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INCOME TAX ACT

[Enforcement Date 01. Jan, 2019.] [Act No.16104, 31. Dec, 2018., Partial
Amendment]

기획재정부 (소득세제과(사업소득, 기타소득))044-215-4217



법제처 국가법령정보센터

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CHAPTER I GENERAL PROVISIONS

Article 1 (Purpose) The purpose of this Act is to promote balance in the burden of taxation and to contribute to effective raising of the financial revenue by reasonable taxation on income of each individual in accordance with the nature of income and capacity for the burden of each taxpayer.

[This Article Newly Inserted by Act No. 9897, Dec. 31, 2009]

Article 1-2 (Definitions) (1) The terms used in this Act shall be defined as follows: <Amended by Act No. 10408, Dec. 27, 2010; Act No. 12852, Dec. 23, 2014; Act No. 16104, Dec.31, 2018>

1. The term "resident" means any individual who has his/her domicile or place of residence in the Republic of Korea for at least 183 days;
2. The term "nonresident" means any individual who is not a resident;
3. The term "domestic corporation" means any domestic corporation defined in subparagraph 1 of Article 2 of the Corporate Tax Act;
4. The term "foreign corporation" means any foreign corporation defined in subparagraph 3 of Article 2 of the Corporate Tax Act;
5. The term "business entity" means any resident who has business income.

(2) The classification of a domicile or place of residence and a resident or nonresident pursuant to paragraph (1) shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 9897, Dec. 31, 2009]

Article 2 (Tax Liability) (1) Any of the following individuals shall be liable to pay income tax on his/her income under this Act:

1. A resident;
2. Any nonresident individual who has income from domestic sources.

(2) Any of the following persons shall be liable to pay withholding income tax under this Act:

1. A resident;

2. A nonresident;
3. A domestic corporation;
4. A branch or business office in the Republic of Korea (including a local office and other offices corresponding thereto; hereinafter the same shall apply) of a foreign corporation;
5. Other withholding agents prescribed by this Act.

(3) This Act shall apply to non-juristic organizations, other than organizations deemed corporations under Article 13 (4) of the Framework Act on National Taxes (hereafter referred to as "entities deemed corporations"), among non-juristic entities under Article 13 (1) of the same Act, considering them as one resident where they have a principal office or substantive place of business management within the Republic of Korea, and as one nonresident in other cases: Provided, That in cases falling under any of the following subparagraphs, each member of the relevant entity shall, according to income classifications, be obliged to pay income tax or corporate tax [limited to cases where the members thereof are corporations (including an entity deemed as a corporation) under the Corporate Tax Act; hereinafter the same shall apply in this Article] on its income respectively pursuant to this Act or the Corporate Tax Act. <Amended by Act No. 10408, Dec. 27, 2010; Act No. 11611, Jan. 1, 2013; Act No. 16104, Dec. 31, 2018>

1. Where profit distribution ratios among the members are fixed and the profit distribution ratios by member are confirmed;
2. Where profit distribution ratios among the members are not fixed, but, it is confirmed that, in fact, profit is distributed to each member.

(4) Notwithstanding paragraph (3), where profit distribution ratios only among some of all members are confirmed, or profit is distributed only to some members, an obligation to pay income tax or corporate tax shall be as classified in the following: <Newly Inserted by Act No. 16104, Dec. 31, 2018>

1. As for confirmed portions: Each relevant member shall bear an obligation to pay income tax or corporate tax:
2. As for unconfirmed portions: The relevant entity shall bear an obligation to pay income tax by deeming it either as one resident or as one non-resident.

(5) Notwithstanding paragraphs (3) and (4), where a foreign investment vehicle which falls under a non-juristic entity other than an entity deemed as a corporation (referring a vehicle established abroad which conducts investment activities with money collected through investment solicitation, and thereby acquires, disposes, or otherwise manages any investment assets with property value, distributing and attributing the profits to its investors; hereinafter the same shall apply) is deemed a de facto beneficiary of domestic source income pursuant to Article 119-2 (1) 2, such foreign investment vehicle shall be obliged to pay income tax as one non-resident. <Newly Inserted by Act No. 16104, Dec. 31, 2018>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

- Article 2-2 (Scope of Tax Liability)** (1) When calculating the amount of income on a joint business pursuant to Article 43, each joint business entity concerned shall be liable to pay the relevant tax: Provided, That where an aggregate tax is levied on the main joint business entity under Article 43 (3) (hereafter referred to as "main joint business entity" in this paragraph), any person related to the main joint business entity shall be liable to pay tax jointly with the main joint business entity on the aggregate income within the limit of the amount of his/her income falling under the profit-and-loss distribution ratio pursuant to paragraph (2) of the same Article. <Amended by Act No. 11146, Jan. 1, 2012; Act No. 11611, Jan. 1, 2013>
- (2) If a tax is levied on the amount of income of a predecessor pursuant to Article 44, the inheritor shall be liable to pay the tax.
- (4) Where a donor is deemed to have directly transferred the assets pursuant to Article 101 (2), the donor and a donee shall be jointly and severally liable to pay capital gains tax.
- (5) Any person who has income subject to tax withholding pursuant to Article 127, which is not added to the tax base of global income under Article 14 (3) or 14 (2) pursuant to other Acts, shall be liable to pay such income tax to be withheld.
- (6) Income which becomes vested as trust assets shall be deemed vested in a beneficiary (referring to a trustor of the trust or his/her successor, if a beneficiary is not specifically designated or does not exist).
- (7) In calculating the amount of capital gains on any co-owned asset, each resident who jointly owns the relevant asset shall be liable to pay the tax.<Newly Inserted by Act No. 15225, Dec. 19, 2017>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

- Article 3 (Scope of Taxable Income)** (1) A resident shall be imposed tax on all income prescribed by this Act: Provided, That as for a foreign resident who has had his/her domicile or place of residence for not more than five years in total from ten years before the end of the relevant taxable period, a tax shall be imposed only on his/her income paid in or remitted to the Republic of Korea, in cases of taxable income from foreign sources.
- (2) A nonresident shall be imposed tax on Korea-source income only under Article 119.
- (3) When applying paragraphs (1) and (2), a partner under subparagraph 2 of Article 100-14 of the Restriction of Special Taxation Act shall be imposed tax on the income distributed pursuant to Article 100-18 (1) of the same Act and income generated in excess of the value of his/her stake on the distribution date of the market price of assets distributed pursuant to Article 100-22 (1) of the same Act.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 4 (Classification of Income) (1) Income of a resident shall be classified as follows: <Amended by Act No. 11611, Jan. 1, 2013>

1. Global income: Sum of each of the following incomes after deducting income under subparagraphs 2 and 3 from all the taxable incomes under this Act:

- (a) Interest income;
- (b) Dividend income;
- (c) Business income;
- (d) Wage and salary income;
- (e) Pension income;
- (f) Other income;

2. Retirement income;

3. Capital gains.

(2) When classifying income pursuant to paragraph (1), profits from trust (excluding special accounts of an insurance company that runs a collective investment business concurrently under Article 251 of the Financial Investment Services and Capital Markets Act), other than a collective investment scheme under Article 17 (1) 5, shall be classified according to the details of income generated from the property rights transferred to a trustee pursuant to Article 2 of the Trust Act or disposed of otherwise. <Amended by Act No. 10924, Jul. 25, 2011>

(3) Income of a nonresident shall be classified pursuant to Article 119.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 5 (Taxable Period) (1) The taxable period of income tax shall be one year from January 1 to December 31.

(2) Where a resident dies, the taxable period shall be from January 1 to the date he/she dies.

(3) Where a resident becomes a nonresident because he/she changes his/her domicile or place of residence overseas (hereinafter referred to as "departure from the Republic of Korea"), the taxable period shall be from January 1 to the date he/she leaves the Republic of Korea.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 6 (Place for Tax Payment) (1) The place for payment of income tax of a resident shall be the place of his/her domicile: Provided, That where he/she has no place of domicile, it shall be the place of his/her residence.

(2) The place for payment of income tax of a nonresident shall be the seat of his/her place of business in the Republic of Korea pursuant to Article 120 (hereinafter referred to as "domestic place of business"): Provided,

That where he/she has two or more domestic places of business, the place for tax payment shall be the principal place of business in the Republic of Korea, and where he/she has no place of business in the Republic of Korea, it shall be the place where income is generated from a source in the Republic of Korea.

<Amended by Act No. 11611, Jan. 1, 2013>

(3) Where the place for tax payment is obscure, it shall be determined as prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 7 (Place for Tax Payment in Cases of Withholding, etc.) (1) The place for payment of income tax withheld shall be as follows: <Amended by Act No. 11146, Jan. 1, 2012>

1. Where a withholding agent is a resident: It shall be the seat of his/her principal place of business: Provided, That where he/she deducts withholding tax at a place of business, other than the principal place of business, it shall be the seat of such place of business, and where he/she has no place of business, it shall be the place of his/her domicile or the place of his/her residence;
2. Where a withholding agent is a nonresident: It shall be the seat of his/her principal place of business in the Republic of Korea: Provided, That where he/she deducts withholding tax at a place of business in the Republic of Korea, other than his/her principal place of business in the Republic of Korea, it shall be the seat of such place of business in the Republic of Korea, and where he/she has no place of business in the Republic of Korea, it shall be his/her place of settlement or his/her place of sojourn;
3. Where a withholding agent is a corporation: It shall be the seat of the head office or the principal office of such corporation;
4. Where a withholding agent is a corporation, and a branch, place of business or any other place of business of such corporation independently manages the accounting affairs according to a self-financing system: Notwithstanding subparagraph 3, it shall be the seat of such place of business (excluding cases where the seat of such place of business is located in a foreign country): Provided, That, in cases prescribed by Presidential Decree, the seat of the head office or the principal office of such corporation may be the place for payment of the income tax withheld;
5. Where a withholding agent under Articles 156 and 156-3 through 156-6 has no place for tax payment prescribed in subparagraphs 1 through 4: It shall be the place prescribed by Presidential Decree.

(2) The place for payment of income tax collected by a taxpayers association pursuant to Article 150 shall be the seat of the relevant taxpayers association.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 8 (Place for Tax Payment in Cases of Inheritance, etc.) (1) Where an inheritor of a resident or a nonresident becomes a person liable to pay income tax on the predecessor, due to the death of the

resident or the nonresident, the place for payment of such income tax shall be the place reported to the head of the competent tax office by the inheritor or a manager of tax payment as a place for tax payment, as prescribed by Presidential Decree, among the place of domicile or the place of residence of the predecessor, the inheritor or the manager of tax payment.

(2) Where a nonresident appoints a manager of tax payment, the place for payment of income tax of such nonresident shall be the seat of his/her place of business in the Republic of Korea or the place reported to the head of the competent tax office by the manager of tax payment as a place for tax payment, as prescribed by Presidential Decree, among the domicile or the place of residence of such tax manager.

(3) When a report pursuant to paragraph (1) or (2) is made, the reported place shall, thereafter, be deemed the place for payment of income tax of a resident or a nonresident.

(4) If there is no report pursuant to paragraph (1) or (2), the place for payment of income tax of a resident or a nonresident shall be in accordance with Articles 6 and 7.

(5) The place for payment of income tax of a public official who has no domicile in the Republic of Korea shall be a place prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 9 (Designation of Place for Tax Payment) (1) Notwithstanding Articles 6 through 8, the

Commissioner of the National Tax Service or the commissioner of the competent regional tax office may designate the place for tax payment separately, as prescribed by Presidential Decree, in any of the following cases:

1. Where a resident who has business income applies for a seat of his/her place of business as a place for tax payment;
2. As a resident, other than a resident under subparagraph 1, or a nonresident, where the place for tax payment under Articles 6 through 8 is deemed unreasonable in view of the income level of a taxpayer, or inconvenient for him/her to fulfill the tax liability.

(2) Where the place for tax payment is designated pursuant to paragraph (1) or a proposal under subparagraph 1 of the same paragraph is made, but the place for tax payment is not designated as proposed because designation of the seat of a place of business as a place for tax payment is deemed unreasonable for tax administration, the Commissioner of the National Tax Service or the commissioner of the competent regional tax office shall notify a taxpayer, his/her inheritor, a tax manager, or a taxpayers association of such purport in writing, respectively.

(3) Where the grounds for designation of a place for tax payment prescribed in paragraph (1) become extinct, the Commissioner of the National Tax Service or the commissioner of the competent regional tax

office shall revoke designation of the place for tax payment.

(4) Even if designation of a place for tax payment pursuant to paragraph (1) is revoked, such revocation of designation shall not affect the validity of any return, request, claim, payment, or any other act on income tax made prior to such revocation.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 10 (Report on Change of Place for Tax Payment) Where a place for tax payment under Articles 6 through 9 is changed, a resident or nonresident shall report to the head of a tax office having jurisdiction over the place for tax payment after such change, within 15 days from the date it is changed, as prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 11 (Jurisdiction over Taxation) Any income tax shall be levied by the head of a tax office or the commissioner of a regional tax office having jurisdiction over the place for tax payment pursuant to Articles 6 through 10.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

CHAPTER II TAX LIABILITY ON RESIDENT'S GLOBAL INCOME AND RETIREMENT

INCOME

SECTION 1 Non-Taxation

Article 12 (Non-Taxable Income) No income tax shall be levied on the following income: <Amended by Act No. 10408, Dec. 27, 2010; Act No. 10907, Jul. 25, 2011; Act No. 10924, Jul. 25, 2011; Act No. 11042, Sep. 15, 2011; Act No. 11274, Feb. 1, 2012; Act No. 11611, Jan. 1, 2013; Act No. 11652, Mar. 22, 2013; Act No. 12169, Jan. 1, 2014; Act No. 12420, Mar. 18, 2014; Act No. 12852, Dec. 23, 2014; Act No. 13558, Dec. 15, 2015; Act No. 14389, Dec. 20, 2016; Act No. 15522, Mar. 20, 2018; Act No. Act No. 16104, Dec. 31, 2018>

1. Profits of a public trust under Article 106 of the Public Trust Act;
2. Any of the following business income:
 - (a) Income generated by having a person utilize a paddy field or a dry field for the production of crops;
 - (b) House rental income of a person who owns only one house (excluding rental income from a house whose assessed value under Article 99 exceeds 900 million won and from a house located overseas) or of a person the total amount of whose gross earnings specified by Presidential Decree during the relevant taxable period does not exceed 20 million won (limited to the income accruing until the taxable period that ends on or before December 31, 2018). In such cases, necessary matters concerning calculation of the number of houses, computation of the house rental income, etc. shall be prescribed

by Presidential Decree;

(c) Sideline income of a farming or fishing household prescribed by Presidential Decree;

(d) Income generated from manufacturing traditional liquor prescribed by Presidential Decree;

(e) An amount not exceeding six million won a year, generated from felling or transferring forest trees in forest land, the afforestation period of which is at least five years. In such cases, necessary matters, such as the afforestation period and the calculation of the amount of tax, shall be prescribed by Presidential Decree;

(f) Income generated from business of cultivating plants prescribed by Presidential Decree;

3. Any of the following wage and salary income or retirement income:

(a) Pay received by a soldier in service prescribed by Presidential Decree;

(b) Pay received by a person mobilized according to Acts, from the place of work which mobilizes him/her;

(c) A medical care benefit, business suspension benefit, disability benefit, nursing benefit, survivors' benefit, special survivors' benefit, special disability benefit, funeral expenses received by a beneficiary under the Industrial Accident Compensation Insurance Act, or a benefit in the nature of compensation, reparation, or consolation received by an employee or his/her survivors in connection with any injury, disease, or death due to the provision of labor;

(d) Compensation for medical treatment, compensation for business suspension, compensation for injury or disease, lump sum compensation, compensation for disability, compensation for bereaved families, compensation for missing, compensation for loss of personal belongings, funeral expenses, and funeral service expenses received by an employee, seaman, or his/her survivors under the Labor Standards Act or the Seafarers' Act;

(e) An unemployment benefit, childcare leave benefit, benefits for reduction of working hours during period of infant care, maternity leave benefit, etc. received under the Employment Insurance Act, support funds for a change of occupation under the Support for Discharged Soldiers Act, and a childcare leave allowance received by a public official under the State Public Officials Act or the Local Public Officials Act or by a person governed by the Pension for Private School Teachers and Staff Act or the Special Post Offices Act pursuant to the relevant Acts and subordinate statutes;

(f) A lump sum allowance of refund (only applicable to that received due to death) or a lump sum allowance for death received under the National Pension Act;

(g) Medical treatment expenses for a reason of official duties, medical treatment benefits, a lump-sum payment for permanent disability, a lump-sum payment for permanent disability unrelated to than official duties, a lump-sum payment for permanent disability unrelated to duties, compensations for disability, condolence money, compensations for death, a lump sum allowance for the bereaved family, a

- lump sum allowance for the bereaved family of a retired person, a lump sum of pension for the bereaved family, a lump sum of pension for the bereaved family of a retired persons, additional money to pension for the bereaved family, additional money to pension for the bereaved family of a retired person, special additional money to pension for the bereaved family, special additional money to pension for the bereaved family of a retired person, compensations for the bereaved family of a person who died in the course of performing duties, compensations for the bereaved family of a person who died in relation to duties, compensations for the bereaved family of a person who died in the course of performing dangerous duties, aid money for a disaster, aid money for an accident received under the Public Officials Pension Act, the Public Officials' Accident Compensation Act, the Military Pension Act, the Pension for Private School Teachers and Staff Act, or the Special Post Offices Act, or other benefits received for a period of a leave of absence taken due to any physical or mental disability or disease;
- (h) School expenses prescribed by Presidential Decree;
 - (i) Pay in the nature of reimbursement for actual expenses prescribed by Presidential Decree;
 - (j) A salary received by a person prescribed by Presidential Decree, who works for a foreign government (including a local government of a foreign country, and a state government of a foreign country which is a federal state; hereinafter the same shall apply) or an international organization prescribed by Presidential Decree: Provided, That this shall only apply where the relevant foreign government does not levy income tax on a salary of a public official of the Republic of Korea who works in that country;
 - (k) Veteran payments and educational subsidies received under the Act on the Honorable Treatment of and Support for Persons, etc. of Distinguished Services to the State or the Act on Support for Persons Eligible for Veteran's Compensation;
 - (l) Pension received under the Honorable Treatment of Ex-Presidents Act;
 - (m) Pay received by military personnel or a civilian worker in the military stationed in a foreign country to perform any mission operations;
 - (n) Where military personnel or a civilian worker in the military who serves in a war dies in the line of duty (including death caused by any war wound; hereinafter the same shall apply), pay for the taxable period to which the date he/she dies belongs;
 - (o) Wages prescribed by Presidential Decree received for service furnished abroad or in North Korea under the Inter-Korean Exchange and Cooperation Act;
 - (p) Insurance premium borne by the State, a local government, or an employer under the National Health Insurance Act, the Employment Insurance Act, or the Long-Term Care Insurance Act;
 - (q) An allowance received by a worker prescribed by Presidential Decree in consideration of the level of wages, categories of work, etc., who engages in production and work related thereto, for overtime work,

night-shift work, or holiday work prescribed by Presidential Decree;

(r) Meals or meal expenses prescribed by Presidential Decree;

(s) The amount of money not exceeding 100,000 won a month, as an allowance received from an employer in connection with childbirth of a worker or a spouse of a worker or childcare of a child of six years old and under (to be determined based on the date of commencement of the relevant taxable period);

(t) Pay and a lump sum allowance for retirement received by a prisoner of war of the ROK Armed Forces under the Act on the Repatriation, Treatment of the Republic of Korea Armed Forces Prisoners of War;

(u) Scholarship received for labor rendered by undergraduate students, among scholarship received pursuant to Article 28 (1) of the Framework Act on Education (limited to undergraduate students attending a university specified in subparagraphs 1 through 4 of Article 2 of the Higher Education Act);

(v) The following compensations given in the amount specified by Presidential Decree for an employee's invention defined in subparagraph 2 of Article 2 of the Invention Promotion Act (hereinafter referred to as "compensation for employee's invention"):

(i) A compensation that an employee or any of other persons specified in subparagraph 2 of Article 2 of the Invention Promotion Act (hereafter referred to as "employee, etc." in this Article and Articles 20 and 21) receives from the employer or any of the other persons specified in the same subparagraph;

(ii) A compensation that a faculty or employee of a university or a student having an employment relationship with a university receives from the industry-academic cooperation foundation established in the university (hereinafter referred to as "industry-academic cooperation foundation" in this Article) under Article 25 of the Industrial Education Enhancement and Industry-Academia-Research Cooperation Promotion Act pursuant to Article 32 (1) 4 of the same Act;

4. Any of the following pension income:

(a) A pension for the bereaved family, a pension for the bereaved family of a retired person, a pension for the bereaved family of a person with permanent disability, a pension for the bereaved family of a person who died in the course of performing official duties, a pension for the bereaved family of a person who died in relation to duties, a pension for the bereaved family of a person who died in the course of performing dangerous duties, a pension for a person with disability, a pension for a person with permanent disability, a pension for a person with permanent disability unrelated to official duties, a pension for a person with permanent disability unrelated to duties, a pension for wounds, a linked old-age pension for the bereaved family, or a linked pension for the bereaved family of a retired person received under the National Pension Act, the Public Officials Pension Act or the Public Officials' Accident Compensation Act, the Military Pension Act, the Pension for Private School Teachers and Staff Act, the

Special Post Offices Act, or the Act on Aggregation of National Pension and Occupational Pensions (hereinafter referred to as "public pension-related Acts");

(b) Deleted; <by Act No. 11611, Jan. 1, 2013>

(c) Pensions received under the Industrial Accident Compensation Insurance Act;

(d) A pension received by a prisoner of war of the ROK Armed Forces under the Act on the Repatriation, Treatment of the Republic of Korea Armed Forces Prisoners of War;

(e) Deleted; <by Act No. 11611, Jan. 1, 2013>

5. Other income falling under any of the following:

(a) Veteran payments and educational subsidies received under the Act on the Honorable Treatment of and Support for Persons, etc. of Distinguished Services to the State or the Act on Support for Persons Eligible for Veteran's Compensation, and settlement money, compensation, and other money and valuables received under the North Korean Refugees Protection and Settlement Support Act;

(b) A reward and compensation received under the National Security Act;

(c) Supplementary prizes received in connection with any decoration under the Awards and Decorations Act, and other prizes and supplementary prizes prescribed by Presidential Decree;

(d) The amount specified by Presidential Decree for a compensation for employee's invention that an employee, etc. or a faculty or employee of a university is entitled to receive after retirement or resignation, or that a student of a university is entitled to receive from the industry-academic cooperation foundation established under his or her affiliated university;

(e) Consolatory payments and other money and valuables received by a prisoner of war of the ROK Armed Forces under the Act on the Repatriation, Treatment of the Republic of Korea Armed Forces Prisoners of War;

(f) Income generated from transfer of paintings, calligraphic works, or antiques designated as State-designated heritage under the Cultural Heritage Protection Act;

(g) Income generated from transfer of paintings, calligraphic works, or antiques to a museum or a gallery;

(h) The following income, out of income of a religious person referred to in Article 21 (1) 26:

(i) School expenses specified by Presidential Decree as those paid to religion-related workers according to the Korean Standard Classification of Occupations publicly announced by the Commissioner of the Statistics Korea under Article 22 of the Statistics Act (hereinafter referred to as "religion-related worker");

(ii) Meals or meal allowances specified by Presidential Decree as those provided to religion-related workers;

(iii) Payments specified by Presidential Decree as those paid to religion-related workers in the nature of reimbursement for actual expenses;

- (iv) An amount not exceeding 100,000 won per month, paid by a religious organization for the childbirth of a religion-related worker or his/her spouse or for the care of his/her children aged 6 years or less (as at the commencement date of the relevant taxable period);
- (v) Benefits given to religion-related workers by providing the housing facilities specified by Ordinance of the Ministry of Strategy and Finance.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 13 Deleted. <by Act No. 9897, Dec. 31, 2009>

SECTION 2 Calculation of Tax Base and Tax Amount

Subsection 1 Common Provisions on Calculation of Tax Amount

Article 14 (Calculation of Tax Base) (1) The tax base of a resident's global income and retirement income shall be calculated separately.

(2) The tax base of global income (hereinafter referred to as "tax base of global income") shall be the amount determined by applying the deductions under Articles 50, 51, 51-3, 51-4, and 52 (hereinafter referred to as "deductions from global income") to the aggregate (hereinafter referred to as "global income") of interest income, dividend income, business income, wage and salary income, pension income, and other income calculated under Articles 16, 17, 19, 20, 20-3, 21, 24 through 26, 27 through 29, 31 through 35, 37, 39, 41 through 46, 46-2, 47, and 47-2. <Amended by Act No. 11611, Jan. 1, 2013; Act No. 12169, Jan. 1, 2014>

(3) None of the following income shall be included when calculating the tax base of global income: <Amended by Act No. 10408, Dec. 27, 2010; Act No. 10854, Jul. 14, 2011; Act No. 11611, Jan. 1, 2013; Act No. 12852, Dec. 23, 2014; Act No. 13558, Dec. 15, 2015; Act No. 15225, Dec. 19, 2017; Act No. 16104, Dec. 31, 2018>

1. Non-taxable income under the Restriction of Special Taxation Act or Article 12 of this Act;
2. Wage and salary income of a daily employed worker prescribed by Presidential Decree (hereinafter referred to as "daily employed worker");
3. Interest income and dividend income withheld at tax rates under Article 129 (2), and excess repayment from a workplace mutual-aid association pursuant to Article 16 (1) 10;
4. Interest income and dividend income received from a financial company, etc. falling under any item of subparagraph 1 of Article 2 of the Act on Real Name Financial Transactions and Confidentiality (hereinafter referred to as "financial company, etc.") by an organization making financial transactions with its name declared, as an organization which does not make distributions to its members among the organizations,

- other than organizations deemed corporations;
5. Income subject to separate taxation under the Restriction of Special Taxation Act;
 6. Interest income and dividend income (excluding dividend income under Article 17 (1) 8), other than those specified in subparagraphs 3 through 5, the total amount of which does not exceed 20 million won (hereinafter referred to as "standard amount of global taxation on interest income, etc.") and is withheld pursuant to Article 127;
 7. House rental income of a person the total amount of whose gross earnings specified by Presidential Decree during the relevant taxable period does not exceed 20 million won (hereinafter referred to as "house rental income subject to separate taxation"). In such cases, matters necessary for calculating house rental income, etc. shall be prescribed by Presidential Decree;
 8. Other income falling under any of the following (hereinafter referred to as "other income subject to separate taxation"):
 - (a) Other income under Article 21 (1) 1 through 8, 8-2, 9 through 20, 22, and 26 (excluding income under items (d) and (e)), the amount of which under paragraph (2) of the same Article does not exceed three million won and is withheld pursuant to Article 127 (excluding where a resident with the relevant income intends to include the income when calculating the tax base of global income);
 - (b) Other income received other than pensions under Article 21 (1) 21;
 - (c) Other income under Article 21 (1) 25;
 - (d) Among other income under Article 21 (1) 2, the lottery prize defined in Article 2 of the Lottery Tickets and Lottery Fund Act;
 - (e) Among other income under Article 21 (1), other income similar to those under item (d) and prescribed by Presidential Decree;
 9. The following pension income, out of the pension income under Article 20-3 (1) 2 and 3 (excluding where a resident with the income referred to in item (c) intends to include it when calculating the tax base of global income; hereinafter referred to as "pension income subject to separate taxation"):
 - (a) Pension income received as retirement income under Article 20-3 (1) 2 (a);
 - (b) Pension income withdrawn in the amount specified in Article 20-3 (1) 2 (b) or (c) where the requirements specified by Presidential Decree are met, for the purpose of medical treatment or due to a natural disaster or any other inevitable circumstances;
 - (c) Pension income where the sum of any pension income other than the income referred to in items (a) and (b) does not exceed 12 million won per year;

10. Deleted.<by Act No. 11611, Jan. 1, 2013>

(4) When calculating the standard amount of global taxation on interest income, etc. pursuant to paragraph (3) 6, no amount to be added pursuant to the proviso to Article 17 (3) shall be included in dividend income.

(5) Among income falling under paragraph (3) 3 through 6, interest income shall be called as "interest income subject to separate taxation", and dividend income as "dividend income subject to separate taxation."

(6) The tax base on retirement income (hereinafter referred to as "tax base on retirement income") shall be the amount obtained by deducting the retirement income under Article 48 from the amount of retirement income under Article 22.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

<<Enforcement Date: Jan. 1, 2019>>Article 14 (3) 7

Article 15 (Order in Calculation of Tax Amount) Except as otherwise provided for expressly in this Act, income tax on a resident's global income and retirement income shall be calculated as follows: <Amended by Act No. 11146, Jan. 1, 2012; Act No. 12169, Jan. 1, 2014>

1. The calculated tax on global income and the calculated tax on retirement income under Article 55 shall be calculated, respectively, by applying the tax rate under Article 55 (1) (hereinafter referred to as "basic tax rate") to each tax base calculated pursuant to Article 14;
2. The final tax on global income and the final tax on retirement income shall be calculated, respectively, by applying tax credits under Article 56, 56-2, 57 through 59 and 59-2 through 59-4 to the amount of each tax calculated under subparagraph 1. In such cases, when a dividend tax credit under Article 56 exists, the amount determined by applying tax credits under Articles 56-2, 57 through 59, and 59-2 through 59-4 to the amount determined by applying the dividend tax credit to the calculated tax amount or the amount under subparagraph 2 of Article 62, whichever is greater, shall be determined as the tax amount, and the final tax shall be determined by deducting the tax amount reduced or exempted under Article 59-5, if there is such amount to be reduced or exempted;
3. The gross final tax amount on global income and the gross final tax on retirement income shall be calculated, respectively, by adding the penalty tax pursuant to Article 81 of this Act and Articles 47-2 through 47-4 of the Framework Act on National Taxes to the final tax amounts calculated pursuant to subparagraph 2.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Subsection 2 Categories and Amount of Income

Article 16 (Interest Income) (1) Interest income shall consist of the following incomes generated during the relevant taxable period: <Amended by Act No. 10175, Mar. 22, 2010; Act No. 11146, Jan. 1, 2012; Act No. 14389, Dec. 20, 2016>

1. Interest and the discounted value of bonds or securities issued by the State or a local government;
2. Interest and the discounted value of bonds or securities issued by a domestic corporation;
3. Interest on deposits (including installment savings, security deposits, deposits, and postal transfer; hereinafter the same shall apply) received in the Republic of Korea;
4. Profits made from the credit fraternity or credit installments pursuant to the Mutual Savings Banks Act;
5. Interest and the discounted value of bonds or securities issued by a domestic branch or a domestic business office of a foreign corporation;
6. Interest and the discounted value of bonds or securities issued by a foreign corporation;
7. Interest of deposits received overseas;
8. Profit margins on repurchase of bonds or securities prescribed by Presidential Decree;
9. Profit margins on any of the savings insurances specified by Presidential Decree: Provided, That profit margins on any of the following insurances shall be excluded herefrom:
 - (a) An insurance the duration of which is at least ten years from the day on which the initial premium is paid to the expiry date or the date of early termination, which meets the requirements prescribed by Presidential Decree;
 - (b) A pension insurance for life that meets the requirements prescribed by Presidential Decree;
10. Excess repayment from a workplace mutual-aid association prescribed by Presidential Decree;
11. Profits made from a non-business loan;
12. Income similar to those specified in subparagraphs 1 through 11, in the nature of the price following any use of money;
13. Profits made from the conduct or trading of the relevant derivatives where the conduct or trading generating the income falling under any of subparagraphs 1 through 12 is merged with the derivatives prescribed in Article 5 of the Financial Investment Services and Capital Markets Act (hereinafter referred to as "derivatives") as prescribed by Presidential Decree.

(2) The amount of interest income shall be the total amount of income during the relevant taxable period.

(3) Necessary matters regarding the scope of interest income under the subparagraphs of paragraph (1) and of the amount of interest income under paragraph (2), shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 17 (Dividend Income) (1) Dividend income shall be the following income generated during the relevant taxable period: <Amended by Act No. 11146, Jan. 1, 2012; Act No. 15225, Dec. 19, 2017>

1. Dividends or shares of profits or a surplus received from a domestic corporation;
2. Dividends or shares received from an organization deemed a corporation;
3. Deemed dividends;
4. The amount treated as dividend under the Corporate Tax Act;
5. Profits from collective investment schemes prescribed by Presidential Decree, received in Korea or overseas;
- 5-2. Profits from derivative-linked securities or equity- or derivative-linked bonds prescribed by Presidential Decree, received in Korea or overseas;
6. Dividends or shares of profits or a surplus received from a foreign corporation;
7. The amount deemed allotted pursuant to Article 17 of the Adjustment of International Taxes Act;
8. The amount equivalent to the profit-and-loss distribution ratio of joint investment business entities pursuant to Article 43 (1), of the amount of income generated from joint business pursuant to Article 43;
9. Income in the nature of distributions of profit, as income similar to income referred to in subparagraphs 1 through 5, 5-2, 6, and 7;
10. Profits from transactions or activities of derivatives, where transactions or activities generating the income referred to in any of subparagraphs 1 through 5, 5-2, and 6 through 9 are linked to derivatives, as prescribed by Presidential Decree.

(2) Deemed dividend referred to in paragraph (1) 3 means any of the following amounts, and shall be deemed paid to the relevant stockholders, employees, and other investors:<Amended by Act No. 11146, Jan. 1, 2012>

1. The amount of money acquired by a stockholder through retirement of stocks or reduction of capital, the value of other assets or the amount of money acquired by an employee or investor through his/her resignation, withdrawal or reduction of investment and the value of other assets exceeding the amount disbursed by the stockholder, employee, or investor to acquire such stocks or investment;
2. The value of stocks or investment acquired by capitalizing all or part of a surplus fund of a corporation in the amount of capital or investment: Provided, That this shall not apply where any of the following amounts is capitalized:
 - (a) A capital reserve prescribed by Presidential Decree pursuant to Article 459 (1) of the Commercial Act;
 - (b) A revaluation reserve under the Assets Revaluation Act (excluding the amount equivalent to the difference of revaluation of land under Article 13 (1) 1 of the same Act);

3. The amount of money acquired by a stockholder, an employee, an investor, or a member of a dissolved corporation (including an organization deemed a corporation) through distribution of the remaining assets by dissolution of such corporation, or the value of other assets is the amount exceeding the amount disbursed to acquire the relevant stocks, investment, or capital: Provided, That where a domestic corporation changes its organizational structure, any of the following cases shall be excluded therefrom:
 - (a) Where a corporation changes its organizational structure under the Commercial Act;
 - (b) Where a corporation incorporated under a special law changes its organizational structure, due to the amendment or repeal of the relevant special law, to a company under the Commercial Act;
 - (c) Cases prescribed by Presidential Decree where a domestic corporation changes its organizational structure pursuant to other Acts;
 4. The total value and money of stocks or investment which stockholders, employees, or investors of a corporation which has become extinct by the merger acquire from a corporation which survives merger or a corporation incorporated by the merger due to such merger, which exceed the amount disbursed to acquire stocks or investment of the corporation which has become extinct by such merger;
 5. Where the stockholding ratio of stockholders, etc. other than a corporation, is increased because the corporation capitalizes pursuant to the items of subparagraph 2 retaining its treasury stocks or shares in investment, the value of stocks, etc. equivalent to the increased ratio of shares;
 6. In cases of split of a corporation, the total value of stocks, money, and other assets (hereinafter referred to as "consideration for split") which stockholders of a corporation which is split (hereinafter referred to as "split corporation") or of the other corporation of the split and merger which has ceased to exist, acquire by the split from a corporation incorporated by the split or the other corporation of the split and merger, which exceeds the amount disbursed to acquire stocks (limited to stocks decreased due to retirement, etc. where the split corporation survives) of such split corporation or the other corporation of the split and merger which has ceased to exist.
- (3) The amount of dividend income shall be the total amount in the relevant taxable period: Provided, That with regard to the part, excluding dividends falling under any of the following among dividend income pursuant to paragraph (1) 1 through 4 and dividend income prescribed by Presidential Decree among dividend income pursuant to paragraph (1) 5, the amount of dividend income shall be the amount calculated by adding the amount equivalent to 11/100 (or 12/100 for dividend income from January 1, 2009, to December 31, 2009) of such dividend income to the total amount of income in the relevant taxable period:
1. Deemed dividend by capitalizing gains on retirement of treasury stocks or shares in investment under paragraph (2) 2 (a);

2. Deemed dividend by capitalizing the net reassessed value of land under paragraph (2) 2 (b);
 3. Deemed dividends under paragraph (2) 5;
 4. Where any dividend income is received from a corporation prescribed by Presidential Decree, among corporations eligible for a non-taxation, exemption, reduction and exemption, or income deduction of corporate income tax to which the minimum tax under Article 132 of the Restriction of Special Taxation Act does not apply (including non-taxation, exemption, reduction and exemption, or income deduction pursuant to Acts, other than the Restriction of Special Taxation Act), the amount calculated by multiplying the amount of such dividend income by the rate prescribed by Presidential Decree.
- (4) In applying paragraph (2) 1, 3, 4, and 6, where the amount disbursed to acquire stocks or investment is unclear, the par value of such stocks or investment (in cases of the stocks without par value, referring to the amount obtained after dividing the capital of a stock-issuing corporation concerned as at the date of acquisition of the stocks concerned by the total number of issued stocks; hereinafter the same shall apply) or the amount of investment shall be deemed the amount disbursed to acquire such stocks or investment.
- [<Amended by Act No. 11146, Jan. 1, 2012>](#)
- (5) When applying paragraph (2), matters necessary for assessing the price of stocks or shares in investment shall be prescribed by Presidential Decree.
- (6) Matters necessary for the scope of dividend income under the subparagraphs of paragraph (1) and the amount of dividend income under paragraph (3) shall be prescribed by Presidential Decree.

[\[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009\]](#)

Article 18 Deleted. [<by Act No. 9897, Dec. 31, 2009>](#)

Article 19 (Business Income) (1) Business income shall be the following income generated during the relevant taxable period: Provided, That the foregoing provisions shall not apply where tax on such business income is withheld or a final return on the tax base of such business income has been filed, by treating that income as other income under Article 21 (1) 8-2: [<Amended by Act No. 12169, Jan. 1, 2014; Act No. 15225, Dec. 19, 2017; Act No. 16104, Dec. 31, 2018>](#)

1. Income generated from agriculture (excluding grain- or other food-crop-cultivating business, among crop-cultivating business; hereinafter the same shall apply), forestry, and fisheries;
2. Income generated from mining;
3. Income generated from the manufacturing industry;
4. Income generated from electricity, gas, steam, or air conditioning and supply business;

5. Income generated from water supply, sewage and waste disposal, or raw material recycling business;
 6. Income generated from the construction industry;
 7. Income generated from wholesale business and retail business;
 8. Income generated from transportation and warehousing business;
 9. Income generated from lodging business and restaurant business;
 10. Income generated from information and communications business;
 11. Income generated from finance business and insurance business;
 12. Income generated from real estate business: Provided, That any income generated by providing or lending an easement or a surface right (including a right provided for the space above or below the surface of land) with respect to a public works project under Article 4 of the Act on Acquisition of and Compensation for Land, etc. for Public Works Projects shall be excluded herefrom;
 13. Income generated from speciality, science, and technology service business (excluding research and development business prescribed by Presidential Decree);
 14. Income generated from business facility management, business supporting service business or leasing service business;
 15. Income generated from educational service business (excluding educational institutions prescribed by Presidential Decree);
 16. Income generated from health business and social welfare services business (excluding social welfare business prescribed by Presidential Decree);
 17. Income generated from services business related to art, sports, and leisure;
 18. Income generated from an association and organization (excluding associations and organizations prescribed by Presidential Decree), repair, and other private service business;
 19. Income generated from family-employed activity;
 20. Income that a person subject to double-entry bookkeeping under Article 160 (3) gains from transferring any of the tangible fixed business-use assets specified by Presidential Decree, such as vehicles or delivery equipment: Provided, That any income constituting capital gains under Article 94 (1) 1 shall be excluded herefrom;
 21. Income obtained from the continuous and repeated activity under a person's own calculation and responsibility for profit-making purposes, as income similar to those specified in subparagraphs 1 through 20.
- (2) The amount of business income shall be calculated by deducting necessary expenses used for business from the total income in the relevant taxable period, and where the necessary expenses exceed the total

income, such excess shall be referred to as "loss."

(3) Except as otherwise provided in this Act, the scope of business under each subparagraph of paragraph (1) shall be in accordance with the Korea Standard Industry Code announced by the Commissioner of the Statistics Korea pursuant to Article 22 of the Statistics Act, and matters necessary for the scope of other business income shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 20 (Wage and Salary Income) (1) Wage and salary income shall consist of the following incomes generated during the relevant taxable period: [<Amended by Act No. 14389, Dec. 20, 2016>](#)

1. A salary, pay, remuneration, annual allowance, wages, bonus, allowance, and other benefits in the nature similar thereto, received by offering labor;
2. Income received as a bonus pursuant to a resolution at a general meeting of stockholders or a general meeting of employees of a corporation, or a deliberative organ corresponding thereto;
3. The amount treated as a bonus under the Corporate Tax Act;
4. Income received due to retirement, however, which is not included in the retirement income;
5. A compensation that an employee, etc. or a faculty or employee of a university receives for employee's invention (excluding compensations for employee's invention under Article 21 (1) 22-2).

(2) The amount of wage and salary income shall be calculated by deducting the amount pursuant to Article 47 from the total income (excluding non-taxable income; hereinafter referred to as "total amount of pay") under the subparagraphs of paragraph (1).

(3) Matters necessary for the scope of wage and salary income shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 20-2 Deleted. [<by Act No. 8144, Dec. 30, 2006>](#)

Article 20-3 (Pension Income) (1) Pension income shall be the following income, generated during the relevant taxable period: [<Amended by Act No. 11611, Jan. 1, 2013; Act No. 12169, Jan. 1, 2014; Act No. 12852, Dec. 23, 2014>](#)

1. Various pensions received pursuant to the public pension-related Acts (hereinafter referred to as "public pension income");
2. Any of the following amounts of pension withdrawn in the form of pension, etc. prescribed by Presidential Decree (hereinafter referred to as "receipt of pension"; withdrawal of money other than the receipt of pension shall be referred to as "receipt other than pension"), regardless of the nature of the income, from a pension account (referring to the account specified by Presidential Decree as an account opened under

the title of "pension savings" (hereinafter referred to as "pension savings account") or the account specified by Presidential Decree as an account opened in order to receive retirement pensions (hereinafter referred to as "retirement pension account"); hereinafter the same shall apply):

- (a) Retirement income not withheld pursuant to Article 146 (2);
- (b) An amount deposited in a pension account with tax credits under Article 59-3 (1);
- (c) An amount increased according to the results of the management of a pension account;
- (d) Other incomes prescribed by Presidential Decree, the income tax of which is deferred after they are transferred to or deposited in a pension account;

3. Income prescribed by Presidential Decree, which is similar to those specified under subparagraph 2 and is received in the form of pension.

(2) Public pension income shall be the pension income received based on either the contributions to pension and employer contributions (including contributions by the State or a local government; hereinafter the same shall apply) paid on or after January 1, 2002, or labor offered on or after January 1, 2002. <Amended by Act No. 11611, Jan. 1, 2013>

(3) The amount of pension income shall be calculated by deducting pension income under Article 47-2 from the total income under the subparagraphs of paragraph (1) (excluding income excluded from pension income under paragraph (2) and non-taxable income; hereinafter referred to as "total amount of pension").

(4) The scope and calculation method of pension income and other necessary matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 21 (Other Income) (1) Other income shall consist of the following incomes, other than interest income, dividend income, business income, wage and salary income, pension income, retirement income, and capital gains: <Amended by Act No. 9785, Jul. 31, 2009; Act No. 10408, Dec. 27, 2010; Act No. 11146, Jan. 1, 2012; Act No. 11611, Jan. 1, 2013; Act No. 12852, Dec. 23, 2014; Act No. 13558, Dec. 15, 2015; Act No. 14389, Dec. 20, 2016; Act No. 15225, Dec. 19, 2017; Act No. 16104, Dec. 31, 2018>

- 1. A prize, award, reward, compensation for service, or money and valuables corresponding thereto;
- 2. Money and other valuables obtained through any lottery ticket, premium ticket, or other lottery tickets;
- 3. Financial profits obtained by participating in any act (whether the relevant act is legal or illegal shall not be taken into account) prescribed by the Act on Special Cases concerning Regulation and Punishment of Speculative Acts, Etc.;
- 4. Refunds received by a purchaser of a horse racing ticket pursuant to the Korean Racing Authority Act, a winner wager ticket pursuant to the Bicycle and Motorboat Racing Act, a bullfighting match wager ticket

- pursuant to the Traditional Bullfighting Match Act, and a sports promotion wager ticket pursuant to the National Sports Promotion Act (whether the relevant underlying act is legal or illegal shall not be taken into account);
5. Money and other valuables received by a person, other than an author, stage performer, sound record producer, or broadcasting business entity, in consideration of transfer or use of copyrights or neighboring rights;
 6. Money and other valuables received in consideration of transfer, lease, or use of any of the following assets or rights:
 - (a) Movie films;
 - (b) Tapes or films for the radio and television broadcast;
 - (c) Others prescribed by Presidential Decree, similar to those specified in items (a) and (b);
 7. Money and other valuables received in consideration of transfer or lease of mining rights, fishing rights, industrial property rights, and industrial information, industrial secrets, trademark rights, business rights (including the rights to lease a store prescribed by Presidential Decree), rights incidental to permission to collect earth, sand, and rocks, rights to develop and use underground water, and other assets or rights similar thereto;
 8. Money and other valuables received as rent for a temporary lease of any goods (including securities) or premises;
 - 8-2. Money and goods received as a usage fee not exceeding the extent prescribed by Presidential Decree by leasing goods or place through a person who conducts mail order brokerage activities pursuant to the Act on the Consumer Protection in Electronic Commerce;
 9. Income generated by providing or lending an easement or a surface right (including a right provided for the space above or below the surface of land) with respect to a public works project under Article 4 of the Act on Acquisition of and Compensation for Land, etc. for Public Works Projects;
 10. Income received for a breach or cancellation of a contract, which falls under any of the following:
 - (a) Penalty;
 - (b) Indemnity;
 - (c) Interest received along with the return of unjust enrichment;
 11. Where any compensation is received, or any new ownership is acquired, for finding any lost articles or buried property, such compensation or assets;
 12. Assets, the ownership of which is acquired by possessing an object which has no owner;

13. Money and other valuables received by a person related to a resident, nonresident, or corporation prescribed by Presidential Decree from the relevant resident, nonresident, or corporation on the reason of such special relation, which are not deemed pay, a dividend, or donation, but an economic profit;
14. Money and other valuables for prize winning, allotment, or others corresponding thereto (hereinafter referred to as "prize money and other valuables, etc.") received by participating in acts using slot machines (including video games), coin tossing machines, and other similar machines and tools (hereinafter referred to as "slot machines, etc.");
15. Income received in the capacity of the original author for creative works of literature, science, fine arts, music, or photography (including illustrations or cartoons printed in periodicals under the Act on the Guarantee of Freedom and Functions of Newspapers, Etc., and translation of Korean creative works or classics into foreign languages or Korean), which falls under any of the following:
 - (a) Manuscript fees;
 - (b) Royalties paid for use of copyrighted materials;
 - (c) Consideration received for creative works of fine arts, music, or photography;
16. A brokerage fee on a property right;
17. An honorarium;
18. A lump sum allowance received for the cancellation of account of mutual aid fund for small corporations or small enterprises prescribed by Presidential Decree;
19. The price received for temporarily furnishing any of the following personal services (excluding services governed by subparagraphs 15 through 17):
 - (a) Services receiving the price, such as a lecturer's fee, etc. for a lecture to many persons outside of an employment relationship;
 - (b) Services, such as commentation, enlightenment, or screening of performances, etc. on the radio, television broadcasting, etc. for remuneration or the price in the nature similar thereto;
 - (c) Services rendered by a lawyer, certified public accountant, tax accountant, architect, surveyor, patent lawyer, or a person having professional knowledge or special expertise using his/her knowledge or expertise for remuneration or consideration;
 - (d) Other services rendered outside of an employment relationship for an allowance or the price in the nature similar thereto;
20. Income treated as other income pursuant to Article 67 of the Corporate Tax Act;
21. Income received in the form other than pension, regardless the nature of such income, out of the money prescribed in Article 20-3 (1) 2 (b) and (c);

22. Gains from exercising after retirement stock options granted before retirement, or from exercising those granted outside of an employment relationship;
- 22-2. A compensation for employee's invention that an employee, etc. or a faculty or employee of a university receives after retirement;
23. Bribes;
24. Money and other valuables received by means of acceptance of a bribe for good offices or acceptance of a bribe for breach of trust;
25. Income generated from transfer of paintings, calligraphic works, and antiques prescribed by Presidential Decree;
26. Income that a religion-related worker receives from any of the religious organizations specified by Presidential Decree in relation of the execution of a religious rite or any other activity as a religion-related worker (hereinafter referred to as "religious person's income").
- (2) The amount of other income shall be calculated by deducting necessary expenses, from the total amount of income generated in the relevant taxable period.
- (3) Where income tax is withheld from a religious person's income under paragraph (1) 26 or a final return on the tax base of a religious person's income has been filed, treating the income as wage and salary income under Article 20 (1), such income shall be deemed wage and salary income. <Newly Inserted by Act No. 13558, Dec. 15, 2015>
- (4) The detailed scope and method of calculation of other income, and other necessary matters, shall be prescribed by Presidential Decree.
- [This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 22 (Retirement Income) (1) Retirement income shall be the following income, generated in the relevant taxable period: <Amended by Act No. 11611, Jan. 1, 2013>

1. A lump sum allowance received pursuant to the public pension-related Acts;
 2. A lump sum allowance received upon retirement based of the amount to be borne by users;
 3. Other incomes prescribed by Presidential Decree, which are similar to those under subparagraphs 1 and 2.
- (2) The retirement income under paragraph (1) 1 shall be the lump sum payment received based on either contributions to pension or employer contributions made on or after January 1, 2002, or on the labor offered on or after January 1, 2002. <Amended by Act No. 11611, Jan. 1, 2013>
- (3) The amount of retirement income shall be the sum of the income specified in each subparagraph of paragraph (1) (excluding the amount of non-taxable income): Provided, That, if the amount of retirement income of any of the executives specified by Presidential Decree (excluding the amount under paragraph (1)

1; referring to the amount after deducting the amount of retirement income specified by Presidential Decree, if the executive is entitled to receiving the retirement income, supposing that the executive retired on December 31, 2011) exceeds the amount calculated in accordance with the following formula, such excess shall be deemed wage and salary income, notwithstanding paragraph (1):<Amended by Act No. 11146, Jan. 1, 2012; Act No. 11611, Jan. 1, 2013; Act No. 12852, Dec. 23, 2014>

(4) For the purpose of applying the proviso to paragraph (3) and the formula in paragraph (3), the employment period and gross pay shall be calculated as follows:<Amended by Act No. 12852, Dec. 23, 2014>

1. Employment period: It shall be calculated by the number of months. In such cases, a period of less than one month shall be deemed one month;

2. Gross pay: Wage and salary incomes under Article 20 (1) 1 and 2, including salary and bonus, (excluding non-taxable income under Article 12) shall be aggregated.

(5) Deleted.<by Act No. 11611, Jan. 1, 2013>

(6) The scope and method of calculation of retirement income, and other necessary matters, shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 23 Deleted. <by Act No. 8144, Dec. 30, 2006>

SECTION 3 Calculation of Amount of Income

Subsection 1 Total Amount of Income

Article 24 (Calculation of Total Amount of Income) (1) The total amount of income (including the total amount of pay and pension; hereinafter the same shall apply) on each type of income of a resident shall be the total amount of the amount earned or to be earned in the relevant taxable period.

(2) In cases falling under paragraph (1), when he/she earns something, other than money, the amount of such income shall be calculated based on the value at the time of such transactions.

(3) When calculating the total amount of income, matters necessary for the scope and calculation of the amount earned or to be earned shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 25 (Special Cases concerning Calculation of Total Amount of Income) (1) Where a resident lends any real estate or any right therein and receives guaranty money, security money for lease on a deposit basis, or money in similar nature (hereafter referred to as "guaranty money, etc." in this paragraph), the

amount calculated as prescribed by Presidential Decree shall be included in the total amount of income when calculating the amount of business income: Provided, That where a resident receives guaranty money, etc. for lending a house means where a resident owns at least three houses (a house with an area of not larger than 40 square meters per unit or per household only for dwelling purpose and the assessed value of which does not exceed 200 million won for the relevant taxable period shall not be included in the number of houses until December 31, 2021) and the total amount of guaranty money, etc. of the relevant houses exceeds 300 million won; and the calculation of the number of houses and other necessary matters shall be prescribed by Presidential Decree. <Amended by Act No. 11146, Jan. 1, 2012; Act No. 12169, Jan. 1, 2014; Act No. 14389, Dec. 20, 2016; Act No. 16104, Dec. 31, 2018>

(2) Even where a resident consumes any inventory assets or trees for housekeeping purposes or supplies them to his/her employees or other persons, the amount equivalent to the value thereof as at the time he/she consumes or supplies shall be included in the total amount of income when calculating the amount of business income or the amount of other income in the taxable period in which the date he/she consumes or supplies falls.

(3) Deleted.<by Act No. 15225, Dec. 19, 2017>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 26 (Exclusion from Total Income) (1) No amount appropriated for another tax, out of the income tax or the individual local income tax refunded or refundable to a resident, shall be included in the total income in calculating the amount of income for the relevant taxable period. <Amended by Act No. 12153, Jan. 1, 2014>

(2) No amount used to offset a loss carried forward pursuant to Article 45 (3), among the value of assets received gratuitously by a resident and the amount of liabilities decreased by waiver or extinguishment of debts, shall be included in the total income when calculating the amount of income generated in the relevant taxable period.

(3) No amount of income carried forward from the preceding taxable period when calculating the amount of business income of a resident, shall be included in the total income when calculating the amount of income generated in the relevant taxable period.

(4) When a resident who conducts agriculture, forestry, fishery, mining, or manufacturing business uses agricultural products, prizes, livestock products, forest products, marine products, mining products, earth, sand, and rock he/she mines, catches, cultivates, harvests, or collects, or products he/she produces, as raw materials or fuel for manufacture of other products he/she produces, no amount equivalent to the part used thereof shall be included in the total income when calculating the amount of income generated in the

relevant taxable period.

(5) Where a resident who conducts construction business uses goods he/she produces as materials for construction works for which he/she contracted, no amount equivalent to the part used thereof shall be included in the total income when calculating the amount of income generated in the relevant taxable period.

(6) Where a resident who conducts electricity, gas, steam, or water supply business uses the electricity, gas, steam, or water he/she produces for the power, fuel, or water for other business he/she conducts, no amount equivalent to the part used thereof shall be included in the total income when calculating the amount of income generated in the relevant taxable period.

(7) No individual consumption tax or liquor tax paid or to be paid by a resident liable to pay such individual consumption tax or liquor tax imposed on the amount earned or to be earned as his/her total income, shall be included in the total income when calculating the amount of income for the relevant taxable period: Provided, That this shall not apply to any tax amount he/she shall pay for raw materials, fuel, or any other goods purchased, imported, or used.

(8) No additional payments on the refund of national taxes under Article 52 of the Framework Act on National Taxes, additional dues on the local tax refund under Article 62 of the Framework Act on Local Taxes, and interest on the refund of erroneous payments, shall be included in the total income when calculating the amount of income generated during the relevant taxable period. <Amended by Act No. 10408, Dec. 27, 2010; Act No. 14474, Dec. 27, 2016>

(9) No input tax on value-added tax shall be included in the total income when calculating the amount of income generated in the relevant taxable period.

(10) No amount of tax refunded to an oil dealer pursuant to Article 106-2 (2) of the Restriction of Special Taxation Act, shall be included in the total income when calculating the amount of income generated in the relevant taxable period.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

<<Enforcement Date: Jan. 1, 2022>> Article 26 (7)

Subsection 2 Necessary Expenses

Article 27 (Calculation of Necessary Expenses of Business Income) (1) The amount to be included in necessary expenses when calculating the amount of business income shall be the total amount of ordinary expenses generally accepted as expenses corresponding to the total income generated in the relevant taxable period. <Amended by Act No. 10408, Dec. 27, 2010>

(2) With regard to expenses corresponding to the total amount of income before the relevant taxable period and determined in such taxable period, only expenses not calculated as necessary expenses before such taxable period shall be deemed necessary expenses in such taxable period.

(3) Matters necessary for the calculation of necessary expenses shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 28 (Calculation of Allowance for Bad Debts as Necessary Expenses) (1) Where a business entity calculates an allowance for bad debts for accounts receivable, other receivables or other bonds corresponding thereto as necessary expenses, such allowance for bad debts shall be included in necessary expenses when calculating the amount of income generated in the relevant taxable period within the extent prescribed by Presidential Decree.

(2) The balance of the allowance for bad debts included in necessary expenses pursuant to paragraph (1) shall be included in the total income when calculating the amount of income in the following taxable period.

(3) Matters necessary concerning accounting treatment of an allowance for bad debts shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 29 (Calculation of Reserves for Retirement Benefits as Necessary Expenses) (1) Where a business entity has calculated a reserve for retirement benefits as necessary expenses to be appropriated for retirement benefits for employees, such reserve for retirement benefits shall be included in necessary expenses when calculating the amount of income in the relevant taxable period within the extent prescribed by Presidential Decree.

(2) Matters necessary concerning accounting treatment of reserves for retirement benefits shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 30 Deleted. <by Act No. 5532, Apr. 10, 1998>

Article 31 (Calculation of Necessary Expenses in Acquisition of Fixed Assets with Gains on Insurance Settlement) (1) Where a business entity acquires fixed assets of the same kind as a replacement for the destroyed assets with insurance money received due to the destruction of or damage to fixed assets, or improves the fixed assets acquired as a replacement or damaged assets, gains on insurance settlement used for the acquisition or improvement of such fixed assets may be included in necessary expenses when calculating the amount of income generated in the taxable period to which the date he/she

receives insurance money belongs, as prescribed by Presidential Decree.

(2) Where he/she is unable to acquire or improve the relevant assets pursuant to paragraph (1) in the taxable period to which the date he/she receives insurance money belongs, paragraph (1) shall apply mutatis mutandis to only such assets acquired or imported within two years from the date of commencement of the taxable period following such taxable period.

(3) Any person who intends to include gains on insurance settlement in necessary expenses pursuant to paragraph (2) shall submit a plan for use of such insurance money received to the head of a tax office having jurisdiction over the place for tax payment, as prescribed by Presidential Decree.

(4) If any person who counts gains on insurance settlement in necessary expenses pursuant to paragraph (2) falls under any of the following subparagraphs, the amount equivalent to gains on insurance settlement shall be included in the total amount of income in the taxable period when the relevant cause thereof has taken place:

1. Where he/she fails to use gains on insurance settlement within the deadline to acquire or improve fixed assets under paragraph (1);
2. Where he/she discontinues the relevant business in the period under paragraph (2).

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 32 (Calculation of Value of Assets for Business Acquired with National Subsidies as Necessary Expenses)

(1) Where a business entity receives a subsidy under the Subsidy Management Act (hereinafter referred to as "national subsidy") and disburse it for the acquisition or improvement of assets for business purpose, or acquires or improves the assets for business purposes, and receives a national subsidy therefor afterwards, the amount equivalent to a national subsidy disbursed for the acquisition or improvement of assets for business purposes may be included in necessary expenses when calculating the amount of income in the taxable period to which the date he/she receives such national subsidy belongs, as prescribed by Presidential Decree. <Amended by Act No. 10408, Dec. 27, 2010; Act Nos. 10898 & 10907, Jul. 25, 2011>

(2) Where he/she is unable to acquire or improve assets for business under paragraph (1) in the taxable period to which the date he/she receives a national subsidy belongs, paragraph (1) shall apply mutatis mutandis to only such assets acquired or imported by no later than the end of the taxable period following such taxable period. In such cases, where he/she fails to use the national subsidy by the deadline due to extenuating circumstances prescribed by Presidential Decree, such as delay in permission or approval of construction work, the end of the taxable period to which the date the relevant circumstance ceases to exist belongs shall be the deadline.

(3) Any person who intends to include a national subsidy in necessary expenses pursuant to paragraph (2) shall submit a plan for use of such national subsidy to the head of a tax office having jurisdiction over the place for tax payment, as prescribed by Presidential Decree.

(4) If any person who has included a national subsidy in necessary expenses pursuant to paragraph (1) or (2) falls under any of the following, the amount equivalent to such national subsidy shall be included in the total income in the taxable period when the relevant cause thereof has taken place:

1. Where he/she fails to use the national subsidy for the acquisition or improvement of assets for business under paragraph (1) by the deadline;
2. Where he/she discontinues the relevant business by the deadline under paragraph (2).

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 33 (Exclusion from Necessary Expenses) (1) Any of the following amounts, out of the amount that a resident has paid or shall pay for the relevant the taxable period, shall not be included in necessary expenses in calculating the amount of business income: <Amended by Act No. 10408, Dec. 27, 2010; Act No. 12153, Jan. 1, 2014>

1. Income tax and individual local income tax;
2. A fine, penalty (including the amount equivalent to a fine or a penalty by notification), and fine for negligence;
3. Penalty taxes and disposition fees for arrears under the National Tax Collection Act and other Acts related to taxes;
4. Tax (including penalty tax) paid or payable due to nonperformance of the liability for collection under Acts related to taxes;
5. Expenses for domestic affairs prescribed by Presidential Decree, and expenses related thereto;
6. An amount exceeding the amount calculated, as prescribed by Presidential Decree, as depreciation expense of depreciable assets appropriated in each taxable period;
7. An appraisal loss of assets excluding assets pursuant to the proviso to Article 39 (3) and the subparagraphs of paragraph (4) of the same Article;
8. An amount in arrears of the individual consumption tax or liquor tax on the products carried out, but unsold: Provided, That this shall not apply where an amount equivalent to such amount of tax is added to the value of such products;
9. Input tax on value-added tax: Provided, That, the amount of tax in cases of value-added tax exempted or in other cases prescribed by Presidential Decree, and value-added tax paid by a person eligible for simplified taxation of value-added tax shall be excluded;

10. Interest on a loan appropriated for construction funds prescribed by Presidential Decree of the loans;
11. Interest on any loan, the creditor of which is obscure;
12. Utility charges that are not mandatory under Acts and subordinate statutes or those imposed as a disciplinary measure for non-performance of duties or violation of prohibited or restricted acts under Acts and subordinate statutes;
13. The amount, among expenses disbursed in each taxable period, deemed not directly related to the business prescribed by Presidential Decree;
14. Prepaid expenses;
15. Compensation for damage to be paid by infringing another person's right on purpose or by gross negligence in connection with business.

(2) Where paragraph (1) 5, 10, 11, and 13 are applicable at the same time, they shall be applied in the order prescribed by Presidential Decree.

(3) Matters necessary for exclusion from necessary expenses pursuant to paragraph (1) shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 33 (Exclusion from Necessary Expenses) (1) Any of the following amounts, out of the amount that a resident has paid or shall pay for the relevant the taxable period, shall not be included in necessary expenses in calculating the amount of business income: <Amended by Act No. 10408, Dec. 27, 2010; Act No. 12153, Jan. 1, 2014; Act No. 16104, Dec. 31, 2018>

1. Income tax and individual local income tax;
2. A fine, penalty (including the amount equivalent to a fine or a penalty by notification), and administrative fines;
3. Penalty taxes and disposition fees for arrears under the National Tax Collection Act and other Acts related to taxes;
4. Tax (including penalty tax) paid or payable due to nonperformance of the liability for collection under Acts related to taxes;
5. Expenses for domestic affairs prescribed by Presidential Decree, and expenses related thereto;
6. An amount exceeding the amount calculated, as prescribed by Presidential Decree, as depreciation expense of depreciable assets appropriated in each taxable period;
7. An appraisal loss of assets excluding assets pursuant to the proviso to Article 39 (3) and the subparagraphs of paragraph (4) of the same Article;

8. An amount in arrears of the individual consumption tax or liquor tax on the products carried out, but unsold: Provided, That this shall not apply where an amount equivalent to such amount of tax is added to the value of such products;
9. Input tax on value-added tax: Provided, That, the amount of tax in cases of value-added tax exempted or in other cases prescribed by Presidential Decree, and value-added tax paid by a person eligible for simplified taxation of value-added tax shall be excluded;
10. Interest on a loan appropriated for construction funds prescribed by Presidential Decree of the loans;
11. A creditor prescribed by Presidential Decree;
12. Utility charges that are not mandatory under Acts and subordinate statutes or those imposed as a disciplinary measure for non-performance of duties or violation of prohibited or restricted acts under Acts and subordinate statutes;
13. The amount, among expenses disbursed in each taxable period, deemed not directly related to the business prescribed by Presidential Decree;
14. Prepaid expenses;
15. Compensation for damage to be paid by infringing another person's right on purpose or by gross negligence in connection with business.

(2) Where paragraph (1) 5, 10, 11, and 13 are applicable at the same time, they shall be applied in the order prescribed by Presidential Decree.

(3) Matters necessary for exclusion from necessary expenses pursuant to paragraph (1) shall be prescribed by Presidential Decree.

[\[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009\]](#)

<<Enforcement Date: Jan. 1, 2022>> subparagraph 8 of Article 33 (1)

Article 33-2 (Special Cases concerning Exclusion of Expenses, etc. Related to Business-Use Passenger Vehicles from Necessary Expenses)

(1) Any amount other than the amount of use for business purpose specified by Presidential Decree (hereafter referred to as "amount of business use" in this Article), among expenses specified by Presidential Decree, including depreciation cost, rents, and fuel expenses, (hereafter referred to as "expenses related to business-use passenger vehicles" in this Article) reflected or paid as necessary expenses during the relevant taxable period for passenger vehicles falling under Article 1 (2) 3 of the Individual Consumption Tax Act (excluding passenger vehicles specified by Presidential Decree as those directly used for transportation business, motor vehicle distribution business, or any similar business; hereafter referred to as "business-use passenger vehicles" in this Article) that a person subject to double-entry bookkeeping under Article 160 (3) acquired or leased to use them during the

relevant taxable period, shall not be included in necessary expenses when calculating the amount of business income for the relevant taxable period.

(2) In applying paragraph (1), if either of the following costs, out of the amount used for business purpose, exceeds eight million won (if the relevant taxable period is less than one year or if a person owned or leased such a vehicle during a certain period less than the relevant taxable period, the amount shall be calculated by multiplying eight million won by the number of months during the period of owing or leasing the vehicle and then by dividing the sum by 12) during the relevant taxable period, such excess (hereafter referred to as "excess of the maximum limit on depreciation cost" in this Article) shall not be included in necessary expenses for the relevant taxable period; but shall be carried over and included in necessary expenses by the method prescribed by Presidential Decree: <Amended by Act No. 15225, Dec. 19, 2017>

1. Annual depreciation cost for each business-use passenger vehicle;
2. An amount equivalent to the depreciation cost specified by Presidential Decree, out of annual rents for each business-use passenger vehicle.

(3) The amount exceeding eight million won for each business-use passenger vehicle, out of the loss incurred to a person subject to double-entry bookkeeping under Article 160 (3) by disposing of a business-use passenger vehicle, shall be included in necessary expenses by carrying forward the amount or by the method prescribed by Presidential Decree.

(4) A person subject to double-entry bookkeeping under Article 160 (3) who includes expenses, etc. related to business-use passenger vehicles in necessary expenses under paragraphs (1) through (3), shall submit a detailed statement of the expenses, etc. related to business-use passenger vehicles to the head of the tax office having jurisdiction over the place for tax payment, as prescribed by Presidential Decree.

(5) The method for calculating the amount of business use, the method for carrying over an excess of the maximum limit on depreciation cost, and other necessary matters, shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 13558, Dec. 15, 2015]

Article 34 (Exclusion of Donations from Necessary Expenses) (1) "Donation" in this Article means the amount of money a business entity disburse gratuitously without direct relation to its business (including the amount of money recognized as actual gift through trade prescribed by presidential Decree) <Newly Inserted by Act No. 16104, Dec. 31, 2018>

(2) As a donation made by a business entity in the relevant taxable period, the amount in excess of any of the following amount (hereafter referred to as "permissible limit in necessary expenses" in this Article), among the donations prescribed by Presidential Decree in consideration of public interests, such as social welfare, culture, arts, education, religion, and charity, (hereinafter referred to as "designated donation"), and a

donation, other than a designated donation, shall not be included in necessary expenses when calculating the amount of business income in the relevant taxable period:<Amended by Act No. 10408, Dec. 27, 2010; Act No. 16104, Dec. 31, 2018>

1. Where an amount has been donated to any religious organization: Permissible limit in necessary expenses = [The amount of income in the relevant taxable period (referring to income before including donations and designated donations in necessary expenses pursuant to paragraph (3); hereafter the same shall apply in this Article) - donations included in necessary expenses pursuant to paragraph (3) and a loss carried forward under Article 45 (hereafter referred to as "legal donations, etc." in this paragraph)] × 10/100 + [(the amount of income in the relevant taxable period - legal donations, etc.) × the lesser of 20/100 or the amount paid to those other than religious organizations];

2. Cases other than subparagraph 1: Permissible limit in necessary expenses = (the amount of income in the relevant taxable period - legal donations, etc.) × 30/100.

(3) Paragraph (2) shall not apply to the donations under the following subparagraphs (hereinafter referred to as "statutory donations"): Provided, That, where the total amount of statutory donations exceeds the amount calculated by deducting a loss carried forward under Article 45 from the amount of income obtained for the relevant taxable period, such exceeded amount shall not be included in necessary expenses when calculating the amount of income obtained for the relevant taxable period:<Amended by Act No. 10221, May 31, 2010; Act No. 10408, Dec. 27, 2010; Act No. 16104, Dec. 31, 2018>

1. Donations under Article 24 (3) of the Corporate Tax Act;

2. The value of voluntary services, where a person provides such voluntary services in order to restore special disaster areas under the Framework Act on the Management of Disasters and Safety. In such cases, necessary matters concerning methods for calculating the value of such services shall be prescribed by Presidential Decree;

3. through 10. Deleted.<by Act No. 10408, Dec. 27, 2010>

(4) The amount of donations (excluding the amount of donations that is subject to for tax credit when filing a return on global income tax pursuant to Articles 59-4 (4)) that is not included in necessary expenses because it exceeds the maximum amount subject to inclusion in necessary expenses pursuant to paragraphs (2) and (3), may be included in necessary expenses for such taxable periods by being carried over to the respective taxable periods that end within ten years from the starting day of the taxable period immediately after the relevant taxable period, as prescribed by Presidential Decree.<Amended by Act No. 11146, Jan. 1, 2012; Act No. 12169, Jan. 1, 2014; Act No. 16104, Dec. 31, 2018>

1. and 2. Deleted.<by Act No. 12169, Jan. 1, 2014>

(5) Pursuant to paragraphs (2) and (3), the donations made by a person who falls under Article 50 (1) 2 or 3 (not being subject to age restrictions, and excluding a person whose donations are subject to the basic deduction of any other resident) shall be included in donations of the relevant business entity.<Amended by Act No. 10408, Dec. 27, 2010; Act No. 14389, Dec. 20, 2016; Act No. 16104, Dec. 31, 2018>

(6) Except as provided in paragraphs (1) through (5), matters necessary for non-inclusion of donations in necessary expenses, such as the calculation of donations, and the management of entities that receive designated donations, shall be prescribed by Presidential Decree.<Newly Inserted by Act No. 16104, Dec. 31, 2018>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 35 (Exclusion of Entertainment Expenses from Necessary Expenses) (1) "Entertainment

expenses" in this Article (including the amount of money, prescribed by Presidential Decree, paid by a business entity for welfare facilities to an association or body organized by employees) means the amount of money disbursed by a business entity for treat, good relationship, or compensation, or for other purpose similar thereto, regardless of causes, to proceed smoothly its affairs with a person directly or indirectly related to the entity. <Amended by Act No. 16104, Dec. 31, 2018>

(2) Entertainment expenses which exceed the amount prescribed by Presidential Decree of the entertainment expenses disbursed by a business entity for one occasion of entertainment and do not fall under any of the following cases, shall not be included in necessary expenses when calculating the amount of income generated in each taxable period: Provided, That this shall not apply to the expenses prescribed by Presidential Decree disbursed in a foreign region and those disbursed to farmers and fishermen where it is difficult to secure evidentiary materials which can prove any of the following entertainment expenses and disbursement of which is objectively self-evident:<Amended by Act No. 11146, Jan. 1, 2012; Act No. 11873, Jun. 7, 2013; Act No. 15225, Dec. 19, 2017; Act No. 16104, Dec. 31, 2018>

1. Entertainment expenses disbursed by using any of the following means (hereafter referred to as "credit card, etc." in this Article):

(a) A credit card prescribed in the Specialized Credit Finance Business Act (including those prescribed by Presidential Decree, as those similar to a credit card; hereinafter the same shall apply);

(b) Cash receipts prescribed in Article 160-2 (2) 4;

2. Entertainment expenses disbursed after receiving an invoice under Article 163 of this Act or Article 121 of the Corporate Tax Act or a tax invoice under Articles 32 and 35 of the Value-Added Tax Act;

3. Entertainment expenses paid by being issued a purchaser-issued tax invoice under Article 34-2 (2) of the Value-Added Tax Act;

4. Entertainment expenses paid by being issued a withholding tax receipt prescribed by Presidential Decree.

(3) Such amount exceeding the total of the sums referred to in the following subparagraphs which as belongs to entertainment expenses (excluding the amount not included in necessary expenses pursuant to paragraph (2)) paid by a business entity for the relevant taxable period, shall not be included in necessary expenses when calculating the amount of income for such taxable period: <Amended by Act No. <Amended by Act No. 11146, Jan. 1, 2012; Act No. 11611, Jan. 1, 2013; Act No. 12852, Dec. 23, 2014; Act No. 16104, Dec. 31, 2018>

1. The sum calculated by dividing by 12 the amount obtained by multiplying 12 million won (24 million won in case of a small and medium enterprise prescribed by Presidential Decree) by the number of months belonging to the relevant taxable period;

2. The sum calculated by multiplying by the applicable rate stated in the table below the total of the amounts of income (only referring to the amounts of income prescribed by Presidential Decree) generated from the relevant business for the relevant taxable period: Provided, That in case of the amount of income generated in transactions with a specially related person prescribed by Presidential Decree, the aforesaid sum shall be replaced by the sum equivalent to 10/100 of the amount calculated by multiplying such amount of income by the applicable rate stated in the table below.

(4) In applying paragraph (2) 1, where a sales slip, etc. is issued in the name of any member store other than the member store of credit cards, etc. that provides goods or services, the amount of such disbursement shall not be deemed entertainment expenses under paragraph (2) 1. <Amended by Act No. 16104, Dec. 31, 2018>

(5) Matter necessary for the extent and calculation of entertainment expenses, and the keeping of certificates of disbursement thereof shall be prescribed by Presidential Decree. <Amended by Act No. 16104, Dec. 31, 2018>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 36 Deleted. <by Act No. 5580, Dec. 28, 1998>

Article 37 (Calculation of Necessary Expenses of Other Income) (1) When calculating other income, the amount to be included in necessary expenses shall be as follows:

1. With regard to a refund payable to a purchaser of a horse racing ticket, winner wager ticket, bullfighting match wager ticket or sports promotion wager ticket pursuant to Article 21 (1) 4, the aggregate of the unit

voting of the tickets won purchased by such purchaser shall be included in necessary expenses;

2. With regard to prize money and valuables, etc. under Article 21 (1) 14, the amount inserted into slot machines, etc. at the time of winning such prize money and valuables, etc. shall be included in necessary expenses.

(2) In cases, other than the following cases, the aggregate amounts commonly deemed expenses corresponding to the total revenue for the relevant taxable period shall be included in necessary expenses:

1. Where paragraph (1) applies;

2. Where prescribed by President Decree, such as computation, etc. of necessary expenses of money and valuables received in compensation for transfer of rights to mining.

(3) With regard to expenses, corresponding to the total revenue incurred prior to the relevant taxable period, determined for the relevant taxable period, only the expenses unappropriated as necessary expenses before the taxable period shall be deemed necessary expenses for the relevant taxable period.

(4) Article 33 shall apply mutatis mutandis to the amount not to be included in necessary expenses in calculating other income.

[This Article Wholly Amended by Act No. 10408, Dec. 27, 2010]

Article 38 Deleted. <by Act No. 8144, Dec. 30, 2006>

Subsection 3 Attributed Tax Year and Value of Acquisition

Article 39 (Year to which Total Income and Necessary Expenses are Attributed, etc.) (1) The year to which the total income and necessary expenses of a resident in each taxable period are attributed shall be the taxable period to which the date when the total amount of income and necessary expenses are determined belongs.

(2) The value of assets acquired by a resident through purchase, manufacture, etc. shall be the amount obtained by adding the incidental expenses to the value of purchasing or manufacturing cost of such assets.

(3) Where a resident increases or decreases (excluding depreciation; hereafter referred to as "appraisal" in this Article) the book value of assets and liabilities he/she possesses, when calculating income in the taxable period to which the date of such appraisal belongs and the taxable period thereafter, the book value of the relevant assets and liabilities shall be the book value before appraisal: Provided That, the value of inventory assets, and the value of the securities prescribed by Presidential Decree shall be the face value evaluated for each asset in the manner prescribed by Presidential Decree.<Amended by Act No. 16104, Dec. 31, 2018>

(4) Notwithstanding paragraph (3), the book value of assets falling under any of the following subparagraphs may be reduced by method prescribed by Presidential Decree:

1. Stock assets which cannot be sold at the normal price due to damage, decomposition, etc.;
2. Fixed assets damaged or destroyed due to a natural disaster or other reasons prescribed by Presidential Decree.

(5) Where a resident applies the corporate accounting standards generally deemed fair and appropriate or customary practices continuously to the year to which the total amount of income and necessary expenses are attributed and the acquisition and appraisal of assets and liabilities in calculating income for each taxable period, except as otherwise prescribed otherwise in this Act and the Restriction of Special Taxation Act, such corporate accounting standards or customary practices shall apply.

(6) Matters necessary concerning the year to which the total income and necessary expenses are attributed pursuant to paragraph (1), calculation of the value of acquisition pursuant to paragraph (2) and appraisal of assets and liabilities pursuant to paragraphs (3) and (4) shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 40 Deleted. <by Act No. 9897, Dec. 31, 2009>

Subsection 4 Special Cases concerning Calculation of Amount of Income

Article 41 (Calculation by Wrongful Acts) (1) Where any act or the calculation of a resident who has dividend income (only applicable to dividend income pursuant to Article 17 (1) 8), business income or other income is deemed to have unreasonably reduced income tax burden due to transactions with a related person with such resident, the commissioner of a regional tax office or the head of a tax office having jurisdiction over the place for tax payment may calculate the amount of income generated in the relevant taxable period regardless of any act or the calculation by such resident. <Amended by Act No. 11146, Jan. 1, 2012>

(2) Matters necessary concerning the scope of related persons pursuant to paragraph (1) and the calculation by wrongful act shall be prescribed by Presidential Decree. <Amended by Act No. 11146, Jan. 1, 2012>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 42 (Special Cases concerning Calculation of Amount of Income on Transactions with Nonresident, etc.) (1) Where an agreement is reached on the amount involved in transactions with a nonresident residing in a foreign country or a foreign corporation overseas between a resident and a competent authority according to the agreed principles of the tax treaty entered into between Korea and the

Contracting party to the Double Taxation Convention (hereinafter referred to as "tax treaties"), the commissioner of a regional tax office or the head of a tax office having jurisdiction over the place for tax payment may adjust the income of the resident for each taxable period.

(2) Matters concerning applications for adjustment of income of a resident and other matters necessary for adjustment pursuant to paragraph (1) shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 43 (Special Cases concerning Calculation of Joint Business Income) (1) In cases of a joint business, from which business income is generated, is jointly conducted and the profits and losses thereof are distributed (including a joint business in which there are joint business entities prescribed by Presidential Decree (hereinafter referred to as "joint investment business entities") who do not participate in management but make investment only), the amount of income shall be calculated by place of joint business considering a place where the relevant business is managed (hereinafter referred to as "place of joint business") as one resident.

(2) Income generated from a joint business pursuant to paragraph (1) shall be distributed to each joint business entity according to the amount of income distributed or to be distributed by the profit-and-loss distribution ratio (where the agreed profit-and-loss distribution ratio not available, referring to the ratio of shares; hereinafter referred to as "profit-and-loss distribution ratio") agreed among the respective residents conducting the relevant joint business (including joint investment business entities; hereinafter referred to as "joint business entities").

(3) Where one resident and his/her related person prescribed by Presidential Decree are included in joint business entities, and where there are reasons prescribed by Presidential Decree, such as a false determination of the profit-and-loss distribution ratio, notwithstanding paragraph (2), the amount of income of such related person shall be deemed the amount of income of a joint business entity whose profit-and-loss distribution ratio is larger (where the profit-and-loss distribution ratio is the same with each other, referring to a person prescribed by Presidential Decree; hereinafter referred to as "major joint business entity"). <Amended by Act No. 11146, Jan. 1, 2012>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 44 (Separate Calculation of Amount of Income in Cases of Inheritance) (1) Income tax on the income of a predecessor to be levied on an inheritor shall be calculated separate from the income tax on the income of the inheritor.

(2) Where a pension account subscriber is dead and the deceased's spouse succeeds to the relevant pension account, without the receipt other than pension, the deceased's income amount deposited in the pension account shall be deemed the heir's income amount and the heir's income tax shall be calculated based on the income amount. <Newly Inserted by Act No. 11611, Jan. 1, 2013>

(3) Matters necessary for the method of and procedure, etc. for succession of the pension account under paragraph (2) shall be prescribed by Presidential Decree. <Newly Inserted by Act No. 11611, Jan. 1, 2013>
[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 45 (Deduction of Losses and Losses Carried Forward) (1) Any loss recorded in calculating the amount of business income generated in the relevant taxable period, according to the books recorded and kept by a business entity, shall be deducted from the amount of wage and salary income, the amount of pension income, the amount of other income, the amount of interest income, and the amount of dividend income in order when calculating the tax base of global income for such taxable period.

(2) Notwithstanding paragraph (1), any loss incurred in any of the following business (hereinafter referred to as "real estate leasing business"), shall not be deducted when calculating the tax base of global income: Provided, That the same shall not apply to residential house leasing business: <Amended by Act No. 12852, Dec. 23, 2014; Act No. 15225, Dec. 19, 2017>

1. Business leasing real estate or rights in real estate;
2. Business leasing factory foundations or mining foundations;
3. Business prescribed by Presidential Decree, as business leasing mining rights.

(3) Any loss from a real estate leasing business and any leftover loss after deduction pursuant to paragraph (1) and the proviso to paragraph (2) (hereinafter referred to as "loss carried forward"), shall be deducted in order, beginning with the first loss carried forward to be incurred in the taxable period according to the following classification when calculating income for the taxable period expiring within ten years from the end of the taxable period in which the relevant loss carried forward occurs: Provided, That where a loss carried forward for a taxable period before the limitation period is confirmed after such limitation period of the imposition of national taxes pursuant to Article 26-2 of the Framework Act on National Taxes has passed, such loss carried forward shall not be deducted: <Amended by Act No. 12852, Dec. 23, 2014>

1. A loss carried forward remaining after taking a deduction pursuant to paragraph (1) and the proviso to paragraph (2) shall be deducted from business income, wage and salary income, pension income, other income, interest income, and dividend income in this order;
2. A loss carried forward which occurs from a real estate leasing business shall be deducted from income of the real estate leasing business.

(4) Paragraph (3) shall not apply where an estimated tax return (referring to a return filed not in accordance with the books kept and recorded and evidentiary documents pursuant to Articles 160 and 161; hereinafter the same shall apply) is filed on income in the relevant taxable period or a decision for additional assessment is made pursuant to the proviso to Article 80 (3): Provided, That this shall not apply where an estimated tax return is filed or a decision for additional assessment is made because the books and other evidentiary documents are destroyed or lost by a natural disaster or other force majeure.

(5) When deducting a loss and a loss carried forward pursuant to paragraphs (1) and (3), if any dividend income or interest income is subject to global taxation pursuant to Article 14 in the calculation of the amount of tax pursuant to Article 62, the amount of such dividend income or interest income subject to withholding tax rate shall be exempt from deduction of a loss or a loss carried forward, and with regard to the amount subject basic tax rates among such dividend income or interest income, a business entity may elect whether to take a deduction, and the amount of deduction within the extent of the amount of income.

(6) When deducting a loss and a loss carried forward pursuant to paragraphs (1) and (2), where a loss is incurred and a loss is carried forward in the relevant taxable period, the loss for the taxable period shall be first deducted from income.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 46 (Special Cases concerning Calculation of Amount of Income on Bonds, etc.) (1)

Where a resident receives (including the conversion of convertible bonds to stocks, the exchange of exchangeable bonds to stocks and the exercise of preemptive rights of the bond with warrant (applicable only where the cost for new stock issuance is paid by the bond with warrant concerned; hereinafter the same shall apply)) interest or the value of a discount accruing from bonds, etc. (hereafter referred to as "interest, etc." in this Article and Articles 133-2 and 156-3) from a corporation which issues bonds, securities or transferable securities falling under Article 16 (1) 1, 2, 5 and 6, prescribed by Presidential Decree (hereafter referred to as "bonds, etc." in this Article and Articles 133-2 and 156-3) or sells (including cases where the ownership of bonds, etc. or the rights to receive interest income change due to donation, repayment and investment, etc., and where sale is entrusted, mediated or arranged, however, cases prescribed by Presidential Decree, such as repurchase agreement, shall be excluded; hereafter the same shall apply in Article 133-2) the relevant bonds, etc., the amount of income shall be calculated considering the amount equivalent to interest, etc. attributed to a resident, by holding period as interest income pursuant to Article 16. <Amended by Act No. 10408, Dec. 27, 2010; Act No. 11146, Jan. 1, 2012>

(2) When applying paragraph (1), where a relevant resident fails to prove the holding period of the relevant bonds, etc., as prescribed by Presidential Decree, income shall be calculated deeming the amount equivalent

to interest, etc. in the period of withholding pursuant to Article 133-2 (1) attributed to the relevant resident.

<Amended by Act No. 10408, Dec. 27, 2010>

(3) A method of calculating the amount equivalent to interest, etc. pursuant to paragraphs (1) and (2) and other necessary matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 46-2 (Special Cases concerning Calculation of Interest Income due to Early

Cancellation) Where interest income attributed to the taxable period which has already passed is reduced due to the early cancellation of a deposit or a trust contract after a taxpayer files a final tax return on the tax base of global income, the reduced amount of interest income may be deducted from interest income included in the global income for the taxable period to which the date of early cancellation belongs:

Provided, That this shall not apply to where a taxpayer applies for reassessment of the tax base and the amount of tax pursuant to Article 45-2 of the Framework Act on National Taxes.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Subsection 5 Wage and Salary Income Deduction, Pension Income Deduction, and Retirement Income Deduction

Article 47 (Wage and Salary Income Deduction) (1) For a resident with wage and salary income, the following amount shall be deducted from gross pay that he/she receives during the relevant taxable period:

<Amended by Act No. 11146, Jan. 1, 2012; Act No. 12169, Jan. 1, 2014>

(2) Notwithstanding paragraph (1), the amount deducted on a worker employed on a daily basis shall be 150,000 won per day.<Amended by Act No. 16104, Dec. 31, 2018>

(3) Where the total amount of pay of a resident with wage and salary income during the relevant taxable period is less than the amount deducted under paragraph (1) or (2), the total amount of pay shall be the amount deducted.

(4) Deductions pursuant to paragraphs (1) through (3) shall be referred to as "wage and salary income deduction."

(5) In cases falling under paragraph (1), where a person (excluding a person employed on a daily basis) receives wage and salary income from at least two persons, the aggregate wage and salary income shall be the total pay and the wage and salary income deductions calculated under paragraph (1) shall be taken therefrom.<Amended by Act No. 10408, Dec. 27, 2010>

(6) Deleted. <by Act No. 10408, Dec. 27, 2010>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 47-2 (Pension Income Deduction) (1) For a resident with pension income, the amount provided for in the following Table shall be deducted from his/her total pension income which he/she receives in the relevant taxable period (excluding the pension income subject to separate taxation; hereafter the same shall apply in this paragraph): Provided, That where the amount deducted exceeds nine million won, nine million won shall be deducted: <Amended by Act No. 11611, Jan. 1, 2013>

(2) The deduction under paragraph (1) shall be referred to as "pension income deduction."

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 48 (Retirement Income Deduction) (1) For a resident with retirement income, the amount specified in subparagraph 1 shall be deducted from the amount of retirement income for the relevant taxable period, and then the amount specified in subparagraph 2 shall be deducted from the amount calculated by dividing the amount calculated above by the number of years of continuous service (a period of less than one year shall be deemed one year, and the number of years shall be calculated by the formula prescribed by Presidential Decree in cases falling under Article 22 (1) 1; hereinafter the same shall apply) and multiplying the divided amount by 12 (hereafter in this paragraph, referred to as "converted wages"): <Amended by Act No. 12852, Dec. 23, 2014>

1. The following amount determined according to the number of years of continuous service:

(2) If the amount of retirement income for the relevant taxable period is less than the amount deducted under paragraph (1) 1, the amount of retirement income shall be deemed the amount deducted. <Amended by Act No. 12852, Dec. 23, 2014>

(3) Deduction pursuant to paragraphs (1) and (2) shall be referred to as "retirement income deduction."

(4) Necessary matters regarding the method of calculating the retirement income tax deduction shall be prescribed by Presidential Decree. <Amended by Act No. 11611, Jan. 1, 2013>

(5) Deleted. <by Act No. 11611, Jan. 1, 2013>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 49 Deleted. <by Act No. 8144, Dec. 30, 2006>

Subsection 6 Global Income Deduction

Article 50 (Basic Deduction) (1) For a resident (limited to a natural person) with global income, the amount calculated by multiplying the number of persons falling under any of the following by 1,500,000 won per capita, shall be deducted from the global income of the resident for the relevant taxable period: <Amended by Act No. 13558, Dec. 15, 2015>

1. The relevant resident;
2. The spouse of a resident with no annual income or with total annual income not exceeding one million won for the relevant taxable period (including the spouse with gross pay of not exceeding five million won as wage and salary income);
3. Any of the following dependents (the dependent shall not be subject to the age limit, if he/she is a person with disabilities defined in Article 51 (1) 2) who live together with the resident (including his/her spouse; hereafter the same shall apply in this subparagraph) and whose total annual income for the relevant taxable period does not exceed one million won (including dependants with gross pay of not exceeding five million won as wage and salary income):
 - (a) Any lineal ascendant of a resident (where a lineal ascendant has remarried, including a lineal ascendant's spouse prescribed by Presidential Decree), who is at least 60 years old;
 - (b) Any lineal descendant of a resident prescribed by Presidential Decree or any adoptee prescribed by Presidential Decree, living together with the resident (hereinafter referred to as "adoptee"), who is 20 or less years old. In such cases, if the relevant lineal descendant or adoptee and his/her spouse are disabled persons pursuant to Article 51 (1) 2, such spouse shall be included;
 - (c) A brother or a sister of a resident, who is 20 or less years old, or 60 or more years old;
 - (d) Any person prescribed by Presidential Decree among persons eligible for assistance under the National Basic Living Security Act;
 - (e) Any person prescribed by Presidential Decree, who is reared through the foster home system under the Child Welfare Act (hereinafter referred to as "foster child").

(2) Deductions under paragraph (1) shall be referred to as "basic deduction."

(3) Where a spouse or a dependent of a resident is a dependent of another resident, deduction shall be made from the global income of either of the residents, as prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 51 (Additional Deduction) (1) Where any person entitled to basic deduction under Article 50 (hereinafter referred to as "person entitled to basic deduction") falls under any of the following cases, the amount stipulated in each subparagraph shall be deducted from the global income of the resident during the relevant taxable period, in addition to the basic deduction: Provided, That if a case falls under both

subparagraphs 3 and 6, subparagraph 6 shall apply thereto: <Amended by Act No. 11611, Jan. 1, 2013; Act No. 12169, Jan. 1, 2014>

1. Where a person is 70 or more years old (hereinafter referred to as "senior citizen"), one million won per capita a year;
2. Where a person is a disabled person prescribed by Presidential Decree (hereinafter referred to as "disabled person"), two million won per capita a year;
3. Where the relevant resident (limited to a resident whose sum of global income determined when the tax base of the global income is calculated for the relevant taxable period does not exceed 30 million won) is a female with no spouse, but is the head of a household with a dependent defined in Article 50 (1) 3, or is a female with a spouse, 500,000 won a year;
4. and 5. Deleted;<by Act No. 12169, Jan. 1, 2014>
6. Where the relevant resident has no spouse, but has his/her lineal descendant or adoptee qualified as a person entitled to basic deduction, one million won a year.

(2) Deductions under paragraph (1) shall be referred to as "additional deduction."

(3) Basic deduction and additional deduction shall be collectively referred to as "personal deduction." <Newly Inserted by Act No. 12169, Jan. 1, 2014>

(4) If the aggregate of personal deductions exceeds the amount of global income, the deductions exceeding global income shall be deemed nil.<Newly Inserted by Act No. 12169, Jan. 1, 2014>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 51-2 Deleted. <by Act No. 12169, Jan. 1, 2014>

Article 51-3 (Pension Contribution Deduction) (1) Where a resident with global income has paid contributions or individual shares under public pension-related Acts (hereinafter referred to as "pension contributions"), the pension contributions paid during the relevant taxable period shall be deducted from his/her global income for the relevant taxable period. <Amended by Act No. 11611, Jan. 1, 2013; Act No. 12169, Jan. 1, 2014>

1. and 2. Deleted.<by Act No. 12619, Jan. 1, 2014>

(2) Deduction under paragraph (1) shall be referred to as "pension contribution deduction."

(3) If the sum of all the following deductions exceeds the amount of global income, it shall be deemed that pension contributions amounting to the excess amount are not deducted:<Amended by Act No. 12852, Dec. 23, 2014>

1. Personal deduction referred to in Article 51 (3);
2. Pension contribution deduction referred to in this Article;
3. Interest expense deduction for the reverse mortgage-backed retirement pension system referred to in Article 51-4;
4. Special income deduction referred to in Article 52;
5. Income deductions under the Restriction of Special Taxation Act.

(5) Deleted.<by Act No. 12169, Jan. 1, 2014>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 51-4 (Interest Expense Deduction for Reverse Mortgage-Backed Retirement Pension System)

(1) Where a resident with any pension income has been paid benefits from reverse mortgage-backed retirement pension system that meets the requirements prescribed by Presidential Decree, the amount equivalent to the interest on the loan that corresponds to the benefits in the relevant taxable period shall be deducted from the pension income for the relevant taxable period (hereinafter referred to as "interest expense deduction for reverse mortgage-backed retirement pension system"). In such cases, where the interest to be deducted exceeds two million won, two million won shall be deducted, and where it exceeds the pension income, such excess shall be written off.

(2) The interest expense deduction for reverse mortgage-backed retirement pension system shall apply when the relevant resident applies therefor.

(3) Matters concerning applications for the interest expense deduction for reverse mortgage-backed retirement pension system, methods to confirm the amount equivalent to interest, and other necessary matters, shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 52 (Special Income Deduction) (1) Where a resident with wage and salary income (excluding a worker employed on a daily basis; hereafter the same shall apply in this Article) pays any of the following insurance premiums that shall be borne by a worker under the National Health Insurance Act, the Employment Insurance Act, or the Long-Term Care Insurance Act, the amount of such premiums shall be deducted from his/her wage and salary income for the relevant taxable period. <Amended by Act No. 12169, Jan. 1, 2014>

1. and 2. Deleted.<by Act No. 12169, Jan. 1, 2014>

(2) and (3) Deleted.<by Act No. 12169, Jan. 1, 2014>

(4) Where a resident with wage and salary income, as the head (referring to a member of a household, if the head of a household is not entitled to deduction under this paragraph or paragraph (5) of this Article, or Article 87 (2) of the Restriction of Special Taxation Act) of a household prescribed by Presidential Decree (hereafter referred to as "household" in paragraph (5)) with no house owned by the household as at the end of the taxable period, repays principal of the house lease loan specified by Presidential Decree and pays interest thereon in order to lease a house not larger than the size specified by Presidential Decree (including officetels used for residence, houses, and land annexed to a house, but excluding houses and officetels where the area of the land annexed to a house or officetel exceeds the area computed by multiplying the area on which the building is built by the multiplying factor specified by Presidential Decree for each region), the amount equivalent to 40/100 of such amount shall be deducted from the amount of wage and salary income for the relevant taxable period: Provided, That, if the sum of the deductible amount and the amount under Article 87 (2) of the Restriction of Special Taxation Act exceeds three million won a year, such excess (hereafter referred to as "excess" in this paragraph) shall be deemed nil.<Amended by Act No. 11146, Jan. 1, 2012; Act No. 11611, Jan. 1, 2013; Act No. 12030, Aug. 13, 2013; Act No. 12169, Jan. 1, 2014; Act No. 12852, Dec. 23, 2014>

1. and 2. Deleted.<by Act No. 12852, Dec. 23, 2014>

(5) Where a resident with wage and salary income, as the head of a household with no house or one house owned by the household (referring to a person with wage and salary income among the members of a household, if the head of a household is not entitled to deduction under this paragraph, paragraph (4) of this Article, or Article 87 (2) of the Restriction of Special Taxation Act), has paid interest on the long-term mortgage loan specified by Presidential Decree (including a long-term mortgage loan assumed by acquiring a house; hereafter referred to as "long-term mortgage loan" in this paragraph and paragraph (6)) borrowed from a financial institution, etc. or the Housing and Urban Fund established under the Housing and Urban Fund Act by granting a mortgage over the house to acquire the house, if the assessed value of which under Article 99 (1) does not exceed 500 million won at the time of acquisition, the amount of interest paid for the relevant taxable period shall be deducted from wage and salary income for the relevant taxable period according to the following standards: Provided, That, if the sum of the amount deducted and the income deductions under paragraph (4) and Article 87 (2) of the Restriction of Special Taxation Act for general savings account for housing subscription exceeds five million won a year (applicable to a long-term mortgage loan repayable in at least 15 years; hereafter referred to as "maximum deduction limit" in this paragraph and paragraph (6)), such excess shall be deemed nil:<Amended by Act No. 11146, Jan. 1, 2012; Act No. 12030, Aug. 13, 2013; Act No. 12169, Jan. 1, 2014; Act No. 12852, Dec. 23, 2014; Act No. 12989, Jan. 6,

2015; Act No. 13796, Jan. 19, 2016; Act No. 16104, Dec. 31, 2018>

1. Whether a resident is the head of a household shall be determined according to his/her status at the end of the taxable period;
 2. This paragraph shall not apply where a resident owns at least two houses, including houses owned by members of his/her household, at the end of the taxable period;
 3. This paragraph shall apply to the head of a household, regardless of whether he/she actually resides therein, or to a resident who is not the head of a household, only where he/she actually resides therein;
 4. Where the head of a household with no house owned by it obtains the right to acquire a house under construction (hereafter referred to as "right to buy a house" in this subparagraph) with approval of the relevant project plan under the Housing Act (including a house acquired by a member of a housing association under the Housing Act or a member of an improvement association under the Act on the Improvement of Urban Areas and Residential Environments; hereafter the same shall apply in this subparagraph), if the price for the right, defined by Presidential Decree, does not exceed 400 million won, and borrows a loan from a financial company or from the Housing and Urban Fund established under the Housing and Urban Fund Act (including where the conditions of borrowing of the loan are amended before the completion of such house to convert the loan to a long-term mortgage loan when such house is completed) in order to acquire the house on condition that the loan shall be converted to a long-term mortgage loan at the time the house is completed, such loan shall be deemed a long-term mortgage loan from the date of borrowing the loan (referring to the date of amendment, if the conditions of borrowing the loan are amended) until the registration date of the preservation of ownership of the house: Provided, That the foregoing shall not apply during the taxable period in which a resident possesses rights to buy at least two houses simultaneously;
 5. Where a resident borrows a loan before the individual house price or the multi-family house price is officially announced under the Act on the Public Announcement of Real Estate Values, the initial price officially announced under the same Act after the date of borrowing the loan shall be deemed the assessed value of the relevant house.
- (6) Notwithstanding the proviso to paragraph (5), the main sentence of paragraph (5) shall apply to a long-term mortgage loan by applying any of the following amounts to the long-term mortgage loan in lieu of five million won a year:<Newly Inserted by Act No. 12852, Dec. 23, 2014>
1. Where interest on a long-term mortgage loan repayable in at least 15 years is paid at the fixed interest rate specified by Presidential Decree (hereafter referred to as "fixed interest rate" in this paragraph) and the loan is repaid in installments with no grace period as specified by Presidential Decree (hereafter referred to

as "installments with on grace period" in this paragraph): 18 million won;

2. Where interest on a long-term mortgage loan repayable in at least 15 years is paid at the fixed interest rate or where the loan is repaid in installments with no grace period: 15 million won;

3. Where interest on a long-term mortgage loan repayable in at least 10 years is paid at the fixed interest rate or where the loan is repaid in installments with no grace period: 3 million won.

(7) Deleted.<by Act No. 12169, Jan. 1, 2014>

(8) Deductions under paragraphs (1), (4), and (5) shall apply where the relevant resident files an application therefor, as prescribed by Presidential Decree, and if such deductions exceed the resident's global income subject to aggregate taxation for the relevant taxable period, such excess shall be deemed nil.<Amended by Act No. 11146, Jan. 1, 2012; Act No. 12169, Jan. 1, 2014>

1. and 2. Deleted.<by Act No. 12169, Jan. 1, 2014>

(9) Deleted.<by Act No. 12169, Jan. 1, 2014>

(10) Deductions under paragraphs (1), (4), (5), and (8) shall be referred to as "special deductions."<Amended by Act No. 12169, Jan. 1, 2014>

(11) Other matters necessary for special income deductions shall be prescribed by Presidential Decree.<Amended by Act No. 12169, Jan. 1, 2014>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 53 (Scope of Dependents Living Together and Time for Determination thereof) (1) Any

dependent living together prescribed in Article 50 shall be a member of family living together with a resident specified on the resident registration card, and actually living together with the relevant resident at his/her domicile or place of residence: Provided, That this shall not apply to a lineal descendant or an adoptee.

(2) Even if a resident or a family member living together with a resident (excluding a lineal descendant or an adoptee) leaves temporarily his/her original domicile or place of residence because of his/her entering school or undergoing medical treatment of a disease, or rendering services or business, but falls under reasons prescribed by Presidential Decree, he/she shall be deemed a person living together with the resident under paragraph (1).

(3) Notwithstanding paragraph (1), if a lineal ascendant of a resident (including his/her spouse) among his/her dependents is living separately due to residential circumstances, the lineal ascendant shall be deemed a person living together with the resident prescribed in Article 50.

(4) Whether a person is the spouse, a dependent, a disabled person, or a senior citizen eligible for deduction under Article 50, 51, or 59-2 shall be determined according to the person's status at the end of the relevant taxable period: Provided, That the status of a person who dies or who has disabilities cured before the end of

the taxable period shall be determined according to the status on the day immediately before the date of death or cure. <Amended by Act No. 12169, Jan. 1, 2014>

(5) Notwithstanding the main sentence of paragraph (4), if the applicable age is specified pursuant to Article 50 (1) 3 or 59-2 and a person attains the applicable age during the relevant taxable period, the person shall be deemed eligible for deduction. <Amended by Act No. 12169, Jan. 1, 2014>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 54 (Exclusion from Global Income Deduction, etc.) (1) Global income deduction shall not apply to a person with only interest income, dividend income, pension income, or other income subject to separate taxation. <Amended by Act No. 11611, Jan. 1, 2013>

(2) Where a person who is obliged to file a final return on the tax base in accordance with Article 70 (1), 70-2 (2), or 74 fails to submit the documents specified in Article 70 (4) 1, only the portion for the resident himself/herself of the basic deduction and the standard tax credit under Article 59-4 (9) shall be deductible: Provided, That the foregoing shall not apply where such documents are submitted later, regardless of whether a final tax base return has been filed. <Amended by Act No. 11611, Jan. 1, 2013; Act No. 12169, Jan. 1, 2014>

(3) Where an occasional imposition is determined under Article 82, only the portion for the resident himself/herself of the basic deduction shall apply.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 54-2 (Special Cases concerning Income Deduction for Joint Business, etc.) If an amount is disbursed, paid, invested, or contributed by a related person whose income shall be added to the income of the main joint business entity for aggregate taxation under Article 43 (3), when the income deduction under Article 51-3 of this Act or the Restriction of Special Taxation Act or the tax credit under Article 59-3 of this Act is applicable, such amount shall be deemed an amount disbursed, paid, invested, or contributed by the main joint business entity within the maximum of the global income of the main joint business entity for aggregate taxation and shall be eligible for income deduction or tax credit in computing the global income of the main joint business entity for aggregate taxation or the tax amount for his/her global income.

<Amended by Act No. 11146, Jan. 1, 2012; Act No. 12169, Jan. 1, 2014>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

SECTION 4 Calculation of Tax

Subsection 1 Tax Rates

Article 55 (Tax Rates) (1) The amount of income tax on the global income of a resident (hereinafter referred to as "calculated tax on global income") shall be determined by applying any of the following rates to the tax base of global income for the relevant year: <Amended by Act No. 12169, Jan. 1, 2014; Act No. 14389, Dec. 20, 2016; Act No. 15225, Dec. 19, 2017>

(2) The income tax on retirement income of a resident shall be calculated according to the following order (hereinafter referred to as "calculated tax on retirement income"): <Amended by Act No. 11611, Jan. 1, 2013; Act No. 12852, Dec. 23, 2014>

1. The amount calculated by applying the tax rate of paragraph (1) to the tax base of retirement income for the relevant taxable period;
2. The amount calculated by multiplying the amount of subparagraph 1 divided by 12, by the number of years of continuous service;
3. Deleted. <by Act No. 12852, Dec. 23, 2014>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Subsection 2 Tax Credit

Article 56 (Dividend Tax Credit) (1) If dividend income to which the proviso to the main sentence of Article 17 (3) is applicable is included in global income of a resident, the amount equivalent to the amount added to the total income in the relevant taxable period shall be deducted from the calculated tax on global income pursuant to the main sentence of the same paragraph. <Amended by Act No. 9897, Dec. 31, 2009>

(2) Deduction made under paragraph (1) shall be referred to as "tax deduction from dividend income". <Amended by Act No. 9897, Dec. 31, 2009>

(3) Deleted. <by Act No. 7006, Dec. 30, 2003>

(4) When applying paragraph (1), dividend income subject to dividend tax credit shall be that included in the tax base of global income under Article 14 (2), and exceeding the standard amount of global taxation on any interest income, etc. <Amended by Act No. 9897, Dec. 31, 2009>

(5) Deleted. <by Act No. 8144, Dec. 30, 2006>

(6) Matters necessary to calculate the amount of dividend tax credit shall be prescribed by Presidential Decree. <Amended by Act No. 9897, Dec. 31, 2009>

Article 56-2 (Tax Credit for Bookkeeping) (1) Where a person subject to simple bookkeeping under Article 160 (3) enters and calculates the amount of income according to double-entry bookkeeping and

submits the documents pursuant to Article 70 (4) 3 when filing a final return on the tax base pursuant to Article 70 or 74, the amount equivalent to 20/ 100 of the amount calculated by multiplying the ratio of business income calculated according to the relevant book to global income by the calculated tax on global income shall be deducted from the calculated tax on global income: Provided, That where the amount of tax credit exceeds one million won, one million won shall be deducted.

(2) Tax credit pursuant to paragraph (1) (hereinafter referred to as "tax credit for bookkeeping") shall not apply for the following persons:

1. Where a person files a return on his/her income omitting 20/100 or more of his/her income to be reported according to the book kept and entered;
2. Where a person fails to keep the books and supporting documents concerning the tax credit for bookkeeping for five years from the end of the period for a final return on the tax base: Provided, That this shall not apply where he/she has unavoidable causes prescribed by Presidential Decree, such as a natural disaster.

(3) Matters necessary concerning the tax credit for bookkeeping shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 56-3 (Tax Credit for Transmission of Issued Electronic Invoices) (1) Where a business entity issues electronic invoices under the latter part of Article 163 (1) on or before December 31, 2018 (limited to where a detailed statement of issuance of electronic invoices is transmitted to the Commissioner of National Tax Service pursuant to Article 163 (8)), the amount specified by Presidential Decree for the number of issued electronic invoices may be deducted from the calculated amount of global income tax on the business income for the relevant taxable period. In such cases, the maximum deduction limit shall be specified by Presidential Decree.

(2) A person who wishes to be entitled to the tax credit under paragraph (1) shall file a tax return on the tax credit for the issuance of electronic invoices with the head of the tax office having jurisdiction over the place for tax payment in the form prescribed by Ordinance of the Ministry of Strategy and Finance at the time of filing a final tax return on tax base under Article 70 or 74.

[This Article Newly Inserted by Act No. 12852, Dec. 23, 2014]

Article 57 (Foreign Tax Credit) (1) Where any foreign source income is included in global income or retirement income of a resident, if he/she has paid or is to pay the amount of foreign income tax (hereinafter referred to as "amount of foreign income tax" in this Article) on such foreign source income in a foreign country, he/she may choose any of the following options: <Amended by Act No. 16104, Dec. 31, 2018>

1. Method for deducting the tax amounts paid in a foreign country: Method of deducting the amount of foreign income tax from the calculated tax on global income or on retirement income for the relevant taxable period up to the amount calculated according to the following calculation formula (hereinafter referred to as "credit limit amount" in this Article);

B

Credit limit amount = A × —

C

2. Method for inclusion of the tax amounts paid in a foreign country in necessary expenses: Method for including in the necessary expenses for the relevant taxable period the amount of foreign income tax paid or to be paid for foreign source income.

(2) Where the foreign income tax paid or payable to a foreign government, when applying paragraph (1) 1 (applicable only where the amount of foreign income is deducted from the calculated tax on global income), exceeds the credit limit amount for the relevant taxable period, such excess may be carried forward to the taxable period to be completed within five years from the taxable period following the relevant taxable period, and deducted up to the credit limit amount for the taxable period to which it is carried forward.

[<Amended by Act No. 11611, Jan. 1, 2013; Act No. 16104, Dec. 31, 2018>](#)

(3) The amount equivalent to the tax on the foreign source income of a resident which is exempted or reduced by the other country to a tax treaty shall be deemed the amount of foreign income tax subject to the tax credit or inclusion in necessary expenses pursuant to paragraph (1), within the limit prescribed by such tax treaty.

(4) Where dividend of profits or a distribution of a portion of corporate earnings from a foreign corporation (hereafter referred to as "amount of dividend revenue" in this paragraph) is included in a resident's global income or retirement income, and conditions prescribed by Presidential Decree are satisfied, for example, the tax liability on income of a relevant foreign corporation is borne by a resident investor, not by the relevant foreign corporation, the amount, computed as prescribed by Presidential Decree corresponding to the amount of dividend revenue, among foreign income tax imposed on a resident investor in relation to income of the relevant foreign corporation, shall be deemed a foreign income tax subject to tax credit or inclusion in necessary expenses under paragraph (1). [<Newly Inserted by Act No. 10408, Dec. 27, 2010>](#)

(5) Necessary matters concerning the method of calculating foreign source income, tax credit or inclusion in necessary expenses pursuant to paragraphs (1) through (4) shall be prescribed by Presidential Decree. [<Amended by Act No. 10408, Dec. 27, 2010; Act No. 11611, Jan. 1, 2013>](#)

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 58 (Tax Credit for Casualty Loss) (1) Where a business entity is deemed to have difficulty in paying taxes, due to asset loss, by a natural disaster or any other accident (hereinafter referred to as "disasters"), equivalent to 20/100 or more of the amount of total assets (hereafter referred to as "amount of total assets" in this paragraph) prescribed by Presidential Decree in the relevant taxable period, the amount calculated (within the limit of the value of assets lost) by multiplying the amount of income tax (referring to the amount of income tax on business income; hereafter the same shall apply in this Article) under the following subparagraphs in proportion (hereafter referred to as "asset loss ratio" in this Article) to the value of such loss to the total assets before the loss shall be deducted from such tax amount. In such cases, the value of land shall not be included in the value of assets:

1. Income tax not levied as at the date of occurrence of a disaster and income tax levied yet unpaid (including any penalty tax);
 2. Income tax on income in the taxable period to which the date of occurrence of a disaster belongs.
- (2) In cases under paragraph (1), when any tax is to be deducted pursuant to Articles 56, 56-2 and 57, paragraph (1) shall apply to income tax after deduction of such tax amount.
- (3) Deduction made under paragraph (1) shall be referred to as "tax credit for casualty loss".
- (4) Any person who intends to take a tax credit for casualty loss may file an application with the head of the competent tax office, as prescribed by Presidential Decree.
- (5) When the head of the competent tax office has received an application under paragraph (4), he/she shall determine the amount of tax to be deducted, and notify it to the applicant.
- (6) Paragraph (1) shall be applicable even when no application is made under paragraph (4).
- (7) Where disasters occur collectively, paragraph (1) shall apply according to the asset loss ratio investigated and determined by the head of the competent tax office, as prescribed by Presidential Decree.
- (8) Matters necessary for taking a tax credit for casualty loss shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 59 (Tax Credit for Wage and Salary Income) (1) A resident with wage and salary income shall be eligible for either of the following credits against the calculated global income tax on his/her wage and salary income: <Amended by Act No. 12169, Jan. 1, 2014; Act No. 13282, May 13, 2015>

(2) Notwithstanding paragraph (1), if the amount of the tax credit exceeds any of the following amounts, the excess shall be deemed nil:<Newly Inserted by Act No. 12169, Jan. 1, 2014; Act No. 13282, May 13, 2015>

1. If the gross pay is 33 million won or less: 740,000 won;
2. If the gross pay is more than 33 million won, but not exceeding 70 million won: 740,000 won - [(Gross pay ? 33 million won) × 8/1,000]: Provided, That, if the amount calculated as above is less than 660,000 won, it shall be deemed 660,000 won;
3. If the gross pay is more than 70 million won: 660,000 won - [(Gross pay ? 70 million won) × 1/2]: Provided, That, if the amount calculated as above is less than 500,000 won, it shall be deemed 500,000 won.

(3) In cases of withholding taxes from the wage and salary income of a daily employed worker pursuant to Article 134 (3), the amount equivalent to 55/100 of the calculated tax on the relevant wage and salary income shall be deducted from such calculated tax amount.

[This Article Wholly Amended by Act No. 11146, Jan. 1, 2012]

Article 59-2 (Tax Credit for Children) (1) A resident with global income shall be eligible for the deduction of any of the following amounts for the children (including adoptees and foster children; hereafter referred to as "children eligible for tax credit" in this Article) at the age of seven or more (including schoolchildren under the age of seven) who are subject to basic deduction from the calculated tax amount on global income of such resident: <Amended by Act No. 13282, May 13, 2015; Act No. 15225, Dec. 19, 2017; Act No. 16104, Dec. 31, 2018>

1. For one child: 150,000 per year;
2. For two children: 300,000 per year;
3. For at least three children: The aggregate of 300,000 won per year and 300,000 won per year for each child besides two children.

(2) Deleted.<by Act No. 15225, Dec. 19, 2017>

(3) If a child eligible for tax credit is born or reported as adopted during the relevant taxable period, any of the following amounts shall be deducted from the calculated tax amount on global income:<Newly Inserted by Act No. 13282, May 13, 2015; Act No. 14389, Dec. 20, 2016>

1. If the child born or reported as adopted is the first child eligible for a tax credit: 300,000 won per year;
2. If the child born or reported as adopted is the second child eligible for a tax credit: 500,000 won per year;
3. If the child born or reported as adopted is at least the third child eligible for a tax credit: 700,000 won per year.

(4) The tax credits under paragraphs (1) and (3) shall be referred to as "tax credits for children."<Newly Inserted by Act No. 13282, May 13, 2015; Act No. 15225, Dec. 19, 2017>

[This Article Newly Inserted by Act No. 12169, Jan. 1, 2014]

Article 59-3 (Tax Credit for Pension Accounts) (1) A resident with global income shall be eligible for the deduction of the amount equivalent to 12/100 (or 15/100, where the amount of a resident's global income aggregated at the time of calculating the tax base of global income for the relevant taxable period does not exceed 40 million won (or where the amount of gross pay does not exceed 55 million won, if a resident has only wage and salary income)) of the amount computed by excluding the following amounts from the amount paid into his/her pension accounts (hereinafter referred to as "payments into pension accounts") from the calculated tax amount on global income for the relevant taxable period: Provided, That the amount exceeding four million won per year, out of the amount paid into pension savings accounts, among pension accounts, shall be deemed nil; the amount exceeding seven million won per year, out of the sum of the amount not exceeding four million won, out of the amount paid into pension savings accounts, and the amount paid into the retirement pension account, shall be deemed nil; the amount exceeding three million won per year, out of the amount paid into pension savings accounts, among pension accounts, shall be deemed nil in cases of a resident whose global income, which shall be aggregated at the time of calculating the tax base of global income for the relevant taxable period, exceeds 100 million won (or whose gross pay exceeds 120 million won, if a resident has only wage and salary income); and the amount exceeding seven million won per year, out of the sum of the amount not exceeding three million won, out of the amount paid into pension savings accounts, and the amount paid into the retirement pension account, shall be deemed nil: <Amended by Act No. 12852, Dec. 23, 2014; Act No. 13282, May 13, 2015; Act No. 14389, Dec. 20, 2016>

1. Tax-deferred income, such as retirement income from which income tax has not been withheld under Article 146 (2);
2. The amount paid in as a result of the transfer of a contract from a pension account to another pension account.

(2) The deduction under paragraph (1) shall be referred to as "tax credit for pension accounts."

(3) Deleted.<by Act No. 12852, Dec. 23, 2014>

(4) Matters necessary for procedures, etc. for application for tax credit for pension accounts, etc. shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 12169, Jan. 1, 2014]

Article 59-4 (Special Tax Credits) (1) If a resident with wage and salary income (excluding a daily employed worker; hereafter the same shall apply in this Article) pays, during the relevant taxable period, insurance premiums in any of the following categories, payable in accordance with an insurance contract for an insurance policy under which the amount refundable at maturity does not exceed paid-in premiums, the amount equivalent to 12/100 (or 15/100 in cases falling under subparagraph 1) of the amount paid shall be

deducted from the calculated tax amount on global income during the relevant taxable period: Provided, That, if the sum of the insurance premiums in either of the following categories exceeds one million won per year, such excess shall be deemed nil: <Amended by Act No. 13282, May 13, 2015>

1. Insurance premiums for an insurance product for the protection only of a disabled person specified by Presidential Decree, among insurance products for which a disabled person entitled to basic deduction may be designated as the insured or a beneficiary;
2. Insurance premiums for an insurance product specified by Presidential Decree, for which a person entitled to basic deduction is designated as the insured (excluding insurance premiums for an insurance product for the protection only of a disabled person under subparagraph 1).

(2) If a resident with wage and salary income pays medical expenses specified by Presidential Decree, during the relevant taxable period, for persons entitled to basic deduction (regardless of their age or income), the amount equivalent to 15/100 (or 20/100, in cases falling under subparagraph 3) of the following amounts shall be deducted from the calculated tax amount on global income for the relevant taxable period: <Amended by Act No. 12852, Dec. 23, 2014; Act No. 14389, Dec. 20, 2016; Act No. 15225, Dec. 19, 2017>

1. The amount exceeding the amount calculated by multiplying gross pay by 3/100, out of medial expenses paid for the persons entitled to basic deduction (excluding medical expenses specified in subparagraphs 2 and 3): Provided, That, if the amount exceeds seven million won per year, the amount shall be deemed seven million won per year;
2. Medical expenses paid for any of the following persons: Provided, That, if medical expenses under subparagraph 1 fall short of the amount calculated by multiplying gross pay by 3/100, the shortfall shall be deducted:
 - (a) The resident him/herself;
 - (b) Persons aged at least 65 years as at the end of the taxable period;
 - (c) Persons with disabilities;
 - (d) Patients specified as those suffering from a severe disease prescribed by Presidential Decree, a rare intractable disease, or tuberculosis;
3. Infertility treatment expenses specified by Presidential Decree: Provided, That, if the sum of medical expenses under subparagraphs 1 and 2 falls short of the amount calculated by multiplying gross pay by 3/100, the shortfall shall be deducted.

(3) If a resident with wage and salary income pays education expenses specified by Presidential Decree, during the relevant taxable period, for the resident him/herself and persons entitled to basic deduction (regardless of their age, but limited to persons who are under 18 years of age as at the end of the taxable

period in cases of any of the institutions specified in subparagraph 3 (b)), the amount equivalent to 15/100 of the following amounts shall be deducted from the calculated tax amount on global income for the taxable period: Provided, That the education expenses specified by Presidential Decree as those exempt from income tax or gift tax shall not be deducted:<Amended by Act No. 12852, Dec. 23, 2014; Act No. 14389, Dec. 20, 2016>

1. The sum of the following education expenses paid for the spouse, lineal descendants, siblings, adopted children, and foster children entitled to basic deduction (hereafter referred to as "lineal descendants, etc." in this subparagraph): Provided, That education expenses paid to a graduate school or paid with the student loans referred to in subparagraph 2 (d), borrowed by lineal descendants, etc., shall be excluded herefrom, and the maximum limit for college students shall be nine million won per year per person, while the maximum limit for preschoolers and students enrolled in an elementary, secondary, or high school shall be three million won per year per person:

- (a) Education expenses paid to schools defined under the Early Childhood Education Act, the Elementary and Secondary Education Act, the Higher Education Act, or any other Special Act;
- (b) Education expenses paid for the following lifelong education facilities or courses:
 - (i) A lifelong education facility in the form of a school graduates of which are recognized as those graduated from a high school or a lower-level school under Article 31 (2) of the Lifelong Education Act, a lifelong education facility that may use the title "specialized college" under Article 31 (4) of the same Act (hereinafter referred to as "specialized college"), or a lifelong education facility in the form of a distance college under Article 33 of the same Act (hereinafter referred to as "distance college");
 - (ii) An educational course specified by Presidential Decree, among the courses specified in Article 3 of the Act on Recognition of Credits, Etc. or Article 5 (1) of the Act on the Acquisition of Academic Degrees through Self-Education (each of such educational courses shall be referred to as "course for acquiring an academic degree" hereafter in this paragraph);
- (c) Education expenses paid to overseas educational institutions specified by Presidential Decree (applicable only to students specified by Presidential Decree, if the resident who pays education expenses for students enrolled in an overseas educational institution works within the Republic of Korea);
- (d) Education expenses paid to child care facilities defined under the Infant Care Act for preschoolers, private teaching institutes defined under the Act on the Establishment and Operation of Private Teaching Institutes and Extracurricular Lessons, or sports facilities specified by Presidential Decree (limited to the amount specified by Presidential Decree, out of expenses paid to private teaching institutes and sports facilities);

2. The sum of the following education expenses paid for the resident him/herself:
- (a) Education expenses specified in subparagraph 1 (a) through (c);
 - (b) Education expenses paid for educational courses provided for at least one semester by a college (including courses provide by a specialized college, a distance college, and other courses for the acquisition of an academic degree) or by a graduate school and for programs for part-time enrollment under Article 36 of the Higher Education Act;
 - (c) Tuition fees paid for training provided for the development of vocational skills by training facilities for the development of vocational skills under Article 2 of the Act on the Development of Vocational Skills of Workers: Provided, That if any subsidy, etc. specified by Presidential Decree is granted, it shall be deducted therefrom;
 - (d) Education expenses paid for repaying the principal of student loans specified by Presidential Decree and paying interest thereon: Provided, That the amount of the payments specified by Presidential Decree, including the amount additionally paid due to the late repayment of a loan, shall be excluded herefrom;
3. Special education expenses specified by Presidential Decree, out of such expenses paid to any of the following entities for persons with disabilities entitled to basic deduction (regardless of income):
- (a) A social welfare facility or a non-profit corporation specified by Presidential Decree;
 - (b) An institution specified by Presidential Decree, among those that provide rehabilitative services for the improvement and development of functions and behavior of persons with disabilities;
 - (c) A facility or corporation in a foreign country, which is similar to the facilities or corporations specified in item (a) above.
- (4) If a resident (excluding persons with business income only, but including persons specified by Presidential Decree, such as those specified in Article 73 (1) 4) made donations during the relevant taxable period (including donations made by the persons specified in Article 50 (1) 2 or 3 (excluding persons entitled to basic deduction for another resident, regardless of age)), the amount equivalent to 15/100 (or 30/100 of the amount exceeding 10 million won, if the relevant amount exceeds 10 million won) of the amount calculated by subtracting the donations included in necessary expenses from the sum of the following donations (hereafter referred to as "tax credit for donations" in Article 61 (2)), shall be deducted from the calculated tax amount on global income subject to aggregate taxation for the relevant taxable period (excluding the calculated tax amount on business income, if donations have been already included in necessary expenses), when calculating the amount of business income. In such cases, the donations under subparagraph 1 shall be deducted first, if donations under subparagraph 1 and donations under subparagraph 2 were made

concurrently during the relevant taxable period, but the donations made on or before December 31, 2013 shall be deducted first, prior to the donations made during the relevant taxable period, if the former donations were carried over and are deducted from income for the taxable period that begins on or after January 1, 2014: <Amended by Act No. 12852, Dec. 23, 2014; Act No. 13558, Dec. 15, 2015; Act No. 14389, Dec. 20, 2016; Act No. 16104, Dec. 31, 2018>

1. Legal donations;

2. Designated donations. In such cases, the maximum limit on designated donations shall vary as follows:

(a) Where donations are made to a religious organization:

Maximum limit = [The amount calculated by subtracting the donations under subparagraph 1 from the amount of global income (excluding the interest income and dividend income subject to withholding tax rates under Article 62); hereafter referred to as "amount of income" in this paragraph] x 10/100 + [20/100 of the amount of income or the amount of donations paid to non-religious organizations, whichever is smaller];

(b) Cases that do not fall under item (a) above:

Maximum limit = 30/100 of the amount of income.

(5) In applying paragraphs (1) through (3), if any amount is already paid for a person who was a resident's spouse, dependent, or disabled person who ceased to be entitled to basic deduction due to marriage, divorce, separation, employment, or any other cause before the end of the relevant taxable period or for a person aged at least 65 years at the end of the relevant taxable period, the amount calculated by applying the rates under paragraphs (1) through (3) to the amount paid until the date on which such cause arose shall be deducted from the calculated tax amount on global income during the relevant taxable period.

(6) The deductions under paragraphs (1) through (4) shall apply where a resident files an application, as prescribed by Presidential Decree.

(7) To ascertain whether educational expenses specified in paragraph (3) 2 (d) are eligible for tax credit, the Commissioner of National Tax Service may request any of the institutions specified by Presidential Decree as those which provide services for the lending and repayment of student loans, including the Korea Student Aid Foundation established under Article 6 of the Act on the Establishment, etc. of Korea Student Aid Foundation (hereafter referred to as "Korea Student Aid Foundation or any similar institution" in this paragraph), to provide the data specified by Presidential Decree, such as details of student loans and of repayment of principal and interest thereon. In such cases, upon receipt of such request, the Korea Student Aid Foundation or any similar institution shall comply therewith, except in extenuating circumstances. <Newly Inserted by Act No. 14389, Dec. 20, 2016>

(8) Deleted. <by Act No. 12852, Dec. 23, 2014>

(9) For a resident with wage and salary income who fails to file an application for income deduction or tax credit under paragraph (6) of this Article or Article 52 (8) of this Act, or Article 95-2 (2) of the Restriction of Special Taxation Act, 130,000 won per year shall be deducted from the calculated tax amount on global income; for a business entity who meets the requirements specified by Presidential Decree with regard to the reporting, etc. of business accounts under Article 160-5 (3) (hereinafter referred to as "compliant business entity"), but fails to file an application for tax credit under Article 122-3 of the Restriction of Special Taxation Act, 120,000 won per year shall be deducted from the calculated tax amount on global income; and for a resident who does not have wage and salary income but has global income (excluding compliant business entities), 70,000 won per year (hereinafter referred to as "standard tax credit") shall be deducted from the calculated tax income on global income. <Amended by Act No. 12852, Dec. 23, 2014; Act No. 13282, May 13, 2015>

(10) The credits under paragraphs (1) through (9) shall be referred to as "special tax credits."

(11) Other necessary matters concerning special tax credits shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 12169, Jan. 1, 2014]

Article 59-5 (Reduction or Exemption of Tax) (1) When any of the following income is included in global income, the amount equivalent to the amount calculated by multiplying the calculated tax on global income by the ratio of the relevant wage and salary income or the relevant business income to the amount of global income shall be reduced or exempted from the calculated tax on global income: <Amended by Act No. 11611, Jan. 1, 2013>

1. Pay received by a foreigner dispatched to the Republic of Korea according to an agreement between the governments from the governments of both parties or the government of one party;
2. Income received by a resident who does not have Korean nationality from an overseas navigation business of ships or airplanes prescribed by Presidential Decree: Provided, That this shall only apply where the same exemption applies to ships or airplanes that a Korean national operates in the country of nationality of such resident.

(2) Except as otherwise provided expressly by any Act other than this Act, paragraph (1) shall apply mutatis mutandis to the reduction or exemption of the calculated income tax, even where income tax is reduced or exempted under such Act.

[This Article Newly Inserted by Act No. 9897, Dec. 31, 2009]

Article 60 (Order of Application, etc. of Tax Reduction or Exemption or Tax Credit) (1) For the purposes of tax-related Acts, if provisions concerning the reduction or exemption of income tax and those concerning tax credit are applied concurrently, such precedence of application shall be in the following order:

1. Reduction or exemption of income tax on income in the relevant taxable period;
2. Tax credit for which a carryforward is not recognized;
3. Tax credit for which a carryforward is recognized. In such cases, if an amount of tax is credited which occurs in the relevant taxable period and an amount is credited, yet carried forward from the preceding taxable period at the same time, the amount not credited, yet carried forward shall be credited first.

(2) and (3) Deleted. <by Act No. 12852, Dec. 23, 2014>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 61 (Methods of Application, etc. where Tax Exemption or Reduction or Tax Credit

Exceeds Calculated Tax Amount) (1) If the sum of tax credits under Article 59-4 (1) through (3) of this Act and Article 95-2 of the Restriction of Special Taxation Act exceeds the calculated tax amount on global income for the resident's wage and salary income specified by Presidential Decree for the relevant taxable period, the excess shall be deemed nil.

(2) If the sum of the tax credit for children under Article 59-2, the tax credit for pension accounts under Article 59-3, the special tax credits under Article 59-4, and the tax credits under Articles 76 and 88-4 (13) of the Restriction of Special Taxation Act exceeds the resident's calculated tax amount on global income, which shall be aggregated for taxation for the relevant taxable period (excluding the calculated tax amount specified by Presidential Decree on interest income and dividend income to which withholding tax rates shall apply pursuant to Article 62; hereafter referred to as "deductible standard calculated tax amount" in this Article), the excess shall be deemed nil: Provided, That, if the excess includes the tax credit for a donation, the tax credit for the donation and the designated donation that is not deducted because it exceeds the maximum limit under Article 59-4 (4) 2 shall be calculated by carrying over the donations to the taxable years that end within 10 years from the commencement date of the taxable period immediately following the relevant taxable period and by applying the rate specified in Article 59-4 (4) and shall be deducted from the deductible standard calculated tax amount. <Amended by Act No. 16104, Dec. 31, 2018>

(3) If the sum of the tax exemption and reduction and tax credits under this Act and the Restriction of Special Taxation Act exceeds the calculated tax amount on global income, which shall be aggregated for taxation for the relevant taxable period, the excess shall be deemed nil, and it shall be deemed that the tax credit for pension accounts has not been granted up to the excess: Provided, That, if the tax credit for casualty loss under Article 58 exceeds the amount calculated by subtracting other tax exemptions and

reductions and tax credits from the calculated amount on global income tax and then adding a penalty tax to the amount so calculated, the excess shall be deemed nil.

[This Article Newly Inserted by Act No. 12852, Dec. 23, 2014]

SECTION 5 Special Cases in Calculation of Tax

Article 62 (Special Case concerning Calculation of Tax in Relation to Global Taxation on Interest Income, etc.)

If interest income and dividend income which are included in a resident's tax base of global income (hereafter referred to as "interest income, etc." in this Article) exceed the global taxation threshold (hereafter referred to as "global taxation threshold" in this Article) on interest income, etc., the calculated amount of global income tax of the relevant resident shall be the greater of the following amounts, but if such income does not exceed the global taxation threshold, the amount of subparagraph 2 shall apply. In such cases, when a resident has any dividend income under Article 17 (1) 8, such dividend income shall not be deemed interest income, etc.: <Amended by Act No. 10408, Dec. 27, 2010; Act No. 12852, Dec. 23, 2014; Act No. 14389, Dec. 20, 2016; Act No. 16104, Dec. 31, 2018>

1. The sum of the following tax amounts:

- (a) The calculated tax on the amount calculated by aggregating the excess of the global taxation threshold among the amount of interest income, etc. and the amount of other global income excluding the amount of interest income, etc.;
- (b) The tax amount calculated by applying the tax rate specified in Article 129 (1) 1 (d) to the global taxation threshold;

2. The sum of the following tax amounts:

- (a) The tax amount calculated by applying the tax rates specified in Article 129 (1) 1 and 2 to interest income, etc.: Provided, That the tax rate specified for each category of income in the following shall apply to the relevant income:
 - (i) Deleted. <Act No. 16104, Dec. 31, 2018>;
 - (ii) Income under Article 16 (1) 11, out of interest income, etc. not subject to tax withholding under Article 127: The tax rate specified in Article 129 (1) 1 (b);
 - (iii) Interest income, etc., exclusive of the income specified in Article 16 (1) 11, out of interest income, etc. not subject to tax withholding under Article 127: The tax rate specified in Article 129 (1) 1 (d);
- (b) The calculated tax amount on the amount of other global income excluding the interest income, etc.: Provided, That where the amount of relevant tax is less than an aggregate of taxes calculated (hereafter referred to as "comparative tax on global income" in this item) by applying the tax rate specified in

Article 129 (1) 1 (d) to the dividend income under Article 17 (1) 8, and the calculated tax on the amount of other global income excluding the interest income, etc. and the dividend income under Article 17 (1) 8, it shall be the comparative tax on global income.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 63 (Special Case concerning Calculations of Tax on Excess Repayment from Workplace Mutual-Aid Association)

(1) With regard to excess repayment from a workplace mutual-aid association under Article 16 (1) 10 (hereafter referred to as "excess repayment from a workplace mutual-aid association" in this Article), the amount of tax shall be such amount of excess minus the following deductions to be taken in order, divided by the number of years paid (if a period of it is less than a year, it shall be deemed one year; hereinafter the same shall apply), and multiplied by the applicable tax rates and by the number of years paid: <Amended by Act No. 10408, Dec. 27, 2010>

1. The amount equivalent to 40/100 of the excess repayment from a workplace mutual-aid association;
2. The following amount determined according to the number of years paid:

(2) Matters necessary for the method, etc. for calculating the tax amount where the excess repayment from a workplace mutual-aid association is paid in installments, shall be prescribed by Presidential Decree. <Newly Inserted by Act No. 12852, Dec. 23, 2014>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 64 (Special Cases concerning Calculation of Tax Amount for Real Estate Broker)

(1) The calculated amount of global income tax on a resident whose global income includes the profit margin earned by trading an asset referred to in Article 104 (1) 4, 8, or 10 or any subparagraph of Article 104 (7) (hereafter referred to as "profit margin from trading houses, etc." in this Article) while engaging in a real estate trading business prescribed by Presidential Decree (hereinafter referred to as "real estate trading business") (hereinafter referred to as "real estate broker"), shall be the greater of the following tax amounts: <Amended by Act No. 12852, Dec. 23, 2014; Act No. 15225, Dec. 19, 2017>

1. The calculated taxes on global income;
2. The sum of the following tax amounts:
 - (a) The total tax amount calculated by applying the tax rate specified in Article 104 to the profit margin from trading houses, etc.;
 - (b) The amount of tax calculated by applying the tax rate specified in Article 55 to the tax base which is calculated by deducting the total profit margin from trading houses, etc. in the relevant taxable period from the global income tax base.

(2) Matters necessary to calculate profit margin from trading houses, etc. and calculated tax on other global income on a real estate broker, shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 64-2 (Special Cases concerning Calculation of Tax Amount on House Rental Income)

(1) The final tax amount on global income of a resident who has house rental income subject to separate taxation shall be chosen from the following tax amounts:

1. The final tax amount on global income before applying Article 14 (3) 7;

2. The sum of the following tax amounts:

(a) The amount of business income from housing rental income subject to separate taxation: Provided, That where a resident falling under Article 96 (1) of the Restriction of Special Taxation Act rents out a rental houses under Article 96 (1), the aforesaid business income amount shall be replaced by the amount calculated by subtracting the tax amount reduced or exempted pursuant to Article 96 (1) from the amount obtained by multiplying by 14/100 the amount of business income belonging to the housing rental income subject to separate taxation that is generated from the relevant rental business.

(b) The final tax amount on global income exclusive of the amount in item (a) above.

(2) The amount of business income belonging to housing rental income subject to separate taxation under paragraph (1) 2 (a) shall be the amount calculated by subtracting necessary expenses (referring to 50/100 of the amount of total income) from the amount of total income, but where the amount of global income excluding housing rental income subject to separate taxation for the relevant taxable period is 20 million won less, the amount of business income shall be that calculated by additionally subtracting 2 million won: Provided, That in case of renting out a rental house prescribed by Presidential Decree (hereinafter referred to as "rental house" in this Article), the amount of business income generated from the relevant rental business shall be the amount calculated by subtracting the necessary expenses (referring to 60/100 of the amount of total income) from the amount of total income, but where the amount of global income excluding housing rental income subject to separate taxation for the relevant taxable period is 20 million won less, the amount of business income shall be that calculated by additionally subtracting 4 million won.

(3) In cases falling under any of the following subparagraphs, the amount as classified therein shall be paid when filing a return on the tax base for the taxable period to which the day on which the relevant cause specified therein occurs belongs:

1. Where a business entity whose tax amount is reduced or exempted pursuant to the proviso to paragraph (1) 2 (a) has not rent out the relevant rental house for at least four years (eight years in case of a public-supported private rental house under subparagraph 4 of Article 2 of the Special Act on Private Rental

Housing or a long-term general private rental house under subparagraph 5 of Article 2 of that Act): The tax amount reduced or exempted pursuant to the proviso to paragraph (1) 2 (a);

2. Where a business entity whose tax amount is calculated by applying the proviso to paragraph (2) has not rent out the relevant rental house for at least four years: the difference between the tax amount calculated by not applying the proviso to paragraph (2) and the tax amount at the time a return is initially filed.

(4) In case of paying income tax amount pursuant to any subparagraph of paragraph (3), provisions concerning the additional amount equivalent to the interest under Article 33-2 (4) of the Restriction of Special Taxation Act shall apply mutatis mutandis: Provided, That the foregoing provisions shall not apply in inevitable circumstances prescribed by Presidential Decree.

(5) Matters necessary for methods for calculating the final amount on global income tax on housing rental income subject to separate taxation, and for calculating the amount of business income by type of a rental house, shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 16104, Dec. 31, 2018]

SECTION 6 Interim Prepayment, Preliminary Return and Payment of Tax

Subsection 1 Interim Prepayment

Article 65 (Interim Prepayment) (1) The head of a tax office having jurisdiction over the place for tax payment shall determine the amount (hereinafter referred to as "amount of interim tax prepayment"; and the fractional figure less than 1,000 won shall be ignored) equivalent to 1/2 of the amount of tax paid or payable as income tax on global income derived in the preceding taxable period (hereinafter referred to as "interim prepayment threshold") for a resident with global income (excluding a person who has income prescribed by Presidential Decree only and a person who starts a business during the taxable period and is not a business entity as at the commencement date of the relevant taxable period; hereafter the same shall apply in this Article) as tax payable for a taxable period for interim prepayment from January 1 to June 30 and collect such tax payable by November 30. In such cases, the head of a tax office having jurisdiction over the place for tax payment shall issue a tax notice of the amount of tax for interim prepayment during the period from November 1 to November 15 to the residents liable to pay the tax for interim tax prepayment. <Amended by Act No. 11611, Jan. 1, 2013>

(2) Where a resident liable to pay the tax for interim prepayment notified pursuant to paragraph (1) fails to pay all or part of such tax by November 30, it shall be deemed that no tax notice has been issued for the tax unpaid which may be paid in installment pursuant to Article 77, and the head of a tax office having jurisdiction over the place for tax payment shall issue a tax notice on the tax allowed to be paid in

installment between January 1 and 15 of the following year after the tax period concerned. <Amended by Act No. 11146, Jan. 1, 2012>

(3) Where the income tax on the global income of a resident with global income as of the end of the interim prepayment period (hereinafter referred to as "estimated amount for interim prepayment") is less than 30/100 of the interim prepayment threshold, he/she may file a return with the head of a tax office having jurisdiction over the place for tax payment, referring the estimated amount of interim prepayment as the amount of interim tax prepayment, during the period from November 1 to 30, as prescribed by Presidential Decree.

(4) Where a resident with global income files a return pursuant to paragraph (3), a decision on the tax amount of interim prepayment pursuant to paragraph (1) shall not be deemed to have been made.

(5) Where a person subject to double-entry bookkeeping under Article 160 (3) among the residents who do not have the interim prepayment threshold has business income during the interim prepayment period of the relevant taxable period, he/she shall file a return with the head of a tax office having jurisdiction over the place for tax payment, referring the estimated amount for interim prepayment as the tax amount for interim prepayment, during the period from November 1 to 30, as prescribed by Presidential Decree. <Amended by Act No. 16104, Dec. 31, 2018>

(6) Any resident who files a return pursuant to paragraph (3) or (5) shall pay the amount for interim tax prepayment along with the return to the head of a tax office having jurisdiction over the place for tax payment, the Bank of Korea (including its branches; hereinafter the same shall apply) or a postal service office by November 30.

(7) The interim prepayment threshold under paragraph (1) shall be the amount calculated by deducting the tax refund pursuant to Article 85 (where a decision is made upon request for reassessment pursuant to Article 45-2 of the Framework Act on National Taxes, including the amount reflecting the details thereof) from the total amount of the following taxes:

1. The amount for interim tax prepayment in the preceding taxable period;
2. Tax paid by a final return pursuant to Article 76;
3. The amount of tax additionally paid under Article 85 (including the penalty tax);
4. The amount of tax paid according to a return filed after deadline (including penalty tax) pursuant to Article 45-3 of the Framework Act on National Taxes and the additional tax amount paid voluntarily (including the additional tax amount) pursuant to Article 46 of the same Act.

(8) The estimated amount for interim prepayment under paragraph (3) shall be computed according to order given in the following formulas:

1. Tax base of global income = (the amount of global income for the interim prepayment period × 2) - loss carried forward - global income deduction);

2. Calculated tax on global income = Tax base of global income × basic tax rate;

3.

(9) Where any omission or error is found in a tax return filed pursuant to paragraph (3) or (5) or a person liable to file a return pursuant to paragraph (5) fails to file a return, the head of a tax office having jurisdiction over the place for tax payment may correct or determine the amount of tax for interim prepayment. In such cases, the amount of tax to be corrected or determined shall be the amount computed by applying the method used for computing the estimated amount for interim prepayment under paragraph (8) mutatis mutandis.

(10) Where a real estate broker under Article 69 files a preliminary return on profit margins from sale of land, etc. on land or buildings sold during the interim prepayment period and pays tax on such profit margins, the amount of tax for interim prepayment shall be calculated by subtracting such amount reported and paid from the amount equivalent to 1/2 of the interim prepayment threshold under paragraph (1). In such cases, where the tax amount on such profit margins from sale of land, etc. reported and paid exceeds the amount equivalent to 1/2 of the interim prepayment threshold, the amount of tax for interim prepayment shall be deemed written off.

(11) Notwithstanding paragraphs (1) through (5), the head of a tax office having jurisdiction over the place for tax payment may determine the amount of tax for interim prepayment in the relevant taxable period within the extent not exceeding the following amounts, as prescribed by Presidential Decree, where the Commissioner of National Tax Service deems that there is urgent financial demand due to circumstances, such as troubles both in Korea and abroad, etc.:

1. Where interim prepayment is made pursuant to paragraph (1), the interim prepayment threshold;

2. Where interim prepayment is made pursuant to paragraphs (3) and (5), the amount which is double the estimated amount for interim prepayment under paragraph (8).

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 66 Deleted. <by Act No. 6292, Dec. 29, 2000>

Article 67 Deleted. <by Act No. 6292, Dec. 29, 2000>

Article 68 (Special Cases concerning Interim Prepayment by Member of Taxpayers

Association) Where a taxpayers association has collected and paid, each month, income tax on the relevant income of its members pursuant to Article 150 during the interim prepayment period, interim prepayment on

such income shall not be made.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Subsection 2 Preliminary Return on Profit Margin from Sale of Land, etc. and Payment

Article 69 (Preliminary Return on Profit Margin from Sale and Purchase of Land, etc. and Voluntary Payment by Real Estate Broker)

(1) A real estate broker shall file a return on profit margin from trading land or buildings (hereinafter referred to as "land, etc.") and the amount of tax thereon with the head of a tax office having jurisdiction over the place for tax payment by the date arriving two months from the end of the month in which the trading date falls, as prescribed by Presidential Decree. The same shall also apply where there is no profit margin from trading land, etc. or any trading loss occurs.

(2) A return under paragraph (1) shall be referred to as "preliminary return on profit margin from sale and purchase of land, etc."

(3) The calculated tax on a real estate broker's profit margin from sale and purchase of land, etc. shall be calculated by multiplying the amount obtained by deducting necessary expenses calculated by applying Article 97 mutatis mutandis, from the value of trade, by tax rates prescribed in Article 104: Provided, That notwithstanding Article 104 (1) 2 and 3, if the holding period of land, etc. is less than two years, the calculated tax shall be computed by multiplying the amount obtained as stated above by the tax rate pursuant to subparagraph 1 of the same paragraph. <Amended by Act No. 12169, Jan. 1, 2014>

(4) A real estate broker shall pay the tax calculated pursuant to paragraph (3) until the deadline for preliminary return on sales profit margin under paragraph (1) to the tax office having jurisdiction over the place for tax payment, the Bank of Korea, or a postal service office, as prescribed by Presidential Decree. <Newly Inserted by Act No. 11611, Jan. 1, 2013>

(5) Articles 107 (2), 114, and 114-2 shall apply mutatis mutandis to the calculation, determination, and correction of the calculated tax on profit margin from sale and purchase of land, etc. and the penalty tax on the application of a conversion value. <Amended by Act No. 11611, Jan. 1, 2013; Act No. 15225, Dec. 19, 2017>

(6) Necessary matters concerning calculation of a profit margin from transacting land, etc. and the amount of tax thereon shall be prescribed by Presidential Decree. <Amended by Act No. 11611, Jan. 1, 2013>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

SECTION 7 Final Return on Tax Base and Voluntary Payment

- Article 70 (Final Return on Tax Base of Global Income)** (1) Any resident (including a resident with no tax base for global income or any loss) with the amount of global income in the relevant taxable period shall file a return on the tax base of such global income with the head of a tax office having jurisdiction over the place for tax payment, from May 1 to May 31 in the year following such taxable period, as prescribed by Presidential Decree. <Amended by Act No. 10408, Dec. 27, 2010>
- (2) Paragraph (1) shall also apply where a resident has house rental income subject to separate taxation for the relevant taxable period.<Newly Inserted by Act No. 12852, Dec. 23, 2014>
- (3) A return under paragraph (1) shall be referred to as "final return on the tax base of global income."
- (4) In filing a final return on the tax base of global income, a person shall file such return with the head of a tax office having jurisdiction over the place for tax payment, along with the following documents. In such cases, where any person liable for double-entry bookkeeping under Article 160 (3) fails to submit the documents specified in subparagraph 3, he/she shall be deemed not to have filed a final return on the tax base of global income:<Amended by Act No. 10408, Dec. 27, 2010; Act No. 11146, Jan. 1, 2012; Act No. 12169, Jan. 1, 2014>
1. Documents prescribed by Presidential Decree, which evidence that he/she is entitled to personal deduction, pension insurance premium deduction, interest expense deduction for reverse mortgage-backed retirement pension system, special income deduction, tax credit for children, tax credit for pension accounts, or special tax credits;
 2. Documents prescribed by Presidential Decree, as necessary for calculating the total amount of income and the necessary expenses which form the basis of the calculation of the amount of global income;
 3. Where the amount of business income is calculated on the basis of the books of account and evidentiary documents kept and entered under Articles 160 and 161, the statement of financial position, the statement of profit or loss and the attached documents thereto, the compound trial balance prepared by applying mutatis mutandis the corporate accounting standards, and the adjusted account statement prepared, as prescribed by Presidential Decree: Provided, That in cases of a business entity who bookkeeps pursuant to Article 160 (2), the account statement of the amount of income by simple bookkeeping prescribed by Ordinance of the Ministry of Strategy and Finance;
 4. Where necessary expenses are included pursuant to Articles 28 through 32, a detailed statement thereof;
 5. Where a business entity (excluding any small-scale business entity prescribed by Presidential Decree) has been supplied goods or services by another business entity (including a corporation) in connection with the business and receives verification other than evidentiary documents falling under any subparagraph of Article 160-2 (2), a detailed statement of the reception of receipts prescribed by Presidential Decree

(hereinafter referred to as "detailed statement of the reception of receipts");

6. Where the amount of business income is not calculated on the basis of the books of account and evidentiary documents kept and recorded pursuant to Articles 160 and 161, the account statement of estimated income prescribed by Ordinance of the Ministry of Strategy and Finance.

(5) When deficient matters or errors exist in a return or other documents filed pursuant to paragraph (4), the head of a tax office having jurisdiction over the place for tax payment may request the supplement and correction thereof.

(6) In cases of the business entities specified by Presidential Decree as those deemed necessary in order to ensure accurate tax adjustments for the calculation of income amounts, among persons subject to double-entry bookkeeping under Article 160 (3), the adjusted account statement referred to in paragraph (4) 3 shall be prepared by a person who belongs to the adjustment team specified by Presidential Decree, from among the following persons:<Newly Inserted by Act No. 13558, Dec. 15, 2015>

1. A certified tax accountant registered in the register of certified tax accountants under the Certified Tax Accountant Act;
2. A certified public accountant registered in the register of certified tax accountants or the register of tax agencies under the Certified Tax Accountant Act;
3. An attorney-at-law registered in the register of certified tax accountants under the Certified Tax Accountant Act.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

[Inconsistency with the Constitution, 2016 Hun-Ma 116, Apr. 26, 2018: Article 70 (6) 3 of the Income Tax Act (Amended by Act No. 13558) shall be not consistent with the Constitution. The above-mentioned provisions of such Act shall continue to apply until such provisions are amended by the deadline of Dec. 31, 2019]

Article 70-2 (Submission of Certificate of Confirmation of Compliant Filing) (1) Where it is deemed necessary for compliant tax payment, a business entity whose income for each type of business exceeds a certain level prescribed by Presidential Decree (hereinafter referred to as "business entity subject to confirmation of compliant filing") shall, when filing a final return on the tax base of global income under Article 70, submit a certificate of confirmation (hereinafter referred to as "certificate of confirmation of compliant filing") to the head of a tax office having jurisdiction over the place for tax payment, which is prepared by a person prescribed by Presidential Decree, such as a tax accountant, after confirming the propriety of the amount of business income calculated based on the books and supporting documents kept and recorded under Articles 160 and 161 as prescribed by Presidential Decree, in addition to the documents listed in the subparagraphs of Article 70 (4).

(2) Where a business entity subject to confirmation of compliant filing submits a certificate of confirmation of compliant filing under paragraph (1), notwithstanding Article 70 (1), the filing of the final tax return on the tax base of global income shall be made from May 1 and by no later than June 30 of the year following the year in which the concerned taxable period falls. <Amended by Act No. 11611, Jan. 1, 2013>

(3) When a certificate of confirmation of compliant filing submitted pursuant to paragraph (1) reveals any deficiencies or errors, the head of a tax office having jurisdiction over the place for tax payment may request the supplement and correction thereof.

[This Article Newly Inserted by Act No. 10625, May 2, 2011]

Article 71 (Final Return on Tax Base of Retirement Income) (1) A resident with the amount of retirement income in the relevant taxable period shall file a return on the tax base of such retirement income with the head of a tax office having jurisdiction over the place for tax payment, from May 1 to May 31 in the year following such taxable period, as prescribed by Presidential Decree.

(2) Paragraph (1) shall also apply when there is no tax base of retirement income in the relevant taxable period: Provided, That this shall not apply to a person who pays the income tax pursuant to Articles 146 through 148.

(3) A return filed pursuant to paragraph (1) shall be referred to as a "final return on tax base of retirement income."

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 72 Deleted. <by Act No. 8144, Dec. 30, 2006>

Article 73 (Exception to Final Return on Tax Base) (1) Notwithstanding Articles 70 and 71, any of the following residents may choose not to file a final return on the tax base of the relevant income: <Amended by Act No. 11611, Jan. 1, 2013; Act No. 13558, Dec. 15, 2015>

1. A resident with only wage and salary income;
2. A resident with only retirement income;
3. A resident with only public pension income;
4. A resident with only business income prescribed by Presidential Decree, from which a withholding tax is deducted pursuant to Article 127;
- 4-2. A person with only a religious person's income as other income subject to withholding under Article 127 (1) 6;
5. A resident with only income specified in subparagraphs 1 and 2;

6. A resident with only income specified in subparagraphs 2 and 3;
7. A resident with only income specified in subparagraphs 2 and 4;
- 7-2. A person with only income specified in subparagraphs 2 and 4-2;
8. A resident with only interest income, dividend income, pension income, and other income subject to separate taxation;
9. A resident falling under subparagraph 1 through 4, 4-2, 5 through 7, or 7-2 who has interest income, dividend income, pension income, and other income subject to separate taxation.

(2) Paragraph (1) shall not apply to a person (excluding a worker employed on a daily basis) with any of the following incomes paid by at least two persons: Provided, That this shall not apply to any person who has no tax to be voluntarily paid according to a final tax return filed pursuant to Article 76 (2) after the year-end settlement under Article 137-2, 138, 144-2 (5), or 145-3 and the payment of income tax under Article 148 (1): [<Amended by Act No. 10408, Dec. 27, 2010; Act No. 11611, Jan. 1, 2013; Act No. 13558, Dec. 15, 2015>](#)

1. Wage and salary income;
2. Public pension income;
3. Retirement income;
4. Religious persons' income;
5. Income specified in paragraph (1) 4.

(3) Paragraph (1) shall not apply to a person with wage and salary income under the items of Article 127 (1) 4 or retirement income falling under the proviso to Article 127 (1) 7: Provided, That this shall not apply to a person who has paid income tax pursuant to Article 152 (2) in the same manner as income tax is paid by withholding tax pursuant to Articles 137, 137-2, and 138. [<Amended by Act No. 10408, Dec. 27, 2010; Act No. 11611, Jan. 1, 2013>](#)

(4) Paragraph (1) shall not apply where a withholding agent under Article 127 fails to withhold income tax from those with the income specified in any subparagraph of paragraph (2) (excluding income of a worker employed on a daily basis) pursuant to Article 137, 137-2, 138, 143-4, 144-2, 145-3, or 146. [<Amended by Act No. 10408, Dec. 27, 2010; Act No. 13558, Dec. 15, 2015>](#)

(5) Where no additional income is generated after the occasional imposition pursuant to Article 82, he/she may choose not to file a final return on the tax base.

[\[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009\]](#)

Article 74 (Special Cases concerning Final Return on Tax Base) (1) If a resident dies, his/her inheritor shall file a return on the resident's tax base for the taxable period in which the date of death falls within six months from the last day of the month in which the date of commencement of inheritance falls (where the

inheritor departs from the Republic of Korea during this period, the day before the date of departure), as prescribed by Presidential Decree: Provided, That this shall not apply to the income from the pension account succeeded by a heir pursuant to Article 44 (2). <Amended by Act No. 11146, Jan. 1, 2012; Act No. 11611, Jan. 1, 2013>

(2) Paragraph (1) shall apply mutatis mutandis to cases where a resident who died between January 1 and May 31 had failed to file a final return on the tax base for the preceding taxable period of the taxable period to which the date of death belongs.

(3) Paragraphs (1) and (2) shall apply mutatis mutandis where the relevant inheritor dies without filing a final return on the tax base in the given period.

(4) Where a resident liable to file a final return on the tax base is to depart from the Republic of Korea, he/she shall file a return on the tax base for the taxable period in which the date of departure falls, by not later than the day before the date of departure.

(5) Paragraph (4) shall apply mutatis mutandis to a final return on the tax base for the preceding taxable period of the taxable period to which the date of departure belongs, where a resident departs from the Republic of Korea between January 1 and May 31.

(6) Article 70 (4) and (5) shall apply mutatis mutandis to special cases concerning a final return on the tax base under paragraphs (1) through (5).

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 75 (Application for Reduction or Exemption of Tax) (1) A resident who intends to qualify for income tax reduction or exemption under Article 59-5 (1) shall file an application with the head of a tax office having jurisdiction over the place for tax payment, together with a return under Article 69, 70, 70-2, or 74, as prescribed by Presidential Decree. <Amended by Act No. 11611, Jan. 1, 2013; Act No. 12169, Jan. 1, 2014>

(2) A person who intends to qualify for reduction or exemption of wage and salary income under Article 59-5 (1) shall file an application with the head of the competent tax office, as prescribed by Presidential Decree. <Amended by Act No. 12169, Jan. 1, 2014>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 76 (Final Tax Return and Payment) (1) Any resident shall pay the amount calculated by deducting the amount of tax reduced or exempted and the amount of tax deducted from the calculated tax on global income or the calculated tax on retirement income based on the tax base of the relevant taxable period to a tax office having jurisdiction over the place for tax payment, the Bank of Korea, or a postal service office, as

prescribed by Presidential Decree, by not later than the deadline for the final return on the tax base pursuant to Articles 70, 70-2, 71 and 74. <Amended by Act No. 11611, Jan. 1, 2013>

(2) Payment pursuant to paragraph (1) shall be referred to as "payment by final return".

(3) When a person pays taxes by final return, he/she shall deduct the following amount of taxes:<Amended by Act No. 10408, Dec. 27, 2010>

1. The amount of tax for interim prepayment pursuant to Article 65;
2. The amount of tax calculated, determined, or corrected for a preliminary return on profit margin from sale and purchase of land, etc. pursuant to Article 69;
3. Tax imposed occasionally under Article 82;
4. The amount of a withholding tax pursuant to Article 127 (the amount of a withholding tax on the amount equivalent to interest, etc. of bonds, etc. pursuant to Article 133-2 (1) shall be limited to the tax amount equivalent to interest, etc. during the holding period of the relevant resident pursuant to Article 46 (1));
5. Tax collected by a taxpayers association under Article 150, and the amount deducted.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 77 (Payment in Installment) A resident whose amount of tax payable pursuant to Article 65, 69 or 76 exceeds ten million won, respectively, may pay part of such tax payable in installment, within two months after the period of payment has expired, as prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

SECTION 8 Report and Confirmation on Present Status of Place of Business

Article 78 (Report on Present Status of Place of Business) (1) Any business entity (including business entities who permanently or temporarily close his/her business during the relevant taxable period) shall file a report on the present status of the relevant place of business (hereinafter referred to as "report on the present status of a place of business") with the head of a tax office having jurisdiction over the place of business, by February 10 of the following year of the relevant taxable period, as prescribed by Presidential Decree: Provided, That a report on the present status of a place of business shall be deemed filed in any of the following cases: <Amended by Act No. 10408, Dec. 27, 2010; Act No. 11873, Jun. 7, 2013; Act No. 12852, Dec. 23, 2014>

1. Where Article 74 applies due to the death of a business entity or his/her departure from the Republic of Korea;

2. Where a business entity defined in subparagraph 3 of Article 2 of the Value-Added Tax Act files a return pursuant to Article 48, 49, 66, or 67 of the same Act: Provided, That, where the business entity files a return on his/her income, etc. earned from a tax-free business while concurrently engaging in a taxable business and tax-free business, etc. under the Value-Added Tax Act, a report on the present status of a place of business for the tax-free business, etc. shall be deemed filed.

(2) Any business entity liable to file a report on the present status of place of business pursuant to paragraph (1) shall file a written report that includes the following matters:

1. Personal information of the business entity;
2. Details of the amount of income by type of business;
3. Deleted. <Act No. 16104, Dec. 31, 2018>;
4. Other matters prescribed by Presidential Decree.

(3) Notwithstanding paragraph (1), a business entity prescribed by Presidential Decree, such as a person who files a return on the amount of income by joining a taxpayers' association, need not file a report on current status of place of business. <Newly Inserted by Act No. 16104, Dec. 31, 2018>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 79 (Investigation and Confirmation on Present Status of Place of Business) The head of a tax office or the commissioner of a regional tax office having jurisdiction over the seat of a place of business who has received a report on the present status of a place of business pursuant to Article 78 may investigate and confirm the present status of the place of business or order the submission of books, documents, articles, etc. pertaining thereto and other necessary matters, as prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

SECTION 9 Determination, Correction, Collection and Refund

Subsection 1 Determination and Correction of Tax Base

Article 80 (Determination and Correction) (1) Where a resident liable to file a final return on the tax base under Articles 70, 70-2, 71, and 74 fails to file such final return, the head of a tax office or the commissioner of a regional tax office having jurisdiction over the place for tax payment shall determine the tax base and tax amount of the resident in the relevant taxable period. <Amended by Act No. 11611, Jan. 1, 2013>

(2) Where a person who files a final return on the tax base under Articles 70, 70-2, 71, and 74 (including any person who fails to file a final return on the tax base pursuant to Article 73 in cases falling under

subparagraph 2 or 3) falls under any of the following cases, the head of the tax office having jurisdiction over the relevant place for tax payment or the commissioner of the relevant regional tax office shall correct the tax base and tax amount for the relevant taxable period:<Amended by Act No. 10408, Dec. 27, 2010; Act No. 11611, Jan. 1, 2013; Act No. 12169, Jan. 1, 2014; Act No. 13558, Dec. 15, 2015>

1. Where an omission or error exists on the return;
2. Where an omission or error exists in any detail of income tax withheld under Article 137, 137-2, 138, 143-4, 144-2, 145-3, or 146 and it is deemed impracticable to collect the tax from the withholding agent due to the permanent closure of business, unknown whereabouts, etc. of the withholding agent or the withholding agent is unable to collect withholding taxes due to resignation of the relevant wage and salary income earner;
3. Where a person who has submitted a return on income deductions and tax credits for wage and salary income under Article 140 has any global income deduction or tax credit by any fraudulent means specified by Presidential Decree, such as false receipts, and it is deemed difficult for the withholding agent to ascertain such fraudulent deduction;
4. Where a person fails to submit all or part of the aggregate table of invoices by purchaser and the aggregate table of invoices by seller pursuant to Article 163 (5) or the statement of payment pursuant to Articles 164 and 164-2;
5. Any of the following cases where it is determined the details of a return are false considering the scale of the facilities and the current status of the business:
 - (a) Where a business entity obliged to use an account for business pursuant to Article 160-5 (1) fails to perform such obligation;
 - (b) Where a business entity obliged to report an account for business pursuant to Article 160-5 (3) fails to perform such obligation;
 - (c) Where a business entity who meets the requirements to become a credit card member store under Article 162-2 (1) fails to join the membership of a credit card member store under the Specialized Credit Financial Business Act without just grounds;
 - (d) Where a credit card member store which has become a member of credit card member stores because it meets the membership requirements under Article 162-2 (2) refuses transactions by credit card without just grounds, in violation of Article 162-2 (2), or issues a credit card sales slip falsely;
 - (e) Where a business entity who meets the requirements under Article 162-3 (1) fails to register as a cash receipt merchant without just grounds;

(f) Where a business entity who has registered as a cash receipt merchant pursuant to Article 162-3 (1) fails to issue a cash receipt without just grounds, in violation of Article 162-3 (3) or (4), or issues it falsely.

(3) Where the head of a tax office or the commissioner of a regional tax office having jurisdiction over the place for tax payment determines or corrects the tax base and tax amount of the relevant taxable period pursuant to paragraphs (1) and (2), he/she shall determine or correct them based on books of account and other evidentiary documents: Provided, That where he/she is unable to calculate the amount of income by books of account and other evidentiary documents, due to reasons prescribed by Presidential Decree, he/she may estimate, investigate, and determine the amount of income, as prescribed by Presidential Decree.

(4) Where any omission or error is found after the determination or correction of the tax base and tax amount, the head of a tax office or the commissioner of a regional tax office having jurisdiction over the place for tax payment shall immediately correct such tax base and tax amount.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 81 (Penalty Tax) (1) Where any person obliged to submit a statement of payment under Article 164 or 164-2 of this Act or Article 120 or 120-2 of the Corporate Tax Act or a simplified statement of payment of earned income under Article 164-3 of this Act falls under any of the following cases, the amount determined under the following classifications shall be added to the final amount of tax: Provided, That this shall not apply where penalty tax is levied under Article 90-2 of the Restriction of Special Taxation Act: <Amended by Act No. 10408, Dec. 27, 2010; Act No. 11611, Jan. 1, 2013; Act No. 14389, Dec. 20, 2016; Act No. 16104, Dec. 31, 2018>

1. Where he/she fails to submit the relevant statement of payment by the deadline: The amount equivalent to 1/100 (or 5/1,000 of the amount of payment, where he/she submits a statement of payment within three months after the deadline for submission) of the amount of payment for which no statement of payment has been submitted;
2. Where the statement of payment submitted falls under any of the unclear cases specified by Presidential Decree or the amount of payment entered in the statement of payment is incorrect: The amount equivalent to 1/100 of the amount of payment which is unclear or untrue.
3. Where such person fails to submit the relevant simplified statement of payment of earned income by the deadline: The amount equivalent to 5/1,000 (referring to 25/10,000 of the amount of payment, where he/she submits a simplified statement of payment within three months after the deadline for submission) of the amount of payment for which no statement of payment has been submitted; Provided, That, as for the income generated for the taxable period to which January 1, 2019 belongs, 50/100 of the amount calculated according to the main sentence of this subparagraph shall apply;

4. Where the statement of payment submitted falls under any of the unclear cases specified by Presidential Decree or the amount of payment entered in the statement of payment does not coincide with the correct amount: The amount equivalent to 1/100 of the amount of payment which is unclear or incorrect: Provided That, as for the income generated for the taxable period to which January 1, 2019 belongs, 50/100 of the amount calculated according to the main sentence of this subparagraph shall apply.

(2) Deleted.<by Act No. 11146, Jan. 1, 2012>

(3) Where any person subject to double-entry bookkeeping pursuant to Article 160 (3) falls under any of the following cases, the person shall add the amount specified in the relevant subparagraph to the final amount of tax: Provided, That the same shall not apply to the cases for which a penalty tax shall be imposed under Article 60 (2), (3), (5), or (6) of the Value-Added Tax Act:<Amended by Act No. 10408, Dec. 27, 2010; Act No. 11873, Jun. 7, 2013; Act No. 12852, Dec. 23, 2014; Act No. 14389, Dec. 20, 2016; Act No. 15225, Dec. 19, 2017; Act No. 16104, Dec. 31, 2018>

1. Where a taxpayer fails to enter all or some of the descriptions prescribed by Presidential Decree in an invoice issued under Article 163 (1) or (2) (including electronic invoices under the latter part of Article 163 (1); hereafter the same shall apply in this Article) or enters any false description therein (excluding those to which subparagraph 2 shall apply): 1/100 of the supply price;

2. Where a taxpayer fails to submit the aggregate table of invoices by purchaser and by seller under Article 163 (5) or fails to enter all or some descriptions that shall be entered in any of the aggregate tables submitted or enters any false description therein (excluding the sale prices or purchase prices for any case where any description in the aggregate table of invoices by purchaser or by seller is erroneously entered and the transaction is confirmed and for any case to which subparagraph 4 shall apply, as prescribed by Presidential Decree): 5/1,000 of the supply price: Provided, That the rate shall be 3/1,000 of the supply price, if a taxpayer fails to submit the aggregate table of invoices by purchaser and the aggregate table of invoices by seller under Article 163 (5), but submits them within one month after the deadline for submission;

3. Where a taxpayer fails to submit the aggregate table of tax invoices by seller under Article 54 of the Value-Added Tax Act (hereinafter referred to as "aggregate table of tax invoices by seller") pursuant to Article 163-2 (1), omits all or some descriptions that shall be entered in the aggregate table of tax invoices by seller, or enters any false description (excluding the purchase prices for any case where any description in the aggregate table of tax invoices by seller is erroneously entered and the transaction is confirmed and for any case to which subparagraph 4 shall apply, as prescribed by Presidential Decree): 5/1,000 of the supply price: Provided, That the rate shall be 3/1,000 of the supply price, if a taxpayer fails to submit the

- aggregate table of tax invoices by seller under Article 163-2 (1), but submits them within one month after the deadline for submission;
4. In any of the following cases: 2/100 of the supply price: Provided, That in cases falling under item (a), where a person obligated to issue electronic invoices under Article 163 (1) issues any invoice other than electronic invoices and where such person issues an invoice under Article 163 (1) or (2) by January 25 of the year immediately following the taxable period in which relevant goods or services are supplied, after the deadline by which the invoice under Article 163 (7) shall be issued, the rate shall be 1/100:
- (a) Where a taxpayer fails to issue an invoice under Article 163 (1) or (2) at the time the invoice shall be issued under Article 163 (7);
 - (b) Where a taxpayer issues an invoice under Article 163 (1) or (2), a credit card sales slip under Article 160-2 (2) 3 or a cash receipt under Article 160-2 (2) 4 (hereafter referred to as "invoice or other similar document" in this subparagraph) without supplying goods or services;
 - (c) Where a person receives an invoice or other similar document issued for goods or services that have not been supplied;
 - (d) Where an invoice or other similar document is issued for goods or services supplied in the name of a person, other than the supplier of goods or services;
 - (e) Where an invoice or other similar document is issued for goods or services received in the name of a person, other than the supplier of goods or services;
5. Where a taxpayer transmits a detailed statement of issuance of electronic invoices (excluding those to which subparagraph 4 shall apply) to the Commissioner of National Tax Service by the 11th day of the month immediately following the end of the taxable period in which goods or services are supplied or provided, after the deadline specified in Article 163 (8): 3/1,000 Of the supply price: Provided, That the rate shall be 1/1,000 for the goods or services that a business entity under Article 163 (1) 1 supplies or provides on or before December 31, 2016, while it shall be 1/1,000 for the goods or services that a business entity under Article 163 (1) 2 supplies or provides on or before December 31, 2018;
6. Where a taxpayer fails to transmit a detailed statement of issuance of electronic invoices (excluding those to which subparagraph 4 shall apply) to the Commissioner of National Tax Service by the 11th day of the month immediately following the end of the taxable period in which goods or services are supplied or provided, after the deadline specified in Article 163 (8): 1/100 Of the supply price: Provided, That the rate shall be 5/1,000 for the goods or services that a business entity under Article 163 (1) 1 supplies or provides on or before December 31, 2016, while it shall be 3/1,000 for the goods or services that a business entity under Article 163 (1) 2 supplies or provides on or before December 31, 2018.

(4) Where a business entity (excluding a small-scale business entity prescribed by Presidential Decree, or a person whose amount of income is estimated, as prescribed by Presidential Decree) is supplied goods or services from another business entity (including a corporation) in relation to his/her business and fails to receive an evidentiary document falling under any subparagraph of Article 160-2 (2) or receives a false evidentiary document, the amount equivalent to 2/100 of the amount for which he/she fails to receive an evidentiary document or receives a false evidentiary document (referring to the difference from the amount receivable according to each case) shall be added to the final amount of tax: Provided, That this shall not apply where the proviso to Article 160-2 (2) applies.

(5) Where a business entity (excluding a small-scale business entity prescribed by Presidential Decree, or a person whose amount of income is estimated as prescribed by Presidential Decree) fails to submit a specification of reception of receipts under Article 70 (4) 5 by the deadline for a final return on the tax base or it is deemed the submitted specification of reception of receipts is a case of obscurity prescribed by Presidential Decree, the amount equivalent to 1/100 of the amount paid without the specification or of the amount paid with the obscure specification shall be added to the final amount of tax.

(6) Where a business entity (limited to the business entities specified by Presidential Decree, among those who mainly supply goods or services to consumers, not to business entities) fails to report the present status of the place of business pursuant to Article 78 or understates the amount of income that shall be reported under Article 78 (2) in such report (the amount of income from tax-free business, etc., if a business entity is deemed to have reported the present status of the place of business pursuant to the latter part of Article 78 (1) 2), the amount equivalent to 5/1,000 of the amount of the income unreported or understated shall be added to the final amount of tax for the relevant taxable period. <Amended by Act No. 12852, Dec. 23, 2014>

(7) Where any business entity falls under any of the following cases, in relation to the registration or report for any place of joint business, any of the following amounts shall be added to the final amount of tax for the relevant taxable period:

1. Where any joint business entity fails to register the business pursuant to Article 87 (3) or any person who is not a joint business entity falsely registers as a joint business entity: 5/1,000 of the total amount of income for each taxable period during which no registration or a false registration is made;
2. Where any joint business entity fails to report details to be reported pursuant to Article 87 (4) and (5) or files a false report, which is prescribed by Presidential Decree: 1/1,000 of the total amount of income for each taxable period during which no report or a false report is made.

(8) Where any business entity (excluding a small-scale business entity prescribed by Presidential Decree) fails to keep and enter the books of account under Articles 160 and 161 or any amount of income entered in the

books of account is less than the amount which should have been entered, an amount equivalent to 20/100 of the amount calculated by multiplying the calculated tax by the ratio (1, if the relevant ratio exceeds 1; 0, if it is smaller than 0) of the amount of income which is not entered in the books of account or the amount of income less than the amount which should have been entered to the amount of global income shall be added to the final amount of tax.

(9) Where a business entity falls under any of the following cases, each of the following amounts shall be added to the final amount of tax for the relevant taxable period: Provided, That subparagraph 2 shall not apply where, without reporting a business account for each place of business pursuant to Article 160-5 (3), a business entity uses the business account of any other place of business which has already been reported:
<Amended by Act No. 10408, Dec. 27, 2010; Act No. 16104, Dec. 31, 2018>

1. Where he/she fails to use a business account when he/she falls under any subparagraph of Article 160-5 (1): An amount equivalent to 2/1,000 of the amount for which no business account has been used;
2. Where he/she fails to report a business account pursuant to Article 160-5 (3): The larger of the following amounts:
 - (a) An amount equivalent to 2/1,000 of the amount of income during the period during which a business account has not been reported (referring to the number of days from the day following the deadline for reporting until the day before the date on which a business account is reported; hereafter referred to as "unreported period" in this subparagraph. In such cases, where the unreported period extends over at least two taxable periods, the unreported period shall apply to each taxable period) in the taxable period. In such cases, the amount of income during the unreported period shall be calculated pursuant to the following formula:

The amount of income = The amount of income of the relevant taxable period × Unreported period / 365
(366 in a leap year)

- (b) An amount equivalent to 2/1,000 of the total transactions pursuant to the subparagraphs of Article 160-5 (1).

(10) Where a credit card member store under Article 162-2 (2) refuses transactions by credit card or issues credit card sales slips falsely, and as a result thereof, receives a notice from the head of the competent tax office pursuant to the latter part of Article 162-2 (4), the amount (where the amount calculated for each purchase is less than 5,000 won, referring to 5,000 won) equivalent to 5/100 of each amount notified for which credit card transaction is refused or the amount for which a false credit card sales slip is issued (referring to the difference from the amount which should have been issued for each purchase) shall be added to the final amount of tax for the relevant taxable period.

(11) Where a business entity falls under any of the following subparagraphs, the amount as classified in the following subparagraphs shall be added to the finalized tax amount for the relevant taxable period:

<Amended by Act No. 16104, Dec. 31, 2018>

1. In case of failing to register as a cash receipt merchant in violation of Article 162-3 (1) or registering as such after the registration deadline has elapsed: 1/100 of the amount of income (applicable only to the amount of income of types of business required to register as a cash receipt merchant, and excluding the amount of income prescribed by Presidential Decree, such as the amount of income for which an invoice under Article 163 and the amount of income for which a tax invoice under Article 32 of the Value-Added Tax Act is issued; hereinafter the same shall apply in this subparagraph) during the period he/she fails to register as a cash receipt merchant (referring to the number of days from the day immediately after the deadline for registration under Article 162-3 (1) to the day immediately before the day on which the store registers; hereafter referred to as "unregistered period" in this subparagraph. In such cases, where the unregistered period extends over at least two taxable periods, the unregistered period shall apply to each taxable period). In such cases, the amount of income during the unregistered period shall be calculated according to the following calculation formula:
2. In case of receiving a notice from the head of the competent tax office pursuant to the latter part of Article 162-3 (6) due to refusing to issue a cash receipt or issuing it in no conformity with the relevant facts in violation of paragraph (3) of that Article (applicable only to cases where the amount subject to the issuance of a cash receipt for each transaction is five thousand won or more, and excluding cases falling under subparagraph 3: An amount (referring to 5,000 won, where the amount calculated for each transaction is less than 5,000 won) equivalent to 5/100 of the amount for each transaction with respect to which the relevant business entity received such notice concerning the fact of having failed to issue a cash receipt or of having issued a cash receipt in no conformity with the relevant facts (referring to the difference from the amount that should have been issued for each transaction);
3. In case of failing to issue a cash receipt in violation of Article 162-3 (4) (excluding cases prescribed by Presidential Decree, such as cases where the person to whom a cash receipt should have been issued is eligible for insurance benefits under the National Health Insurance Act): 20/100 (referring to 10/100 in case of voluntarily reporting any error or omission in the issuance of a cash receipt to the competent tax office, or voluntarily issuing a cash receipt no later seven days after the date of receiving the transaction money related to such error or omission) of the amount for which a cash receipt is not issued.

(12) Where a resident or nonresident who issues a receipt for donation (hereinafter referred to as "receipt for donation") required to include such donation in necessary expenses or deductible expenses under Article 34

of this Act and Article 24 of the Corporate Tax Act or to have the tax credit for the donation under Article 59-4 (4), makes false entries (including where a receipt for donation is issued without stating the donated amount, the donator's personal information, or any other essential description; hereafter the same shall apply in this paragraph) in a receipt for donation or fails to prepare and keep a detailed statement of issuance for each donor in accordance with Article 160-3 (1), the following amounts shall be added to the final amount of tax, but subparagraph 2 shall not apply where a penalty tax is levied due to a failure to perform the obligation to submit a report pursuant to Article 78 (3) of the Inheritance Tax and Gift Tax Act or due to a failure to keep and retain accounting books on the property acquired by contribution pursuant to paragraph (5) of the same Article:<Amended by Act No. 11611, Jan. 1, 2013; Act No. 12169, Jan. 1, 2014>

1. In cases of a receipt for donation:

(a) Where the donated amount stated on a receipt is false: The amount equivalent to 2/100 of the amount stated falsely on the receipt (referring to the difference between the amount entered actually on the receipt (or referring to the amount that the person to whom the receipt for donation was issued included as the donation in necessary expenses or had the tax credit for the donation if no amount is stated on the receipt) and the amount that should have been stated);

(b) Any other cases, other than item (a), such as issuance of a receipt for donation with its personal information, etc. of a donor falsely stated: The amount equivalent to 2/100 of the amount entered on the receipt;

2. Where a detailed statement of issuance to each donor is not kept or retained: The amount equivalent to 2/1,000 of the amount for which a detailed statement of issuance is not kept or retained.

(13) Where a business entity subject to confirmation of compliant filing fails to submit a certificate of confirmation of compliant filing by June 30 of the year immediately following the taxable period under Article 70-2 (2) to the head of the tax office having jurisdiction over the place for tax payment, the amount equivalent to 5/100 of the amount calculated by multiplying the calculated tax on global income by the ratio (1, if the relevant ratio exceeds 1; 0, if it is smaller than 0) of the amount of business income to the amount of global income (hereafter referred to as "penalty tax for the failure to submit a written confirmation of compliant filing" in this paragraph) shall be added to the final amount of tax. In such cases, when the calculated tax on global income becomes greater than zero as a result of the correction under Article 80, a penalty tax for the failure to submit a written confirmation of compliant filing shall be added to the final amount of tax.<Newly Inserted by Act No. 10625, May 2, 2011; Act No. 12169, Jan. 1, 2014>

(14) If a resident obliged to submit a calculation statement of reserved income of a specific foreign corporation under subparagraph 3 of Article 20-2 of the Adjustment of International Taxes Act (hereafter

referred to as "calculation statement" in this paragraph) in accordance with the said Article fails to submit it by the deadline for submission, completely or partially omits descriptions of the calculation statement, or the calculated statement so submitted is found vague on any ground specified by Presidential Decree, the amount equivalent to 5/1,000 of the reserved income that the specific foreign corporation may distribute as dividends shall be added to the final amount of tax for the relevant taxable period.<Newly Inserted by Act No. 12169, Jan. 1, 2014>

(15) Where a business entity who acquires housing rental income fails to apply for the registration by the deadline under the main sentence of Article 8 (1) of the Value-Added Tax Act pursuant to Article 168 (1) and (3) of this Act, the amount equivalent to 2/1,000 of the amount of housing rental income generated from the starting date of the business to the day immediately before the day of applying the registration shall be added to the finalized tax amount for the relevant taxable period.<Newly Inserted by Act No. 16104, Dec. 31, 2018>

(16) Paragraphs (1), (3) through (7), (9) through (12), (14) and (15) shall apply where no tax is assessed.<Amended by Act No. 12169, Jan. 1, 2014; Act No. 16104, Dec. 31, 2018>
[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 82 (Determination of Occasional Imposition) (1) If a resident falls under any of the following cases during the taxable period, the head of a tax office or the commissioner of a regional tax office having jurisdiction over the place for tax payment may impose income tax on the resident occasionally (hereinafter referred to as "occasional imposition"):

1. Where it is deemed that he/she may evade income tax because he/she is in a state of suspension or discontinuance of business for a long time, due to business depression or other circumstances;
2. Where there are reasonable grounds to believe he/she may evade tax.

(2) Paragraph (1) shall apply considering the period from the commencement of business to the date on which any reason under the subparagraphs of paragraph (1) arises in the relevant taxable period as the period of occasional imposition. In such cases, where any reason under subparagraphs of paragraph (1) arises before the deadline for a final return pursuant to Article 70 or 70-2, and a taxpayer fails to file a final return on the tax base on the preceding taxable period, the preceding taxable period shall be included in the period of occasional imposition.<Amended by Act No. 11611, Jan. 1, 2013>

(3) Where the head of the competent tax office or the commissioner of the competent regional tax office imposes income tax occasionally under paragraphs (1) and (2), Articles 47-2 and 47-3 of the Framework Act on National Taxes shall not apply to the relevant tax and the amount of income.

(4) The head of the competent tax office or the commissioner of the competent regional tax office may impose the income tax occasionally on a person liable to taxation in the region whose domicile, place of residence or place of business are deemed to change frequently, by applying paragraphs (1) and (2) mutatis mutandis, as prescribed by Presidential Decree.

(5) Procedures for occasional imposition and other necessary matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 83 (Notification of Tax Base and Amount of Tax) Where the head of a tax office or the commissioner of a regional tax office having jurisdiction over the place for tax payment determines or reassesses the tax base and the amount of tax for a resident pursuant to Article 80, he/she shall notify the relevant resident or his/her inheritor of such details in writing, as prescribed by Presidential Decree: Provided, That he/she has determined or reassessed the tax base and tax amount pursuant to Article 42, he/she shall promptly notify such determination or reassessment.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 84 (Threshold of Taxation on Other Income) In any of the following cases, no income tax shall be levied on other income: <Amended by Act No. 12852, Dec. 23, 2014; Act No. 13558, Dec. 15, 2015>

1. In any of the following cases where the refund under Article 21 (1) 4 is for the sum of the amounts printed on the face of horse racing tickets, winner wager tickets, bullfighting match wager tickets, or sports promotion wager tickets in each case does not exceed 100,000 won:
 - (a) Where the refund for each winning wager ticket does not exceed 100,000 won;
 - (b) Where the refund for the amount of each wager unit does not exceed 100 times the amount of each wager unit, and the refund for each winning wager ticket does not exceed two million won;
2. Where the prizes, etc. under Article 21 (1) 14 do not exceed two million won in each case;
3. Where the amount of other income does not exceed 50,000 won per case (excluding the amount of other income under Article 21 (1) 21).

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Subsection 2 Collection and Refund of Tax

Article 85 (Collection and Refunds) (1) If a resident falls under any of the following cases, the head of a tax office having jurisdiction over the place for tax payment shall collect income tax for the amount unpaid pursuant to the National Tax Collection Act: <Amended by Act No. 11611, Jan. 1, 2013>

1. Where a person liable to file a return and pay interim tax prepayment pursuant to Article 65 (6) fails to pay all or part of such tax amount;
2. Where any person fails to pay all or part of income tax for the relevant taxable period pursuant to Article 76.

(2) If the amount of income tax of a resident in the relevant taxable period collected or paid pursuant to paragraph (1) or Article 76 is less than the amount of income tax determined or reassessed by the head of a tax office or the commissioner of a regional tax office having jurisdiction over the place for tax payment pursuant to Article 80, the head of a tax office having jurisdiction over the place for tax payment shall collect such shortfall. The same shall also apply to the interim tax prepayment pursuant to Article 65.

(3) Where a withholding agent fails to pay the tax withheld or is to be withheld by the deadline therefor, or underpays such tax, the head of a tax office having jurisdiction over the place for tax payment shall collect the tax due plus penalty tax pursuant to Article 47-5 (1) of the Framework Act on National Taxes from a withholding agent: Provided, That where a withholding agent fails to deduct withholding taxes in any of the following cases, the head of a tax office having jurisdiction over the place for tax payment shall collect only penalty tax under Article 47-5 (1) of the Framework Act on National Taxes:<Amended by Act No. 11146, Jan. 1, 2012; Act No. 11611, Jan. 1, 2013>

1. Where the amount of income subject to withholding tax which has not been deducted is already included in the amount of tax base declared and paid by a taxpayer;
2. Where the head of the competent tax office of a taxpayer levies income tax directly on the amount of income subject to withholding which has not been deducted at source on the taxpayer and collects the same from him/her pursuant to Articles 80 and 114.

(4) Where the amount of interim tax prepayment, payment by preliminary return on profit margin from the sale and purchase of land, etc., occasional imposition, and withholding taxation pursuant to Articles 65, 69, 82, 127 and 150 exceeds the total amount of calculated tax on global income and the total amount of calculated tax on retirement income under subparagraph 3 of Article 15 respectively, the head of a tax office having jurisdiction over the place for tax payment shall refund such excess or appropriate it for other national taxes, penalty taxes and disposition fee for arrears.

(5) Where a taxpayers association fails to collect and pay the income tax for its members each month by the deadline therefor, or underpays such income tax, the head of a tax office having jurisdiction over the taxpayers association shall collect the tax due plus surtax pursuant to Article 47-5 (1) of the Framework Act on National Taxes from the taxpayers association.<Newly Inserted by Act No. 11146, Jan. 1, 2012>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 85-2 (Refund from Loss Carryback) (1) Where a loss carried forward (excluding a loss carried forward which occurs in real estate leasing business; hereafter the same shall apply in this Article) in the relevant taxable period, as prescribed in Article 45 (3), occurs when a resident who operates a small and medium enterprise prescribed by Presidential Decree calculates the amount of business income, he/she may claim a refund of the amount calculated, as prescribed by Presidential Decree (hereinafter referred to as "amount of loss carryback") within the limit of the amount of income tax (referring to the amount of income tax prescribed by Presidential Decree) levied on business income for such small and medium enterprise in the preceding taxable period. In such cases, when a loss is carried back in relation to loss carried forward pursuant to Article 45 (3), such loss carried forward shall be deemed deducted.

(2) Any person who intends to claim a loss carryback refund shall file an application to the head of a tax office having jurisdiction over the place for tax payment, as prescribed by Presidential Decree, by the deadline for a final return on tax base pursuant to Article 70, 70-2 or 74. <Amended by Act No. 11611, Jan. 1, 2013>

(3) Where the head of a tax office having jurisdiction over the place for tax payment receives an application for refund of income tax pursuant to paragraph (2), he/she shall promptly determine the tax amount to be refunded and refund it pursuant to Articles 51 and 52 of the Framework Act on National Taxes.

(4) Paragraphs (1) through (3) shall apply only where the relevant resident files a return on the tax base and tax amount on the income for the taxable period in which a loss carried forward occurs and for the preceding taxable period respectively by the deadline for a final return on tax base pursuant to Article 70, 70-2 or 74. <Amended by Act No. 11611, Jan. 1, 2013>

(5) Where a person who has been refunded the income tax pursuant to paragraph (3) falls under any of the following, the head of the tax office having jurisdiction over the place for tax payment shall collect the amount of such refunding tax (in cases falling under subparagraphs 1 and 2, referring to the amount equivalent to the tax amount excessively refunded) as income tax for the taxable period in which such loss carried forward occurred, as prescribed by Presidential Decree: <Amended by Act No. 11146, Jan. 1, 2012; Act No. 11611, Jan. 1, 2013>

1. Where the amount of loss carried forward is reduced after rectifying the tax base and amount of an income tax for the tax period in which the amount of loss occurred;
2. Where the refunded tax amount is decreased by rectifying the tax base of global income and the tax amount for the taxable period immediately preceding the taxable period in which the amount of loss occurs;

3. Where a person has been refunded without satisfying the requirements for the small and medium enterprise under paragraph (1).

(6) Calculation of the amount of tax to be refunded by the retroactive deduction of a loss, procedures for application therefor and other necessary matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 86 (Non-Collection of Small Sum) No income tax shall be collected in any of the following cases:

<Amended by Act No. 11146, Jan. 1, 2012; Act No. 12169, Jan. 1, 2014>

1. Where the amount of withholding tax under Article 127 (excluding paragraph (1) 1 of the same Article) is less than 1,000 won;

2. Where the amount of tax collected by a taxpayers association pursuant to Article 150 is less than 1,000 won;

3. Deleted;<by Act No. 11611, Jan. 1, 2013>

4. Where the amount of interim tax prepayment under Article 65 is less than 300,000 won.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

SECTION 10 Special Cases concerning Places of Joint Business

Article 87 (Special Cases concerning Places of Joint Business) (1) The amount of tax withheld from income generated at a place of joint business shall be distributed in accordance with the profit-and-loss distribution ratio of the respective joint business entities.

(2) The amount of tax related to a place of joint business as penalty tax amount pursuant to Articles 81 (1), (3) through (7), and (9) through (11), and Article 47-5 of the Framework Act on National Taxes shall be distributed according to the profit-and-loss distribution ratio of the respective joint business entities.

<Amended by Act No. 10408, Dec. 27, 2010; Act No. 11146, Jan. 1, 2012>

(3) Articles 160 (1) and 168 shall apply to a place of joint business considering such place of joint business as one business entity.

(4) When joint business entities make business registration in relation to their place of joint business pursuant to Article 168 (1) and (2) on their place of joint business, they shall file a report with the head of a tax office having jurisdiction over the seat of a place of joint business on the joint business entities (including matters concerning whether they are investment joint business entities), the agreed profit-and-loss distribution ratio, the representative joint business entity, details of shares and investment, and other necessary matters, as prescribed by Presidential Decree.

(5) Where any change is made to the details reported pursuant to paragraph (4), the representative joint business entity shall report the details of such change to the head of a tax office having jurisdiction over the seat of the relevant place of business, as prescribed by Presidential Decree.

(6) Matters necessary for a return, determination, reassessment or investigation, etc. on the amount of income for a place of joint business shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

CHAPTER III RESIDENT'S TAX LIABILITIES FOR CAPITAL GAINS

SECTION 1 Definition of Transfer

Article 88 (Definitions) The terms used in this Chapter shall be defined as follows: <Amended by Act No. 16104, Dec. 31, 2018>

1. The term "transfer" means to convey an asset to another person in return for valuable consideration, through sale, exchange, investment in kind to a corporation, etc., regardless whether the asset is registered or recorded in official records. In such cases, the amount of debt in a gift of encumbered property prescribed by Presidential Decree shall be deemed transferred, but none of the following cases shall be deemed transferred:
 - (a) Where the category of land or the lot number is changed due to replotting or a parcel of land is reserved as a reserved land area under the Urban Development Act or any other Act;
 - (b) Where a parcel of land is exchanged with another parcel of land according to any of the methods and procedures prescribed by Presidential Decree, such as the partition of land under Article 79 of the Act on the Establishment, Management, etc. of Spatial Data, in order to change the boundaries of land;
2. The term "stocks, etc." means stocks or equity shares, including preemptive rights to new stocks and securities depository receipts prescribed by Presidential Decree;
3. The term "listed corporation" means a listed corporation defined in Article 9 (15) 3 of the Financial Investment Services and Capital Markets Act;
4. The term "unlisted corporation" means any corporation other than listed corporations defined in subparagraph 3;
5. The term "actual trading price" means the price at which a transfer and a transferee trade an asset at the time of the transfer or acquisition of the asset, which constitutes an amount of money and the value of other conveyed assets as the price for the transferred or acquired asset;
6. The term "one household" means a family unit composed of a resident, his/her spouse(including the person who legally divorced the resident but has relationship with that resident in which they can not be

deemed actually divorced, such as sharing livelihood; hereinafter the same shall apply in this subparagraph), the persons who make a living together at the same domicile or place of residence with them (referring to lineal ascendants and descendants (including their spouses) and siblings of a resident and of his/her spouse, including the persons who moved temporarily out from the original domicile or place of residence due to schooling, medical care of a disease, or circumstances of work or business): Provided, That a family unit without a spouse shall be deemed one household in the cases specified by Presidential Decree;

7. The term "house" means a building actually used for dwelling, regardless of whether permission is granted or not, or the purpose of use according to official records. In such cases, when the purpose of use is unclear, the purpose of use shall be determined according to official records;
8. The term "farmland" means land actually used for farming as paddies, fields, or orchards, irrespective of the category of land in the official cadastral register. In such cases, land used for farmer's huts, compost depots, pumping stations, water reservoirs, farm roads, irrigation ditches, etc. directly required for managing farmland shall be included.

[This Article Wholly Amended by Act No. 14389, Dec. 20, 2016]

SECTION 2 Non-Taxation and Reduction and Exemption of Capital Gains

Article 89 (Non-Taxable Capital Gains) (1) No tax on capital gains (hereinafter referred to as "capital gains tax") shall be levied on the following incomes: <Amended by Act No. 12169, Jan. 1, 2014; Act No. 14389, Dec. 20, 2016; Act No. 16104, Dec. 31, 2018>

1. Income generated from disposition by an adjudication of bankruptcy;
2. Income generated from exchange, division, and annexation of farmland in any of the cases prescribed by Presidential Decree;
3. Income generated from a transfer of any of the following houses (excluding high-priced houses, the value of which exceeds the standard prescribed by Presidential Decree) and land appurtenant thereto (hereafter referred to as "land appurtenant to a house" in this Article) with an area not larger than the area calculated by multiplying the area of the land on which a building is built by the multiple prescribed by Presidential Decree for each region:
 - (a) The house that meets the criteria prescribed by Presidential Decree, where one household owns one residential house;
 - (b) Houses specified by Presidential Decree, where a household acquires another house before it transfers one house, or owns at least two houses due to inheritance, cohabitation of parents for supporting,

marriage, or other similar cause;

4. Income generated from a transfer of the right to acquire a house as an association member, where one household that owns a right to acquire a house as an association member under paragraph (2) [referring to a household that owns an existing house that falls under subparagraph 3 (a) as at the date of approval of the management and disposal plan under Article 74 and the date of approval of the project implementation plan under Article 29 of the Act on Special Cases concerning Unoccupied House or Small-Scale Housing Improvement (or the date of removal of the existing house, if the existing house is removed before such dates of approval)] meets any of the following requirements and transfers the right: Provided, That capital gains tax shall be levied, where the value of the right to acquire a house as an association member exceeds the standard specified by Presidential Decree:

(a) Where the household does not own any other house as at the date of transfer;

(b) Where the household owns one house in addition to the right to acquire a house as an association member as at the date of transfer and transfers the right to acquire a house as an association member within three years from the date of acquisition of the house (including where the household is unable to transfer the house within three years due to any of the causes specified by Presidential Decree).

5. The liquidation money paid pursuant to Article 20 of the Special Act on Cadastral Resurvey due to the decrease of an area on official cadastral records as a result of the determination of a boundary under Article 18 of that Act.

(2) Notwithstanding paragraph (1), paragraph (1) 3 shall not apply where one household transfers a house (including land appurtenant thereto; hereafter the same shall apply in this Article) owned by the household and its status acquired as an occupant after the approval of a management and disposal plan under 74 of the Act on the Improvement of Urban Areas and Residential Environments and the approval of a project implementation plan under Article 29 of the Act on Special Cases concerning Unoccupied House or Small-Scale Housing Improvement (limited to the status acquired as a member of an improvement project association implementing a reconstruction project or a redevelopment project under the same Act or a small-scale reconstruction project under the Act on Special Cases concerning Unoccupied House or Small-Scale Housing Improvement (including the status acquired from such association member), but including land appurtenant thereto; hereinafter referred to as "right to acquire a house as an association member"): Provided, That the foregoing shall not apply where a household acquires a house for dwelling during the implementation period of a reconstruction project or a redevelopment project under the Act on the Improvement of Urban Areas and Residential Environments or a small-scale reconstruction project under the Act on Special Cases concerning Unoccupied House or Small-Scale Housing Improvement or where any of

the inevitable circumstances specified by Presidential Decree exists. <Amended by Act No. 14389, Dec. 20, 2016; Act No. 14569, Feb. 8, 2017>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 90 (Reduction and Exemption of Capital Gains Tax) (1) If the capital gains under Article 95

include an amount of capital gains eligible for tax exemption or reduction under this Act or any other tax-related Act, the calculated amount of capital gains tax shall be reduced by the amount of the reducible capital gains tax as computed by the following formula: <Amended by Act No. 14389, Dec. 20, 2016>

(2) Notwithstanding paragraph (1), where the reduction or exemption of capital gains tax is prescribed by the Restriction of Special Taxation Act in the method of deducting the capital gains subject to reduction or exemption from the capital gains, the capital gains tax shall be reduced or exempted in the method of calculating the tax base of capital gains after deducting the capital gains subject to reduction or exemption from the capital gains under Article 95. <Newly Inserted by Act No. 11611, Jan. 1, 2013>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 91 (Exclusion of Non-Taxation, Reduction or Exemption of Capital Gains Tax) (1) The

provisions concerning the non-taxation of income tax on any capital gains under this Act or other Acts shall not apply to assets transferred without registration under Article 104 (3).

(2) Where a party to a contract selling or purchasing assets defined in Article 94 (1) 1 and 2 enters transaction prices incorrectly in a contract of sale, the amount under each of the following classifications shall be subtracted from the amount of non-taxable assets or the amount for which tax has been or to be reduced or exempted, when applying the provisions concerning non-taxation, reduction or exemption of capital gains tax on the relevant assets under this Act or other Acts:

1. Where applying provisions concerning non-taxation of capital gains tax pursuant to this Act or other Acts: The smaller of the calculated capital gains tax under Article 104 (1) when provisions concerning non-taxation are not applicable, or the amount of difference between the transaction prices specified on a contract of sales and the actual transaction prices;
2. Where provisions concerning reduction or exemption of capital gains tax apply or are to apply in accordance with this Act or other Acts: The smaller of the amount of tax reduction or exemption when the provisions concerning tax reduction or exemption apply or are to apply, or the amount of difference between the transaction prices specified on a contract of sales and the actual transaction prices.

[This Article Wholly Amended by Act No. 10408, Dec. 27, 2010]

SECTION 3 Computation of Tax Base and Tax of Capital Gains

Article 92 (Calculation of Tax Base of Capital Gains) (1) The tax base of capital gains of any resident (hereinafter referred to as "tax base of capital gains") shall be calculated separately from the tax base of global income and tax base of retirement income.

(2) The tax base of capital gains shall be the amount obtained by making the basic deduction of capital gains pursuant to Article 103 from the amount of capital gains calculated pursuant to Articles 94 through 99, 99-2, 100 through 102 and 118.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 93 (Order in Calculation of Amount of Capital Gains Tax) Except as otherwise expressly provided for in this Act, capital gains tax shall be calculated as follows: <Amended by Act No. 11146, Jan. 1, 2012; Act No. 15225, Dec. 19, 2017>

1. The calculated tax on capital gains shall be obtained by applying the tax rate under Article 104 to the tax base of capital gains under Article 92 (2);
2. When tax is reduced or exempted pursuant to Article 90 from the tax calculated pursuant to subparagraph 1, the final amount of tax on capital gains shall be calculated by deducting such amount of tax;
3. The gross amount of tax on capital gains shall be calculated by adding the penalty tax under Article 114-2 or 115 of this Act or Articles 47-2 through 47-4 of the Framework Act on National Taxes to the final amount of tax calculated pursuant to subparagraph 2.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

SECTION 4 Computation of Amount of Capital Gains

Article 94 (Scope of Capital Gains) (1) Capital gains shall consist of the following incomes generated during the relevant taxable period: <Amended by Act No. 10408, Dec. 27, 2010; Act No. 12738, Jun. 3, 2014; Act No. 12852, Dec. 23, 2014; Act No. 14389, Dec. 20, 2016; Act No. 15225, Dec. 19, 2017; Act No. 16104, Dec. 31, 2018>

1. Income generated from transferring land (referring to land falling under the land category subject to registration in the cadastral register under the Act on the Establishment, Management, etc. of Spatial Data) or a building (including facilities and structures annexed thereto);
2. Income generated from transferring any of the following real property rights:

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- (a) Rights to acquire real estate (when a building is completed, including the rights to acquire such building and land appurtenant thereto);
 - (b) Superficies;
 - (c) Rights to lease on a deposit basis and leasehold interest on real estate registered;
3. Income generated from transferring any of the following stocks, etc.:
- (a) Any of the following stocks, etc. of a listed corporation:
 - (i) Stocks, etc. transferred by a majority stockholder of any of the listed corporations specified by Presidential Decree, taking into consideration the stockholding ratio, the total market value, etc.;
 - (ii) Stocks, etc. that any person other than the majority stockholder under sub-item (i) above transfers without trading them on the securities market under the Financial Investment Services and Capital Markets Act (hereinafter referred to as "securities market"): Provided, That stocks, etc. transferred through an all-inclusive share swap and transfer under Article 360-2 or 360-15 of the Commercial Act or by exercising a stock option for an all-inclusive share swap and transfer under Article 360-5 or 360-22 of the same Act shall be excluded herefrom;
 - (b) Stocks, etc. of an unlisted corporation: Provided, That stocks, etc. of the small and medium enterprises specified by Presidential Decree (hereafter referred to as "small and medium enterprises" in this Chapter) and the middle-standing enterprises specified by Presidential Decree shall be excluded herefrom, if such stocks, etc. are transferred by any person other than majority stockholders of any of the unlisted corporations specified by Presidential Decree through an over-the-counter transaction under Article 286 (1) 5 of the Financial Investment Services and Capital Markets Act in the Korea Financial Investment Association established pursuant to Article 283 of the same Act, taking into consideration the stockholding ratio, the total market value, etc.;
4. Income generated from transferring any of the following assets (hereafter referred to as "other assets" in this Chapter):
- (a) Business rights (including business rights deemed transferred with assets included therein according to socially accepted notion even if they have not been separately assessed, and economic profits made by obtaining authorization, permission, license, etc. from an administrative agency) transferred with fixed assets for business (referring to assets referred to in subparagraphs 1 and 2);
 - (b) Rights to use, membership, and other rights, irrespective of their nomenclature, to use facilities issued to a person becoming a member of an organization contracted to be entitled to exclusively use the facilities or to use them on more favorable conditions than general users (where the rights to exclusively use facilities or to use them on more favorable conditions than general users are provided by only

holding stocks, etc. of the corporation, such stocks, etc. shall be included);

(c) Stocks, etc., where the value of the following assets comprises at least 50/100 of the value of total assets of a corporation and the oligopolistic stockholder (referring to the stockholder specified by Presidential Decree, taking into consideration the ratio of stocks, etc. held by the stockholder; hereafter referred to as "oligopolistic stockholder" in this Chapter) of the corporation transfers at least 50/100 of stocks, etc. of the corporation to any person other than the oligopolistic stockholder (including cases prescribed by Presidential Decree where any oligopolistic stockholder transfers at least 50/100 of stocks, etc. to another oligopolistic stockholder, who, in turn, transfers them a person other than an oligopolistic stockholder):

(i) The value of the assets referred to in subparagraphs 1 and 2 (hereafter referred to as "real estate, etc." in this Article);

(ii) The value computed by multiplying the value of any other corporation's stocks held by the relevant corporation by the holding ratio of real estate, etc. of the other corporation. In such cases, the scope of other corporations and the method for calculating the holding ratio of real estate, etc., shall be prescribed by Presidential Decree;

(d) Stocks, etc. of a corporation engaging in the business specified by Presidential Decree, where the sum of the values under item (c) (i) and (ii) occupies at least 80/100 of its total assets;

5. Income accrued from the trading or conduct of the derivatives, etc. specified by Presidential Decree (excluding profits from the trading or conduct of derivatives under Article 16 (1) 13 or 17 (1) 10).

(2) Where paragraph (1) 3 and 4 are applicable at the same time, subparagraph 4 shall apply.

[\[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009\]](#)

Article 95 (Amount of Capital Gains) (1) The amount of capital gains shall be calculated by deducting the amount of special deduction for long-term holding from the amount (hereinafter referred to as "gains on transfer") obtained by deducting necessary expenses under Article 97 from the total of capital gains under Article 94 (hereinafter referred to as "transfer value").

(2) "Amount of special deduction for long-term holding" in paragraph (1) means the amount calculated by multiplying gains on the transfer of an asset (limited to the gains on the transfer of land or a building before the approval of a management and disposal plan under Article 74 of the Act on the Improvement of Urban Areas and Residential Environments or before the approval of a project implementation plan under Article 29 of the Act on Special Cases concerning Unoccupied House or Small-Scale Housing Improvement, where the right to acquire a house as an association member is transferred) by the deduction rate for the relevant holding period in accordance with Table 1 below, as an asset specified in Article 94 (1) 1 (excluding

unregistered assets transferred pursuant to Article 104 (3) and assets specified under Article 104 (7)), the holding period of which is at least three years, or the right to acquire a house as an association member (excluding the right acquired from an association member), among the assets specified in Article 94 (1) 2 (a): Provided, That, in cases of an asset identified as one house for one household (including land appurtenant thereto) prescribed by Presidential Decree, it means the amount calculated by multiplying the capital gain on the asset by the deduction rate for the relevant holding period in Table 2 below: <Amended by Act No. 11146, Jan. 1, 2012; Act No. 11611, Jan. 1, 2013; Act No. 12169, Jan. 1, 2014; Act No. 13558, Dec. 15, 2015; Act No. 14569, Feb. 8, 2017; Act No. 15225, Dec. 19, 2017>

[Table 1]

(3) Notwithstanding paragraph (1), gains on transfer and the amount of special deduction for long-term holding of assets falling under a high-priced house (including land appurtenant thereto) excluded from the object of non-taxation on capital gains pursuant to Article 89 (1) 3 shall be calculated, as prescribed by Presidential Decree.

(4) The holding period of assets prescribed in paragraph (2) shall begin on the date of acquisition of the assets and end on the date of transfer of the assets: Provided, That, in cases falling under Article 97-2 (1), the period shall begin on the date the spouse or lineal ascendant or descendant who donates the asset acquired the asset, while the period shall begin on the date the decedent acquired the relevant asset, if the relevant asset is within the ratio eligible for the application of the deduction for inheritance of a family business under Article 97-2 (4) 1. <Amended by Act No. 12169, Jan. 1, 2014; Act No. 13558, Dec. 15, 2015; Act No. 14389, Dec. 20, 2016>

(5) Matters necessary for calculating the amount of capital gains shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 96 (Transfer Value) (1) The transfer value of assets under subparagraphs of Article 94 (1) shall be determined with the actual trading price between the transferor and the transferee at the time of the transfer of such assets. <Amended by Act No. 14389, Dec. 20, 2016>

(2) Deleted. <by Act No. 14389, Dec. 20, 2016>

(3) In any of the following cases where a resident transfers any of the assets referred to in Article 94 (1), the value shall be deemed the actual trading price at the time of the transfer of the asset for the purpose of applying paragraph (1) to such case: <Amended by Act No. 11146, Jan. 1, 2012; Act No. 14389, Dec. 20, 2016; Act No. 16104, Dec. 31, 2018>

1. The market value under subparagraph 12 of Article 2 under the Corporate Tax Act, where assets are transferred to a corporation identified as a related party under Article 52 of the same Act (including a

foreign corporation; hereafter referred to as "related party" in this paragraph) and there is an amount appropriated for bonus, dividends, etc. of the relevant resident under Article 67 of the same Act;

2. The value calculated by subtracting the value of assets donated as a gift from the transfer value, where assets are transferred to any person other than related parties at a price higher than the market value and there is an amount regarded as the value of donated assets of the relevant resident under Article 35 of the Inheritance Tax and Gift Tax Act.

(4) Deleted.<by Act No. 14389, Dec. 20, 2016>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 97 (Calculation of Necessary Expenses for Capital Gains) (1) Necessary expenses that may be deducted from the transfer value when calculating capital gains of a resident shall be as follows: <Amended by Act No. 14389, Dec. 20, 2016; Act No. 15225, Dec. 19, 2017; Act No. 16104, Dec. 31, 2018>

1. Acquisition value (excluding the liquidation money collected pursuant to Article 20 of the Special Act on Cadastral Resurvey as a result of the increase of an area on official cadastral records as a result of the determination of a boundary under Article 18 of that Act): Provided, That the amount under item (b) shall apply only if it is impracticable to ascertain the actual trading price under item (a):

(a) The actual trading price for acquiring assets specified under Article 94 (1);

(b) The actual sale price in a specific case, appraised value, or conversion value prescribed by Presidential Decree;

2. Capital expenditure, etc. prescribed by Presidential Decree;
3. Transfer expenses, etc. prescribed by Presidential Decree.

(2) Necessary expenses for capital gains under paragraphs (1) shall be calculated as follows:<Amended by Act No. 10408, Dec. 27, 2010; Act No. 15225, Dec. 19, 2017>

1. Where the acquisition value is based on the actual transaction value, necessary expenses shall be the following amount plus the amount under paragraph (1) 2 and 3:

(a) Where it is based on paragraph (1) 1 (a), the relevant actual transaction value;

(b) Where the actual transaction value as at the time of acquisition is calculated based on the conversion value pursuant to paragraph (1) 1 (b) and Article 114 (7), and the acquisition value of assets (including assets inherited or donated) acquired before the date (hereafter referred to as "deemed acquisition date" in this item) on which assets are deemed acquired under Article 8 of the Addenda to the Income Tax Act (Act No. 4803), is based on the total of the actual trading price as at the time of acquisition and the amount calculated by multiplying such value by the producer price increase rate during the period of possession from the acquisition date until the day before the deemed acquisition date, such total

amount;

(c) Where it is based on the main sentence of paragraph (7), the relevant actual trading price;

2. Necessary expenses in other cases shall be calculated by adding the amount of each asset prescribed by Presidential Decree to the amount under paragraph (1) 1 (b) (excluding where subparagraph 1 (b) applies), paragraph (7) (excluding where subparagraph 1 (c) applies), or Article 114 (7) (excluding where subparagraph 1 (b) applies): Provided, That, if the acquisition value becomes the conversion value in accordance with paragraph (1) 1 (b), and the amount under item (a) is smaller than that of item (b), the amount specified in item (b) may be treated as necessary expenses:

(a) The aggregate of the conversion value under paragraph (1) 1 (b) and the amount prescribed by Presidential Decree in the main sentence;

(b) The aggregate of the amounts under paragraph (1) 2 and 3.

(3) In calculating necessary expenses pursuant to paragraph (2), if any depreciation cost for assets during the holding period of any transferred assets are included or to be included in necessary expenses, in calculating the amount of business income for each taxable period, the amount calculated by deducting such cost from the amount under paragraph (1) shall be the acquisition value thereof. <Amended by Act No. 10408, Dec. 27, 2010>

(4) Deleted. <by Act No. 12169, Jan. 1, 2014>

(5) Matters necessary for calculating necessary expenses, such as the scope of the actual trading price paid for acquisition, shall be prescribed by Presidential Decree. <Amended by Act No. 12169, Jan. 1, 2014>

(6) Deleted. <by Act No. 12169, Jan. 1, 2014>

(7) In applying paragraph (1) 1 (a), where a resident who has transferred assets pursuant to Article 94 (1) 1 and 2 has confirmed the actual trading price according to the method prescribed by Presidential Decree as at the time of acquisition of such assets, it shall be deemed the actual trading price as at the time of acquisition by such resident: Provided, That this shall not apply to any of the following cases: <Amended by Act No. 15225, Dec. 19, 2017>

1. Where the transfer value of the preceding owner on the relevant assets is corrected pursuant to Article 114;

2. Where capital gains tax on the relevant assets of the preceding owner is not imposed, and where such assets have been confirmed transferred at a price higher than the actual trading price.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 97-2 (Special Cases concerning Necessary Expenses for Capital Gains) (1) Necessary

expenses that a resident may deduct from the sale price when the resident calculates the gain on the transfer

of an asset acquired as gift from his/her spouse (including where the marital relationship ceases to exist as at the time of transfer, but excluding where the marital relationship ceases to exist due to death; hereafter the same shall apply in this paragraph) or from any of his/her lineal ascendants or descendants under Article 94 (1) 1 or of any other asset specified by Presidential Decree, within five years retroactively from the date of transfer, shall be determined in accordance with Article 97 (2), but the acquisition value shall be determined with the amount under Article 97 (1) 1 as at the time the spouse or lineal ascendant or descendant acquired the asset. In such cases, the amount equivalent to the gift tax that the resident paid or shall pay for the asset acquired as gift shall be included in necessary expenses, notwithstanding Article 97 (2). <Amended by Act No. 15225, Dec. 19, 2017>

(2) Paragraph (1) shall not apply to the following cases:<Amended by Act No. 12852, Dec. 23, 2014; Act No. 13558, Dec. 15, 2015; Act No. 14389, Dec. 20, 2016>

1. Where a resident acquires an asset at least two years earlier than the date of public announcement of the approval of the relevant project, but the asset is sold under an agreement or expropriated under the Act on Acquisition of and Compensation for Land, etc. for Public Works Projects or any other Act;
2. Where a case constitutes a transfer of a house specified in any item of Article 89 (1) 3 (including high-priced houses ineligible for non-taxation on capital gains under the same subparagraph (including land appurtenant thereto)), if paragraph (1) applies to such case;
3. Where the final capital gains tax calculated by applying paragraph (1) is smaller than the final capital gains tax calculated without applying paragraph (1).

(3) The number of years prescribed in paragraph (1) shall be determined with the period of ownership recorded on the register.

(4) Necessary expenses that may be deducted from the sale price of an asset in calculating the gain on the transfer of an asset to which the deduction under Article 18 (2) 1 of the Inheritance Tax and Gift Tax Act (hereafter referred to as "deduction for inheritance of a family business" in this paragraph) was applied shall be determined in accordance with Article 97 (2): Provided, That the acquisition value shall be calculated by aggregating the following amounts:<Amended by Act No. 15225, Dec. 19, 2017>

1. The deceased's acquisition value (the amount under Article 97 (1) 1) x Ratio of the deduction for inheritance of a family business to the relevant asset value (hereafter referred to as "ratio of deduction for inheritance of a family business" in this Article);
2. Asset value at the beginning of inheritance x (1 - Ratio of deduction for inheritance of a family business).

(5) Matters necessary for calculating necessary expenses in applying paragraphs (1) through (4), such as the methods of calculating the amount equivalent to the gift tax and the ratio of deduction for inheritance of a

family business, shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 12169, Jan. 1, 2014]

Article 98 (Time of Transfer or Acquisition) In calculating gains on transfer of any assets, the time of transfer and acquisition shall be the date of liquidation of the price of assets, except cases prescribed by Presidential Decree, such as cases where the date of liquidation is unclear. In such cases, if the acquirer has agreed to pay capital gains tax and additional tax on capital gains tax for the transfer of the assets, the relevant capital gains tax and additional tax on capital gains tax shall not be included in the prices for assets.

<Amended by Act No. 10408, Dec. 27, 2010>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 99 (Computation of Assessed Value) (1) The assessed value under Article 100 or 114 (7) shall be as follows: <Amended by Act No. 11845, May 28, 2013; Act No. 12852, Dec. 23, 2014; Act No. 13796, Jan. 19, 2016; Act No. 14389, Dec. 20, 2016; Act No. 15225, Dec. 19, 2017>

1. Land or buildings under Article 94 (1) 1:

- (a) Land: The individual land price officially announced under the Act on the Public Announcement of Real Estate Values (hereinafter referred to as "officially announced individual land price"): Provided, That the value of land which has no officially announced individual land price shall be appraised by the head of the tax office having jurisdiction over the place for tax payment, according to the method prescribed by Presidential Decree, taking into account the officially announced individual land price of a similar parcel of land in the vicinity; but in cases of any of the areas specified by Presidential Decree as an area where the price of land rises sharply, the value of land shall be appraised by the multiple method;
- (b) Buildings: The value calculated and publicly announced at least once each year by the Commissioner of the National Tax Service in consideration of the new construction price, structure, use, location, the year of new construction, etc. of buildings (excluding buildings falling under items (c) and (d));
- (c) Officetels and commercial buildings: The value of land and buildings computed and announced officially en bloc at least once per year by the Commissioner of the National Tax Service, taking into account the type, size, transaction status, location, etc. of buildings, with regard to officetels and commercial buildings (including land appurtenant thereto) specified by Presidential Decree in consideration of the use, area, number, etc. of partitioned units of a building, where a building is subdivided into units for separate ownership and the ownership of the land appurtenant to the building is held in common;
- (d) Residential houses: Prices for individual houses and multi-unit houses under the Act on the Public Announcement of Real Estate Values: Provided, That, in cases of multi-unit house prices, where multi-

unit house prices are determined and officially announced by the Commissioner of the National Tax Service pursuant to the proviso to Article 17 (1) of the same Act, such prices shall apply, and the price of a house with no individual house price or multi-unit house price shall be appraised by the head of the tax office having jurisdiction over the place for tax payment by the method prescribed by Presidential Decree, taking into account the individual house price and multi-unit house price of similar houses in the vicinity;

2. Real property rights under Article 94 (1) 2:

(a) Rights to acquire real estate: The value appraised by the method prescribed by Presidential Decree, taking into consideration the kind, scale, transaction situation, etc. of the transferred asset;

(b) Superficies, right to lease on a deposit basis, and registered leasehold interest on real property: The value appraised by the method prescribed by Presidential Decree, taking into consideration the remaining term, nature, details, transaction situation, etc. of the rights;

3. Stocks, etc. under Article 94 (1) 3 (a) (stocks, etc. of any of the listed corporations specified by Presidential Decree shall be limited to those specified by Presidential Decree): The value appraised by applying Article 63 (1) 1 (a) of the Inheritance Tax and Gift Tax Act mutatis mutandis. In such cases, "two months before or after the base date of appraisal" in item (a) shall be construed as "one month before the date of transfer or acquisition";

4. Stocks, etc. of listed corporations, except those specified in subparagraph 3, among stocks, etc. of listed corporations specified by Presidential Decree under subparagraph 3, and stocks, etc. under Article 94 (1) 3 (b): The value appraised by applying Article 63 (1) 1 (c) of the Inheritance Tax and Gift Tax Act mutatis mutandis. In such cases, the basic period of appraisal and the appraised value shall be prescribed by Presidential Decree, however, where the assessed value at the time of acquisition cannot be confirmed due to losing a book of accounts, etc., the face value shall be the assessed value at the time of acquisition;

5. Preemptive rights to new stocks under Article 94 (1) 3: The value appraised by the method prescribed by Presidential Decree, taking into consideration the kind, scale, transaction situation, etc. of the transferred assets;

6. Other assets under Article 94 (1) 4: The value appraised by the method prescribed by Presidential Decree, taking into consideration the kind, scale, transaction situation, etc. of the transferred assets;

7. Derivatives, etc. under Article 94 (1) 5: The value appraised by the method prescribed by Presidential Decree, taking into consideration the type, scale, transaction situation, etc. of derivatives, etc.

(2) "Multiple method" in the proviso to paragraph (1) 1 (a) means a method for appraisal according to the amount calculated by multiplying the officially announced individual land price as at the time of transfer or

acquisition, by multiples prescribed by Presidential Decree.

(3) Matters necessary for calculating the following assessed values shall be prescribed by Presidential Decree:

[<Amended by Act No. 13796, Jan. 19, 2016>](#)

1. Where the assessed value as at the time of transfer and the assessed value as at the time of acquisition calculated pursuant to paragraph (1) are the same, the assessed value as at the time of acquisition;
2. The assessed value as at the time of acquisition of land and a house acquired before the officially announced individual land prices, individual house prices, or multi-unit house prices are publicly notified or announced pursuant to the Act on the Public Announcement of Real Estate Values;
3. The assessed value as at the time of acquisition of a building acquired before the assessed value under paragraph (1) 1 (b) is publicly announced.

(4) When the Commissioner of the National Tax Service has computed the assessed value under paragraph (1) 1 (c), he/she shall, before he/she officially makes an announcement thereof, publicly notify them according to the methods prescribed by Ordinance of the Ministry of Strategy and Finance, such as a notice through the Internet, etc. and hear opinions from the owners or other interested persons for at least 20 days.

(5) When the Commissioner of the National Tax Service collects an opinion from the owners or other interested persons pursuant to paragraph (4), he/she shall notify the result of his/her disposition within 30 days from the date the period for advancing opinions expires.

(6) A public notification under paragraph (4) shall include the matters prescribed by Presidential Decree, such as the place for perusal of books including the assessed values, the period for advancing opinions, etc.

[\[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009\]](#)

Article 99-2 (Application for Reassessment and Public Notification of Assessed Value) (1) Any

owner or any other interested person who has an objection to a publicly notified assessed value pursuant to Article 99 (1) 1 (c) may file in writing an application for the reassessment of the assessed value and public notification thereof with the Commissioner of the National Tax Service within 30 days from the date of public notification of the assessed value.

(2) The Commissioner of the National Tax Service shall notify in writing an applicant of the result of his/her disposition within 30 days from the date when the period of application under paragraph (1) expires. In such cases, when the Commissioner of the National Tax Service deems that the details of an application are appropriate, he/she shall reassess and publicly notify the assessed value pursuant to Article 99 (1) 1 (c).

(3) Where the Commissioner of the National Tax Service has discovered that the assessed value has been assessed and publicly notified incorrectly or any error in writing and other apparent errors prescribed by Presidential Decree have been made, he/she shall promptly reassess and notify it publicly.

(4) Matters necessary for applications for reassessment and public notification and procedures for disposition, etc. shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 100 (Computation of Gains on Transfer) (1) In calculating gains on transfer, if the transfer value is based on the actual transaction value (including the value pursuant to Article 96 (3), and where the reward value for trading or the appraised value applies pursuant to Article 114 (7), including such reward value for trading, appraised value, etc.), the acquisition value shall also be based on the actual trading price (including the value pursuant to Article 97 (7), and where the reward value for trading, the appraised value, or the conversion value applies pursuant to Article 114 (7), including such reward value for trading, appraised value, conversion value, etc.) and, if the acquisition value is based on the assessed value, the acquisition value shall also be based on the assessed value.

(2) In applying paragraph (1), where the transfer value or the acquisition value is assessed, based on the actual trading price, and land, buildings, etc. are acquired or transferred simultaneously, the value of land and that of buildings, etc. shall be entered in a book separately, however, if the distinction between the value of land and that of buildings, etc. is obscure, their values shall be apportioned, as prescribed by Presidential Decree, taking into account their assessed values, etc. at the time of acquisition or transfer. In such cases, the common acquisition value and transfer expenses shall be calculated on a proportional basis of the separate values of the relevant assets.

(3) For the purpose of applying paragraph (2), where land and a building, etc. are acquired or transferred simultaneously, if the value of the land and the building, etc. separately entered in a book of accounts is different, by not less than 30/100, from the value calculated separately, the distinction between the value of land and that of buildings, etc. shall be deemed obscure. <Newly Inserted by Act No. 13558, Dec. 15, 2015>

(4) Matters necessary for calculating gains on transfer shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 101 (Calculation of Capital Gains by Wrongful Acts) (1) If it is deemed that any act or calculation of a resident with capital gains reduces the burden of taxation on such income wrongfully due to transactions with a person related to the resident, the head of a tax office or the commissioner of a regional tax office having jurisdiction over the place for tax payment may calculate the amount of income in the relevant taxable period, irrespective of such act or calculation of the resident. <Amended by Act No. 11146, Jan. 1, 2012>

(2) Where a resident donated assets to a related person prescribed in paragraph (1) (excluding cases of a spouse, lineal ascendants, or descendants governed by Article 97-2 (1)) and then a person to whom such assets have been donated transfers such assets on to another person within five years from the date of such donation, and the amount of tax under subparagraph 1 is less than the amount of tax under subparagraph 2, the donor shall be deemed to have transferred such assets directly: Provided, That this shall not apply where the capital gains substantially belong to the relevant donee: <Amended by Act No. 11146, Jan. 1, 2012; Act No. 12169, Jan. 1, 2014>

1. The aggregate of the gift tax of a donee (referring to the tax amount calculated by subtracting the amount of tax credited, reduced, or exempted from the calculated tax amount under the Inheritance Tax and Gift Tax Act) and the capital gains tax (referring to the final tax calculated by subtracting the amount of tax credited, reduced, or exempted from the calculated tax under this Act; hereafter the same shall apply in subparagraph 2);

2. The capital gains tax calculated considering cases where a donor transfers the assets directly.

(3) Where capital gains tax is levied on a donor pursuant to paragraph (2), notwithstanding the provisions of the Inheritance Tax and Gift Tax Act, no gift tax shall be levied on the originally-donated assets.

(4) Article 97-2 (3) shall apply mutatis mutandis to the calculation of the number of years under paragraph (2). <Amended by Act No. 12169, Jan. 1, 2014>

(5) The scope of related persons under paragraph (1), and other matters necessary for calculation by wrongful acts shall be prescribed by Presidential Decree. <Amended by Act No. 11146, Jan. 1, 2012> [This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 102 (Separate Calculation of Amount of Capital Gains) (1) The amount of capital gains shall be calculated separately for each of the following incomes. In such cases, losses incurred in calculating the amount of income shall not be included in the amount of income under other subparagraphs: <Amended by Act No. 12852, Dec. 23, 2014>

1. Income under Article 94 (1) 1, 2, and 4;

2. Income under Article 94 (1) 3;

3. Income under Article 94 (1) 5.

(2) In calculating the amount of capital gains pursuant to paragraph (1), where asset losses occur from transfer, such losses on transfer shall be deducted from the amount of capital gains generated from assets other than the relevant assets by each subparagraph of paragraph (1). In such cases, the method of deduction shall be prescribed by Presidential Decree in consideration of the tax rate, etc. of the amount of capital gains.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

SECTION 5 Basic Deduction for Capital Gains

Article 103 (Basic Deduction for Capital Gains) (1) For a resident with capital gains, 2,500,000 won per year shall be deducted from each of the following incomes, out of the capital gains for the relevant taxable period: <Amended by Act No. 12852, Dec. 23, 2014>

1. Income under Article 94 (1) 1, 2 and 4: Provided, That this shall not apply to the amount of capital gains of the assets transferred without registration pursuant to Article 104 (3);
2. Income under Article 94 (1) 3;
3. Income under Article 94 (1) 5.

(2) In applying paragraph (1), where the amount of income reduced or exempted under this Act, the Restriction of Special Taxation Act, or other Acts is included in capital gains under Article 95, 2.5 million a year shall be deducted from capital gains, other than such amount of income already reduced or exempted, and shall be deducted beginning with the amount of capital gains of assets transferred first in the relevant taxable period in order, among the amount of capital gains, other than the amount of income reduced or exempted.

(3) Deduction pursuant to paragraph (1) shall be referred to as "basic deduction for capital gains".

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

SECTION 6 Calculation of Tax Amount of Capital Gains

Article 104 (Tax Rates of Capital Gains) (1) The amount of capital gains tax on a resident shall be calculated by applying the following tax rates to the tax base of capital gains for the relevant taxable period (hereinafter referred to as "calculated tax on capital gains"). In such cases, when at least two tax rates, among the following tax rates, are applicable to an asset, the greatest calculated tax amount on capital gains, among the amounts calculated by applying relevant tax rates, shall be determined as the assessed tax amount:

<Amended by Act No. 10408, Dec. 27, 2010; Act No. 12169, Jan. 1, 2014; Act No. 12852, Dec. 23, 2014; Act No. 13558, Dec. 15, 2015; Act No. 14389, Dec. 20, 2016; Act No. 15225, Dec. 19, 2017; Act No. 16104, Dec. 31, 2018>

1. Assets under Article 94 (1) 1, 2, and 4: Tax rate under Article 55 (1);
2. Assets under Article 94 (1) 1 and 2 (excluding houses (including land appurtenant thereto and specified by Presidential Decree; hereafter the same shall apply in this paragraph) and association members' rights to acquire a house), the holding period of which is at least one year, but less than two years: 40/100 of the

tax base of capital gains;

3. Assets under Article 94 (1) 1 and 2, the holding period of which is less than one year: 50/100 of the tax base of capital gains (40/100 in cases of houses and association members' rights to acquire a house);
4. The status (excluding a right to acquire a house as an association member) of a resident selected as a prospective occupant of a house in an area subject to adjustment under Article 63-2 (1) 1 of the Housing Act (hereafter referred to as "area subject to adjustment" in this Article), among the assets referred to in Article 94 (1) 2: Provided, That the foregoing shall not apply to the cases specified by Presidential Decree, among the cases where there is no house owned by one household: 50/100 of the tax base of capital gains: Provided, That the following cases shall be excluded therefrom: cases where evidential documents verify the fact that a resident has entered into a sales contract to transfer the status of a resident selected as a prospective occupant of a house and be paid the down payment before the date of publicly announcing the area subject to adjustment, or cases specified by Presidential Decree where one household owns no house: 50/100 of the tax base of capital gains;
5. through 7. Deleted; <by Act No. 12169, Jan. 1, 2014>
8. Land for non-business use under Article 104-3:
9. Assets specified by Presidential Decree, considering the status of land owned for non-business use under Article 104-3, among the assets referred to in Article 94 (1) 4 (c) and (d):
10. Unregistered assets transferred: 70/100 of the tax base of capital gains;
11. Assets under Article 94 (1) 3:
 - (a) Stocks, etc. transferred by any of majority stockholders specified by Presidential Decree (hereafter referred to as "majority stockholders" in this Chapter), taking into consideration the stockholding ratio, the total market value, etc.:
 - (i) Stocks, etc. of any corporation other than small and medium enterprises, among stocks, etc. held for less than one year: 30/100 of the tax base of capital gains;
 - (ii) Stocks, etc. except those referred to in (i) above:
 - (b) Stocks, etc. transferred by any person other than majority stockholders:
 - (i) Stocks, etc. of small and medium enterprises: 10/100 of the tax base of capital gains;
 - (ii) Stocks, etc. except those referred to in (i) above: 20/100 of the tax base of capital gains;
12. Derivatives, etc. under Article 94 (1) 5: 20/100 of the tax base of capital gains.
 - (2) The holding period under paragraph (1) 2, 3, and 11 (a) shall be from the date of acquisition to the transfer date of the relevant assets: Provided, That in any of the following cases, the respective given date shall be deemed the date of acquisition of the relevant assets: <Amended by Act No. 12169, Jan. 1, 2014; Act

No. 14389, Dec. 20, 2016; Act No. 15225, Dec. 19, 2017>

1. In cases of inherited assets, the date the predecessor acquired such assets;
2. In cases of assets falling under Article 97-2 (1), the date a donor acquired such assets;
3. Where stocks, etc. are newly acquired from a merging corporation, a corporation newly incorporated by division, or other corporation of such divided merger, on account of the merger or division (excluding physical division) of a corporation, the date stocks, etc. of a merged corporation, a divided corporation, or other corporation of a corporation extinguished by the division or merger are acquired.

(3) "Unregistered assets transferred" in paragraph (1) 10 means that a person who has acquired assets under Article 94 (1) 1 and 2 transfers such assets without making registration concerning the acquisition thereof: Provided, That assets prescribed by Presidential Decree shall be excluded.

(4) Where any of the following real estate is transferred, the tax rate under Article 55 (1) (paragraph (1) 8 in cases falling under subparagraph 3) plus 10/100 shall apply to such real estate. In such cases, where the period of ownership of the real estate is less than two years, the calculated tax amount calculated on capital gains by applying the tax rate under Article 55 (1) (paragraph (1) 8 in cases falling under subparagraph 3) plus 10/100 or the calculated tax amount calculated on capital gains by applying the tax rate under paragraph (1) 2 or 3, whichever is greater, shall be determined as the calculated tax amount on capital gains: <Amended by Act No. 10408, Dec. 27, 2010; Act No. 11611, Jan. 1, 2013; Act No. 12169, Jan. 1, 2014; Act No. 12852, Dec. 23, 2014; Act 13558, Dec. 15, 2015; Act No. 14389, Dec. 20, 2016; Act No. 15225, Dec. 19, 2017>

1. and 2. Deleted; <by Act No. 15225, Dec. 19, 2017>

3. Real estate located in a designated area under Article 104-2 (2), which is land for non-business use under Article 104-3;
4. Other real estate prescribed by Presidential Decree, necessary for stabilizing the price of real estate, as the price of real estate increases or is likely to increase excessively.

(5) Where at least two assets, among those specified in Article 94 (1) 1, 2, and 4, are transferred during the relevant taxable period, the greater of the following amounts shall be determined as the calculated tax amount on capital gains. In such cases, when calculating the amount under subparagraph 2, the assets under paragraph (1) 8 and 9 shall be deemed identical assets, while a parcel of land shall be deemed separate assets in calculating the amount of capital gains tax, if the parcel of land is separated into a piece of land for non-business use under Article 104-3 and a piece of land for any other use: <Newly Inserted by Act No. 12852, Dec. 23, 2014; Act No. 15225, Dec. 19, 2017; Act No. 16104, Dec. 31, 2018>

1. The calculated tax amount as calculated on capital gains by applying the tax rate under Article 55 (1) to the sum of tax bases of capital gains for the relevant taxable period;

2. The sum of the calculated tax amounts of capital gains as calculated for each asset separately under paragraphs (1) through (4) and (7): Provided, That where the tax rates under the same subparagraphs among the tax rates under each subparagraph of paragraphs (1), (4), and (7) apply to two or more assets, and the applicable tax rates are two or more, the aforesaid total sum of the calculated tax amounts of capital gains under the main sentence of this subparagraph shall be replaced by the total sum of the respective largest calculated tax amounts among the tax amounts calculated by applying tax rates under each relevant subparagraph of paragraph (1), (4) or (7) to the added-up capital gains tax bases of each asset.

(6) If necessary for fostering capital markets, etc., the tax rate specified in paragraph (1) 12 may be decreased by up to 75/100 of the tax rate, as prescribed by Presidential Decree. <Newly Inserted by Act No. 14389, Dec. 20, 2016>

(7) The tax rate calculated by adding 10/100 (or 20/100 in cases falling under subparagraph 3 or 4) to the tax rate under Article 55 (1) shall apply where any of the following houses (including land appurtenant thereto; hereafter the same shall apply in this paragraph) is transferred. In such cases, where the holding period of the house is less than one year, the greater of the amount of capital gains tax calculated by applying the tax rate calculated by adding 10/100 (or 20/100 in cases falling under subparagraph 3 or 4) to the tax rate under Article 55 (1) or the amount of capital gains tax calculated by applying the tax rate under paragraph (1) 3 shall be determined as the amount of capital gains tax: <Newly Inserted by Act No. 15225, Dec. 19, 2017>

1. A house constituting one of two houses per household, specified by Presidential Decree, in an area subject to adjustment;
2. A house in an area subject to adjustment, where one household owns one house and a right to acquire a house as an association member: Provided, That the long-term rental houses, etc. specified by Presidential Decree shall be excluded herefrom;
3. A house constituting one of at least three houses per household, specified by Presidential Decree, in an area subject to adjustment;
4. A house in an area subject to adjustment, where one household owns houses or rights to acquire a house as an association member, and the total number of houses or rights is at least three: Provided, That the long-term rental houses, etc. specified by Presidential Decree shall be excluded herefrom.

(8) Other matters necessary for calculating the calculated tax on capital gains shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

<<Enforcement Date: Jan. 1, 2019>>Article 104 (1) 11 (a) (ii) (limited to stocks, etc. of small and medium enterprises under Article 94 (1) 3 (b))

Article 104-2 (Operation of Designated Area) (1) Where the increase rate of real estate price of the relevant area is higher than that of the national consumers price, and where the real estate price in the relevant area has increased excessively or is apprehended to increase excessively, taking into account the increase rate of the real estate prices, etc. on a national basis, the Minister of Strategy and Finance may designate such area as a designated area according to the standard and methods prescribed by Presidential Decree.

(2) "Real estate located in a designated area" in Article 104 (4) 3 means real estate specified by Presidential Decree, among that located in a designated area under paragraph (1). <Amended by Act No. 14389, Dec. 20, 2016; Act No. 15225, Dec. 19, 2017>

(3) The Deliberative Committee on Stabilization of Real Estate Prices shall be established in the Ministry of Strategy and Finance to deliberate on designation and cancellation of a designated area under paragraph (1) and other necessary matters.

(4) Matters necessary for standards and methods for cancelling a designated area under paragraph (1) and for composing and operating the Deliberative Committee on Stabilization of Real Estate Prices, shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 104-3 (Scope of Land for Non-Business Use) (1) "Land for non-business use" in Articles 104 (1) 8 means any of the following land during the period prescribed by Presidential Decree in the period of ownership of the land: <Amended by Act No. 10221, Mar. 31, 2010; Act No. 11611, Jan. 1, 2013; Act No. 12852, Dec. 23, 2014; Act No. 13426, Jul. 24, 2015; Act No. 14389, Dec. 20, 2016>

1. Any of the following farmland:

(a) Farmland, the owner of which does not reside thereon, or farmland which is not cultivated by the owner, as prescribed by Presidential Decree: Provided, That this shall not apply to farmland prescribed by Presidential Decree as may be owned under the Farmland Act and other Acts;

(b) Farmland in a city area under the National Land Planning and Utilization Act (excluding an area prescribed by Presidential Decree; hereafter the same shall apply in this subparagraph), among the Special Metropolitan City, a Metropolitan City (excluding Guns located in a Metropolitan City; hereafter the same shall apply in this paragraph), a Special Self-Governing City (excluding Eup/Myeon areas located in a Special Self-Governing City; hereafter the same shall apply in this paragraph), a Special Self-

Governing Province (excluding Eup/Myeon areas of an administrative Si established pursuant to Article 10 (2) of the Special Act on the Establishment of Jeju Special Self-Governing Province and the Development of Free International City; hereafter the same shall apply in this paragraph), and a Si area (excluding Eup/Myeon areas in a Si in the form of urban and agricultural complex under Article 3 (4) of the Local Autonomy Act; hereafter the same shall apply in this paragraph): Provided, That farmland for which the period prescribed by Presidential Decree has not passed from the date when farmland, the owner of which has lived and cultivated, as prescribed by Presidential Decree, has been incorporated into the city area of the Special Metropolitan City, a Metropolitan City, a Special Self-Governing City, a Special Self-Governing Province, and a Si, shall be excluded;

2. Forest land: Provided, That any of the following forest land shall be excluded:

- (a) Forest for protection of forest hereditary resources, protective forest, forest for seed collection, and experimentation forest designated by the Creation and Management of Forest Resources Act, and forest land prescribed by Presidential Decree, necessary for promoting other public interests or for protecting and nurturing forest;
- (b) Forest land owned by a person who lives in the location of forest land, as prescribed by Presidential Decree;
- (c) Forest land prescribed by Presidential Decree, which has reasonable grounds to be deemed that it has direct relations with residence or business in consideration of the landowner, location, utilization situation, possession period, area, etc.;

3. Any of the following sites for pasturage: Provided, That a site for pasturage prescribed by Presidential Decree, that has reasonable grounds to be deemed that it has direct relations with residence or business in consideration of the landowner, location, utilization situation, possession period, area, etc. shall be excluded:

- (a) A site for pasturage owned by a person conducting stock-raising business which exceeds the standard area of land for stock raising prescribed by Presidential Decree, or which is located in a city area (excluding an area prescribed by Presidential Decree; hereafter the same shall apply in this subparagraph) of the Special Metropolitan City, a Metropolitan City, a Special Self-Governing City, a Special Self-Governing Province, and a Si (excluding where the period prescribed by Presidential Decree has not elapsed from the date incorporated into the city area);
- (b) Land owned by a person who does not conduct stock-raising business;

4. Land excluding the following, among land, other than farmland, forest land, and a site for pasturage:

- (a) Land which property tax is not levied on or exempted pursuant to the Local Tax Act or related Acts;
- (b) Land subject to taxation of separate aggregation or separate taxation of property tax under Article 106 (1) 2 and 3 of the Local Tax Act;
- (c) Land prescribed by Presidential Decree with reasonable grounds to be deemed that it has direct relations with residence or business in consideration of the land utilization situation, whether the obligation is performed under related Acts, the amount of income, etc.;
5. Land exceeding the area computed by multiplying the area on which a house is built among land annexed to a house under Article 106 (2) of the Local Tax Act by the multiple prescribed by Presidential Decree by each region;
6. Land annexed to a residential building not for permanent residence, but for vacation, summer holidays, entertainment, or any similar purpose (hereafter referred to as "villa" in this subparagraph): Provided, That land located in an Eup/Myeon under Article 3 (3) or (4) of the Local Autonomy Act and annexed to a house in an agricultural or fishing village that meets the scope and criteria prescribed by Presidential Decree shall be excluded herefrom, but the area of land equivalent to ten times the floor area of a villa shall be deemed the land annexed to the building, if the bounds of the land annexed to the villa is unclear;
7. Other land similar to those under subparagraphs 1 through 6, prescribed by Presidential Decree, which has reasonable grounds to be deemed that it has no direct relations with residence or business of a resident.
- (2) In applying paragraph (1), where land falls under any subparagraph of paragraph (1) due to the prohibition of use of such land by any Act after the acquisition or other extenuating circumstances prescribed by Presidential Decree, such land need not be deemed land for non-business use, as prescribed by Presidential Decree.
- (3) In applying paragraphs (1) and (2), matters necessary for the scope, etc. of farmland, forest land, and a site for pasturage shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

SECTION 7 Preliminary Return on Tax Base of Capital Gains and Payment

Article 105 (Preliminary Return on Tax Base of Capital Gains) (1) A resident who transfers an asset specified in any subparagraph of Article 94 (1) (excluding an asset specified in Article 94 (1) 5) shall file a return on the tax base of capital gains, as calculated in accordance with Article 92 (2), with the head of the tax office having jurisdiction over the place for tax payment during the following relevant period, as prescribed by Presidential Decree: <Amended by Act No. 12852, Dec. 23, 2014; Act No. 13796, Jan. 19, 2016; Act No. 14389, Dec. 20, 2016; Act No. 15225, Dec. 19, 2017>

1. Two months from the last day of the month in which an asset is transferred, where the resident transfers the asset specified in Article 94 (1) 1, 2, or 4: Provided, That where the person settles the price before he/she obtains permission for a contract for sale and purchase of land to transfer a parcel of land in an area subject to permission for a contract for sale and purchase of land under Article 10 (1) of the Act on Report on Real Estate Transactions, Etc., the period shall be two months from the last day of the month in which permission is granted for the transfer (where the designation of an area subject to permission is cancelled before the permission for a contract for sale and purchase of land is obtained, referring to the date such designation is cancelled);
2. Two months from the end of the half-year in which the resident transfers an asset, where the resident transfers the asset specified in any item of Article 94 (1) 3;
3. Three months from the last day of the month in which the resident transfers an asset, where an amount of debt in a gift of encumbered property is deemed transferred under the latter part of subparagraph 1 of Article 88, notwithstanding subparagraphs 1 and 2.

(2) A return on tax base of capital gains pursuant to paragraph (1) shall be referred to as a preliminary return.

(3) Paragraph (1) shall also apply when no gains on transfer occur or any loss on transfer occurs.

[\[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009\]](#)

Article 106 (Payment by Preliminary Return) (1) When any resident files a preliminary return, he/she shall pay the tax amount calculated by deducting the amount of tax reduced or exempted under the Restriction of Special Taxation Act and other Acts from the calculated tax under Article 107 to a tax office having jurisdiction over the place for tax payment, the Bank of Korea or a postal service office, as prescribed by Presidential Decree.

(2) Payment under paragraph (1) shall be referred to as "payment by preliminary return".

(3) In cases of payment by preliminary return, where there is any amount of tax occasionally imposed pursuant to Articles 82 and 118, payment shall be made after deducting such tax.

[\[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009\]](#)

Article 107 (Calculation of Tax for Preliminary Return) (1) A resident who files a preliminary return shall calculate the tax amount for the preliminary return by the following formula:

(2) Where a resident who files preliminary returns on at least two occasions with regard to assets subject to progressive tax rates during the relevant taxable period intends to file a return by including the amount of the capital gains for which returns have been already filed, the tax amount to be stated in the second and

subsequent preliminary returns shall be calculated as follows: <Amended by Act No. 15225, Dec. 19, 2017>

1. If the asset is subject to the tax rate specified in Article 104 (1) 1: The amount calculated by the following formula:
2. If the asset is subject to the tax rate under Article 104 (1) 8 or 9: The amount calculated by the following formula:
3. If the asset is subject to the tax rate under Article 104 (1) 11 (a) (ii): The amount calculated by the following formula:

[This Article Wholly Amended by Act No. 14389, Dec. 20, 2016]

Article 108 Deleted. <by Act No. 9897, Dec. 31, 2009>

Article 109 Deleted. <by Act No. 6051, Dec. 28, 1999>

SECTION 8 Final Return on Tax Base of Capital Gains and Payment

Article 110 (Final Return on Tax Base of Capital Gains) (1) Any resident with capital gains in the relevant taxable period shall file a return on the tax base of capital gains with the head of the tax office having jurisdiction over the place for tax payment during the period from May 1 to 31 of the year following such taxable period (in cases falling under the proviso to Article 105 (1) 1, during the period from May 1 to 31 of the year following the taxable period in which a contract for sale and purchase of land is permitted (where the designation of an area subject to permission is cancelled before the permission for a contract for sale and purchase of land is obtained, referring to the date such designation is cancelled)), as prescribed by Presidential Decree. <Amended by Act No. 15225, Dec. 19, 2017>

(2) Paragraph (1) shall also apply where there is no tax base or there is a loss incurred in the relevant taxable period.

(3) A return on tax base of capital gains pursuant to paragraph (1) shall be referred to as a final return.

(4) Notwithstanding paragraph (1), any person who files a preliminary return may choose not to file a final return on the relevant income: Provided, That this shall not apply to cases prescribed by Presidential Decree, where preliminary returns on assets subject to progressive tax rates are made at least twice in the relevant taxable period.

(5) Where filing a final return, the documents necessary for calculating the transfer value and necessary expenses which are the basis of the calculation of the amount of capital gains in such return, prescribed by Presidential Decree, shall be submitted to the head of a tax office having jurisdiction over the place for tax payment.

(6) Where there are deficient matters or errors in a return and other documents submitted under paragraph (5), the head of a tax office having jurisdiction over the place for tax payment may demand the supplement thereof.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 111 (Final Return and Payment) (1) Every resident shall pay the amount calculated by deducting the amount of tax reduced or exempted and tax credit from the calculated tax on capital gains based on the tax base in the relevant taxable period to a tax office having jurisdiction over the place for tax payment, the Bank of Korea or a postal service office by the deadline for a final return pursuant to Article 110 (1) (including the provisions of Article 74 (1) through (4) which are applicable mutatis mutandis pursuant to Article 118), as prescribed by Presidential Decree.

(2) Payment pursuant to paragraph (1) shall be referred to as payment by final return.

(3) In cases of filing a final return and making a payment, if there are the calculated tax for preliminary return under Article 107, any tax determined or reassessed under Article 114, or the tax occasionally imposed under Articles 82 and 118, a taxpayer shall make a due payment after deducting such amount.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 112 (Payment of Capital Gains Tax in Installment) Any resident whose tax payable under Article 106 or 111 exceeds ten million won respectively may pay in installment part of such amount payable, within two months from the end of the deadline for payment, as prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 112-2 Deleted. <by Act No. 13558, Dec. 15, 2015>

Article 113 Deleted. <by Act No. 6051, Dec. 28, 1999>

SECTION 9 Determination, Correction, Collection and Refund of Capital Gains

Article 114 (Determination, Correction, and Notification of Tax Base and Tax Amount on Capital Gains) (1) Where any person liable to file a preliminary return under Article 105 or a final return under Article 110 fails to file such return, the head of a tax office or the commissioner of a regional tax office having jurisdiction over the place for tax payment shall determine the tax base and tax amount on capital gains for the relevant resident.

(2) Where any omission or error exists in the details of a preliminary return filed pursuant to Article 105 or a final return filed under Article 110, the head of a tax office or the commissioner of the a regional tax office

having jurisdiction over the place for tax payment shall correct the tax base and tax amount on capital gains.

(3) Where the head of a tax office or the commissioner of a regional tax office having jurisdiction over the place for tax payment detects any omission or error in the determination or correction after he/she determines or corrects the tax base and tax amount on capital gains, he/she shall immediately correct them again.

(4) Where the head of a tax office or the commissioner of a regional tax office having jurisdiction over the place for tax payment determines or corrects the tax base and tax amount on capital gains pursuant to paragraphs (1) through (3), he/she shall be based on the values pursuant to Articles 96, 97, and 97-2.

[<Amended by Act No. 12169, Jan. 1, 2014>](#)

(5) Where a person liable to file a preliminary or final return on the tax base of capital gains (hereafter referred to as "person liable for a return" in this paragraph) on the transfer value and the acquisition value based on the actual transaction value by transfer of assets pursuant to Article 94 (1) 1 fails to file the final return and falls under any case prescribed by Presidential Decree considering the tax base and tax amount on capital gains or whether a person liable for a return has declared the actual transaction value, notwithstanding paragraph (4), the head of a tax office or the commissioner of a regional tax office having jurisdiction over the place for tax payment may determine the tax base and tax amount on capital gains by presuming the transaction value entered in the register pursuant to Article 68 of the Registration of Real Estate Act (hereafter referred to as "registered value" in this paragraph) the actual transaction value: Provided, That this shall not apply where the head of a tax office or the commissioner of a regional tax office having jurisdiction over the place for tax payment verifies that the registered value differs from the actual transaction value. [<Amended by Act No. 10580, Apr. 12, 2011; Act No. 11146, Jan. 1, 2012>](#)

(6) Where a person files a preliminary return or a final return on the tax base on capital gains on the transfer value and the acquisition value based on the actual transaction value when applying paragraph (4), and the head of a tax office or the commissioner of a regional tax office having jurisdiction over the place for tax payment verifies the actual transaction value because the value of such return is different from the actual value, the head of a tax office or the commissioner of a regional tax office having jurisdiction over the place for tax payment shall correct the tax base and tax amount on capital gains by deeming such verified value the transfer value or acquisition value.

(7) Where the head of a tax office or the commissioner of a regional tax office having jurisdiction over the place for tax payment determines the transfer value or acquisition value based on the actual transaction value when applying paragraphs (4) through (6), and where he/she is unable to acknowledge or verify the actual transaction value at the time of transfer or acquisition of the relevant assets by books or other

supporting documents due to grounds prescribed by Presidential Decree, he/she may determine or correct the transfer value or acquisition value through additional investigation based on the compensation value for sales and purchase, the appraised value, the conversion value (referring to the acquisition value converted from the actual transaction value, the compensation value for sales and purchase or the appraised value by the method prescribed by Presidential Decree) or the assessed value, etc. as prescribed by Presidential Decree.

(8) Where the head of a tax office or the commissioner of a regional tax office having jurisdiction over the place for tax payment determines or corrects the tax base and tax amount on capital gains of any resident pursuant to paragraphs (1) through (7), he/she shall notify such resident of such determination or correction in writing, as prescribed by Presidential Decree.

(9) Where the head of a tax office or the commissioner of a regional tax office having jurisdiction over the place for tax payment needs to ascertain whether any omission or error exists in the details of a return on gains on transfer of stocks, etc. pursuant to Article 94 (1) 3 and 4 and the appropriateness of details of sales and purchase when applying paragraphs (1) through (3), notwithstanding the provisions of other Acts, such as the Act on Real Name Financial Transactions and Confidentiality, he/she may make inquiries of any investment trader or investment broker and any corporation that issued certificates of stocks, etc. or investment certificates under the Financial Investment Services and Capital Markets Act about such matters, as prescribed by Presidential Decree.

[\[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009\]](#)

Article 114-2 (Penalty Tax on Application of Conversion Value) (1) Where a resident reports a conversion value under Article 97 (1) 1 (b) as the acquisition price for a new building that the resident erected and transfers to another person within five years from the date of acquisition, the amount equivalent to 5/100 of the conversion value of the building shall be added to the final amount of capital gains tax under subparagraph 2 of Article 93.

(2) Paragraph (1) shall also apply where there is no capital gains tax calculated under subparagraph 1 of Article 93.

[\[This Article Newly Inserted by Act No. 15225, Dec. 19, 2017\]](#)

Article 115 (Obligation to Keep and Maintain Books for Stocks, etc. and Penalty Tax for Failure to Keep Adequate Books and Records) (1) A corporation (including small and medium enterprises) shall keep and maintain the details of trading of stocks, etc. transferred by a major shareholder of such corporation by each date of transaction and by each type of item, as prescribed by Presidential

Decree, and maintain documentary evidence therefor, etc: Provided That, if a investment trader or an investment broker under the Financial Investment Services and Capital Markets Act maintains specifications of trading, it shall be deemed that books and records kept and maintained.

(2) Where a corporation fails to keep records of or omits records of details of trading, etc. on stocks, etc. transferred by a majority stockholder of such corporation pursuant to paragraph (1), the amount equivalent to 10/100 of the amount calculated by multiplying the calculated tax by the ratio of the amount of income not recorded or omitted to the amount of capital gains (hereafter referred to as "penalty tax for failure to keep adequate books and records" in this Article) shall be added to the calculated tax: Provided, That where there is no calculated tax, the amount equivalent to 7/10,000 of the amount of such trading shall be imposed as penalty tax for failure to keep adequate books and records.

[This Article Wholly Amended by Act No. 10408, Dec. 27, 2010]

Article 116 (Collection of Capital Gains Tax) (1) Where a resident fails to pay all or part of the tax payable as capital gains tax in the relevant taxable period pursuant to Article 111, the head of a tax office having jurisdiction over the place for tax payment shall collect the unpaid capital gains tax in accordance with the National Tax Collection Act. The same shall also apply to cases of the tax payable by a preliminary return under Article 106. <Amended by Act No. 11611, Jan. 1, 2013>

(2) Where the head of a tax office having jurisdiction over the place for tax payment determines or corrects the tax base and the amount of tax on capital gains tax pursuant to Article 114, if the aggregate of the calculated tax on capital gains under subparagraph 3 of Article 93 exceeds the aggregate of the following amounts, he/she shall collect such excess tax (hereinafter referred to as "additional tax payable") from the relevant resident within 30 days from the date of notification:<Amended by Act No. 16104, Dec. 31, 2018>

1. Tax paid by preliminary return pursuant to Article 106, and the tax paid by final return pursuant to Article 111;
2. The amount of tax collected pursuant to paragraph (1);
3. Tax occasionally imposed pursuant to Articles 82 and 118;
4. The amount of tax withheld pursuant to Article 156 (1) 5.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 117 (Refund of Capital Gains Tax) If the sum of the amount under each subparagraph of Article 116 (2) by taxable period exceeds the total final tax on capital gains pursuant to subparagraph 3 of Article 93, the head of a tax office having jurisdiction over the place for tax payment shall refund such excess tax or appropriate it for other national taxes, penalty taxes and expenses for disposition on default.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 118 (Provisions Applicable Mutatis Mutandis) (1) Articles 24, 27, 33, 39, 43, 44, 46, 74, 75, and 82 shall apply mutatis mutandis to capital gains tax.

(2) Articles 118-2 through 118-4 and 118-6 shall apply mutatis mutandis to calculating an amount of capital gains tax on derivatives traded in overseas derivatives markets under Article 5 (2) 2 of the Financial Investment Services and Capital Markets Act, out of the income under Article 94 (1) 5. <Newly Inserted by Act No. 15225, Dec. 19, 2017>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

SECTION 10 Capital Gains Tax on Transfer of Overseas Assets

Article 118-2 (Scope of Capital Gains) Capital gains from transferring overseas assets of a resident (limited to the persons who have had a domicile or a place of residence in the Republic of Korea for at least five consecutive years until the date of transfer of the relevant assets) shall be any of the following incomes generated from transferring overseas assets during the relevant taxable period: Provided, That a gain on foreign exchange shall be excluded from the scope of capital gains, where any of the following income is an income generated from transferring an asset acquired with a loan borrowed in a foreign currency from abroad and includes a gain on foreign exchange from the loan in the foreign currency due to the fluctuation of foreign exchange rates: <Amended by Act No. 10408, Dec. 27, 2010; Act No. 12852, Dec. 23, 2014; Act No. 13558, Dec. 15, 2015; Act No. 14389, Dec. 20, 2016>

1. Income generated from transferring buildings or land;
2. Income generated from transferring any of the following rights or interests in real estate:
 - (a) A right to acquire real estate (including a right to acquire a building and land appurtenant thereto upon completion of the building);
 - (b) Superficies;
 - (c) A leasehold interest on a deposit basis and a right to lease real estate;
3. Income generated from transferring stocks, etc. specified by Presidential Decree;
4. Deleted; <by Act No. 15225, Dec. 19, 2017>
5. Income generated from transferring other assets specified by Presidential Decree, such as other assets under Article 94 (1) 4.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 118-3 (Value of Transfer) (1) The value of transfer of assets under Article 118-2 (hereafter referred to as "overseas assets" in this Section) shall be the actual transaction value of such assets at the time of transfer: Provided, That when it is impossible to confirm the actual transaction value, the transfer value shall be based on the market price reflecting the current status of the country where assets are located at the time of transfer, but when it is difficult to assess the market price, the transfer value shall be assessed pursuant to the method prescribed by Presidential Decree, taking into account the type and size of such assets and the circumstances at the time of the transaction.

(2) Matters concerning the assessment of the market price under paragraph (1) and other necessary matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 118-4 (Calculation of Necessary Expenses of Capital Gains) (1) In the calculation of gains on transfer of overseas assets, necessary expenses deductible from the transfer value shall be the sum of the following amounts:

1. The acquisition value:

The actual transaction value disbursed for the acquisition of the relevant assets: Provided, That when it is impracticable to confirm the actual transaction value at the time of acquisition, the acquisition value shall be based on the market price reflecting the current status of the country where transferred assets are located at the time of acquisition, but when it is difficult to assess the market price, the acquisition value shall be assessed according to the method prescribed by Presidential Decree, taking into account the type and size of such assets and the circumstances at the time of the transaction;

2. Capital expenditure prescribed by Presidential Decree;

3. Transfer cost prescribed by Presidential Decree.

(2) Matters necessary to calculate necessary expenses, such as foreign exchange of gains on transfer, the actual transaction value disbursed for acquisition, the assessment of the market price, etc. under paragraph (1) shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 118-5 (Tax Rate of Capital Gains) (1) The amount of income tax on capital gains generated from overseas assets shall be calculated by applying the following tax rates to the tax base of capital gains for the relevant taxable period. In such cases, when at least two of the following tax rates, are applicable to an asset, the highest tax rate shall apply: <Amended by Act No. 12852, Dec. 23, 2014>

1. Assets under subparagraphs 1, 2, and 5 of Article 118-2: Tax rates under Article 55 (1);
 2. Assets under subparagraph 3 of Article 118-2:
 - (a) Stocks, etc. of small and medium enterprises: 10/100 of the tax base of capital gains;
 - (b) Other stocks, etc.: 20/100 of the tax base of capital gains;
 3. Deleted.<by Act No. 15225, Dec. 19, 2017>
- (2) Article 104 (4) shall apply mutatis mutandis to adjusting the tax rates under paragraph (1) 1.<Amended by Act No. 14389, Dec. 20, 2016; Act No. 15225, Dec. 19, 2017>
[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 118-6 (Foreign Tax Credit) (1) Where a foreign country imposes capital gains tax on overseas assets, and a taxpayer has paid or is to pay capital gains tax for transfer of overseas assets prescribed by Presidential Decree on such capital gains (hereafter referred to as "tax on capital gains from transfer of overseas assets" in this paragraph), the taxpayer may choose to apply one of the following methods:

1. Crediting capital gains tax on overseas assets against capital gains tax in the relevant taxable period within the limits of the amount calculated by multiplying capital gains tax for the relevant taxable period calculated pursuant to Article 118-5 by the ratio of the amount of capital gains tax on overseas assets to the amount of capital gains in such taxable period;
 2. Including capital gains tax on overseas assets paid or payable on capital gains from transfer of overseas assets in necessary expenses in calculating the amount of capital gains in the relevant taxable period.
- (2) Matters necessary for tax credit and inclusion in necessary expenses under paragraph (1) shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 118-7 (Basic Deduction for Capital Gains) (1) For a resident with capital gains from the transfer of overseas assets, 2,500,000 won a year shall be deducted from capital gains for the relevant taxable period, separately from each of the following incomes: <Amended by Act No. 12852, Dec. 23, 2014>

1. Income under subparagraphs 1, 2, and 5 of Article 118-2;
2. Income under subparagraph 3 of Article 118-2;
3. Deleted.<by Act No. 15225, Dec. 19, 2017>

(2) Where any income is reduced or exempted under this Act, the Restriction of Special Taxation Act, or other Acts among capital gains tax in the relevant taxable period when applying paragraph (1), such amount shall be deducted from capital gains other than the amount of income reduced or exempted first, and shall be deducted from income from capital gains beginning with the first assets transferred in the relevant taxable

period in the order of transfer, among capital gains other than income reduced or exempted.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 118-8 (Provisions Applicable Mutatis Mutandis) @Articles 89, 90, 92, 93, 95, 97 (3), 98, 100, 101, 105 through 107 (excluding stocks, etc. under subparagraph 3 of Article 118-2, among overseas assets), 110 through 112, 114, 114-2, and 115 shall apply mutatis mutandis to imposing capital gains tax for the transfer of overseas assets: Provided, That the amount of special deduction for long-term holding under Article 95 shall not be deducted. <Amended by Act No. 10408, Dec. 27, 2010; Act No. 10900, Jul. 25, 2011; Act No. 12852, Dec. 23, 2014; Act No. 15225, Dec. 19, 2017>
[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

SECTION 11 Special Cases concerning Taxation on Domestic Stocks, etc. upon Departure of Residents

Article 118-9 (Resident's Obligation to Pay Taxes upon Departure) (1) Notwithstanding subparagraph 1 of Article 88, a person who meets all the following requirements and departs from the Republic of Korea (hereinafter referred to as "person moving abroad") shall be obliged to pay income tax on capital gains on stocks, etc. falling under Article 94 (1) 3, and 4 (c) and (d) which are held by that person at the time of departure from the Republic of Korea, as if such stocks, etc. were transferred on the date of departure: <Amended by Act No. 16104, Dec. 31, 2018>

1. The sum of the periods during which the person has had a domicile or place of residence in the Republic of Korea for ten years before the date of departure is at least five years;
2. The person is a majority stockholder specified by Presidential Decree, in view of the ratio, total market value, etc. of the stocks, etc. held as at the end of the year immediately preceding the year in which the person leaves the Republic of Korea.

(2) Deleted.<Act No. 16104, Dec. 31, 2018>

(3) The scope of persons moving abroad and other necessary matters shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 14389, Dec. 20, 2016]

Article 118-10 (Calculation of Tax Base) (1) The transfer value of stocks, etc. under Article 118-9 (1) (hereinafter referred to as "domestic stocks, etc. held by a person moving abroad") shall be determined with the market value as at the date of departure: Provided, That, if it is impracticable to determine the market value, such stocks, etc. shall be appraised by the method prescribed by Presidential Decree, taking into

consideration the amount of stocks, etc., the status of transactions, etc.

(2) Necessary expenses to be deducted from the transfer value under paragraph (1) shall be calculated in accordance with Article 97.

(3) The amount of capital gains shall be calculated by deducting the necessary expenses under paragraph (2) from the transfer value under paragraph (1). <Amended by Act No. 16104, Dec. 31, 2018>

(4) The tax base of capital gains shall be calculated by deducting 2,500,000 won per year from the amount of capital gains under paragraph (3).

(5) The tax base of capital gains under paragraph (4) shall be calculated separately from the tax base of global income, retirement income, and capital gains under Article 92 (2).

(6) The determination of the market value under paragraph (1) and other necessary matters shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 14389, Dec. 20, 2016]

Article 118-11 (Tax Rates and Calculated Tax Amount) The amount of capital gains tax to be levied (hereafter referred to as "calculated tax amount" in this Section) on a person moving abroad shall be the amount calculated by applying the following calculation formula to the tax base of capital gains under Article 118-10 (4):

[This Article Wholly Amended by Act No. 16104, Dec. 31, 2018]

Article 118-11 (limited to the stocks, etc. of small and medium enterprises under Article 94 (1) 3 (b))

Article 118-12 (Adjusted Deduction) (1) Where a person moving abroad actually transfers his/her domestic stocks, etc. after leaving the Republic of Korea, and the actual transfer price is less than the transfer value under Article 118-10 (1), the tax amount calculated by the following formula (hereafter referred to as "adjusted deduction" in this Section) shall be deducted from the calculated tax amount:

[Transfer value under Article 118-10 (1) - Actual transfer price] x Tax rate under Article 118-11.

(2) Matters necessary for the deduction under paragraph (1) shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 14389, Dec. 20, 2016]

Article 118-13 (Deduction of Taxes Payable to Foreign Countries) (1) If a person moving abroad has any tax amount that he/she paid or shall pay to a foreign government (including local governments; hereinafter the same shall apply) on capital gains on the transfer of domestic stocks, etc. he/she actually transferred after leaving the Republic of Korea, the tax amount payable to the foreign government shall be deducted from the calculated tax amount according to the following formula up to the amount calculated by

deducting the adjusted deduction from the calculated tax amount:

Tax amount paid to a foreign government on capital gains in the relevant asset x [Transfer value under Article 118-10 (1) (actual transfer price in cases falling under Article 118-12 (1)) - Necessary expenses under Article 118-10 (2)]/(Actual transfer price - Necessary expenses under Article 118-10 (2)).

(2) The deduction under paragraph (1) shall not apply to the following cases:

1. Where a foreign government permits a tax credit for the tax payable to the foreign country from the calculated tax amount;
2. Where a foreign government adjusts the acquisition price of domestic stocks, etc. of a person moving abroad to the transfer value under Article 118-10 (1).

(3) Matters necessary for the deduction under paragraph (1) shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 14389, Dec. 20, 2016]

Article 118-14 (Tax Credit for Nonresidents' Domestic Source Income) (1) Where the tax is levied on a nonresident's domestic source income under subparagraph 11 of Article 119 generated from actual transfer of domestic stocks, etc. of a person moving abroad after the person leaves the Republic of Korea, the amount under Article 156 (1) 7 shall be deducted from the calculated tax amount up to the amount calculated by deducting the adjusted deduction from the calculated tax amount. <Amended by Act No. 16104, Dec. 31, 2018>

(2) The deduction of the tax amount payable to a foreign country under Article 118-13 (1) shall not apply where the tax credit under paragraph (1) is awarded.

(3) Matters necessary for the tax credit under paragraph (1) shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 14389, Dec. 20, 2016]

Article 118-15 (Filing of Returns, Payment, and Penalty Tax) (1) A person moving abroad shall file a return on his/her tax manager of tax payment for capital gains on his/her domestic stocks, etc. and the status of the person's holding of domestic stocks, etc. with the head of the tax office having jurisdiction over the place for tax payment by the day immediately before the date of departure. In such cases, the status of holding of domestic stocks, etc. by the person moving abroad shall be prepared as of the day immediately before the day of filing the return. <Amended by Act No. 16104, Dec. 31, 2018>

(2) A person moving abroad shall file a return on the tax base of capital gains under Article 118-10 (4) with the tax office having jurisdiction over the place for tax payment within three months from the last day of the month in which the person leaves the Republic of Korea (within the period of a final return on tax base of capital gains under Article 110 (1) in case of reporting his/her tax manager pursuant to paragraph (1) of this

Article), as prescribed by Presidential Decree. <Amended by Act No. 16104, Dec. 31, 2018>

(3) When a person moving abroad files a return on the tax base of capital gains under paragraph (2), he/she shall pay the amount calculated by deducting the tax reductions and tax credits under this Act and other tax-related Acts from the calculated tax amount to the tax office having jurisdiction over the place for tax payment, the Bank of Korea, or a post office, as prescribed by Presidential Decree.

(4) Where a person moving abroad fails to file a return on the current status of holding of domestic stocks, etc. the day immediately before the date of departure pursuant to paragraph (1) or files a return thereof by omitting a part of domestic stocks, etc., the amount equivalent to 2/100 of the amount under following classifications shall be added to the calculated amount: <Amended by Act No. 16104, Dec. 31, 2018>

1. In case of failing to file a return on the current status of holding of domestic stocks, etc. by a person moving abroad before the day immediately before the date of departure: The par value (in cases of the stocks without par value, referring to the amount obtained after dividing the capital of the stock-issuing corporation concerned as at the date of acquisition of the stocks concerned by the total number of issued stocks; hereinafter the same shall apply in this Article) of, or the amount of investment in, domestic stocks, etc. as of the day immediately before the date of departure;

2. In case of filing a return on the current status of holding of domestic stocks, etc. by omitting a part thereof, etc.: The par value of, or the amount of investment in, domestic stocks, etc. which is omitted in such return as of the day immediately before the date of departure.

(5) A person who intends to be subject to the application of adjusted deduction under Article 118-12 (1), deduction of taxes payable to foreign countries under Article 118-13 (1) or tax credit for nonresidents' domestic source income under Article 118-14 (1) may file an application for correction with the head of the competent tax office, as prescribed by Presidential decree, within two years after the date of actually transferring the domestic stocks of the person moving abroad. <Newly Inserted by Act No. 16104, Dec. 31, 2018>

(6) Except as provided in paragraphs (1) through (5), matters necessary for filing a return on and paying capital gains tax on domestic stocks, etc. of a person moving abroad shall be prescribed by Presidential Decree. <Amended by Act No. 16104, Dec. 31, 2018>

[This Article Newly Inserted by Act No. 14389, Dec. 20, 2016]

Article 118-16 (Deferment of Payment) (1) Where a person moving abroad meets the requirements prescribed by Presidential Decree, such as the provision of security for tax payment and the appointment of a manager of tax payment, he/she may file an application for deferring the payment of capital gains tax with the head of the tax office having jurisdiction over the place for tax payment to have the payment of capital

gains tax deferred from the date of his/her departure until he/she actually transfers his/her domestic stocks, etc., notwithstanding Article 118-15 (3).

(2) If a person moving abroad who has tax payment deferred under paragraph (1) fails to transfer his/her domestic stocks, etc. within five years from the date of departure (or ten years in cases specified by Presidential Decree, such as where a person moving abroad studies abroad; hereafter in this Section the same shall apply), he/she shall pay capital gains tax on his/her domestic stocks, etc. within three months from the end of the month in which the five-year period from the date of departure ends.

(3) If a person moving abroad who has tax payment deferred under paragraph (1) transfers his/her domestic stocks, etc., such person shall pay capital gains tax on his/her domestic stocks, etc. within three months from the end of the month in which such stocks, etc. are transferred. <Newly Inserted by Act No. 15225, Dec. 19, 2017>

(4) When a person moving abroad who has tax payment deferred under paragraph (1) pays capital gains tax on his/her domestic stocks, etc. pursuant to paragraph (2) or (3), he/she shall pay an additional amount equivalent to interest for the period of deferment of tax payment, as prescribed by Presidential Decree. <Amended by Act No. 15225, Dec. 19, 2017>

(5) Matters necessary for deferring the payment of capital gains tax on domestic stocks, etc. of a person moving abroad shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 14389, Dec. 20, 2016]

Article 118-17 (Refund, etc. upon Comeback, etc.) (1) If any of the following events occurs, a person moving abroad (referring to his/her heir in cases falling under subparagraph 3) shall file an application for refunding the tax amount paid under Article 118-15 or for cancelling the tax deferred under Article 118-16 with the head of the tax office having jurisdiction over the place for tax payment within one year from the day the event occurs: <Amended by Act No. 15225, Dec. 19, 2017>

1. Where the person moving abroad returns to the Republic of Korea without transferring his/her domestic stocks, etc. within five years from the date of departure and becomes a resident;
2. Where the person moving abroad donates his/her domestic stocks, etc. as a gift to a resident within five years from the date of departure;
3. Where the heir of the person moving abroad inherits domestic stocks, etc. of the person moving abroad within five years from the date of departure of the person moving abroad.

(2) Upon receipt of an application under paragraph (1), the head of the tax office having jurisdiction over the place for tax payment shall refund the tax paid by the person moving abroad or cancel the deferred tax, without delay.

(3) Where the tax paid by a person moving abroad is refunded in cases falling under paragraph (1) 2 or 3, no additional refund of the national tax shall be added to the refund of the national tax, notwithstanding Article 52 of the Framework Act on National Taxes.

[This Article Newly Inserted by Act No. 14389, Dec. 20, 2016]

Article 118-18 (Provisions Applicable Mutatis Mutandis, etc.) (1) Articles 90, 93, 102 (2), 114, 116, and 117 shall apply mutatis mutandis to capital gains tax on domestic stocks, etc. held by a person moving abroad.

(2) The levying of capital gains tax on gains on domestic stocks, etc. held by a person moving abroad, and other necessary matters, shall be prescribed by Presidential Decree. <Amended by Act No. 16104, Dec. 31, 2018>

[This Article Newly Inserted by Act No. 14389, Dec. 20, 2016]

CHAPTER IV TAX LIABILITIES OF NONRESIDENTS

SECTION 1 Common Provisions concerning Calculation of Tax on Nonresidents

Article 119 (Domestic Source Income of Nonresident) Domestic source income of a nonresident shall be classified as follows: <Amended by Act No. 10408, Dec. 27, 2010; Act No. 11146, Jan. 1, 2012; Act No. 11611, Jan. 1, 2013; Act No. 13558, Dec. 15, 2015; Act No. 14389, Dec. 20, 2016; Act No. 16104, Dec. 31, 2018>

1. Domestic source interest income: Interest prescribed in Article 16 (1) (excluding income under subparagraph 7 of the same paragraph), which is income falling under any of the following items: Provided, That interest on a loan for an overseas place of business of a resident or a domestic corporation directly borrowed by such overseas place of business shall be excluded:

- (a) Income received from the State, a local government (including an association of local governments; hereafter the same shall apply in Article 156 (1) 1 (a)), a resident, a domestic corporation, a domestic place of business of a foreign corporation prescribed in Article 94 of the Corporate Tax Act, or a domestic place of business of a nonresident prescribed in Article 120;
- (b) Income received from a foreign corporation or a nonresident, which is included in losses or necessary expenses in calculating the amount of income of his/her domestic place of business, substantially in connection with such domestic place of business of the foreign corporation or the nonresident who pays such income;

2. Domestic source dividend income: Dividend income prescribed in each subparagraph of Article 17 (1) (excluding subparagraph 6) received from a domestic corporation, an organization deemed a corporation, or any other person located in the Republic of Korea, and the amount treated as dividends pursuant to Articles 9 and 14 of the Adjustment of International Taxes Act;
3. Domestic source real estate income: Income generated from transfer, lease, or other operation of real estate in the Republic of Korea or a real property right, a mining right, a mining right by lease, a right to develop and use groundwater, a fisheries right, or a right to gather earth, sand, and stones acquired in the Republic of Korea: Provided, That domestic source capital gains on real estate, etc. under subparagraph 9 shall be excluded therefrom;
4. Domestic source lease income from leasing ships, etc.: Income generated from lease of a vessel, an airplane, a registered automobile, construction machine, or an industrial, commercial, or scientific machine, equipment, apparatus, and other tools and instruments prescribed by Presidential Decree to a resident, a domestic corporation, or a domestic place of business of a foreign corporation prescribed in Article 94 of the Corporate Tax Act, or a domestic place of business of a nonresident prescribed in Article 120;
5. Domestic-source business income: Income prescribed by Presidential Decree, which is generated from business conducted by a nonresident (including income taxable as domestic source business income according to tax treaties): Provided, That domestic source personal services income under subparagraph 6 shall be excluded therefrom;
6. Domestic source personal services income: Income generated by providing personal services specified by Presidential Decree in the Republic of Korea (including income generated by providing any of the services specified by Presidential Decree, among personal services provided in a foreign country, which is deemed generated in the Republic of Korea under a tax treaty). In such cases, when the person receiving such personal services bears the expenses specified by Presidential Decree, such as an air fare, in connection with personal services, the income means the amount from which such expenses are excluded;
7. Domestic source earned income: Income received in consideration of labor provided in the Republic of Korea and labor prescribed by Presidential Decree;
8. Domestic source retirement income: Retirement income received in consideration of labor provided in the Republic of Korea;
- 8-2. Domestic source pension income: Pension income received in the Republic of Korea pursuant to each subparagraph of Article 20-3 (1);
9. Domestic source capital gains on real estate, etc.: Income generated by transferring any assets or rights falling under any of the following subparagraphs, which are located in the Republic of Korea: Provided,

That this shall only apply where assets or rights that generate such income are located in the Republic of Korea:

- (a) Assets or rights under Article 94 (1) 1, 2, and 4 (a) and (b);
- (b) Unlisted stocks or equity shares (including deposit certificates issued on the basis of stocks or equity shares and preemptive rights to new stocks; hereafter the same shall apply in this Chapter) of a domestic corporation (hereafter referred to as "real estate stocks, etc."), where the sum of the following values is at least 50/100 of the total assets of the corporation as at the beginning of the business year in which such assets are transferred:
 - (i) The value of the assets under Article 94 (1) 1 and 2;
 - (ii) The value computed by multiplying the value of stocks owned by another corporation excessively owning real estate which is held by the domestic corporation, by the ratio of real estate owned by the other corporation. In such cases, the methods for determining whether the other corporation excessively owns real estate and for computing the ratio of real estate owned shall be prescribed by Presidential Decree;

10. Domestic source royalty income: Income generated from transfer of the consideration, right, etc., where any of the following rights, assets, or information (hereafter referred to as "rights, etc." in this subparagraph) are used in the Republic of Korea, or the consideration for the rights, etc. is paid in the Republic of Korea; Provided, That where a double taxation avoidance agreement on income prescribes whether such income is a domestic source income based on the place of its use, no consideration for the rights, etc. used overseas shall be deemed a domestic source income, even if it is paid in the Republic of Korea. In such cases, rights required to be registered (hereafter referred to as "patent right, etc." in this subparagraph) to exercise rights, such as the patent right, utility model right, trademark right, and design right, shall be deemed used in the Republic of Korea, regardless of whether the patent right, etc. have been registered in the Republic of Korea where the relevant patent right, etc. were registered outside the Republic of Korea, and have been used for manufacture, sale, etc. in the Republic of Korea:

- (a) The copyright of any scientific or artistic work (including films of motion pictures), patent right, trademark right, designs, models, drawings, secret formula or processes, films and tapes for radio or television broadcast, and other assets or rights similar thereto;
- (b) Information or know-how on industrial, commercial, or scientific knowledge and experience;

11. Domestic source capital gains on securities: Income prescribed by Presidential Decree, generated from transferring any of the following stocks, investment shares (including real estate stocks, etc. listed on the securities market), or other securities (including securities under Article 4 of the Financial Investment

Services and Capital Markets Act; hereinafter the same shall apply):

- (a) Stocks, investment shares, or other securities issued by a domestic corporation;
- (b) Stocks or investment shares issued by a foreign corporation (only applicable to those listed on the securities market);
- (c) Other securities issued by a domestic place of business of a foreign corporation;

12. Domestic source other income: Income falling under any of the following, other than income under subparagraphs 1 through 8, 8-2, and 9:

- (a) Insurance money, an indemnity, or damages received in connection with real property or other assets located in the Republic of Korea and business conducted in the Republic of Korea;
- (b) Income prescribed by Presidential Decree, as a penalty or an indemnity paid in the Republic of Korea;
- (c) Prize money, a reward, or a prize given in the Republic of Korea and other income similar thereto: Provided, That the prize money and supplementary prize prescribed in subparagraph 5 (c) of Article 12 shall be excluded;
- (d) Income generated from buried property discovered in the Republic of Korea;
- (e) Income generated from the transfer of a license, permit, or other rights established by similar administrative dispositions under the Korean laws and regulations, or income generated from the transfer of domestic assets other than real estate;
- (f) Prize money and other valuables received by winning a lottery, a gift coupon, or a lottery ticket issued in the Republic of Korea, and refund received by a purchaser of a horse racing ticket, a winner wager ticket, a bullfighting match wager ticket, or a sports promotion wager ticket;
- (g) Prize money or valuables received by using slot machines, etc.;
- (h) The amount treated as other income pursuant to Article 67 of the Corporate Tax Act;
- (i) Income generated from increase in values of stocks or investment shares of a domestic corporation due to capital transaction prescribed by Presidential Decree, which are held by related nonresidents prescribed by Presidential Decree (hereafter referred to as "foreign related persons" in Article 156);
- (j) Income under Article 21 (1) 21, as a receipt other than pension received from the pension account in the Republic of Korea;
- (k) Other than the provisions under items (a) through (i), income (where the amount received by redemption of foreign currency bonds issued by the State or financial institutions, etc. incorporated under special Acts exceeds the issuance value of such foreign currency bonds, such difference shall not be included) from economic benefits, received in connection with business conducted in the Republic of Korea, personal services provided in the Republic of Korea, or assets located in the Republic of Korea, or

as income similar thereto, income prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 119-2 (Special Cases Concerning Substantive Owner in Foreign Investment Vehicle) (1)

Where a nonresident is paid any domestic source income under Article 119 through a foreign investment vehicle, such nonresident shall be deemed the substantive owner of such domestic source income (referring to a person who substantially has ownership of that domestic source income, such as having a right to dispose of that income by bearing legal or economic risk with respect to that domestic source income; hereinafter the same shall apply): Provided, That a foreign investment vehicle falls under any of the following subparagraphs (limited to cases where, in case of a foreign investment vehicle which is a non-juristic entity other than an entity deemed a corporation under Article 2 (3), it falls under subparagraph 2 or of 3 of this paragraph) shall be deemed the substantive owner of the domestic source income:

1. Where the foreign investment vehicle meets all of the following requirements:

(a) It shall bear an obligation to pay taxes in its residing country;

(b) It shall be not the foreign investment vehicle established for the purpose of unjustly reducing income tax or corporate tax on domestic source income:

2. Where the foreign investment vehicle shall be recognized as a substantive owner, as prescribed in a tax treaty;

3. Where the foreign investment vehicle not falling under subparagraph 1 or 2 can not confirm investors in it (only limited to the portion with respect to which investors are not confirmed where it only confirms some of two or more investors, if any).

(2) Where a foreign investment vehicle is deemed the substantial owner of domestic source income by falling under paragraph (1) 3, provisions concerning non-taxation, tax exemption and restrictive tax rates under a tax treaty shall not apply to such foreign investment vehicle.

[This Article Newly Inserted by Act No. 16104, Dec. 31, 2018]

Article 120 (Domestic Place of Business of Nonresident) (1) If a nonresident has a fixed place to carry out all or part of the business in the Republic of Korea, he/she shall be deemed to have a domestic place of business. <Amended by Act No. 11611, Jan. 1, 2013>

(2) Any domestic place of business prescribed in paragraph (1) shall be deemed to include any of the following places:

1. A branch, office or place of business;

2. A store or other fixed sales places;
 3. A place of work, factory or warehouse;
 4. A place of construction, site of construction, assembly or installation work, or a place where supervision is conducted in relation thereto, which continues to exist exceeding six months;
 5. Any of the following places where services are provided by employees:
 - (a) A place where services are carried out for a period exceeding six months in total among 12 months during which services are provided continuously;
 - (b) A place where similar kinds of services are carried out continuously and repeatedly for two or more years, for a period not exceeding six months in total among 12 months during which services are provided continuously;
 6. A mine, a quarry or a place where any submarine natural resources and other natural resources are probed or gathered (including places located on the sea bed and subsoil in the submarine area contiguous to the coast of the Republic of Korea where the Republic of Korea exercises its sovereignty outside the territorial waters under international laws).
- (3) Where, even though having no fixed place under paragraph (1), a nonresident conducts business by employing a person falling under any of the following subparagraphs, or a person equivalent thereto prescribed by Presidential Decree, such resident shall be deemed to have a domestic place of business at the seat of the place of business of such person (referring to a domicile where there is no place of business, and the place of residence where there is no domicile): [<Amended by Act No. 16104, Dec. 31, 2018>](#)
1. A person who has an authority to enter into a contract falling under any of the following items (hereinafter referred to as "contract, etc. in the name of a nonresident") on behalf of such nonresident and repeatedly exercises such authority:
 - (a) A contract in the name of that nonresident;
 - (b) A contract for transferring the ownership of any asset owned by that nonresident or licensing a right to uses any asset which that nonresident has a right to own or use;
 - (c) A contract for providing services of that nonresident;
 2. A person who has no authority to enter into a contract in the name of such nonresident on behalf of that non-resident, but repeatedly plays an important role (limited to cases where that nonresident enters into a contract without changing an important matters of such contract) in the course of entering into a contract.
- (4) Where a place falling under any of the following subparagraphs (hereinafter referred to as "place for specific activities" in this Article) is used for activities of a preliminary and auxiliary nature for conducting the business of the nonresident, such place shall not be included in the domestic places of business under

paragraph (1): <Amended by Act No. 16104, Dec. 31, 2018>

1. A fixed place used by a nonresident only for purchasing assets;
2. A fixed place used by a nonresident only for storing or keeping any assets not for sale;
3. A fixed place used by a nonresident only for any advertisement, publicity, collection and furnishing of information, market survey, and other activities similar thereto;
4. A fixed place used by a nonresident only for having another person process his/her assets.

(5) Notwithstanding paragraph (4), where a place for specific activities falls under any of the following, such place shall be included in the domestic places of business under paragraph (1): <Newly Inserted by Act No. 16104, Dec. 31, 2018>

1. Where a nonresident or related person prescribed by Presidential Decree (hereinafter referred to as "related person" in this paragraph) conducts business in the same place as the place for specific activities or at any other place in the Republic of Korea, and meets all the following requirements:
 - (a) A domestic place of business of the relevant nonresident or the related person shall be located in the same place as the place for specific activities or at any other place in the Republic of Korea;
 - (b) The activities conducted in the place for specific activities and those conducted at the domestic place of business under item (a) shall be mutually complementary;
2. Where a nonresident or a related person conduct mutually complementary activities in the same place as the place for specific activities or at any other place in the Republic of Korea, and the activities in general combined with the respective activities shall not fall under activities of a preliminary and auxiliary nature, considering the business activities of the non-resident or the related person.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 121 (Method of Taxation on Nonresident) (1) Income tax on a nonresident shall be calculated by separating cases where it is imposed by aggregating relevant domestic source income, from cases where it is imposed by separating such domestic source income. <Amended by Act No. 11611, Jan. 1, 2013>

(2) For a nonresident having a domestic place of business and a nonresident with any domestic source real estate income under subparagraph 3 of Article 119, tax shall be imposed by aggregating income under subparagraphs 1 through 7, 8-2 and 10 through 12 of Article 119 (excluding income to be withheld pursuant to Articles 156 (1) and 156-3 through 156-6, and for a nonresident with domestic source retirement income under subparagraph 8 of Article 119 and domestic source capital gains on real estate under subparagraph 9 of Article 119, income tax shall be classified and imposed in the same method as that for a resident: Provided, That the proviso to the part other than the Table in Article 95 (2) shall not apply where tax is imposed on a nonresident prescribed by Presidential Decree with domestic source capital gains on real estate

under subparagraph 9 of Article 119. <Amended by Act No. 11146, Jan. 1, 2012; Act No. 11611, Jan. 1, 2013; Act No. 16104, Dec. 31, 2018>

(3) For a nonresident having no domestic place of business, income tax shall be imposed separately by each type of income under each subparagraph of Article 119 (excluding subparagraphs 8 and 9). <Amended by Act No. 11611, Jan. 1, 2013>

(4) For domestic income of a nonresident having a domestic place of business which is to be withheld pursuant to Articles 156 (1) and 156-3 through 156-5, income tax shall be imposed separately by each type of income under each subparagraph (excluding subparagraphs 8 and 9) of Article 119. <Amended by Act No. 11146, Jan. 1, 2012; Act No. 11611, Jan. 1, 2013>

(5) In cases of imposing taxes pursuant to paragraphs (3) and (4) where a nonresident with domestic source personal services income under subparagraph 6 of Article 119 among income subject to withholding files a final return on the tax base of global income by applying mutatis mutandis Article 70, income tax may be imposed on the aggregate of income under each subparagraph of Article 119 (excluding subparagraphs 8 and 9). <Amended by Act No. 11611, Jan. 1, 2013; Act No. 16104, Dec. 31, 2018>

(6) In cases of a joint business where the nonresidents having a domestic place of business jointly manage their business and share the profit and loss thereof, Article 87 shall apply mutatis mutandis concerning distribution, etc. of withheld tax amount. <Newly Inserted by Act No. 11611, Jan. 1, 2013>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

SECTION 2 Global Taxation on Nonresident

Article 122 (Calculation of Tax Base and Tax Amount in Cases of Global Taxation on Nonresident)

(1) The provisions concerning the calculation of the tax base and tax amount of income tax of a resident in this Act shall apply mutatis mutandis to the calculation of the tax base and the amount of the tax on income of a nonresident under Article 121 (2) or (5): Provided, That the deduction for any person other than the nonresident himself/herself, among the personal deductions under Article 51-2 (3), the special deduction under Article 52, the tax credit for children under Article 59-2, and the special tax credit under Article 59-4 shall not apply to a nonresident. <Amended by Act No. 11146, Jan. 1, 2012; Act No. 11611, Jan. 1, 2013; Act No. 12169, Jan. 1, 2014; Act No. 16104, Dec. 31, 2018>

(2) Matters necessary for methods for calculating a tax base and an tax amount in cases of global taxation, such as calculation of necessary expenses and of interest income or dividend income when applying paragraph (1) shall be prescribed by Presidential Decree. <Newly Inserted by Act No. 16104, Dec. 31, 2018>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 123 Deleted. <by Act No. 11611, Jan. 1, 2013>

Article 124 (Return and Payment by Nonresident) The provisions on a return and payment by a resident in this Act shall apply mutatis mutandis to a return and payment (including interim prepayment) by a nonresident whose tax base and amount of income tax are calculated pursuant to Article 122: Provided, That where the amount of income to be withheld pursuant to Article 156 (7) is included in the tax base of a nonresident pursuant to Article 122 when Article 76 is applied mutatis mutandis, the amount of withholding tax shall be deemed an amount of tax deducted pursuant to Article 76 (3) 4. <Amended by Act No. 11146, Jan. 1, 2012; Act No. 11611, Jan. 1, 2013>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 125 (Determination and Collection of Tax Base and Tax for Nonresident) The provisions on the determination, correction, collection and refund of income tax for a resident in this Act shall apply mutatis mutandis to the determination, correction, collection and refund of the total domestic source income where tax is levied on the aggregate of domestic source income of a nonresident. In such cases, the amount of income withheld pursuant to Article 156 (7) is included in the tax base of a nonresident pursuant to Article 122 when Article 76 is applied mutatis mutandis, such amount of withholding tax shall be deemed an amount of tax deducted pursuant to Article 76 (3) 4. <Amended by Act No. 11146, Jan. 1, 2012; Act No. 11611, Jan. 1, 2013>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

SECTION 3 Separate Taxation on Nonresident

Article 126 (Calculation of Tax Base and Tax Amount in Cases of Separate Taxation on Nonresident) (1) The tax base for the domestic source income (excluding domestic source earned income under subparagraph 7 of Article 119 and domestic source pension income under subparagraph 8-2 of Article 119) of a nonresident under Article 121 (3) and (4) shall be calculated based on the amount of each corresponding domestic source income received by the nonresident: Provided, That the tax base on the following income may be calculated based on the amount obtained by deducting necessary expenses, etc. from the amount of such income, as prescribed in the same subparagraphs: <Amended by Act No. 11611, Jan. 1, 2013; Act No. 16104, Dec. 31, 2018>

1. As for domestic source capital gains on securities under subparagraph 11 of Article 119, the amount calculated by deducting the acquisition value and transfer expenses of the relevant securities verified as prescribed by Presidential Decree, from the amount of such income;
 2. As for prize money, supplementary prize, etc. prescribed by Presidential Decree among domestic source other income under subparagraph 12 of Article 119, the amount calculated by deducting the amount prescribed by Presidential Decree from the amount of such income.
- (2) The amount of tax on any domestic source income under paragraph (1) shall be the amount calculated by multiplying the tax base prescribed in the same paragraph by the tax rate under the subparagraphs of Article 156 (1).
- (3) Where a nonresident subject to the application of Article 121 (3) or (4) has any income provided for in each subparagraph of Article 59-5 (1), the income tax on the said income shall be deducted or exempted even where a request for deduction or exemption is not made.<Amended by Act No. 11611, Jan. 1, 2013; Act No. 12169, Jan. 1, 2014>
- (4) With respect to withholding taxes under Articles 156 and 156-3 through 156-6, Article 85 (3) and subparagraph 1 of Article 86 shall apply mutatis mutandis.<Newly Inserted by Act No. 11611, Jan. 1, 2013>
- (5) With respect to the calculation, report, payment, determination, correction, collection, and refund of the tax base and tax amount on domestic source earned income under subparagraph 7 of Article 119 and domestic source pension income under subparagraph 8-2 of Article 119, among the domestic source income of a nonresident subject to the application of Article 121 (3) or (4), the provisions concerning the calculation, etc. of the tax base and tax amount on the income tax of a resident under this Act shall apply mutatis mutandis thereto: Provided, That the deduction for any person other than the nonresident him/herself, among the personal deductions under Article 51 (3), the special income deduction under Article 52, the tax credit for children under Article 59-2, and the special tax credit under Article 59-4 shall not be permitted, and Article 73 (1) shall apply mutatis mutandis to a nonresident who paid income tax by deducting the withholding tax under Article 156-5.<Newly Inserted by Act No. 11611, Jan. 1, 2013; Act No. 12169, Jan. 1, 2014; Act No. 16104, Dec. 31, 2018>
- (6) Notwithstanding paragraph (1), where domestic source capital gains on securities under subparagraph 11 of Article 119 of a nonresident with no domestic place of business meets all the following requirements, the arm's length price prescribed by Presidential Decree (hereafter referred to as "arm's length price" in this paragraph) shall be the amount of such income:<Newly Inserted by Act No. 11611, Jan. 1, 2013; Act No. 16104, Dec. 31, 2018>

1. The relevant transaction shall be made between a nonresident with no domestic place of business and a related nonresident (including a foreign corporation) prescribed by Presidential Decree;
2. The price of the relevant transaction under subparagraph 1 shall be less than the arm's length price, which is prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 126-2 (Special Cases concerning Return and Payment of Income from Transfer of Securities of Nonresident)

(1) Where a nonresident with no domestic place of business meets the taxation requirements prescribed in a tax treaty by transferring stocks or investment shares of the same domestic corporation on two or more occasions in the same taxable period of business (referring to the taxable period of business of the domestic corporation that issued the relevant stocks or investment shares), he/she shall file a tax return and pay the amount equivalent to the amount of a withholding tax on income which has not been withheld at the time of transfer to the head of a tax office having jurisdiction over the place for tax payment within three months from the end of the business year to which the date of transfer belongs, as prescribed by Presidential Decree.

(2) Paragraph (1) shall also apply mutatis mutandis to income of a nonresident with a domestic place of business not substantially related to or not belonging to his/her domestic place of business as income which has not been withheld at the time of his/her transfer.

(3) Where a nonresident with no domestic place of business transfers the stocks, investment shares, or other securities prescribed by Presidential Decree (hereafter referred to as "stocks, etc." in this paragraph) to any other nonresident or foreign corporation with no domestic place of business, and if prescribed by Presidential Decree, he/she shall report and pay the amount calculated by multiplying the amount of income generated from such transfer by the ratio under Article 156 (1) 7 to the head of a tax office having jurisdiction over the place for tax payment, as prescribed by Presidential Decree, until the 10th day of the second month following the month to which the date of receipt of such amount belongs: Provided, That this shall not apply where a person who pays income from transfer of stocks, etc. has paid the income tax withheld from domestic source income, such as stocks, etc. of the relevant nonresident pursuant to Article 156. <Amended by Act No. 16104, Dec. 31, 2018>

(4) Where a nonresident fails to file a return or make a payment pursuant to paragraphs (1) through (3), under-reports below the tax base, or pays less than the tax payable, the head of a tax office having jurisdiction over the place for tax payment shall collect the relevant tax by applying Article 80 mutatis mutandis.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

CHAPTER V WITHHOLDING OF TAXES

SECTION 1 Withholding of Taxes

Subsection 1 Withholding Agent and Collection/Payment

Article 127 (Liability for Withholding Taxes) (1) Any person who pays any of the following incomes (limited to persons specified by Presidential Decree, such as business entities, in cases of a person who pays income specified in subparagraph 3) to a resident or a nonresident in the Republic of Korea, shall withhold income tax from such resident or nonresident pursuant to this Section: <Amended by Act No. 9897, Dec. 31, 2009; Act No. 10408, Dec. 27, 2010; Act No. 13558, Dec. 15, 2015>

1. Interest income;
2. Dividend income;
3. Business income prescribed by Presidential Decree (hereinafter referred to as "business income subject to withholding");
4. Wage and salary income: Provided, That the following income shall be excluded:
 - (a) Wage and salary income received from a foreign institution or the UN forces (excluding US forces) stationed in the Republic of Korea;
 - (b) Wage and salary income received from a nonresident abroad or a foreign corporation (excluding a branch or a sales office thereof in the Republic of Korea): Provided, That the following income shall be excluded:
 - (i) Income reflected as necessary expenses or deductible expenses in calculating the amount of domestic source income of a domestic place of business of a nonresident under Article 120 (1) and (2) and the amount of domestic source income of a domestic place of business of a foreign corporation under Article 94 (1) and (2) of the Corporate Tax Act;
 - (ii) Income of temporary staffing agency workers whose wage and salary income from a foreign corporation abroad (excluding a branch or a sales office thereof in the Republic of Korea) is subject to the withholding of income tax under Article 156-7;
5. Pension income;
6. Other income: Provided, That the following income shall be excluded:
 - (a) Income under subparagraph 8;
 - (b) A penalty for breach of contract or damages under Article 21 (1) 10 (only applicable to cases where earnest money is replaced with a penalty for breach of contract or with damages);

(c) Income under Article 21 (1) 23 or 24;

7. Retirement income: Provided, That income received by any person with wage and salary income falling under any item of subparagraph 4 after retirement from office shall be excluded;

8. Service charges prescribed by Presidential Decree.

(2) Paragraph (1) shall apply to an act of a person who acts for a withholding agent pursuant to paragraph (1) (limited to persons prescribed by Presidential Decree, such as business entities, in cases of income specified in paragraph (1) 3) or is entrusted with withholding, considering it as an act of a person himself/herself or the mandator within the scope of authorization or delegation. <Amended by Act No. 9897, Dec. 31, 2009; Act No. 10408, Dec. 27, 2010>

(3) Where a financial company, etc. underwrites, trades, mediates, or represents bills, debt certificates, stocks, or collective investment securities (hereafter referred to as "bills, etc." in this Article) issued by a domestic person, paragraph (2) shall apply to such financial institution, etc., considering that there is relationship of procuration or trust between such financial company, etc. and the relevant domestic person. <Amended by Act No. 10408, Dec. 27, 2010>

(4) Where a trust business entity under the Financial Investment Services and Capital Markets Act operates, keeps, or manages trust property, paragraph (2) shall apply, considering that there is relationship of procuration or trust of tax withholding obligations between the relevant trust business entity and a person who pays income attributed to the relevant trust property. <Amended by Act No. 10408, Dec. 27, 2010>

(5) Where a foreign corporation pays income under paragraph (1) 1 or 2 generated from bonds or securities it has issued to a resident, a person who acts for the foreign corporation to make such payment in the Republic of Korea or is delegated or entrusted with the authority to make such payment, shall withhold income tax on such income. <Amended by Act No. 9897, Dec. 31, 2009; Act No. 10408, Dec. 27, 2010>

(6) Where a business entity (including a corporation; hereafter the same shall apply in this paragraph), when receiving the fees for supplying boarding and lodging service or any service, receives service charges pursuant to paragraph (1) 8 with the price and pays the same to the relevant income earner, such business entity shall withhold income tax for the service charges. <Amended by Act No. 9897, Dec. 31, 2009; Act No. 10408, Dec. 27, 2010>

(7) A person obliged to withhold taxes pursuant to paragraphs (1) through (6) shall be referred to as "withholding agent." <Amended by Act No. 10408, Dec. 27, 2010>

(8) The scope, etc. of the withholding agent and other necessary matters shall be prescribed by Presidential Decree. <Newly Inserted by Act No. 11611, Jan. 1, 2013>

Article 128 (Payment of Withholding Tax) (1) A withholding agent shall pay the income tax withheld to the competent tax office, the Bank of Korea or a postal service office by no later than the 10th day of the month following the month to which the date of collection belongs, as prescribed by Presidential Decree.

[<Amended by Act No. 10408, Dec. 27, 2010>](#)

(2) A withholding agent prescribed by Presidential Decree, designated in consideration of the number of regular workers, type of business, etc., may pay taxes withheld, other than the following withholding taxes, notwithstanding paragraph (1), by the 10th day of the month following the last month of the half-year term in which the date of collection of withholding taxes arrive: [<Amended by Act No. 10408, Dec. 27, 2010>](#)

1. Taxes withheld from bonus, dividends, and other income disposed of pursuant to Article 67 of the Corporate Tax Act;
2. Withholding taxes for dividend income disposed of pursuant to Articles 9 and 14 of the Adjustment of International Taxes Act;
3. Withholding taxes under Article 156-5 (1) and (2).

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 128-2 (Special Cases concerning Penalty Tax for Non-payment or Underpayment of Withholding Tax) Where a withholding agent or any person who is to deduct withholding tax pursuant to Articles 156 and 156-3 through 156-6 is the State, a local government, or the association of local governments (hereafter referred to as the "State, etc." in this Article) and a person who receives wage and salary income from the State, etc. fails to pay or underpays the tax amount which the State, etc. should withhold, within the designated period for payment thereof because he/she got a deduction or tax credit from his/her income unjustly by inaccurately preparing a return on income deduction and tax credit for wage and salary income under Article 140 (1), the State, etc. shall collect such tax amount to be collected and the penalty tax amount under Article 47-5 (1) of the Framework Act on National Taxes from such wage and salary income earner and pay them. [<Amended by Act No. 12169, Jan. 1, 2014>](#)

[This Article Newly Inserted by Act No. 11146, Jan. 1, 2012]

Article 129 (Withholding Tax Rates) (1) A withholding agent shall withhold income tax at any of the following tax rates (hereinafter referred to as "withholding tax rate") when it pays the income specified in any subparagraph of Article 127 (1): [<Amended by Act No. 10408, Dec. 27, 2010; Act No. 11611, Jan. 1, 2013; Act No. 12169, Jan. 1, 2014; Act No. 12852, Dec. 23, 2014; Act No. 15225, Dec. 19, 2017; Act No. 16104, Dec. 31, 2018>](#)

1. With regard to interest income, the tax rate prescribed as follows:
 - (a) Deleted; <by Act No. 15225, Dec. 19, 2017>
 - (b) 25/100 of any profits accruing from a loan for non-business: Provided, That the withholding tax rate of 14/100 shall apply to the interest paid until December 31, 2010 through a person who conducts online brokerage between a borrower who intends to take out a loan and an investor who intends to give a loan, and meets the requirements prescribed by Presidential Decree to protect the users, such as being registered with the Financial Services Commission or receiving authorization or permission pursuant to the relevant Act;
 - (c) The basic tax rate for excess refund from a workplace mutual-aid association under Article 16 (1) 10;
 - (d) 14/100 of other interest income;
2. With regard to dividend income, the tax rate prescribed as follows:
 - (a) 25/100 of dividend income of joint investment business entities under Article 17 (1) 8;
 - (b) 14/100 of other dividend income;
3. 3/100 of any business income subject to withholding: Provided, That the withholding tax rate of 20/100 shall apply to the income received by a foreign professional sports person in compensation for providing services pursuant to a contract (limited to cases where the period of a contract is not more than three years) with a pro-sports team, among the sports club operation business under the Korean Standard Industrial Classification;
4. The basic tax rate for wage and salary income: Provided, That with regard to wage and salary income of a daily employed worker, 6/100;
5. The basic tax rate for the public pension income;
- 5-2. Any of the following tax rates for pension income received, in the form of pension, from the amount paid into a pension account or as an increase according to the outcome of operation under Article 20-3 (1) 2 (b) or (c). In such cases, the lowest tax rate shall apply where all the following requirements are met concurrently:
 - (a) The following tax rates according to the age of pension income earners;
 - (b) Deleted; <by Act No. 12852, Dec. 23, 2014>
 - (c) With respect to the pension income to be received until death in the form of pension pursuant to the life-long pension agreement prescribed by Presidential Decree, 4/100;
- 5-3. With respect to the pension income to be received as retirement income under Article 20-3 (1) 2 (a), 70/100 of the withholding tax rate for the non-pension payments specified by Presidential Decree;

6. With regard to other income, the tax rate prescribed as follows: Provided, That this shall not apply to cases to which subparagraph 8 applies:

(a) Where the amount of income under Article 14 (3) 8 (d) and (e) exceeds 300 million won, 30/100 of such excess;

(b) With regard to other income under Article 21 (1) 18 or 21, 15/100;

(c) Deleted; <by Act No. 12852, Dec. 23, 2014>

(d) With regard to any income other than those specified above, 20/100;

7. With regard to retirement income, the basic tax rate;

8. With regard to service charges prescribed by Presidential Decree, 5/100.

(2) Notwithstanding paragraph (1), with regard to the following interest income and dividend income, the following tax rates shall be the withholding tax rate: <Amended by Act No. 11611, Jan. 1, 2013; Act No. 15225, Dec. 19, 2017; Act No. 16104, Dec. 31, 2018>

1. 14/100 of any interest income generated from security deposit and the price of a successful bid paid into court pursuant to Articles 113 and 142 of the Civil Execution Act;

2. 42/100 of any income for which the real name prescribed by Presidential Decree is not verified: Provided, That where Article 5 of the Act on Real Name Financial Transactions and Confidentiality applies, it shall be the tax rate prescribed in the same Article.

(3) Notwithstanding paragraph (1) 4 and 5, where the withholding tax rate applies to monthly wage and salary income and the public pension income, the simplified tax withholding table for wage and salary income prescribed by Presidential Decree (hereinafter referred to as "simplified tax withholding table for wage and salary income") and the simplified tax amount table for pension income prescribed by Presidential Decree (hereinafter referred to as "simplified tax withholding table for pension income") shall apply. <Amended by Act No. 11611, Jan. 1, 2013>

(4) When calculating the amount of taxes to be withheld pursuant to paragraph (1), where the amount of a foreign income tax prescribed by Presidential Decree is paid on income under Article 127 (1) 1 and 2 in a foreign country, the amount calculated by deducting such amount of foreign income tax from the amount of withholding tax calculated pursuant to paragraph (1), shall be the amount of a withholding tax. In such cases, if the amount of a foreign income tax exceeds the amount of a withholding tax calculated pursuant to paragraph (1), such excess shall be deemed written off.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Subsection 2 Tax Withholding from Interest Income or Dividend Income

Article 130 (Timing and Methods for Withholding Taxes from Interest Income and Dividend

Income) When a withholding agent pays interest income or dividend income, he/she shall withhold income tax calculated by applying the withholding tax rate to such amount paid.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 131 (Special Cases concerning Timing for Withholding Taxes from Interest Income and Dividend Income)

(1) Where a corporation fails to pay dividend or distribution in the course of disposition of profits or earnings until three months pass from the date of determination of such disposition, income tax shall be withheld, considering such dividend income has been paid on the date on which three months have elapsed: Provided, That, if dividend income is not paid by the end of February following the year of the determination in accordance with disposition determined between November 1 and December 31, income tax shall be withheld, considering the dividend income was paid on the last day of February following the year in which the date of determination of such disposition arrives.

(2) Income tax shall be withheld from dividend disposed of pursuant to Article 67 of the Corporate Tax Act, considering the dividend income has been paid on any of the following dates:

1. Where the tax base for corporate tax is determined or reassessed: The date on which a notice of changes of income prescribed by Presidential Decree is received;
2. Where the tax base for corporate tax is reported: The date of such report thereof, or report of reassessment.

(3) It shall be governed by Presidential Decree as to cases where income tax is withheld, considering the income is paid on the date different from the date of payment of interest income or dividend income, other than those defined in paragraphs (1) and (2).

[This Article Wholly Amended by Act No. 10408, Dec. 27, 2010]

Article 132 Deleted. <by Act No. 10408, Dec. 27, 2010>

Article 133 (Issuance of Withholding Tax Receipt on Interest Income, etc.)

(1) A withholding agent who pays interest income or dividend income in the Republic of Korea shall issue a withholding tax receipt determined by Ordinance of the Ministry of Strategy and Finance, specifying the amount of such interest income or dividend income and other necessary matters to a person who receives income when he/she pays such income: Provided, That where a withholding agent notifies a person receiving interest income or dividend income of the amount of such interest income or dividend income and other necessary matters by

the end of March of the year following the taxable period to which the date when the interest income or dividend income has made payment belongs, as prescribed by Presidential Decree, he/she shall be deemed to have issued the relevant withholding tax receipt. <Amended by Act No. 10408, Dec. 27, 2010>

(2) A withholding agent under paragraph (1) may choose not to issue a withholding tax receipt where the amount of payment of interest income or dividend income does not exceed the amount prescribed by Presidential Decree: Provided, That he/she shall issue a withholding tax receipt or notify the recipient of income thereof pursuant to paragraph (1) in cases where he/she issues a withholding tax receipt pursuant to Article 133-2 (1) or the recipient of interest income or dividend income requests him/her to issue a withholding tax receipt.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 133-2 (Special Cases concerning Withholding Tax on Bonds, etc.) (1) Where a resident or nonresident receives interest, etc. from a corporation which has issued bonds, etc. or sells the relevant bonds, etc. to a corporation who has issued or a corporation prescribed by Presidential Decree (hereafter referred to as "issuing corporation, etc." in this paragraph), Articles 127 through 133, 164 and 164-2 shall apply, deeming the amount equivalent to interest, etc. during the period of withholding according to the method of calculation of period prescribed by Presidential Decree to be interest income under Article 16 based on the date of issuance of such bonds, etc. or the preceding date of withholding as the beginning period, and the date of payment of interest, etc. or the date of sale of bonds, etc., as the closing period, while an issuing corporation, etc. of the relevant bonds, etc. shall be a withholding agent, and the timing of tax withholding shall be any date prescribed by Presidential Decree, such as the date of payment of interest, etc. or the date of sale of bonds, etc. <Amended by Act No. 10408, Dec. 27, 2010; Act No. 11611, Jan. 1, 2013>

(2) The method of calculation of the amount equivalent to interest, etc. pursuant to paragraph (1) and matters necessary for withholding in cases of repurchase agreement, etc. pursuant to Article 46 (1) shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 9897, Dec. 31, 2009]

Subsection 3 Withholding Tax from Wage and Salary Income

Article 134 (Timing and Methods for Withholding Taxes from Wage and Salary Income) (1)

When a withholding agent pays monthly wage and salary income, he/she shall withhold income tax according to the simplified tax withholding table for wage and salary income.

(2) Where a withholding agent falls under any of the following subparagraphs, he/she shall withhold income tax pursuant to Article 137, 137-2 or 138 and in cases of subparagraph 1, with regard to wage and salary income of February of the following year, he/she shall withhold income tax pursuant to paragraph (1):

<Amended by Act No. 10408, Dec. 27, 2010>

1. When he/she pays wage and salary income from February of the year following the relevant taxable period (where he/she fails to pay wage and salary income from February until the last day of February or there is no wage and salary income in February, the last day of February; hereinafter the same shall apply);

2. When he/she pays wage and salary income from the month when a retiree retires.

(3) When a withholding agent pays wage and salary income to a worker employed on a daily basis, he/she shall withhold income tax by taking a tax credit for wage and salary income against the tax calculated by applying the withholding tax rate to the amount less the wage and salary income deduction from the wage and salary income.

(4) Deleted.<by Act No. 10408, Dec. 27, 2010>

(5) If a monthly salary is paid in installment by the same employer, as a place of work of a person with wage and salary income is changed, the income tax shall be withheld from the total of such monthly salary at the new place of work by applying paragraphs (1) through (3).<Amended by Act No. 10408, Dec. 27, 2010>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 135 (Special Cases concerning Date of Collection of Withholding Taxes) (1) Where a withholding agent liable to pay wage and salary income fails to pay wage and salary income for January through November by December 31 in the relevant taxable period, income tax shall be withheld, deeming that such wage and salary income was paid on the 31st day of December. <Amended by Act No. 10408, Dec. 27, 2010>

(2) Where a withholding agent fails to pay wage and salary income for December by the last day of February of the following year, income tax shall be withheld, deeming that such wage and salary income was paid on the last day of February of the following year.<Amended by Act No. 10408, Dec. 27, 2010>

(3) Where a corporation fails to pay any bonus to be paid after disposition of profits or a surplus, within three months from the date of determination of such disposition, income tax shall be withheld, deeming that such bonus was paid on the date when such the three-month period expired: Provided, That where such disposition is determined between November 1 and December 31 but the bonus is not paid by the last day of February of the following year, income tax shall be withheld, deeming that such bonus was paid on the last day of February of the following year.<Amended by Act No. 10408, Dec. 27, 2010>

(4) Article 131 (2) shall apply mutatis mutandis to the timing for withholding taxes from bonus to be disposed of pursuant to Article 67 of the Corporate Tax Act. <Amended by Act No. 10408, Dec. 27, 2010>
[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 136 (Tax Withheld from Bonus, etc.) (1) Income tax which a withholding agent withholds when he/she pays a bonus or pay in the nature of a bonus (hereinafter referred to as "bonus, etc.") falling under wage and salary income shall be calculated according to the following classification. The same shall also apply to a bonus, etc. received by any person exempted from income tax on wage and salary income by applying the global income deduction:

1. Bonus, etc. to be paid in a given period:

The amount calculated by deducting the tax withheld and paid (excluding penalty tax) on wage and salary income during such period subject to payment from the amount calculated by multiplying the amount computed according to the simplified tax withholding table on the aggregate of the amount calculated by dividing the amount of such bonus, etc. by the number of months of the period subject to payment and the monthly average salary other than a bonus, etc. of such period subject to payment by the number of months of the period subject to payment shall be the amount of such tax;

2. Bonus, etc. with no period subject to payment:

The amount calculated pursuant to subparagraph 1, considering from January 1 in the taxable period in which a person has received a bonus, etc. to the month in which the date of payment of such bonus, etc. falls the period subject to payment, shall be the amount of such tax. In such cases, if he/she has received a bonus, etc. on two or more occasions in such taxable period, the amount of tax shall be calculated by considering the period from the month following the month in which the date he/she receives a bonus, etc. falls to the month in which the date he/she receives another bonus, etc. falls thereafter as the period subject to payment;

3. In the calculation of subparagraphs 1 and 2, where the period subject to payment exceeds one year, it shall be deemed one year, and where there is an odd amount less than one month, it shall be deemed one month.

(2) Income tax withheld when a withholding agent pays a bonus, etc. according to disposition of a surplus shall be calculated, as prescribed by Presidential Decree.

(3) In the calculation of tax to be collected from a bonus, etc., the method of application of the period subject to payment and other necessary matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 137 (Year-End Tax Settlement of Amount of Wage and Salary Income Tax) (1) When a withholding agent pays wage and salary income for February of the year following the relevant taxable period or for the month in which a retiree retires, he/she shall withhold income tax as calculated in the following order (hereafter referred to as "additional tax amount" in this Article): <Amended by Act No. 12169, Jan. 1, 2014; Act No. 13206, Mar. 10, 2015>

1. Calculating global income tax base by taking global income deduction, based on the return filed by a wage and salary income earner pursuant to Article 140, from wage and salary income of the wage and salary income earner for the relevant taxable period (in cases of retirees, the period shall refer to the period up to the date of retirement; hereafter the same shall apply in this Article);
2. Determining the calculated global income tax amount by applying the basic tax rate to the global income tax base under subparagraph 1;
3. Calculating income tax by deducting taxes withheld during the relevant taxable period under Article 134 (1), foreign tax credits, the tax credit for wage and salary income, the tax credit for children, the tax credit for pension accounts, and special tax credits from the calculated tax amount on global income under subparagraph 2.

(2) If the aggregate of the amounts deducted under paragraph (1) 3 for taxes withheld during the relevant taxable period under Article 134 (1), foreign tax credits, the tax credit for wage and salary income, the tax credit for children, the tax credit for pension accounts, and special tax credits, exceeds the calculated tax amount on global income, such excess shall be refunded to the relevant wage and salary income earner, as prescribed by Presidential Decree. <Amended by Act No. 12169, Jan. 1, 2014>

(3) When a withholding agent withholds an additional tax amount from a wage and salary income earner who fails to file a return under Article 140, by applying paragraph (1), he/she shall apply basic deduction only for the wage and salary income earner him/herself, excluding basic deduction for others, and the standard tax credit. <Amended by Act No. 12169, Jan. 1, 2014; Act No. 13206, Mar. 10, 2015>

(4) Notwithstanding paragraph (1), if an additional tax amount exceeds 100,000 won, the withholding agent may withhold the additional tax amount in installments when he/she pays wage and salary income for the period of February to April of the year following the relevant taxable period. <Newly Inserted by Act No. 13206, Mar. 10, 2015>

[This Article Wholly Amended by Act No. 10408, Dec. 27, 2010]

Article 137-2 (Year-end Tax Settlement of Wage and Salary Income Tax for Persons who Receives Wages and Salaries from Two or More Persons) (1) Where a person who receives wages and salaries from two or more persons (excluding a person employed on a daily basis) designates a principal

workplace and a secondary workplace, have a withholding tax receipt for wage and salary income under Article 143 (2) issued from a withholding agent of the secondary workplace, and submit such receipt to the withholding agent of the principal workplace by the time he/she receives wage and salary for February of the year following the relevant taxable period, the withholding agent of the principal workplace shall withhold income taxes on the aggregate of wages and salaries paid at the principal workplace and secondary workplace, in accordance with Article 137.

(2) A withholding agent of a secondary workplace who issues a withholding tax receipt for wage and salary income under paragraph (1) shall withhold income taxes, computed by subtracting taxes withheld pursuant to Article 134 (1) from the calculated global income tax which is obtained by applying a basic tax rate to wage and salary income for the relevant taxable period.

(3) Paragraphs (1) and (2) shall apply mutatis mutandis to the year-end tax settlement for wage and salary income tax of a person with wage and salary income under items of Article 127 (1) 4 and other wage and salary income, for which income taxes are collected by a taxpayers association pursuant to Article 150 (3).

[This Article Newly Inserted by Act No. 10408, Dec. 27, 2010]

Article 138 (Year-end Tax of Wage and Salary Income Tax for Reemployed Persons) (1) Where a

wage and salary income earner who retires in the middle of a taxable period and is newly hired submits a report of income deduction and tax credits for wage and salary income including wage and salary income received between January of the relevant taxable period and the month in which he/she retires arrives, in accordance with Article 140 (1), the withholding agent shall withhold income taxes on the aggregate of wage and salary paid at both the former and new workplace, in accordance with Article 137. [<Amended by Act No. 10408, Dec. 27, 2010; Act No. 12169, Jan. 1, 2014>](#)

(2) Paragraph (1) shall apply mutatis mutandis to withholding income tax of a person who retires in the middle of the relevant taxable period, and is re-employed after paying the income tax pursuant to Article 137, and retires again in the middle of such taxable period.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 139 (Carryforward of Shortage in Collection) Where a withholding agent deducts a withholding

tax pursuant to Article 137, 137-2, or 138, if the income tax to be collected exceeds the amount of wage and salary income to be paid (excluding cases where there is no wage and salary payable for the following month), such excess shall be collected when wage and salary income is paid for the following month.

[This Article Wholly Amended by Act No. 10408, Dec. 27, 2010]

Article 140 (Return on Income Deduction, etc. by Wage and Salary Income Earner) (1) Where a wage and salary income earner intends to take deduction from global income and tax credits when he/she makes the year-end tax settlement pursuant to Article 137, he/she shall file a written report indicating the cause of the relevant deductions (hereinafter referred to as "return on income deduction and tax credits for wage and salary income") to the withholding agent before he/she receives the wage and salary income for February of the year following the relevant taxable period (or before he/she receives the wage and salary income for the month in which he/she retires, if he/she retires), as prescribed by Presidential Decree.

<Amended by Act No. 10408, Dec. 27, 2010; Act No. 11611, Jan. 1, 2013; Act No. 12169, Jan. 1, 2014>

(2) The withholding agent at the principal place of work who has received a return on income deduction and tax credits for wage and salary income shall report such matters reported to the head of the competent tax office and notify a withholding agent at the secondary place of work, as prescribed by Presidential Decree.

<Amended by Act No. 12169, Jan. 1, 2014>

(3) Paragraphs (1) and (2) shall not apply to a worker employed on a daily basis.

(4) Deleted. <by Act No. 10408, Dec. 27, 2010>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 141 Deleted. <by Act No. 10408, Dec. 27, 2010>

Article 142 Deleted. <by Act No. 10408, Dec. 27, 2010>

Article 143 (Issuance of Withholding Tax Receipt on Wage and Salary Income) (1) A withholding agent who pays wage and salary income shall issue a withholding tax receipt prescribed by Ordinance of the Ministry of Strategy and Finance, specifying the amount of wage and salary income and other necessary matters, to an wage and salary income earner, by no later than the end of February of the year following the relevant taxable period: Provided, That with respect to a person who retires in the middle of the relevant taxable period, he/she shall issue a withholding tax receipt by no later than the end of the month following the month in which the date of payment of wage and salary income for the month of the date of his/her retirement falls, and with respect to a worker employed on a daily basis, he/she shall issue a withholding tax receipt by no later than the end of the month following the last month of the quarter to which the date of payment of wage and salary income belongs (referring to the end of February of the following year in cases of wage and salary income paid in the fourth quarter).

(2) Notwithstanding paragraph (1), if a person who receives wage and salary from two or more persons (excluding a person employed on a daily basis) requests a withholding agent at a secondary workplace to issue a withholding tax receipt under paragraph (1) in order to receive a year-end tax settlement pursuant to

Article 137-2, the withholding agent at a secondary workplace shall immediately issue such receipt.

[This Article Wholly Amended by Act No. 10408, Dec. 27, 2010]

Subsection 3-2 Withholding Tax from Pension Income

Article 143-2 (Timing and Methods for Withholding Tax from Pension Income) (1) When a

withholding agent pays public pension income, he/she shall withhold income tax according to the simplified tax withholding table for pension income. <Amended by Act No. 11611, Jan. 1, 2013>

(2) When a withholding agent pays pension income under Article 20-3 (1) 2 and 3, he/she shall withhold the income tax calculated by applying the withholding tax rate under Article 129 (1) 5-2 to the amount paid. <Amended by Act No. 11611, Jan. 1, 2013>

(3) When a withholding agent pays public pension income for January of the year following the relevant taxable period, he/she shall withhold income tax pursuant to Article 143-4. In such cases, income tax on the public pension income for January of the following year shall be withheld pursuant to paragraph (1). <Amended by Act No. 11611, Jan. 1, 2013>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 143-3 Deleted. <by Act No. 6557, Dec. 31, 2001>

Article 143-4 (Year-end Tax Settlement of Public Pension Income Tax) (1) When a withholding

agent for public pension income pays the public pension income for January of the year following the relevant taxable period, he/she shall withhold the amount left over after deducting the income tax withheld and paid during the relevant taxable period from the tax amount calculated by determining the tax base of global income with the amount calculated by applying personal deductions according to the return filed by the relevant pension income earner in accordance with Article 143-6, calculating the tax amount on global income by applying the basic tax rate to the amount calculated as above, and then applying the tax credit for children and the standard tax credit to the tax amount calculated as above. <Amended by Act No. 11611, Jan. 1, 2013; Act No. 12169, Jan. 1, 2014>

(2) In cases falling under paragraph (1), if the aggregate of the amounts deducted for the income tax already withheld and paid during the relevant taxable period, the tax credit for children, and the standard tax credit exceeds the calculated tax on global income, such excess shall be refunded to the relevant pension income earner, as prescribed by President Decree. <Amended by Act No. 12169, Jan. 1, 2014>

(3) Where a withholding agent withholds income tax pursuant to paragraph (1) from a pension income earner who fails to file a return under Article 143-6, he/she shall apply the basic deduction only for the

pension income earner him/herself and the standard tax credit. <Amended by Act No. 12169, Jan. 1, 2014>

(4) Where any person who receives public pension income dies during the relevant taxable period, a withholding agent shall make the year-end tax settlement for the public pension income of the deceased person by the end of the second month following the month in which the date of his/her death falls by applying paragraphs (1) through (3) mutatis mutandis. <Amended by Act No. 11611, Jan. 1, 2013>

(5) Deleted. <by Act No. 11611, Jan. 1, 2013>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 143-5 (Carryforward of Shortage in Collection) In cases of withholding taxes pursuant to

Article 143-4, where the income tax to be deducted exceeds public pension income to be paid, such excess tax amount shall be deducted when the public pension income for the following month is paid. <Amended by Act No. 11611, Jan. 1, 2013>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 143-6 (Return on Income Deduction, etc. by Pension Income Earner) (1) A person who

intends to receive public pension income shall submit, to the withholding agent, a return on income deduction and tax credits for the pension income earner in the form prescribed by Ordinance of the Ministry of Strategy and Finance (hereinafter referred to as "return on income deduction and tax credits for a pension income earner") before receiving the initial payment of the public pension income. <Newly Inserted by Act No. 10408, Dec. 27, 2010; Act No. 11611, Jan. 1, 2013; Act No. 12169, Jan. 1, 2014>

(2) When any person who receives public pension income intends to take personal deductions for his/her spouse or dependents and the tax credit for children, he/she shall submit, to the withholding agent, a return on income deduction and tax credits for the pension income earner by December 31 of the relevant year, as prescribed by Presidential Decree: Provided, That where a person submitted a return on income deduction and tax credits for the pension income earner during the relevant taxable period in accordance with paragraph (1) and there is no change in familial relationship with regard to the spouse or any of the dependents qualifying for deduction, the taxpayer may omit the submission of another return on income deduction and tax credits for the pension income earner, but if a pension income earner dies during the relevant tax period, the heir of the pension income earner shall file a return on income deduction and tax credits for the pension income by the end of the month following the month in which the pension income earner dies. <Amended by Act No. 10408, Dec. 27, 2010; Act No. 11611, Jan. 1, 2013; Act No. 12169, Jan. 1, 2014>

(3) A withholding agent who receives a return on income deduction and tax credits for a pension income earner shall report the matters stated on the return to the head of the competent tax office having jurisdiction over the relevant withholding tax, as prescribed by Presidential Decree. <Amended by Act No. 10408, Dec. 27, 2010; Act No. 12169, Jan. 1, 2014>

(4) Deleted. <by Act No. 10408, Dec. 27, 2010>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 143-7 (Issuance of Withholding Tax Receipts for Pension Income) A withholding agent shall issue a withholding tax receipt prescribed by Ordinance of the Ministry of Strategy and Finance, stating the amount of such pension income and other necessary matters, to the pension income earner when it pays pension income: Provided, That, it shall be deemed that a withholding agent issues a withholding tax receipt, where it notifies the person who receives pension income of the amount of the pension income and other necessary matters by the end of February of the year following the taxable period in which the pension income is paid (or by the end of the second month following the month in which the person dies, if such notice shall be given to a person who dies in the middle of the relevant taxable period) in accordance with the details and methods prescribed by Presidential Decree. <Amended by Act No. 11611, Jan. 1, 2013; Act No. 12852, Dec. 23, 2014>

1. and 2. Deleted. <by Act No. 12852, Dec. 23, 2014>

[This Article Wholly Amended by Act No. 10408, Dec. 27, 2010]

Subsection 4 Withholding Tax from Business Income

Article 144 (Timing and Methods for Withholding from Business Income and Issuance of Withholding Tax Receipt) (1) When a withholding agent pays business income subject to withholding, he/she shall withhold income tax calculated by applying the withholding tax rate to the amount payable and issue a withholding tax receipt prescribed by Ordinance of the Ministry of Strategy and Finance, stating the amount of such business income and other necessary matters, to a business income earner. <Amended by Act No. 10408, Dec. 27, 2010>

(2) Paragraph (1) shall apply mutatis mutandis to cases where a withholding agent pays service charges prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 144-2 (Year-end Tax Settlement of Business Income Tax Except for Final Return on Tax Base) (1) When a withholding agent who pays business income pursuant to Article 73 (1) 4 (hereinafter

referred to as "business income for year-end tax settlement") pays business income for February of the year following the relevant taxable period (where he/she fails to pay business income for February by the end of February or there is no business income for February, it shall be the end of February; hereafter the same shall apply in this Article) or business income for the month in which a contract for transactions with the relevant business entity is cancelled, he/she shall calculate the global income tax based on the tax base of global income which is calculated by making the global income deduction according to the return filed by such business entity pursuant to Article 144-3 from the amount calculated by multiplying the amount of business income in the relevant taxable period by the rate prescribed by Presidential Decree, take a tax credit pursuant to this Act and the Restriction of Special Taxation Act, take the amount left and withhold taxes after deducting the income tax withheld and paid in the relevant taxable period therefrom. <Amended by Act No. 10408, Dec. 27, 2010>

(2) In cases falling under paragraph (1), where income tax to be collected exceeds the amount of business income payable (excluding where there is no business income payable for the following month), such excess shall be collected when business income of the following month is paid.<Amended by Act No. 10408, Dec. 27, 2010>

(3) In cases falling under paragraph (1), where the income tax withheld and paid in the relevant taxable period exceeds the amount calculated by making the tax deduction from the calculated relevant global income tax, such excess shall be refunded to the relevant business entity, as prescribed by Presidential Decree.

(4) Where a withholding agent deducts a withholding tax from a business entity who fails to file a return under Article 144-3 pursuant to paragraph (1), he/she shall apply the basic deduction only for the business entity himself/herself, among basic deduction, and the standard tax credit.<Amended by Act No. 12169, Jan. 1, 2014>

(5) Articles 137-2 and 138 shall apply mutatis mutandis with regard to year-end tax settlement for business income for a person who receives business income for year-end tax settlement from at least two persons, and a person who receives such business income for year-end tax settlement under a contract concluded in the middle of the relevant taxable period.<Newly Inserted by Act No. 10408, Dec. 27, 2010>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 144-3 (Return on Income Deduction, etc. for Year-end Tax Settlement of Business Income Earner)

Where a business entity intends to have global income deduction, the tax credit for children, the tax credit for pension accounts, and special tax credits when making the year-end tax settlement under Article 144-2, he/she shall submit a return on income deduction and tax credits for the business

income earner to the withholding agent, as prescribed by Presidential Decree, before he/she receives the business income for February of the year following the relevant taxable period (referring to any time before he/she receives the business income for the month in which he/she terminated a contract made with the withholding agent, if he/she terminated the contract). <Amended by Act No. 11611, Jan. 1, 2013; Act No. 12169, Jan. 1, 2014>

[This Article Newly Inserted by Act No. 9897, Dec. 31, 2009]

Article 144-4 (Issuance of Withholding Tax Receipt on Business Income subject to Year-end Tax Settlement) A withholding agent who pays business income for year-end tax settlement shall issue a withholding tax receipt prescribed by Ordinance of the Ministry of Strategy and Finance, stating the amount of such business income and other necessary matters, to the relevant business entity, by the end of the month following the month in which the date of year-end tax settlement falls. <Amended by Act No. 10408, Dec. 27, 2010>

[This Article Newly Inserted by Act No. 9897, Dec. 31, 2009]

Article 144-5 (Special Cases concerning Timing for Withholding Tax from Business Income for Year-end Tax Settlement) (1) Where a withholding agent who is to pay business income for year-end tax settlement fails to pay business income for January through November by December 31 of the relevant taxable period, income tax shall be withheld at source, considering that such business income was paid on December 31.

(2) Where a withholding agent fails to pay business income for year-end tax settlement for December by the end of February of the following year, income tax shall be withheld at source, considering that such business income was paid at the end of February of the following year.

[This Article Newly Inserted by Act No. 10408, Dec. 27, 2010]

Subsection 5 Withholding Tax from Other Income

Article 145 (Timing and Methods for Withholding Tax from Other Income and Issuance of Withholding Tax Receipt) (1) When a withholding agent pays any other income, he/she shall withhold the income tax calculated by applying the withholding tax rate to the amount of the other income.

(2) A withholding agent who pays other income shall issue a withholding tax receipt prescribed by Ordinance of the Ministry of Strategy and Finance, stating the amount of other income and other necessary matters, to a recipient of such income when he/she pays the income: Provided, That where he/she pays other income falling under Article 21 (1) 15 (a), and 19 (a) and (b) that does not exceed the amount prescribed by

Presidential Decree, he/she may choose not to issue a withholding tax receipt except cases where a person who is paid requests issuance of a withholding tax receipt. <Amended by Act No. 10408, Dec. 27, 2010>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 145-2 (Special Cases concerning Timing for Withholding Taxes from Other Income)

@Article 131 (2) shall apply mutatis mutandis in relation to timing for withholding income taxes from other income disposed of in accordance with Article 67 of the Corporate Tax Act.

[This Article Newly Inserted by Act No. 10408, Dec. 27, 2010]

Article 145-3 (Year-End Settlement, etc. of Religious Persons' Income) (1) When a withholding agent who pays income to a religious person and withholds income tax thereon, pays the religious person's income for February of the year immediately following the relevant taxable year (or at the end of February, if no income for February is paid to a religious person by the end of February or no income is payable to a religious person for February; hereafter the same shall apply in this Article) or pays income to a religion-related worker for the month in which the affiliation with the religion-related worker terminates, he/she shall withhold the amount computed by the method prescribed by Presidential Decree from the religious person's income for the relevant taxable period.

(2) Articles 144-2 (excluding paragraph (1) of the same Article) through 144-5 shall apply mutatis mutandis to the year-end settlement of a religious person's income under paragraph (1), the reporting of income deductions, etc., the timing of issuing a withholding tax receipt or withholding taxes. In such cases, "business income" shall be construed as "religious person's income," "business entity" or "business income earner" as "religion-related worker," "contract for transactions" as "affiliation," and "termination" as "severance."

[This Article Newly Inserted by Act No. 13558, Dec. 15, 2015]

Subsection 6 Withholding Tax From Retirement Income

Article 146 (Timing and Methods for Withholding Tax from Retirement Income and Issuance, etc. of Withholding Tax Receipt) (1) When a withholding agent pays retirement income, he/she shall collect the income tax calculated by applying the withholding tax rate to the tax base of retirement income.

(2) Where a resident's retirement income falls under any of the following cases, notwithstanding paragraph (1), no income tax on the relevant retirement income shall be withheld before the resident receives any payment other than pension. In such cases, where the income tax has already been withheld pursuant to paragraph (1), the resident may request for refund of the withheld tax amount: <Amended by Act No. 12169, Jan. 1, 2014>

1. Where the retirement income is in a pension account or being paid into a pension account as of the date of retirement;
2. Where the retirement income is deposited in a pension account within 60 days from the date of receiving the same after retirement.

(3) A person who pays retirement income shall issue a withholding tax receipt prescribed by Ordinance of the Ministry of Strategy and Finance, stating the amount of such retirement income and other necessary matters, to a recipient of retirement income by no later than the end of the month following the month in which the date of such payment falls: Provided, That where he/she did not withhold the income tax on the retirement income pursuant to paragraph (2), he/she shall issue the aforementioned receipt with a statement specifying the reason for not withholding the income tax.

(4) Matters necessary concerning the method of withholding tax on retirement income and the refund procedure thereof, etc. shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 11611, Jan. 1, 2013]

Article 146-2 (Special Cases concerning Accrual of Income and Deferment of Collection of Income Tax in Cases of Income-Deferred Retirement Income)

(1) Where retirement income paid to a person who retired on or before December 31, 2012 was transferred to or deposited in the person's retirement pension account and an amount (including the amount additionally paid according to the outcome of operation, if such additional amount exists; hereinafter referred to as "income-deferred retirement income") that is deemed an income that has not accrued until the amount is actually paid to the holder of the retirement pension account remains in the account as at December 31, 2014, the total amount of the relevant income-deferred retirement income shall be deemed to be paid as retirement income on December 31, 2014 and re-deposited in the relevant retirement pension account instantly.

(2) The income tax on the retirement income deemed to be paid and re-deposited under paragraph (1) shall be deemed to have not been withheld under the former part of Article 146 (2).

[This Article Newly Inserted by Act No. 12852, Dec. 23, 2014]

Article 147 (Special Cases concerning Timing for Withholding Taxes from Retirement Income)

(1) Where a withholding agent who is to pay retirement income fails to pay retirement income of a person who has retired from his/her service between January and November, by December 31 in the relevant taxable period, income tax shall be withheld at source, deeming that such retirement income was paid on the 31st day of December. <Amended by Act No. 10408, Dec. 27, 2010>

(2) Where a withholding agent fails to pay retirement income of a person who has retired in December by the end of February of the following year, income tax shall be withheld at source, deeming that such retirement income was paid at the end of February of the following year. <Amended by Act No. 10408, Dec. 27, 2010>

(3) Deleted. <by Act No. 11611, Jan. 1, 2013>

(4) Paragraphs (1) and (2) shall not apply to retirement income under Article 22 (1) 1. <Amended by Act No. 11611, Jan. 1, 2013>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 148 (Settlement, etc. of Tax on Retirement Income) (1) Where a retired person submits, to the withholding agent, a withholding tax receipt for any of the following retirement incomes already paid at the time when he/she received his/her retirement income, the withholding agent shall withhold the income tax settled against the sum of the retirement income already paid to the retired person and the retirement income yet to be paid by the withholding agent:

1. Retirement income already paid during the taxable period concerned;
2. Retirement income already paid under the employment agreement prescribed by Presidential Decree.

(2) Where retirement income paid to a person who retired on or before December 31, 2012 was transferred to or deposited in his/her retirement pension account and thus the retirement income does not accrue on the date of retirement, paragraph (1) may apply, deeming that the retirement income accrued on the date of retirement and the retirement income is the retirement income already paid under paragraph (1) 2, notwithstanding Article 146-2. <Newly Inserted by Act No. 12852, Dec. 23, 2014>

(3) Matters necessary concerning the method and procedure, etc. for settlement of retirement income tax shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 11611, Jan. 1, 2013]

SECTION 2 Tax Withholding by Taxpayers Association

Article 149 (Organization of Taxpayers Association) Any of the following residents may organize a taxpayers association, as prescribed by Presidential Decree:

1. Any person with wage and salary income falling under any item of Article 127 (1) 4;
2. Any business entity prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

- Article 150 (Liability of Taxpayers Association to Collect Taxes)** (1) A taxpayers association under Article 149 shall collect each month income taxes on wage and salary income or business income of its members falling under any item of Article 127 (1) 4.
- (2) When a taxpayers association organized by business entities under subparagraph 2 of Article 149 collects income taxes on its members monthly pursuant to paragraph (1), it shall collect income taxes after deducting the amount equivalent to 5/100 of such tax. <Amended by Act No. 16104, Dec. 31, 2018>
- (3) When a taxpayers association organized by persons pursuant to subparagraph 1 of Article 149 collects monthly income taxes from its members pursuant to paragraph (1), it shall collect income taxes after deducting the amount equivalent to 5/100 of such tax: Provided, That where any person under subparagraph 1 of Article 149 files a final return on the tax base of global income pursuant to Article 70 or makes year-end tax settlement pursuant to examples of Articles 137, 137-2 and 138, he/she shall pay the amount calculated by deducting the amount equivalent to 5/100 of the calculated global income tax on wage and salary income withheld by the relevant taxpayers association or shall collect such amount as tax. <Amended by Act No. 10408, Dec. 27, 2010; Act No. 16104, Dec. 31, 2018>
- (4) Deductions under paragraphs (2) and (3) shall be referred to as "taxpayers association credit".
- (5) Matters necessary to collect income taxes pursuant to paragraph (1) shall be prescribed by Presidential Decree.
- [This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

- Article 151 (Payment of Tax Collected by Taxpayers Association)** A taxpayers association shall pay the monthly income tax collected pursuant to Article 150 to a tax office having jurisdiction over the taxpayers association, the Bank of Korea or a postal service office by no later than the tenth day of the month following the month in which the date of collection falls, as prescribed by Presidential Decree.
- [This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

- Article 152 (Method of Collection by Taxpayers Association)** (1) When a taxpayers association under Article 150 (2) collects income tax pursuant to paragraph (1) of the same Article, it shall calculate the monthly income tax which is calculated by multiplying 12 by the amount of monthly income of its each member computed, as prescribed by Presidential Decree, taking global income deduction from the amount calculated, and applying the applicable basic tax rate to the remaining amount, and shall collect the due income tax by taking a tax credit and taxpayers association credit. In such cases, if there is a fraction less than one month, it shall be deemed one month.

(2) When a taxpayers association under Article 150 (3) collects income tax pursuant to paragraph (1) of the same Article, it shall collect tax on monthly income of its members in the same manner as withholding tax is withheld from wage and salary income pursuant to Article 127, while collecting the amount computed by taking taxpayers association credit from the income tax calculated based on the simplified tax withholding table for wage and salary income under Article 134.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 153 (Management of Tax Payment by Taxpayers Association) (1) A taxpayers association may act as a tax manager managing matters concerning returns, payments and refunds of income tax of its members.

(2) Where a taxpayers association intends to act as a tax manager of its members pursuant to paragraph (1), it shall report it to the head of a tax office having jurisdiction over the taxpayers association, as prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

SECTION 3 Special Cases concerning Tax Withholding

Article 154 (Exemption from Tax Withholding) When a withholding agent pays non-taxable or tax-exempt income falling under each subparagraph of Article 127 (1), he/she shall not withhold such income tax.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 155 (Exclusion from Tax Withholding) Where income under each subparagraph of Article 127 (1), on which no income tax is to be withheld because it is not paid after generated, is included in the global income and income tax is levied on such global income, and such income is paid thereafter, no income tax shall be withheld from such income.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 155-2 (Special Cases concerning Withholding Taxes from Specified Money in Trust, etc.) In cases of trust other than collective investment scheme under Article 4 (2), notwithstanding Article 130, any person who deducts a withholding tax by proxy or who has been entrusted to deduct withholding tax pursuant to Article 127 (2) shall deduct a withholding tax from such income on a specified date (limited to a date within the same year of reversion) within three months from the date when income under each subparagraph of Article 127 (1) 1 and 2 is reverted in trust. <Amended by Act No. 10408, Dec. 27, 2010; Act No. 11611, Jan. 1, 2013>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 155-3 (Special Cases concerning Tax Withholding of Collective Investment Scheme) The amount of income under the subparagraphs of Article 127 (1) shall not be deemed to have been paid at the time it is reverted to the collective investment property under the Financial Investment Services and Capital Markets Act.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 155-4 (Special Cases concerning Withholding Taxes from Bonus) (1) Notwithstanding Article 127, no income tax shall be withheld from the income specified by Presidential Decree and disposed of as a bonus under Article 67 of the Corporate Tax Act for the representative, etc. of a corporation merged due to a cause that occurs before the commencement of proceedings for rehabilitation after its controlling shareholder is changed (hereafter referred to as "acquired" in this Article), such as merging with another corporation that is not a specially related person through proceedings for rehabilitation under the Debtor Rehabilitation and Bankruptcy Act.

(2) Other necessary matters regarding special cases concerning withholding of taxes from bonuses shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 12169, Jan. 1, 2014]

Article 155-5 (Special Cases concerning Withholding Taxes on Income Generated from Transfer of Paintings, Calligraphic Works, and Antiques) Where a withholding agent is unable to withhold taxes on income generated from the transfer of a painting, calligraphic work, or antique under Article 21 (1) 25 because it is impracticable to withhold taxes under Article 127 (1) in any of the cases specified by Presidential Decree, the person who receives the income generated from the transfer of the painting, calligraphic work, or antique shall be deemed a withholding agent under Article 127 (1) for the purpose of applying this Act to such person.

[This Article Newly Inserted by Act No. 12852, Dec. 23, 2014]

Article 155-6 (Exception to Withholding Taxes on Religious Persons' Income) A person who pays income to a religious person (including cases falling under Article 21 (3)) may choose not to withhold income tax pursuant to Articles 127, 134 through 143, 145, and 145-3. In such cases, a person who receives a religious person's income shall file a return on the tax base of global income under Article 70.

[This Article Newly Inserted by Act No. 13558, Dec. 15, 2015]

Article 155-7 (Special Cases concerning Withholding of Tax on Income Accruing from Non-

Real Name Assets) (1) Where, by applying the tax rate under Article 129 (1) 1 (d) or 2 (b) instead of Article 5 of that Act without any deliberation or gross negligence, a withholding agent under Article 127 withholds tax on the income and dividend income to which differential taxation under Article 5 of the Act on Real Name Financial Transactions and Confidentiality applies, the actual owner of the relevant account shall, notwithstanding Article 127 (1), pay an amount of shortfalls in withheld income tax (including penalty tax under Article 47-5 (1) of the Framework Act on National Taxes; hereinafter the same shall apply in this Article).

(2) With respect to the amount of shortfalls in withheld income tax, the actual owner of the relevant account shall be deemed the withholding agent.

[This Article Newly Inserted by Act No. 16104, Dec. 31, 2018]

Article 156 (Special Cases concerning Withholding Taxes from Domestic Source Income of

Nonresident) (1) Notwithstanding Article 127, any person (excluding any resident or nonresident who pays domestic source capital gains on real estate under subparagraph 9 of Article 119) who pays, to a nonresident, domestic source income under subparagraphs 1, 2, 4 through 6, and 9 through 12 of Article 119, which is neither substantially related to any domestic place of business nor attributed to such domestic place of business (including the amount paid to a nonresident who has no domestic place of business), shall withhold each of the following amounts as income tax on domestic source income of the nonresident when he/she pays such income, and pay such income tax to the competent tax office, the Bank of Korea, or a postal service office by no later than the tenth day of the month following the month in which the date of such withholding falls, as prescribed by Presidential Decree: Provided, That income on which a tax may be levied as domestic source business income in accordance with a tax treaty among income under subparagraph 5 of Article 119, shall be excluded: <Amended by Act No. 11611, Jan. 1, 2013; Act No. 14389, Dec. 20, 2016; Act No. 16104, Dec. 31, 2018>

1. Domestic source interest income under subparagraph 1 of Article 119: the amount as classified in the following items;
 - (a) Interest income accrued from the bonds issued by the State, a local government, or a domestic corporation: 14/100 of the amount paid;
 - (b) Interest income other than that prescribed in (a): 20/100 of the amount paid;
2. Domestic source dividend income under subparagraph 2 of Article 119: 20/100 of the amount paid;
3. Domestic source lease income from leasing ships, etc. under subparagraph 4 of Article 119 and domestic source business income under subparagraph 5 of that Article (excluding the income that may be subject to

taxation as domestic source business income pursuant to a tax treaty): 2/100 of the amount paid;

4. Domestic source personal services income under subparagraph 6 of Article 119: 20/100 of the amount paid: Provided, That, in case of any income generated by providing any services specified by Presidential Decree which is deemed to be generated within the Republic of Korea under a tax treaty, among personal services provided in a foreign country, the amount withheld shall be 3/100 of the amount paid for such personal services;
5. Domestic source capital gains on real estate under subparagraph 9 of Article 119: 10/100 of the amount paid; Provided, That where the acquisition value and transfer expenses of the transferred assets are verified pursuant to Article 126 (1) 1, the amount withheld shall be an amount equivalent to 10/100 of the amount paid, etc. or an amount equivalent to 20/100 of capital gains on such asset, whichever is lesser;
6. Domestic source royalty income subparagraph 10 of Article 119: 20/100 of the amount paid;
7. Domestic source capital gains on securities subparagraph 11 of Article 119: 10/100 of the amount paid (in cases falling under Article 126 (6), referring to the arm's length price under that paragraph: hereinafter the same shall apply in this subparagraph): Provided, That the acquisition value and transfer expenses of the relevant securities are verified pursuant to Article 126 (1) 1, the amount withheld is an amount equivalent to 10/100 of the amount paid or an amount equivalent to 20/100 of the amount calculated pursuant to that subparagraph, whichever is lesser;
8. Domestic source other income under subparagraph 12 of Article 119: 20/100 of the amount paid (referring to the amount calculated pursuant to Article 126 (1) 2 in case of prize money, supplementary prize, etc. prescribed referred to in that subparagraph).

(2) In cases of urgency due to concerns over causing instability in financial markets and difficulties in implementing monetary policies, such as undermining soundness in a foreign exchange sector due to increasing fluctuation in foreign capital inflow, income tax may be reduced or zero rated for the following income of nonresidents, as prescribed by Presidential Decree. In such cases, the Minister of Strategy and Finance shall report, in advance, the tax rate to be reduced and the needs for such reduction to the Standing Committee of the National Assembly: <Newly Inserted by Act No. 10408, Dec. 27, 2010; Act No. 16104, Dec. 31, 2018>

1. State bonds issued in accordance with Article 5 (1) of the State Bond Act and bonds prescribed by Presidential Decree (hereafter referred to as "State bonds, etc." in this Article), among domestic source interest income under subparagraph 1 of Article 119;
2. Income incurred from transfer of State bonds, etc., among domestic source capital gains on securities subparagraph 11 of Article 119.

(3) Where domestic source income prescribed in paragraph (1) is paid overseas, if the payer has a domicile, a place of residence, the head office, the principal office, or a domestic place of business (including a domestic place of business prescribed in Article 94 of the Corporate Tax Act) in the Republic of Korea, it shall be deemed that the payer pays the relevant domestic source income in the Republic of Korea, and paragraph (1) shall apply accordingly.

(4) Any person who pays domestic source income under subparagraphs 1, 5, 6, and 10 of Article 119 using foreign loan funds to a nonresident with no domestic place of business shall deduct a withholding tax pursuant to paragraph (1), each time such income is paid pursuant to the terms and conditions of payment on the contract, even where he/she does not pay such income directly according to the relevant terms and conditions of the contract. <Amended by Act No. 10408, Dec. 27, 2010>

(5) When any person who is a domestic agent of a nonresident operating a vessel or aircraft navigating to and from foreign countries and does not fall under Article 120 (3) pays to the nonresident income generated from navigation of the vessel or aircraft navigating to and from foreign countries, he/she shall deduct withholding tax from the domestic source income of the nonresident pursuant to paragraph (1).

(6) Where securities under subparagraph 11 of Article 119 are transferred through an investment trader or investment broker under the Financial Investment Services and Capital Markets Act, the investment trader or investment broker shall deduct withholding tax pursuant to paragraph (1): Provided, That where stocks are listed on the stock market under the Financial Investment Services and Capital Markets Act, and stocks already issued are transferred, a corporation that has issued such stocks shall deduct withholding tax.

(7) Any person who pays, to a nonresident, domestic source income in return for works, such as building works, construction works, the installation or fabrication of machines, or services provided for the direction or supervision of such works or domestic source income in return for personal services provided in accordance with subparagraph 6 of Article 119 (including where such income shall be classified into business income under a tax treaty), shall deduct withholding tax under paragraph (1) from the income, even if the nonresident has a place of business in the Republic of Korea: Provided, That the foregoing shall not apply where a nonresident has his/her business registered under Article 168. <Amended by Act No. 11611, Jan. 1, 2013; Act No. 12169, Jan. 1, 2014>

(8) Article 84 shall apply mutatis mutandis where paragraph (1) applies to income referred to in subparagraph 12 (f) (only applicable to a refund of a horse racing ticket, winner wager ticket, bullfighting match wager ticket, and sports promotion wager ticket) and (g) of Article 119.

(9) Where a nonresident receives the domestic source income under Article 119 by means of an auction under the Civil Execution Act or a public sale under the National Tax Collection Act, a withholding tax shall

be collected in accordance with paragraph (1) up to the amount actually paid to the nonresident by a person who distributes the amount obtained at auction or at public sale. <Newly Inserted by Act No. 10408, Dec. 27, 2010; Act No. 12169, Jan. 1, 2014>

(10) Paragraphs (1) through (9) shall apply to any act performed by a person who acts on behalf of a withholding agent under paragraphs (1) through (9) or is delegated with the authority therefrom, deeming such act to be performed by oneself or by delegating person within the scope authorized or delegated. <Newly Inserted by Act No. 10408, Dec. 27, 2010>

(11) Where a financial company, etc. underwrites, trades, mediates, or represents bills, debt certificates, stocks, or collective investment securities issued by a domestic person, paragraph (10) shall apply to such financial company, etc., deeming that there is relationship of procuration or trust between such financial company, etc. and the relevant domestic person. <Newly Inserted by Act No. 10408, Dec. 27, 2010>

(12) For the purpose of deducting withholding tax, a withholding agent under paragraphs (1) through (11) shall issue a withholding tax receipt prescribed by Ordinance of the Ministry of Strategy and Finance, stating the amount of such domestic source income and other necessary matters, to a recipient of such domestic source income. <Amended by Act No. 10408, Dec. 27, 2010>

(13) With respect to the domestic source income under subparagraph 12 (i) of Article 119, a domestic corporation which has issued stocks or investment shares shall deduct withholding tax at the time prescribed by Presidential Decree from a foreign related person holding such stocks or investment shares. <Amended by Act No. 11146, Jan. 1, 2012>

(14) Detailed methods for deducting withholding tax under paragraph (13) shall be prescribed by Presidential Decree. <Amended by Act No. 10408, Dec. 27, 2010>

(15) When applying paragraph (1), where a nonresident with domestic source capital gains on real estate under subparagraph 9 of Article 119 has pre-paid income tax on such income, or evidences that such income is non-taxable or below taxation threshold, as prescribed by Presidential Decree, no income tax on such income shall be withheld. <Amended by Act No. 10408, Dec. 27, 2010; Act No. 16104, Dec. 31, 2018>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 156-2 (Application for Non-Taxation or Tax Exemption under Tax Treaty by

Nonresident) (1) If a nonresident who is the substantive owner of the domestic source income under Article 119 (excluding domestic source business income under subparagraph 5 of that Article and domestic source personal services income under subparagraph 6 of that Article) intends to be qualified for non-taxation or tax exemption under a tax treaty, he/she shall submit an application for non-taxation or tax exemption to the person who pays the domestic source income (hereafter referred to as "payer of income" in

this Article), as prescribed by Presidential Decree, and the payer of income shall submit the application to the head of the tax office having jurisdiction over his/her place for tax payment. <Amended by Act No. 16104, Dec. 31, 2018>

(2) In applying paragraph (1), where the relevant domestic source income is paid through an overseas investment vehicle specified by Presidential Decree, the foreign investment vehicle shall require the real income earner to submit an application for non-taxation or tax exemption as prescribed by Presidential Decree, and shall submit the application for non-taxation or tax exemption to the payer of income, accompanied with the report on the foreign investment vehicle, including the details thereof, and then the payer of income shall file the report and application with the head of the tax office having jurisdiction over the place for tax payment. <Amended by Act No. 16104, Dec. 31, 2018>

(3) If the payer of income has not received an application for non-taxation or tax exemption or a report on an foreign investment vehicle from the relevant real income earner or foreign investment vehicle, it is impracticable to identify the real income earner with the documents submitted, or there is any other ground specified by Presidential Decree, the payer of income shall withhold the amount specified in any subparagraph of Article 156 (1) without applying non-taxation or tax exemption.

(4) If a real income earner to whom non-taxation or tax exemption has not been granted under paragraph (3) intends to be eligible for non-taxation or tax exemption, the real income earner or the payer of income may file an application for correction with the head of the tax office having jurisdiction over the place for tax payment of the payer of income within five years from the last day of the month in which the tax was withheld in accordance with paragraph (3), as prescribed by Presidential Decree. <Amended by Act No. 14389, Dec. 20, 2016>

(5) Upon receipt of an application for correction under paragraph (4), the head of a tax office shall correct the tax base and the tax amount or shall notify the applicant that no ground exists for such correction, within six months from the filing date of the application.

(6) Except as provided for in paragraphs (1) through (5), matters necessary for applying non-taxation or tax exemption, including the method and procedure for submitting relevant documents, such as an application for non-taxation or tax exemption and a report on an overseas investment vehicle, the duty to keep submitted documents, and the method and procedure for filing an application for correction, shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 12169, Jan. 1, 2014]

Article 156-3 (Special Cases concerning Withholding Tax on Bonds, etc. of Nonresident) Any

person who pays interest, etc. of bonds, etc. to the nonresident subject to application of Article 156 (1) or

who purchases bonds, etc. from the concerned nonresident (including cases where there is a change in the ownership of bonds, etc. or in the right of receipt of interest income due to donation, repayment, investment, etc. and cases where he/she is entrusted with sale or mediates or renders a service, while excluding cases prescribed by Presidential Decree, such as a repurchase agreement) shall deduct withholding tax in consideration of the holding period of such nonresident, as prescribed by Presidential Decree.

<Amended by Act No. 11611, Jan. 1, 2013>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 156-4 (Special Cases concerning Procedures for Withholding Taxes from Nonresidents in Specific District)

(1) Where a withholding agent under Articles 156, 156-3, and 156-6 deducts withholding tax from income under subparagraph 1, 2, 9 (b), 10, or 11 of Article 119 as income tax among domestic source income of a nonresident located in a country or area notified publicly by the Minister of Strategy and Finance, notwithstanding Article 156-2 and the provisions of non-taxation, exemption, or the reduced tax rate according to a tax treaty, he/she shall deduct withholding tax by applying tax rates under each subparagraph of Article 156 (1) preferentially: Provided, That this shall not apply where the Commissioner of the National Tax Service approves in advance that he/she may qualify for non-taxation, tax exemption, or the reduced tax rate according to a tax treaty, as prescribed by Presidential Decree.

<Amended by Act No. 11146, Jan. 1, 2012>

(2) Where any person to whom domestic source income prescribed in paragraph (1) is substantially attributed (including his/her agent or a tax manager under Article 82 of the Framework Act on National Taxes) intends to apply for non-taxation, tax exemption, or reduced tax rate according to a tax treaty on such income, he/she may request a correction to the head of a tax office having jurisdiction over the place for tax payment of a withholding agent, as prescribed by Presidential Decree, within five years from the last day of the month in which the date when the tax amount has been withheld pursuant to paragraph (1) falls. <Amended by Act No. 14389, Dec. 20, 2016>

(3) The head of a tax office requested to make a correction under paragraph (2) shall correct the tax base and tax amount or notify a person who has made such request of the purport that there is no reason for making a correction within six months from the date he/she has received such request.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 156-5 (Special Cases concerning Tax Withholding Procedures Related to Services Rendered by Nonresident Entertainers)

(1) With regard to remuneration or consideration which a person prescribed by Presidential Decree such as an entertainer or sportsperson who is a nonresident

(hereafter referred to as "nonresident entertainer, etc." in this Article) receives for his/her service rendered in the Republic of Korea (including subparagraphs 6, 7, and 12 of Article 119; hereafter the same shall apply in this Article), any person who pays remuneration or consideration for services rendered by a nonresident entertainer, etc. in the Republic of Korea to a foreign corporation (hereafter referred to as "tax-exempt foreign corporation for an entertainer, etc." in this Article) who is not taxed for reasons, such as it has no domestic place of business or does not belong to a domestic place of business, etc. notwithstanding a tax treaty, he/she shall withhold the amount equivalent to 20/100 of such amount paid and then pay to the competent tax office, the Bank of Korea, or a postal service office, as prescribed by Presidential Decree, by the tenth day of the month following the month in which the date when such withholding tax is deducted falls. [<Amended by Act No. 11146, Jan. 1, 2012; Act No. 16104, Dec. 31, 2018>](#)

(2) Notwithstanding Article 156 (1), when a tax-free foreign corporation for an entertainer, etc. pays remuneration or consideration for services rendered by a nonresident entertainer, etc., it shall withhold the amount equivalent to 20/100 of such amount paid as income tax on the recipient of domestic source income and pay such amount to the competent tax office, the Bank of Korea, or a postal service office, as prescribed by Presidential Decree, by the tenth day of the month following the month in which the date of such withholding falls. In such cases, where any person who pays consideration to a tax-free foreign corporation for an entertainer, etc. for services rendered by a nonresident entertainer, etc. in the Republic of Korea has paid income tax withheld pursuant to paragraph (1), such income tax shall be deemed to have been paid within the limit of such amount paid.

(3) Where the amount withheld and paid pursuant to paragraph (1) is larger than that pursuant to paragraph (2), a tax-free foreign corporation for an entertainer, etc. may apply for a refund of such difference to the head of the competent tax office, as prescribed by Presidential Decree.

[\[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009\]](#)

Article 156-6 (Special Cases concerning Procedures for Withholding Taxes from Nonresidents for Application of Reduced Tax Rate under Tax Treaty)

(1) Where a nonresident who is the substantive owner of domestic source income is substantially attributed (hereafter referred to as "real income earner" in this Article) intends to apply for a reduced tax rate under the applicable tax treaty (hereafter referred to as "reduced tax rate" in this Article), he/she shall submit an application for the reduced tax rate as prescribed by Presidential Decree to the withholding agent under Article 156 (1) (hereafter referred to as "withholding agent" in this Article). [<Amended by Act No. 16104, Dec. 31, 2018>](#)

(2) Upon applying paragraph (1), where the relevant domestic source income is paid through an foreign investment vehicles, the relevant foreign investment vehicle shall, as prescribed by Presidential Decree,

receive an application for reduced tax rate from the substantive owner and submit to the withholding agent a report on the foreign investment vehicle including details of the application for reduced tax rate.

<Amended by Act No. 16104, Dec. 31, 2018>

(3) Where a withholding agent fails to receive an application for reduced tax rate or a report on foreign investment vehicle from a real income earner or from a foreign investment vehicle, or is unable to figure out the real income earner by reviewing submitted documents or any ground prescribed by Presidential Decree arises, he/she shall deduct the withholding tax under each subparagraph of Article 156 (1), without applying the reduced tax rate.

(4) Where a real income earner to whom the reduced tax rate has not applied under paragraph (3) intends to be eligible for the application of the reduced tax rate, the real income earner or the withholding agent may file an application for correction with the head of a tax office having jurisdiction over the place for tax payment of the withholding agent, as prescribed by Presidential Decree, within five years from the last day of the month in which the tax was withheld under paragraph (3). <Amended by Act No. 12169, Jan. 1, 2014; Act No. 14389, Dec. 20, 2016>

(5) The head of a tax office requested to make a correction pursuant to paragraph (4) shall, within six months from the date he/she has received such request, correct the tax base and tax amount or notify the person who has made such request of the purport that there is no reason for making a correction.

(6) In addition to matters prescribed in paragraphs (1) through (5), other matters necessary for applying reduced tax rates, such as methods/procedures for submitting the application for reduced tax rate, the report on foreign investment vehicle, or other related documents, duty of keeping submitted documents, and methods/procedures for requesting correction of the said documents, shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 11146, Jan. 1, 2012]

Article 156-7 (Special Cases concerning Withholding Tax on Income of Temporary Staffing Agency Workers of Foreign Corporations)

(1) Notwithstanding Article 134 (1), when a domestic corporation (hereinafter referred to as "hiring domestic corporation") that hires a worker from a foreign corporation (excluding a domestic branch or a domestic sales office; hereafter referred to as "foreign temporary staffing corporation" in this Article) that temporarily assigns workers from abroad under a temporary staffing contract made with the domestic corporation (hereafter referred to as "temporary staffing agency worker" in this Article) pays an amount to the temporary staffing agency worker in return for the labor provided within the Republic of Korea, the domestic corporation shall withhold an amount equivalent to 19/100 of the amount paid to the worker (referring to the confirmed amount, if the hiring domestic

corporation confirms the amount paid by the foreign temporary staffing corporation to the temporary staffing agency worker, as prescribed by Presidential Decree), as income tax, and shall pay the amount to the tax office having jurisdiction over withholding tax, the Bank of Korea, or any post office by not later than the tenth day of the month immediately following the month in which the amount is withheld, as prescribed by Presidential Decree. <Amended by Act No. 15225, Dec. 19, 2017>

(2) When a foreign temporary staffing corporation pays wage and salary income for February of the year immediately following the relevant taxable period to a temporary staffing agency worker under paragraph (1), it shall withhold income tax on the wage and salary income for the relevant taxable period pursuant to Article 137. In such cases, the relevant provisions regarding residents and nonresidents in this Act shall apply mutatis mutandis to the computation of the tax base and tax amount of a temporary staffing agency worker for the relevant taxable period, the filing of a return on tax base and the payment of taxes, determination, correction, collection, and refund of taxes.

(3) In cases falling under paragraph (2), a hiring domestic corporation may withhold taxes on behalf of the foreign temporary staffing corporation.

(4) Matters necessary for the scope of hiring domestic corporations who shall withhold taxes from temporary staffing agency workers and the scope of temporary staffing agency workers for the purposes of applying paragraphs (1) through (3), and the methods, procedure, etc. for submitting documents related to withholding taxes, application for refund, etc., shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 13558, Dec. 15, 2015]

Article 157 (Succession to Tax Withholding) (1) Where a corporation is dissolved, if income tax to be withheld is not collected, or the remaining property is distributed without paying the income tax collected, a liquidator shall be liable to pay the income tax jointly and severally with the persons who have been distributed, within the limit of the amount distributed.

(2) Where corporations are merged, a corporation that survives the merger or a corporation established in the course of the merger shall, if a corporation which has become extinct by the merger fails to pay income tax which it is to withhold, be liable to pay such income tax.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

SECTION 4 (Articles 158 and 159) Deleted.

Article 158 Deleted.

Article 159 Deleted.

CHAPTER VI SUPPLEMENTARY PROVISIONS

Article 160 (Keeping of and Entry in Books) (1) Each business entity (including the nonresident who has a domestic place of business or the income under subparagraph 3 of Article 119; the same shall apply hereinafter) shall keep supporting documents, etc. so as to calculate the amount of income, and enter all transactions in a ledger and manage it by double-entry bookkeeping so that all transactions in relation to his/her business may be understood objectively. <Amended by Act No. 11611, Jan. 1, 2013>

(2) Where a business entity below a certain scale by type of business prescribed by Presidential Decree in consideration of a type of business, scale, etc. has faithfully entered transactions on his/her business in a simple book prescribed by Presidential Decree (hereinafter referred to as "simple book") which he/she keeps, he/she shall be deemed to have kept books and records under paragraph (1).

(3) Any business entity below a certain scale by type of business prescribed by Presidential Decree under paragraph (2) shall be referred to as "person subject to simple bookkeeping" and any business entity, other than a person subject to simple bookkeeping, shall be referred to as "person subject to double-entry bookkeeping".

(4) In cases of paragraph (1) or (2), any business entity whose business income includes income generated from real estate rental business shall conduct accounts by each type of income. In such cases, the amount of common income that cannot be divided by income and the common expenses corresponding to such common income shall be divided and entered in books in proportion to the amount of respective gross income.

(5) Any business entity having two or more places of business shall enter the details of transactions by place of business in a book so that such details may be distinguished, where different rule applies for tax reduction by each place of business pursuant to the Restriction of Special Taxation Act. <Amended by Act No. 10408, Dec. 27, 2010>

(6) Deleted. <by Act No. 10408, Dec. 27, 2010>

(7) Matters necessary concerning entry in and keeping of books and supporting documents pursuant to paragraphs (1) through (5) shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 160-2 (Receipt and Keeping of Documentary Evidence of Disbursement of Expenses, etc.) (1) When any resident or nonresident under Article 121 (2) and (5) intends to calculate necessary

expenses pursuant to Article 27 or 37 in calculating the amount of business income or other income, he/she shall obtain supporting documents concerning the disbursement of such expenses and keep them for five years from the end of the period for final return: Provided, That any person who takes a deduction for a loss which occurred five years before the starting date of each taxable period shall keep supporting documents of the taxable period in which the relevant loss occurred until May 31 of the year after the following year of the taxable period in which he/she was allowed a deduction. <Amended by Act No. 10408, Dec. 27, 2010; Act No. 11611, Jan. 1, 2013>

(2) In cases falling under paragraph (1), where any person with business income receives goods or services related to his/her business from a business entity (including a corporation) and disburses the consideration therefor, he/she shall obtain any of the following supporting documents: Provided, That this shall not apply to cases prescribed by Presidential Decree:<Amended by Act No. 11873, Jun. 7, 2013>

1. An invoice under Article 163 of this Act and Article 121 of the Corporate Tax Act;
2. A tax invoice under Article 32 of the Value-Added Tax Act;
3. Credit card sales slips under the Specialized Credit Financial Business Act (if business is conducted using a means prescribed by Presidential Decree, similar to a credit card, the supporting documents thereof shall be included);
4. A receipt (hereinafter referred to as "cash receipt") stating the details of settlement of accounts, such as the date of transactions, the amount, etc., which is issued by a device issuing cash receipts to a person who is supplied with goods or services, if a business entity who has registered as an issuer of cash receipts receives the payment in cash for his/her supplying goods or services pursuant to Article 162-3 (1).

(3) In applying paragraph (2), where a business entity fails to obtain a tax invoice under subparagraph 2 of the same paragraph and he/she has issued and keeps a tax invoice issued by a purchaser under Article 34-2 (2) of the Value-Added Tax Act, he/she shall be deemed to have discharged his/her obligations to obtain and keep the supporting documents under paragraph (2).<Amended by Act No. 15225, Dec. 19, 2017>

(4) In applying paragraphs (1) through (3), the receipt and keeping of the supporting documents on the disbursement of expenses and other necessary matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 160-3 (Obligations, etc. to Prepare and Retain Details of Issuance of Receipts for

Donation) (1) A resident or nonresident who issues receipts for donation required for including donations in necessary expenses or for having the tax credit for donations under Article 34 or 59-4 (4) to residents or to nonresidents under Article 121 (2) and (5) (hereafter referred to as "person who issues receipts for donation" in this Article) shall prepare a detailed statement of issuance for each donor in the form prescribed

by Presidential Decree and shall retain it for five years from the date of issuance. <Amended by Act No. 11611, Jan. 1, 2013; Act No. 12169, Jan. 1, 2014>

(2) Where the Commissioner of the National Tax Service, the commissioner of a regional tax office, or the head of the competent tax office requests a person who issues receipts for donation to submit a detailed statement of issuance for each donor which he/she retains pursuant to paragraph (1), he/she shall submit such detailed statement.

(3) Any person who issues receipts for donation shall submit a detailed statement of issuance of receipts for donation stating the total number of receipts for donation issued and the total amount thereof, etc. during the relevant taxable period, to the head of the competent tax office pursuant to Article 168 (5) by June 30 of the year following the relevant taxable period.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 160-4 (Obligations, etc. of Financial Companies, etc. to Prepare and Retain Details of Issuance of Certificates)

(1) Where a financial company, etc. issues a certificate required for taking income deduction under this Act or the Restriction of Special Taxation Act, it shall prepare a detailed statement of issuance by each individual prescribed by Presidential Decree and retain it for five years from the date of issuance thereof. <Amended by Act No. 11611, Jan. 1, 2013>

(2) A financial company, etc. shall submit a detailed statement of issuance for each individual it retains pursuant to paragraph (1) to the Commissioner of the National Tax Service, if he/she requests to submit it. <Amended by Act No. 11611, Jan. 1, 2013>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 160-5 (Obligations, etc. to Report and Use Business Accounts)

(1) When any person subject to double-entry bookkeeping falls under any of the following cases in relation to transactions receiving or supplying goods or services for his/her business, he/she shall use a business account prescribed by Presidential Decree (hereinafter referred to as "business account"):

1. Where he/she settles accounts or is settled accounts of the price for transactions through a financial company, etc.;
2. Where he/she pays or is paid labor costs or rent: Provided, That the transactions prescribed by Presidential Decree, in which it is difficult to use a business account because of a business partner's status, shall be excluded, among transactions for which he/she pays or is paid labor costs.

(3) Any person subject to double-entry bookkeeping shall report a business account to the head of the tax office having jurisdiction over the place of business of the business entity or over the place for tax payment

of the person, within six months from the commencement date of the taxable period in which the person becomes subject to double-entry bookkeeping (the commencement date of the following taxable period, if the person becomes subject to double-entry bookkeeping at the same time when the person commences the business): Provided, That this shall not apply where a business account has already been reported.

<Amended by Act No. 10408, Dec. 27, 2010; Act No. 12852, Dec. 23, 2014>

(4) Where a person subject to double-entry bookkeeping changes or adds a business account, he/she shall report such change or addition by the deadline for a final return under Articles 70 and 70-2. <Amended by Act No. 10408, Dec. 27, 2010; Act No. 11146, Jan. 1, 2012; Act No. 11611, Jan. 1, 2013>

1. and 2. Deleted. <by Act No. 11146, Jan. 1, 2012>

(5) Matters necessary for reporting, changing, and adding a business account, the method of reporting thereof, the limit of transactions for which a business account is to be used, preparation of a detailed statement, etc., shall be prescribed by Presidential Decree. <Amended by Act No. 10408, Dec. 27, 2010>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 161 (Keeping Separate Entry) Any person who intends to have any income tax reduced or exempted pursuant to Article 59-5 (1) 2 shall enter the income reduced or exempted in the books separately from other income. <Amended by Act No. 12169, Jan. 1, 2014>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 162 (Installation and Use of Cash Registers) (1) Notwithstanding Article 24 (1), where any business entity prescribed by Presidential Decree installs and uses a cash register, the amount of global income may be calculated based on the sum of the amount earned in the relevant taxable period.

(2) Matters necessary for the installation and use of cash registers shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 162-2 (Obligations to Become Member of Credit Card Member Stores and to Issue Credit Card Sales Slips) (1) Where the Commissioner of the National Tax Service deems necessary for tax management, he/she may direct a business entity falling under the requirements prescribed by Presidential Decree in consideration of a type of business, scale, etc. as a business entity supplying goods or services mainly to consumers, not to business entities, to become a member of credit card member stores defined in Article 2 of the Specialized Credit Financial Business Act.

(2) Where a credit card member store (referring to a business entity who joined membership by meeting the requirements under paragraph (1); hereafter the same shall apply in this Article) supplies goods or services in connection with its business and the other party intends to settle accounts for the price with a credit card

under Article 35 (2) 1 (a), the credit card member store shall not refuse it or issue a credit card sales slip under Article 160-2 (2) 3 (hereafter referred to as "credit card sales slip" in this Article) falsely: Provided, That where any person who operates a superstore defined in subparagraph 3 of Article 2 of the Distribution Industry Development Act or sports facilities defined in subparagraph 1 of Article 2 of the Installation and Utilization of Sports Facilities Act (hereafter referred to as "superstore, etc." in this paragraph) issues a credit card sales slip after aggregating the sales of other business entities in the relevant superstore, etc. (only applicable to where business entities have entered into a prior contract among themselves where a person who operates the superstore, etc. operates the point-of-sale system defined in subparagraph 12 of Article 2 of the Distribution Industry Development Act), he/she shall not be deemed to have issued a credit card sales slip falsely. <Amended by Act No. 10408, Dec. 27, 2010; Act No. 14389, Dec. 20, 2016>

(3) Any person refused transactions with a credit card by a credit card member store or issued a false credit card sales slip may report the details of such transactions to the Commissioner of the National Tax Service, the commissioner of a regional tax office, or the head of a tax office.

(4) The Commissioner of the National Tax Service, the commissioner of a regional tax office, or the head of a tax office who has received a report pursuant to paragraph (3) shall notify the head of a tax office having jurisdiction over the place for tax payment of the credit card member store thereof. In such cases, the head of a tax office having jurisdiction over the place for tax payment shall notify the relevant credit card member store of the amount reported during the relevant taxable period.

(5) The Commissioner of the National Tax Service may issue orders necessary for the correction thereof to a credit card member store which has refused transactions with a credit card or has issued a false credit card sales slip.

(6) The administrative guidance for becoming a member of credit card member stores, the method of reporting and notification of refusal of transactions with a credit card and of issuance of false credit card sales slips, and other necessary matters, shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 162-3 (Obligations, etc. to Register as Cash Receipt Merchant and to Issue Cash Receipts for Cash Payment)

(1) Any business entity who supplies goods or provides services mainly to consumers, not to business entities, and meets the requirements prescribed by Presidential Decree, in consideration of the type of business, scale, etc. shall register as a cash receipt merchant, within three months from the end of the month in which he/she meets such requirements, by installing a cash receipt-issuing device in a credit card reader, etc. <Amended by Act No. 12852, Dec. 23, 2014>

(2) Any business entity who has registered as a cash receipt merchant pursuant to paragraph (1) shall attach a "Cash Receipt Sticker" attached on the door, indicating a cash receipt merchant, as prescribed by the Commissioner of the National Tax Service.

(3) Where any business entity who has registered as a cash receipt merchant supplies goods or provides services in relation to his/her business and the other party thereof requests to issue a cash receipt after making a payment in cash, he/she shall not refuse to issue a cash receipt therefor or issue it falsely.

(4) Where any business entity who engages in the type of business prescribed by Presidential Decree, among those business entities obliged to register as a cash receipt merchant pursuant to paragraph (1), supplies goods or provides services, the amount of transactions (including the amount of value-added tax) for each purchase of which is at least 100,000 won and receives the payment in cash, notwithstanding paragraph (3), he/she shall issue a cash receipt, as prescribed by Presidential Decree, even if the other party does not request the issuance thereof: Provided, That where he/she supplies goods or provides services to any person who has registered as a business entity pursuant to Article 168 of this Act, Article 111 of the Corporate Tax Act, or Article 8 of the Value-Added Tax Act and issues an invoice or a tax invoice pursuant to Article 163 of this Act, Article 121 of the Corporate Tax Act, or Article 32 of the Value-Added Tax Act, he/she may choose not to issue a cash receipt. <Amended by Act No. 11611, Jan. 1, 2013; Act No. 11873, Jun. 7, 2013; Act No. 12169, Jan. 1, 2014>

(5) If any business entity registered as a cash receipt merchant under paragraph (3) or a business entity obligated to issue cash receipts under paragraph (4) fails to issue a cash receipt or issues a false cash receipt, the other party to the transaction may report details of the transaction in cash to the Commissioner of the National Tax Service, the commissioner of a regional tax office, or the head of a tax office. <Amended by Act No. 15225, Dec. 19, 2017>

(6) The Commissioner of the National Tax Service, the commissioner of a regional tax office, or the head of a tax office who receives reports pursuant to paragraph (5) shall notify the head of a tax office having jurisdiction over the place for tax payment of the relevant business entity of such fact. In such cases, the head of a tax office having jurisdiction over the place for tax payment shall notify the relevant business entity of the amount reported in the relevant taxable period.

(7) Even where a person supplied with goods or services from a business entity who has registered as a cash receipt merchant does not request for issuance of a cash receipt, the business entity may issue a cash receipt, as prescribed by Presidential Decree. <Newly Inserted by Act No. 11146, Jan. 1, 2012>

(8) The Commissioner of the National Tax Service may issue, to a business entity who has registered as a cash receipt merchant, orders necessary in connection with the matters to be complied by the said business

entity, such as the method of issuing cash receipts, method of posting a mark indicating the cash receipt merchant, etc. <Amended by Act No. 11146, Jan. 1, 2012>

(9) Registration of or withdrawal from a cash receipt merchant, the amount subject to issuance, the method of reporting and notification of non-issuance of cash receipts and issuance of false cash receipts, and other necessary matters, shall be prescribed by Presidential Decree. <Amended by Act No. 11146, Jan. 1, 2012>
[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 163 (Preparation, Issuance, etc. of Invoices) (1) Where any business entity registered as a business entity pursuant to Article 168 supplies goods or provides services, he/she shall prepare an invoice or a receipt (hereinafter referred to as "invoice, etc.") and issue it to a person to whom goods are supplied or services are provided, as prescribed by Presidential Decree. In such cases, when any of the following business entities issues an invoice, he/she shall issue the invoice by the electronic means specified by Presidential Decree (hereinafter referred to as "electronic invoice" in this Act): <Amended by Act No. 12852, Dec. 23, 2014>

1. A business entity who shall issue electronic tax invoices under Article 32 (2) of the Value-Added Tax Act;
2. Any of the business entities specified by Presidential Decree, taking into consideration the amount of gross earnings, etc., except those falling under subparagraph 1.

(2) In cases of consignment sale or sale by an agent of agricultural products, livestock products, fishery products, and forest products exempted from value-added tax pursuant to Article 26 (1) 1 of the Value-Added Tax Act, a consignee or an agent shall be deemed to have supplied goods and he/she shall prepare and issue an invoice, etc. to a person supplied with the relevant goods: Provided, That this shall not apply where an invoice, etc. is issued pursuant to paragraph (1), as prescribed by Presidential Decree. <Amended by Act No. 11873, Jun. 7, 2013>

(3) With respect to the imported goods, the head of a customhouse shall issue an invoice to an importer, as prescribed by Presidential Decree.

(4) Paragraphs (1) through (3) shall not apply to cases prescribed by Presidential Decree where it is deemed inappropriate to issue an invoice, etc., such as sale of real estate, etc.

(5) A business entity shall submit aggregate tables of invoices by purchaser and by seller, which he/she has issued or received under paragraphs (1) through (3), (hereinafter referred to as "aggregate table of invoices by purchaser and an aggregate table of invoices by seller") to the head of the tax office having jurisdiction over his/her place of business by the deadline prescribed by Presidential Decree: Provided, That a person does not need to submit the following aggregate tables of invoices: <Amended by Act No. 12852, Dec. 23, 2014>

1. An aggregate table of invoices by seller, where an importer has received invoices issued under paragraph (3);
 2. An aggregate table of invoices by purchaser and an aggregate table of invoices by seller, where a person has transmitted a detailed statement of issuance of electronic invoices issued or received by him/her to the Commissioner of the National Tax Service under paragraph (8) or (9).
- (6) The tax invoices or receipts prepared and issued or aggregate tables of tax invoices by purchaser and by seller submitted under the Value-Added Tax Act shall be deemed invoices, etc. prepared and issued or aggregate tables of tax invoices by purchaser and by seller submitted under paragraphs (1) through (3) and (5).
- (7) Matters necessary to prepare and issue invoices, etc. and submit an aggregate table of invoices by purchaser and an aggregate table of invoices by seller shall be prescribed by Presidential Decree.
- (8) When a business entity issues an electronic invoice pursuant to the latter part of paragraph (1), he/she shall transmit a detailed statement of the electronic invoice to the Commissioner of the National Tax Service in the form prescribed by Presidential Decree by the deadline specified by Presidential Decree. <Newly Inserted by Act No. 12852, Dec. 23, 2014>
- (9) Any business entity, other than business entities who shall issue electronic invoices, may issue electronic invoices pursuant to the latter part of paragraph (1) and may transmit detailed statements of such electronic invoices to the Commissioner of the National Tax Service pursuant to paragraph (8). <Newly Inserted by Act No. 12852, Dec. 23, 2014>
- [This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 163-2 (Submission of Aggregate Table of Tax Invoices by Seller) (1) Where a business entity obliged to file a report on the present status of his/her place of business pursuant to Article 78 (1) or a business entity under Article 78 (1) 1 has been issued an tax invoice pursuant to Article 32 (1) or (7), or 35 (1) of the Value-Added Tax Act after having been supplied with goods or services, a business entity obliged to file a report on the present status of his/her place of business pursuant to Article 78 (1) or the heir or a resident departing from the Republic of Korea where Article 74 applies pursuant to Article 78 (1) 1 or a nonresident under Article 121 (2) and (5) shall submit an aggregate table of tax invoices by seller to the head of a tax office having jurisdiction over the seat of his/her place of business by no later than the deadline for reporting on the present status of his/her place of business under Article 78 (where Article 74 applies pursuant to Article 78 (1) 1, referring to the deadline for final return on tax base under Article 74): Provided, That this shall not apply where he/she has submitted it pursuant to Article 54 (5) of the Value-Added Tax Act. <Amended by Act No. 11146, Jan. 1, 2012; Act No. 11611, Jan. 1, 2013; Act No. 11873, Jun. 7, 2013>

(2) Matters necessary to submit an aggregate table of tax invoices by seller shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 164 (Submission of Statement of Payment) (1) Any person who pays any of the following incomes in the Republic of Korea to an individual liable to pay income tax pursuant to Article 2 (including a corporation, a person who pays income by proxy or is delegated or entrusted with the authority to make such payment pursuant to Article 127 (5), a taxpayers association under Article 150, a person whose seat of main office or principal office is the place for payment of withholding tax pursuant to Article 7 of this Act or Article 9 of the Corporate Tax Act, and a business entity qualified for consolidated return as a single taxable unit under the latter part of Article 8 (3) of the Value-Added Tax Act), shall submit a statement of payment to the head of a tax office having jurisdiction over withholding tax, the commissioner of a regional tax office, or the Commissioner of the National Tax Service, as prescribed by Presidential Decree, by the end of February (referring to March 10 of the following year in cases of the business income under subparagraph 3, the wage and salary income or retirement income under subparagraph 4, the income of a religious person, among other incomes under subparagraph 6, or the service charges under subparagraph 7, and referring to the end of the second month following the month in which the date of temporary or permanent closure of business or the date of dissolution falls, if the entity is temporarily or permanently closed or dissolved) of the year following the taxable period in which the date of such payment falls (with respect to income governed by Article 131, 135, 144-5, or 147, referring to the expiration date of the taxable period for the relevant income; hereafter the same shall apply in this paragraph): Provided, That, in cases of wage and salary income of a daily employed worker prescribed by Presidential Decree among wage and salary income under subparagraph 4, a statement of payment shall be submitted by the 10th day of the month following the last month of the quarter in which the payment date thereof falls (referring to the 10th day of the month immediately after the month in which the date of temporary or permanent closure of business or the date of dissolution falls, where such person suspends or closes his/her/its business, or is dissolved): <Amended by Act No. 10408, Dec. 27, 2010; Act No. 11611, Jan. 1, 2013; Act No. 11873, Jun. 7, 2013; Act No. 13558, Dec. 15, 2015; Act No. 16104, Dec. 31, 2018>

1. Interest income;
2. Dividend income;
3. Business income subject to withholding;
4. Wage and salary income or retirement income;

5. Pension income;
6. Other income (excluding service charges under subparagraph 7);
7. Service charges prescribed by Presidential Decree;
8. Gains from long-term savings insurances prescribed by Presidential Decree.

(2) Paragraph (1) need not apply to income prescribed by Presidential Decree among income under each subparagraph of paragraph (1).

(3) Any person liable for submitting a statement of payment pursuant to paragraph (1) shall either submit the matters mentioned in a statement of payment through the information and communications network defined in subparagraph 18 of Article 2 of the Framework Act on National Taxes, or submit them by means of electronic information storage media, such as diskette. In such cases, any person who pays income prescribed by Presidential Decree among income under each subparagraph of paragraph (1) may submit a statement of payment by methods prescribed by Presidential Decree, such as a cash receipt-issuing device under Article 126-3 of the Restriction of Special Taxation Act.

(4) Notwithstanding paragraph (3), the Commissioner of the National Tax Service may allow a person engaging in a specific type of business or below a specific scale to submit a statement of payment in writing in accordance with Presidential Decree.

(5) Where any of the documents related to withholding which a withholding agent has submitted after having deducted withholding taxes, as prescribed by Presidential Decree, falls under a statement of payment, with regard to such part submitted, a statement of payment shall be deemed submitted.

(6) If any statement in an aggregate table of invoices by purchaser and an aggregate table of invoices by seller submitted to the head of the tax office having jurisdiction over the place of business pursuant to Article 163 (5) (including detailed statements of issued electronic invoices transmitted to the Commissioner of the National Tax Service pursuant to Article 163 (8) or (9)) and in an aggregate table of tax invoices by purchaser and an aggregate table of tax invoices by seller submitted to the head of the tax office having jurisdiction over the place of business under the Value-Added Tax Act (including detailed statements of issued electronic tax invoices transmitted to the Commissioner of the National Tax Service pursuant to Article 32 (3) or (5) of the Value-Added Tax Act) constitutes a statement of payment, the submission of such statement shall be deemed the submission of a statement of payment. <Amended by Act No. 12852, Dec. 23, 2014; Act No. 15225, Dec. 19, 2017>

(7) If deemed necessary, the head of a tax office having jurisdiction over withholding tax, the commissioner of a regional tax office, or the Commissioner of the National Tax Service may request submission of a statement of payment.

(8) Any act performed by a person who acts for a payer or is delegated by him/her pursuant to paragraph (1) shall be deemed an act performed by a person himself/herself or the mandator within the limit of the authorization or delegation, and paragraph (1) shall apply thereto.

(9) Where the Commissioner of the National Tax Service receives a statement of payment on other income prescribed by Presidential Decree among other income under paragraph (1) 6, he/she shall provide the details thereof to any person liable to pay tax on the relevant other income through the national tax information and communications network defined in subparagraph 19 of Article 2 of the Framework Act on National Taxes, as prescribed by Presidential Decree.

(10) Matters necessary to submit a statement of payment pursuant to paragraphs (1) through (9) shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 164-2 (Special Cases concerning Obligations to Submit Statement of Payment on Domestic Source Income, etc. of Nonresidents)

(1) Any person who pays domestic source income under Article 119 to a nonresident shall submit a statement of payment to the head of a tax office having jurisdiction over the place for tax payment, by no later than the end of February (referring to March 10 of the following year in cases of the income under subparagraph 7 or 8 of Article 119, and referring to the end of two months following the month in which the date of the suspension of his/her business or the date of the closure of his/her business falls where his/her business is suspended or closed) of the year following the taxable period in which the date of such payment falls: Provided, That this shall not apply where he/she pays income prescribed by Presidential Decree, such as income verified as being subject to non-taxation or tax exemption. <Amended by Act No. 11611, Jan. 1, 2013>

(2) Article 164 shall apply mutatis mutandis to the submission of a statement of payment pursuant to paragraph (1).

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 164-3 (Submission of Simplified Statement of Payment of Earned Income)

(1) A person who, in the Republic of Korea, pays any income falling under any of the following subparagraphs (including a corporation, a person who pays income by proxy or is delegated or entrusted with the authority to make such payment pursuant to Article 127 (5), a taxpayers association under Article 150, a person whose seat of head office or principal office is the place for payment of a withholding tax pursuant to Article 7 of this Act or Article 9 of the Corporate Tax Act, and a per-business unit taxable entrepreneur under the latter part of Article 8 (3) of the Value-Added Tax Act), shall submit a simplified statement of payment of earned income

to the head of a tax office having jurisdiction over withholding tax, the commissioner of a regional tax office, or the Commissioner of the National Tax Service, as prescribed by Presidential Decree, by 10th day (referring to the 10th day of the month immediately after the month in which the date of suspension or closure of business or the date of dissolution falls, if such person suspends or closes his/her/its business, or is dissolved) of the month immediately after the last month of the half-year in which the date of such payment (with respect to income governed by Article 135, 144-5, or 147, referring to the expiration date of the taxable period for the relevant income; hereinafter the same shall apply in this paragraph) falls:

1. Earned Income paid to full-time employees under the statistics concerning the employment structure, demand for human resources, etc. referred to in Article 17 of the Framework Act on Employment Policy;
2. Business income subject to withholding of tax.

(2) Any person obliged to submit a simplified statement of payment of earned income pursuant to paragraph (1) shall submit the matters entered in the simplified statement of payment of earned income either through the information and communications network defined in subparagraph 18 of Article 2 of the Framework Act on National Taxes, or by means of electronic information storage media, such as diskettes. In such cases, any person who pays income prescribed by Presidential Decree among income under each subparagraph of paragraph (1) may submit a simplified statement of payment of earned income by methods prescribed by Presidential Decree, such as a cash receipt-issuing device under Article 126-3 of the Restriction of Special Taxation Act.

(3) Notwithstanding paragraph (2), the Commissioner of the National Tax Service may allow a person who engages in a certain type of business or whose business scale is not larger than a certain scale to submit a simplified statement of payment of earned income in writing, as prescribed by Presidential Decree.

(4) The head of a tax office having jurisdiction over withholding tax, the commissioner of a regional tax office, or the Commissioner of the National Tax Service may, if deemed necessary, request submission of a simplified statement of payment of earned income.

(5) Matters necessary for submitting a simplified statement of payment of earned income under paragraphs (1) through (4) shall be prescribed by Presidential Decree.

[\[This Article Newly Inserted by Act No. 16104, Dec. 31, 2018\]](#)

Article 165 (Submission of Supporting Documents for Income Deduction and Tax Credits and Administrative Guidance therefor)

(1) Any person who issues supporting documents required to get income deduction and tax credits prescribed by Presidential Decree (hereinafter referred to as "supporting documents for income deduction and tax credits") among the income deduction and tax credits under this Act or the Restriction of Special Taxation Act shall submit the supporting documents for income deduction

and tax credits to the Commissioner of the National Tax Service, as prescribed by Presidential Decree, such as use of information and communications networks: Provided, That this shall not apply to cases prescribed by Presidential Decree, such as where a person who is issued supporting documents for income deduction and tax credits refuses to submit the supporting documents. <Amended by Act No. 12169, Jan. 1, 2014>

(2) Any person who is issued supporting documents for income deduction and tax credits pursuant to paragraph (1) shall not provide them to other persons, use them for a purpose, other than tax purposes, or divulge the details thereof.<Amended by Act No. 12169, Jan. 1, 2014>

(3) Any person who is not a public official among those who become aware of the details of supporting documents for income deduction and tax credits received pursuant to paragraph (1) shall be deemed a public official when applying penal provisions under the Criminal Act or other Acts.<Amended by Act No. 12169, Jan. 1, 2014>

(4) The Commissioner of the National Tax Service may guide a person issuing supporting documents for income deduction and tax credits to submit such documents to him/her.<Amended by Act No. 12169, Jan. 1, 2014>

(5) Matters necessary for guidance under paragraph (4) shall be prescribed by Presidential Decree.

(6) Where the Commissioner of the National Tax Service has obtained consent of a person qualifying for basic deduction on providing information on supporting documents for income deduction and tax credits by methods prescribed by Presidential Decree, such as in writing, he/she may provide a resident with global income under Article 50 (1) with the relevant information on his/her dependents.<Amended by Act No. 12169, Jan. 1, 2014>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 165-2 (Duty to Submit Documents about Overseas Corporations, etc.) (1) A resident (excluding foreign residents under the proviso to Article 3 (1)) who makes an overseas direct investment under Article 3 (1) 18 of the Foreign Exchange Transactions Act or who acquires or dispose of (limited to cases where the acquisition amount or disposal amount of each item of overseas real estate, etc. is 200 million won or more) real estate in a foreign country or any rights in such real estate (hereinafter referred to as "overseas real estate, etc.") through a capital transaction under subparagraph 19 of the said paragraph, shall submit the following documents (hereinafter referred to as "statement of overseas corporations, etc.") to the head of the tax office having jurisdiction over the place for tax payment by the deadline for reporting under Article 70 or 70-2, as prescribed by Presidential Decree: <Amended by Act No. 12852, Dec. 23, 2014; Act No. 15225, Dec. 19, 2017; Act No. 16104, Dec. 31, 2018>

1. A statement of overseas direct investments;
2. The financial position of the foreign corporation in which the overseas direct investments have been made (including the financial position of other foreign corporations in which the foreign corporation in which the overseas direct investments have been made have made investments);
3. Losses on transactions of residents who have made overseas direct investments (limited to the loss incurred in the transactions with the foreign corporation in which overseas direct investments have been made);
4. Losses on transactions of the foreign corporations in which overseas direct investments have been made (excluding the loss incurred on transactions with residents who have made overseas direct investments);
5. Current conditions of establishment of overseas business offices;
6. A statement of investments in overseas real estate, etc.;
7. Other documents specified by Presidential Decree as relevant to investment operation and disposal of overseas real estate, etc.

(2) If a resident under paragraph (1) fails to submit a statement of overseas corporations, etc. or submits a false statement of overseas corporations, etc., the head of the tax office having jurisdiction over the place for tax payment may request the resident to submit or supplement the statement of overseas corporations, etc.: Provided, That the foregoing shall not apply, if two years have already passed since the day immediately after the deadline set in paragraph (1).

(3) Upon receipt of a request to submit or supplement a document under paragraph (2), the requested person shall submit the document within 60 days from the date of such request.

(4) In applying paragraph, the acquisition amount and disposal amount shall be calculated pursuant to the following subparagraphs. In such cases, the conversion of a foreign currency into the won currency is calculated by applying a basic exchange rate or an arbitrage exchange rate under the Foreign Exchange Transactions Act as of the day of receiving or paying the foreign currency: <Newly Inserted by Act No. 16104, Dec. 31, 2018>

1. Acquisition amount: an acquisition amount under Article 118-4 (1) 1;

2. Disposal amount: a disposal amount under Article 118-3.

[This Article Newly Inserted by Act No. 12169, Jan. 1, 2014]

Article 165-3 Deleted. <Act No. 16104, Dec. 31, 2018>

Article 165-4 (Explanation on Source of Acquired Fund at Time of Failing to Perform Duty to Submit Materials concerning Overseas Corporations, etc.) (1) Where a resident who has acquired,

within 10 years before the date of requesting the explanation, any overseas real estate, etc., or the stocks or investment shares of a corporation which has attracted overseas direct investment, fails to submit or falsely submits materials under subparagraph 1 (limited to cases where a resident who has made foreign direct investment under Article 3 (1) 18 (a) of the Foreign Exchange Transactions Act directly or indirectly possesses at least 10/100 of the total number of issued stocks or the total amount of investment of a corporation which has attracted overseas direct investment; hereinafter the same shall apply in this paragraph), subparagraph 6, and subparagraph 7 (limited to materials related to overseas real estate, etc.; hereinafter the same shall apply in this paragraph) of Article 165-2 (1) by the deadline under Article 165-2 (1), the head of a tax office having jurisdiction over the relevant place for tax payment may request such resident to explain the source of the amount under the following subparagraphs (excluding the amount reported pursuant to Article 18 of the Foreign Exchange Transaction Act, and hereinafter referred as "amount subject to explanation"):

1. In case of failing to submit the materials under Article 165-2 (1) 1 or submitting any false materials: The amount paid to acquire the stocks or investment shares of a foreign corporation which has attracted overseas direct investment under Article 3 (1) 18 (a) of the Foreign Exchange Transactions Act;
2. In case of failing to submit the materials under Article 165-2 (1) 6 and 7 or submitting the false materials: The amount paid to acquire overseas real estate, etc.

(2) A resident requested to make explanation under paragraph (1) shall make explanation according to the methods prescribed by Presidential Decree within 90 days (hereinafter referred to as "period for explanation" in this Article) after the date of receiving the notice for explanation. In such cases, if the resident requested to make explanation explains the source of at least 80/100 of the amount requested to be explained, he/she shall be deemed to explain the source of the whole amount requested to be explained.

(3) Notwithstanding paragraph (2), where a resident apply for the extension of the period for explanation in inevitable circumstances prescribed by Presidential Decree, such as the considerable period of time required to collect and prepare the relevant documents, the head of a tax office having jurisdiction over the place for tax payment may extend the period of explanation up to 60 days only one time.

[This Article Newly Inserted by Act No. 16104, Dec. 31, 2018]

Article 166 (Use of Data Processing Information, etc. on Resident Registration) For the purpose of efficient performance of the affairs concerning the assessment and collection of any income tax, matters necessary for the use of data processing information on resident registration under the Resident Registration Act and registered data processing information under the Act on the Registration, etc. of Family Relationships shall be prescribed by Presidential Decree. <Amended by Act No. 10408, Dec. 27, 2010>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 167 (Submission of Certified Copy of Resident Registration Card) (1) Where a resident files a final return on tax base, the head of a tax office having jurisdiction over the place for tax payment shall ascertain his/her spouse, a dependent eligible for deduction, a disabled person eligible for income deduction or a senior citizen eligible for income deduction by a certified copy of his/her resident registration card (referring to a family census register, where his/her family relationship is not ascertained by a certified copy of resident registration card; hereinafter referred to as "certified copy of resident registration card, etc.") through data processing information: Provided, That where a resident does not agree with ascertainment through data processing information by the head of a tax office having jurisdiction over the place for tax payment shall submit his/her final return on the tax base with a certified copy of resident registration card, etc. attached thereto, however, he/she may choose not to submit a certified copy of his/her resident registration card, etc. where there is no change in his/her spouse, a dependent eligible for deduction, a disabled person eligible for income deduction or a senior citizen eligible for income deduction, where he/she previously submitted a certified cope of his/her resident registration card, etc.

(2) If a nonresident files a final return on tax base, he/she shall submit a certified copy of his/her foreigner registration card or any documents corresponding thereto, to the head of a tax office having jurisdiction over the place for tax payment, as prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 168 (Registration of Business Entity and Assignment of Taxpayer Code Numbers) (1)

Any business entity who starts up a new business shall register his/her business with the head of the tax office having jurisdiction over the place of business, as prescribed by Presidential Decree. <Amended by Act No. 16104, Dec. 31, 2018>

(2) Any business entity registered as a business entity pursuant to the Value-Added Tax Act shall be deemed registered pursuant to paragraph (1) concerning the relevant business.

(3) Article 8 of the Value-Added Tax Act shall apply mutatis mutandis to any business entity registered as a business entity under this Act.<Amended by Act No. 11873, Jun. 7, 2013>

(5) The head of a tax office having jurisdiction over the place of business or the seat of an association, a foundation, or any other organization, other than an organization deemed a corporation, may assign a taxpayer code number, as prescribed by Presidential Decree, to any of the following persons:

1. Any person with global income who is not a business entity;

2. Any person deemed necessary for efficient processing of tax information, and post-factum inspection on income deduction, etc., such as an organization registered under the Assistance for Non-Profit, Non-Governmental Organizations Act.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 169 (Grant of Subsidy) The Commissioner of the National Tax Service shall grant a subsidy to any person who collects and pays income tax pursuant to Article 150, as prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 170 (Inquiry and Investigation) (1) If a public official who performs administrative affairs for income tax deems necessary for performing his/her duties, he/she may inquire of any of the following persons or investigate relevant books of accounts, documents, or other things, or order him/her to submit them: Provided, That a public official may investigate only the part related to religious persons' income in books of accounts, documents, or other things of a religious organization with regard to religious persons' income under Article 21 (1) 26 (including cases falling under Article 21 (3)) or may order a religious organization to submit only the part related to religious persons' income in books of accounts, documents, or other things of the religious organization: <Amended by Act No. 11146, Jan. 1, 2012; Act No. 13558, Dec. 15, 2015; Act No. 16104, Dec. 31, 2018>

1. Any person liable to pay tax or any person deemed liable to pay tax;
2. A withholding agent;
3. A taxpayers association;
4. Any person obliged to submit a statement of payment;
5. A withholding agent prescribed in Articles 156 and 156-3 through 156-6;
6. A tax manager prescribed in Article 82 of the Framework Act on National Taxes;
7. Any person deemed to do business with a person prescribed in subparagraph 1;
8. A trade association organized by persons liable to pay tax and an organization corresponding thereto;
9. Any person who issues receipts for donation.

(2) Where applying paragraph (1), a public official engaging in affairs concerning income tax applies shall not abuse his/her authority for other purpose beyond the extent necessary for performing official duties. <Newly Inserted by Act No. 16104, Dec. 31, 2018>

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 171 (Consultation) If it is required for returns, determination, correction or investigation on income tax, the head of a tax office, the commissioner of a regional tax office or the Commissioner of the National

Tax Service may consult matters concerning income tax, with a trade association organized by business entities and an organization corresponding thereto, or any person who is well informed of the circumstances as to the relevant business.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 172 (Perusal of Documents Related to Sale, Registration and Entry) Where the head of the competent tax office or the commissioner of the competent regional tax office, or a tax official entrusted with the authority requests the perusal or reproduction of the documents related to data under the following subparagraphs in order to ascertain the property and income of any individual, the relevant agencies shall comply with such request unless they have any justifiable grounds:

1. Data on sale, entry or registration of a house, land, factory foundation, mining industry foundation, ship, aircraft, construction machinery, automobile, etc.;
2. Data on income, assets and pay of beneficiaries, etc. under the National Basic Living Security Act;
3. Data on income, assets and pay of subscribers, etc. under the National Pension Act;
4. Data on income, assets and medical care expenses of subscribers, etc. under the National Health Insurance Act;
5. Data on wages and pay of the insured, etc. under the Employment Insurance Act;
6. Data on wages and pay of beneficiaries, etc. under the Industrial Accident Compensation Insurance Act;
7. Data prescribed by Presidential Decree, similar to the data under subparagraphs 1 through 6.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 173 (Cooperation for Collection of Taxation Data) (1) Any person prescribed by Presidential Decree, as an individual liable to pay income tax pursuant to Article 2 who provides a place of business related to provision of services to the persons who provide services prescribed by Presidential Decree (hereafter referred to as "service provider" in this paragraph), such as chauffeur service, parcel delivery, etc. under the Korea Standard Industry Code, shall faithfully prepare the taxation data on the service providers, and submit them to the head of a tax office having jurisdiction over the seat of the place of business, the commissioner of a regional tax office, or the Commissioner of the National Tax Service by the end of February of the year following the taxable period in which the amount of earnings or the amount of income is generated.

(2) The Commissioner of the National Tax Service may guide persons obliged to submit taxation data pursuant to paragraph (1) so that they may submit such data faithfully.

(3) Matters necessary for a method of preparation of taxation data, etc. under paragraph (1) shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 174 (Submission of Materials for Payment of Insurance Payment on Loss) When any non-life insurance company under the Insurance Business Act (hereafter referred to as "non-life insurance company" in this Article) has paid insurance as a result of a lawsuit, it shall submit the materials for the relevant insurance payment on loss, as prescribed by Presidential Decree, to the head of a tax office having jurisdiction over the non-life insurance company by no later than the end of February of the year following the taxable period in which the date of payment falls.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

Article 174-2 (Submission of Detailed Statements, etc. of Trading of Derivatives or Stocks) A financial investment business entity prescribed in Article 8 (1) of the Financial Investment Services and Capital Markets Act shall submit any of the following documents to the head of the competent tax office by the end of the month following the end of the quarter in which the relevant transactions or activities took place, as prescribed by Presidential Decree: Provided, That the documents specified in subparagraph 3 shall be submitted to the Commissioner of the National Tax Service by two months after the end of the month in which the Commissioner of the National Tax Service requests to submit them: <Amended by Act No. 13558, Dec. 15, 2015; Act No. 15225, Dec. 19, 2017>

1. Documents necessary for imposing capital gains tax, including detailed statements of transactions of derivatives, etc.;
2. Documents necessary for imposing capital gains tax, including detailed statements of transactions of stocks, where a financial investment business entity acts as a broker for trading stocks through over-the-counter transactions under Article 286 of the Financial Investment Services and Capital Markets Act;
3. Documents requested by the Commissioner of the National Tax Service, as prescribed by Presidential Decree, including detailed statements of transactions of stocks, etc. under Article 94 (1) 3 (a) (i) as necessary for imposing capital gains tax.

[This Article Newly Inserted by Act No. 12852, Dec. 23, 2014]

Article 174-3 (Submission of Materials concerning Payment of Health Insurance Money for Actual Loss) Where an entity prescribed by Presidential Decree, such as an insurance company pays the actually borne medical the expenses as insurance money for actual loss pursuant to a contract for insurance or mutual aid, it shall submit materials concerning such payment to the Commissioner of the National Tax

Service by the last day of February of the year immediately after the taxable period to which the date of payment belongs.

[This Article Newly Inserted by Act No. 16104, Dec. 31, 2018]

Article 175 (Sample Surveys) (1) The head of a tax office or the commissioner of a regional tax office the having jurisdiction over the place for tax payment shall conduct a sample survey within two years from the end of the relevant taxable period to examine the appropriateness of the inclusion of donations in necessary expenses or of tax credits for the persons specified by Presidential Decree (hereafter referred to as "persons eligible for donation deduction" in this Article), among residents who were permitted to include donations in necessary expenses under Article 34 or who were permitted tax credits for donations under Article 59-4 (4) or nonresidents under Article 121 (2) and (5). <Amended by Act No. 11611, Jan. 1, 2013; Act No. 12169, Jan. 1, 2014>

(2) A sample survey shall be conducted on the number of persons equivalent to the rate prescribed by Presidential Decree among persons eligible for donation deduction.

(3) Matters necessary for methods of and procedures for a sample survey shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9897, Dec. 31, 2009]

CHAPTER VII PENALTY PROVISIONS

Article 176 (Administrative Fines Imposed for Non-Performance of Duty to Submit Materials concerning Overseas Corporations, etc.) (1) Where a resident obliged to submit the materials, including a statement of overseas corporations, etc., pursuant to Article 165-2 (excluding a statement of investment in overseas real estate, etc. under Article 165-2 (1) 6 and materials related to overseas real estate, etc. under Article 165-2 (1) 7; hereafter the same shall apply in this paragraph) falls under any of the following subparagraphs (requiring the submission of materials under Article 165-2 (1) 1 through 4 only where a resident who has made overseas direct investments under Article 3 (1) 18 of the Foreign Exchange Transactions Act directly or indirectly possesses at least 10/100 of the total number of issued stocks or the total amount of investment of a corporation which has attracted such overseas direct investment), the resident shall be subject to an administrative fine not exceeding 50 million won: Provided, That an administrative fine shall not be imposed with reasonable grounds prescribed by Presidential Decree, such as where it is deemed impracticable for such resident to submit materials by the deadline:

1. Where the resident fails to submit a statement of overseas corporations, etc. by the deadline under Article 165-2 (1) or submits a false statement of overseas corporations, etc.;
2. Where the resident in receipt of a request to submit or supplement any materials pursuant to Article 165-2 (2) fails to submit relevant documents by the deadline under Article 165-2 (3) or submits any false documents.

(2) Where a resident obliged to submit a statement of investment in overseas real estate, etc. under Article 165-2 (1) 6 and the materials related to overseas real estate, etc. under Article 165-2 (1) 7 (hereafter referred to as "statement of investment in overseas real estate, etc. and related materials" in this paragraph) pursuant to Article 165-2 falls under any of the following subparagraphs, the resident shall be subject to an administrative fine (the maximum amount of 100 million won) not exceeding 10/100 of the acquisition value, disposal value and income from investment operations of the overseas real estate, etc. prescribed by Presidential Decree: Provided, That an administrative fine shall not be imposed with reasonable grounds prescribed by Presidential Decree, such as where it is deemed impracticable for such resident to submit materials by the deadline: <Newly Inserted by Act No. 12852, Dec. 23, 2014>

1. Where the resident fails to submit a statement of investment in overseas real estate, etc. and related materials by the deadline under Article 165-2 (1) or submits a false statement of investment in overseas real estate, etc.;

2. Where a resident requested to submit or supplement any materials under Article 165-2 (2) fails to submit such materials by the deadline under 165-2 (3) or submits any false materials.

(3) Where a resident fails to explain or falsely explains the source of the amount subject to explanation on the source of acquisition money in violation of Article 165-4 (2) and (3), the resident shall be subject to an administrative fine equivalent to 20/100 of the unexplained or falsely explained amount: Provided, That an administrative fine shall not be imposed with reasonable grounds by Presidential Decree, such as act of God.

(4) Administrative fines under paragraphs (1) through (3) shall be imposed and collected by the head of the tax office having jurisdiction over the place for tax payment, as prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 16104, Dec. 31, 2018]

Article 177 (Administrative fine for Violation of Ordered Matters) The head of the competent tax office shall impose on and collect from a business entity violating any ordered matter falling under any of the following subparagraphs an administrative fine not exceeding 20 million won:

1. An order to a credit card member store under Article 162-2 (5);
2. An order to a cash receipt merchant under Article 162-3 (8).

[This Article Newly Inserted by Act No. 16104, Dec. 31, 2018]