

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

※ About the Foreign Financial Accounts Reporting system

□ Reporting of foreign financial accounts for 2017 balances

- If the sum of the balance of foreign financial accounts owned by a resident or domestic company exceeded 1 billion won* on the last day of any month in 2017, a return should be filed electronically through Hometax (www.hometax.go.kr) or a report of foreign financial accounts should be submitted to the district tax office from June 1 to July 2.

* The threshold (i.e. sum of balance in 2018) shall be lowered to 500Mil won starting from next year

□ Points to remember when filing a report

- Korean nationals residing abroad and foreigners who are residents should also file a report.
 - However, Korean nationals residing abroad who have had their place of residence in Korea for 183 days or less from two years before the last day of the relevant year subject to reporting and foreigners who have had their domicile or place of residence in Korea for five years or less in total from 10 years before the last day of the relevant year subject to reporting do not have an obligation to file a report.
- If the nominal account holder does not match the actual account owner, both are obligated to file a report. In the case of jointly-held accounts, each of the respective joint owners of the account should file a report.
 - When filing a report, it should be considered that the nominal account holder and actual account holder (or owners of jointly-held accounts) each own all of the account balance.
- Residents and domestic companies should include the foreign financial accounts owned by overseas branches when filing a report.
- In the case of foreign financial accounts owned by a wholly-owned overseas subsidiary, sub-subsidiary, etc. located in a country without a tax treaty with Korea, the Korean parent company should file a report on them as well.

□ Points to remember when filing a report

* Foreign Financial Accounts Reporting 2018: www.nts.go.kr > National Tax Information > Publications > Category > International Taxation

- For more inquiries and consulting, please contact your district tax office or the NTS call center (call 126 without the area code -> extension 2 -> 6)

※ Recent regulatory interpretation on Reporting of Foreign Financial Accounts
(Oct. 20, 2017)

- If a resident received restricted stock unit (RSU1)) and deferred contingent capital plan (DCCP2)) as part of his/her bonus every year from a domestic business establishment of a foreign company and holds them in the form of an account opened at an overseas financial institute, the foreign financial account shall be subject to reporting in accordance with Article 34 of the Adjustment of International Taxes Act.
- 1) RSU: Restricted stocks offered to a resident as part of an annual bonus from the domestic business establishment of a foreign corporation that grants the right of receipt in the future if certain conditions are met.
- 2) DCCP: The same as RSU, the only difference is that the right to receive cash in the future is granted.

※ Recent changes in tax laws (newly inserted) – Non-inclusion of punitive damage compensation, etc. in deductible expense
(Article 21-2 of the Corporate Tax Act, Article 23 of its Enforcement Decree)

- Objective: Among the compensation paid by a domestic company, a certain amount that exceeds the actual cost for the damage is not included in deductible expense for the reasonable recognition of damage compensation-related expenses as deductible expense.
- Eligible compensations: Damage compensation paid in accordance with the following laws* or foreign laws which exceeds the actual cost of damage.

* Personal Information Protection Act, Credit Information Use and Protection Act, Fair Transactions in Subcontracting Act, Fair Agency Transactions Act, Fair Transactions in Franchise Business Act, Act on the Protection, etc. of Temporary Agency Workers, Act on the Protection, etc. of Fixed-Term and Part-Time Workers, Product Liability Act

- Amount not included as expense: Compensation that exceeds the amount of actual damage expenses. If the amount of actual damage expenses is unclear, the amount shall be 2/3 of the compensation amount.

*Applied to business years commenced on or after Jan. 1, 2018

For more information, please contact the International Tax Resource Management Office of the National Tax Service (82-44-204-2873~74).