

Embargo:

Release Date: May 30, 2022

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1ST MINISTERIAL MEETING ON ECONOMIC AFFAIRS

GOVERNMENT DRAWS UP MEASURES TO IMPROVE PEOPLE'S LIVELIHOOD

Deputy Prime Minister Choo Kyung-ho presided over the first Ministerial Meeting on Economic Affairs¹ on May 30 and introduced measures to improve people's livelihood.

The following is a summary of DPM Choo's opening remarks.

Consumer prices and pressure on people's livelihood increased as supply disruptions caused by the Russia-Ukraine war and some major agricultural producing countries' export restrictions drove up the prices of global energy and food.

To counter the ongoing challenges the economy faces, the government drew up a total of 3.1 trillion-won measures to improve people's livelihood.

- Allocated 2.2 trillion won to stabilize people's livelihood as part of the supplementary budget
- Provide fuel subsidies linked to diesel prices to reduce the burden on transport and logistics industries beginning from June 1 (0.3 trillion won)
- Introduce additional measures that can be quickly implemented to stabilize prices and people's livelihood (0.6 trillion won)

The measures to improve people's livelihood aim to achieve three goals: to stabilize food prices, reduce living expenses burden, and relieve housing problems.

Stabilize food prices

To reduce the prices of food ingredients and groceries, costs involved in the entire cycle ranging from food import to production to consumption will be cut by taking measures as below.

- Alleviate inflationary pressure, when importing food, by applying tariff quotas and exempting from value-added taxes (VAT) on food items whose prices have recently kept increasing such as pork, cooking oil, and coffee bean
- Reduce food production costs by increasing deductible limits of fictitious purchase tax amounts for tax-free agricultural products to 10 percentage points and by providing support for the purchase costs of flour and feed
- Lower the consumer prices of groceries and processed foods by exempting from value-added taxes on simple processed foods such as *kimchi* and *gochujang* (red chili paste) and by offering additional discount coupons for agricultural, livestock and fishery products

¹ The meeting was joined by ministries from related ministries including Ministry of Science and ICT, Ministry of the Interior and Safety, Ministry of Agriculture, Food, and Rural Affairs, Ministry of Environment, Ministry of Employment and Labor, Ministry of Gender Equality and Family, Ministry of Land, Infrastructure, and Transport, and Ministry of SMEs and Startups.

Reduce living expenses burden

To prevent inflation and interest rate hikes from posing a further threat to the households, measures to alleviate living expenses, especially for the costs of education, transportation and communications, will be put in place as below.

- Freeze interest rates on student loans at 1.7 percent, the same level as the first half of this year
- Extend a 30 percent special consumption tax reduction for passenger cars to the end of this year
- Encourage telecommunications companies to introduce 5G mobile network plans taking into account the average data usage of the subscribers as soon as possible

Relieve housing problems

- Lower real estate taxes² for single-home owners to the 2020 levels and complete reviewing the scheme to properly assess the declared value of real estate
- Cut real estate transfer taxes by extending exemption from heavy acquisition taxes on real estate for temporary second-home owners from 1 to 2 years
- Make housing finance accessible by increasing the maximum loan to value ratio (LTV) for first-time home buyers to 80 percent from the current 60-70 percent and by introducing 50-year mortgages for young people and newlywed couples

Going forward, the government will make utmost efforts to continuously draw up additional plans to stabilize prices and people's livelihood.

- Respond swiftly to pending inflation problems such as the rising prices of necessities and raw materials by taking market-friendly approaches to stabilize prices
- Work hard to improve price structures by managing supply chains by sector, improving distribution and logistics, and establishing fair competition rules

Following discussions on the measures to improve people's livelihood, the government plans to make directions for economic policies³ that reflect the philosophy of the new administration.

² Real estate taxes have risen due to an increase in declared values of real estates.

³ The policy tasks will include measures to promote innovation in the private sector, respond to future structural changes, and improve overall economic fundamentals.