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S. Korea's property tax-to-GDP 3rd highest among OECD nations

South Korea's property tax rate compared with its gross domestic product was the third highest among 37 Organization for Economic Cooperation and Development members in 2018, data showed Monday.

The data compiled by Rep. Yoo Gyeong-joon of the main opposition People Power Party came amid growing concerns that the Moon Jae-in administration's set of real estate measures -- focused on tightening loan regulations and levying heavier taxes on multiple homeowners -- failed to cool down the real estate market.

In 2018, property taxes levied by the government stood at 4.05 percent of GDP, which was \$1.7 trillion at the time. The figure was nearly double the OECD average of 1.96 percent. The figure took the nation's comprehensive real estate holding tax, which was levied from 2005, inheritance tax and taxes levied in property transactions into account.

The OECD member nations with higher tax rates compared with Korea at the time included the UK with 4.48 percent and France with 4.43 percent. The United States came at No. 4, behind Korea, with 3.97 percent, while Japan came at No.11 with 2.59 percent. Other countries with relatively high rates Canada with 3.45 percent, Australia with 2.78 percent and Spain with 2.27 percent.

The data refutes President Moon's remarks in August last year, delivered during a Cheong Wa Dae meeting that despite its decision to increase the property holding tax, the rate remains "lower compared with other economies."

The property tax-to-GDP rate is projected to rise further with the planned increase of capital gains tax and comprehensive real estate tax on multiple homeowners to take effect on June 1.

Under the revised rules, the comprehensive real estate tax rate on the owner of two or more properties in areas designated by the government as speculative will be raised from between 0.6 to 3.2 percent to 1.2 percent to 6 percent. The capital gains tax on houses will be raised as well.

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Also, for owners selling a 2.5 billion-won (\$2.3 million) house and gaining 1 billion won from the sale, the capital gains tax will be 110 million won higher from June 1.

Seoul's apartment prices surged 58 percent after Moon took office, which is 4.5 times the increase rate of the combined period of the preceding Lee Myung-bak and Park Geun-hye governments, Citizens' Coalition for Economic Justice, a local civic group here said in November.

3 in 5 Koreans question real estate tax hikes

67% of Seoulites skeptical about taxation-focused apartment policy: poll

The Moon Jae-in administration had been active in raising property taxes, claiming that the aggravated tax burden for multiple home-owners would eventually curb apartment prices.

But housing prices in Seoul and some other major cities have continued to climb to record-highs. The government still maintains the policy of higher taxation on real estate, while more and more people have become skeptical about it in terms of efficacy.

A recent survey suggests a dominant portion of people's distrust in the government's "anti-speculation" policy.

According to a poll by the Korea Society Opinion Institute, 61.4 percent of people surveyed responded that they "disagree with" the argument that the hikes in comprehensive real estate holding tax and capital gains tax have brought, or would bring, market stabilization.

In the KSOI poll, conducted on 1,000 people nationwide and was publicized on Jan. 26, only 35.8 percent of them said they agreed on the policy direction.

By region, the portion of those doubting the policy's effectiveness was highest in the Daegu-North Gyeongsang Province area as 73.1 percent of the respondents from the area expressed disapproval.

Seoul was the second with the disapproval percentage of 67 percent, followed by Sejong-Daejeon-Chungcheong provinces with 65 percent, Busan-Ulsan-South Gyeongsang Province with 61 percent and Gyeonggi Province-Incheon with 60 percent.

The portion of pessimists was 58.4 percent in Gangwon Province-Jeju Province and 41.8 percent in Gwangju-Jeolla provinces.

By generation, the disapproval portion was the highest among those in their 60s or over at 64.9 percent, the second-highest among those in their 50s at 63.8 percent.

While the figure the third-highest among those in their 30s at 63.7 percent, the pessimist portion was the lowest among those in their 40s among the entire generation at 50 percent.

By job type, the figure was the highest among housewives with 67.1 percent, followed by the jobless with 62.8 percent, the self-employed with 60.1 percent, white collars with 59.8 percent and blue collars with 59.2 percent.

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Though the disapproval percentage was the lowest among college students, at 58.4 percent, this was still much larger than those who backed the policy, at 32.5 percent.

By political identity, 74.9 percent of those who identified themselves as conservatives said the policy of the higher tax-oriented real estate policy would not be -- or has not been -- effective, 62.4 percent of those as centrists and 46.3 percent of those as liberals.

By residential type, the figure was also highest at 64 percent among tenants under "jeonse," Korea's unique long-term rent system through lump-sum deposits.

A poll by Gallup Korea, released on Jan. 30, showed that the largest portion (24 percent) of those, who expressed disapproval of President Moon Jae-in, picked real estate policy as the main reason for not supporting him.

As a noteworthy point, only 1 percent of those, who responded that they were supporting President Moon, picked the real estate policy as the main factor for their approval.

Meanwhile, many people have expressed fury over unfairness in the market, pointing out that the enhanced real estate regulations have further weakened the apartment purchase capacity or opportunity among middle-income households.

In Seoul, mortgages are totally banned for apartment units priced 1.5 billion won (\$1.33 million) and over. While mortgages -- for up to 40 percent of the property value -- are allowed for apartments priced 900 million won or under, it is not easy to find the price-level housing for an 84-square-meter unit (a popular size in Korea) in the wake of skyrocketing prices in the capital.

Under the regulation, people with sufficient cash could be able to dominate sales of newly built apartments, as many subscription-lottery winners have no choice but to abandon full payments.

Amid the growing pessimism over the efficacy of regulation-based policy and supply shortage, the Land Ministry said on Feb. 4 that the government would provide 320,000 housing units in Seoul by 2025.

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