



South Korea

South Korea taxes South Korean residents on their worldwide income.

Current Trends

Recent tax amendments are as below.

Strengthened resident criteria (Amendment on December 23rd, 2014)

Most of the OECD countries consider an individual as a resident if he/she had his/her domicile or place of residence in the country for more than 183 days, however an individual was considered a South Korean resident if he/she resided in South Korea for more than one year according to the previous Individual Income Tax Law (IITL).

In order to prevent tax avoidance, Article 2 of IITL was amended so that an individual shall be considered as a South Korean resident when he/she has his/her domicile or place of residence in South Korea for more than 183 days on and after January 1st, 2015.

Extended statute of limitation period for the National Tax Assessment and raising the penalty tax rate on tax evasion involved in international transactions (Amendment on December 23rd, 2014)

According to the previous Framework Law on National Taxes (FLNT), the statute of limitation period for national tax assessment was generally five years from the date on which the national tax is assessable, and it could be seven years, if a taxpayer fails to file a return by the due date of its return. In addition to these limitation periods, new Article 26-2 of the FLNT introduces 15 years of new statute of limitation period for national tax assessment on tax evasion related to international transactions.

The penalty rate on non-filing or underreporting of tax returns is increased to 60% for tax evasion in international transactions, substantially increasing in penalty rates from 20% for general cases and 40% for the case in which a taxpayer fails to file a return by its due date of return by unlawful acts under the current FLNT.

This new statute of limitation period and new penalty rate will be effective for the taxable year beginning after January 1st of 2015.

Recently raised penalty tax rates on nonfulfillment of obligation to report on overseas financial accounts (Amendment on December 23rd, 2014)

The penalty tax rates were increased where a resident that has an obligation to report information on his/her overseas financial account fails to report or fails to submit an explanation or submits a false explanation.

Exchange of information:

South Korea has an "in-substance" agreement to implement the US FATCA regime, with the potential for reciprocal reporting. South Korea is also an early adopter of the CRS automatic reciprocal reporting regime from 2017, onwards. Due to the reciprocal nature of these regimes, non-residents of South Korea with South Korean accounts will be reported to their participating home country and residents of South Korea with offshore accounts in participating countries will be reported to the South Korean tax authority.

In addition, the South Korea government agreed to exchange tax information such as account number, balance amount, account holder's name, address and place of birth and interest/dividend incomes, etc. with Marshall Islands, Cook Islands, Bahamas, Bermuda, Vanuatu and Andorra according to the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information signed on October 29th, 2014. South Korea will expand these agreements to eventually cover more countries.

Direct and Indirect Ownership of Investment Accounts

Both the US FATCA regime and the OECD CRS regime require reporting of accounts held directly by the individual taxpayer and indirectly, through personal investment companies, trusts or foundations.

Amnesty and Disclosure Regimes

According to Article 38 of Law for Coordination of International Tax Affairs (LCITA), if an undeclared or under-reported overseas income is reported voluntarily within the voluntary reporting period, tax penalties and fines imposed by the Framework Law on National Taxes (FLNT) and Foreign Exchange Law shall be reduced and the individual shall be exempted from the disclosure of personal information. This will be effective from January 1st, 2015 to December 31st, 2016.

Applicable Tax Transparency Regime		
US FATCA	✓	Korea has an “in-substance” agreement to implement the US FATCA regime, with the potential for reciprocal reporting
UK CDOT	n/a	
EUSD	n/a	
OECD CRS	✓	Reciprocal CRS reporting of 2016 account information, to be filed in 2017, and thereafter, between Korea and CRS-participating countries
Tax Treaty Information Exchange	✓	Reciprocal reporting of information between Korea and numerous countries, upon request

Other Tax-Related Considerations		
Voluntary Disclosure Program?	Yes	See above
Residents taxed on a worldwide basis?	Yes	Income of controlled foreign corporations may also be taxed at shareholder level

This information is made available for general reference only. It does not constitute legal or tax advice. Citigroup Inc. (Citi), its affiliates, and its employees are not in the business of providing tax or legal advice to any taxpayer outside of Citi and its affiliates. These materials are not intended or written to be used, and cannot be used or relied upon, by any such taxpayer for the purpose of avoiding tax penalties. Citi and its affiliates comply with applicable laws and regulations. This information was prepared by tax experts at a non-affiliated third party at Citi's request for your general reference only. While Citi aims to acquaint you with current and imminent tax transparency initiatives around the globe, we encourage you to seek third party professional advice regarding your personal tax situation.

This information is provided as of August 2015. However as the environment is rapidly changing, please consult with your tax advisor to be sure you have the up-to-date information. Citi and its affiliates make no representation, recommendation or warranty, express or implied, regarding the accuracy, adequacy, reasonableness or completeness of the information contained herein.

Note that all references to “resident,” “residents” or “residence” is intended to be a reference to tax resident, tax residents or tax residence, under the applicable tax laws.