found to be on the tax roll in 1957, and thus it is to be assumed that they will also all appear on the 1958 roll, when the latter is completed. The shortcomings in property tax administration, therefore, involve possible underassessment and failure to collect taxes due rather than omission from the tax roll.

Compliance with the requirement to file voluntary declarations of rental value was found to be poor in 1957, with declarations being received from only nine out of 29 properties. In the remaining cases, the rental value assessments were determined by the Saigon property tax bureau. Some of the nine voluntary declarations were also unrealistically low and had to be raised by the tax bureau. For example, the rental value on one property was raised from 1,200\$VN to 9,200\$VN monthly, and on another from 1,000\$VN to 4,500\$VN. Even worse, in 1958 only two owners out of 29 forwarded voluntary declarations of rental values. When most owners do not forward these voluntary declarations, and when most of the remainder underestimate the rental values of their properties, there is real doubt whether the declarations serve any useful purpose.

Monthly rental values for the 29 properties were nearly doubled from 1957 to 1958, rising from a total of 56,608\$VN to 107,267\$VN. But even this

latter total represents a considerable degree of underassessment. This is evident from the fact that several of the 29 properties have a monthly rental value of approximately 20,000\$VN to 25,000\$VN, yet the total rental value for all 29 properties is only 107,267\$VN. One property in particular is rented to a United States agency for 20,000\$VN monthly, but has an assessed monthly rental value of only 8,000\$VN.

The second weakness in administration apparent from this block is collection. By June of 1959, only 68 per cent of 1957 property tax assessments had been collected. Ten out of the 29 properties were delinquent. There is little excuse for this poor collection record in a block where the owners of the property obviously have capacity to pay.

Finally, it is apparent that there is undue delay in preparing the tax rolls. By June of 1959, not one of the 29 property owners had received a tax assessment for 1958 taxes.

5. Survey of Residences Rented by the United States Government

A survey of a small sample of residences in Saigon rented by the United States Government was undertaken in order to gain an insight into property tax compliance and enforcement for this unique type of property. Another reason for undertaking the research was to obtain information on the degree of underassessment in general. Properties rented to the United States Government are leased at full market value without key rents being paid. In other words, the rental values of these houses reflect the actual market level of rents on which most tax assessments should be levied. It was believed that it would be fruitful, therefore, to compare tax assessments on these houses with another

comparable group which was owner-occupied in order to determine if there was an appreciable difference in tax assessments between the two.

The initial sample included 34 buildings, but several deletions had to be made from this number for a variety of reasons. First, there were six apartments in the sample, which had to be deleted because the only information available on the buildings from the rental contracts entered into by the United States Government referred only to the specific apartments rented rather than to the whole of the building. In addition, one property was exempt from the property tax because it was owned by the Vietnamese Government, while another was situated outside of the Saigon city limits. These deletions reduced the sample to 26 houses.

But even these 26 residences could not be analyzed as a homogeneous group because of variations in the inclusive dates of the leases. Only 12 properties were rented during all of calendar year 1957, so any analysis for 1957 had to be restricted to this reduced number. An additional ten properties were rented during all of 1958, so a total of 22 properties was available for analysis in 1958. Four remaining properties were rented for only part of 1958 and were deleted from the sample.

The most conspicuous irregularity found in the remaining group of 12 properties rented during all of 1957 was the degree of underassessment. This underassessment results in the most part from the fact that re-assessment is undertaken only every three years, and 1957 happened to be the last year of a three-year period. As a result, the total tax assessment for the 12 properties was only 159,476\$VN, while the tax assessment based on actual contract

rents was computed to be 354,407\$VN. In addition, the 1957 tax on two of the properties, amounting to 46,097\$VN, still had not been collected as of June, 1959. The combination of under-assessment and weak collection and the one property absent from the tax roll, resulted in the actual collection of only about 32 per cent of the real tax due (based on contract rents) in 1957.

Assessments were improved in 1958 for these same 12 properties because of re-assessment procedures undertaken in this year. Five out of the 12 owners voluntarily reported their rental incomes for this re-assessment. Three of these five owners reported their rental incomes accurately, but the other two under-reported without much restraint. One property owner reported his rental income as 5,000\$VN monthly as compared to the contract rent of 25,000\$VN, while the other reported a rental income of 3,000\$VN instead of 16,000\$VN. In both of these cases, however, the tax bureau raised the rental income up to the full amount of the contract rent on the basis of information received from the Registration Directorate, where all rental contracts are required to be registered. For the remaining seven cases in which the tax bureau made the determination of rental value in the absence of declarations from the owners, there were three instances in which the bureau underestimated the rental values. One of these was seriously underestimated with an assessment of 3,000\$VN monthly as compared to the contract rent of 26,000\$VN. Apparently, this type of under-assessment occurs when the tax bureau does not receive information on particular rental contracts from the Registration Directorate. It also suggests that properties rented to United States

Government are being discriminated against in assessment. More will be said on this point later.

Tax assessments for the 12 properties in 1958 totaled 313,860\$VN as compared to tax assessments based on contract rents of 354,407\$VN. This represents a ratio of actual assessments to contract rents of 87 per cent. As of June, 1959, assessments for 1958 have not been mailed to the owners and hence no collections have been made.

But another rather serious type of under-assessment not apparent from the above analysis is the practice on the part of the tax bureau of reducing the gross rent of these properties by 60 per cent whenever the houses are furnished.⁵ This allowance is clearly excessive, because it is tantamount to saying that the value of the furniture is about one-half as great as the value of the land and buildings. Furthermore, it was determined that this reduction of 60 per cent was applied to every assessment in the sample, whereas several buildings were found to be either partly furnished or unfurnished.

The second stage of the analysis involved a comparison between a group of houses under contract to the United States Government and another comparable group which was owner-occupied. This research had as its objective the determination of whether there was an appreciable difference between tax assessments based (at least to some considerable degree) on contracts reflecting full market rents and those for which no objective standard was available

⁵One property was even reduced by 80 per cent on the grounds that the house was owned by the widow of a man killed by the Viet Cong and the widow was unable to pay the full amount of the tax.

for making the assessment.

Procedurally, the approach used was to select a comparable "identical twin", known to be owner-occupied, for each of 12 houses rented to the United States Government during all of 1957 and 1958. This "twin" was selected visually by visiting each of the 12 neighborhoods where the governmentally-rented houses were located, and by selecting a house that was approximately the same in size, construction, and general attractiveness. Admittedly, this methodology is imperfect, and the sample is ridiculously small, but the marked difference found between tax assessments for the two groups warrants some attention being given to the results. Our research showed that the total tax assessment for the 12 properties rented by the United States Government was 313,860\$VN in 1958, while the total tax assessment for the 12 owner-occupied houses was only 155,458\$VN. A few particular comparisons show extreme variations. For example, one house rented to the United States Government bears a tax of 25,460\$VN, while its owner-occupied twin bears a tax of only 3,300\$VN. It should be borne in mind, also, that the tax discrimination against houses rented by the United States Government would be even more serious if the gross rents of these houses were not reduced by 60 per cent as an allowance for furniture.

The above research indicates a general reluctance on the part of the tax bureau to tax owner-occupied houses on the basis of real rental value. In addition, there is probably a tendency to underassess houses rented by Vietnamese. The reason for this is that the owner will usually exact a key rent and then the house will be assessed only on the basis of a low contract

rent. Meanwhile, the tax bureau cannot adjust such an under-assessment, for the owner may verify the rent by producing the contract rent agreement.

6. Toward Rationalizing the Tax on Agricultural Land

The ravages of war and civil strife for 15 years resulted in near collapse of agricultural land taxation in Viet-Nam, and very little has been done since 1954 to rehabilitate the system. The present shortcomings are serious and extend through all phases of policy and administration. The basic land tax law is irrational and discriminatory; tax rates are excessively low; as much as 30 per cent of the rice land in South Viet-Nam is off the tax roll; classification of the land has not been undertaken since 1945; the collection effort is anemic; and the personnel engaged in assessment and collection are meager and poor in quality. All of this adds up to an extremely weak system of land taxation. Nothing short of a revolutionary thrust forward is necessary to overcome these shortcomings.

As a point of departure to suggest some improvements, the basic land tax law as it applies to rice land may be considered. The present tax schedule for the rice land is:

Super Grade (85\$VN per hectare) : over 2,000 kilos per hectare

First Class (65\$VN per hectare) : less than 2,000 and over 1,200 kilos of paddy per hectare

Second Class (50\$VN per hectare) : less than 1,200 and over 700 kilos of paddy per hectare

Third Class (35\$VN per hectare) : less than 700 and over 500 kilos of paddy per hectare

Fourth Class (20\$VN per hectare) : less than 500 and over 300 kilos of paddy per hectare

Fifth Class (10\$VN per hectare) : less than 300 kilos of paddy per hectare⁶

This schedule has several shortcomings. Several of the ranges in production are too wide; for example, land classified as First Class extends from 1,200 kilos to 2,000 kilos, which means that two hectares producing 1,200 and 1,950 kilos respectively bear the same tax burden. Further, the limits in production should be extended upward beyond 2,000 kilos per hectare, while there is no need for extending the range below 500 kilos per hectare because yields below this level of production are unusual and generally do not represent an economic use of the land.

Table 9 has been prepared to illustrate another shortcoming of the present rice land schedule. It may be seen that the ratio of tax to gross value of product per hectare is generally regressive, with a yield of 800 kilos per hectare bearing the highest tax and a yield of 3,000 kilos per hectare bearing the lowest. One administrator's observation of this was that the schedule was possibly developed in order to ensure that low-income rice farmers would bear the highest tax burden.

Still another unneutrality is caused by the different percentage increases in tax rates which are added to the central government tax for the benefit of the provinces and villages. Generally, these percentage increases are higher in Central Viet-Nam and in the Highlands than in South Viet-Nam. The

⁶These tax rates were established by a decree of the Secretary of Finance on June 9, 1955. Before this date, the six tax rates for Super Grade to Fifth Class were: 200\$VN, 160\$VN, 130\$VN, 100\$VN, 70\$VN, and 40\$VN.

Table 9

Ratio of Property Tax Burden on Rice Land
to Gross Value of Product Per Hectare

Yield Per Hectare in Kilos	Classification of Land for Land Tax	Tax Rate Per Hectare Tax	Gross Value of Paddy per Hectare (\$VN) ¹	Total Tax per Hectare (\$VN) ²	Ratio of Tax to Gross Value of Paddy Per Hectare (Per Cent)
200	Fifth Class	10	594	11.50	1.94
400	Fourth "	20	1,188	23.00	1.94
600	Third "	35	1,782	40.25	2.26
800	Second "	50	2,376	57.50	2.42
1,000	Second "	50	2,970	57.50	1.90
1,200	Second "	50	3,564	57.50	1.61
1,400	First "	65	4,158	76.75	1.79
1,600	First "	65	4,752	74.75	1.57
1,800	First "	69	5,346	74.75	1.39
2,000	First "	65	5,940	74.75	1.26
2,200	Super "	85	6,534	97.75	1.49
2,400	Super "	85	7,128	97.75	1.37
2,600	Super "	85	7,722	97.75	1.26
2,800	Super "	85	8,316	97.75	1.17
3,000	Super "	85	8,910	97.75	1.09

1. Based on the assumption that the price of rice is 450\$VN per 100 kilos, and that 66 percent of this amount, or 297\$VN, represents the price of paddy per 100 kilos.
2. Tax rates are for Gia Dinh, a province in South Viet-Nam.

result of this, as shown in Table 10, is that a hectare of Super Grade rice land is taxed 2 1/2 times higher in Dalat, situated in the Highlands, than it is in Gia Dinh, a province in South Viet-Nam.

Table 10
Land Tax on One Hectare of
Super Grade Rice Land for Selected Provinces

Province	Region	Central Govern- ment Tax (\$VN)	Provincial Tax (\$VN)	Village Tax (\$VN)	Total Tax (\$VN)
Gia Dinh	South VN	85	8.50	4.25	97.75
Long Khanh	South VN	85	12.75	8.50	106.25
Binh Dinh	Central VN	85	85.00	(1)	170.00
Phu Yen	Central VN	85	85.00	42.50	222.50
Dalat	Highlands	85	170.00	(1)	255.00
Banmetthotat	Highlands	85	85.00	(1)	170.00

(1) No village rate.

Because the faults in the basic schedule for taxing rice land are so conspicuous, it is relatively easy to suggest an improvement. The following schedule is proposed:

First Category: Under 600 kilos per hectare

Second Category: from 600 to 1,000 kilos per hectare

Third Category: from 1,000 to 1,400 kilos per hectare

Fourth Category: from 1,400 to 1,800 kilos per hectare

Fifth Category: from 1,800 to 2,200 kilos per hectare

Sixth Category: from 2,200 to 2,600 kilos per hectare

Seventh Category: from 2,600 to 3,000 kilos per hectare

Eight Category : over 3,000 kilos per hectare

This suggested schedule would eliminate the unrealistic categories below 600 kilos per hectare, and would also extend the categories beyond 2,200 kilos per hectare. Also, each category has a range of no more than 400 kilos per hectare, which helps to make the tax burden more uniform. Yields for these categories should be determined on the basis of annual production.

The next problem is to devise rates to be associated with these categories. Two problems arise in this regard: (1) Should the rates be progressive, proportionate, or regressive relative to output per hectare? (2) What level of rates should be chosen? In answer to the first question, a proportionate rate schedule appears to be best, principally to avoid the shortcomings of both regressivity and progressivity. A regressive rate schedule would penalize poor land and generally cultivators who have the least ability to pay, while progressive rates would discourage the development of desirable practices in raising yields.

The level of rates raises the whole issue of what burden of taxation should be borne by agricultural land in Viet-Nam. To resolve this problem, it is necessary to consider the country's fiscal problem in general. At the present time, there is a central government budget of approximately 15

billion \$VN, of which the Vietnamese Government itself in the absence of American aid is capable of raising approximately 5 billion \$VN.

It would be ideal if most of this deficit could be covered by an increase in income tax yields, but this is unrealistic. Income tax revenues are presently about 800 million \$VN, and the most optimistic hope would be to raise this yield by 1 billion \$VN during the next five years. This would mean that there would still remain a deficit of about 9 billion \$VN, assuming that the central government budget can be held at the level of 15 billion \$VN.

In general, Viet-Nam has only two other sources of tax revenue in order to obtain this 9 billion \$VN in needed revenue. One is various taxes on production and exchange, such as import duties, excises, business licenses, production taxes, etc., while the other is direct taxes on land and buildings. Since the tax system is already heavily weighted in favor of indirect taxes on business, there is a presumption in favor of shifting a larger percentage of the tax burden to land and buildings. Justification for this is the evidence presented previously that the central government received only 1.21 per cent of its tax revenues from the property tax in 1957, and property taxation was an equally unimportant source of revenue at the provincial and village levels of government. Thus, real property tax rates should be raised in order to produce more revenue as well as to develop the property tax as a relatively more important source of governmental revenue.

There should also be no reluctance to double the tax rates on rice land,

not only because of revenue needs, but because the present rates are ridiculously low. New owners under the land reform program of previously uncultivated land would not suffer a hardship because they are given the benefit of a three-year property tax exemption. The only cause for concern would be low-income cultivators, for whom any increase in taxation would be an undue burden. To resolve this problem, it is recommended that all payments below 200\$VN be exempt. This would be an administrative advantage because it would eliminate difficult assessment and collection problems on small holdings.

A new tax schedule for rice land has been developed in Table 11, with proposed tax rates varying from 25\$VN per hectare on the poorest quality of land to 200\$VN per hectare on the most productive land, instead of the present range from about 40\$VN to about 100\$VN. This new tax schedule has been developed by establishing a tax of 200\$VN per hectare for the best land, and then determining tax rates which would provide an equal burden on all other land based on the mid-point of each productive bracket (column 2 of Table 11). The result is a uniform tax burden on all land. Although the tax rates would be increased on most land, the tax burden on low-yielding land would actually be less than it is at the present time.

Table 11

Proposed Tax Rate Schedule for Rice Land

Yield per Hectare in Kilos	Mid-Point for Calculating Tax in Kilos	Paddy Value per Hectare ¹ (\$VN)	Total Tax (\$VN)	Ratio of Tax to Value of Paddy per Hectare (\$VN)	Present Total Tax ² (\$VN)	Present Ratio of Tax to Value of Paddy per Hectare (\$VN)
under 600	400	1,188	25	2.1	40.25	1.94
600-1,000	800	2,376	50	2.1	57.50	2.42
1,000-1,400	1,200	3,564	75	2.1	57.50	1.61
1,400-1,800	1,600	4,752	100	2.1	74.75	1.57
1,800-2,200	2,000	5,940	125	2.1	74.75	1.26
2,200-2,600	2,400	7,128	150	2.1	97.75	1.37
2,600-3,000	2,800	8,316	175	2.1	97.75	1.17
over 3,000	3,200	9,504	200	2.1	97.75	1.03

¹Based on the assumption that the price of rice is 450\$VN per 100 kilos, and that 66 percent of this amount, or 297\$VN, represents the price of paddy per 100 kilos.

²Tax rates are for Gia Dinh, a province in South Viet-Nam.

Given the new productive brackets for classification of the rice land and a new uniform tax schedule, the next issue is how the rice land is to be reclassified. It will be recalled that rice field classifications have not been revised since 1945, and undoubtedly during this lapse of time the classifications have become obsolete. Furthermore, there is the problem of surveying and classifying land presently not on the tax roll. Mention has also been made of the fact that this very ambitious undertaking of surveying, identifying the ownership, and classifying all rice land in Viet-Nam is beyond the resources or the technical competency of either village authorities

or the General Directorate of Taxation.

Fortunately, a solution is at hand. By December, 1959, the technical personnel used for the land reform program could be utilized for this project. This staff includes 145 surveyors, 100 draftsmen, and 300 unskilled workers. The Director of the Cadastral Service has already surveyed one village in Central Viet-Nam and based on this sample it is estimated that all land in Central Viet-Nam could be surveyed and classified in two years at a cost of 100 million \$VN. All land in Viet-Nam could be surveyed and classified at an estimated cost of about 200 million \$VN. It is to be hoped that a decision will be made in favor of using this group of workers for tax reform after their services on land reform are no longer needed, for there is no other apparent solution to the problem of improving present classifications and placing more property on the tax roll.

There are no delusions held that this type of tax reform would be an easy job or that it would be done perfectly. Aerial photographs could be used to identify individual properties, and visits would be made to each farm at the time of harvest to estimate yields. This procedure would not produce perfect results, but it would be adequate for tax purposes and immeasurably better than the present chaotic situation.

One final problem on rice field taxation needs to be resolved. Previous mention has been made of the fact that variable provincial and village tax rates result in tax discriminations. These discriminations should be removed in part by eliminating the percentage addition to the central government tax for the provinces and by having only a single tax schedule like the

one developed in Table 11. The villages, however, should be permitted to add percentages increases to the tax for their revenue needs.

How should the proceeds of the tax be distributed between the central government and the provinces? There is a temptation to recommend that all of the property tax revenues from agricultural land be given to the provinces because of their present acute need for revenue. The shortcoming of this approach is that the central government also has a need for revenues, and it is to be hoped that the central government will be able to share in the proceeds of the land taxation as the latter becomes more productive over time. For this reason, it is recommended that the central government and the provinces share the basic revenues equally, with the villages being permitted to add a percentage of the tax for their requirements.

Suggesting some improvements for the taxing of land used in mixed cultivation (all other agricultural use of the land except the growing of rice) is more difficult. Reproduced below from Appendix E is the schedule used for mixed cultivation in South Viet-Nam. There are, in addition, two other schedules for Central Viet-Nam and the Highlands.

- (1) Super grade category (250\$VN per hectare): rubber land which did not suffer destruction, coconut palm.
- (2) First category (190\$VN per hectare): rubber land which is cultivated but suffered destruction, pepper, coffee, sugar, fruit-bearing trees, vegetables, soy bean and similar products, jute, ramee.
- (3) Second category (110\$VN per hectare): pineapple, areca, betel,

bananas, tapioca, mulberry trees, carrots, yams, potatoes, corn, peanuts.

- (4) Third category (55\$VN per hectare): abrasin.
- (5) Fourth category (20\$VN per hectare): palm trees, mangrove trees, and all other uses of land not mentioned above.
- (6) Fifth category (15\$VN per hectare): forests, pasture, wasteland, lakes.

This schedule apparently represents an attempt to tax land based on either gross or net value of yield for particular crops. That the schedule is large based on hunch and whim is evident from the fact that few statistics are available in Viet-Nam on average gross value per hectare for particular crops, and even less information is available on net value. There is, therefore, the suspicion that some products in the First category should be in the Second, and vice versa. There are, moreover, some glaring omissions like tea and tobacco. Not the least of the inconcistencies is the variation between the three regional schedules. For example, coffee is taxed at 300\$VN per hectare in Central Viet-Nam, 250\$VN in the Highlands, and 190\$VN in South Viet-Nam.

These criticisms are shared by other observers. One agricultural expert observed that the schedule was probably developed by people who had never been outside of Saigon. Another observation was that the schedule was developed in order to protect rich landowners.

But it is easier to find fault with the schedules than to improve them. Even if the average value per hectare were known for a particular crop, this

average is not a very good base for a tax because of the variation between high and low yields. For example, it may be possible that the average gross value per hectare of coffee is higher than the average gross value per hectare of tea, but the value per hectare of much high producing tea land may overlap the value per hectare of low producing coffee land. Another problem is that the average gross value of coffee per hectare may be higher than that for tea, but the cost of production may be higher for coffee than for tea.

With the general lack of statistics which would be necessary to improve these schedules for mixed cultivation, there is the temptation to abandon them and turn to some other base for the land tax. But other bases appear no more promising. Basing the tax on the market value of land is not feasible because there is no active market for agricultural land in Viet-Nam. The land could be zoned into several categories based on inherent productive capacity, but this procedure would leave out such considerations as the location of the land and particular agricultural practices on the part of the cultivators which contribute to the value of output. Moreover, there is always the argument that it is better to retain the familiar ways of taxing, providing that they can be improved.

There is no doubt that some improvement could be introduced to these schedules if available statistics were assembled and the resources of competent agricultural economists were utilized. For this reason, it is recommended that the problem be resolved by the Department of Agriculture with whatever assistance may be required. This department may consider as

a point of departure the following suggestions: (1) one schedule should be devised for all Viet-Nam instead of the present three different regional schedules; (2) tax rates should be increased in view of the need for more governmental revenue; and (3) forest taxation should be removed from the property tax and treated uniquely.

Finally, the Government should consider the advisability of adopting a special tax schedule for rubber plantations. Unique treatment of this industry appears warranted because of its importance to the economy in general and as an earner of foreign exchange.

At the present time, producing rubber trees bear a central government tax of 300\$VN per hectare in Central Viet-Nam, 190\$VN in the Highlands, and 250\$VN in South Viet-Nam. Also, in South Viet-Nam, rubber land which suffered war destruction bears a reduced tax of 190\$VN. In addition to these tax rates, there are percentage additions to the central government tax for the benefit of the provinces and villages which vary from 15 per cent in South Viet-Nam to 150 per cent in Central Viet-Nam and the Highlands. Uncultivated land and land planted in young non-producing trees have a uniform central government tax in all regions of 15\$VN per hectare.

The most obvious recommendation which may be made is to establish uniformity of rates for all regions. Regional tax differentials are a carry-over from the time when there was regional autonomy in taxation and have little or no economic justification. Therefore, it is proposed that a single rate or rate structure be adopted for rubber land which would be applicable to all Viet-Nam, with the central government and the provinces sharing revenues

equally, but with the villages being permitted to add a percentage increase to the tax for their revenue needs.

The next consideration is whether all land producing rubber should bear the same tax rate, or whether a tax schedule could be devised which would be more closely related to capacity to pay and would be more conducive to the expansion of the industry. Of basic relevance for this consideration is the productive cycle of the trees. Rubber trees usually require about 7 years before they can be tapped, and then there is low productivity for about 5 years. The heaviest yield is obtained from about the 12th to 25th year, followed again by diminished productivity.

This productive cycle could be related to the tax burden by first exempting land planted in non-bearing new trees in order to encourage expansion of the industry. Then the tax rate could be low during the early years of reduced yield, raised higher for the intermediate years of high yield, and then reduced again when yields decline. Care must be taken not to reduce the tax rates appreciably on older trees or there would be an incentive to retain old low-producing trees in cultivation. Also, the tax rate should be the same on high and low yielding plantations in order to encourage better techniques of production. The following suggested tax schedule incorporates these principles:

<u>Age of Trees</u>	<u>Tax Rate per Hectare</u>
Until trees are tapped	Exempt
From initial tapping to 12 years	150\$VN per hectare

13 to 25 years	350\$VN per hectare
over 25 years	250\$VN per hectare

Over a period of 35 years, the proposed new schedule would result in approximately the same over-all tax burden as the present schedule. One advantage of the new schedule, however, is that it would be more convenient to the growers because it would relate the tax burden to capacity to pay over time. Also, the new schedule would encourage growth of the industry.

These two advantages must be weighed against two shortcomings. Producers of rubber would be required to classify their total land according to the tax schedule and report the number of hectares owned in each category. This would be relatively easy from a compliance point of view, but would be difficult for tax inspectors to verify. It would be particularly difficult on small rather than on large plantations, where record-keeping is poor. It could also be argued that any change in the taxation of rubber plantations creates uncertainty in an industry on which the Government must rely for a significant amount of its foreign exchange earnings.

7. The Rationale of Real Property Taxation

Tax economists have very little good to say about a property tax. It has been described as a tax which is "wrong in theory and unworkable in practice". The section dealing with the property tax in a typical public finance text is devoted in the most part to a condemnation of the theoretical and administrative shortcomings of the tax; its virtues, on the other hand often are discussed in a cursory manner.

A substantial case can be developed against the property tax in principle.

If the tax is to be defended on the benefits received principle, a close connection must be shown between the taxing of property and the use of revenues for the direct benefit of the properties taxed. This connection is invariably tenuous, however, for there is a general tendency for property tax revenues to be used as much or more to benefit tax-exempt properties and individuals rather than taxed property. Equally unconvincing is the attempt to justify the tax on the basis of ability to pay. When the property tax is based only on land and buildings, as it is in Viet-Nam, only one type of wealth is singled out as a criterion of ability to pay. On the other hand, much wealth in any country is held either in the form of exempt tangible property, such as gold, precious stones, machinery, livestock, and inventory, or exempt intangible wealth such as money, promissory notes, stocks, and bonds. Except in a dominantly agricultural economy, where the commercial, governmental, and industrial sectors are of minor importance, there is unlikely to be a close relationship between taxes paid on real property and taxpayers' income.

Incidence of the tax -- who actually bears the burden -- is uncertain. While taxes on owner - occupied houses are regarded as nonshiftable, there is usually some shifting, although to an indeterminate degree, when taxes are placed on commercial and industrial property. It is also believed that taxes on land are nonshiftable, while taxes on improvements are shifted over time. In other words, property taxes do not reduce the supply of land but tend to reduce the supply of improvements.

Among the economic effects of the property tax worthy of mention is the

tendency of the tax insofar as it falls on buildings to discourage investment in improvements. The tax also has an effect on land use practices. Assessment of unoccupied urban land at the same rate as occupied urban land will discourage owners from holding the land idle. Similarly, the taxing of idle rural land will encourage owners to put the land to more economic use.

The principal administrative liability of the property tax is assessment. Typically, assessment procedures are notoriously inadequate, with the result that there are widespread inequities between properties. Underassessment is so characteristic that rates are raised to what would be prohibitive levels in the absence of underassessment. Viet-Nam has suffered from the additional administrative problems of being unable to add all property to the assessment role and being unable to collect all urban and rural assessments.

Despite these theoretical and administrative shortcomings, however, finance most public scholars find sufficient reasons for retaining the property tax. The tax is viewed as a particularly suitable source of revenue for local governments because of its productivity and stability. Furthermore, property does occasion the need for governmental expenditures, so there is a justification for exacting some charge from owners based on service received. There is also a reluctance to give up a type of revenue which has gained public acceptance and which would result in windfall gains to existing owners of property if abandoned.

In Viet-Nam's particular case, however, these traditional justifications

of a property tax may be bolstered considerably by one other argument. Since Viet-Nam is dominantly an agricultural country, the greatest potential source of public revenue in the magnitude in which more revenue is urgently needed is the productivity of the land. Although in principle this revenue from agriculture should be obtained by income taxation, lack of accounting practices among farmers and weak enforcement makes this goal unrealistic at the present time. In Viet-Nam, therefore, land taxation assumes particular importance as a means of taxing the agricultural industry under conditions in which an income tax is inoperative. As a means of taxing agriculture, direct taxation of the land is immeasurably superior to alternative taxes on production and exchange. In a similar way, relatively high taxes on urban property may be justified as a supplement to an administratively weak system of taxing income.

8. Summary of Previous Studies

(1) Vietnamese Government Proposals: The fiscal crisis facing the provinces during 1959 as a result of the elimination of the pacification tax on January 1, 1959 has provoked considerable current interest among Vietnamese government officials on possible solutions. Comprehensive analyses have been undertaken of the ways and means that the provinces could be given more fiscal autonomy, and these have resulted in a wide variety of revenue and expenditure proposals. Of particular interest to this research are two alternative recommendations concerning the property tax: (a) the central government could relinquish entirely its share of the property tax to the provinces and villages, and (b) the central government could relinquish

one-half of its share of the property tax and, in addition, permit provincial and village rates to be doubled. Neither one of these solutions, however, would be sufficient to restore completely the resources lost through the elimination of the pacification tax.

(2) Professor Cole's Proposals:⁷ Professor Cole recommends sweeping reform of the provincial and village tax systems. Most of the existing taxes would be eliminated and would be replaced by four main sources of tax revenue: (a) an agricultural production tax, (b) a non-agricultural property tax, (c) a business receipts tax, and (d) a head tax.

The agricultural production tax would be based on the estimated potential gross value of production from all agricultural and wooded land. Tax rates would be divided into two parts: (a) a basic tax of 6 per cent of gross value to be shared equally by the central government and the provinces, and (b) a progressive surcharge of 2 to 12 per cent for the central government.

Determination of the base of the tax (estimated potential gross value of production) would have three procedural steps: (a) All agricultural land in Viet-Nam would be surveyed to determine the normal crop and yield of each parcel of land. (b) Each year the various provinces (or groups of provinces)

⁷ Professor David Cole was a consultant with the Michigan State University Advisory Group from 1955 to 1957, during which time he undertook extensive research on provincial and village taxation. His recommendations have been summarized from a Ph.D. dissertation submitted to the University of Michigan.

would determine, in consultation with the national government, the appropriate values to be applied to different farm crops. The values would be based upon the current selling prices for farmers in the area, and this data would be collected by the provincial officials. (c) Estimated potential production of each individual's fields would be multiplied by these values to determine the gross value product on which the tax would be assessed.

The proposed tax rates would result in a marginal tax rate of 6 per cent on value product of 15,000\$VN or less and would rise to 18 per cent on value product in excess of 300,000\$VN. A few selected average tax rates are: 6 per cent on value product of 15,000\$VN, 9.1 per cent on 100,000\$VN, 14.7 per cent on 500,000\$VN, and 17.7 per cent on 5,000,000\$VN. Owners of crops other than rice are given the option of paying either the national surtax on agricultural production or the national income taxes. This option is denied owners of rice land because the land reform program will eliminate holdings in excess of 100 hectares.

Professor Cole's recommendation for the non-agricultural property tax is to use annual rental value as the tax base for both land and buildings. This tax would also have a basic rate of 6 per cent shared equally by the central government and the provinces, and would have the same progressive surcharges for the central government as the agricultural production tax. This type of property tax departs from the one presently in use in three respects: (a) Land would be taxed on rental value rather than on the basis of specific charges per unit of land area. (b) The proposed tax provides for higher basic rates by eliminating the deduction of 25 per cent for

depreciation and maintenance. (c) Tax burdens on valuable property would be increased as a result of the progressive surcharge.

(3) Professor Lindholm's Proposals:⁸ In general discussion of agricultural land taxation, Professor Lindholm emphasized four principles: (a) the greatest potential source of revenue in Viet-Nam was the produce of the land; (b) land taxation should encourage production; (c) progressive rates were desirable because the income tax was seldom collected successfully in agricultural areas; and (d) land taxation should be used as a source of revenue for both the central and local governments.

Professor Lindholm's recommendation with respect to rural land taxation was a "national progressive land tax". Procedurally, the application of this tax would take the following steps: (a) The first three classes of rice land with the highest tax and the first four classes of mixed cultivation bearing the highest tax are grouped into the First Category, while the remaining rice land classes and mixed cultivation classes are grouped into the Second Category. (b) The first four hectares of land in the First Category and the first eight hectares of land in the Second Category are exempt from the national progressive land tax. (c) Each additional hectare up to 8 hectares of the First Category is taxed 100\$VN per hectare, while each additional hectare up to 16 hectares of the Second Category is taxed

⁸Professor Richard Lindholm was associated with the Michigan State University Advisory Group and USOM from 1955 to 1957, during which time his emphasis in research was central government taxation. The summary of his property tax proposals was prepared from Analysis of Vietnam's Tax System and Recommendations, United States Operations Mission, Vietnam, 1956, Part VI.

50\$VN per hectare. (d) Rates continue to be progressive for each hectare with an upper limit of 700\$VN for each hectare over 769 for the First Category and 400\$VN for each hectare over 1,537 for the Second Category.

Six recommendations are advanced for the taxing of urban real property:

- (a) Staff employed in urban centers should be increased by 20 per cent.
- (b) The 25 per cent deduction from gross rental value should be changed to a flat deduction of 1,200\$VN for each property. (c) Rates applicable to land should be adjusted to correspond with changes in land value just as house rent is adjusted. (d) The tax rate on urban land without buildings and unoccupied rural land should be increased by 20 to 25 per cent. (e) The liability for payment of the property tax should be on the property itself rather than on the owner of the property.

PART III - RECOMMENDATIONS

1. Urban Tax Recommendations

(1) Prologue: The foregoing analysis has demonstrated that the tax on urban land and buildings has several serious shortcomings. The basic law is obsolete and inadequate; there is general underassessment of all properties as well as unequal assessment; a considerable proportion of urban land and buildings (at least in Saigon-Cholon) is off the tax roll; and collection is equally weak, with only about 60 per cent of assessment being collected in Saigon-Cholon. The conclusion is warranted that the urban property tax is a poor tax and is poorly administered.

Two alternatives are available for rehabilitating the urban property tax, depending on whether it is desirable to bring about a rather revolutionary change or improve the present system. While it is preferable in principle to retain the familiar and build from an existing foundation, the advantages appear to be in favor of a new tax base. For this, market value as a base for taxing both land and improvements is recommended instead of the present base of rental value for improvements and the specific tax on land. Major reform of this nature is to be preferred for two reasons: First, the existence of key rents prevents any appreciable raising of present assessment levels or the removal of serious inequities as long as the tax is based on rental values. Secondly, the present property tax system places an undue burden on improvements rather than on land, which again cannot be altered appreciably if the present tax base is retained.

Major reform could not be undertaken by the personnel resources of the General Directorate of Taxation, for the staff is not even able to handle the present work load. Nor are adequate technicians available in Viet-Nam for a change-over. Instead, it would be necessary to enter into a contract with a private firm for the reassessment of all property in Saigon-Cholon. There is a precedent for such a program of general re-assessment. Within recent years, the Public Administration Service, a United States firm specializing in public administration projects, undertook a re-assessment of the whole island of Puerto Rico. After the re-assessment of Saigon-Cholon is completed, it is anticipated that the Vietnamese staff engaged for the assessment project would be capable of assessing the other cities and towns in Viet-Nam. Also, it is anticipated that the personnel of the General Directorate of Taxation would be capable of administering the new system once it is established.

The alternative is to retain the present system and to introduce several reforms which would make the tax more equitable and productive. Among these, the most important recommendation is to make additional staff of good quality available for both assessment and collection. At least a doubling of the present staff is desirable. The staff should be doubled even if the re-assessment project is undertaken.

In expanding the staff, however, the problem is encountered that only inexperienced employees are available. These persons have such low productivity that their marginal output is below the average output of the present staff.

In addition, there is the problem of low average productivity on the part of the present staff.

The only way that this personnel problem can be resolved is through a comprehensive program of in-service training, in which literally all personnel involved in property tax assessment and collection would be sent to school in order to have their productivity raised. This type of intensive in-service training program would not be successful unless foreign technicians were utilized as instructors, because the resources of the present staff do not have adequate technical skills.⁹

(2) Specific Recommendations:

- (a) Re-assess all property in Saigon-Cholon with the assistance of a private contract group.
- (b) Double the size of the present assessment staff.
- (c) Institute in-service training for property tax personnel with the assistance of foreign technicians.
- (d) Collections may be improved by the Government adopting a policy of prosecuting delinquents vigorously; placing the liability for the payment of the tax on the property instead of on the owners; applying a penalty of 10 per cent of the tax when owners fail to complete declarations; transferring the responsibility of collecting property taxes from the General Treasury

⁹Although discussed in the context of a report on property taxation, the type of intensive in-service training program recommended would embrace the whole staff of the General Directorate of Taxation. About five foreign technicians should be hired, of which one would be a specialist in property tax assessments and another an advisor on collections.

to the General Directorate of Taxation; and giving the collection staff working in the field the authority to collect taxes rather than merely the responsibility to serve papers.

(e) If rental value is retained as a base for the tax on improvements, the assessment level may be raised by eliminating the deduction of 25 per cent from gross rent; lowering the deduction for furniture from 60 to 10 per cent; revising assessments every year instead of every three years; and reclassifying urban land more frequently in order to reflect increases in land values.

(f) Uniformity of application of the tax may be improved by: eliminating regional, provincial, and urban differences in tax rates; combining the tax schedules for unoccupied and occupied urban land into one schedule; and removing the specific charges for sewage and garbage.

(g) Property tax revenues should be shared by the central government and/or the provinces and municipalities.

(h) New laws and regulations should be written in order to incorporate the above recommendations and to make the property tax law consistent with present economic and political realities.

2. Agricultural Tax Recommendations

(1) Prologue: The property tax on agricultural land is in need of rehabilitation even more than the urban tax. The tax schedules for both rice land and for mixed cultivation are obsolete and structurally imperfect; as much as 30 per cent of all rice land is off the tax roll; tax rates on rice land are at levels which make the levy unproductive of revenue; and collection

is so weak that only 46 per cent of rice field assessments and 68 per cent of mixed cultivation assessments are collected. Only a major effort on the part of the Government will make it possible for these shortcomings to be overcome. What will be necessary is the same kind of enthusiasm and effort for an agricultural tax reform program which has characterized the land reform program.

In considering recommendations for the agricultural property tax, one basic issue to be faced is whether to retain the present system of taxation or to change to a different type of property tax. This inquiry is justified because the present system is a blunt instrument of taxation and constitutes rough justice at best even if it were administered effectively. There are three alternative ways in which agricultural land could be taxed:

(1) A conventional practice in many countries is to use the market value of land and buildings as the base of the property tax. This procedure is by no means easy administratively, because it requires specific assessment of each property and accurate statistics on market sales, but it has the advantage of making refined and specific distinctions among properties. Market value does not appear to be feasible in Viet-Nam, however, because there is an inactive market for agricultural land and the exchanges which take place often do not reflect an arm's length transaction.

(2) A second alternative, proposed by Professor Cole and summarized in an earlier part of this report, is to use the value of output per hectare as a base for the property tax. This would require a determination of both the price and the physical output of product for each hectare cultivated in

Viet-Nam. Again, this base is superior in principle to the method presently in use, but it would be difficult administratively. The determination of physical output alone for each product and for each holding of land would be onerous; to associate this output with the average price of each product in each province of Viet-Nam is probably more than the General Directorate of Taxation could accomplish given the meager resources at its disposal.

(3) Finally, it would be possible to tax the commercial output of the land as it moves to the market. This method has an advantage in equity, because it would exempt agricultural production needed for basic sustenance. Experience in Viet-Nam has proven, however, that a market tax is unpopular and difficult to enforce. Proof of this is the elimination of the pacification tax on January 1, 1959.

The basic policy conclusion of this discussion is that there are better alternative ways in principle of taxing agricultural land than the one presently used, but it is doubtful whether these other tax bases are feasible administratively. What appears to be controlling in the choice of a property tax base is Viet-Nam's present capacity to administer a given type of tax. Until it can be demonstrated that the General Directorate of Taxation is capable of administering effectively the present tax, it seems more prudent to refrain from adopting a levy which would be more difficult to administer.

For the same reason, it is questionable whether it would be desirable to introduce a progressive surtax to the present agricultural land tax. Again, a progressive surtax is justified in principle, but inevitably it

would make assessments and collections more difficult. There would be a need, for example, of having a more complicated rate structure and some provision for a tax credit if the individual or corporate income tax were paid. In the short run, it appears more desirable to avoid these embellishments until all property can be placed on the tax roll, the general level of assessments can be raised, and collections can be strengthened. What emerges as the basic policy conclusion for the agricultural land tax is to retain the present system, but to remove as many of its imperfections as possible.

(2) Specific Recommendations:

- (a) The resources of the Cadastral Service should be utilized for the surveying of all agricultural land in order to classify rice land, determine the types of crops grown on holdings used for mixed cultivation, and to identify the ownership of land.
- (b) A new schedule for taxing rice land should be adopted similar to the one in this report, and consideration should be given to the unique tax treatment of land used for rubber production.
- (c) A new schedule for mixed cultivation should be developed, possibly by the Department of Agriculture with whatever assistance may be required.
- (d) The central government and the provinces should share equally the proceeds of the agricultural land tax, but the villages should be permitted to add percentage increases to the tax for their revenue needs.
- (e) Village authorities responsible for the assessment and collection of the land tax should be ~~responsible~~ increased assistance and supervision

on the part of the district chiefs, and the staff of the General Directorate of Taxation engaged in property tax administration at the provincial level should be increased to at least double its present size.

(f) Collections may be strengthened by placing the legal liability for the payment of the tax on the land instead of on the owner and by transferring the responsibility for collection from the General Treasury to the General Directorate of Taxation.

(g) The Fiscal Code should be revised in order to implement all new policies and to make the property tax laws consistent with present economic and political realities.

Appendix A

Classification of Unoccupied Land in
the Urban Centers of South Viet-Nam

<u>PROVINCE</u>	<u>FIRST CATEGORY</u>	<u>SECOND CATEGORY</u>	<u>THIRD CATEGORY</u>
Bac-Lieu	Bac-Lieu	Gia-Rai	Hoa-Bing Vinh-Chau
Baria		Baria	Chon-Ben Long-Dien Phuoc-Hia Long-Hai
Bentre	Bentre	Batri	Mo-Cay Thanh-Phu Cai-Mon My-Luong Huong-Dien Giong-Trom Dai-Dien
Bien-Hoa	Bien-Hoa	Bien-Hoa	Tan-Uyen Long-Thanh Xuan-Loc
Can-Tho	Can-Tho Cai-Rang Tra-On	Binh-Thuy O-Mon	Cau-Ke Phong-Dien Cai-Von Phung-Hiep Thoi-Lai
Cap.St. Jacques	Cap.St.Jacques	Cap.St.Jacques	
Chau-Doc	Chau-Doc	Tan-Chau Tri-Ton	Trinh-Hien Hong-Ngu

Appendix A (Continued)

<u>PROVINCE</u>	<u>FIRST CATEGORY</u>	<u>SECOND CATEGORY</u>	<u>THIRD CATEGORY</u>
Cholon	Can-Duoc Can-Giue Duc-Hoa		Ben-Luc Qui-Duc Go-Den Rach-Kren
Gia-Dinh	Gia-Dinh Phu-Nhuan Phu-My Thu-Duc Hoc-Mon Go-Vap	Ba-Diem An-Dong-Xa Dian Binh-Trung Binh-Phuoc	Hanh-Thong-Tay Ba-Queo An-Nhon-Xa An-Loc-Thon Quen-Tre Trung-Hung Trung-Chanh Phu-Xuan Tan-Thuan-Dong
Go-Cong	Go-Cong		Vinh-Loi
Ha-Tien		Ha-Tien	Duong-Dong
Long-Xuyen	Long-Xuyen	Thot Not	Cho-Moi My Luong Nui Sap
My Tho	My Tho	Cai Ba	Vinh Kien An-Hoa Cho Gao
Rach Gia	Rach Gia		Long My Nga Nam Giong-Rieng Go Quao Phuoc Long

Appendix A (Continued)

<u>PROVINCE</u>	<u>FIRST CATEGORY</u>	<u>SECOND CATEGORY</u>	<u>THIRD CATEGORY</u>
Sadec	Sadec	Cao Lanh	Cai Tau Ha Cai Tau Thuong Lai Vung
Socstrang	Soc Trang Bai Xau	Long Phu Bo Thao	Ke An Truong Khanh Phu No Phu Loc Phuoc Tam Dai Ngai Thanh Phu Uch Hoi Thuong
Tan An		Tan An	Thu Thua
Tai Ninh		Tai Ninh Trang Bang	Go Dau Ha
Thu Dau Mot	Thu Dau Mot	Lai Thieu	Bung Ben Cat Hon Quan
Tra Vinh	Tra Vinh	Tieu Can	Tra Cu Cau Ngan Cang Long
Vinh Long	Vinh Long	Thien Duc Nga Tu	Vung Liem Tam Binh Cai Nhum Cho Lach

Appendix B

Classification of Occupied and Unoccupied
Urban Land in Five Urban Centers in the Highlands

<u>Urban Center</u>	<u>Classification of Occupied Land</u>	<u>Classification of Unoccupied Land</u>
Dalat	From Super Grade to Fourth Class	First Category, and from the First to Fifth zones
Ban-Me-Thuot	From Second to Fourth Classes	Second Category, and from the Second to Fifth zones
Dong-Nai-Thuong	From Third to Fourth Classes	Third Category, and from the Second to the Third zones
Pleiku	Fourth Class	Third Category and the Third zone
Kontum	Fourth Class	Third Category and the Third zone

Appendix C

Maximum Percentage Increases of Central
 Government Tax Established for Financial
 Year 1958 for Prefectural, Provincial,
 and Village Budgets

<u>Region</u>	<u>Urban Centers</u>	<u>Rice Fields</u>	<u>Mixed Cultivation</u>	<u>Salt Fields</u>
<u>South Viet-Nam</u>				
(1) Saigon Prefectural Budget	200	-	-	-
(2) Provincial Budgets	200	10	15	200
(3) Village Budgets	250	5	10	150
<u>Center Viet-Nam</u>				
(1) Danang Town Budget	150	150	-	-
(2) Other Town Budgets	100	100	100	-
(3) Provincial Budgets	100	100	100	-
(4) Village Budgets	50	50	50	100
<u>Highlands</u>				
(1) Town Budgets	-	200	-	-
(2) Provincial Budgets	-	100	-	-
(3) Village Budgets	50	50	50	-

Appendix D

Actual Percentage Increases of Central Government Tax
Levied for the Benefit of Urban Centers

<u>Province</u>	<u>Urban Center (1)</u>	<u>Provincial Rate</u>	<u>Village Rate</u>
An Giang	200	100	
An Xuyen	200	(3)	
Bien Hoa	200	250	
Binh Duong	200	(3)	
Binh Tuy	(2)	(2)	
Binh Long	200	(3)	
Ba Xuyen	100	(3)	
Gia Dinh	200	250	
Dinh Tuong	200	250	
Kien Giang	200	200	
Kien Hoa	200	250	
Kien Phong	200	(3)	
Kien Tuong	200	(3)	
Long An	200	250	
Long Khanh	200	250	
Phong Dinh	200	(3)	
Phuoc Long	(2)	(2)	
Phuoc Tuy	150	(3)	
Saigon	200	(3)	
Tay Ninh	200	(3)	
Vinh Binh	200	(3)	
Vinh Long	200	(3)	
Binh Linh	100	(3)	
Dinh Thuan	100	50	
Danang	150	(3)	
Khanh Hoa	100	(3)	
Phu Yen	100	50	
Quang Nam	40	(3)	
Quang Ngai	100	50	
Quang Tri	50	(3)	

Appendix D (Continued)

<u>Province</u>	<u>Urban Center (1)</u>	<u>Provincial Rate</u>	<u>Village Rate</u>
Ninh Thuan	80		50
Thua Thien	100		(3)
Dalat	200		(3)
Banmethuot	100		(3)
Di Linh	100		(3)
Plieku	100		50
Kontum	100		(3)

- (1) Does not include sewage and garbage taxes.
- (2) Newly created provinces; no rates assigned.
- (3) Village assesses and collects its own tax on land and buildings used for residential and commercial purposes. Rates are approved by province chiefs, but cannot exceed maxima indicated in Appendix C.

Appendix E

Classification of Land Used for Mixed
Cultivation in Central Viet-Nam, the Highlands, and
South Viet-Nam

I. Central Viet-Nam :

- (1) Special category (300 \$VN per hectare) : rubber, cinnamon, tea, coffee, pepper, sugar, tobacco.
- (2) Super Grade category (250 \$VN per hectare) : betel, areca, fruit-bearing trees, foreign originated vegetables, land providing the raw material for pottery, tiles, and paints.
- (3) First category (190 \$VN per hectare) : oil producing and fibre trees.
- (4) Second category (110 \$VN per hectare) : cereals, corn, sesame, tapioca; fields used for salt production.
- (5) Third category (55 \$VN per hectare) : local vegetables and potatoes.
- (6) Fourth category (20 \$VN per hectare) : palm trees and income yielding lakes.
- (7) Fifth category (15 \$VN per hectare) : uncultivated land, pastures, and lakes which do not yield income.

Reference : Arrete No. 3814 ND/TV of Nov. 4, 1955.

II. The Highlands :

- (1) Super Grade category (250 \$VN per hectare) : tea, coffee, small trees, pepper.
- (2) First category (190 \$VN per hectare) : rubber, fruit-bearing trees, sesame.

Appendix E (Continued)

- (3) Second category (110 \$VN per hectare) : cotton, pineapple, areca, betel, tobacco.
- (4) Third category (55 \$VN per hectare) : abrasin, tapioca, potatoes, mulberry trees, corn, sesame, vegetables, bananas.
- (5) Fourth category (20 \$VN per hectare) : other trees different from the above.
- (6) Fifth category (15 \$VN per hectare) : uncultivated land and cultivated land which yields no income.

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Reference : Arrete No. 400/DBCP/ND/PC of July 4, 1956

III. South Viet-Nam :

- (1) Super Grade category (250 \$VN per hectare) : rubber land which did not suffer destruction, coconut palm.
- (2) First category (190 \$VN per hectare) : rubber land which is cultivated but suffered destruction, pepper, coffee, sugar, fruit-bearing trees, vegetables, soy bean and similar products, jute, ramee.
- (3) Second category (100 \$VN per hectare) : pineapples, areca, betel, bananas, tapioca, mulberry trees, carrots, yams, potatoes, corn, peanuts.
- (4) Third category (55 \$VN per hectare) : abrasin.
- (5) Fourth category (20 \$VN per hectare) : palms trees, mangrove trees, and all other uses of land not mentioned above.
- (6) Fifth category (15 \$VN per hectare) forests, pasture, wasteland, lakes.

Reference : Arrete No. 2979 DF/BR of Dec. 9, 1954

Appendix F

Percentage Increases of Central
Government Land Tax Levied
by Provinces and Villages on Rice
Fields and Mixed Cultivations

<u>Name of Province</u>	<u>Rice Fields</u>		<u>Mixed Cultivation</u>	
	Provincial Rate	Village Rate	Provincial Rate	Village Rate
An Giang	10	5	15	10
An Xuyen	10	(2)	15	(2)
Bien Hoa	10	5	15	10
Binh Duong	10	5	15	10
Binh Tuy	10	5	15	10
Binh Long	15	(2)	15	10
Ba Xuyen	10	(2)	15	(2)
Gia Dinh	10	5	15	10
Dinh Tuong	10	5	15	10
Kien Giang	10	6	15	10
Kien Hoa	10	5	15	10
Kien Phong	10	(2)	15	(2)
Kien Tuong	10	(2)	15	(2)
Long An	10	5	15	10
Long Khanh	15	10	15	10
Phong Dinh	10	(2)	15	(2)
Phuoc Long	(1)	(1)	(1)	(1)
Phuoc Tuy	10	(2)	15	(2)
Saigon	(3)	(3)	(3)	(3)
Tay Ninh	10	(2)	15	(2)
Vinh Binh	10	5	15	10

Appendix F (Continued)

<u>Name of Province</u>	<u>Rice Fields</u>		<u>Mixed Cultivation</u>	
	<u>Provincial Rate</u>	<u>Village Rate</u>	<u>Provincial Rate</u>	<u>Village Rate</u>
Vinh Long	10	(2)	15	(2)
Binh Dinh	100	(4)	100	(4)
Binh Thuan	100	30	100	30
Danang	(3)	(3)	(3)	(3)
Khanh Hoa	100	(4)	100	(4)
Phu Yen	100	50	100	50
Quang Nam	100	(4)	10	(4)
Quang Ngai	100	50	100	50
Quang Tri	100	(4)	50	(4)
Ninh Thuan	100	50	100	50
Thua Thien	100	(4)	50	(4)
Dalat	200	(4)	200	(4)
Banmethuot	100	(4)	100	(4)
Di Linh	100	50	100	(4)
Pleiku	100	50	100	50
Kontum	100	50	100	50

- (1) Newly created province and no rates have been assigned.
- (2) Direct assessment and collection by village authority. The percentage of central government tax is not known but it cannot exceed the maxima indicated in Appendix C.
- (3) The prefecture of Saigon-Cholon and the town of Danang have no rice fields or land used for mixed cultivation.
- (4) There is no special village land tax because of the receipt of revenues from communal land.

Appendix G

Property Tax Assessments for Real
Estate Corporations in Saigon, Cholon, 1958

	<u>Corporation</u>	<u>Assessments (\$VN)</u>
I - Saigon :	(1) Affreteurs Indochinois	1,986,395
	(2) Cogisa	1,969,933
	(3) Credit Foncier	1,557,000
	(4) Societe Immobiliere Saigon-Cholon	366,037
	(5) Societe Immobiliere Aziz et Cie	609,842
	(6) Societe Immobiliere Indochinoise	875,580
	(7) Societe Immobiliere du Port	1,346,708
	(8) Societe la Norodom Immobiliere	451,574
	(9) Societe Hui Bon Hoa	6,901,036
II - Cholon :	(1) Cie Immobiliere Saigon-Cholon	1,216,206
	(2) Credit Foncier	409,895
	(3) A. B. David	1,052,390
	(4) Societe Hui Bon Hoa	3,957,583
	(5) Societe Immobiliere Commercial	589,817
	(6) Societe Civile Immobiliere Cholon	109,288
	(7) Societe Truong Van Ben	108,355
	(8) Ly Thanh Hong	<u>897,929</u>
	Total	24,465,530

Source: General Directorate of Taxation.