Foreign Investment in the Republic of Korea

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The purpose of this article is to introduce to American lawyers the salient points of Korean laws concerning business organization, foreign capital investment, and taxation. Its aim is not to explain in detail all Korean laws and decrees concerning these subjects, nor to discuss problems of actual administration of the statutes, but rather to provide a general context within which particular foreign investment and tax problems can be investigated separately with an understanding of how they relate to the overall system.

In 1959 the United States began systematically to reduce its aid to Korea with the aim of eliminating it entirely by the end of 1971. This action focused attention on Korea's need to create within itself the capital and technological base to create an independent viable economy. Today that means the creation of an industrial state. Korea's leaders have recognized that this aim can be realized only by substantial infusions of foreign capital and know-how. Since the military coup in 1961 the introduction of foreign capital has become an important tool in carrying out the First (1962-1966) and the Second (1967-1971) Five Year Economic Development Plans of the Park Government, which are the cornerstones of its program to achieve one of the goals of the military revolution, the sound development of a self-sustaining national economy. The rapid growth of the Korean economy and prospects for more of the same under the Second Five Year (1967-1971) Economic Development Plan make it one of the brighter spots in developing Asia, and one that should not be disregarded by international businessmen and investors.

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*** Member, Seoul Bar.

1 KOREAN TRADE PROMOTION CORPORATION, KOREAN TRADE GUIDE 63 (1967).

2 Id. at 69.
To enhance the investment attraction of Korea, a legal framework has been constructed to provide assurance that the results of successful investment may be removed from the country without restriction. The statutes are designed also to ensure that foreign investment will be profitable in terms of the Government's economic development plans. A factor contributing to the complexity of the statutory framework is the Government's related goal to provide for the sound development of a self-sustaining national economy in which Koreans maintain a leading role. This latter goal, however, occasionally appears inconsistent with the very substantial benefits and privileges accorded the foreigner whose investment is validated by the Korean Government.

In 1960, fairly generous incentives to foreign investors were enacted,3 and in 1966 those benefits were increased substantially under the new Foreign Capital Inducement Law (FCIL),4 enacted on August 3rd of that year. While the new law is substantially more generous in terms of benefits granted an approved investor, the discretionary powers of those officials reviewing an investment for approval are considerably broader under the new law than under the old. The FCIL contains no limitation upon the type of enterprise in which an investment may be made, the amount of investment, or the percentage of stockholding. In other words, 100 percent of the stock, and thus the sole and entire ownership of the enterprise involved, may be held by a foreign investor or investors, though as a practical matter in many industries association with a Korean partner probably would ensure a more sympathetic hearing when the application for approval is submitted.

Even without the approval of the Korean Government, moreover, foreigners may organize companies freely in Korea in most industries and, unlike the situation in Japan, they will have no difficulty in importing capital. But in the absence of approval under the FCIL, they may find it difficult or impossible to repatriate such capital later because of foreign exchange controls. Thus, the investment situation is similar to that of Japan before June, 1963, when repatriation of foreign capital investments became impossible without government permission.5

At the present time, foreign investment and exchange controls are based primarily upon two statutes and a number of enforcement de-

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3 Law No. 532, Jan. 1, 1960, Foreign Investment Encouragement Law, as amended.
4 Law No. 1802, Aug. 3, 1966, Foreign Capital Inducement Law, as amended [hereinafter cited as FCIL].
5 Cabinet Order No. 228, June 29, 1963 (Japan). The Korean economy of today resembles that of Japan in about 1955, with an abundant labor supply but little industrialization.
crees, ordinances, regulations and working rules which implement them. The statutes are: (1) the Foreign Capital Inducement Law,\(^6\) which aims to encourage and regulate longer-term foreign investment of capital and technology through one or more of the media of licensing, participation in equity capital investment, cash loan contracts, capital goods inducement contracts, and technological assistance contracts, and (2) the Foreign Exchange Management Law,\(^7\) which governs current transactions and the import and export of goods.

This discussion will be divided into three parts: organization for business; foreign capital inducement; and taxation. The foreign exchange law and regulations will not be considered here except as they bear on one of the other topics considered.

**I. Organization for Business**

The organization and conduct of business enterprises in Korea is governed primarily by the Commercial Code.\(^8\) This is true whether the business is conducted through a local branch of a foreign company, or through the establishment of one of the four types of business entities provided for in the Commercial Code. Both methods of establishing a business in Korea will be treated in the following discussion.

**A. Establishment of a Branch Office**

While a company organized by foreigners in accordance with the provisions of the Commercial Code is treated, for the purposes of that Code, like any other Korean company, the branch office of a foreign company is defined as an “alien company” in the Commercial Code. It must comply with the general provisions applicable to Korean companies as well as with special provisions, whose purpose is to ensure that its eccentric nature will not operate to place it outside the system of rights and obligations applicable to other juridical persons operating in Korea.

Articles 615 through 621 of the Commercial Code provide that an alien company desiring to conduct business in the Republic of Korea must designate a representative and establish a business office in the same manner in which a Korean company establishes a separate branch office. To accomplish this, the foreign company must register with the District Court in the locale of its office, by submitting to the court the law under which it is organized and the full name and

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\(^6\) See note 4 *supra.*


\(^8\) Law No. 1000, Jan. 29, 1962, Commercial Code, *as amended* [hereinafter cited as COMMERCIAL CODE].
permanent residence of its representative in the Republic of Korea. That representative is vested by statute with the power to bind the company contractually. In addition, the company will be held liable in damages for any tortious acts of the representative in connection with its administration.9

B. Organization of a Korean Company

The Chusik Hoesa (CH), which is similar to the Japanese Kabushiki Kaisha, corresponds roughly to the United States corporation and is the form most commonly used by larger Korean enterprises and foreign investors. For smaller joint ventures, the Yuhan Hoesa (which corresponds to the Japanese Yugen Kaisha) is a useful company form, providing the advantages of limited liability without the rigidity of the formal structure of the CH. For example, restrictions may be imposed on the transfer of ownership interests in a Yuhan Hoesa, although no such restrictions are permitted on shares of a CH.10 However, since very few foreign investors will use the Yuhan Hoesa and since most Korean enterprises prefer to use the more prestigious CH form, the Yuhan Hoesa will not be discussed further. Other possible organizations would be appropriate for foreign companies planning to do business in Korea only in exceptional circumstances.

1. Preliminary Steps

To organize the CH, which is the form most foreign companies probably will use, seven or more promoters are required to sign and register Articles of Incorporation11 with the District Court. The issued-and-paid-up stock must be more than 50 percent of authorized capital.12 If any part of the consideration for the shares is in a form other than cash, the adequacy of the non-cash consideration must be investigated by a court-appointed inspector, and a report made to the court.13 A written statement that the paid-up capital has been deposited in a bank and that the other steps in connection with the fiscal organization have been completed must be presented to the inaugural meeting of shareholders.14

2. Directors and Other Required Officials

Directors and one or more auditors must be appointed at the

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9 Id. art. 614(4).
10 Id. art. 335.
11 Id. art. 288.
12 Id. art. 289(2).
13 Id. art. 299(1) 1.
14 Id. art. 311.
inaugural general meeting of shareholders.\textsuperscript{15} Three directors are required,\textsuperscript{16} but most joint ventures with foreign participation have larger boards, usually consisting of six or seven directors. There is no requirement that directors of a CH be shareholders or that they be nationals or residents of Korea. The directors, one or more representative directors (who are chosen from among the directors by the Board of Directors),\textsuperscript{17} and auditors\textsuperscript{18} are the only positions legally required in a CH.

The representative directors usually participate directly in management, are the registered legal representatives of the company, and can make decisions that bind the company.\textsuperscript{19} Although a representative director has roughly the same power as the president of an American company, his authority within the company varies widely from one company to another. There is often more than one representative director within a company, though there are seldom more than two or three.

The term "auditor" is used here to refer to the Korean corporate official known as the 	extit{Kamsa}. However, the functions of the 	extit{Kamsa} are different from those of an auditor as that word is understood in the United States. His functions are the same as those of the Japanese 	extit{kansayaku}, and like the 	extit{kansayaku}, during his tenure as auditor he cannot hold the position of a director, manager, or employee of the company.\textsuperscript{20} The auditor's duties consist mainly of examining documents to be submitted to shareholders' general meetings and stating his opinion at such meetings regarding their effect on the financial and legal position of the company.

3. Governmental Structure of the CH

There is no provision in the Commercial Code for by-laws as such in a CH. Most of the material that would appear in the by-laws of an American corporation, however, appears either in the Articles of Incorporation or in the Directors' Regulations. The latter are adopted by the Board of Directors, and include such matters as the handling of stock transfers and lost or stolen certificates. General meetings of shareholders and of directors are to be held at the principal office unless otherwise provided in the Articles of Incorporation.\textsuperscript{21} There appears to be no limitation as to where the meetings may be held if proper provision is made in Articles.

\textsuperscript{15} Id. art. 312.
\textsuperscript{16} Id. art. 383.
\textsuperscript{17} Id. art. 389.
\textsuperscript{18} Id. art. 409.
\textsuperscript{19} Id. art. 389.
\textsuperscript{20} Id. art. 411.
\textsuperscript{21} Id. art. 364.
Unless the Articles of Incorporation or the Commercial Code state otherwise, most resolutions of a general meeting of shareholders can be made by a majority of the voting power present which must represent a majority of the company's voting shares. But such important matters as dissolution or merger, new stock issues, or changes in the Articles require a two-thirds majority of those present. Shareholders may act by proxy. Non-voting preferred shares may be issued so long as the total number does not exceed one-fourth of the total of all shares issued, but the requirement that all shares be of an equal par value in excess of 5,000 won limits the utility of such shares.

Minority shareholders with only 5 percent of the stock can require the Board of Directors to convene an extraordinary general meeting, can institute an action on behalf of the company to enforce the liability of directors, and can demand that a local court remove from office a director who has abused his authority. In general, however, minority shareholders are in a weak position compared with those in the United States.

II. Foreign Capital Inducement Law
A. Equity Investment by Foreign Nationals

The provisions of the FCIL of 1966 in most cases were based on provisions found in earlier laws, but generally are more liberal than their predecessors. Like the old scheme, the new law offers foreign investors incentives which are available neither to nationals and wholly domestic companies nor to companies in which foreigners invest without receiving the approval of the Korean Government under the FCIL. However, the old rule that the foreign investor must hold a minimum equity of 25 percent in the enterprise to qualify for benefits under the capital inducement laws has been repealed. Certain monetary benefits available to a Korean company under the FCIL are calculated in proportion to the equity in it held by foreign investors, but there is no lower limit to the foreign interest with respect to which the benefits are applicable.

\[\text{Id. art. 368.}\]
\[\text{Id. arts. 374, 434.}\]
\[\text{Id. art. 368.}\]
\[\text{Id. art. 370.}\]
\[\text{Id. art. 329. The Code has not yet been amended to include the proper figure in revalued won, which should be 500 won. All other references to money herein are in revalued won. The current exchange rate is about \$1 to 270 won.}\]
\[\text{Id. art. 366.}\]
\[\text{Id. art. 403.}\]
\[\text{Id. art. 385.}\]
\[\text{FCIL art. 15.}\]
The FCIL governs matters concerning the acquisition of foreign capital and technology by a national of the Republic of Korea from a national of any country which maintains normal diplomatic relations with the Republic. In exceptional cases, moreover, acquisition of capital from a national of a country which does not maintain such relations may be approved for investment under the law.\footnote{Id. art. 3(2).}

Although it is necessary for a foreign national to obtain an authorization from the Minister of the Economic Planning Board (EPB) to subscribe to an equity interest in an incorporated or proprietary enterprise in Korea, the standards by which authorizations may be granted are very flexible. Authorization may be granted for foreign capital investments in enterprises intended to carry out projects which substantially contribute to the improvement of the balance of payments, which contribute to the development of major industries or public enterprises, or which are included in the Economic Development Plan.\footnote{Id. art. 4(1).} The purpose of the capital investment may be either to establish a new enterprise or to expand or maintain a previously existing enterprise. The investment may be undertaken either individually or jointly with other parties, foreign or Korean.\footnote{Id. art. 6. The statute does not specify these matters but foreign investment in all these forms has been approved.}

According to the statute, foreign investment in Korea may be made with the following types of assets:\footnote{Id. art. 8(1).} (1) foreign exchange, or domestic means of payment obtained from the direct exchange thereof; (2) profits derived from shares of stock acquired under the FCIL; (3) capital goods;\footnote{“Capital goods” are defined by the statute to “include machinery, equipment, facilities, parts and accessories (breeding stock in the case of livestock and seedlings in the case of forestry resources) to be used in industrial facilities (including ships, vehicles, airplanes, etc.), raw materials and spare parts necessary for an initial six months, freight and insurance premiums necessary for the import of such capital goods and technical devices for constructing such facilities.” Id. art. 6(1).} (4) industrial property rights or other technology as deemed necessary by the Minister of the EPB.

Foreign nationals intending to avail themselves of the FCIL must apply for authorization, with a description of the proposed project, to the Minister of the EPB.\footnote{Id. art. 8(2).} Once authorization is obtained, the foreign investor has eighteen months to remit the investment in the form of one or more of the above types of assets and in accordance with his application.\footnote{Id. art. 8(2).} If the investor should fail to make the remittance within the allotted time, it would appear that he risks revocation.
of the authorization granted, though the FCIL does not touch specifically on that point. After completion of remittance, the enterprise in which the investment was made must register with the EPB without delay.\textsuperscript{38} If the foreign investor or the investment recipient wishes to use the invested foreign capital for purposes other than those authorized, or to engage in businesses other than those for which the enterprise is registered, prior permission for such a change must be obtained from the Minister of the EPB.\textsuperscript{39}

The FCIL aims to encourage foreign investment by increasing the profitability of the operating business unit, by guaranteeing remittance of profits and dividends, and by allowing repatriation of the capital investment (or alternatively, investment or re-investment of profits or dividends) when desired. The measures provided by the FCIL to achieve these aims are summarized in the following discussion.

1. \textit{Tax Exemption and Deduction}

An enterprise with a validated foreign equity investment is exempt from personal income tax, corporation tax, and property tax for five years from the first "taxable date" after the investment, under applicable tax laws,\textsuperscript{40} and is exempt from property acquisition tax for the first five years from the date of registration of an approved foreign investment.\textsuperscript{41} These exemptions are limited to that percentage of the taxes otherwise to be paid which equals the percentage of foreign equity investment in the enterprise. The exemption is reduced by one half for the three consecutive years following the expiration of the initial five year period.\textsuperscript{42} Before the enactment of the FCIL in 1966, the full exemption was three years followed by five years of the 50 percent credit.

Profits, dividends, and surplus distributions derived from an equity investment approved under the FCIL are totally exempt from taxation for five years from the date on which the enterprise commences its business operations. Thereafter, one half of the profits, dividends and surplus distribution are exempt for the three consecutive years following the initial five year period of complete exemption.\textsuperscript{43} Finally, capital goods and components, insofar as they are

\textsuperscript{38} Id. art. 9(1).
\textsuperscript{39} Id. art. 13.
\textsuperscript{40} The tax authorities have held, in an unpublished opinion, that the first taxable date is the date of commencement of manufacture for purposes of the corporation tax, and the date upon which property is registered with the tax authorities for purposes of the property tax.
\textsuperscript{41} FCIL art. 15(1) 1.
\textsuperscript{42} Id.
\textsuperscript{43} Id. art. 15(2).
needed for new validated foreign investments, are exempt from customs duties and commodities taxes.  

2. Remittance of Dividends

The FCIL has eliminated the old rule which limited payment of dividends to 20 percent of the capital base per year. Accordingly, remittance of dividends derived from the profitable operation of the enterprise now is guaranteed without qualification, provided the enterprise has conformed to any conditions imposed in the Government’s original approval and has paid properly all Korean taxes. It should be noted, however, that the law still does not explicitly obligate the Government with respect to the time when the remittance must be allowed, though the language of the implementing Enforcement Decree implies that the Government will act with dispatch.

3. Repatriation of Capital Investment

A foreign investor may sell his equity interest to Koreans or to other foreigners, subject to the requirement that Government approval be obtained when the purchaser is a foreigner. Overseas remittance of the proceeds of any such sale is guaranteed in an amount not exceeding 20 percent of the capital subscription of the enterprise every year after two years from the date the enterprise commences its business operation. This restriction is not applicable, however, in cases where overseas remittance of the proceeds resulting from the liquidation of the enterprise is permitted by the Minister of the EPB. Thus, 100 percent immediate repatriation of an approved foreign investment may be allowed if the enterprise is liquidated. All enterprises in which there are approved foreign investments are required to submit their remittance schedules to the Minister of the EPB not later than 60 days before the end of each fiscal year, with respect to both profits and capital repatriation, disclosing the amounts to be remitted overseas during the following year.

4. Protection of Foreign Investments

All enterprises in which there are approved foreign investments, as well as the foreign investors themselves and their property, are

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44 Id. art. 15(3).
45 Id. art. 11(1); Presidential Decree No. 2756, art. 7(1), Sept. 24, 1966, Enforcement Decree of the Foreign Capital Inducement Law (Republic of Korea) [hereinafter cited as Enforcement Decree].
46 Enforcement Decree art. 7(2).
47 FCIL art. 12(1-3).
48 Id. art. 12(3).
49 Enforcement Decree art. 6.
entitled to the protection of such other laws as the Civil Code, Commercial Code, Law on the Land of Foreigners, and the decrees implementing them.\textsuperscript{50}

5. Investment of Dividends

A foreign investor may invest stock dividends, which legitimately are due him or received by him, from an authorized investment in the same or in another enterprise in which foreign investment has been approved, in an amount not exceeding the total of his initial investments in all enterprises, merely by reporting the fact of such dividend investment to the Minister of the EPB.\textsuperscript{51} The FCIL also provides that he may invest in excess of that amount, or in enterprises other than those for which foreign investment approval under the FCIL previously has been given, with the permission of the Minister of the EPB.\textsuperscript{52}

B. Contracts with Korean Businesses

Benefits under the FCIL are available to foreigners who enter cash loan contracts, capital goods inducement contracts and technological assistance contracts with Korean enterprises. As in the case of equity investments by foreign nationals, conclusion of these contracts between a national of the Republic of Korea and a foreign national must be approved by the Minister of the EPB. The amount of a cash loan contract and the price of goods purchased under a capital goods inducement contract may not be less than two hundred thousand United States dollars,\textsuperscript{53} or an equivalent amount.\textsuperscript{54} The right of payment, in accordance with the terms of the contract authorized, of the principal and interest in the case of a cash loan contract, of the price and interest in the case of a capital goods inducement contract, and of the consideration in the case of a technological assistance contract, is guaranteed.\textsuperscript{55} The interest or other income to lenders from a cash loan or a capital goods inducement contract is totally and permanently exempt from personal income tax or corporation tax.\textsuperscript{56} The remuneration paid to persons rendering technical services under a technological assistance contract is totally

\textsuperscript{50} FCIL art. 16.
\textsuperscript{51} Id. art. 7(1)(1).
\textsuperscript{52} Id. art. 7(1)(2).
\textsuperscript{53} Loans or long term sales contracts for amounts less than this may, of course, be concluded through normal application procedures to the Ministry of Commerce and Industry outside the provisions of the FCIL, but the procedures are far more cumbersome and the outcome less certain.
\textsuperscript{54} Enforcement Decree art. 2.
\textsuperscript{55} FCIL art. 18.
\textsuperscript{56} Id. art. 21(1).
exempt from personal income tax and corporation tax for five years from the date on which the service commences, and receives a 50 percent exemption for the consecutive three years following the expiration of the initial five year period.\textsuperscript{57}

An additional guarantee by the Korean Government itself may be obtained for cash loans or contracts for the introduction of capital goods. Specifically, the Government may guarantee payment,\textsuperscript{58} as distinguished from the guarantee of the right of remittance from the obligor, of overseas obligations accruing from such cash loans or contracts for the introduction of capital goods as purport to finance the following projects: (1) projects classified as “key industries,” (2) agricultural and fishery projects, and (3) enterprises providing commodities or services (including transportation) essential for the national livelihood.

One factor to be considered in connection with loans guaranteed by the Government, especially by investors who desire to maintain close control, is that when the borrowing company plans to issue stock, it is required to offer its stock to the public for subscription within five years from the date of authorization of the loan or capital goods inducement contract.\textsuperscript{59} At the present time there do not appear to be any guidelines as to how much stock must be offered to the public. The only regulation concerning this requirement of which the writers are aware does not mention a required amount.\textsuperscript{60}

A further limitation on the attractiveness of the government guarantee so far as its availability to joint ventures is concerned is that collateral equal to the amount guaranteed must be furnished by the borrower,\textsuperscript{61} and should the Government suffer any damage under the guarantee, the directors or partners of the borrower will be held jointly and severally liable therefor.\textsuperscript{62} In light of the uncertainty regarding the necessity for public stock issuance, the requirement of collateral, the contingent liability of the directors and partners of the borrower, and the rather complex application procedures, the utility of this device probably will be limited to large institutional loans to wholly Korean enterprises.

\textsuperscript{57} Id. art. 21(2).
\textsuperscript{58} Id. art. 22.
\textsuperscript{59} Id. art. 33.
\textsuperscript{60} Enforcement Decree art. 19.
\textsuperscript{61} FCIL art. 27.
\textsuperscript{62} Id. art. 29.
III. Taxes

A. General Introduction

1. Background

In 1910 a modern tax system was introduced to Korea by the Japanese Government. Prior to that time, the principal Korean tax was a tax in kind imposed on agricultural production. After the establishment of the Republic of Korea at the end of World War II, a number of tax reforms gradually were introduced. In 1949, taxes on income were divided into the income tax and the corporation tax. The former is applicable only to individuals, whose income is segregated by type into several schedules, with the income in each schedule subjected to differing rates of tax. The main emphasis here will be on the Income Tax, the Juridical Persons Tax and the Business Tax, since these are most important to foreign businessmen and their legal advisors.

Although several taxes (for example, the tax on foreign capital, and the playing card tax) which had been levied by the Japanese Governor-General have been abolished, the Korean tax system remains substantially influenced by the Japanese tax system. Despite this generic resemblance to the Japanese system, a number of changes have been made in the law and its administration, particularly with a view toward encouraging capital accumulation and investment. Tax exemptions are available to certain businesses which are considered to be of national importance. In addition, certain interest income from savings deposits and bonds is exempt from taxation, and various special benefits are accorded to export industries. There is at present no convention for the prevention of double taxation between Korea and the United States.63

The following table shows the various Korean national and local taxes. In addition, a table showing the distribution of revenue among these various taxes for the 1967 fiscal year and the relative contributions of direct and indirect taxes for the 1963-67 fiscal years is included as Appendix A.

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63 Under the Constitution, the President has the right to conclude and ratify treaties with foreign countries. Constitution art. 71 (Republic of Korea). With respect to certain types of treaties, however, including those relating to the financial obligations of the State or its nationals, ratification by concurrence of the National Assembly is necessary for legal effectiveness. Id. art. 56(1).
### Synopsis of Korean Taxes

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The tax laws are administered by the Office of National Tax Administration, an independent agency within the Ministry of Finance. The Agency functions through five Regional Offices (Seoul, Chungbu, Taizon, Kwangju and Pusan), under each of which are a number of District Offices (eighty-three in all). These offices are responsible for collecting all national taxes. They also collect the surtaxes on corporate and individual income taxes and on the business tax, although strictly speaking, these are local taxes.

2. National Taxes

The Korean Constitution declares that “all citizens shall have the duty to pay taxes levied in accordance with provisions of law” and that “[t]he items and rates of all taxes shall be determined by law.” In order to implement laws enacted in accordance with these constitutional provisions, the President of the Republic may issue Presidential Decrees, provided they are within the scope of authority specifically delegated by law and are required for the enforcement of the law. The Prime Minister and the head of each Executive Ministry can, under a special delegation of power by law, by Presidential Decree, or ex officio, issue ordinances concerning matters within their jurisdiction. As a result, there exist many enforcement decrees, ordinances, regulations and working rules which implement the tax statutes.

In addition, the Director of the Office of National Tax Administration issues directives to officials of the National Tax Administration and its local agencies to insure the uniform interpretation and application of laws and decrees. Although these directives generally are made public, they are no more than the official opinions of the tax authorities regarding the application and interpretation of tax laws and decrees and are not binding on the courts (which possess final interpretive authority). Nevertheless, because the courts seldom render judgments that are incompatible with the directives of the Office of National Tax Administration, at the present time these directives as a practical matter have the force of law. Moreover, tax litigation is relatively rare in Korea when compared with the volume of cases in the United States. It has increased recently, however, and the opinions of the courts in tax cases should not be overlooked as important guides to the meaning of tax laws and decrees.

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64 Constitution art. 33 (Republic of Korea).
65 Id. art. 55.
66 Id. art. 74.
67 Id. art. 90.
3. Local Taxes

Article 109 of the Constitution authorizes local self-governing bodies to manage their properties, deal with matters pertaining to the welfare of local residents, and establish, within the limits of relevant laws and decrees, rules and regulations concerning local self-government. At present, the local self-governing bodies established pursuant to the Local Self-Government Law are the Province (To), the City (Si) and the County (Kun).

Article 109 of the Constitution has been construed to authorize such local bodies to levy taxes sufficient to support their legitimate activities. Accordingly, the Local Tax Law was enacted to enable local self-governing bodies to levy taxes. Many of the taxes imposed under this statute were, in effect, surtaxes upon the national taxes. Thus, the Law Concerning Coordination of National Taxes and Local Taxes was enacted to control the arbitrary imposition of taxes and double taxation. Then, effective January 1, 1967, the authority to collect local surtaxes on the national taxes was transferred to the Office of National Tax Administration.

B. Juridical Persons Tax

1. General

All types of commercial corporate entities are subject to the same national tax on net income. So-called “public interest corporations,” established under article 32 of the Civil Code, and “open corporations,” are taxed somewhat differently but will not be considered in detail here. The juridical entities recognized by the Korean Commercial Code and taxed under the Juridical Persons Tax are: The partnership company (Hapmyung Hoesa); the limited partnership company (Hapcha Hoesa); the limited company (Yuhan Hoesa); and

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68 Id. art. 109(1).
69 Law No. 837, Dec. 8, 1961, as amended.
72 Law No. 1964, Nov. 29, 1967, Juridical Persons Tax Law, as amended [hereinafter cited as JPTL].
73 The “open corporation” is a limited company in which no one person nor group of related persons owns as much as 60 percent of the issued shares and in which “small shareholders” (defined as shareholders owning 3 percent or less of the company’s equity) are more than thirty in number and collectively own at least 20 percent of the issued shares. Id. art. 22(3). A further requirement is that the open corporation must be either listed on the Korean Securities Exchange or that any increase in capital be openly offered within Korea. Id.
74 JPTL art. 1(1).
75 COMMERCIAL CODE art. 170.
the limited stock company (Chusik Hoesa). So far as taxation is concerned no distinction is made between the various types of juridical persons in the assessment of taxes.

The national tax is assessed against the annual net income of a domestic Juridical Person at flat rates applied to each of the brackets as follows:78

<table>
<thead>
<tr>
<th>Bracket</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 1,000,000 won</td>
<td>25 percent</td>
</tr>
<tr>
<td>From 1,000,000 won to 5,000,000 won</td>
<td>35 percent</td>
</tr>
<tr>
<td>Over 5,000,000 won</td>
<td>45 percent</td>
</tr>
</tbody>
</table>

For “open corporations” and for public interest corporations the above tax rates are 20, 30, and 35 percent, respectively, of net taxable income.77 There are no excess profits taxes or retained earnings taxes. The simultaneous collection of the juridical person surtax means that the effective tax bill on corporate income is 10 percent more than the amount computed as above.

2. Treatment of Foreign Corporations

For purposes of the Juridical Persons Tax, companies are classified as domestic companies and foreign companies. A domestic company is defined as one having its head office or principal place of business within the Republic of Korea; it is liable for the payment of the Korean Juridical Persons Tax on its entire net income from world-wide sources.78 A foreign company, on the other hand, is defined as any juridical person of a foreign country having assets or an enterprise within the Republic of Korea; it is liable for the payment of the Korean Juridical Persons Tax only on that portion of its total net income derived from assets or business in Korea.79

Income from domestic sources includes that derived from the following assets in Korea or services performed in Korea: real estate; business operations; personal services; interest from loans made within Korea; dividends from Korean companies; and amounts received as compensation for the use or right to use works of literature or music, patents, trademarks, expertise, mining rights, and industrial equipment and machines.80 “Business operations” include branch offices, shops or other fixed places of sale, factories, warehouses, and construction facilities.81 The presence of an employee in Korea who has the authority to conclude contracts is considered a “business operation,” regardless of the existence of a fixed place of business.82 Not

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76 JPTL art. 22.
77 Id. art. 22(2).
78 Id. art. 1(1).
79 Id. art. 1(3).
80 Id. art. 55.
81 Id. art. 56.
82 Id. art. 56(3).
included, however, are offices used primarily for purchasing, storage areas not used for sales, and places used only for such activities as advertising, publicity and market research. These definitions closely resemble those found in the Japanese tax laws and in many tax treaties defining taxable presence.

Net income subject to tax, generally speaking, is computed in the same way for both domestic corporations and foreign corporations having assets or business in Korea. The income of domestic companies which is derived from sea or air transportation in foreign commerce, however, is automatically tax-exempt, whereas foreign companies obtain a similar exemption only if they can prove that Korean companies are accorded reciprocal treatment in their countries.

3. Taxable Income

Taxable income means gross income from all sources less gross expenses during the business period, computed generally in accordance with normal commercial practice for computing profits. A loss may be carried forward from the preceding two taxable years.

Interest and dividends are taxed, by withholding, at the flat rate of 15 percent, except that interest from nonprofessional money lending is taxed at a 20 percent rate. Dividends are defined broadly, and include gains from distribution following a capital decrease, from an increase in the value of shares, from investment following a capitalization of surplus, from distribution at dissolution, and from a merger. Dividends from the profit of an "open corporation," income from corporations engaged in land reclamation, and interest from bonds issued or guaranteed by the Government and from bank deposits (except when the recipient is a banking institution) are tax exempt.

a. Expenses

The expenses which may be deducted from the gross income of a Korean company are similar to those deductible in other countries.

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83 Id. art. 56(2).
84 E.g., Corporation Tax Law of Japan art. 141; Enforcement Order art. 185; O.E.C.D. Draft Convention for the Avoidance of Double Taxation with Respect to Taxes on Income and Capital art. 5.
85 JPTL art. 54(1).
86 Id. art. 11.
87 Id. art. 53(1) 2.
88 Id. art. 9.
89 Id. art. 8.
90 Id. art. 39.
91 Id. art. 58.
92 Id. art. 19.
93 Id. art. 10.
especially Japan. They generally include expenses incurred in the ordinary course of business. As in Japan, certain items particularly subject to possible abuse, such as contributions and donations, entertainment, and similar expenses, have special limitations.\(^9\) Fines, expenses not related to the business, and bonuses paid to stockholders or officers who are investors, etc., are not deductible at all.\(^5\)

Bonuses to directors who are not investors in the corporation concerned are regarded as expenses similar to wages and bonuses and are deductible so long as they are not excessive, but bonuses to directors who are also investors in the corporation are deemed a distribution out of profits and are not deductible.\(^6\) Monthly or weekly salaries or fees paid to directors are deductible if they are commensurate with those paid by similar enterprises, if they have been authorized in the Articles of Incorporation, or if they have been approved by resolution of the shareholders.\(^7\)

Donations for education, scientific research, national defense, and other specified purposes are totally deductible as expenses. Deduction of donations for purposes not so specified and not authorized by Presidential decree, and of expenses for entertainment is limited to an amount not exceeding 2 percent of the tax base for the business tax plus 7 percent of the taxable income for the period.\(^8\)

Depreciation is allowed for both tangible and intangible assets such as patents, trademarks, goodwill, mineral interests, etc. Land and leaseholds do not qualify. Some examples of the depreciation lives for fixed assets set forth in the depreciation tables are: reinforced concrete buildings, 60 years; wooden buildings, 25 years; elevators, 18 years; electronic computers, 8 years; metal office furniture, 15 years; typewriters, 8 years; trucks, 4 years; pulpmaking plants, 15 years; radio and television stations, 8 years. The maximum depreciation period for patent and trademark rights is 10 years, and the period for depreciation of goodwill is 5 years.\(^9\)

Companies must use the declining balance method in calculating depreciation of fixed assets, but the straight line method may be used for intangibles. For some fixed assets (mainly in mining) a depletion allowance based on a percentage of production can be used. For certain assets which are subject to frequent replacement or prolonged

\(^9\) Id. art. 18.
\(^5\) Id. art. 16.
\(^6\) Id. art. 16.
\(^7\) Id. art. 20; Presidential Decree art. 29, Enforcement Decree of the Juridical Persons Tax Law.
\(^8\) JPTL art. 18.
use (e.g., manufacturing machinery which is used more than 16 hours per day, or equipment with respect to which there are special economic policies such as is the case with scientific research facilities), additional depreciation, based on a percentage of normal depreciation, is allowed. Intangible assets may be depreciated to a salvage value of zero. Maximum depreciation allowed for tangible assets, however, is 90 percent.

For depreciation purposes the acquisition cost of a fixed asset is the purchase price or, if manufactured by the taxpayer, the total cost of raw materials, labor, and other expenses. The acquisition cost of fixed assets which are in neither of these categories is set by the taxpayer, but may not exceed the market price at the time of acquisition. The cost of repairing fixed assets is deductible as a current expense.

b. Investment and Foreign Exchange Incentives

An important incentive to such industries as the export business, the military supply business, the tourist industry, and many services is a tax credit equal to one half the amount obtained by multiplying the tax otherwise payable by a fraction in which foreign currency earnings is the numerator and all earnings is the denominator.100 Another investment incentive is provided in certain designated industries, such as the manufacturing of steel ships, iron and steel, chemical fertilizers and petrochemicals.101 Six percent of the investment in the designated industries may be credited against the tax for the year the investment is made, and any unused portion of the 6 percent may be carried forward as many as three successive business years.102

4. Collection

The so-called self-assessment system is used in Korea. Companies may choose their own accounting periods, not exceeding 12 months in length.103 Companies which use an accounting period of less than a year must "annualize" their income for the purpose of computing income.104 Companies are required to keep books using the double-entry bookkeeping system,105 and complete a tax return based on these books.106 The tax returns, accompanied by a property inventory, balance sheet, profit and loss statement, and such other sup-

100 JPTL art. 23(1).
101 Id. art. 24(1).
102 Id. art. 23(3).
103 Id. art. 5(1).
104 Id. art. 22(4).
105 Id. art. 62.
106 Id. art. 26.
porting documents as may be necessary to disclose the company's liability for taxes, must be filed within 15 days of the close of the accounting period, although this period may be extended in special cases. If the accounting period of a company exceeds 6 months, an interim return must be filed and taxes paid within 60 days of the end of the first six-month period. In practice, most companies work on a twelve-month accounting period and submit interim returns covering the first half of the year.

If a company fails to file its tax return during the required period, the Government may determine the taxes on the basis of the company's books, and if it is impossible to determine the tax on that basis, the Government will assess the tax on the basis of its own determination of the company's revenue. In the event of such a determination, moreover, the company loses the benefit of the loss carry-forward, the credit for foreign exchange earnings, and the investment credit.

There are indications, however, that the income taxation system has not, as yet, functioned as efficiently as might have been hoped. One such indication is the promotion of the so-called "green return system" in the collection of the taxes on both juridical persons and individuals. This system takes its name from the color of the tax forms, which are designed to encourage full disclosure of the required information. The importance attached to the "green return system" emphasizes the extent to which the actual practice fails to attain the standards required by the law.

C. The Business Tax Law

The business tax is levied on the gross income of individuals and corporations engaged in business. Certain fields of business such as newspaper publishing, radio broadcasting, aviation and navigation to and from foreign countries, and salt manufacturing are exempt from the payment of this tax.

Representative tax bases and rates of the business tax are as follows:

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107 Id.
108 Id. art. 27.
109 Id. art. 30.
110 Id. art. 33(3).
111 Id. art. 34.
113 Id. ch. 4.
114 Id. art. 10.
115 Id. art. 20.
<table>
<thead>
<tr>
<th>Kind of Enterprises</th>
<th>Tax Base</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Insurance</td>
<td>Amount of Premium</td>
<td>0.3%</td>
</tr>
<tr>
<td>2. Fisheries and Mining</td>
<td>Income Amount</td>
<td>0.5%</td>
</tr>
<tr>
<td>3. Manufacturing</td>
<td>Income Amount</td>
<td></td>
</tr>
<tr>
<td></td>
<td>A</td>
<td>0.3%</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>0.7%</td>
</tr>
<tr>
<td>4. Wholesale</td>
<td>Sales Amount</td>
<td></td>
</tr>
<tr>
<td></td>
<td>A</td>
<td>0.3%</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>0.7%</td>
</tr>
<tr>
<td>5. Banking, Forwarding and Warehousing</td>
<td>Income Amount</td>
<td>0.7%</td>
</tr>
<tr>
<td>6. Retail</td>
<td>Sales Amount</td>
<td></td>
</tr>
<tr>
<td></td>
<td>A</td>
<td>0.7%</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>1.0%</td>
</tr>
<tr>
<td>7. Construction</td>
<td>Contract Amount</td>
<td>1.0%</td>
</tr>
<tr>
<td>8. Services Not Otherwise Specified</td>
<td>Income Amount</td>
<td>1.5%</td>
</tr>
<tr>
<td>9. Restaurants</td>
<td>Income Amount</td>
<td>2.0%</td>
</tr>
<tr>
<td>10. Recreation services</td>
<td>Income Amount</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

Within some categories, specific industries are given preferential treatment. For example, within the category "manufacturing," rice milling, cotton ginning, vessel manufacturing, and other specified manufacturing industries are classified as "A" industries. All manufacturing industries not so specified are "B" industries, and are subject to a substantially higher tax rate. Because of the wide variation in tax rates, it can be critical to insure that a business is not characterized in a way that would be disadvantageous.

Recently, for example, there has been considerable difficulty in distinguishing between an "offering agent" (falling within category 8 above), who has no power to conclude contracts, and a wholesaler, who directly sells his goods. A tax of 1.5 percent is imposed on the commissions of the offering agent, while a tax of 0.7 percent is imposed upon the total sales of the wholesaler. This difference in the tax base means a substantially higher tax for the wholesaler, although the difference in function between the two may be highly artificial. For example, a company which solicits orders to be filled by its head office is considered a wholesaler, while a company which solicits orders for affiliates or unrelated companies may be an offering agent if it otherwise qualifies as such. Hence, it has been possible to avoid substantial imposition of business taxes on branches by the simple device of insuring that no order is placed by the branch on behalf of its head office.

An enterprise subject to the Business Tax Law must file a report with and obtain a license to do business from the Government within 30 days from the date it commences operations. Failure to apply for such a license will result in a 20 percent increase in the amount of the business tax imposed, presumably until the license is obtained, though the law is silent on this point. A 28 percent reduction in the

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116 Id. art. 15.
117 Id. art. 30.
business tax is allowed those who keep proper books of account and make timely payment of their taxes.\footnote{118}

D. Taxes on Individual Income\footnote{119}  

1. Taxpayers

Any individual who is either domiciled in Korea or has resided in Korea for more than six months (i.e., a “resident individual”), and any Korean public official who serves in a foreign country, is liable for Korean income tax. Persons who are not nationals of Korea and Koreans domiciled and residing outside of Korea (except Korean public officials) are not liable for tax on income from sources outside Korea, but income from sources in Korea is subject to Korean income tax regardless of the domicile or residence status of the recipient.\footnote{120}

2. Classification of Income Items

For purposes of the Income Tax Law, the income of an individual taxpayer is divided into five major and some minor categories as follows:\footnote{121}

<table>
<thead>
<tr>
<th>Kind of Income</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from Immovable Property (net)</td>
<td>Income accruing from immovable property, from the rights thereon (excluding rice and dry field income, and the business income stipulated in item (3)). Included in this category is income which while not “immovable” (i.e. “real property”) in the strict sense is treated as such because of registration procedures which make its similar treatment both convenient and reasonable; e.g., autos, airplanes, ships, and certain interests in mining and manufacturing operations with respect to which security interests are available and registrable.</td>
</tr>
<tr>
<td>Dividend and Interest Income (gross)</td>
<td>a. Dividend and interest paid within Korea. (\footnote{119}) b. Dividend and interest other than “a”, above. (\footnote{119}) c. Interest from non-business loans. (\footnote{119})</td>
</tr>
<tr>
<td>Business Income (net)</td>
<td>Income accruing from commerce, industry, forestry, fishery, mining, cattle raising, salt manufacturing, medical practice, chartering vessels, and other business as determined by Presidential Decree.</td>
</tr>
<tr>
<td>Wage and Salary Income (gross)</td>
<td>a. Wage and salary other than “b”, below. (\footnote{119}) b. (i) Wage and salary received from U.N. forces, U.S. forces and foreign missions in Korea. (ii) Payments occurring when the withholding agent has failed to fulfill his obligation and when his location is unknown.</td>
</tr>
<tr>
<td>Other Income (gross)</td>
<td>a. Compensation or awards to informers, prizes, royalties, gambling winnings, brokerage fees. (\footnote{119})</td>
</tr>
</tbody>
</table>

\footnote{118} Id. art. 27.  
\footnote{120} Id. arts. 1, 3.  
\footnote{121} Reprinted from id. art. 4.
3. Exemptions and Tax Reductions

Dividend and interest income from certain public corporations, from charitable trusts, from savings deposits to be paid within Korea, and dividend income from open corporations\(^{122}\) is not taxable.\(^{123}\) Similarly exempt from taxation are various types of military and veterans' compensation and scholarships.\(^{124}\) It should be noted that the very substantial tax benefits available to Japanese employees, such as housing and transportation allowances, normally are not available under Korean law, except for employee business expenses incurred while traveling.

Tax on the income of residents from the navigation of vessels or airplanes in foreign commerce is totally exempt.\(^{125}\) The non-resident owner of a ship of foreign nationality also is entitled to full exemption if the country of registration offers a similar benefit to Koreans.\(^{126}\) Wages and salaries earned overseas (except those of public officials) and the wages of deep-sea fishermen are exempt from income tax.\(^{127}\)

An investment tax credit equal to 6 percent of the investment is available for investments in certain specified industries, including steel shipbuilding, iron and steel manufacturing, chemical fertilizer production, electric power production, chemical fiber production, auto manufacturing, certain machine tool industries, strain pulp production, certain mining industries, marine and agricultural products processing, petrochemical production, and other industries as specified by Presidential Decree.\(^{128}\) This investment credit may be carried forward for four years, but is available only to persons who keep books by the double entry method and whose books are subject to governmental audit (i.e., are kept in accordance with the "green return system").

Persons operating industries which are likely to generate foreign currency, and are so designated by Presidential Decree, such as those supplying foreign military forces, those providing services, and those engaged in the tourist industry, receive a 50 percent tax credit on the income earned in foreign currency.\(^{129}\)

\(^{122}\) See note 73 supra.
\(^{123}\) ITL art. 7.
\(^{124}\) Id.
\(^{125}\) Id. art. 8.
\(^{126}\) Id. art. 24.
\(^{127}\) Id. art. 8.
\(^{128}\) Id. art. 11.
\(^{129}\) Id.
4. **Computation of Taxable Income**

Taxable income in the real estate and business categories is computed by reducing the total income received during the taxable period by the necessary expenses incurred in its production. However, income tax, fines, the amount of real estate acquisition tax, household expenses and the like are not allowable as expenses. Taxable income in the other categories is the total amount of income received during the taxable period.

5. **Tax Rates**

Real estate and business income is taxed progressively, as in the United States, as follows:

<table>
<thead>
<tr>
<th>Up to</th>
<th>From to</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>100,000 won</td>
<td>250,000 won</td>
<td>15%</td>
</tr>
<tr>
<td>250,000 won</td>
<td>600,000 won</td>
<td>20%</td>
</tr>
<tr>
<td>600,000 won</td>
<td>1,500,000 won</td>
<td>30%</td>
</tr>
<tr>
<td>1,500,000 won</td>
<td>2,500,000 won</td>
<td>40%</td>
</tr>
<tr>
<td>2,500,000 won</td>
<td>55%</td>
<td></td>
</tr>
</tbody>
</table>

Dividend and business interest income is taxed at the flat rate of 15 percent (except for certain imputed dividends taxed at 5 percent). Interest from non-business loans is taxed at a flat rate of 20 percent.

Wage and salary income falling within subcategory "A" (most wages, salaries, bonuses, etc.) is taxed on a progressive basis from a minimum of less than 7 percent for wages less than 15,000 won per month to 50 percent for amounts in excess of 80,000 won for regularly employed workers. For non-regular workers employed on a daily or hourly basis the rate is only 7 percent and for income in subcategory "B" (salaries from Armed Forces of the United Nations except for those of the United States, salaries received outside Korea, etc.) the rates range from 7 percent for salaries under 45,000 won per month to 50 percent for amounts in excess of 240,000 won.

The effect of these high rates is somewhat softened by relatively short taxable periods. Real estate and business income is taxed for calendar semi-annual periods, and wage income in subcategory "B" is taxed for a calendar quarter period. Wage income in subcategory "B" is taxed for each payment period. Thus, the amounts for which the tax rates are determined are substantially less than they would be if an annual period were used.

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131 Id. art. 17.
132 Id. art. 21.
133 Id. art. 17.
134 Id. art. 27.
135 Id. art. 5.
6. “Global Income Tax” System

In December of 1967, a so-called “global income tax” was instituted in order to insure that taxpayers receiving relatively large amounts of income would receive a “consolidated” tax treatment. Under this system, taxpayers who earn a total of more than 5,000,000 won per year and whose income is in excess of stated amounts in any one of various categories (e.g., real estate income in excess of 1,500,000 won), or whose wage and salary income is 2,400,000 won or more, are taxed “globally” on all of their income. Once an individual is qualified as a global taxpayer, his income is taxed in accordance with the following monthly schedule:

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 200,000 won</td>
<td>15%</td>
</tr>
<tr>
<td>From 200,000 won to 500,000 won</td>
<td>20%</td>
</tr>
<tr>
<td>From 500,000 won to 1,200,000 won</td>
<td>30%</td>
</tr>
<tr>
<td>From 1,200,000 won to 3,000,000 won</td>
<td>40%</td>
</tr>
<tr>
<td>From 3,000,000 won to 5,000,000 won</td>
<td>50%</td>
</tr>
<tr>
<td>Amount in excess of 5,000,000 won</td>
<td>55%</td>
</tr>
</tbody>
</table>

7. Record Keeping

Generally speaking, an individual engaged in any substantial business is required to keep books by means of the double-entry bookkeeping system, and is required to make monthly reports of sales to the tax office.

F. Self-Assessment and Collection at Source

In principle, the taxpayer is required to make returns on the amount of his income and to pay voluntarily to the government an amount of tax computed by applying the correct tax rates. Various reductions of tax are available for businesses which maintain proper records, make proper returns, and make timely payment of their taxes. This can amount to as much as a 28 percent reduction in the tax payable, but the tax on most classes of individual income is collected at the source and hence these reductions are not available to the average taxpayer. Moreover, the Government is trying to maximize, insofar as possible, the collection of tax by withholding and to the extent that this and other tax reforms prove successful, there will be a decreasing need to provide extraordinary incentives for orderly and honest reporting of income.

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136 Id. art. 59.
137 Id. art. 63.
138 Id. art. 14.
139 Id. art. 30.
140 OFFICE OF NATIONAL TAX ADMINISTRATION, AN INTRODUCTION TO KOREAN TAXATION 70 (Korea 1968).
IV. Conclusion

The writers believe that the foregoing discussion demonstrates the very generous attitude of Korea toward foreign capital investment and the opportunities which exist in Korea for well-planned investments. It also demonstrates the Korean Government's increasing sophistication in the area of tax structure and especially in the area of collection. Both in the field of foreign investment and in that of taxation it can be assumed that changes will take place.

In all probability, for example, Korea to some extent will follow the example of Japan and gradually cut down on allowable investments—even those that do not seek remittance guarantees—in areas where it believes the Koreans themselves have sufficient expertise to perform an adequate job and in areas where increasing foreign investment creates a danger of total submergence of Korean activities. Changes also may result from obligations which Korea might incur in the future as a consequence of its relations with the Republic of China and other countries with whom cooperative economic arrangements are being planned.

From a tax point of view, it is probable that the increasing sophistication of tax collection procedures will mean that in a few years substantially higher revenues will be collected through the individual and corporate income taxes. Some thought should be given to lowering the tax rates, which at the present time are practically confiscatory so far as individuals honestly reporting their income are concerned. In general, however, foreign investors in Korea will not be substantially disadvantaged by the prevailing high individual tax rates because many of their personnel will receive tax advantages under technical assistance agreements or will be receiving income from sources outside Korea in one or more forms not taxable by the Korean Government.

Hence, it appears that Korea provides an attractive investment and tax climate in the foreseeable future, assuming that present trends continue.
APPENDIX A\textsuperscript{141}

\begin{figure}
\centering
\includegraphics[width=\textwidth]{chart.png}
\caption{Domestic Tax Revenue}
\end{figure}

\textsuperscript{141} Reprinted from id. at 99.