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

Q. I plan to invest or start a business in Korea but some tax-related matters are unclear. Is there a system that provides a clear interpretation of tax laws ahead of a business transaction?

A. Yes, the National Tax Service operates the advance ruling system to reduce tax-related uncertainties arising from business transactions or investments.

- About the Advance Ruling System
  The advance ruling system provides a clear ruling with regard to a specific transaction of a taxpayer's business, provided that a ruling is requested by the legal due date for tax return filing with the disclosure of the taxpayer's identity and the specific facts and circumstances of the transaction in question.

  Before the system was introduced, many taxpayers inquired about the interpretation of tax laws under another person's name or a false name. In some cases, taxpayers' inquiries distorted or omitted certain facts, so it was difficult to provide a clear and accurate answer.

  Because of the difference with actual facts, the protection of taxpayers based on the principle of good faith was limited.

- Benefits of the Advance Ruling System
  With the introduction of the advance ruling system, both domestic companies and foreign companies can receive a fast and accurate answer to inquiries on the interpretation of tax laws.

  Also, taxpayers can handle tax-related matters based on the answers provided under the system, which will resolve tax-related difficulties in doing business.

- How to request a ruling
  Download the application form at the National Tax Service website (http://www.nts.go.kr, Korean only). Complete and submit the form to the NTS Commissioner (Manager of Legal Affairs Division) via postal mail.

Q. How does the National Tax Service prevent faulty taxation?

A. Taxpayers can receive a remedy against incorrect taxation by filing an appeal, and the National Tax Service has a system in place to prevent faulty taxation.

- System for assessing the cause of objections to taxation
  For administrative appeals for taxation review (i.e., review of legality prior to taxation, appeal for review, appeal for examination, appeal for judgement) that have been accepted, an analysis is conducted on why the appeals were filed. If the analysis finds that faulty taxation was caused by poor fact-checking or the improper application of law, the tax preparer is held accountable. Also, research is done to identify and improve laws and regulations that cause faulty taxation. Such measures are to prevent the recurrence of similar faulty taxation.

- Operation of an advisory committee for tax disputes
  With regard to tax-related disputes with taxpayers that require deliberation, an advisory committee offers practical advice before taxation in order to prevent faulty taxation.

- National Tax Law Information System
  The National Tax Law Information System provides a variety of tax law-related information so that taxpayers can better understand tax-related laws and tax officials can accurately examine taxation conditions.

  The National Tax Law Information System (Korean only) can be accessed through the NTS website (http://nts.go.kr).