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KOREA'S REAL ESTATE TAX INCOME JUMPS ON SOARING HOUSING PRICES LAST YEAR

South Korea recorded large extra tax revenue close to 60 trillion won ($50 billion) last year after the country's soaring housing prices swelled the government's real estate tax income, especially with capital gains tax income from property sales nearly doubled the government's projection.

According to data from the National Tax Service submitted to Rep. Yoo Gyeong-joon of the main opposition People Power Party on Thursday, the real estate capital gains tax income as of the end of November last year amounted to 34.37 trillion won, up 17.49 trillion won from the government's early year projection of 16.88 trillion won.

The amount of excess tax revenue from capital gains tax would further increase, reaching about 20 trillion won for the year when December data is tallied later. It means one-third of 60 trillion won in the Korean government's excess tax revenue last year came from capital gains tax.

The inheritance and gift tax income amounted to 14.04 trillion won as of November, which is 1.5 times higher than the early year estimation of 9.09 trillion won. The comprehensive real estate holding tax income came to 8.56 trillion won last year, 1.7 times higher than the government's projection of 5.11 trillion won.

Critics say the result reflects a failure in real estate policy of the Moon Jae-in administration. The extra tax revenue accounts for about 10 percent of the country's annual budget.

SOUTH KOREA RANKS NO2 IN PROPERTY TAX-TO-GDP AMONG OECD NATIONS

South Korea ranked second among members of the Organisation for Economic Cooperation and Development (OECD) in the ratio of property tax to gross domestic product (GDP) in 2020, with its year-on-year growth posting number one and ranking in terms of the ratio climbing by four notches from a year earlier.

According to a recent analysis by the Paris-based organisation, South Korea recorded 3.97 per cent in the ratio of property tax – in which the capital gains tax on trading of homes and land takes up a dominant portion – to GDP as of 2020.

Canada topped the list with its figure reaching 4.15 per cent, followed by South Korea and France which tied for second.

Of the 38 members, the figure for Australia was not included.

The OECD clarified that the property tax includes "taxes on immovable property or net wealth, taxes on the change of ownership of property through inheritance or gift and taxes on financial and capital transactions".

Though South Korea stayed at number six with 3.11 per cent in 2019, the nation saw the ratio surge 0.86 percentage point in just one year, which was the highest growth in the OECD.

In addition, the ratio of property tax-to-GDP grew fastest in terms of growth for three years since 2017, when the figure was 2.96 per cent, placing at ninth. The ranking rose to seventh with 3.09 per cent in 2018.

During the 2017-2020 period, South Korea overtook Greece, Israel, Belgium, Luxembourg, the UK and the US.

South Korea posted a 1.01 percentage point increase – the highest among the members – in the three-year period. Some countries, including the US, the UK, Italy, Spain, Sweden, Mexico and Turkey, saw the ratio fall.

Though Japan also recorded a climb over the corresponding period, its ratio inched up only 0.1 percentage point to 2.63 per cent as of 2020.

While the organisation has yet to publicise the 2020 average for its 38 members, the average was 1.87 per cent in 2017, 1.81 per cent in 2018 and 1.8 per cent in 2019.

In this trend, there is a possibility that South Korea will become the nation whose household burden on real estate taxes is the highest in the OECD, overtaking Canada in the coming analysis for 2021 or 2022.

Under the Moon Jae-in administration since May 2017, South Korea has put much focus on the comprehensive real estate tax as part of its effort to carry out active taxation on multiple-home owners and land owners.

In addition, a large proportion of owners of one home in Seoul and some major cities have faced heavier property taxes in the wake of record-breaking growth in housing prices over the past four years.