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

**Q.** If the wrong amount of tax has been filed or paid by accident, is there a way to correct this?

**A.** If the tax base and tax have been incorrectly filed, the tax return can be corrected and filed.

- **Correction of tax return**
  - Where a company that filed a corporate tax return within the statutory due date of return has reported a tax base and tax less than the amount to be reported pursuant to the provisions of tax-related acts, a revised tax return can be filed before the head of the relevant tax office notifies the correct amount. The additional tax for under-reporting shall be reduced by 50 percent for revised returns filed within six months of the due date of return; 20 percent for those filed after six months and within a year; and 10 percent for those filed after one year and within two years.

  * If the amount of reported tax base and tax exceeds the correct amount to be reported, the amount paid in excess can be refunded through the request of a correction within five years of the statutory due date of return.

**Q.** Is there a remedy for taxes considered unfair or excessive by the taxpayer?

**A.** If a taxpayer considers the tax imposed by the taxation office unfair or excessive, he/she can file an objection.

- **Request for review of legality prior to taxation**
  - If a company received a tax investigation report or an advance notice of taxation objects to the content of the report or notice, a request for review of legality prior to taxation can be filed to the head of the relevant district tax office, regional tax office or National Tax Service within 30 days of the receipt of the report or notice, except when causes for collection before the payment period or occasional levying of tax exist. Such a request for the review of legality provides the taxpayer a remedy against unfair taxation.

- **Filing of objection to imposition of tax**
  - Any person whose rights or interests have been infringed upon through the receipt of an unlawful or unreasonable disposition or due to the failure to receive a required one under tax-related acts may request an examination (National Tax Service) or an adjustment (Tax Tribunal) within 90 days of the date on which the taxpayer became aware of the disposition.
  - Before filing a request for examination or adjustment, a taxpayer may file an objection to the district or regional tax office within 90 days of the day of becoming aware of the disposition. If an objection is filed, a request for examination or adjustment can be made within 90 days of the receipt of a written decision on the objection. (If a remedy cannot be provided through a request for examination or adjustment, an administrative suit can be filed to the jurisdictional (administrative) court within 90 days of the date of the receipt of a written decision on the request for examination or adjustment.)

* Electronic objection filing system introduced on Feb. 23, 2015

**Q.** When assets are purchased or costs are incurred while doing business, what responsibilities does the entrepreneur bear for the documentary evidence of such business-related transactions?

**A.** If an entrepreneur purchased assets or incurred costs while doing business, he/she is responsible for the receipt and keeping of the documentary evidence of such transactions.

- **Why it is important to keep documentary evidence of expenditure**
  - When a company supplies or is supplied with goods or services, it should provide or receive documentary evidence such as a tax invoice, invoice (VAT exempted), credit card sales slip or cash receipt.
  - Without documentary evidence of expenditure, it is hard to prove the objects of expenditure, and in the case of transactions in excess of KRW 30,000, two percent of the unproven amount is imposed as additional tax.
  - Also, entertainment expenses exceeding KRW 10,000 (KRW 200,000 in the case of expenditures for congratulations and condolences) are recognized as expense only when a corporate credit card sales slip, tax invoice, invoice or receipt for earned income tax withholding is received. Even if a credit card is used, entertainment expenses cannot be recognized as expense if the sales slip is issued in the name of a different store. Therefore, it is important to check if the name and address of the store on the credit card sales slip are accurate.

- **Purchase of goods and taxation**
  - Purchasing raw materials for construction sites, etc. without receiving documentary evidence (i.e., tax invoice) to save costs may result in additional tax. This is because without documentary evidence of expenditure, the purchaser cannot receive value added tax (VAT) deduction equivalent to 10 percent of the purchase price and also has to pay additional corporate tax.
  - If a company purchases a false tax invoice from a false VAT invoice issuer to reduce the tax burden from cash purchases, the company will be able to receive input tax deduction and the false tax invoice may be used as documentary evidence of expenditure. However, such fraudulent transactions with a false tax invoice issuer are detected through an electronic tax filing analysis system. If an entrepreneur is accused of using false tax invoice, such fact will be notified to the district tax office and the investigation bureau of the regional tax office. In addition, the entrepreneur will be imposed with additional VAT and corporate tax for the fraudulently reduced tax amount and also be subjected to an intensive tax investigation. An entrepreneur that is confirmed to have dealings with a false VAT invoice issuer will be punished in accordance with the Punishment of Tax Evasion Act.

- **Obligation to keep account books**
  - A taxpayer should prepare and keep account books and documentary evidence on all transactions as prescribed by tax-related acts.
  - Account books and documentary evidence on transactions should be kept for five years.

For more information, please contact the International Tax Resource Management Office of the National Tax Service (82-44-204-2882~).