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## Article

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## Efforts of South Korean Local Governments to Expand the Good Landlord Movement: Focus on Property Tax Reduction and Exemption

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### ABSTRACT

**Purpose:** This study aimed to review whether local governments in Korea introduced the Good Landlord Property Tax Reduction and Exemption System (GLPTRES) in a timely and organic manner and promoted the expansion of the Good Landlord Movement by analyzing the system's problems and proposing improvements.

**Design/methodology/approach:** To obtain data about the GLPTRES and tax reduction and exemption outcomes, this study used the Ministry of the Interior and Safety's Information Disclosure System. On January 26, 2022, the researcher requested information disclosure about 15 regional local governments and 187 basic local governments under such regional local governments. Between January 27 and February 25, 2022, the author was notified by all basic local governments of their decisions to disclose information or the non-availability of such information, which was reflected in the analysis.

**Findings:** The timing of property tax reduction and exemption decisions for good landlords was generally late. There was a relationship between regional local governments and their basic local governments in its implementation. Furthermore, the effectiveness of the GLPTRES was found to be generally low.

**Research limitations/implications:** The period of this study was restricted to 2020, and the analysis focused on the 123 local governments that implemented this system. The lessons learned from Korea can be applied to other countries implementing government support for small businesses during crises.

**Originality/value:** This is the first study to analyze the timeliness of resolutions made by local governments on the GLPTRES implemented in Korea for the first time in 2020 to support small business tenants in trouble due to COVID-19, the relationship between local governments, and its effectiveness.

*Keywords: COVID-19, Small Business Tenants, Good Landlord Movement, Property Tax Reduction and Exemption, Local Governments*

### I. Introduction

"We are all suffering due to COVID-19. I would therefore like to help by giving you a payment holiday: you do not need to pay rent for this month. Keep strong." (Pyeongtaek-si, 2020). This is part of a multimedia

message service sent in February 2020 by a landlord who owns a store building in Pyeongtaek to exempt a small business operating a restaurant from paying rent. A movement to discount store rent in Korea began in Jeonju in February 2020, not long after the first confirmation of Corona disease 2019 (COVID-19) was declared on January 20, 2020. It was reported that store building landlords discounted more than 10% of the rent for three or more months (Kang, 2020).

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On February 29, 2020, at the peak of the first wave of COVID-19, the country implemented social distancing for the first time. Through three waves of COVID-19 to the end of the year, the phases of social distancing were enforced by various administrative orders. This included restrictions on business hours and prohibitions on social gatherings. It was reported that small businesses that provided services through face-to-face contact in physical stores were affected to varying degrees by the reduced business due to lockdowns (Shin et al., 2021; Korea Federation of Small and Medium Business, 2021). In particular, small businesses were likely to close as they were highly vulnerable to the COVID-19 pandemic compared to larger businesses (Waldkirch, 2021). The situation was more problematic for small business tenants (SBTs) renting store buildings.

According to the Korea Federation of Micro Enterprises (KFME) (2020a), the biggest problem for small businesses during COVID-19 was rent because a fixed cost must be paid regardless of declining revenues. Moreover, if the small business faced closure but still had prior loans to repay, they could not even close until the loans were resolved. Ultimately, small businesses were caught in a vicious cycle where they were forced to continue paying rent (Kang et al., 2021), and local and central governments had no practical solution for this problem. In this situation, landlords began to demonstrate goodwill to SBTs. As people rallied together to overcome the crisis faced by the country, another public movement began in 2020.

Landlords who discounted (or froze) rent to SBTs, such as store building landlords in Jeonju Hanok Village, were called good landlords, and this voluntary rent discount movement is referred to as the Good Landlord Movement (GLM). This movement reminded people of the nationwide Gold Collecting Campaign in 1998 (Ministry of SMEs and Startups [MSS], 2020; Kwon, 2020), where citizens voluntarily sold or donated gold to help the country repay foreign debt.

Local governments and the central government made various efforts to expand the GLM. The central government attempted to support good landlords through income tax or corporate tax credits, and a related bill was passed in the National Assembly on February

28, 2020. Local governments also attempted to expand the GLM through local tax reductions and exemptions. On February 5, 2020, the Ministry of the Interior and Safety (MOIS) announced that good landlords could be eligible for local tax reductions and exemptions (MOIS, 2020a), and efforts by local governments to expand the GLM resulted in tax breaks for good landlords similar to that offered by the central government (Gyeongsangnam-do, 2020a, 2020b).

On March 19, 2020, 59 days after the first COVID-19 case was confirmed, Uijeongbu and Hwaseong became the first basic local governments with local assemblies to pass resolutions on property tax reductions and exemptions to expand the GLM. As of December 31, 2020, during the third wave of COVID-19, 123 basic local governments were implementing the GLPTRES.

However, local governments were criticized for not being sufficiently aggressive in providing support while encouraging this movement, and there were increasing calls to stipulate criteria and examine outcomes to ensure the system's effectiveness (Sung, 2021; Kim, 2021). Local governments internally discussed the need to provide significant support to promote the GLM (Gwangju City Council, 2020). Since its implementation in 2020, no studies have examined it thus far. Choi (2021) suggested the necessity for a comprehensive analysis of efforts to expand the GLM by both the central and local governments.

Therefore, this study posed the following three research questions to examine the effectiveness of the GLPTRES introduced in 2020 to support SBTs in trouble due to COVID-19 in Korea. First, was the timing of the local assembly passing a resolution on the GLPTRES or establishing and amending its ordinance appropriate? Second, was there an organic relationship between regional local government decisions on local tax reductions and exemptions and basic local government decisions on property tax reductions and exemptions? Third, did the GLPTRES incentivize store building landlords sufficiently to participate in a rent discount movement? Based on the aforementioned questions, this study used the MOIS's Information Disclosure System and collected

outcomes related to the GLPTRES and tax reductions and exemptions. On January 26, 2022, this study requested all local governments to disclose information, excluding Seoul and Busan, which did not introduce the GLPTRES. From January 27 to February 25, 2022, this study was notified by 187 basic local governments of their decisions to disclose information or the non-availability of such information, which were then reflected in the analysis. The results show that most basic local governments passed resolutions on the introduction of the GLPTRES belatedly and that there was a relationship between local tax reductions and exemptions by regional local governments and those implemented by basic local governments. Furthermore, the results indicate that the effectiveness of the system was generally poor.

The GLM is a public movement to share pain between parties in lease contracts, promote shared cooperation, and bring the private sector to the fore to overcome a national crisis. Political philosopher Michael Sandel commented on this movement: "It goes beyond what a government alone, even effective government action, can do" (MOFA\_KOREAZ, 2020). Local governments should improve the GLPTRES to expand this movement to help businesses function during crises. Therefore, analyzing efforts by local governments in Korea to promote the GLM and propose policies is significant for small businesses and local governments. This study was conducted because providing indirect but quick and timely support to SBTs through the GLPTRES is more useful than direct cash after the fact. This study was conducted with exemption approval (IRB File No: NON2022-001) from the relevant Institutional Review Board.

## II. Literature Review on Laws and Previous Studies

### A. Applicable Laws Related to the Property Tax System and Tax Reductions and Exemptions

First, this study examined the property tax system

under the Local Tax Act (LTA) and the Framework Act on Local Taxes (FALT). Regarding property tax reductions and exemptions for good landlords, store buildings are subject to taxation. Hence, this study examined buildings.

Property tax is a type of local tax imposed on land, buildings, housing, aircraft, and ships located in Sis (cities), Guns (counties), or Gus (districts) (basic local governments) (Article 105 of the LTA), and those owning properties as of June 1 every year are subject to taxation (Article 107.1 and 114 of the LTA). In addition, tax authorities impose the following tax items in addition to property tax (principal tax): 1) property tax on urban areas; 2) local resource and facility tax for firefighting; 3) local education tax (Article 112, 143, and 150 of the LTA). While property tax belongs to Sis, Guns, or Gus, local resource and facility tax and local education tax belong to metropolitan governments (Article 8.3 and 8.4 of FALT). To provide reductions and exemptions from local resource and facility tax, the regional assembly must pass a resolution for this tax item. However, it is different for local education tax that is imposed and collected as 20% of property tax (Article 151.1.6 of the LTA). Although the regional assembly does not pass resolutions on reductions and exemptions for this tax item, it automatically leads to tax reductions and exemptions if Sis, Guns, or Gus decide to provide property tax reductions and exemptions.

This can be explained in the following example of property tax reductions and exemptions for good landlords: Basic local government X decides to provide property reduction and the exemption for buildings as much as the average of the highest rent discounts provided by landlords for three months or more. We assumed that a store building landlord is supposed to receive the monthly rent of 1 million KRW and discount it to 500 thousand KRW from January to June. As a result, 336,770 KRW in total is imposed as property tax for the landlord's building, including the following: 162,700 KRW of property tax (principal tax), 91,130 KRW of property tax on urban areas, 50,400 KRW of local resource and facility tax, and 32,540 KRW of local education tax. We examined

two scenarios: (1) where only basic local government X passes a resolution on 50% property tax reductions and exemptions; (2) where basic local government X and regional local government Y, which has jurisdiction over basic local government X, make a resolution on 50% reductions and exemptions for local resource and facility tax and local education tax.

As shown in Table 1, in the former scenario, a 50% reduction and exemption are provided for property tax (principal tax), property tax in urban areas, and local education tax. Therefore, the total amount of tax reduction and exemption is 143,190 KRW. In the latter scenario, local resource and facility tax are subject to tax reduction and exemption, and half of the amount (i.e., 168,390 KRW) is provided as a tax reduction and exemption. In the latter scenario, 25,200 KRW more is provided than in the former scenario. These results suggest that if regional local governments introduce the Good Landlord Local Tax Reduction and Exemption System (GLLTRES), the tax breaks for good landlords will increase. However, if basic local governments do not introduce the GLPTRES, they will not receive local tax incentives. Therefore, to further spread the GLM, efforts by basic local governments to introduce GLPTRES are most important. Meanwhile, regardless of whether a regional local government introduces GLLTRES, if a basic local government introduces a system that reduces and exempts property tax for good landlords, the entire system is called GLPTRES.

Second, a resolution must be passed by the local assembly before providing local tax reductions and

exemptions. This is specified in Articles 4.1.1, 4.3, and 4.4 of the Restriction of Special Local Taxation Act (RSLTA) and Article 2.5 of the Enforcement Decree of the RSLTA. This study reviewed the contents of the laws as of January 20, 2020, when the first COVID-19 case was confirmed.

Local governments may decide to provide tax reductions and exemptions for local tax if it is deemed necessary for public interest, including providing support for people's livelihoods, improving living environments in farming and fishing villages, and supporting the expansion of public transportation (Article 4.1.1 of the RSLTA). It may be prescribed in an ordinance (Article 4.3 of the RSLTA). Another method is to obtain a resolution from the local assembly (Article 4.4 of the RSLTA). In this case, the reason for tax reductions and exemptions must be acts of God, earthquakes, winds and floods, lightning, fire, war, collapse, or other similar reasons (Article 2.5 of the Enforcement Decree of the RSLTA). Further, the head of the local government may provide local tax reductions and exemptions to those deemed necessary.

However, it must be decided whether COVID-19 was the reason for tax reductions and exemptions. The Notice of the Local Tax Support Plan for New COVID-19 Virus Victims sent by the MOIS to metropolitan governments across the country on February 5, 2020, recommended obtaining a resolution from the local assembly and taking timely action to provide local tax breaks if the head of the local government deemed local tax reduction and exemption

**Table 1.** Comparison of tax reduction and exemption amount

Item	Tax amount before reduction and exemption (KRW)	Tax reduction and exemption amount (KRW)	
		Case 1	Case 2
Property tax	162,700	81,350	81,350
Property tax on urban areas	91,130	45,570	45,570
Local resource and facility tax	50,400	-	25,200
Local education tax	32,540	16,270	16,270
Total	336,770	143,190	168,390

Note: In Case 1, only basic local government X introduced the GLPTRES, and in Case 2, both basic local government X and regional local government Y introduced the reduction and exemption systems for good landlords.

necessary (MOIS, 2020a). On March 9, 2020, the MOIS gave its authoritative interpretation (Local Tax Relief Division No. 531) that not natural disasters under the Framework Act on the Management of Disaster and Safety and social disasters under the Infectious Disease Control and Prevention Act (IDCPA) are applicable if local tax reductions and exemptions can be provided with a resolution obtained from the local assembly. The MOIS did not specify those eligible nor the degree and scope for local tax reductions and exemptions. Nevertheless, it stated that each local government should comprehensively consider potential infringements on tax fairness due to tax reductions and exemptions and the level and scale of damage in the affected area and financial conditions and autonomously decide whether to offer tax reductions and exemptions (MOIS, 2020b).

While local tax reductions and exemptions due to COVID-19 were possible under the current laws, the government specifically named infectious diseases as one of the reasons for local tax reductions and exemptions. Article 4.1.3 of the RSLTA was enforced from June 8, 2021, after it was passed by a plenary session of the National Assembly on May 21, 2021. It states the following: "when local tax reductions and exemptions are deemed necessary due to the outbreak of infectious diseases under Article 2.1 of the IDCPA." It is meaningful as it specifies the legal basis to swiftly provide support to cover damage due to the prolongation of COVID-19, the increasing number of cases, and the recurring pandemic.

## B. Literature Review

Since COVID-19 broke out, countries have established and enforced different policies to bring this infectious disease under control. As discussed earlier, small businesses suffered significantly, and the damage was presumably larger under stronger disease control and prevention policies by local and central governments. In this regard, it is meaningful to review COVID-19-related literature in Korea and the US.

The two countries responded differently to COVID-19

in the early days of the pandemic. With lessons learned from the Middle East Respiratory Syndrome in 2015, Korea deployed aggressive disease control and prevention. On the other hand, the US was not particularly aggressive and adopted a laissez-faire approach, leaving the responsibility to individuals (Kim & Mun, 2022). Furthermore, considering that small businesses in both countries suffered the most significant impact, although the two countries applied different COVID-19 policies, it helps to recognize how necessary it is to prepare faster and more effective support policies for small businesses.

As of January 20, 2020, Korea has confirmed its first COVID-19 case. A cluster infection at the end of February in the Shincheonji Church in Daegu triggered the first wave of COVID-19. The number of COVID-19 cases at that time was 10,774, and social distancing was instituted on February 29, 2020. Cluster infections in the Seoul metropolitan area following a rally for Liberation Day in August led to the second wave of the pandemic with 13,282 cases. In the third wave of the pandemic, cluster infections in care hospitals, religious facilities, and correctional facilities increased to 45,567 cases (Inter-agency collaborations, 2021; Kim et al., 2021; Korea Disease Control and Prevention Agency, 2022). Local governments and the central government issued intensive administrative orders in May, July, and December to halt the pandemic (Lee, 2021).

KFME (2020b) surveyed 1,018 small businesses regarding the impact of COVID-19 from October 19 to November 5, 2020. The results showed that the month in which small businesses were most impacted was February, followed by August and January. Moreover, 45.3% of the small businesses responded that it took one to two years to recover from the damage, and 39.2% responded that it took more than two years. Furthermore, 67.5% and 31.7% were willing to continue business and considered closing, respectively. These results provide important evidence about when local governments should make a resolution to introduce the GLPTRES during the spread of COVID-19.

The Business Survey Index (BSI) was conducted

by the MSS and the Small Enterprise and Market Service (SEMAS) (2021) to identify monthly economic trends by surveying the revenue and financial conditions of small businesses. One hundred points or above means recovery in the real economy, while below 100 means deterioration. The average index in 2019 was 67.2. In 2020, the index fell below that average in February, March, September, and December at 41.5, 29.7, 54.9, and 51.6, respectively. In March, it dropped as much as 43.6 from a year earlier. These results suggest how quickly COVID-19 caused damage to small businesses and how urgent, swift support from local governments and the central government is required for small businesses when a pandemic breaks out.

Kim and Kim (2021) analyzed the number of small businesses in Seoul six months and one year after September 30, 2019, before COVID-19. While the number was 407,127 at the baseline date, it was 391,500 on March 31, 2020, and 367,534 on September 30, 2020, a decline of 15,627 and 39,593, respectively. Furthermore, as the number of COVID-19 cases increased, the number of stores decreased. The end of March 2020 was during the first pandemic in Korea, where intensive social distancing was instituted, while the end of September 2020 was when the second wave of the COVID-19 pandemic was progressing. These results suggest that damage to small businesses increased as the COVID-19 pandemic protracted.

The first COVID-19 case was confirmed in the US on January 21, 2020, one day later than in Korea. The Centers for Disease Control and Prevention (CDC) (2020) officially confirmed the case. With the poor initial response to COVID-19 and the collapse of the healthcare system, President Trump declared a national emergency on March 13, 2020. By March 17, 2020, COVID-19 had spread to 50 states. On March 26, 2020, there were approximately 82,000 COVID-19 cases and 1,000 deaths. The following day, President Trump signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act to tackle the economic crisis due to COVID-19 (Schumaker, 2020). Further, the US implemented stay-at-home orders as one of the policies to mitigate the spread of COVID-19. This was stipulated from March 1

to May 31, 2020, across 50 regions, including 44 states. Mandatory stay-at-home orders were issued in 42 regions, with California first issuing the orders on March 19, 2020 (Moreland et al., 2020). Previous studies that analyzed the impact of COVID-19 on small businesses in the US in the first half of 2020, including March 2020, were examined as follows.

Bartik et al. (2020) surveyed the impact of COVID-19 on more than 5,800 small businesses in the US from March 28 to April 4, 2020. The results showed that small businesses had already experienced massive layoffs and shut-downs before they were eligible for government support through the CARES Act just a few weeks after the outbreak of COVID-19. Businesses that temporarily or permanently closed due to COVID-19 accounted for 41.3% and 1.8%, respectively, and as of late March 2020, overall employment had declined by 39% compared to January 31, 2020. The results indicate the significance of the immediacy of financial support to ensure that small businesses are not shut down.

Humphries et al. (2020) surveyed more than 8,000 small business owners in the US on the impact of COVID-19 from March 28 to April 20, 2020. Many small businesses were already hit by March 27, 2020, and 59% of the respondents temporarily let their employees go by March 30. On March 28, 30% held a negative view that the economy would not recover in the next two years, but this percentage increased to 50% on April 20. As much as 5% responded that their businesses would be more than 90% likely to undergo permanent closure or bankruptcy within six months. These results indicate that small businesses were at risk of dismissing employees and closing if the COVID-19 pandemic persisted.

Fairlie (2020) investigated how the number of active business owners changed in April, May, and June compared to February 2020. The results show that the number in April, reflecting the impact of stay-at-home orders to respond to the pandemic, decreased by 3.3 million (22%) compared to February. This was a considerably larger decline than the 5% during the Great Recession. Although May and June recorded a rebound from April when stay-at-home orders were

eased, the number of active business owners was still 15% and 8% lower than in February, respectively. These results illustrate the magnitude of the impact that the country's strong COVID-19 control and prevention policies had on the survival of small businesses and the necessity of initial support measures for them.

The aforementioned prior studies confirm that damage to small businesses due to COVID-19 was inevitable, although the duration and degree of such damage varied. Furthermore, they demonstrate how important and necessary it is for local and central governments to intervene promptly and actively (Kim, 2020) to recover the damages suffered by small businesses.

### III. Data and Status of Property Tax Reduction and Exemption

#### A. Data

This study aimed to review whether local governments in Korea introduced the GLPTRES in a timely and organic manner and promoted the expansion of the GLM by analyzing the system's problems and proposing improvements.

To obtain data about the GLPTRES and tax reduction and exemption outcomes, this study used the MOIS's Information Disclosure System ([www.open.go.kr](http://www.open.go.kr)). The system's procedure and content are described as follows.

This study examined the requested and disclosed periods. In 2020, Seoul and Busan, among 17 regional local governments, implemented locally tailored support projects, which were applicable to general financial support, not local tax reduction and exemption. Hence, this study examined 15 regional local governments except for the aforementioned two cities.

The researcher requested 15 regional local governments to disclose information on January 26, 2022. The regional local governments, except for Ulsan and Sejong, provided local tax reductions and exemptions

to good landlords based on property tax, which is imposed by basic local governments. Therefore, the information disclosure requests made by this researcher were sent to applicable basic local governments. In the end, the requests were received as new ones and processed again as if made to each of the 187 basic local governments. This author was notified of their decisions to disclose information or the non-availability of such information from 187 basic local governments from January 27 to February 25, 2022. Sejong and Jeju were considered as each of the basic local governments. The same applies below: information disclosed by 186 Sis, Guns, or Gus was used immediately in the analysis. In the case of one autonomous Si, each of the two administrative Gus disclosed information; therefore, the researcher combined the information and reflected it in the analysis.

Moreover, the information requested was divided into GLPTRES and tax reduction and exemption outcomes. The former included the basis, eligible duration, and eligible items and limits for local tax reductions and exemptions. The latter included the total number and total amount of tax reduction and exemption cases. This study attempted to obtain the aforementioned information for the following reasons through the information disclosure request. First, the GLPTRES was legislated and decided by each of the local governments to respond to the social disaster of COVID-19, and the content also differed. Second, changes made since the introduction of the GLPTRES, including the extension of the eligible duration of tax reduction and exemption, were required. Third, information about the GLPTRES from the websites of local governments is limited. The primary means for local governments to inform this system and encourage participation in the GLM is their website. Nonetheless, there was a limitation in collecting information as only a few local governments disclosed tax reduction and exemption announcements, including submission documentation and how to complete an application form for tax reductions and exemptions.

This study used a questionnaire survey to obtain the intended information through the information



disclosure request. The contents of the survey were not subjective.

## B. Status of Tax Reduction and Exemption

This study examined to what extent property tax reductions and exemptions were provided to good landlords by regional local governments in 2020. It was important to set the baseline date for outcomes. This is because some basic local governments continue to offer property tax reductions and exemptions even if good landlords file an application for property tax reductions and exemptions after the statutory deadline. Considering the above, the baseline date was set as December 31, 2021. 15 regional local governments and 187 basic local governments under their jurisdictions were subject to analysis.

As shown in Table 2, Ulsan and Sejong did not implement the GLPTRES, and only 123 basic local governments under 13 regional local governments enforced the system. Both regional local governments

and the basic local governments of Incheon, Daejeon, and Gyeongnam implemented the GLPTRES. However, in Daegu and Gwangju, the regional local governments did not implement the GLPTRES, but basic local governments did. Meanwhile, only one basic local government implemented the GLPTRES in Chungbuk and Jeonbuk, where the GLM began, respectively.

The total number of tax reduction and exemption cases was 33,301, and the total amount was 8,675,424 thousand KRW. By the local government, the number of tax reduction and exemption cases was 17,029 in Gyeonggi, followed by Gyeongnam (4,383), Daegu (2,848), and Gyeongbuk (2,081). Furthermore, the total amount of tax reduction and exemption was 4,673,492 thousand KRW in Gyeonggi, followed by Gyeongnam (906,871 thousand KRW), Gyeongbuk (790,088 thousand KRW), and Daejeon (658,217 thousand KRW).

Meanwhile, the total amount of property tax reduction and the exemption was merely 3.7% of 236.7 billion KRW provided by the central government to good landlords in 2020 (Yang, 2021; National Tax Service,

**Table 2.** GLPTRES implementation and property tax reduction and exemption outcomes (as of December 31, 2021)

Regional local government		Basic local government		Tax reduction and exemption outcome	
Name	Implemented	Total	Implemented	No. of cases	Amount*
Daegu	No	8	8	2,848	595,677
Incheon	Yes	10	10	1,684	306,738
Gwangju	No	5	5	831	99,189
Daejeon	Yes	5	5	1,324	658,217
Ulsan	No	5	0	0	0
Sejong	No	1	0	0	0
Gyeonggi	No	31	24	17,029	4,673,492
Gangwon	Yes	18	7	1,127	303,212
Chungbuk	No	11	1	1	21
Chungnam	No	15	4	276	39,839
Jeonbuk	No	14	1	740	167,419
Jeonnam	No	22	20	854	125,668
Gyeongbuk	Yes	23	19	2,081	790,088
Gyeongnam	Yes	18	18	4,383	906,871
Jeju	Yes	1	1	123	8,993
Total		187	123	33,301	8,675,424

\* thousand KRW

Source: Prepared by the researcher based on data obtained through the information disclosure requests (the same applies below).

2021). Even after the amount corresponding to Seoul and Busan was subtracted from the central government's amount, the total amount of property tax reduction and exemption by local governments was still 6.3%, which was not considerably high. Seoul and Busan promoted the expansion of the GLM with non-tax break methods, and the percentage may differ if the amounts from these two cities are incorporated. To this end, the researcher separately requested Seoul and Busan to disclose information on February 3, 2022, and obtained major outcomes related to good landlords. It was confirmed that Seoul provided 1,267,353 thousand KRW to subsidize building repair costs and electrical safety inspections, while Busan provided 292 million KRW by applying the property tax reduction and exemption method on a mutatis mutandis basis. Therefore, the amount supported by local governments to expand the GLM in 2020 was 10,234,777 thousand KRW, which included 1,559,353 thousand KRW provided by Seoul and Busan. This accounts for approximately 4.3% of the country's tax breaks. These results suggest that it is necessary to analyze the introduction status and effectiveness of the GLPTRES comprehensively.

## IV. Results and Discussion

### A. Appropriateness of the Timing of a Resolution for GLPTRES Introduction

As in previous studies, damage to small businesses was severe at the beginning of the COVID-19 pandemic

when substantial disease control and prevention protocols were instituted. Hence, the speed of support policies must be ensured to assist SBTs. Based on the above, this study analyzed how quickly 123 basic local governments made the resolution to introduce GLPTRES. The baseline date was set as January 20, 2020, when the first COVID-19 case was confirmed in Korea, to calculate the time taken to pass a resolution to introduce the system. The date of a resolution to introduce the system included the date of a resolution made by the basic local government on property tax reductions and exemptions for good landlords and the date of an ordinance established or amended by the basic local government.

As illustrated in Table 3, 59 (48.0%) passed a resolution in 91-120 days from January 20, 2020, followed by 37 (30.1%) in 121-150 days and 14 (11.4%) in 61-90 days. Only 2 (1.6%) made a resolution for tax reductions and exemptions within 60 days. Furthermore, the earliest and latest resolutions were made in 59 and 172 days, respectively. It took 113 days on average for 123 local assemblies to make a resolution to introduce the GLPTRES.

Next, this study examined the relationship between the date of the resolutions to introduce the GLPTRES and the phases of COVID-19 during 2020. COVID-19 in 2020 in Korea can be divided into five phases, and phases 2, 4, and 5 were applicable to the pandemic (Kim et al., 2021). Phase 3 was between the first and second waves of the pandemic and was also known as the first rest period (Sim & Kim, 2021).

As in Table 4, 78 (63.4%) of the 123 basic local governments passed a resolution to introduce the

**Table 3.** Number of days taken until the date of a resolution to introduce the GLPTRES (N= 123)

No. of days taken	Duration	n	%
1-30 days	January 21 to February 19, 2020	0	0.0
31-60 days	February 20 to March 20, 2020	2	1.6
61-90 days	March 21 to April 19, 2020	14	11.4
91-120 days	April 20 to May 19, 2020	59	48.0
121-150 days	May 20 to June 18, 2020	37	30.1
151-180 days	June 19 to July 18, 2020	11	8.9
181-346 days	July 19 to December 31, 2020	0	0.0

GLPTRES during the first rest period, and 45 (36.6%) did so during the first wave of the pandemic. A system enforced during a crisis must be introduced promptly, considering its urgency. However, most local governments made a resolution to introduce the GLPTRES during the first rest period long after the end of February, when small businesses suffered the most due to COVID-19, and in March, when the BSI hit the lowest (KFME, 2020b; MSS & SEMAS, 2021). These results contrasted with the fact that the GLPTRES was passed by the National Assembly on March 17, 2020, and suggested that the effectiveness of the system decreased despite efforts by local governments, as the resolution to introduce the system was made belatedly.

## B. Relationship between Local Governments

As mentioned earlier, the tax items of metropolitan governments are also imposed when basic local governments impose a property tax. Therefore, local education tax is also reduced and exempted if property tax reductions and exemptions are provided. During the process of deciding whether to introduce the

GLPTRES, regional local governments and their basic local governments may have had minor or major conflicts due to differences in financial conditions and awareness about whether the system was necessary. Considering this, this study examined whether basic local governments also decided to provide property tax reductions and exemptions if regional local governments decided to provide local tax reductions and exemptions or vice versa.

As reflected in Table 5, basic local governments were more likely to implement the GLPTRES when regional local governments decided to provide local tax reductions and exemptions (80.0%) than when they did not (56.3%). Conversely, they were less likely to do so when regional local governments did not provide local tax reductions and exemptions (43.8%) than when they did (20.0%). The chi-square test (chi-square= 11.255,  $p= 0.001$ ) showed a statistically significant relationship between regional local governments implementing local tax reductions and exemptions and their basic local governments implementing property tax reductions and exemptions at the 5% significance level. These results show that if regional local governments and their basic local governments work together organically to address their current issues, the synergistic

**Table 4.** Date of a resolution to introduce the GLPTRES and phases of COVID-19 during 2020 (N= 123)

Phase	Duration	n	%
Phase 1	January 20 to February 17	0	0.0
Phase 2 (first wave of the pandemic)	February 18 to May 5	45	36.6
Phase 3	May 6 to August 11	78	63.4
Phase 4 (second wave of the pandemic)	August 12 to November 12	0	0.0
Phase 5 (third wave of the pandemic)	November 13 to December 31	0	0.0

Note: Phases were divided following Kim et al. (2021), and phase 5 is until January 20, 2021.

**Table 5.** Relationship between local governments (N= 187)

Regional local government	Basic local government		Total
	Implemented	Not implemented	
Implemented	60 (80.0)	15 (20.0)	75 (100.0)
Not implemented	63 (56.3)	49 (43.8)	112 (100.0)
Total	123 (65.8)	64 (34.2)	187 (100.0)

effect of this system will be produced.

### C. Effectiveness of the GLPTRES

To ensure the effectiveness of the GLPTRES, rent discounted during any time in the year must be included in the eligible duration of tax reduction and exemption determined by local governments. Buildings and land should be applicable to tax reduction and exemption, and actual tax reduction and exemption benefits need to be sufficiently large to encourage potential good landlords to participate in this movement. In this respect, this study examined the eligible duration, applicable properties, and limits of tax reductions and exemptions.

If the eligible duration of tax reductions and exemptions was determined as too short, store building landlords might be outside the eligible duration of tax reduction and exemption, although they discounted rent. Subsequently, they might not receive tax reductions and exemptions. Moreover, although tax reductions and exemptions are decided simultaneously, differences in the system between local governments might lead to different local tax reductions and exemption benefits, causing potential conflicts. Considering the above, this study analyzed the eligible duration of property tax reductions and exemptions and provided the results in Table 6.

A total of 72 (58.5%) determined the eligible

duration of tax reductions and exemptions as the entire year of 2020, followed by 27 (22.0%) as 6 months, 13 (10.6%) as 5 months, 4 (3.3%) as 11 months, and 2 (1.6%) as 3 months. To summarize, 45 (36.6%) out of 123 determined it as 6 months or less, and the average eligible duration of tax reductions and exemptions was approximately 9.5 months. These differences can cause problems in terms of fairness and serve as a constraint on the promotion of the GLM. Although such differences are inevitable in terms of local governments' financial conditions, they are factors that have a negative impact in terms of encouraging the GLM. Meanwhile, local governments that did not determine the eligible duration of tax reductions and exemptions as 12 months may or may not retroactively apply parts of the eligible duration of tax reductions and exemptions not reflected in the previous year when they continue the system into the next year. However, it is important to expand the eligible duration of tax reductions and exemptions as much as possible so that a rent discount for a particular year can be eligible for support for the year. Ultimately, store building landlords can have the opportunity to benefit from property tax reductions and exemptions.

Next, this study reviewed properties applicable for tax reductions and exemptions. It was important to analyze whether tax reductions and exemptions provided to property tax only apply to buildings or buildings and land. Providing tax reductions and exemptions to both means that basic local governments bear an additional financial burden. However, it also clearly represents their commitment to expanding the GLM. Based on the above, this study examined how basic local governments determined properties applicable to tax reductions and exemptions. Table 7 provides the results.

Out of 123 basic local governments, 96 (78.0%) included only buildings for tax reductions and exemptions, while 27 (22.0%) included buildings and land. These results suggest that local governments had a somewhat lukewarm attitude in terms of expanding the GLM despite the seriousness of the situation.

**Table 6.** Eligible duration of tax reductions and exemptions (N= 123)

Duration	n	%
3 months	2	1.6
4 months	3	2.4
5 months	13	10.6
6 months	27	22.0
7 months	1	0.8
8 months	1	0.8
9 months	0	0.0
10 months	0	0.0
11 months	4	3.3
12 months	72	58.5

**Table 7.** Properties applicable for tax reductions and exemptions (N= 123)

Property	n	%
Buildings	96	78.0
Buildings and land	27	22.0

**Table 8.** Tax reduction and exemption limits (N= 41)

Amount (KRW)	n	%
200,000	4	9.8
300,000	2	4.9
500,000	7	17.1
1,000,000	17	41.5
2,000,000	10	24.4
5,000,000	1	2.4

Finally, this study examined tax reduction and exemption limits. The amount of property tax reduction and exemption is calculated by multiplying property tax or rent by the reduction and exemption rate. This amount cannot exceed the least amount of the property tax or rent discount. This study analyzed the status of 41 basic local governments that set separate tax reduction and exemption limits in addition to property tax and rental discounts.

As in Table 8, 17 (41.5%) set the limits as 1 million KRW, followed by 10 (24.4%) with 2 million KRW, 7 (17.1%) with 500 thousand KRW, and 4 (9.8%) with 200 thousand KRW. The median was 1 million KRW, and the mean was 1,144 thousand KRW. These results suggest that different benefits for the same rent discount could lead to problems with fairness. However, this is not problematic if store building landlords discount rent in good faith regardless of the size of the tax break. Nonetheless, if they make a decision based on their calculation of profits and losses, they might be disappointed with fewer tax breaks. They might not discount rent again or reduce the amount, duration, or frequency of the discount even if they do.

## V. Conclusions

The GLM began to support SBTs suffering during COVID-19, and one of the policies to support the movement was the GLPTRES. This study analyzed whether local governments in Korea introduced the GLPTRES in a timely and organic manner and examined the nature of system problems. Data were obtained from January 27 to February 25, 2022, from the MOIS's Information Disclosure System. The results are summarized as follows.

First, in terms of the status of property tax reductions and exemptions for good landlords, 123 out of 187 basic local governments under 15 regional local governments, except for Seoul and Busan, implemented the GLPTRES. The total number of tax reduction and exemption cases was 33,301. The total amount of tax reductions and exemptions was 8,675,424 thousand KRW, which accounted for only 3.7% of the tax breaks provided by the central government.

Second, 123 basic local governments which introduced the GLPTRES mostly did so long after the most difficult period of COVID-19 for small businesses and were therefore considered late.

Third, there was a relationship between regional local governments providing local tax reductions and exemptions and their basic local governments providing property tax reductions and exemptions.

Fourth, the effectiveness of the GLPTRES was considered poor overall, given that the average eligible duration of tax reductions and exemptions was approximately 9.5 months. Further, properties applicable for this benefit mainly included buildings, there were large deviations in tax reduction and exemption limits, and the number of tax reductions and exemptions was small.

Based on the above results, this study made the following suggestions to ensure the effectiveness of the GLPTRES and the expansion of the GLM.

First, a resolution must be made promptly during the early days of a disaster. Small businesses were directly hit when restrictions, including social distancing, were imposed after COVID-19 broke out. To minimize

damages to SBTs, local governments should quickly make resolutions to introduce the GLPTRES early in disasters before paying cash directly.

Second, collaboration and communication between local governments are important. It was found that basic local governments were influenced by regional local governments in determining whether to introduce the GLPTRES. However, there were also many cases where regional local governments and their basic local governments made different decisions. Therefore, joint efforts are necessary to prevent conflicts between the two types of local governments during the introduction and implementation of the system.

Third, it is important to strengthen property tax reductions and exemptions for good landlords. Instead of providing fewer benefits to good landlords due to local governments' financial conditions and failing to expand this movement, it would be more cost-effective over the long term to solve the current problem (Kim, 2020). Hence, the introduction of the system should be considered actively, and the adoption of the GLM should be encouraged. If the system is already in place, it is necessary to standardize the eligible duration of tax reductions and exemptions for the GLPTRES as one year, include buildings and land as properties applicable for tax reductions and exemptions, and increase the limits above 1 million KRW if they are below 1 million KRW.

This is the first study to analyze the timeliness of resolutions made by local governments on the GLPTRES implemented in Korea for the first time in 2020 to support SBTs in trouble due to COVID-19, the relationship between local governments, and its effectiveness. This study also provides significant implications for government support for small businesses during crises. Suggestions for improved implementation have been recommended.

However, as the GLPTRES was introduced in 2020, it would have been more meaningful to conduct a study that included 2021, and the results may have garnered more general support. As of February 25, 2022, when this author was notified of decisions to disclose information or the non-availability of information, the application period for tax reductions

and exemptions for 2021 was ongoing with some basic local governments. Hence, 2021 was excluded from this study's analysis. Another limitation of this study is that only 123 basic local governments (except for 64, which did not implement the GLPTRES) were analyzed. Therefore, a longitudinal study is required on the GLPTRES over the long term. Additionally, an in-depth follow-up study on the basic local governments to identify factors contributing to decisions to introduce this system and include post-tax break management is also required.

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