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Contact Information: Lee Jin-ho(02-2150-4651/ Real Estate Policy Division)

GOVERNMENT TO BOOST HOME TRANSACTIONS WITH LOWER TAXES, WHILE REVIVING DTI RATIOS

The Korean government unveiled measures to boost home transactions on March 22, which cover lowering tax rates and deregulating new home prices, while reintroducing debt-to-income(DTI) ratios as scheduled at the beginning of April.

Deregulated DTI ratios, which have been in force since August 29, 2010, will be sunset at the end of March 2011, with an exception of less than 100 million won mortgages. Those who purchase homes for the first time in their lives will be eligible for mortgages at favorable interest rates until the end of 2011.

The new DTI regulations will offer different ceilings for different loan conditions, so that less risky loans can have higher DTI ratios.

Home transaction taxes will be changed in a way to boost home transactions. The real estate acquisition tax will be halved, and the new rate will last until the end of 2011. The acquisition tax on less than 900 million won houses will be lowered from 2.0 percent to 1.0 percent, while houses worth more than 900 million won from 4.0 percent to 2.0 percent. Those who own more one house will also have to pay less from 4.0 percent to 2.0 percent.

Limits on new home prices will be lifted as soon as possible, which is expected to encourage private builders to supply more homes.