



SOUTH KOREA – December 2022

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DP ACCEPTS CHANGES TO COMPREHENSIVE REAL ESTATE TAX LAW

The Democratic Party (DP) is changing its tune on the comprehensive real estate tax as voters have soured on the higher rates on property.

Last week, the party said it was in favor of changing certain assessed-value thresholds, and reports on Monday indicate that it may support a lowering of the tax in some circumstances.

The DP's support is needed as it has a majority in the National Assembly.

On Friday, the DP accepted the government proposal that the bar for owners of one apartment for the paying of the comprehensive real estate tax be increased from 1.1 billion won (\$846,000) to 1.2 billion won in terms of assessed value.

It also accepted raising the threshold for owners of three or more properties throughout the country from 600 million to 900 million won.

On Monday, news reports indicated that the DP had accept a proposal that owners of two apartments in areas designated as speculative, which includes all of Seoul, be charged at the lower rate.

Owners of two apartments in designated areas had been paying 1.2 percent to 6 percent, which is charged to people with three or more apartments everywhere in Korea. Under the proposal, it will be reduced to the lower rate of 0.6 to 3 percent.

The PPP is also requesting that the maximum tax rate on multiple homeowners be lowered to 5 percent from 6 percent.

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“With the changes, those that will be taxed will be lowered to 660,000, which is the level of people that were taxed in 2020, from this year’s 1.23 million,” said Shin Dong-kun, DP lawmaker on the National Assembly’s Strategy and Finance Committee.

The DP agreement to ease the comprehensive real estate tax comes as public frustration grows over the high tax rates and the weak property market.

According to a survey conducted by the Korea Institute of Public Finance last month, 55 percent of the 1,000 adults who answered were in favor of easing the comprehensive real estate holding tax, while 66 percent said the current government’s real estate property tax is excessive.

Older people living alone are especially dissatisfied.

The government has repeatedly demanded the easing of tax rates, including the comprehensive real estate holding tax, as interest rates rise.

According to the Finance Ministry, the number of apartment owners paying the tax has roughly quadrupled compared to 2017 when the Moon Jae-in government took office. In 2017, there were 332,000 people paying the comprehensive real estate holding tax. This year, that figure has surged to 1.22 million.

That’s 8.1 percent of all apartment owners. In Seoul that ratio has gone up to 22 percent. The tax take increased 10-fold between 2017 and 2022, from 400 billion won to 4.1 trillion won.

Finance Minister Choo Kyung-ho has pushed for the tax reforms, which he hopes will encourage people to spend more once their tax costs are lowered.

The government and the PPP have been pushing for the lowering of the corporate tax from 25 percent to 22 percent, but the DP has no intention of accepting this change as they argue that the tax cut only benefits the rich.

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