

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

(Q) About the foreign financial account reporting system

◆ Persons obligated to file a report

Residents (including i & ii) and domestic companies in Korea as of the last day of the year subject to reporting (2018)

- i) Korean nationals residing abroad: Persons who have had their place of residence in Korea for more than 183 days in total from two years before the last day of the year subject to reporting
- ii) Foreigners: Persons who have had their domicile or place of residence in Korea for five years more than in total from 10 years before the last day of the year subject to reporting

▷ 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.

◆ Amount subject to reporting

☞ Where the sum of the balance of foreign financial accounts owned exceeded KRW 500 million on the last day of any month in the year subject to reporting (2018)

◆ Accounts subject to reporting

☞ Foreign financial accounts subject to reporting

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

◆ When and how to file a report

- ☞ Taxpayers subject to reporting should submit a report 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 July 1, 2019.

◆ Penalties for unreporting or under-reporting

- ☞ **(Fine)** A fine of up to 20 percent of the unreported (or under-reported) amount shall be imposed.
(Disclosure of personal information) here the unreported (or under-reported) amount exceeds KRW 5 billion, the account owner's personal information can be disclosed.
(Criminal penalties) Where the unreported (or under-reported) amount exceeds KRW 5 billion, 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

◆ Reward for report

- ☞ A reward of up to KRW 2 billion is paid to a person who provided important information (e.g., account number, account balance) that helped uncover an unreported (or under-reported) overseas financial account.
* The reward is paid even if the recipient is also eligible for a reward for reporting tax evasion or tax defaulters' hidden assets.

※ Question on reporting foreign financial accounts (1)

- If a fine was paid for violating the obligation to report foreign financial accounts, is exemption of criminal punishment granted?
- If the unreported or under-reported amount exceeds KRW 5 billion, criminal punishment shall apply regardless of whether a fine was paid or not, in accordance with Article 34-2 (1) of the Adjustment of International Taxes Act.

Source: National Tax Service (Sep. 1, 2017)

※ Question on reporting foreign financial accounts (2)

- If two domestic companies and an individual resident jointly own a foreign company's financial account, do each domestic company and the individual resident need to report the foreign financial account or is it enough for one company to file a report?
- In the case where two domestic companies and an individual resident jointly own a financial account under a foreign company's name, and the nominal account owner does not match the actual owner, the party who actually manages the account has the obligation to report the financial account. If all or part of the two domestic companies and the individual resident actually jointly manages the financial account, the parties that actually manage the account should each report the financial account.

Source: National Tax Service (Jun. 24, 2016)

For more information, please contact the International Tax Resource Management Office of the National Tax Service (82-44-204-2827~28).