



SOUTH KOREA – May 2021

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Quick fix can't solve the problem

The ruling Democratic Party (DP) has made a fuss about Korea's property taxation system and real estate rules by replacing the head of a special committee on real estate, but came to produce little. The committee only agreed to one change — raising the threshold for the temporary exemption on property tax to 900 million won (\$800,000) in appraised value from the previous 600 million won. The committee failed to discuss the adjustment of the pace of the rise in appraisal value, which becomes the basis for levies, or reach a decision on easing a capital gains tax or comprehensive estate ownership tax due to disagreements in the party.

As a result, little has changed. Although the scope for exemption on the property tax was expanded, the effect is not strong enough for people to find any relief in their annual tax bill. Due to a spike in the appraised value in the double digits annually over the last four years, one out of every four apartments in Seoul are subject to comprehensive real estate ownership tax, a sort of tax for the rich. Yet the party has failed to alleviate the real problem.

The DP addressed the real estate measures upon concluding that its failure in real estate policy led to its crushing defeat in the April 7 mayoral by-elections in Seoul and Busan. The primary focus was on easing the steep increase in taxes. There had been strong calls for cutting transaction taxes — such as acquisition or capital gains tax — after drastic spikes in ownership taxes.

If both the transaction tax and the ownership tax are too heavy, home purchases and sales cannot take place. Deadlocked housing trade has only fanned housing prices and rent insecurity.

Housing prices in Gangnam, Seoul, have begun to head north again, and rents are being doubled even for the same-size apartments in Seoul. The shockwave has spread to housing across the nation.

Prime Minister Kim Boo-kyum maintains that as appreciation in housing value is "passive income," it should be returned to society. But such an approach neglects the single home-owners pained by heavy taxes and people without homes ever hardened by the jump in rents. Retirees must break their savings

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to pay taxes. The deductions for senior citizens are only possible for those owning homes for more than 15 years and aged 70 or older.

The government must immediately address public woes.

The government must adjust taxation before the second tax bill is issued in September. Taxes being paid by people with a single home they live in at least must come down as they are unrelated to speculation.

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