



## SOUTH KOREA – February 2019

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### GOV'T MEDDLES IN PROPERTY VALUE ASSESSMENT ..... 1

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#### Gov't Meddles in Property Value Assessment

The government pressured appraisers to hike their valuation of prime property for tax purposes, sources said Thursday.

A look at the latest assessment of the 10 most expensive pieces of land in Seoul unveiled by the Korea Appraisal Board recently shows seven of them rising at almost the same rate.

The valuation of the land on which sits the Nature Republic cosmetics shop in Seoul's Myeong-dong shopping district rose 100.4 percent from W91.3 million to W183 million per sq.m. The valuation of the Woori Bank site nearby increased 100.3 percent and of the Uniqlo store site 100.1 percent (US\$1=W1,128).

Appraisers agree that the huge increase must have been motivated by government pressure.

Sources said an official from the Ministry of Land, Infrastructure and Transport told around 20 appraisers during a recent meeting in Seoul that the ministry wants to boost the average valuation of land across the country to 70 percent of market rates over the next four to five years. But the valuation of pieces of land worth more than W30 million per sq. m was to be raised at once.

Participants at the meeting voiced concerns over fairness, so the government agreed to cap any single increase at 100 percent. Appraisers who failed to obey the directive were put under intense scrutiny.

The official appraisal is used to calculate property and real estate taxes, and is typically much lower than the actual market value. The government's guidelines apparently aimed to lay down the groundwork for imposing punitive taxes on super-rich landlords.

Shim Gyo-eon at Konkuk University said, "Getting only expensive pieces of land to reflect market rates more closely violates the principle of fair taxation and raises concerns of infringing the property rights of individual citizens."

Legally, it is the duty of independent surveyors to assess the value of land. When the ministry evaluates any given property, at least two appraisers must be consulted. The government can then order a re-evaluation or entrust another surveyor with the task, but there are no legal grounds for telling them how to do their job.

One industry source said, "This was against the law, so no paper records were left behind, while participants at the meeting were made to sign confidentiality agreements."

The ministry denies the allegations. Ministry official Han Jeong-hee said, "I am not aware that any such orders were given to real-estate appraisers."

#### International Property Tax Institute

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