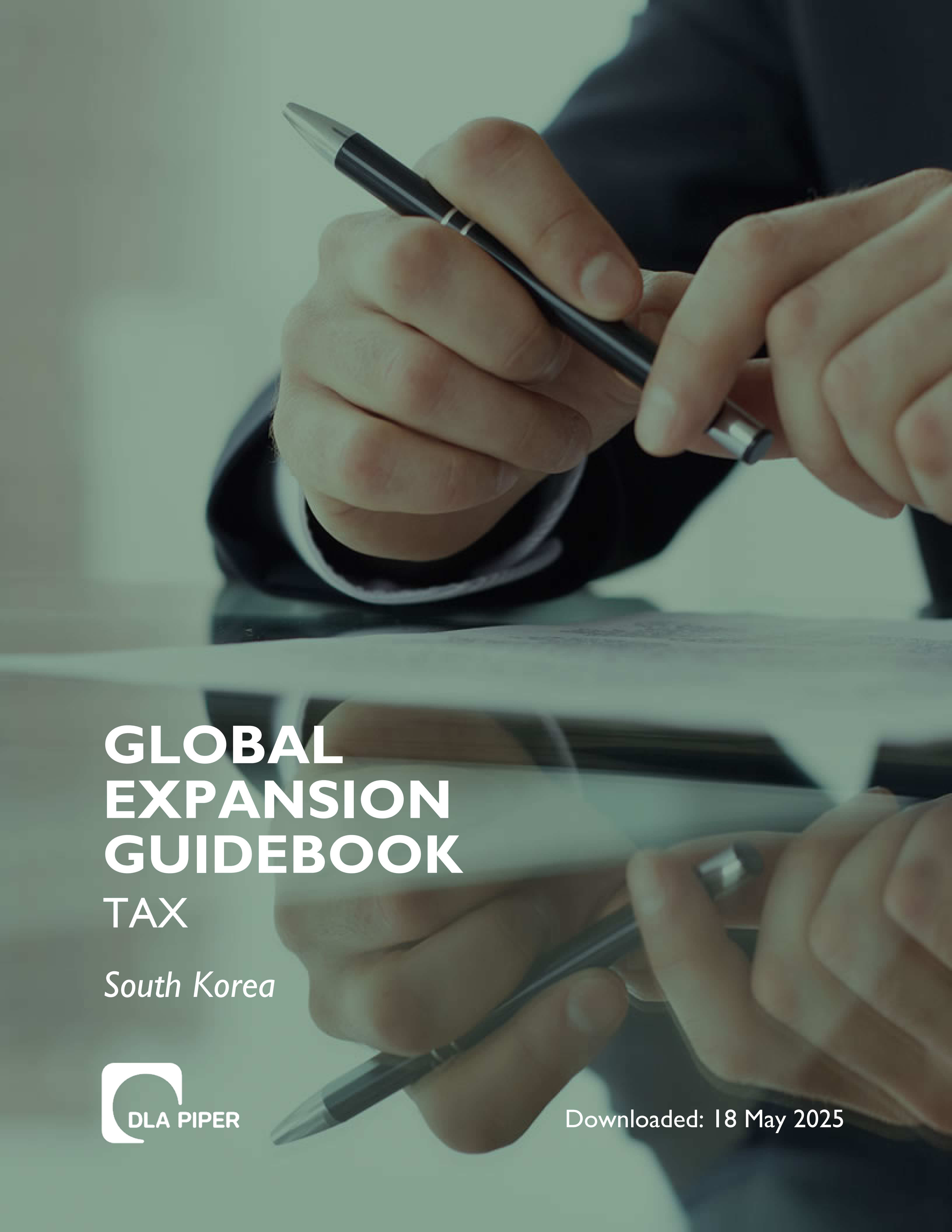

GLOBAL EXPANSION GUIDEBOOK

TAX

South Korea

DLA PIPER

Downloaded: 18 May 2025

INTRODUCTION

Welcome to the 2024 edition of DLA Piper's *Global Expansion Guidebook – Tax*.

GLOBAL EXPANSION GUIDEBOOK SERIES

Many companies today aim to scale their businesses globally and into multiple countries simultaneously. In order to help clients meet this challenge, we have created a handy set of global guides that cover the basics companies need to know.

The *Global Expansion Guidebook* series reviews business-relevant corporate, employment, intellectual property and technology, global equity and tax laws in key jurisdictions around the world.

TAX

Multinational companies continue to expand globally at an ever faster pace. Successful expansion depends, in part, on strategic and effective tax planning and compliance. This guide, brought to you by DLA Piper's Tax group summarizes the key features of tax laws in 41 popular jurisdictions.

This guide addresses common tax questions, by jurisdiction, including:

- Taxation of resident companies and non-resident companies
- Availability of tax holidays, rulings, and favorable tax regimes
- Ability to use losses to offset income
- Anti-deferral (ie CFC) rules
- Withholding taxes
- Employment tax issues

With more than 300 tax lawyers and economists in offices throughout the Americas, Europe and Asia Pacific, DLA Piper's global tax advisory services help multinational companies address the complex challenges of international commerce and business operations as well as manage and resolve tax audits. Our global tax group also assists clients in structuring a wide range of transactions, from private equity deals to corporate acquisitions and disposals. We provide these tax services across our global platform, while at the same time offering clients the benefits of the attorney-client and work-product privileges.

The information in this guide is an accessible, high-level summary of the tax laws in each jurisdiction. This is not a substitute for legal or tax advice. If you have specific questions or require detailed advice, we encourage you to contact one of the attorneys listed in the contributors section of this guide.

We hope that you find this guide valuable and we welcome your feedback.

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This is a general reference document and should not be relied upon as legal advice. The application and effect of any law or regulation upon a particular situation can vary depending upon the specific facts and circumstances, and so you should consult with a lawyer regarding the impact of any of these regimes in any particular instance.

DLA Piper and any contributing law firms accept no liability for errors or omissions appearing in this publication and, in addition, DLA Piper accepts no liability at all for the content provided by the other contributing law firms. Please note that tax law is dynamic, and the legal regime in the countries surveyed could change.

SOUTH KOREA

Last modified 02 July 2019

RESIDENCE AND BASIS FOR TAXATION

A corporation formed in a ROK jurisdiction will be treated as a domestic corporation.

Domestic

Domestic corporations are obligated to pay corporate tax for all income generated domestically and in foreign countries.

Foreign

Foreign corporations are obligated to pay corporate tax for income from domestic sources.

TAXABLE INCOME

Domestic

Corporate tax for income from the business year is levied for taxable net income of businesses in each business year.

Foreign

Foreign corporations are subject to corporate tax at regular tax rates on a net income basis. A branch tax may be added on the corporate tax in accordance with the applicable tax treaty.

TAX RATES

The basic rate on corporate income tax starts at 10% with a top rate of 25%. Corporate local income tax equivalent to approximately 10% of the corporate tax is also imposed.

TAX COMPLIANCE

Corporate income tax returns must be filed for the taxable business activities of the corporations within 3 months from fiscal year end. An interim corporate income tax return should be filed within 2 months from the date of the entity's mid-fiscal year.

Corporate local income tax return should be filed within a month from the due date of the corporate income tax return.

ALTERNATIVE MINIMUM TAX

Every domestic corporation is subject to minimum tax. A corporation pays the greater of its regular tax liabilities or its minimum tax liability. Foreign corporations are subject to minimum tax on taxable income that is effectively connected with domestic source income.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays and incentives

The corporate income tax exemption was effective on the application for foreign investments submitted on or before December 31, 2018, and it is abolished after January 2019.

Tax rulings

No broad-based rulings are available. Taxpayers can request a clear ruling with regard to a specific transaction of a taxpayer's business through the advance ruling system.

Cash grant

Effective from January 1, 2019, most tax incentives concerning corporate income tax and personal income tax for foreign investors nullified. To compensate this change, Korean government announced to dramatically increase cash grant in accordance with Foreign Investment Promotion Act. Cash grant should be provided by the central and local governments of Korea as matching fund basis.

CONSOLIDATION

Eligible corporations that are affiliated (generally based on 100% stock ownership) may elect to file corporate income tax returns on a consolidated basis.

PARTICIPATION EXEMPTION

Not applicable for this jurisdiction.

CAPITAL GAIN

Capital gain or loss recognized by a corporation is included in corporate ordinary income or loss.

DISTRIBUTIONS

Distributions paid by a corporation are treated as dividends to shareholders within the limit of the amount obtained by subtracting the amount of capital from the amount of net asset value on the balance sheet.

LOSS UTILIZATION

Net operating losses can be carried forward 10 years.

TAX-FREE REORGANIZATIONS

Not applicable for this jurisdiction.

ANTI-DEFERRAL RULES

Not applicable for this jurisdiction.

FOREIGN TAX CREDITS

Foreign tax credits are available for foreign taxes paid. A "deemed" foreign tax credit may be available for reduced taxes by tax treaties, and an "indirect" foreign tax credit also may be available for taxes paid by foreign subsidiaries on profits repatriated to domestic corporations.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

A land transaction is not subject to VAT (value added tax). Property tax varies on the type of real property.

TRANSFER PRICING

Where the price of an international transaction in which either party to the transaction is a foreign related party is lower or higher than the arm's length price, the tax authority may determine or rectify the tax base and tax amount of a resident (including a domestic corporation and a domestic place of business) based on the arm's length price.

WITHHOLDING TAX

The payer of interest, dividends, business income, other income, etc. should withhold taxes in accordance with their respective withholding tax rates. Tax treaties can reduce or eliminate these taxes when the income is paid to a foreign person.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

Inheritance tax, gift tax, stamp tax, securities transaction tax and capital duty may be imposed at national tax level.

EMPLOYMENT TAXES

Employers must withhold wage income tax. Employers also must pay 4 compulsory social insurances which are pension, health, unemployment and industrial accident in respect of compensation paid to employees. These taxes are deductible by an employer for corporate income tax purposes.

OTHER TAX CONSIDERATIONS

Value added tax (VAT) is a tax levied on added value acquired in the process of the transaction of goods or the provision of services. VAT is imposed on value generated at each step of a transaction, and applies a VAT rate of 10%. Certain supplies are eligible for VAT zero-rating or VAT exemption. VAT zero-rating is the same as VAT exemption in that no VAT is charged. However, only VAT zero-rating allows input VAT deduction for VAT incurred in relation to the VAT zero-rating supplies. The VAT imposed on businesses is calculated by subtracting the input tax from the output tax.

Value added tax should be reported and paid every 6 months, and the taxable period of 6 months is divided into 3 months for a preliminary report.

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