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South Korea

Tax

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This country-specific Q&A provides an overview of tax laws and regulations applicable in South Korea.

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South Korea: Tax

1. How often is tax law amended and what is the process?

The tax law is amended each year through the regular legislative process. Changes may also be enacted on an irregular basis due to special circumstances (e.g., to respond to an economic crisis).

The Ministry of Economy and Finance ("MOEF") drafts tax law amendments after gathering opinions from industry groups, law firms, accounting firms, and tax law professors, followed by discussions with various tax-related committees. The MOEF typically releases draft amendments in late July for public comment and consultations with relevant government authorities, after which the proposed amendments are finalized and submitted to the National Assembly. The National Assembly approves and passes tax law amendments in December, and the changes are typically enacted in January of the following year. In February or March of the following year, changes in the related regulations (presidential decree and enforcement ordinance) are enacted.

2. What are the principal administrative obligations of a taxpayer, i.e. regarding the filing of tax returns and the maintenance of records?

Corporate taxpayers are required to file income tax returns on an annual basis within three months of the end of the fiscal year and local income tax returns within four months of the end of the fiscal year. Corporate taxpayers are also required to file interim corporate income tax returns, and VAT-able businesses must file VAT returns on a quarterly basis within 25 days of the end of each quarter. Withholding tax returns are due by the tenth day of the month following the month in which the relevant payment was made.

Corporate taxpayers are required to maintain their books and records for five years.

3. Who are the key tax authorities? How do they engage with taxpayers and how are tax issues resolved?

The MOEF and National Tax Service ("NTS") are the key

regulatory authorities for tax matters in Korea. The MOEF prepares draft tax law amendments and issues guidelines and interpretations on tax law. The MOEF is also in charge of tax treaty negotiations. The NTS is responsible for the enforcement and administration of the tax law and is the Competent Authority of Korea tasked with all matters pertaining to MAP and APA cases.

Taxpayers can contact the district tax office having jurisdiction over the taxpayer for routine tax matters. If the issue is straightforward, the tax officials at the district tax office may provide a verbal response, though this is not binding and can be challenged during a tax audit.

In order to obtain written confirmation on the tax treatment or implications of a particular issue, a tax ruling can be sought from the NTS headquarters. When the ruling is unfavorable or unclear, taxpayers can seek a ruling from the MOEF. General rulings provide guidance on the interpretation of the tax law without taking into account the specific facts and circumstances involved. While general rulings are not binding on the Korean tax authorities, tax officials and auditors typically respect such ruling. Advance rulings, on the other hand, provide responses to specific questions by applying tax law to the relevant facts and circumstances. Advance rulings are binding on the Korean tax authorities, and taxpayers applying for an advance ruling must submit relevant documentation and materials providing the details of the transaction (including the relevant written agreements). It generally takes two to six months to obtain a written response from the NTS or MOEF.

4. Are tax disputes heard by a court, tribunal or body independent of the tax authority? How long do such proceedings generally take?

A taxpayer may appeal to the Tax Tribunal and subsequently to the courts. Both the Tax Tribunal and the courts are independent of the Korean tax authority.

Before initiating tax litigation, taxpayers must first file an objection with the Tax Tribunal by submitting a petition letter within 90 days from the receipt of the tax assessment notice. It generally takes 6-12 months for the Tax Tribunal to rule. If the Tax Tribunal appeal is successful, the decision is final and cannot be appealed by the tax authority. If the Tax Tribunal appeal is

unsuccessful, the taxpayer may commence litigation with the District Court. Both the taxpayer and the tax authority may appeal the decision of the District Court at the High Court and then the Supreme Court. Most court decisions are ultimately appealed to the Supreme Court. The judicial appeal process generally takes 2.5-5 years.

5. What are the typical deadlines for the payment of taxes? Do special rules apply to disputed amounts of tax?

For corporate taxpayers, corporate income tax, local income tax, VAT and withholding tax should be paid on or before the relevant filing deadline as discussed in Section 2.

If assessed additional tax, a taxpayer can appeal an assessment without paying the tax. However, if the taxpayer loses the appeal, substantial penalties would arise (up to 48% of the unpaid tax amount). As a result, most taxpayers pay assessed amounts prior to appealing to the Tax Tribunal or the court. The tax authority is required to pay interest at 3.5% p.a. (for the period beginning on or after March 22, 2024) when a final decision is rendered in favor of the taxpayer.

6. Are tax authorities subject to a duty of confidentiality in respect of taxpayer data?

Information and documents submitted by a taxpayer to the tax authority is kept confidential and cannot be disclosed except in special circumstances (such as an inquiry or investigation by a tax official, enforcement of tax collection, prosecution, court order or warrant issued by a judge). Government officials may face criminal penalties if they violate their confidentiality obligation. Any person who receives taxpayer information or documents by application of one of the exceptions is also bound by the same obligation to protect and maintain confidentiality.

7. Is this jurisdiction a signatory (or does it propose to become a signatory) to the Common Reporting Standard? Does it maintain (or intend to maintain) a public register of beneficial ownership?

Korea is a signatory to the Common Reporting Standard ("CRS"). As of 2024, Korea engages in the automatic exchange of information with 87 countries and jurisdictions based on the CRS / Multilateral Competent Authority Agreement framework.

Korea does not have a public register of beneficial ownership, although banks are required to collect information on the beneficial owner of accounts.

8. What are the tests for determining residence of business entities (including transparent entities)?

For foreign investors, the most commonly used business entities are the *jusik hoesa* (joint stock company) and *yuhan hoesa* (limited company). Although there are other types of business entities, such as the *yuhan chaegim hoesa* (limited liability company), *hapmyong hoesa* (similar to a general partnership) and *hapja hoesa* (similar to a limited partnership), these entities are not widely used.

An entity's tax residence is determined based on the location of its head office or principal office, or the place of effective management. An entity that has a head office or principal office in Korea is treated as a resident of Korea for tax purposes. A business entity whose place of effective management is in Korea is also treated as a resident of Korea for tax purposes. The place of effective management refers to the place in which key management and commercial decisions that are necessary for the entity's business are made in substance, and is, therefore, determined after considering all relevant facts and circumstances.

9. Do tax authorities in this jurisdiction target cross border transactions within an international group? If so, how?

Cross border transactions have been the main focus in tax audits of Korean subsidiaries of multinational enterprises. Issues that are often challenged by the Korean tax authorities include transfer pricing, beneficial ownership on Korean-sourced income and deductibility of intercompany charges/interests on a shareholder loan.

10. Is there a controlled foreign corporation (CFC) regime or equivalent?

The Korean CFC rules are designed to prevent Korean corporations and individuals from avoiding tax on income retained by foreign subsidiaries. The CFC rules apply when a Korean corporation or individual directly or indirectly owns at least 10% of the shares of a company established in a low-tax jurisdiction. A foreign subsidiary is considered to be established in a low-tax jurisdiction if it has an average effective income tax rate of 70% of the

top corporate income tax rate (currently 16.8% (= 24% x 70%)) or less for the past three years. Under the CFC regime, the undistributed earnings of a CFC are deemed to have been paid as a dividend to the Korean shareholder, and the Korean shareholder is required to include the deemed dividend in its taxable income.

The CFC rules generally do not apply when a foreign subsidiary in a low-tax jurisdiction actively carries on a business.

11. Is there a transfer pricing regime? Is there a "thin capitalization" regime? Is there a "safe harbour" or is it possible to obtain an advance pricing agreement?

1. Transfer pricing ("TP") regime

Korea's TP rules generally follow the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations ("OECD Guidelines"). However, as the OECD Guidelines do not have the force of law (unlike the TP rules under domestic law), the Korean tax authority does not always accept taxpayer arguments based solely on the OECD Guidelines.

In line with the OECD recommendations contained in BEPS Action 13, resident corporations and permanent establishments of foreign corporations that satisfy the relevant thresholds (revenue, transaction amount, etc.) are required to submit a Master file, Local file, and Country-by-Country report for financial years beginning on or after 1 January 2016.

2. Thin Capitalization regime

Under Korea's thin capitalization rules, where amounts borrowed by a Korean corporation from a foreign controlling shareholder exceed a multiple of its equity (six times equity for financial institutions and, otherwise, two times equity), interest attributable to the excess borrowings is treated as a nondeductible deemed dividend paid by the Korean corporation to its foreign controlling shareholder. The thin capitalization rules apply both to direct borrowings from a foreign controlling shareholder and also borrowings from third party lenders guaranteed by a foreign controlling shareholder.

In addition, interest deduction is disallowed for net interest (interest paid less interest received) paid by a Korean corporation to a foreign related party in excess of 30% of its adjusted net income (earnings before interest, taxes, depreciation, and amortization) ("30% deduction limitation rule"). The 30% deduction limitation rule does

not apply to corporations engaged in financial and insurance businesses.

Where both the thin capitalization rule and 30% deduction limitation rule apply, the rule resulting in the greatest amount of non-deductible interest will prevail.

C. Safe Harbour

In respect of foreign related party transactions, there are safe harbour rules for intercompany loans and low value-adding intra-group services. First, under the safe harbour rules, Korean taxpayers can elect to use the following deemed arm's length interest rates: (i) if a Korean resident lends funds to a foreign related party, the relevant currency's benchmark interest rate (e.g., Secured Overnight Financing Rate for USD) on the last day of the previous fiscal year plus 1.5% premium p.a. can be a deemed arm's length interest rate, and (ii) if a Korean resident borrows funds from a foreign related party, the interest rate for an overdraft (currently 4.6% p.a.) can be a deemed arm's length interest rate. Second, a safe harbour cost-plus mark-up rate of 5% is available for low value-adding service transactions if the relevant transaction meets certain requirements (e.g., the service transaction is of a supportive nature that is not directly related to the core business activities of the Korean taxpayer and foreign related party).

For domestic related party transactions, the domestic TP rules do not apply if the difference between the fair market value and the actual transaction price is less than 5% of the fair market value and also less than KRW 300 million. In addition, for domestic related party loans, the domestic TP rules do not apply if the lender receives interest for the loan at the statutory rate which is deemed to be the fair market value of the loan (currently 4.6% p.a.).

D. Advance pricing agreement ("APA")

It is possible to obtain both unilateral and bilateral APAs in Korea.

While Korean tax law does not specify the validity period for an APA, APAs with the NTS are generally valid for a period of five years, with a seven year rollback for bilateral APAs and a five year rollback for unilateral APAs.

12. Is there a general anti-avoidance rule (GAAR) and, if so, how is it enforced by tax authorities (e.g. in negotiations, litigation)?

Korean tax law has a "substance-over-form" principle,

which functions as a general anti-avoidance rule. The substance-over-form principle applies to both domestic and cross-border transactions.

Where an investment structure or transaction results in a favorable tax outcome for the taxpayer or where treaty benefits are believed to have been exploited, the tax authority often uses the substance-over-form principle to collapse the form of the transaction and/or attribute Korean-source income to foreign affiliates of the actual recipient of the income.

While the tax authority has aggressively applied the substance-over-form principle, the courts have generally taken the position that it should only be applied in limited circumstances where (i) the acts of the parties involved were fictitious, (ii) the form of the transaction was chosen solely based on tax considerations, or (iii) if there is a specific, detailed provision in the law allowing the transaction to be disregarded.

13. Is there a digital services tax? If so, is there an intention to withdraw or amend it once a multilateral solution is in place?

Korea does not have a digital services tax and does not plan to introduce a digital services tax. As discussed in Section 14, Korea has already implemented Pillar 2 (effective from 2024), and is currently preparing to implement Pillar 1.

14. Have any of the OECD BEPS recommendations, including the OECD's recent two-pillar solution to address the tax challenges arising from digitalisation of the economy, been implemented or are any planned to be implemented?

Korea has adopted most of the 15 BEPS Action Plans and amended relevant domestic laws and treaties as follows:

- BEPS Action 1 (digital economy): In 2015, Korea introduced a new provision in the VAT Law that imposes VAT on applications provided in offshore open markets, and in 2019, the government expanded the scope of the extraterritorial VAT regime for electronically-supplied services.
- BEPS Action 2 (hybrid mismatch arrangements): In 2018, new rules were introduced to neutralize the effect of hybrid mismatch arrangements.

- BEPS Action 3 (CFC rules): The scope of the Korean CFC regime was expanded in 2017.
- BEPS Action 4 (interest deductions): A new interest deduction limitation rule was introduced in 2018.
- BEPS Action 5 (harmful tax practices): In 2019, corporate income tax exemptions, which were previously available for foreign-invested companies, were abolished.
- BEPS Action 6 (treaty abuse): Relevant provisions were adopted upon execution or amendment of the tax treaties. Korea also participated in the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS ("MLI").
- BEPS Action 7 (permanent establishment status): The government broadened the definition of permanent establishments in 2019.
- BEPS Actions 8 to 10 (TP): In 2019, the TP rules relating to the substance-over-form principle and intangibles were amended.
- BEPS Action 11 (BEPS data analysis) and BEPS Action 12 (disclosure of aggressive tax planning): The government is considering legislative changes.
- BEPS Action 13 (TP documentation): In 2016 and 2017, the TP regulations were revised to require certain multinational companies that engage in cross-border related party transactions to file a (i) Master File, (ii) Local File, and (iii) Country-by-Country Report.
- BEPS Action 14 (dispute resolution): In 2017, Korea allowed non-residents and foreign companies without a place of business in Korea to request initiation of MAP in Korea.
- BEPS Action 15 (MLI): Korea signed the MLI in 2017, which took effect in Korea in September 2020.

The Korean government plans to implement both Pillar 1 and Pillar 2 in accordance with the agreement reached by the members of the OECD/G20 Inclusive Framework on BEPS (IF). The Korean Pillar 2 global anti-base erosion rules include an income inclusion rule (IIR) and an undertaxed payment rule (UTPR). The IIR became effective for fiscal years commencing on or after 1 January 2024. The UTPR will be effective for fiscal years commencing on or after 1 January 2025. The Korean government is reportedly considering introducing a Qualified Domestic Minimum Top-up Tax (QDMTT). However, the government has not announced any specific plans or details regarding the QDMTT. The Korean Pillar 2 rules are generally consistent with the OECD Model Rules,

Commentaries and Administrative Guidance.

15. How has the OECD BEPS program impacted tax policies?

Since the launch of the OECD's BEPS Project, the Korean government has been fully committed to complying with the BEPS standards. The government has implemented various tax reforms to adopt the BEPS measures and to boost economic growth. For instance, in alignment with the OECD's recommendations, Korea strengthened its anti-avoidance rules (BEPS Action 7) to prevent abusive business structures that could erode Korea's tax base.

16. Does the tax system broadly follow the OECD Model i.e. does it have taxation of: a) business profits, b) employment income and pensions, c) VAT (or other indirect tax), d) savings income and royalties, e) income from land, f) capital gains, g) stamp and/or capital duties? If so, what are the current rates and how are they applied?

Korea is a member of the OECD and generally follows the OECD Model (including the OECD Commentaries) when it comes to international taxation, although the OECD Model does not have the force of law in Korea.

A. Taxation of business profits

A resident corporation is liable to corporate income tax in respect of its worldwide income. Business profits derived by a resident corporation are subject to corporate income tax (including local income tax) at graduated tax rates ranging from 9.9% to 26.4%.

Business profits derived by a resident individual are subject to personal income tax (including local income tax) at graduated tax rates ranging from 6.6% to 49.5%.

If a non-resident corporation or individual has a permanent establishment ("PE") in Korea, business profits attributable to the PE are taxed in the same manner as the profits of a resident corporation or individual. Business profits derived by a non-resident corporation or individual with no Korean PE are subject to a 2.2% withholding tax, which may be eliminated under an applicable tax treaty.

B. Taxation of employment income and pensions

Employment income is subject to personal income tax (including local income tax) at graduated tax rates ranging from 6.6% to 49.5%. Employers are required to

withhold personal income tax on the salaries of its employees on a monthly basis.

Retirement income and pension income are also subject to personal income tax. The applicable tax rate is the same as for employment income, though special deductions apply that result in a lower effective tax rate.

C. VAT (or other indirect tax)

A business person who sells or provides goods and services is subject to VAT. However, the supply of basic life, medical and health services, financial services and insurance are exempt from VAT. The applicable VAT rate is 10%, but zero-rated VAT is available for the export of goods and for services rendered outside Korea, as well as for certain services provided to a non-resident that are settled in foreign currencies.

D. Taxation of savings income and royalties

Savings income and royalties derived by a resident corporation are included in taxable income and are subject to corporate income tax.

Savings income paid by a Korean financial institution to a resident individual is subject to withholding tax at the rate 15.4%. If the resident individual's total financial income (interest income + dividends) is below KRW 20 million for the relevant year, the withholding tax is a final tax. However, if the resident individual's total financial income exceeds KRW 20 million for the relevant year, the individual is required to report and pay personal income tax on the excess amount at the previously stated graduated rates.

Royalties derived by a resident individual are classified as business profits that are subject to personal income tax.

Savings income and royalties derived by a non-resident corporation or individual with no Korean PE are subject to a 22% withholding tax, which may be reduced under an applicable tax treaty.

E. Taxation of income from land

Income derived by a resident corporation from land (rental income or capital gains) is included in the corporation's taxable income and is subject to corporate income tax at the regular graduated rates described above.

Income derived by a resident individual from leasing land is classified as business profits subject to personal income tax. Capital gains derived by a resident individual from the sale of land are subject to capital gains tax. The

capital gains tax rate for land is the same as the personal income tax rate.

A non-resident corporation or individual is subject to corporate or personal income tax on income derived from land (rental income or capital gains) at the same graduated rates that apply to resident corporations and individuals.

F. Taxation of capital gains

Capital gains derived by a resident corporation are included in the corporation's taxable income and subject to tax at the regular graduated corporate tax rates.

A resident individual is subject to capital gains tax on gains derived from the sale of real property, shares, certain derivatives and other assets (e.g. golf memberships). The applicable tax rate depends on the type of asset transferred.

Capital gains derived by a non-resident corporation or individual with no Korean PE from a sale of Korean shares or securities are either (i) exempt from Korean tax under a domestic exemption or an applicable tax treaty, or (ii) subject to withholding tax at the lesser of 11% of the sale proceeds or 22% of the gain. However, a non-resident corporation or individual who disposes of shares in a Korean company whose assets consist principally of real estate is required to file a corporate or personal income tax return and pay tax at regular graduated tax rates; any taxes withheld can be credited against income tax payable.

G. Stamp and/or capital duties

Stamp duty is imposed on loan agreements with financial institutions, service agreements executed to create/transfer/change rights to assets, and certain other transactions. The stamp duty rate (KRW 50 – KRW 350,000) differs depending on the type of the document and the amount of the asset or transaction.

17. Is business tax levied on, broadly, the revenue profits of a business computed in accordance with accounting principles?

For corporate income tax purposes, taxable income is calculated based on the amount of income/profit that has been calculated in accordance with Korean GAAP (which is similar to IFRS). In order to calculate taxable income, adjustments are made to accounting income/profit.

18. Are common business vehicles such as companies, partnerships and trusts recognised as taxable entities or are they tax transparent?

Under the Korean Commercial Code ("KCC"), the following types of legal entities are recognized in Korea:

- *Jusik Hoesa* – A corporation incorporated by one or more promoters, with each shareholder's liability limited to the amount of contributed capital. This is the most commonly used type of entity in Korea.
- *Yuhan Hoesa* – A corporation incorporated by one or more members, with each member's liability limited to the amount of contributed capital.
- *Yuhan Chaegim Hoesa* – A corporation incorporated by one or more members, with each member's liability limited to the amount of contributed capital. A *Yuhan Chegim Hoesa* provides more flexibility and self-control than a *Yuhan Hoesa*.
- *Hapmyong Hoesa* – A corporation incorporated jointly by more than two members who are responsible for corporate obligations if the assets of the corporation are not sufficient to fully satisfy the obligations of the corporation.
- *Hapja Hoesa* – A corporation composed of one or more partners with unlimited liability and one or more partners with limited liability.

All five of the above entities are generally taxed as separate legal entities. However, *hapmyong hoesa* and certain *hapja hoesa*, which are incorporated entities, may choose to be treated as partnerships that are transparent for tax purposes with certain exceptions. Under Korean tax law, partnerships are exempt from tax at the partnership level, but each partner is subject to tax on income allocated by the partnership.

Entities that are not corporations and have an agreed method of distributing profits between members (i.e., association, foundation, *johap* under the KCC, and *hapja johap* or *ikmyong johap* under the KCC) are tax-transparent entities. A *johap* is conceptually similar to a partnership.

Trusts formed by a contractual arrangement are generally treated as tax-transparent entities.

19. Is liability to business taxation based on tax

residence or registration? If so, what are the tests?

While a resident corporation is subject to tax on its worldwide income, a non-resident corporation is only liable to tax on Korean-source income. Whether an entity is a resident of Korea is determined based on the location of its head office or place of effective management.

20. Are there any favourable taxation regimes for particular areas (e.g. enterprise zones) or sectors (e.g. financial services)?

If a foreign-invested company that conducts a qualified business satisfying certain investment thresholds and requirements invests in special areas designated by the Korean government (foreign investment zones, free economic zones, free export zone, etc.), it can apply for foreign direct investment incentives. If an application for these tax incentives is approved by the Korean government, exemptions or reductions in the following taxes can be obtained for five to seven years. (Corporate income tax incentives are no longer available.)

- i. acquisition tax and property tax
- ii. customs duties
- iii. VAT
- iv. individual consumption tax on certain capital goods

Korea does not have a special taxation regime for financial services or co-ordination centers.

21. Are there any special tax regimes for intellectual property, such as patent box?

Korea does not have a patent box system. However, a 25-50% income tax reduction is applicable when a small or medium-sized enterprise transfers or licenses qualified intellectual property to a third party.

22. Is fiscal consolidation permitted? Are groups of companies recognised for tax purposes and, if so, are there any jurisdictional limitations on what can constitute a tax group? Is there a group contribution system or can losses otherwise be relieved across group companies?

Korea has a consolidated tax filing system, which is available only for a domestic parent company and its domestic subsidiaries at least 90% of the shares of which

are directly or indirectly owned by the domestic parent company. Taxpayers may elect to apply the consolidated tax filing regime upon approval by the tax authorities, but the election cannot be revoked for five years.

When a consolidated group is formed, income and losses within the group are pooled. The parent company is liable for the consolidated corporate income tax, but each member of the consolidated group should pay its attributable share to the parent company.

23. Are there any withholding taxes?

A resident corporation is only subject to withholding tax on interest and income received from an investment trust. A resident individual, on the other hand, is subject to withholding tax on interest, dividends, certain business profits, salary, pension, retirement income and other income.

Interest, dividends and royalties paid to a non-resident corporation or individual with no Korean PE are subject to withholding tax at the rate of 22%. The withholding tax rate may be reduced under an applicable tax treaty. Capital gains derived by a non-resident corporation or individual with no Korean PE from the sale of Korean shares or securities are either (i) exempt from Korean tax under a domestic exemption or an applicable tax treaty, or (ii) subject to withholding tax at the lesser of 11% of the sale proceeds or 22% of the capital gains.

24. Are there any environmental taxes payable by businesses?

Korea does not have environmental taxes.

25. Is dividend income received from resident and/or non-resident companies taxable?

Resident companies are subject to corporate income tax on dividends received.

For dividends received by a domestic parent company from a domestic subsidiary company, a 30%-100% deduction is available for the domestic parent company (dividend recipient).

- i. If the shareholding ratio is 50% or more, a 100% deduction is available;
- ii. If the shareholding ratio is 20% or more but less than 50%, a 80% deduction is available;
- iii. If the shareholding ratio is less than 20%, a 30% deduction is available.

For dividends received by a domestic parent company from a foreign subsidiary company, a 95% deduction is available if the domestic parent company has held at least 10% (5% in the case of a foreign subsidiary engaging in the development of foreign energy and mineral resources) of the shares in the foreign subsidiary company for at least 6 months. The same deduction is available for dividends paid by way of a reduction in the capital reserve of a foreign subsidiary company, regardless of the percentage of shares held by the domestic parent company (dividend recipient) in the foreign subsidiary company (dividend payor).

In addition, where a parent-subsidiary structure results from the acquisition of a pre-existing foreign company (subsidiary) by a Korean company (parent), and the foreign subsidiary company pays dividends to the Korean parent company from its earnings retained prior to the acquisition, the acquisition cost of the shares in the foreign subsidiary company is reduced by the amount of such dividends.

The above dividend deductions are not available for deemed dividends under the CFC rules, dividends related to hybrid financial instruments, and dividends paid by indirect investee companies (excluding certain on-shore private equity funds), which are subject to the foreign tax

credit rules instead.

Dividends paid by a resident corporation to a resident individual shareholder are subject to withholding tax at the rate of 15.4%. However, if the individual shareholder's total financial income (interest income + dividends) exceeds KRW 20 million in the relevant year, the excess is also taxed at the applicable graduated personal income tax rates.

Dividends paid by a non-resident corporation to a resident individual shareholder are taxed at graduated personal income tax rates. A foreign tax credit is available for any direct taxes paid with respect to such dividends.

26. What are the advantages and disadvantages offered by your jurisdiction to an international group seeking to relocate activities?

Korea has an extensive treaty network and has tax treaties with 95 countries. In addition, Korea has a fair judicial system through which taxpayers can resolve their tax disputes. However, Korea's domestic tax system is less competitive than those of some of the other OECD member countries, and the Korean tax authorities are known to be aggressive in tax audits, which could be disadvantageous to foreign taxpayers.

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