The following tax information is translated from the Korean for foreign-invested companies and is not legally binding.

**Q.** An art gallery in Korea purchased a piece by a foreign artist from a gallery outside Korea. Is the payment for the piece taxable?

Also, if the foreign artist granted the Korean art gallery the right to use the piece in posters, catalogues, publications, etc. at no extra cost, could this be considered income from copyright use?

**A.** Payment for the purchase of a piece from a gallery in Japan is considered business income, as prescribed by Article 93 (5) of the Corporate Tax Act and Article 7 of the Republic of Korea-Japan Income Tax Convention, and the income is not taxable in Korea provided that the Japanese gallery does not have a place of business in Korea.

Regarding the right to use art work for an exhibition granted by the artist who owns the copyright for the work, if the right was granted at no extra cost and the work was not used to make a profit, the copyright fee shall not be separately considered for taxation.

<Letter Tax Ruling Division-230 (March 14, 2014)>

* Related laws: Article 7 of the Republic of Korea-Japan Income Tax Convention, Article 93 of the Corporate Tax Act

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**Q.** If a partial withdrawal has been made from a three-year foreign currency time deposit six months from the contract date and another one has been made two and a half years from the contract date, is the interest income from the latter withdrawal non-taxable?

* In accordance with Article 21-2 of the Restriction of Special Taxation Act, in the case of foreign currency time deposits with a contract period not less than one year opened by a non-resident or foreign company between January 1, 2013 and December 31, 2015, no income tax or corporate tax shall be imposed on the interest accrued from the relevant deposit during the contract period.

**A.** If a non-resident or foreign company opens a foreign currency time deposit with a contract period of three years and makes a partial withdrawal from the deposit six months from the contract date and another one two and a half years from the contract date, income tax or corporate tax not imposed on the income accrued from the withdrawn amount shall be collected.

However, if no withdrawal was made for one year and partial withdrawal occurred two and a half years from the contract date, income tax or corporate tax shall not be imposed on the interest accrued for one year from the contract date.

<Letter Tax Ruling Division-55 (Jan. 21, 2014)>

* Related law: Article 21-2 of the Restriction of Special Taxation Act
Q. The Turkish Embassy in Korea, a non-profit foreign company, gained income by transferring the embassy building and attached land. Is the income taxable in Korea?

A. In the event that the Turkish Embassy in Korea, a non-profit foreign company, transfers the embassy building and attached land and gains domestic source capital gain, as prescribed by Article 13 of the Republic of Korea-Turkey Income Tax Convention, tax is exempted for the income in Korea in accordance with Article 23 of the Vienna Convention on Diplomatic Relations.

<Letter Tax Ruling Division-203 (March 7, 2014)>

* Related law: Article 93 of the Corporate Tax Act

For more information, please contact the International Tax Resource Management Office of the National Tax Service (82-2-397-1438~9).