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Seoul gov't proposes to double property tax levy on super home-rich

In the newest measures to rein in runaway housing prices in the capital and major municipalities, the South Korean government proposed to double taxes on owners of two or more homes in hot zones, a move that can collect additional 410 billion won ($365 million) from real-estate rich.

The government on Thursday unveiled a set of measures aimed at increasing the financial burden on multiple homeowners in targeted speculative areas including Seoul, Sejong, and parts of Busan and Gyeonggi.

Under the toughened guideline, the government proposed to raise the rate on comprehensive real estate tax imposed on property owners beyond a certain threshold to 0.6 percent-3.2 percent from current 0.5 percent-2.0 percent and create additional bracket for owners of properties of value between 300 million won ($267,042) to 600 million won in the existing five-tier taxation category on landlords.

Maximum levy for owners of two or more homes in hot districts and combined homes of three or more will be doubled to 300 percent from current 150 percent. The government designated 43 areas including Guri and Dongan District in Anyang as targeted areas for housing price adjustment. Tax code revisions are subject to legislative approval.

The design is to raise the comprehensive residential real estate tax rate on owners of multiple homes and restrict owners of two or more homes from receiving mortgage loans to block off speculative funds.

Deputy Prime Minister and Finance Minister Kim Dong-yeon said since the tax hike targets super-rich owning residential property worth of over 9.4 billion won, the government does not expect heavy resistance.

Owners of two or more homes in restricted districts cannot seek bank mortgage-backed loans. A single-home owner in the hot zones also would be regulated in receiving new mortgage loans, but could argue exception if the purchase is for moving or family expansion.

No public guarantee will be extended for rent-related loans to a family owning more than two homes.

Gov't considers rolling back landlord tax breaks

Land Minister said the initiative to stabilize market is not working

The real estate market was rocked on Friday when Land Minister Kim Hyun-mee told reporters that the government is looking into rolling back the various tax breaks given to registered landlords in its continued bid to cool the overheated housing market.

Kim said the government is currently working with related departments to come up with improvements in the tax benefits given to landlords.

"We believe there are too many tax benefits on registered lease apartments," Kim said. "Whilst there is [a positive] effect in encouraging landlords to report to the government - such as ensuring rent remains stable for more than 8 years - recently there have been those that try to use [the tax benefits] as a tool to purchase new apartments."

The land minister also said that starting next month the government will be running an information system dedicated to apartment rent.

The system will gather various data including ownership of apartments, transaction data and tax information.

"Once this system goes online, we will be able to know how many apartments a person owns and how much they are renting the apartments for, regardless of whether they have reported them to the government or not," Kim said.

She said that landlords that fail to properly register with the government will be audited by the tax agency.

The government has recently been intensifying its crackdown on rising apartment prices; including potentially raising the assessed value and tracking down those that have purchased apartments through illegal means including possible tax evasions.

However, the tax benefit rollback could face a strong backlash as it has been less than a year since the government began pushing people to register their rental apartments.

In December, in an effort to make income from rent more transparent and increase the supply of stable rental apartments, the government introduced numerous tax cuts that will go into effect on Jan. 1, 2019.

This includes a maximum 70 percent exemption on capital gains taxes from apartment sales, up from the current 50 percent exemption.

This special tax cut only applies to those that have rented out their property for eight years or more. Renters will also get a reduction on property taxes when they rent out a unit that is 40 square meters (430 square feet) or smaller.

The number of people who have been reporting their apartment rental prices has been increasing sharply since the beginning of the year.

In July alone, 6,914 people have registered lease businesses, a 52.4 percent increase from a year ago, while 210,000 apartments have been reported, up 28.2 percent.

In the first seven months of this year, 80,539 people have reported their rental properties to the government, which is a 164 percent increase from the 30,497 people that registered a year ago.

Even the total number of people that have registered so far this year exceeds the number of people registered throughout the entirety of 2017 at 57,993.