

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

### □ Recent rulings

#### ※ Method for calculation of tax reductions/exemptions on dividends paid to a foreign investor – Ministry of Strategy and Finance (Jul. 4, 2018)

○ Where a foreign-invested company increases capital and performs separate accounting on the business related to the increased capital and other businesses, the amount of dividend to which corporate tax or income tax reduction or exemption as prescribed by Article 121-2 (3) of the Restriction of Special Taxation Act (the Act before amendment to law no. 12173 on Jan. 1, 2014) applies shall be calculated as follows:

The dividend from the stocks or shares acquired by a foreign investor (including the stocks or shares acquired before the capital increase) as prescribed by Article 2 (1) 5 of the Foreign Investment Promotion Act multiplied by:

The ratio of income generated from operating a business subject to corporate tax or income tax reduction or exemption as prescribed by Article 1 Paragraph 1 of the same Act to the income of the foreign invested company's income for each taxable year.

The amount will be reduced or exempted by 100% during the period in which 100/100 of corporate tax or income tax is reduced or exempted; and 50% during the period in which 50/100 of the aforementioned taxes are reduced or exempted, in accordance with Article 1 Paragraph 2 of the same Act.

#### ※ Whether a return of payment by proxy constitutes a return of tax base – Ministry of Strategy & Finance

○ If any person who receives the supply of services or rights in Korea from a foreign corporation or non-resident does not pay value added tax by proxy as prescribed by Article 52 of the Value Added Tax Act, he/she shall be imposed the period of exclusion from imposition of national taxes as prescribed by Article 26-2 (1) 3 of the Framework Act on National Taxes\*.

\* Five years from the date when the relevant national tax is assessable

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## □ Change to Tax laws

### ※ Revisions to tax investigation related laws

#### 1. Revisions to notifications to taxpayers when undertaking a tax investigation (Article 81-2 of the Framework Act on National Taxes)

○ When undertaking a tax investigation, the tax official should present the investigator identification card to the relevant taxpayer or related persons, deliver the taxpayers' rights charter and read out the important information.

- **Before** : The reason for investigation, investigation period, remedy procedures, etc. should be explained

- **After** : In addition to the aforementioned information, examination requests to the taxpayer protection committee and examination procedures should be explained as well.

<**Reason for revision**>: To strengthen protection of taxpayers' rights

※ Applicable to investigations undertaken on Jan. 1, 2018 and onwards.

#### 2. Ban on request for submission of documents unrelated to tax investigation (Article 81-4 of the Framework Act on National Taxes)

○ To prevent the abuse of the right of tax investigation, the following changes have been made:

- **Before** : The general regulations banning the abuse of tax investigation such as the requirement to conduct tax investigation on the minimum extent necessary, and principle of ban on reinvestigation were defined.

- **After** : The request for books, etc. should be made on the minimum extent necessary to conduct a tax investigation, and it is banned to request the submission of books, etc. that are not related to the calculation of the tax base and tax amount of the relevant item of tax of the taxable period.

※ Applicable also to tax investigations being conducted as of Jan. 1, 2018

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