

Tax News

March 2019

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

※ Revisions regarding overseas financial accounts

- **Expanded scope of ‘actual owner’ of overseas financial accounts** (Article 50 (5) of the Enforcement Decree of the Adjustment of International Taxes Act)

Current	Revised
<ul style="list-style-type: none">□ Actual owner of overseas financial accounts*<ul style="list-style-type: none">○ A person who de facto manages* relevant accounts<ul style="list-style-type: none">* Economic risk-bearing, profit acquisition, ownership of authority to dispose of relevant account, etc.○ Overseas financial accounts held by a foreign company located in countries with which Korea has not signed a tax treaty<ul style="list-style-type: none">- Person required to report: Domestic company- Requirements for reporting: The domestic company either directly or indirectly owns 100% of the foreign company’s stakes	<ul style="list-style-type: none">□ Scope of actual owner expanded<ul style="list-style-type: none">○ (Same as left)<ul style="list-style-type: none">* Economic risk-bearing, profit acquisition, ownership of authority to dispose of relevant account, etc.○ Scope of persons required to report expanded, requirements for reporting revised.<ul style="list-style-type: none">- Residents are included.- When calculating the stakes, the stakes owned by special related parties are included.

※ Revisions regarding the imposition of fines for non-reporting of overseas direct investment (Article 165-2 of the Income Tax Act, Article 165-4 of the Enforcement Decree of the Income Tax Act, Article 121-2 of the Corporate Tax Act. Attached Table 2 of the Enforcement Decree of the Corporate Tax Act)

Current	Revised													
<p><input type="checkbox"/> Reporting of overseas direct investment</p> <p>○ (Who should report) Residents and domestic companies who made an overseas direct investment</p> <p>○ Documents to submit</p> <ul style="list-style-type: none"> - Statement of overseas local company - Statement of financial position of overseas local company - Statement of losses on transactions - Current conditions of establishment of overseas business offices <p>○ (Penalty) Imposition of fine for failure to submit documents or submission of false documents</p>	<p><input type="checkbox"/> Strengthened criteria for imposition of fines</p> <p>○ (Same as left)</p> <p>○ (Same as left)</p> <p>○ Addition of document subject to fine for non-submission and raise in fine amount</p>													
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<Applicable period>

Applicable to the documents on statement of overseas direct investment submitted for the taxable year commenced on or after Jan. 1, 2019.

※ Extension of period of application of special taxation for foreign employees
(Article 18-2 of the Restriction of Special Taxation Act)

Current	Revised
<ul style="list-style-type: none"><input type="checkbox"/> Special taxation for foreign employees<ul style="list-style-type: none"><input type="radio"/> (Eligibility) Foreign employees<input type="radio"/> (Special taxation) Foreign employees can choose to apply a flat tax rate (19%) instead of the global income tax rate.<input type="radio"/> (Applicable period) A foreign employee who starts to work in Korea on or before Dec. 31, 2018 can elect to have the flat tax rate applied for five years.<input type="radio"/> (Effective until) Dec. 31, 2018	<ul style="list-style-type: none"><input type="checkbox"/> Extension of the effective period<ul style="list-style-type: none"><input type="radio"/> Dec. 31, 2021

<Reason for revision> To attract high quality foreign talents

For more information, please contact the International Tax Resource Management Office of the National Tax Service (82-44-204-2822~24).