



## Taiwan – November 2021

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### ***Raising property ownership costs***

To curb soaring housing prices, the government should revise the Land Tax Act (土地稅法) to increase the cost of owning a property, as the central bank's selective credit controls and tax on real-estate hoarding appear to have had a limited effect.

The surge in housing prices over the past 10 months in eight areas — the six special municipalities, plus Hsinchu City and Hsinchu County — shows that the government's tax policy lacks teeth. Based on registered transaction prices, housing prices in Hsinchu City, the nation's tech hub, saw the steepest rise of 30 percent, figures compiled by Addcn Technology Co showed.

Housing prices in six of the eight areas rose by more than 12 percent, with only Taipei and New Taipei City posting milder increases of 4.6 percent and 1.2 percent respectively, Addcn's data showed.

Moreover, the number of people owning more than four houses climbed to 315,000 as of 2019, compared with 268,000 since the property hoarding tax took effect in 2015, Ministry of Finance statistics showed.

The cost of property ownership is the main reason behind house hoarding. Taiwan is one of the few countries that have a low levy on land and housing, with the increases in assessed land value lagging far behind the surge in real market value. Local governments are responsible for assessing land value — the basis for calculating land tax — but are reluctant to take the initiative and raise it amid concern over public resistance.

As a result, the nation's assessed land value contracted 0.66 percent annually last year, accounting for only 19.79 percent of actual transaction prices that year and down from 20.02 percent in the prior year, Ministry of the Interior data showed. Last year, the Taichung City Government even lowered its assessed land value by 20.06 percent from the previous year, departing from the central government's efforts to rein in the overheating property market.

Legislators have been calling on the government to step up its efforts to crack down on housing speculation and hoarding by increasing taxes. Taiwan only levies an effective tax rate of 0.06 percent,

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compared with Singapore's 0.17 percent to 0.36 percent, Japan's 0.2 percent and the US' 0.66 percent to 1.37 percent, Democratic Progressive Party Legislator Kuo Kuo-wen (郭國文) told a meeting of the legislature's Finance Committee yesterday.

Kuo urged Minister of Finance Su Jain-rong (蘇建榮) to push local governments harder to increase the property hoarding tax and to raise assessed land value.

Su said the ministry is considering imposing new regulations to allow it to review local governments' changes in tax rates. While local governments have the right to adjust and levy a housing tax rate, some have left the tax unchanged for almost a decade, Su added.

The ministry is working on a new rule to raise the hoarding tax threshold from the high end of 3.6 percent, Su said. The ministry currently levies a tax of 1.5 to 3.6 percent on non-residential housing units and allows local governments to add their own taxes, capped at 30 percent.

Although local governments are in charge of adjusting land value and the property hoarding tax, the central government should oversee whether those levies are reasonable and how the real-estate market absorbs changes in tax policy.

To effectively curb a seemingly non-stop increase in housing prices and bring a property's assessed value close to its market price, the government should revise the Land Tax Act to stipulate that assessed land value should be adjusted according to changes in market prices. Boosting the cost of owning real estate should be an effective way to contain housing speculation and soaring prices.