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

**Q.** What is the overseas financial accounts reporting system?

**A.**

- **Persons and entities required to file a report**
  - Domestic residents and companies as of the last day of the relevant year subject to reporting.
    - Korean nationals residing abroad: Korean nationals residing abroad whose total period of having a residence in Korea from two years before the end of the relevant year subject to reporting is more than one year.
    - Residents who are not Korean nationals residing abroad: Persons who have had their domicile or place of residence in Korea for 183 days or longer, as prescribed by Article 1-2 of the Income Tax Act.
  - Foreign residents: Foreigners who have had their domicile or place of residence in Korea for more than five years in total from 10 years before the end of the relevant year subject to reporting.

- **Minimum balance of accounts to be reported**
  - Overseas financial accounts with total balance exceeding KRW 1 billion (USD 860,000) on any last day of each month of the year subject to reporting should be reported.

- **Accounts and assets subject to reporting**
  - Overseas financial accounts subject to reporting

<table>
<thead>
<tr>
<th>Accounts to be reported</th>
<th>Matters to be reported</th>
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<tr>
<td>Any of the following accounts opened at a overseas financial company:</td>
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<tr>
<td>① An account opened for banking services such as a savings account</td>
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<tr>
<td>② An account opened for trading securities (including overseas securities)</td>
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<tr>
<td>③ An account opened for trading derivatives (including overseas derivatives)</td>
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<tr>
<td>④ Other accounts opened for financial transactions</td>
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| Assets to be reported | All assets including cash, securities (including depository receipts), bonds, collective investment securities, insurance policies, etc. held in overseas financial accounts subject to reporting. |

- **When and how to file a report**
  - Taxpayers subject to reporting should submit a report form to the competent tax office or electronically file a report through Hometax (http://www.hometax.go.kr). The period for submitting a report is from June 1 through 30.

- **Penalties for unreported or under-reported amount**
  - (Administrative fine) A fine of up to 20 percent of the unreported (or under-reported) amount shall be imposed.
  - (Disclosure of personal information) Where the unreported (or under-reported) amount exceeds KRW 5 billion (USD 4.3 million), the account owner’s personal information can be disclosed.
  - (Criminal penalties) Where the unreported (or under-reported) amount exceeds KRW 5 billion (USD 4.3 million), the account owner may face imprisonment of not more than two years and/or a fine of up to 20 percent of the unreported (or under-reported) amount.
Q. Who is the withholding agent for a foreign investor’s income from the transfer of bonds and interests on bonds accrued during the owned period? Also, can the withholding obligation be delegated to another party?

A. Where a domestic company acquired bonds deemed as securities pursuant to Article 93 Subparagraph 9 of the Corporate Tax Act and Article 119 Subparagraph 11 of the Income Tax Act from a foreign investor through a financial company that is an investment broker, the financial company shall withhold the tax for the income from transfer of bonds, and the interests on bonds accrued during the owned period as prescribed by Article 98-3 (1) of the Corporate Tax Act and Article 156-3 of the Income Tax Act. In this case, the withholding obligation of the financial company cannot be delegated to the domestic company.

Source: National Tax Service (Jan. 29, 2016)

Q. Is an app store operator obligated to collect value added tax?

A. Where a non-resident or foreign company provided service (in this case, applications) as prescribed by Article 53 (1) of the Value Added Tax Act to domestic customers through an open market operated by a mail order broker who is a mail order distributor pursuant to Article 2 of the Act on Consumer Protection in Electronic Commerce, etc. (hereafter ‘app store operator’), and the app store operator collects the proceeds from sales and remits the funds after deducting fees to the non-resident or foreign company, it is considered that the app store operator provided the service, in accordance with Article 53 of the Value Added Tax Act.

Source: Ministry of Strategy and Finance (Apr. 5, 2016)

Q. Is an “officetel” (a multipurpose building with residential and commercial suits) rented out to employees subject to tax credit for investment in facilities for promotion of workers’ welfare?

A. Where an officetel that is smaller than national housing* is acquired and rented out for residential purposes to employees who own no housing, the officetel is subject to tax credit for investment in facilities for promotion of workers’ welfare as prescribed by Article 94 of the Restriction of Special Taxation Act. However, the relevant facts shall be considered when determining whether the officetel is actually rented out for residential purposes to employees who own no housing.

* National housing: Housing constructed or renovated with funds subsidized from the National Housing Fund and the area of which used exclusively for residential purposes is not more than 85m2 per family or household.

Source: Ministry of Strategy and Finance (Mar. 31, 2016)

For more information, please contact the International Tax Resource Management Office of the National Tax Service (82-44-204-2872~74).