

# CORPORATE TAX ACT

☒ Act No. 11873, jun. 7, 2013

## CHAPTER I GENERAL PROVISIONS

### Article 1 (Definitions)

The terms used in this Act shall be defined as follows: <Amended by Act No. 11607, Jan. 1, 2013>

1. The term "domestic corporation" means a corporation with its headquarters, main office or actual business management place located in the Republic of Korea;
2. The term "non-profit domestic corporation" means a domestic corporation which falls under any of the following items:
  - (a) A corporation established under [Article 32 of the Civil Act](#);
  - (b) A corporation established under the [Private School Act](#) or other special Acts for the purposes similar to such purposes as prescribed in [Article 32 of the Civil Act](#) (excluding a corporation, other than partnership corporations, etc. prescribed by Presidential Decree, which may distribute profits to its stockholders, employees or investors);
  - (c) An organization deemed a corporation under [Article 13 \(4\) of the Framework Act on National Taxes](#) (hereinafter referred to as "organization deemed a corporation");
3. The term "foreign corporation" means an organization that has its head office or principal place of business in a foreign country in the form of a corporation that meets the standards prescribed by Presidential Decree (limited to such a corporation that does not have a place for actual management of its business in the Republic of Korea);
4. The term "non-profit foreign corporation" means a foreign government or foreign local government, or other foreign corporation (including an organization deemed a corporation) which is operated for non-profit purposes among foreign corporations;
5. The term "business year" means one fiscal period for the calculation of income of a corporation;
6. The term "consolidated tax return system" means a system by which two or more domestic corporations file a corporate tax return and pay corporate tax as a single unit that calculates the amount of tax based on a single tax base, as prescribed in Chapter II-3;
7. The term "consolidated corporation" means a corporation to which the consolidated tax return system applies;
8. The term "consolidated group" means all consolidated corporations;
9. The term "consolidated parent corporation" means a consolidated corporation that wholly controls another consolidated corporation of a consolidated group, and the term "consolidated subsidiary corporation" means a consolidated corporation wholly controlled by a consolidated parent corporation;
10. The term "consolidated business year" means one fiscal period for the calculation of income of a consolidated group.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

### Article 2 (Tax Liability)

- (1) Both of the following corporations shall be liable to pay corporate tax on any income under this Act: <Amended by Act No. 10423, Dec. 30, 2010>
  1. A domestic corporation;
  2. A foreign corporation which has income in the Republic of Korea.

- (2) Deleted. <by Act No. 9267, Dec. 26, 2008>
- (3) No corporate tax shall be imposed on domestic corporations, such as the State and local governments (including local government associations; hereinafter the same shall apply). <Amended by Act No. 10423, Dec. 30, 2010>
- (4) Consolidated corporations shall be jointly liable to pay corporate tax (including corporate tax on capital gains on transfer of land, etc. to be imposed on each consolidated corporation, as prescribed in [Article 55-2](#)) on income for each consolidated business year under [Article 76-14](#) (1). <Amended by Act No. 10423, Dec. 30, 2010>
- (5) Domestic corporations, foreign corporations, and residents and nonresidents as defined in the [Income Tax Act](#) shall be liable to pay corporate tax to be withheld under this Act. <Amended by Act No. 10423, Dec. 30, 2010>

### Article 3 (Scope of Taxable Income)

- (1) Corporate tax shall be imposed on the following income: Provided, That for non-profit domestic corporations and foreign corporations, corporate tax shall be imposed only on income under subparagraphs 1 and 3:
  - 1. Income for each business year;
  - 2. Liquidation income;
  - 3. Capital gains on transfer of land, etc. under [Articles 55-2](#) and [95-2](#).
- (2) Income of a consolidated corporation for each business year shall be the income for each consolidated business year referred to in [Article 76-14](#) (1).
- (3) Income of a non-profit domestic corporation for each business year shall be the income accruing from any of the following businesses or revenues (hereinafter referred to as "profit-making businesses"): <Amended by Act No. 11607, Jan. 1, 2013>
  - 1. Businesses specified by Presidential Decree among businesses engaging in manufacturing, construction, wholesale, retail sales, repair of consumer products, real estate, rental, or business services;
  - 2. Interest income as prescribed in [Article 16 \(1\) of the Income Tax Act](#);
  - 3. Dividend income as prescribed in [Article 17 \(1\) of the Income Tax Act](#);
  - 4. Revenue accruing from the transfer of stocks, preemptive rights, or investment shares;
  - 5. Revenue accruing from the disposal of fixed assets (excluding fixed assets prescribed by Presidential Decree and directly used for proper purpose business);
  - 6. Revenue accruing from the transfer of assets prescribed in [Article 94 \(1\) 2 and 4 of the Income Tax Act](#);
  - 7. Revenue prescribed by Presidential Decree, which accrues from continuing activities gotten paid, other than those referred to in subparagraphs 1 through 6.
- (4) Income of a foreign corporation for each business year shall be the income accrued in the Republic of Korea under [Article 93](#) (hereinafter referred to as "domestic source income"): Provided, That for non-profit foreign corporations, this shall be limited to domestic source income accruing from profit-making business.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

### Article 4 (Substance Over Form)

- (1) Where a corporation to which all or some of revenues from assets or business legally reverts is different from a corporation to which it actually reverts, this Act shall apply to the corporation to which the revenue actually reverts.
- (2) The provisions concerning the calculation of the amount of taxable income subject to corporate tax shall apply according to the substance, notwithstanding the name or form of such income or profits.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 5**  
**(Trust**  
**Income)**



- (1) With regard to income accruing from trust property, the beneficiary to receive the profits of the trust (where no beneficiary is specified or no beneficiary exists, the trustee of the trust or his or her successor) shall be construed as the owner of the trust property for the purposes of this Act.
- (2) No revenues and expenditures from trust property of a corporation regulated by the [Financial Investment Services and Capital Markets Act](#) (excluding special accounts of an insurance company referred to in [Article 251 \(1\) of the same Act](#); hereinafter the same shall apply) shall be deemed the revenues and expenditures that revert to the corporation.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 6**  
**(Business**  
**Years)**



- (1) A business year shall be one fiscal period prescribed by Acts or subordinate statutes or a corporation's articles of incorporation: Provided, That this period shall not exceed one year.
- (2) A domestic corporation, the business year of which is not prescribed by Acts and subordinate statutes or its articles of incorporation shall separately determine its business year and report it to the head of the tax office having jurisdiction over the place of tax payment (the head of the tax office as prescribed in [Article 12](#); hereinafter the same shall apply), along with a report on incorporation referred to in [Article 109](#) (1) or the registration of business referred to in [Article 111](#).
- (3) A foreign corporation with a place of business in the Republic of Korea as prescribed in [Article 94](#) (hereinafter referred to as "domestic place of business"), the business year of which is not prescribed by the Acts and subordinate statutes or its articles of incorporation shall separately determine its business year and report it to the head of the tax office having jurisdiction over the place of tax payment, along with a report on the establishment of a domestic place of business referred to in [Article 109](#) (2) or the registration of business referred to in [Article 111](#).
- (4) A foreign corporation with no domestic place of business which earns income referred to in subparagraph 3 or 7 of [Article 93](#) shall separately determine its business year and report it to the head of the tax office having jurisdiction over the place of tax payment within one month from the date such income is first earned.
- (5) Where a corporation which is liable to file a report under paragraphs (2) through (4) fails to do so, the business year of such corporation shall be from January 1st to December 31st of each year.

(6) For purposes of paragraphs (1) through (5), matters necessary for determining the start date of a corporation's first business year shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 7**  
**(Change of Business Year)**



- (1) A corporation which intends to change its business year shall report thereon to the head of the tax office having jurisdiction over the place of tax payment within three months from the end date of the immediately preceding business year, as prescribed by Presidential Decree.
- (2) Where a corporation fails to file a report by the deadline specified in paragraph (1), the corporation's business year shall be deemed not to have been changed: Provided, That, for a corporation, the business year which is determined by Acts and subordinate statutes, its business year shall be deemed to have been changed at the time the amended provisions concerning the change of the business year in such Acts and subordinate statutes have effected, although no report is filed under paragraph (1).
- (3) Where a business year is changed pursuant to the proviso to paragraph (1) or (2), the period from the start date of the previous business year to the date preceding the start date of the changed business year shall be deemed one business year: Provided, That, where such period does not exceed one month, it shall be included in the changed business year.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 8**  
**(Constructive Business Years)**



- (1) Where a domestic corporation is dissolved during a business year (excluding dissolution due to a merger, division, or division and merger), the period from the start date of the business year until the registration date of dissolution (referring to the registration date of bankruptcy for any corporation which is dissolved on the grounds of bankruptcy and the date of dissolution for any organization deemed a corporation; hereinafter the same shall apply), and the period from the day following the registration date of dissolution until the end date of the relevant business year shall be deemed one business year, respectively; and where the value of residual assets of a domestic corporation in the course of liquidation is determined during the business year, the period from the start date of the business year until the date the value of residual assets is determined shall be deemed one business year.
- (2) Where a domestic corporation is dissolved during a business year due to a merger or division (including a division and merger; hereinafter the same shall apply), the period from the start date of the business year until the registration date of the merger or division shall be deemed one business year.
- (3) Where a domestic corporation in the course of liquidation continues to conduct its business under [Article 229, 285, 519, or 610 of the Commercial Act](#), the period from the start date of the business year until the registration date of continuation (referring to the date of actual continuation of business if registration of continuation is not filed; hereinafter the same shall apply) and the period from the day following the registration date of continuation until the end date of the business year shall be deemed one business year, respectively.

- (4) Where a domestic corporation is subject to a consolidated tax return system during a business year, the period between the start date of the business year and the date preceding the start date of the consolidated business year shall be deemed one business year.
- (5) Where a foreign corporation with a domestic place of business ceases to have the domestic place of business during a business year, the period from the start date of the business year until the date it ceases to have the place of business shall be deemed one business year: Provided, That the same shall not apply where it continues to have another place of business in the Republic of Korea.
- (6) Where a foreign corporation with no domestic place of business reports to the head of the tax office having jurisdiction over the place of tax payment that it has no longer earned income referred to in subparagraph 3 or 7 of [Article 93](#), the period from the start date of the business year to the filing date of such report shall be deemed one business year.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 9**  
**(Place of Tax Payment)** 

- (1) The place where a domestic corporation shall pay its corporate tax shall be the place where its registered headquarters or main office is located (the location of the actual business management place if no headquarters or main office is located in the Republic of Korea): Provided, That it shall be the place prescribed by Presidential Decree with respect to an organization deemed a corporation.
- (2) The place where a foreign corporation shall pay its corporate tax shall be the place where its domestic place of business is located: Provided, That for a foreign corporation with no domestic place of business which earns income referred to in subparagraph 3 or 7 of [Article 93](#), it shall be the location of each of its assets.
- (3) Where a foreign corporation falling under paragraph (2) has two or more domestic places of business, the location of the main place of business prescribed by Presidential Decree shall be the place of tax payment, and where a corporation has two or more assets, the place prescribed by Presidential Decree shall be the place of its tax payment.
- (4) The place where corporate tax withheld under [Article 73](#), [98](#), [98-3](#), [98-5](#) or [98-6](#) shall be paid shall be the location of the relevant withholding agent prescribed by Presidential Decree: Provided, That where a withholding agent referred to in [Article 98](#) or [98-3](#) has no domestic place of business, it shall be the place prescribed by Presidential Decree. <Amended by Act No. 11128, Dec. 31, 2011>

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 10**  
**(Designation of Place of Tax Payment)** 

- (1) Where the Commissioner of the competent Regional Tax Office (referring to the Commissioner of the competent Regional Tax Office prescribed in [Article 12](#); hereinafter the same shall apply) or the Commissioner of the National Tax Service deems that the place of tax payment determined under [Article 9](#) is inappropriate for a corporation in circumstances prescribed by Presidential Decree, he or she may, notwithstanding [Article 9](#), designate a place of tax payment.

(2) Where the Commissioner of the competent Regional Tax Office or the Commissioner of the National Tax Service designates a place of tax payment under paragraph (1), he or she shall give a notice to the relevant corporation, as prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 11**  
**(Alteration of**  
**Place of Tax**  
**Payment)**



- (1) Where a corporation's place of tax payment is altered, the corporation shall report such fact to the head of the tax office having jurisdiction over the new place of tax payment within 15 days from the date of the alteration, as prescribed by Presidential Decree. In such cases, where a corporation has reported the alteration of the place of tax payment under [Article 8 of the Value-Added Tax Act](#), the alteration of the place of tax payment shall be deemed reported. <Amended by Act No. 11873, Jun. 7, 2013>
- (2) Where no report is filed under paragraph (1), the former place of tax payment shall be a corporation's place of tax payment.
- (3) Where a foreign corporation ceases to have a domestic place of tax payment falling under [Article 9](#) (2), it shall report it to the head of the tax office having jurisdiction over the place of tax payment.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 12 (Jurisdiction over Taxation)**



Corporate tax shall be imposed by the head of the tax office having jurisdiction over the place of tax payment prescribed in [Articles 9](#) through 11 or the Commissioner of the competent Regional Tax Office.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**CHAPTER II CORPORATE TAX ON INCOME OF DOMESTIC CORPORATION FOR EACH BUSINESS YEAR**

**SECTION 1 Tax Base and Calculation**  
**Subsection 1 Common Provisions**

**Article 13 (Tax Base)**



The corporate tax base on the income of a domestic corporation for each business year shall be calculated by deducting the following amounts and income in the following order, from income earned for each business year;

1. Losses incurred during each business year starting within ten years before the start date of the current business year which were not thereafter deducted in the calculation of the tax base. In such cases, losses shall be limited to the amounts provided in [Article 14](#) (2) which are included in the tax base reported under [Article 60](#) or determined or corrected under [Article 66](#) or reported for revision under [Article 45 of the Framework Act on National Taxes](#);
2. Non-taxable income under this Act and other Acts;
3. Income deductions prescribed in this Act and other Acts.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 14**  
**(Income for Each**  
**Business Year)**



- (1) The income of a domestic corporation for each business year shall be the amount calculated by deducting the total amount of deductible expenses

incurred during the relevant business year from the total amount of gross income accrued during the relevant business year.

- (2) If the total amount of deductible expenses incurred during a business year exceeds the total amount of gross income accrued during the business year, such excess shall be the losses of a domestic corporation for each business year.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

#### **Subsection 2 Calculation of Gross Income**

#### **Article 15 (Scope of Gross Income)**

- (1) The gross income shall be the amount of earnings generated by transactions which increase the net assets of a corporation, except for capital input or financing and what is provided in this Act.
- (2) The following amounts shall be deemed gross income: <Amended by Act No. 11128, Dec. 31, 2011>
  1. Where securities are purchased from an individual who is a related party provided in [Article 52](#) (1) at the prices lower than the market prices referred to in [Article 52](#) (2), the amount of the difference between such market prices and the relevant purchase prices;
  2. An amount equivalent to the amount of foreign corporate tax referred to in [Article 57](#) (4) (limited to any tax credit granted);
  3. The amount of income distributed under [Article 100-18 \(1\) of the Restriction of Special Taxation Act](#).
- (3) Matters necessary for the scope and classification of gains under paragraph (1) and other matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

#### **Article 16 (Constructive Dividends or Distributions)**

- (1) For the purposes of this Act, any of the following amounts shall be deemed the amount of profit dividends or surpluses distributed from a corporation: <Amended by Act No. 11128, Dec. 31, 2011>
  1. The sum of money acquired by a stockholder, employee, or investor (hereinafter referred to as "stockholder, etc.") through the retirement of stocks, reduction of capital, retirement or withdrawal of employee, or investment reduction and the value of other assets in excess of the amount necessary for the stockholder, etc. to acquire the relevant stocks or investment shares (hereinafter referred to as "stocks, etc.");
  2. The value of stocks, etc. acquired through the transfer of all or some of corporation's surpluses to capital or financing: Provided, That the same shall not apply where any of the following amounts is transferred to capital:
    - (a) An amount prescribed by Presidential Decree as the capital reserve referred to in [Article 459 \(1\) of the Commercial Act](#);
    - (b) The revaluation reserve prescribed in the [Assets Revaluation Act](#) (excluding an amount equivalent to any difference in the revaluation of land under [Article 13 \(1\) 1 of the same Act](#));
  3. Where the equity ratio of stockholders, etc. of a corporation, other than the relevant corporation increases because the relevant corporation transfers its capital, as prescribed

in the items of subparagraph 2 while holding treasury stocks and investment shares, the value of stocks, etc. equivalent to the equity ratio so increased;

4. The amount of money and the value of other assets acquired by stockholders, etc. of a dissolved corporation (including members of an organization deemed a corporation) through distribution of residual assets of the corporation in excess of the amount necessary for the acquisition of the relevant stocks, etc.;
  5. The sum of the value of stocks, etc. of a surviving corporation or the parent company of the surviving corporation (referring to a domestic corporation holding total outstanding stocks or total investments of a surviving corporation as at the registration date of the merger; hereafter the same shall apply), money, and other assets acquired by stockholders, etc. of a corporation disappearing in the course of a merger (hereinafter referred to as "merged corporation") from a corporation surviving the merger or established in the course of such merger (hereinafter referred to as "surviving corporation") in return for the merger (hereinafter referred to as "costs of a merger") in excess of the amount necessary for the acquisition of the stocks, etc. of the merged corporation;
  6. Where a corporation is divided, the sum of the values of stocks, money, and other assets acquired by stockholders of the divided corporation (hereinafter referred to as "divided corporation") or disappearing counterpart corporation to a division and merger from the corporation established through the division (hereinafter referred to as "corporation established through division") or the counterpart corporation to the division and merger in return for the division (hereinafter referred to as "costs of a division") in excess of the amount necessary for the acquisition of the stocks of the divided corporation or disappearing counterpart corporation to a division and merger (limited to stocks reduced by retirement or other means where the divided corporation survives the division).
- (2) For the purposes of paragraph (1), matters necessary for the timing for the distribution of profit dividends or surpluses, the evaluation of the value of stocks, etc. and other matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 17 (Non-Inclusion of Gains from Capital Transactions in Gross Income)**



- (1) No gain specified in any of the following subparagraphs shall be included in the gross income for the purpose of calculating the amount of income of a domestic corporation for each business year: <Amended by Act No. 11128, Dec. 31, 2011; Act No. 11607, Jan. 1, 2013>
  1. An amount exceeding the par value of outstanding stocks (referring to the amount exceeding the amount counted as capital, out of the issue price, in cases of non-par value stocks): Provided, That where stocks are issued by converting debts into equity, the amount of such stocks issued in excess of the market price under [Article 52](#) (2) shall be excluded herefrom;
  2. Marginal profits from an all-inclusive share swap: The amount exceeding the increased capital of a wholly-owning parent corporation, where the maximum limit of capital increase under [Article 360-7 of the Commercial Act](#) exceeds the increased capital of the wholly-owning parent corporation as a result of an all-inclusive share swap under [Article 360-2](#) of the aforesaid Act;

3. Marginal profits from an all-inclusive share transfer: The amount exceeding the equity capital of a wholly-owning parent corporation newly incorporated, where the maximum limit of the equity increase under [Article 360-18 of the Commercial Act](#) exceeds the equity capital of the wholly-owning parent corporation as a result of an all-inclusive share transfer under [Article 360-15](#) of the aforesaid Act;
  4. Marginal profits from capital reduction: The amount exceeding the amount paid for the cancellation of stocks and the return of stock prices and the amount appropriated for compensation for losses exceeding the reduced amount;
  5. Marginal profits from a merger: The amount exceeding the amount of debts to which the surviving corporation succeeds from the disappearing corporation and the increased amount of the equity capital of the surviving corporation or the equity capital of the corporation newly incorporated as a consequence of the merger, where the value of the assets to which the corporation surviving a merger under [Article 174 of the Commercial Act](#) succeeds from the disappearing corporation exceeds the amount of debts to which the surviving corporation succeeds from the disappearing corporation and the increased amount of the equity capital of the surviving corporation or the equity capital of the corporation newly incorporated as a consequence of the merger;
  6. Marginal profits from a division: The amount exceeding the amount of debts to which a corporation succeeds from the investing corporation, the amount paid to stockholders of the investing corporation, and the equity capital of the corporation newly established or the increased amount of the equity capital of the surviving corporation, where the value of the assets invested in a corporation newly incorporated as a consequence of a division or a division and merger under [Article 530-2 of the Commercial Act](#) or in a corporation surviving such division or such division and merger exceeds the amount of debts to which such corporation succeeds from the investing corporation, the amount paid to stockholders of the investing corporation, and the equity capital of the corporation newly established or the increased amount of the equity capital of the surviving corporation.
- (2) Amounts prescribed by Presidential Decree which are not subject to subparagraph 6 of [Article 18](#) among the amounts in excess referred to in the proviso to paragraph (1) 1 shall not be included in the gross income of the relevant business year and may be appropriated for covering losses to be incurred in each business year thereafter.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

#### **Article 18 (Non-Inclusion of Evaluation Profits, etc. in Gross Income)**

None of the following gains shall be included in gross income for the purpose of calculating the amount of income of a domestic corporation for each business year: <Amended by Act No. 11128, Dec. 31, 2011>

1. Profits from the evaluation of assets: Provided, That profits from the evaluation referred to in subparagraph of [Article 42](#) (1) shall be excluded herefrom;
2. Gross income carried forward;
3. An amount appropriated for taxes, other than corporate tax not included in deductible expenses under subparagraph 1 of [Article 21](#) or pro rata local income tax refunded or to be refunded;
4. Interest on the refund of overpaid or erroneously-paid national or local taxes;
5. Output tax of value-added tax;
6. An amount appropriated for covering carried forward losses prescribed by Presidential Decree among the value of assets gratuitously acquired, and the amount of reduced debt due to exemption from or expiration of debts;

7. An amount paid or payable by a consolidated subsidiary corporation under [Article 76-19](#) (2);
8. Dividends received by decreasing the capital reserve under [Article 461-2 of the Commercial Act](#): Provided, That the dividends on the capital reserve not falling under each item of [Article 16](#) (1) 2 shall be excluded.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 18-2 (Non-Inclusion of Holding Companies' Dividend Income in Gross Income)**



- (1) Where the sum computed under subparagraphs 1 and 2, among profit dividends or surplus distributions or constructive dividends or distributions provided in [Article 16](#) (hereafter referred to as "dividend income" in this Article and [Articles 18-3](#) and [76-14](#)) that a holding company under the [Monopoly Regulation and Fair Trade Act](#), a financial holding company under the [Financial Holding Companies Act](#), an advanced technology holding company of a public research institute under the [Technology Transfer and Commercialization Promotion Act](#), or an industrial-academia-research cooperation technology holding company under the Industrial [Education and Industry-Academia-Research Cooperation Act](#) (hereafter referred to as "holding company" in this Article) receives from its subsidiary (referring to a domestic corporation in which the relevant holding company has invested and which meets the requirements prescribed by Presidential Decree in consideration of the holding company's equity investment ratio in the subsidiary; hereafter the same shall apply in this Article), exceeds the amount computed under subparagraph 3, such excess shall not be included in gross income for the purpose of calculating the amount of income for each business year: <Amended by Act No. 10907, Jul. 25, 2011; Act No. 11128, Dec. 31, 2011>
  1. The amount equivalent to the total amount of dividend income received from the subsidiary if a holding company has invested in excess of 80 percent [referring to 40 percent in the case of a listed-stock corporation prescribed by the Financial Investment Services and Capital Markets Act (hereinafter referred to as "listed-stock corporation")] of the number of the total outstanding stocks or the total investments of the relevant subsidiary;
  2. The amount computed by multiplying the dividend income received from the subsidiary by 80 percent, if a holding company has invested in the relevant subsidiary at a ratio lower than that prescribed by subparagraph 1: Provided, That with respect to the dividend income received from the relevant subsidiary during the period from January 1, 2007 through December 31, 2007, it shall be the amount computed by multiplying the dividend income by 70 percent;
  3. The amount calculated, as prescribed by Presidential Decree, considering the ratio of non-inclusion in gross income referred to in subparagraphs 1 and 2, and the ratio of investments in the subsidiary to the total assets of the holding company, etc., if interest on borrowings has been paid by the holding company in each business year;
- (2) Paragraph (1) shall not apply to any of the following dividend income:

1. The dividend income accruing upon holding stocks, etc. acquired within three months prior to the base date of dividend distribution;
2. The dividend income paid by any corporation prescribed by Presidential Decree, which is entitled to income deductions on the dividend payable, or the non-taxation, exemption, or reduction of corporate tax under this Act and the [Restriction of Special Taxation Act](#).
- (3) In applying paragraph (1) or (2), necessary matters for the method for computing the ratio of equity investment by a holding company in its subsidiary, amounts excluded from gross income, submission of a detailed dividend income statement and other matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 18-3 (Non-Inclusion of Dividend Income in Gross Income)**



- (1) Where the sum computed under subparagraphs 1 and 2 exceeds the amount computed under subparagraph 3, among the dividend income (excluding any dividend income subject to [Article 18-2](#)) that a domestic corporation (excluding a non-profit domestic corporation as defined in subparagraph 2 of [Article 1](#); hereafter the same shall apply in this Article) receives from another domestic corporation in which the former has made an equity investment, such excess shall not be included in gross income for the purpose of calculating the amount of income for each business year:
  1. The amount computed by multiplying the dividend amount received from an invested domestic corporation by 50 percent where an investing domestic corporation has invested in excess of 50 percent (30 percent in the case of a listed-stock corporation) of the number of total outstanding stocks or total investments of such invested domestic corporation: Provided, That the number of total outstanding stocks or the total investments have been invested, it means the amount equivalent to the total dividend income received from the invested domestic corporation;
  2. The amount computed by multiplying the dividend income received from an invested domestic corporation by 30 percent where the relevant investing domestic corporation has invested at a ratio lower than that provided in subparagraph 1;
  3. The amount calculated, as prescribed by Presidential Decree by applying mutatis mutandis [Article 18-2](#) (1) 3 where any interest on borrowings has been paid by any domestic corporation in each business year;
- (2) Paragraph (1) shall not apply to the dividend income paid under each subparagraph of [Article 18-2](#) (2).
- (3) In applying paragraphs (1) and (2), necessary matters for the method for computing the ratio of equity investment, the amounts excluded from gross income, the submission of a detailed dividend income statement and other matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Subsection 3 Calculation of Deductible Expenses**

**Article 19 (Scope of Deductible Expenses)**



- (1) Deductible expenses shall be the amount of losses incurred by transactions which reduce the net assets of a corporation, excluding return of capital or financing, disposition of surplus funds, and what is provided in this Act.
  - (2) Deductible expenses referred to in paragraph (1) shall be losses or expenses incurred in connection with the business of a corporation which are generally accepted as ordinary or directly related to profits, except those otherwise expressly prescribed by this Act and other Acts.
  - (3) Losses distributed under [Article 100-18 \(1\) of the Restriction of Special Taxation Act](#) shall be deemed deductible expenses referred to in paragraph (1).
  - (4) Matters necessary for the scope and types of deductible expenses referred to in paragraphs (1) through (3) and other matters shall be prescribed by Presidential Decree.
- [This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 19-2 (Non-Inclusion of Bad Debts in Deductible Expenses)**



- (1) The amount of irrecoverable claims (hereinafter referred to as "bad debts") due to grounds prescribed by Presidential Decree, such as bankruptcy of the debtor, among the claims held by a domestic corporation shall be included in deductible expenses for the purpose of calculating the amount of income of the relevant business year.
  - (2) Paragraph (1) shall not apply to any of the following claims:
    1. Claims for indemnity arising from debt guarantees (excluding debt guarantees prescribed by Presidential Decree, such as debt guarantees referred to in the subparagraphs of [Article 10-2 \(1\) of the Monopoly Regulation and Fair Trade Act](#));
    2. Those falling under [Article 28](#) (1) 4 (b).
  - (3) The amount recovered among bad debts included in deductible expenses under paragraph (1) shall be included in gross income when calculating the amount of income for the business year in which the date of recovery falls.
  - (4) A domestic corporation that intends to apply paragraph (1) shall submit a detailed bad debts statement to the head of the tax office having jurisdiction over the place of tax payment, as prescribed by Presidential Decree.
  - (5) Matters necessary for the scope and disposal of bad debts and other matters shall be prescribed by Presidential Decree.
- [This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 20 (Non-Inclusion of Losses from Capital Transactions, etc. in Deductible Expenses)**



None of the following losses shall be included in deductible expenses for the purpose of calculating the amount of income of a domestic corporation for each business year:

1. The amount computed by counting (referring counting as losses when settlement of accounts is fixed; hereinafter the same shall apply) the appropriation of surpluses as losses: Provided, That the same shall not apply to bonuses prescribed by Presidential Decree;
2. Deleted; <by Act No. 11128, Dec. 31, 2011>
3. Margins from the issuance of stocks at below par value.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

#### **Article 21 (Non-Inclusion of Taxes and Public Charges in Deductible Expenses)**

None of the following taxes and public charges shall be included in deductible expenses for the purpose of calculating the amount of income of a domestic corporation for each business year: <Amended by Act No. 6293, Dec. 29, 2000; Act No. 6558, Dec. 31, 2001; Act No. 8141, Dec. 30, 2006; Act No. 8831, Dec. 31, 2007; Act No. 9267, Dec. 26, 2008; Act. No. 9924, Jan. 1, 2010; Act No. 10423, Dec. 30, 2010>

1. Corporate tax (including the amount of foreign corporate tax prescribed in [Article 57](#)) or pro rata local income tax paid or payable for each business year, the amount of tax paid or payable (including penalty tax) due to non-performance of duties prescribed by tax-related Acts, and the input tax of value-added tax (excluding the amount of tax exempt from value-added tax or in cases prescribed by Presidential Decree);
2. The unpaid amount of individual consumption tax or liquor tax on unsold manufactured goods: Provided, That the same shall not apply where the price of the manufactured goods includes an amount equivalent to such amount of tax;
3. Fines, penalties (including an amount equivalent to fines or penalties stated on a dispositions notice), fines for negligence (including penalties and fines), surcharges, and disposition fees for arrears;
4. Public charges that are not mandatory under Acts and subordinate statutes;
5. Public charges imposed as sanctions for non-performance of duties, or a violation of prohibitions or restrictions under Acts and subordinate statutes;
6. Amount paid or payable to a consolidated parent corporation pursuant to [Article 76-19](#) (2).

#### **Article 21 (Non-Inclusion of Taxes and Public Charges in Deductible Expenses)**

None of the following taxes and public charges shall be included in deductible expenses for the purpose of calculating the amount of income of a domestic corporation for each business year: <Amended by Act No. 6293, Dec. 29, 2000; Act No. 6558, Dec. 31, 2001; Act No. 8141, Dec. 30, 2006; Act No. 8831, Dec. 31, 2007; Act No. 9267, Dec. 26, 2008; Act. No. 9924, Jan. 1, 2010; Act No. 10423, Dec. 30, 2010>

1. Corporate tax (including the amount of foreign corporate tax prescribed in [Article 57](#)) or pro rata local income tax paid or payable for each business year, the amount of tax paid or payable (including penalty tax) due to non-performance of duties prescribed by tax-related Acts, and the input tax of value-added tax (excluding the amount of tax exempt from value-added tax or in cases prescribed by Presidential Decree);
2. The unpaid amount of individual consumption tax or liquor tax on unsold manufactured goods: Provided, That the same shall not apply where the price of the manufactured goods includes an amount equivalent to such amount of tax;
3. Fines, penalties (including an amount equivalent to fines or penalties stated on a dispositions notice), fines for negligence (including penalties and fines), surcharges, and disposition fees for arrears;
4. Public charges that are not mandatory under Acts and subordinate statutes;
5. Public charges imposed as sanctions for non-performance of duties, or a violation of prohibitions or restrictions under Acts and subordinate statutes;
6. Amount paid or payable to a consolidated parent corporation pursuant to [Article 76-19](#) (2).

#### **Article 22 (Non-Inclusion of Losses from Evaluation of Assets in Deductible Expenses)**

Losses from the evaluation of assets held by a domestic corporation shall not be included in deductible expenses for the purpose of calculating the amount of income of the domestic

corporation for each business year: Provided, That the same shall not apply to the losses incurred by evaluating assets under [Article 42](#) (2) and (3).

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 23 (Non-Inclusion of Depreciation Costs in Deductible Expenses)**



- (1) Depreciation costs of fixed assets shall be included in deductible expenses only if they are counted as deductible expenses up to the amount computed, as prescribed by Presidential Decree (hereafter referred to as "allowable depreciation" in this Article) for the purpose of calculating the amount of income of a domestic corporation for the relevant business year, and the amount appropriated in excess of the allowable depreciation shall not be included in such deductible expenses: Provided, That where the relevant domestic corporation is entitled to exemption from or reduction of corporate tax, the depreciation costs shall be included in the deductible expenses, as prescribed by Presidential Decree for the purpose of calculating the amount of income of such domestic corporation for the relevant business year.
- (2) Notwithstanding the main sentence of paragraph (1), the depreciation costs of tangible fixed assets and intangible fixed assets with indefinite service life prescribed by Presidential Decree, among fixed assets owned by a domestic corporation that applies the accounting standards (hereinafter referred to as "international accounting standards") under [Article 13 \(1\) 1 of the Act on External Audit of Stock Companies](#) may be additionally included in the deductible expenses within the difference if any of the following amounts for each piece of asset exceeds the amount included in the deductible expenses under paragraph (1):
  1. Portions acquired on or before December 31, 2013: Where the depreciation costs are appropriated according to the previous method without applying the international accounting standards, the amount equivalent to the depreciation costs to be included in the deductible expenses under the main sentence of paragraph (1) (hereafter referred to as "previous depreciation costs" in this Article);
  2. Portions acquired on or after January 1, 2014: The amount equivalent to the depreciation costs computed by applying the standard service life prescribed by Ordinance of the Ministry of Strategy and Finance (hereafter referred to as "standard depreciation costs" in this Article);
- (3) Fixed assets referred to in paragraphs (1) and (2) mean assets prescribed by Presidential Decree, such as buildings, machinery, equipment and patent rights, except land.
- (4) Any domestic corporation which appropriates depreciation costs as deductible expenses under paragraph (1) or (2) shall submit a detailed depreciation costs statement to the head of the tax office having jurisdiction over the place of tax payment, as prescribed by Presidential Decree.
- (5) For purposes of paragraph (1) or (2), matters necessary for the method of appropriating depreciation costs as deductible expenses, the disposal of the amount in excess of the allowable depreciation, the timing for application of the international accounting

standards, the calculation of previous depreciation costs and standard depreciation costs and other matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 24 (Non-Inclusion of Donations in Deductible Expenses)**



- (1) Among donations prescribed by Presidential Decree in consideration of public interest, such as social welfare, culture, arts, education, religion, charity and science (hereinafter referred to as "designated donations") with respect to donations made by a domestic corporation in each business year, the amount in excess of ten percent of the amount computed by subtracting the amount computed under subparagraph 2 from the amount computed under subparagraph 1 (hereafter referred to as "ceiling on inclusion in deductible expenses" in this Article) and donations, other than designated donations, shall not be included in deductible expenses for the purpose of calculating the amount of income for the relevant business year:
  1. The amount of income for the relevant business year (the amount prior to the inclusion of donations computed under paragraph (2), excluding transfer gains or losses prescribed in [Articles 44, 46](#) and [46-5](#) and designated donations in deductible expenses; hereafter in this Article the same shall apply);
  2. The sum of the donations included in deductible expenses under paragraph (2) and the losses referred to in subparagraph 1 of [Article 13](#).
- (2) Paragraph (1) and [Article 29](#) shall not apply to any of the following donations (hereinafter referred to as "statutory donations"): Provided, That where the sum of the statutory donations exceeds the amount computed by multiplying 50/100 by the amount computed by subtracting the losses referred to in subparagraph 1 of [Article 13](#) from the amount of income for the relevant business year (hereafter referred to as "ceiling on inclusion of the statutory donations in deductible expenses" in this Article), the excess shall not be included in deductible expenses for the purpose of calculating the amount of income for the relevant business year: <Amended by Act No. 10907, Jul. 25, 2011; Act No. 11128, Dec. 31, 2011; Act No. 11607, Jan. 1, 2013>
  1. The value of money and other valuables gratuitously contributed to the State or a local government: Provided, That with regard to donated money and other valuables donated subject to the [Act on Collection and Use of Donations](#), this shall be limited to items received under [Article 5 \(2\) of the same Act](#);
  2. The value of contributions for national defense and money and other valuables contributed for the consolation and comfort of soldiers of the national armed forces;
  3. The value of money and other valuables contributed for victims of natural disasters;
  4. Donations given to the following institutions (excluding hospitals) for facility expenses, educational expenses, scholarships or research expenses:
    - (a) Private schools as defined in the [Private School Act](#);
    - (b) Non-profit educational foundations (limited to non-profit incorporated foundations established for the purpose of paying facility expenses, educational expenses, scholarships or research expenses of national, public or private schools);

- (c) Polytechnic colleges as defined in the [Act on the Development of Workplace Skills of Workers](#);
  - (d) Lifelong educational facilities that may use the title "majored college" under the [Lifelong Education Act](#) and lifelong educational facilities in the form of a distance college;
  - (e) Foreign educational institutions founded under the [Special Act on Establishment and Management of Foreign Educational Institutions in Free Economic Zones and Jeju Free International City](#);
  - (f) Industry-academic cooperation groups as defined in the [Industrial Education and Industry-Academia-Research Cooperation Promotion Act](#);
  - (g) The Korea Advanced Institute of Science and Technology established under the [Korea Advanced Institute of Science and Technology Act](#), the Gwangju Institute of Science and Technology established under the [Gwangju Institute of Science and Technology Act](#) and the Daegu Gyeongbuk Institute of Science and Technology established under the [Daegu Gyeongbuk Institute of Science and Technology Act](#);
  - (h) Seoul National University established under the [Act on the Establishment and Management of Seoul National University](#), the Ulsan National Institute of Science and Technology established under the [Act on the Establishment and Management of Ulsan National Institute of Science and Technology](#) and other similar schools prescribed by Presidential Decree;
  - (i) Korean schools as defined in subparagraph 3 of [Article 2 of the Act on the Educational Support, etc. for Korean Nationals Residing Abroad](#) (limited to schools that meet requirements prescribed by Presidential Decree);
5. Donations given to the following hospitals for facility expenses, educational expenses or research expenses:
- (a) National university-affiliated hospitals established under the [Act on the Establishment of National University-Affiliated Hospitals](#);
  - (b) National university-affiliated dental hospitals established under the [Act on the Establishment of National University-Affiliated Dental Hospitals](#);
  - (c) Seoul National University Hospital established under the [Establishment of Seoul National University Hospital Act](#);
  - (d) Seoul National Dental Hospital established under the [Establishment of Seoul National Dental Hospital Act](#);
  - (e) Hospitals operated by private schools as defined in the [Private School Act](#);
  - (f) National Cancer Center established under the [Cancel Control Act](#);
  - (g) Local medical centers established under the [Act on the Establishment and Management of Local Medical Centers](#);
  - (h) National Medical Center established under the [Act on the Establishment and Management of National Medical Center](#);
  - (i) Hospitals operated by Korean National Red Cross established under the [Organization of the Korean National Red Cross Act](#);

- (j) Hospitals operated by Korea Veterans Welfare and Healthcare Corporation established under the [Korea Veterans Welfare and Healthcare Corporation Act](#);
  - (k) Korea Institute of Radiological and Medical Sciences established under [Article 13-2 of the Radioactive and Radioisotope Use Promotion Act](#);
  - (l) Hospitals operated by National Health Insurance established under the [National Health Insurance Act](#);
  - (m) Medical institutions referred to in [Article 43 \(1\) 1 of the Industrial Accident Compensation Insurance Act](#);
6. Donations given to corporations that meet requirements prescribed by Presidential Decree, as non-profit organizations that mainly aims at collecting and distributing financial resources necessary for supporting social welfare services and other social welfare activities;
  7. Donations given to the following institutions that meet requirements prescribed by Presidential Decree in terms of the purpose of establishment and revenue amount;
    - (a) Public institutions referred to in [Article 4 of the Act on the Management of Public Institutions](#) (excluding public corporations referred to in [Article 5 \(3\) 1 of the same Act](#));
    - (b) Institutions directly established under the Acts.
  - (3) Corporations or institutions falling under paragraph (2) 6 or 7 shall be determined by Ordinance of the Ministry of Strategy and Finance, as prescribed by Presidential Decree.
  - (4) The amount in excess of the ceilings on inclusion of designated donations in deductible expenses and the amount in excess of the ceilings on inclusion of statutory donations in deductible expenses that are not included in deductible expenses under paragraphs (1) and (2) shall be carried forward and included in deductible expenses for each business year which ends within five years (three years in the case of the statutory donations) from the start date of the business year following the relevant business year, as prescribed by Presidential Decree. <Amended by Act No. 11128, Dec. 31, 2011>

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 25 (Non-Inclusion of Entertainment Expenses in Deductible Expenses)**



- (1) Entertainment expenses spent by a domestic corporation (excluding the amount falling under paragraph (2)) for each business year, which exceeds the sum of the following amounts, shall not be included in deductible expenses for the purposes of calculating the amount of income for the relevant business year: <Amended by Act No. 10423, Dec. 30, 2010; Act No. 11128, Dec. 31, 2011; Act No. 11607, Jan. 1, 2013>
  1. The amount computed by multiplying 12,000,000 won (18,000,000 won for small and medium enterprises prescribed by Presidential Decree) by the number of months in the relevant business year, and then dividing it by 12;
  2. The amount computed by multiplying the amount of income for the relevant business year (limited to the amount of income prescribed by Presidential Decree) by the rates specified in the following table: Provided, That with respect to the amount of income accrued from transactions with a related party provided in [Article 52](#) (1), it means an amount equivalent

to 10/100 of the amount computed by multiplying such amount of income by the rates specified in the following table:

- (2) Entertainment expenses paid by a domestic corporation in excess of the amount prescribed by Presidential Decree on one occasion, which do not fall under any of the following, shall not be included in deductible expenses for the purpose of calculating the amount of income for each business year: Provided, That the same shall not apply to expenditure of entertainment expenses in any foreign country prescribed by Presidential Decree or for farmers or fishermen, which makes it impractical to obtain evidentiary documents to prove that such entertainment expenses fall under any of the followings, but the expenditure of such entertainment expenses is objectively unquestionable: <Amended by Act No. 10423, Dec. 30, 2010; Act No. 11128, Dec. 31, 2011; Act No. 11873, Jun. 7, 2013>
1. Entertainment expenses paid upon using any of the followings (hereinafter referred to as "credit cards, etc."):
  - (a) Credit cards as defined in the [Specialized Credit Finance Business Act](#) (including items prescribed by Presidential Decree and similar to credit cards; hereafter the same shall apply in Article 117);
  - (b) Cash Receipts prescribed in [Article 126-3 \(4\) of the Restriction of Special Taxation Act](#) (hereinafter referred to as "Cash Receipts");
2. Expenses paid upon receiving an invoice under [Article 121](#) of this Act and [Article 163 of the Income Tax Act](#) or a tax invoice under [Article 32 of the Value-Added Tax Act](#) or upon issuing a purchaser-issued tax invoice under [Article 126-4 \(1\) of the Restriction of Special Taxation Act](#) or a withholding receipt prescribed by Presidential Decree.
- (3) In the case of sales slips, etc. issued in the name of a credit card merchant, etc. other than the one that actually supply the relevant goods or services, the relevant amount of spending shall not be included in the entertainment expenses referred to in paragraph (2) 1 for purposes of paragraph (2) 1. <Newly Inserted by Act No. 10423, Dec. 30, 2010>
- (4) Deleted. <by Act No. 6558, Dec. 31, 2001>
- (5) "Entertainment expenses" referred to in paragraphs (1) through (3) means entertainment expenses, social expenses, monetary rewards or expenses of a similar nature spent by a corporation in connection with its business, retrospective of their title. <Amended by Act No. 10423, Dec. 30, 2010>
- (6) Matters necessary for the scope of entertainment expenses, keeping documents that verify disbursement and other matters shall be prescribed by Presidential Decree. <Amended by Act No. 10423, Dec. 30, 2010>

#### **Article 26 (Non-Inclusion of Excessive Expenses in Deductible Expenses)**

Among the following deductible expenses, the amount deemed excessive or inappropriate, as prescribed by Presidential Decree, shall not be included in deductible expenses for the purpose of calculating the amount of income of a domestic corporation for each business year:

1. Personnel expenses;

2. Expenses for fringe benefits;
3. Travel expenses and educational and training expenses;
4. Losses incurred or paid by a corporation in the course of jointly operating or managing an identical organization or business with a person, other than the corporation;
5. Expenses prescribed by Presidential Decree, other than those referred to in subparagraphs 1 through 4, deemed to have little direct connection to the business of a corporation.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 27 (Non-Inclusion of Non-Business Expenses in Deductible Expenses)** 

Among expenses incurred by a domestic corporation during each business year, none of the following amounts shall be included in deductible expenses for purposes of calculating the amount of income of the relevant business year:

1. An amount prescribed by Presidential Decree, such as expenses incurred in acquiring and managing the assets prescribed by Presidential Decree, which are deemed to have no direct connection to the business of the corporation;
2. Expenditures prescribed by Presidential Decree, other than the amount prescribed in subparagraph 1, which are deemed to have no direct connection to the business of the corporation.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 28 (Non-Inclusion of Interest Expenses in Deductible Expenses)** 

- (1) Interest on the following loans shall not be included in deductible expenses for the purpose of calculating the amount of income of a domestic corporation for each business year: <Amended by Act No. 10423, Dec. 30, 2010; Act No. 11128, Dec. 31, 2011>

1. Interest on debentures for which the creditor is unknown;
2. Interest on, a discount of, or gains from bonds and securities referred to in [Article 16 \(1\) 1, 2, 5, and 8 of the Income Tax Act](#), which are prescribed by Presidential Decree, the interest on, discount of, or gains from bonds and securities for which the recipient is unknown;
3. Interest on loans appropriated for construction capital prescribed by Presidential Decree;
4. Among interest on loans paid during each business year by a domestic corporation which acquires or owns any of the following assets, the amount calculated, as prescribed by Presidential Decree (the ceiling thereon shall be interest on loans equivalent to the value of the relevant assets):

(a) Assets referred to in subparagraph 1 of [Article 27](#);

(b) Provisional payments, etc. prescribed by Presidential Decree to a related party provided in [Article 52 \(1\)](#) with no connection to the business of the relevant corporation.

(2) An amount prescribed by Presidential Decree, an amount calculated by subtracting the interest referred to in paragraph (1) 3 from the interest on loans appropriated for construction capital, may not be included in the deductible expenses for the purpose of calculating the amount of income of a domestic corporation for each business year. <Newly Inserted by Act No. 10423, Dec. 30, 2010>

(3) and (4) Deleted. <by Act No. 7317, Dec. 31, 2004>

- (5) Where the provisions governing the non-inclusion of interest expenses in deductible expenses stipulated in each subparagraph of paragraph (1) apply concurrently, such provisions shall apply in the order prescribed by Presidential Decree. <Amended by Act No. 10423, Dec. 30, 2010>
- (6) Matters necessary for the scope and calculation of loans and interest expenses under paragraph (1) and other matters shall be prescribed by Presidential Decree. <Amended by Act No. 10423, Dec. 30, 2010>

#### **Subsection 4 Inclusion of Reserve Funds and Allowances in Deductible Expenses**

##### **Article 29 (Inclusion of Reserve Funds for Proper Purpose Business in Deductible Expenses)**



- (1) Where a non-profit domestic corporation (limited to organizations prescribed by Presidential Decree in the case of an organization deemed a corporation) appropriates reserve funds for proper purpose business as deductible expenses to expend them for its proper purpose business or designated donations (hereafter referred to as "proper purpose business, etc." in this Article) each business year, such reserve funds shall be included in deductible expenses for the purpose of calculating the amount of income for the relevant business year within the scope of the sum of the following amounts: <Amended by Act No. 11128, Dec. 31, 2011>
  1. The amount of interest income referred to in each subparagraph of [Article 16 \(1\) of the Income Tax Act](#) (excluding profits from non-business loans under [Article 16 \(1\) 11 of the Income Tax Act](#));
  2. The amount of dividend income referred to in each subparagraph of [Article 17 \(1\) of the Income Tax Act](#): Provided, That the amount of dividend income accruing from stocks, etc., which is included in the taxable value of the inheritance tax or gift tax or is subject to gift tax pursuant to [Article 16](#) or [48 of the Inheritance Tax and Gift Tax Act](#), shall be excluded;
  3. The amount of interest incurred from loans to members or associates for welfare projects of a non-profit domestic corporation established under any special Act;
  4. The amount computed by multiplying income from profit-making business, other than those prescribed in subparagraphs 1 through 3, by 50 percent (80 percent for a corporation established under the [Act on the Establishment and Operation of Public-Service Corporations](#) which expends at least 50 percent of the expenditures for the proper purpose for scholarships).
- (2) Where a non-profit domestic corporation expends the reserve funds for proper purpose business appropriated as deductible expenses under paragraph (1) for proper purpose business, etc., it shall offset the amount in sequential order beginning with the reserve funds for proper purpose business appropriated for the business year. In such cases, where the amount expended for proper purpose business, etc. in the relevant business year exceeds the reserve funds for proper purpose business as at the end date of the immediately preceding business year, such excess shall be deemed to have been expended from the reserve funds for proper purpose business to be appropriated for the relevant business year, and paragraph (1) shall apply accordingly.

- (3) Where a corporation that has appropriated the reserve funds for proper purpose business as deductible expenses under paragraph (1) is dissolved after it comprehensively transfers all rights and duties concerning its business to another non-profit domestic corporation, the balance in the reserve funds for proper purpose business as at the registration date of the dissolution may be succeeded to by such non-profit domestic corporation.
- (4) Where a non-profit domestic corporation with a balance in the reserve funds for proper purpose business included in deductible expenses under paragraph (1) falls under any of the following cases, the balance shall be included in gross income for the purpose of calculating the amount of income for the business year which includes the date on which the relevant grounds arise:
  1. Where it is dissolved (excluding where the balance in the reserve funds for proper purpose business is succeeded under paragraph (3));
  2. Where all proper purpose business is discontinued;
  3. Where the approval of an organization deemed a corporation is revoked or it is changed to a resident under [Article 13 \(3\) of the Framework Act on National Taxes](#);
  4. Where the reserve funds for proper purpose business appropriated as deductible expenses are not used for proper purpose business, etc. by the date on which five years pass from the end date of the relevant business year (limited to a balance not used within such five years).
- (5) Where the balance of reserve funds for proper purpose business is included in gross income under paragraph (4) 4, an amount equivalent to the interest calculated, as prescribed by Presidential Decree, shall be added to corporate tax to be paid in the relevant business year.
- (6) Paragraph (1) shall not apply to cases prescribed by Presidential Decree where reductions, exemptions, etc. are applied pursuant to this Act or other Acts.
- (7) A non-profit domestic corporation which intends to apply paragraph (1) shall keep and preserve a detailed statement on the appropriation and expenditure of the relevant reserve funds and submit it to the head of the tax office having jurisdiction over the place of tax payment, as prescribed by Presidential Decree.
- (8) Matters necessary for the scope and the succession of proper purpose business and the calculation of income accrued from profit-making business under paragraphs (1) and (3) and other matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 30 (Inclusion of Liability Reserve Funds, etc. in Deductible Expenses)**



- (1) Where a domestic corporation operating an insurance business has appropriated the liability reserve funds and the contingency reserve funds as deductible expenses for each business year under the [Insurance Business Act](#) and other Acts, such reserve funds shall be included in deductible expenses for the purpose of calculating the amount of income for the relevant business year up to the amount calculated, as prescribed by Presidential Decree.

- (2) In applying paragraph (1), where a corporation applying the international accounting standards has appropriated contingency reserve funds in the tax settlement invoice referred to in [Article 60](#) (2) 2 and has accumulated an amount equivalent to such contingency reserve funds as reserves of contingency reserve funds in disposing of the profits during the relevant business year under the [Insurance Business Act](#) and other Acts, it shall be deemed to have appropriated them in deductible expenses up to the amount calculated, as prescribed by Presidential Decree.
- (3) The liability reserve funds included in deductible expenses under paragraph (1) shall be included in gross income when the amount of income for the following business year or for the business year, to which the date three years (where grounds prescribed by Presidential Decree, such as a dissolution, occur before three years pass, the date the relevant grounds arise) from the end date of the business year in which the liability reserve funds were included in deductible expenses falls, is calculated, as prescribed by Presidential Decree.
- (4) Where the liability reserve funds are included in gross income when calculating the amount of income for the business year, to which the date three years from the end date of the business year in which the date the liability reserve funds were included in deductible expenses falls, as prescribed in paragraph (3), an amount equivalent to interest calculated, as prescribed by Presidential Decree, shall be added to corporate tax to be paid in the relevant business year.
- (5) A domestic corporation which intends to apply paragraph (1) shall submit a detailed statement on the relevant reserve funds to the head of the tax office having jurisdiction over the place of tax payment, as prescribed by Presidential Decree.
- (6) Matters necessary for disposing of the contingency reserve funds included in deductible expenses under paragraph (1) shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 31 Deleted.** <by Act No. 9267, Dec. 26, 2008> 

**Article 32 Deleted.** <by Act No. 6293, Dec. 29, 2000> 

**Article 33 (Inclusion of Allowances for Severance Benefits in Deductible Expenses)** 

- (1) Where a domestic corporation appropriates allowances for severance benefits as deductible expenses for each business year in order to pay severance benefits to its executives or employees, such allowances shall be included in deductible expenses for the purpose of calculating the amount of income for the relevant business year up to the amount calculated, as prescribed by Presidential Decree.
- (2) A domestic corporation which has included allowances for severance benefits in the deductible expenses under paragraph (1) shall pay severance benefits to any executive or employee first from the relevant allowances for severance and retirement benefits.
- (3) Where a domestic corporation which has included allowances for severance benefits in the deductible expenses under paragraph (1) is merged or divided, the allowances for severance benefits of the corporation as at the registration date of the merger or division which is transferred to the surviving corporation, corporation established through division, or counterpart corporation to the division and merger (hereinafter referred to as

"surviving corporation, etc.") shall be deemed allowances for severance benefits held by the surviving corporation as at the registration date of the merger or division.

- (4) Paragraph (3) shall apply mutatis mutandis where a business operator comprehensively transfers his or her business to a domestic corporation.
- (5) A domestic corporation which intends to apply paragraph (1) shall submit a detailed statement on allowances for severance benefits to the head of the tax office having jurisdiction over the place of tax payment, as prescribed by Presidential Decree.
- (6) Matters necessary for disposition of allowances for severance benefits under paragraphs (1) through (4) shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

#### **Article 34 (Inclusion of Allowances for Bad Debts in Deductible Expenses)**

- (1) Where a domestic corporation appropriates allowances for bad debts to cover bad debts from credit sales accounts, loans, and other equivalent claims as deductible expenses for each business year, such allowances for bad debts shall be included in deductible expenses for the purpose of calculating the amount of income for the relevant business year up to the amount calculated, as prescribed by Presidential Decree. <Amended by Act No. 10423, Dec. 30, 2010>
- (2) Deleted. <by Act No. 9267, Dec. 26, 2008>
- (3) Paragraph (1) shall not apply to a claim referred to in the subparagraphs of [Article 19-2](#) (2). <Amended by Act No. 10423, Dec. 30, 2010>
- (4) Where any domestic corporation that has appropriated allowances for bad debts as deductible expenses under paragraph (1) has any bad debts incurred, such bad debts shall be first offset by its allowances for bad debts and the balance of the allowances for bad debts after offsetting such bad debts shall be subsequently included in gross income when calculating the amount of income for the following business year. <Amended by Act No. 10423, Dec. 30, 2010>
- (5) Deleted. <by Act No. 9267, Dec. 26, 2008>
- (6) Where a domestic corporation which has included allowances for bad debts in the deductible expenses under paragraph (1) is merged or divided, the allowances for bad debts of the corporation as at the registration date of the merger or division which is transferred to the surviving corporation, etc. shall be deemed the allowances for bad debts held by the surviving corporation, etc. as at the registration date of the merger or division. <Amended by Act No. 10423, Dec. 30, 2010>
- (7) A domestic corporation that intends to apply paragraph (1) shall submit a detailed statement on allowances for bad debts to the head of the tax office having jurisdiction over the place of tax payment, as prescribed by Presidential Decree. <Amended by Act No. 10423, Dec. 30, 2010>
- (8) Matters necessary for the scope of credit accounts, loans, and other equivalent claims and the disposal of allowances of bad debts under paragraph (1) and other matters shall be prescribed by Presidential Decree. <Amended by Act No. 10423, Dec. 30, 2010>

#### **Article 35 (Inclusion of Allowances to Redeem**

### Claims for Indemnity in Deductible Expenses)

- (1) Where a corporation prescribed by Presidential Decree among domestic corporations operating a credit guarantee business under Acts appropriates an allowance to redeem claims for indemnity as deductible expenses for each business year, such allowance shall be included in deductible expenses for the purpose of calculating the amount of income for the relevant business year up to the amount calculated, as prescribed by Presidential Decree.
- (2) In applying paragraph (1), where a corporation prescribed by Presidential Decree among corporations applying the international accounting standards appropriates an allowance to redeem claims for indemnity in the tax settlement invoice referred to in [Article 60](#) (2) 2 and accumulates the amount equivalent to such allowance as reserves for an allowance to redeem claims for indemnity in disposing of the profits during the relevant business year, it shall be deemed to have been appropriated in deductible expenses up to the amount calculated, as prescribed by Presidential Decree.
- (3) Where bad debts prescribed by Presidential Decree have incurred in relation to the claims for indemnity due to credit guarantee business, a domestic corporation that has included an allowance to redeem claims for indemnity under paragraph (1) in deductible expenses shall first offset the bad debts with the allowance to redeem claims for indemnity and the remainder of the allowance to redeem claims for indemnity after the offset shall be included in gross income when calculating the amount of income for the following business year.
- (4) A domestic corporation which intends to apply paragraph (1) shall submit a detailed statement on the allowance to redeem claims for indemnity to the head of the tax office having jurisdiction over the place of tax payment, as prescribed by Presidential Decree.
- (5) Matters necessary for disposing of the allowance to redeem claims for indemnity under paragraph (1) shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

### Article 36 (Inclusion of Value of Business Assets Acquired with National Subsidies, etc. in Deductible Expenses)



- (1) Where a domestic corporation receives assets, including subsidies, under the [Subsidy Management Act](#), the [Local Finance Act](#) and other Acts prescribed by Presidential Decree (hereafter referred to as "National subsidies, etc." in this Article) and uses them to acquire or improve business assets prescribed by Presidential Decree (hereafter referred to as "business assets" in this Article), by no later than the end date of the business year which includes the date of the receipt of the subsidies, or first acquires or improves business assets and receives the National subsidies, etc. afterwards, an amount equivalent to the value of the National subsidies, etc. used for the acquisition or improvement of the business assets among the value of such business assets may be included in deductible expenses for the purpose of calculating the amount of income for the relevant business year, as prescribed by Presidential Decree. <Amended by Act No. 10898, Jul. 25, 2011>

- (2) Where a domestic corporation which has failed to acquire or improve the business assets by the end date of the business year, during which it receives the National subsidies, etc. intends to acquire or improve any business assets within one year from the start date of the following business year, the amount of the National subsidies, etc. to be used for acquisition or improvement may be included in deductible expenses by applying mutatis mutandis paragraph (1). In such cases, where the domestic corporation fails to use National subsidies, etc. by the deadline due to grounds prescribed by Presidential Decree, such as delay of permission or authorization, the end date of the business year during which the relevant grounds cease shall be deemed the deadline.
- (3) Where a domestic corporation which has included an amount equivalent to the National subsidies, etc. in the deductible expenses under paragraph (2) fails to use such amount for the acquisition or improvement of business assets by the deadline, or discontinues its business or is dissolved before using it, the amount unused shall be included in gross income for the purpose of calculating the amount of income for the business year during which such grounds arise: Provided, That the same shall not apply where such domestic corporation is merged or divided and the surviving corporation, etc. succeeds to the amount. In such cases, the amount shall be deemed to have been included in deductible expenses by such surviving corporation, etc. under paragraph (2).
- (4) In applying paragraph (1), if any domestic corporation receives the National subsidies, etc. in any form of assets, other than money and uses them for its business, they shall be deemed to have been used for the acquisition or improvement of business assets.
- (5) A domestic corporation which intends to apply paragraphs (1) and (2) shall submit a detailed statement on the National subsidies, etc., and on the business assets acquired by the National subsidies, etc. (a plan to use the National subsidies, etc. in cases falling under paragraph (2)) to the head of the tax office having jurisdiction over the place of tax payment, as prescribed by Presidential Decree.
- (6) For purposes of paragraphs (1) through (3), matters necessary for calculating the amount included in deductible expenses and the amount included in the gross income, the method of calculation and other matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 37 (Inclusion of  
Value of Fixed Assets  
Acquired with Construction Charges in Deductible  
Expenses)** 

- (1) Where a domestic corporation operating any of the following business is offered fixed assets which constitute the facilities, such as land by persons who utilize electricity, gas, heating, etc., or by persons who benefit from the facilities, in order to build the facilities necessary for such business, or where it receives money, etc. (hereafter referred to as "construction charges" in this Article) and uses it to acquire fixed assets which constitute the relevant facilities by the end date of the business year which includes the date of receipt of the money, etc., the value of the fixed assets (where they are acquired by construction charges, the amount equivalent to the construction charges used to acquired such fixed assets) may be included in deductible expenses for the purpose of calculating the amount of income for the relevant business year, as prescribed by Presidential Decree:

1. Electricity service business as prescribed in the [Electric Utility Act](#);
  2. Urban gas business as prescribed in the [Urban Gas Business Act](#);
  3. Liquefied petroleum gas-filling business, liquefied petroleum gas collective supply business, and liquefied petroleum gas sales business as prescribed in the [Safety Control and Business of Liquefied Petroleum Gas Act](#);
  4. Integrated energy supply business as defined in subparagraph 2 of [Article 2 of the Integrated Energy Supply Act](#);
  5. Projects similar to those referred to in subparagraphs 1 through 4 and prescribed by Presidential Decree.
- (2) [Article 36](#) (2) and (3) shall apply mutatis mutandis to the inclusion of the value of fixed assets acquired with construction charges in the deductible expenses.
- (3) A domestic corporation which intends to apply paragraphs (1) and (2) shall submit a detailed statement on the fixed assets and construction charges received and the fixed assets acquired with construction charges (a plan to use construction charges in cases falling under paragraph (2)) to the head of the tax office having jurisdiction over the place of tax payment, as prescribed by Presidential Decree.
- (4) For purposes of paragraphs (1) and (2), matters necessary for calculating the amount included in deductible expenses and the amount included in the gross income, the method of calculation and other matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 38 (Inclusion of Value of Fixed Assets Acquired with Insurance Marginal Profits in Deductible Expenses)**



- (1) Where a domestic corporation is paid insurance money due to the destruction or damage of its fixed assets and uses the money to acquire the same type of fixed assets that replace the destroyed fixed assets or to improve the damaged fixed assets (including the improvement of the acquired fixed assets) by the end date of the business year which includes the date of the payment, an amount equivalent to the insurance marginal profits used for the acquisition or improvement of fixed assets, among the value of such fixed assets, may be included in deductible expenses for the purpose of calculating the amount of income for the relevant business year, as prescribed by Presidential Decree.
- (2) [Article 36](#) (2) and (3) shall apply mutatis mutandis to the inclusion of the value of fixed assets acquired or improved by insurance marginal profits in deductible expenses. In such cases, "one year" referred to in [Article 36](#) (2) shall be construed as "two years."
- (3) A domestic corporation which intends to apply paragraphs (1) and (2) shall submit a detailed statement on the insurance money paid and the fixed assets acquired or improved with the insurance money (a plan to use insurance marginal profits in cases falling under paragraph (2)) to the head of the tax office having jurisdiction over the place of tax payment, as prescribed by Presidential Decree.

(4) For purposes of paragraphs (1) and (2), matters necessary for calculating of the amount included in deductible expenses and the amount included in gross income, the methods for calculation and other matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 39 Deleted.** <by Act No. 6558, Dec. 31, 2001> 

#### **Subsection 5 Periods during which Gross Income and Deductible Expenses Accrue**

**Article 40 (Business Year in which Gross Income and Deductible Expenses Accrue)** 

(1) The business year in which gross income and deductible expenses of a domestic corporation accrue shall be the business year which includes the date the relevant gross income and deductible expenses are settled.

(2) Matters necessary for the scope of the business year in which gross income and deductible expenses accrue under paragraph (1) and other matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 41 (Acquisition Value of Assets)** 

(1) The acquisition value of assets acquired by a domestic corporation through purchase, manufacture, exchange, and donation or by other means shall be any of the following amounts:

1. For assets purchased from a third person (excluding financial assets prescribed by Presidential Decree), the amount of the purchase price plus any incidental costs;
2. For assets acquired through the corporation's own manufacture, production, construction, or by other means corresponding thereto, the amount of the product cost plus any incidental costs;
3. For assets, other than those referred to in subparagraphs 1 and 2, the amount prescribed by Presidential Decree as at the time of acquisition.

(2) Matters necessary for calculating the acquisition value of assets, such as the scope of purchase price and incidental costs under paragraph (1) shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 42 (Evaluation of Assets and Liabilities)** 

(1) Where the book value of assets and liabilities held by a domestic corporation increases or decreases (excluding depreciation; hereafter referred to as "evaluation" in this Article), the book value of such assets and liabilities when calculating the amount of income for the business year which includes the date of evaluation and each subsequent business year shall be the value before evaluation: Provided, That the same shall not apply to any of the following cases:

1. Evaluation of fixed assets under the [Insurance Business Act](#) and other Acts (limited to where the book value increases);

2. Evaluation of inventory assets and other assets and liabilities prescribed by Presidential Decree.
- (2) Assets and liabilities referred to in paragraph (1) 2 shall be separately evaluated by the method prescribed by Presidential Decree.
- (3) The book value of any of the following assets may be reduced by the method prescribed by Presidential Decree, notwithstanding paragraphs (1) and (2):
  1. Inventory assets which cannot be sold at the arm's length price due to damage, decomposition, or on other grounds;
  2. Fixed assets damaged or destroyed due to grounds prescribed by Presidential Decree, such as a natural disaster and a fire;
  3. Stocks, etc. prescribed by Presidential Decree where the issuing corporation goes dishonored, receives authorization for its rehabilitation plan under the [Debtor Rehabilitation and Bankruptcy Act](#) and reveals signs of insolvency under the [Corporate Restructuring Promotion Act](#);
  4. Stocks, etc. where the issuing corporation goes bankrupt.
- (4) A domestic corporation which evaluates its assets and liabilities under paragraphs (2) and (3) shall submit a detailed statement on the evaluation of such assets and liabilities to the head of the tax office having jurisdiction over the place of tax payment, as prescribed by Presidential Decree.
- (5) Matters necessary for disposing of marginal profits and marginal losses arising from the evaluation of assets and liabilities under paragraphs (2) and (3) and other matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 42-2 (Non-Inclusion in Gross Income of Evaluation Marginal Profits of Inventory Assets of Domestic Corporation that Applies International Accounting Standards)**



- (1) Where a domestic corporation reports to the head of the tax office having jurisdiction over the place of tax payment the change of the evaluation method of inventory assets from the last-in first-out method prescribed by Presidential Decree to other evaluation methods of inventory assets prescribed by Presidential Decree for the business year in which it first applies the international accounting standards, the amount deducting the amount referred to in subparagraph 2 from the amount referred to in subparagraph 1 (hereafter referred to as "evaluation marginal profits of inventory assets" in this Article) may not be included in the gross income for the purposes of calculating the amount of income for the relevant business year. In such cases, the evaluation marginal profits of inventory assets shall be equally divided and be included in the gross income for five years from the start date of the business year following the business year during which the international accounting standards are first applied:

1. Evaluated value of the inventory assets as at the beginning of the business year in which the international accounting standards are first applied;
  2. Evaluated value of the inventory assets as at the end of the immediately preceding business year in which the international accounting standards are first applied.
- (2) Where a domestic corporation that fails to include the evaluation marginal profits in the gross income pursuant to the first sentence of paragraph (1) is dissolved [excluding a dissolution due to a merger in which transfer gains or losses may be deemed nil under Article 44 (2) and (3) (hereinafter referred to as "qualified merger") or a division in which transfer gains or losses may be deemed nil under Article 46 (2) (hereinafter referred to as "qualified division")], any remainder after being included in the gross income under the second sentence of paragraph (1) shall be included in the gross income when calculating the amount of income for the business year in which the registration date of the dissolution falls.
- (3) Except as otherwise expressly provided in paragraphs (1) and (2), matters necessary for procedures for reporting the change of the evaluation method for inventory assets, the application for non-inclusion in gross income, the method of inclusion in gross income and the non-inclusion of the evaluation marginal profits of inventory assets in the gross income shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 11128, Dec. 31, 2011]

#### **Article 43 (Application of Corporate Accounting Standards and Practices)**

In calculating the amount of income of a domestic corporation for each business year, where the corporation applies corporate accounting standards which are generally acknowledged as fair and proper, or continuously applies the relevant practices with respect to the business year during which gross income and deductible expenses accrue, and to the acquisition and evaluation of assets and liabilities, such corporate accounting standards or practices shall be followed, except as otherwise expressly provided in this Act and the [Restriction of Special Taxation Act](#).

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

#### **Subsection 6 Special Cases concerning Mergers, Divisions, etc.**

#### **Article 44 (Taxation on Merged Corporation upon Merger)**



- (1) Where a merged corporation is dissolved in the course of a merger, the assets of the merged corporation shall be deemed transferred to a surviving corporation. In such cases, gains or losses accruing from the transfer (referring to the amount calculated by deducting the value referred to in subparagraph 2 from the value referred to in subparagraph 1; hereafter the same shall apply in this Article and [Article 44-3](#)) shall be included in gross income or deductible expenses when the merged corporation calculates the amount of income for the business year in which the registration date of the merger falls:
1. Transfer value the merged corporation has received from the surviving corporation;
  2. Value calculated by deducting the total book value of liabilities from the total book value of assets (hereafter referred to as "net book value of assets" in this Article) as at the registration date of the merger of the merged corporation.
- (2) In applying paragraph (1), for mergers which meet all of the following requirements, transfer gains or losses may be deemed nil, considering the value under paragraph (1) 1 as the net book value of assets as at the registration date of the merger of the merged

corporation: Provided, That where inevitable circumstances prescribed by Presidential Decree exist, transfer gains or losses may be deemed nil, as prescribed by Presidential Decree, although the requirements prescribed in subparagraph 2 or 3 are not met: <Amended by Act No. 11128, Dec. 31, 2011>

1. A merger should be between domestic corporations which have continued to operate their business for at least one year as at the registration date of the merger: Provided, That a corporation prescribed by Presidential Decree, the sole purpose of which is to merge with other corporations shall be excluded;
2. Where the value of the stocks, etc. of a surviving corporation or the parent corporation of the surviving corporation is at least 80 percent of the total costs of the merger received by the stockholders, etc. of a merged corporation in return for such merger and such stocks, etc. are allocated, as prescribed by Presidential Decree, and the stocks, etc. shall be distributed, as prescribed by Presidential Decree and the stockholders, etc. of the merged corporation prescribed by Presidential Decree hold such stocks, etc. until the end date of the business year in which the registration date of the merger falls;
3. Where a surviving corporation continues to operate the business succeeded to by the merged corporation until the end date of the business year in which the registration date of the merger falls.
- (3) Where a domestic corporation merges with or is merged into another corporation which holds all outstanding stocks or investments, transfer gains or losses may be deemed nil, notwithstanding paragraph (2). <Amended by Act No. 11128, Dec. 31, 2011>
- (4) Matters necessary for calculating the transfer value and the net book value of assets, the total costs of a merger, and criteria for determining the continuance or discontinuance of the business succeeded under paragraphs 1 through 3 and other matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 44-2 (Taxation  
on Surviving  
Corporation upon  
Unqualified Merger)**



- (1) Where a surviving corporation succeeds to the assets of a merged corporation due to a merger, it shall be deemed to have succeeded to the assets from the merged corporation at a market price as at the registration date of the merger (referring to the market price provided in [Article 52](#) (2); hereafter the same shall apply in this Sub-section). In such cases, a surviving corporation may only succeed to the amount included in or excluded from the gross income or deductible expenses when calculating the amount of income and the tax base for each business year of the merged corporation, and other assets, liabilities, etc., prescribed by Presidential Decree.
- (2) Where a surviving corporation is deemed to have succeeded to the assets of a merged corporation at a market price under paragraph (1) and the transfer value paid by the surviving corporation to the merged corporation is less than the amount calculated by deducting the total liabilities from the total assets as at the registration date of the merger of the merged corporation (hereafter referred to as "net market price of assets" in this Sub-section), the surviving corporation shall appropriate such difference in the tax settlement invoice referred to in [Article 60](#) (2) 2 and include it in the gross income in equal installments for five years from the registration date of the merger.

- (3) Where a surviving corporation is deemed to have succeeded to the assets of a merged corporation at a market price under paragraph (1) and the transfer value paid by the surviving corporation to the merged corporation exceeds the net market price of assets as at the registration date of the merger in circumstances prescribed by Presidential Decree, the surviving corporation shall appropriate the difference in the tax settlement invoice referred to in [Article 60](#) (2) 2 and include it in the deductible expenses in equal installments for five years from the registration date of the merger.
- (4) Matters necessary for calculating the amounts included in gross income and deductible expenses, and the method of inclusion as referred to in paragraphs (1) through (3) and other matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 44-3 (Special Provisions concerning Taxation on Merged Corporation upon Qualified Merger)**



- (1) Where transfer gains or losses are deemed nil under [Article 44](#) (2) or (3), a surviving corporation shall be deemed to have succeeded to the assets of a merged corporation at the book value, notwithstanding [Article 44-2](#). In such cases, the surviving corporation shall appropriate the difference between the book value and the market price referred to in [Article 44-2](#) (1) per asset, as prescribed by Presidential Decree.
- (2) Where a surviving corporation succeeds to the assets of a merged corporation at the book value, as prescribed in paragraph (1), it shall succeed to the losses referred to in subparagraph 1 of [Article 13](#) as at the registration date of the merger of the merged corporation and the amount included in or excluded from the gross income or deductible expenses when the merged corporation calculates the amount of income and the tax base for each business year, other assets, liabilities, reductions, tax credits, etc. referred to in [Article 59](#), as prescribed by Presidential Decree.
- (3) Where any of the following occurs during the period prescribed by Presidential Decree not exceeding three years, a surviving corporation that succeeds to the assets of a merged corporation at the book value under paragraph (1) shall include, as prescribed by Presidential Decree, in the gross income the difference between the book value of the succeeded assets and the market price referred to in [Article 44-2](#) (1) (limited to only where the market price exceeds the book value; hereafter the same shall apply in paragraph (4)) and the amount deducted from the succeeded losses when calculating the amount of income for the business year which includes the date the grounds arise, and shall not apply reductions, tax credits, etc. starting from the relevant business year after paying the amount of reductions, or tax credits, etc. deducted upon succession from the merged corporation under paragraph (2) in addition to the corporate tax for the relevant business year, as prescribed by Presidential Decree: Provided, That the same shall not apply where inevitable circumstances prescribed by Presidential Decree exist:
  1. Where a surviving corporation discontinues the business succeeded to from a merged corporation;
  2. Where stockholders, etc. of a merged corporation prescribed by Presidential Decree dispose of the stocks, etc. received from a surviving corporation.

- (4) Where a surviving corporation includes in the gross income the difference, etc. between the book value of the succeeded assets and the market price referred to in [Article 44-2](#) (1) pursuant to paragraph (3), it shall include, as prescribed by Presidential Decree, in the gross income or deductible expenses the difference between the transfer value paid by the surviving corporation to the merged corporation and the net market price of assets as at the registration date of the merger of the merged corporation until the date five years pass after the registration date of the merger from the date any of the grounds referred to in paragraph (3) arises.
- (5) Where transfer gains or losses are deemed nil under [Article 44](#) (3), a surviving corporation shall be deemed to have succeeded to the assets of a merged corporation at the book value, and paragraphs (1) and (2) shall apply accordingly, although the surviving corporation fails to meet the requirements referred to in each subparagraph of [Article 44](#) (2). In such cases, paragraphs (3) and (4) shall not apply.
- (6) A surviving corporation to which paragraph (1) applies shall file a detailed statement on the succeeded assets in the course of merger to the head of the tax office having jurisdiction over the place of tax payment, as prescribed by Presidential Decree.
- (7) Matters necessary for criteria for determining the continuance or discontinuance of the succeeded business, for calculating the amounts included in gross income and deductible expenses, and the method for inclusion referred to in paragraphs (1) through (5) and other matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 45 (Restriction on Deduction of Losses Carried Forward, etc. upon Merger)**



- (1) Losses referred to in subparagraph 1 of [Article 13](#) as at the registration date of the merger of a surviving corporation shall not be deducted within the amount of income (referring to an amount computed by proportionally dividing the amount of income by the rate of value of assets prescribed by Presidential Decree where no separate accounting has not kept as the corporation fell under the proviso to [Article 113](#) (3); hereafter the same shall apply in this Article) accruing from the business that has been succeeded to from the merged corporation when calculating the tax base for each business year of the surviving corporation.
- (2) Losses of a merged corporation succeeded to by a surviving corporation under [Article 44-3](#) (2) shall be deducted within the amount of income accruing from the business succeeded to from the merged corporation when calculating the tax base for each business year of the surviving corporation.
- (3) An surviving corporation that qualifiedly merges shall include, in the deductible expenses, losses on disposition of the assets (limited to losses that incur during the business year ending within five years after the registration date of the merger) held by the surviving corporation and the merged corporation prior to the merger within the amount of income (referring to the amount of income before the relevant loss on disposition is deducted) accruing from the business of the relevant corporation prior to the merger when calculating the amount of income of the relevant business year. In such cases, losses on disposition not included in deductible expenses shall be deemed losses incurring from the business of the relevant corporation prior to the merger at the time of

disposition of the assets, and paragraphs (1) and (2) shall apply accordingly. <Amended by Act No. 11128, Dec. 31, 2011>

- (4) Reductions or tax credits of a merged corporation that a surviving corporation has succeeded to under [Article 44-3](#) (2) shall apply to the amount of income accruing from the business that has been succeeded to from the merged corporation or the amount of corporate tax equivalent thereto, as prescribed by Presidential Decree.
- (5) Matters necessary for the calculation of losses to be deducted when calculating the tax base for each fiscal year, the inclusion of losses on disposition of the succeeded assets in the deductible expenses, and the calculation of the amount of corporate tax on income accruing from the business that has been succeeded to under paragraphs (1) through (4) shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 46 (Taxation  
on Divided  
Corporations, etc.  
upon Division)**



- (1) Where a domestic corporation is dissolved in the course of a division (excluding a spin-off: hereafter the same shall apply in this Article and [Articles 46-2 through 46-4](#)), the assets of the domestic corporation shall be deemed to have been transferred to a corporation established through division or a counterpart corporation to a division and merger (hereinafter referred to as "corporation, etc. established through division"). In such cases, gains or losses accruing from the transfer (referring to the amount calculated by subtracting the value under subparagraph 2 from the value under subparagraph 1; hereafter the same shall apply in this Article and [Article 46-3](#)) shall be included in the gross income or deductible expenses when a divided corporation or a disappearing counterpart corporation to the merger and division (hereinafter referred to as "divided corporation, etc.") calculates the amount of income for the business year which includes the registration date of the division: <Amended by Act No. 11128, Dec. 31, 2011>
  1. Transfer value received by a divided corporation, etc. from a corporation, etc. established through division;
  2. Net book value of assets as at the registration date of the division of a divided corporation, etc.
- (2) In applying paragraph (1), with respect to a division which meets each of the following requirements, transfer gains or losses may be deemed nil by construing the value referred to in paragraph (1) 1 to be the net book value of assets as at the registration date of the division of a divided corporation, etc.: Provided, That transfer gains or losses may be deemed nil, as prescribed by Presidential Decree, although the requirements prescribed in subparagraph 2 or 3 are not met where inevitable circumstances prescribed by Presidential Decree exist: <Amended by Act No. 11128, Dec. 31, 2011>
  1. Where a domestic corporation which has continuously operated business for at least five years as at the registration date of the division is divided upon meeting the following requirements (in the case of a division and merger, a disappearing counterpart corporation to a division and merger shall be a domestic corporation which has continuously operated business for at least one year as at the registration date of the division);

- (a) That it divides an independent business category which can be operated after division;
  - (b) That the assets and liabilities of a divided business category shall be comprehensively succeeded: Provided, That those prescribed by Presidential Decree, such as assets and liabilities that are indivisible, including the assets jointly used and the liabilities, the debtor of which cannot be changed, shall be excluded;
  - (c) That it shall be divided upon investment only by a divided corporation, etc.
2. Where the total costs of a division received from a corporation, etc. established through division by the stockholders of a divided corporation, etc. (in the case of a division and merger, not less than the rate provided in [Article 44](#) (2) 2) is paid in stocks, and such stocks are allocated in proportion to the stocks by each stockholder of the divided corporation, etc. (in the case of a division and merger, referring to the stocks allocated, as prescribed by Presidential Decree) and the stockholders of a divided corporation, etc. prescribed by Presidential Decree hold such stocks until the end date of the business year which includes the registration date of the division;
  3. Where a corporation, etc. established through division continues to operate the business succeeded to from the divided corporation, etc. by succession until the end date of the business year which includes the registration date of the division.
- (3) Matters necessary for calculating the transfer value and the net book value of assets, costs of a division and for criteria for determining the continuance or discontinuance of business succeeded to as prescribed in paragraphs (1) or (2) and other matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 46-2 (Taxation on Corporations, etc. Established through Division upon Unqualified Division)**



- (1) Where a corporation, etc. established through division has succeeded to the assets from a divided corporation, etc. due to the division, it shall be deemed to have succeeded to the assets of the divided corporation, etc. at the market price as at the registration date of the division. In such cases, the corporation, etc. established through division may succeed to only the amount included in or excluded from the gross income or deductible expenses when it calculates the amount of income and the tax base for each business year of the divided corporation, etc. and other assets, liabilities, etc. prescribed by Presidential Decree.
- (2) Where a corporation, etc. established through division is deemed to have succeeded to the assets of a divided corporation, etc. at the market price pursuant to paragraph (1) and the transfer value paid by the corporation, etc. established through division, to the divided corporation, etc. is less than the net market price of assets as at the registration date of the division of the divided corporation, etc., the corporation, etc. established through division shall appropriate such difference in the tax settlement invoice referred to in [Article 60](#) (2) 2 and include it in the gross income in equal installments for five years from the registration date of the division.

- (3) Where a corporation, etc. established through division is deemed to have succeeded to the assets of a divided corporation, etc. at the market price pursuant to paragraph (1) and the transfer value paid by the corporation, etc. established through division to the divided corporation, etc. exceeds the net market price of assets as at the registration date of the division in circumstances prescribed by Presidential Decree, the corporation, etc. established through division shall appropriate such difference in the tax settlement invoice referred to in [Article 60](#) (2) 2 and include it in the deductible expenses in equal installments for five years from the registration date of the division.
- (4) Matters necessary for calculating the amounts included in gross income or deductible expenses and the method of calculation under paragraphs (1) through (3) and other matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 46-3 (Special Provisions concerning Taxation on Corporation, etc. Established through Division upon Qualified Division)**



- (1) Where transfer gains or losses is deemed nil under [Article 46](#) (2), a corporation, etc. established through division shall be deemed to have succeeded to the assets of a divided corporation, etc. at the book value, notwithstanding [Article 46-2](#). In such cases, the corporation, etc. established through division shall appropriate the difference between the book value and the market price referred to in [Article 46-2](#) (1) per asset, as prescribed by Presidential Decree.
- (2) Where a corporation, etc. established through division has succeeded to the assets of a divided corporation, etc. at the book value pursuant to paragraph (1), it shall succeed to the losses referred to in subparagraph 1 of [Article 13](#) as at the registration date of the division of the divided corporation, etc. and the amount included in or excluded from the gross income or deductible expenses when the divided corporation, etc. calculates the amount of income and the tax base for each business year, other assets, liabilities, reductions, tax credits, etc. under [Article 59](#), as prescribed by Presidential Decree.
- (3) Where any of the following occurs during the period prescribed by Presidential Decree not exceeding three years, a corporation, etc. established through division that succeeds to the assets of a divided corporation, etc. at the book value under paragraph (1) shall include, as prescribed by Presidential Decree, in the gross income the difference between the book value of the succeeded assets and the market price referred to in [Article 46-2](#) (1) (limited to where the market price exceeds the book value; hereafter the same shall apply in paragraph (4)) and the amount deducted from the succeeded losses when calculating the amount of income for the business year which includes the date the relevant grounds arise, and shall not apply reductions or tax credits starting from the relevant business year after paying the amount of reductions, tax credits, etc. deducted by succession from the divided corporation, etc. under paragraph (2) in addition to the corporate tax for the relevant business year, as prescribed by Presidential Decree: Provided, That the same shall not apply where inevitable circumstances prescribed by Presidential Decree exist:
  1. Where a corporation, etc. established through division discontinues the business succeeded to from a divided corporation, etc.;

2. Where stockholders, etc. of a divided corporation, etc. prescribed by Presidential Decree dispose of the stocks, etc. received from a corporation, etc. established through division.
- (4) Where a corporation, etc. established through division includes in the gross income the difference, etc. between the book value of the succeeded assets and the market price referred to in [Article 46-2](#) (1) under paragraph (3), it shall include, as prescribed in Presidential Decree, in the gross income or deductible expenses, the difference between the transfer value paid by the corporation, etc. established through division to the divided corporation, etc. and the net market price of assets as at the registration date of the division of the divided corporation, etc. until the date five years pass after the registration date of the division from the date any of the grounds referred to in paragraph (3) arises.
- (5) A corporation, etc. established through division to which paragraph (1) applies shall file a detailed statement on the succeeded assets due to division to the head of the tax office having jurisdiction over the place of tax payment, as prescribed by Presidential Decree.
- (6) Matters necessary for criteria for determining the continuance or discontinuance of the succeeded businesses, calculation of the amounts included in gross income or deductible expenses, and the method of the calculation under paragraphs (1) through (4) and other matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 46-4 (Restriction on Deduction of Losses Carried Forward, etc. upon Division)**



- (1) Losses referred to in subparagraph 1 of [Article 13](#) as at the registration date of the division of a counterpart corporation in a division and merger shall not be deducted up to the amount of income (referring to an amount computed by proportionally dividing the amount of income by the rate of value of assets prescribed by Presidential Decree where no separate accounting has not kept as the corporation fell under the proviso to [Article 113](#) (4); hereafter the same shall apply in this Article) accruing from the business that has been succeeded from a divided corporation when calculating the tax base for each business year of the counterpart corporation in the division and merger.
- (2) Losses of a divided corporation, etc. succeeded to by a corporation, etc. established through division under [Article 46-3](#) (2) shall be deducted up to the amount of income accruing from the business succeeded to from a divided corporation, etc. when calculating the tax base of the corporation, etc. established through division for each business year.
- (3) A corporation, etc. established through division that merges and divides (hereinafter referred to as "qualified merger and division") so that transfer gains or losses may be deemed nil under [Article 46](#) (2) shall include, in the deductible expenses, losses on disposition of the assets (limited to losses which accrue during the business year ending within five years after the registration date of the division) held by a divided corporation and a disappearing counterpart corporation to a merger and division prior to the merger and division up to the amount of income (referring to the amount of income before the relevant losses on disposition are deducted) accruing from the business of the relevant corporation prior to the division and merger when calculating the amount of income of

the relevant business year. In such cases, losses on disposition not included in deductible expenses shall be deemed losses incurring from the business of the relevant corporation prior to the division and merger, and paragraphs (1) and (2) shall apply accordingly. <Amended by Act No. 11128, Dec. 31, 2011>

- (4) Reductions or tax credits of the divided corporation, etc. that a corporation, etc. established through division has succeeded to under [Article 46-3](#) (2) shall apply up to the amount of income accruing from the business that has been succeeded to from the divided corporation, etc. or the amount of corporate tax equivalent to such income, as prescribed by Presidential Decree.
- (5) Matters necessary for the calculation losses to be deducted when calculating the tax base for each fiscal year and for inclusion of the losses on disposition of the succeeded assets in the deductible expenses, and the calculation of the amount of corporate tax constituting the amount of income accruing from the business that has been succeeded under paragraphs (1) through (4) and other matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 46-5 (Special Provisions concerning Taxation on Divided Corporations Surviving Division)**



- (1) Where a domestic corporation survives a division (excluding a spin-off), gains or losses accruing from the transfer (referring to the amount calculated by deducting the value under subparagraph 2 from the value under subparagraph 1; hereafter the same shall apply in this Article) of the assets of the divided business category to a corporation, etc. established through division shall be included in the gross income or deductible expenses when the divided corporation calculates the amount of income for the business year which includes the registration date of the division:
  1. Transfer value received by a divided corporation from a corporation, etc. established through division;
  2. Net book value of assets as at the registration date of the division of the business category divided by a divided corporation.
- (2) [Article 46](#) (2) and (3) shall apply mutatis mutandis to the calculation of transfer gains or losses under paragraph (1).
- (3) [Articles 46-2](#), [46-3](#) and [46-4](#) shall apply mutatis mutandis to the taxation on a corporation, etc. established through division: Provided, That the losses of a divided corporation shall not be succeeded.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 47 (Special Provisions concerning Taxation on Divided Corporation upon Spin-off)**



- (1) Where a divided corporation acquires stocks, etc. of a corporation established through division due to a spin-off and meets the requirements referred to in the subparagraphs of [Article 46](#) (2) (in cases falling under subparagraph 2 of the same paragraph, the full

amount must be in stocks, etc.), an amount equivalent to marginal profits from the transfer of assets generated by the spin-off from the value of such stocks, etc. may be included in deductible expenses when calculating the amount of income for the business year which includes the registration date of the spin-off, as prescribed by Presidential Decree: Provided, That the amount equivalent to marginal profits from the transfer of assets may be included in deductible expenses, as prescribed by Presidential Decree, where inevitable circumstances prescribed by Presidential Decree exist, although the requirements prescribed in [Article 46](#) (2) 2 or 3 are not met. <Amended by Act No. 11128, Dec. 31, 2011>

(2) An amount equivalent to transfer marginal profits included by a divided corporation in deductible expenses under paragraph (1) shall be included in the gross income as much as the amount prescribed by Presidential Decree in consideration of the ratio of disposition of the relevant stocks, etc. and assets in the business year in which any of the following grounds arises: Provided, That the foregoing shall not apply where a corporation newly incorporated upon division becomes subject to a qualified merger or qualified division or where such corporation is in other exceptional situation specified by Presidential Decree: <Amended by Act No. 11128, Dec. 31, 2011; Act No. 11607, Jan. 1, 2013>

1. Where a divided corporation disposes of the stocks, etc. received from a corporation established through division;
2. Where a corporation established through division disposes of the assets prescribed by Presidential Decree and succeeded from a divided corporation. In such cases, the corporation established through division shall inform the divided corporation of the disposition of such assets within one month from the date of disposition.

(3) When any of the following grounds arises, a divided corporation that includes an amount equivalent to transfer marginal profits in deductible expenses under paragraph (1) shall include, in the gross income, any remainder of the amount included in the deductible expenses under paragraph (1) after being included in the gross income under paragraph (2) shall be included in the gross income when calculating the amount of income for the business year which includes the date the relevant grounds arise: Provided, That the same shall not apply where inevitable circumstances prescribed by Presidential Decree exist: <Amended by Act No. 11128, Dec. 31, 2011>

1. Where a corporation established through division discontinues the succeeded business from a divided corporation within the period prescribed by Presidential Decree not exceeding three years from the registration date of the division;
2. Where a divided corporation disposes of at least 50 percent of the stocks, etc. received from a corporation established through division.

(4) Where a divided corporation includes an amount equivalent to transfer marginal profits in deductible expenses under paragraph (1), a corporation established through division shall succeed to any amount included in or excluded from gross income or deductible expenses by a divided corporation when calculating the amount of income and the tax

base for each business year and other assets, liabilities, etc., as prescribed by President Decree. <Newly Inserted by Act No. 11128, Dec. 31, 2011>

- (5) A divided corporation that intends to apply paragraph (1) shall submit a detailed statement on transfer marginal profits of assets generated by the division to the head of the tax office having jurisdiction over the place of tax payment, as prescribed by Presidential Decree.
- (6) Matters necessary for the calculation of transfer marginal profits, criteria for determining the continuation or discontinuation of the succeeded business, calculation of the amounts included in gross income or deductible expenses, and the method of inclusion thereof under paragraphs (1) and (4) and other matters shall be prescribed by Presidential Decree. <Amended by Act No. 11128, Dec. 31, 2011>

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 47-2 (Special Provisions concerning Taxation upon Investment in Kind)** 

- (1) Where a domestic corporation (hereafter referred to as "investing corporation" in this Article) invests in kind satisfying the following requirements, the amount equivalent to the marginal profits from the transfer of asset accruing from the investment in kind among the value of stocks of the domestic corporation acquired through investment in kind (hereafter referred to as "invested corporation" in this Article) may be included in deductible expenses when calculating the amount of income for the business year in which the date of investment in kind falls, as prescribed by Presidential Decree: Provided, That where inevitable circumstances prescribed by Presidential Decree exist, the amount equivalent to the marginal profits from the transfer of asset may be included in deductible expenses, as prescribed by Presidential Decree, although the requirements prescribed in subparagraph 2 or 4 are not met: <Amended by Act No. 11128, Dec. 31, 2011>
1. The investing corporation shall be a corporation that has operated business consecutively for at least five years as at the date of investment in kind;
  2. The invested corporation shall continuously operate business succeeded to from the investing corporation until the end of the business year in which the date of investment in kind falls;
  3. A person, if he or she makes a joint investment with another Korean or foreigner, shall not be a related party provided in [Article 52](#) (1) to the investing corporation;
  4. The investing corporation and a person who makes a joint investment with the investing corporation under subparagraph 3 (hereafter referred to as "investing corporation, etc." in this Article) holds at least 80 percent of all outstanding stocks or investments of the invested corporation as at the date following the date of investment in kind and hold such stocks, etc. until the end date of the business year in which the date of investment in kind falls.
- (2) An amount equivalent to the transfer marginal profits included by an investing corporation in deductible expenses under paragraph (1) shall be included in gross income up to the amount prescribed by Presidential Decree, in consideration of the ratio of disposition of the relevant stocks, etc. and assets for the business year in which any of the following grounds arises: Provided, That the foregoing shall not apply where an

invested corporation becomes subject to a qualified merger or qualified division or where such corporation is in other exceptional situation specified by Presidential Decree: <Amended by Act No. 11128, Dec. 31, 2011; Act No. 11607, Jan. 1, 2013>

1. Where an investing corporation disposes of stocks, etc. received from an invested corporation;
2. Where an invested corporation disposes of assets prescribed by Presidential Decree and succeeded to from an investing corporation, etc. In such cases, the invested corporation shall inform the investing corporation of the disposition of such assets within one month from the date of disposition.

- (3) When any of the following grounds arises, an investing corporation that includes an amount equivalent to transfer marginal profits in deductible expenses under paragraph (1) shall include, in the gross income, any remainder of the amount included in the deductible expenses under paragraph (1) after being included in the gross income under paragraph (2) shall be included in the gross income when calculation of the amount of income for the business year in which the date the relevant grounds arise falls: Provided, That the same shall not apply where inevitable circumstances prescribed by Presidential Decree exist: <Amended by Act No. 11128, Dec. 31, 2011>

1. Where an invested corporation discontinues the business succeeded to from an investing corporation within the period prescribed by Presidential Decree not exceeding three years from the date of investment in kind;
  2. Where an investing corporation, etc. holds at least 50 percent of the total outstanding stocks or investments of an invested corporation.
- (4) Matters necessary for the calculation of transfer marginal profits to be included in deductible expenses, criteria for determining the continuation or discontinuation of the succeeded business, methods of calculating the amount to be included in gross income and methods for inclusion thereof, and submission of a detailed statement of investment in kind under paragraphs (1) through (3) and other matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Articles 48 and 49 Deleted. <by Act No. 9898, Dec. 31, 2009>**



**Article 50 (Inclusion of Amount Equivalent to Transfer Marginal Profits of Assets due to Exchange in Deductible Expenses)**



- (1) Where a domestic corporation which business prescribed by Presidential Decree exchanges assets prescribed by Presidential Decree which are fixed assets (hereafter referred to as "fixed assets for business use" in this Article) used directly for such business for at least two years for the same type of fixed assets for business use (hereafter referred to as "assets acquired by exchange" in this Article) directly used for the relevant business for at least two years by another domestic corporation, other than a related party provided in [Article 52](#) (1) (including an exchange among several corporations prescribed by Presidential Decree), an amount equivalent to transfer marginal profits of the fixed business assets accrued by the exchange from the value of assets acquired by the exchange may be included in deductible expenses for the purpose

of calculating the amount of income for the relevant business year, as prescribed by Presidential Decree. <Amended by Act No. 11128, Dec. 31, 2011>

- (2) Paragraph (1) shall only apply where a domestic corporation uses assets acquired by exchange for its business until the end date of the business year in which the date of the exchange falls.
- (3) A domestic corporation which intends to apply paragraph (1) shall submit a detailed statement on the exchange of assets to the head of the tax office having jurisdiction over the place of tax payment, as prescribed by Presidential Decree.
- (4) In applying paragraph (1), matters necessary for the amount included in deductible expenses and the method of inclusion of such amount in gross income shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

### **Subsection 7 Tax Exemptions and Income Deductions**

#### **Article 51 (Non-Taxable Income)**

No corporate tax shall be imposed on income accruing from any trust estate of a public trust among the income of a domestic corporation for each business year.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

#### **Article 51-2 (Income Deductions for Special Purpose Companies, etc.)**

- (1) Where any of the following domestic corporations distributes at least 90 percent of distributable profits prescribed by Presidential Decree, such amount shall be deducted from the amount of income for the relevant business year:
  1. A special purpose company as defined in the [Asset-Backed Securitization Act](#);
  2. An investment company, special purpose company, investment limited liability company or investment limited partnership company as prescribed in the [Financial Investment Services and Capital Markets Act](#) (excluding a private equity fund referred to in [Article 9 \(18\) 7 of the same Act](#));
  3. A corporate restructuring investment company established under the [Corporate Restructuring Investment Companies Act](#);
  4. A real estate investment company for corporate restructuring or trust management real estate investment company established under the [Real Estate Investment Company Act](#);
  5. A ship investment company established under the [Ship Investment Company Act](#);
  6. A corporation prescribed by Presidential Decree as a special purpose corporation, etc. as prescribed in the [Rental Housing Act](#);
  7. A specialized cultural industry company established under the [Framework Act on the Promotion of Cultural Industries](#);
  8. An overseas resources development investment company established under the [Overseas Resources Development Business Act](#);
  9. An investment company similar to those provided in subparagraphs 1 through 8 which is a corporation meeting the following requirements:
    - (a) Its assets shall be used for an investment in plants and infrastructure, the development of resources, or a specific business requiring substantial time and money, and its profits shall be distributed to its stockholders;

- (b) It shall establish no business office, other than the headquarters, and hire no staff member and full-time executive;
  - (c) It shall exist for a limited period of at least two years;
  - (d) It shall be a stock company as defined in the [Commercial Act](#) or any other Act which is established in the form of incorporation by promoters;
  - (e) Its incorporators shall not fall under any subparagraph of [Article 4 \(2\) of the Corporate Restructuring Investment Companies Act](#) and shall meet the requirements prescribed by Presidential Decree;
  - (f) Its directors shall not fall under any subparagraph of [Article 12 of the Corporate Restructuring Investment Companies Act](#);
  - (g) Its auditor shall meet the provisions of [Article 17 of the Corporate Restructuring Investment Companies Act](#). In such cases, "a corporate restructuring investment company" shall be construed as "a company";
  - (h) It shall satisfy the requirements prescribed by Presidential Decree concerning the size of the capital, reporting on the entrustment of the asset management business and fund management business, reporting on its establishment, and other matters.
- (2) Paragraph (1) shall not apply to any of the following subparagraphs:
1. Where no income tax or corporate tax is imposed on dividends paid to stockholders, etc. under this Act and the [Restriction of Special Taxation Act](#): Provided, That the same shall not apply where stockholders, etc. who receive the dividends are partnership firms subject to special taxation for partnership firms under [Article 100-15 \(1\) of the Restriction of Special Taxation Act](#) and income tax or corporate tax is imposed on dividends paid to such partnership firms under [Article 100-18 \(1\) of the same Act](#);
  2. Where any domestic corporation that pays dividends is a corporation meeting the standards prescribed by Presidential Decree, in consideration of the number of its stockholders, etc.
- (3) Any person who intends to apply paragraph (1) shall file an application for income deduction, as prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

#### **Subsection 8 Special Cases concerning Calculation of Amounts of Income**

#### **Article 52 (Repudiation of Wrongful Calculations)**



- (1) Where the head of the tax office having jurisdiction over the place of tax payment or the Commissioner of the competent Regional Tax Office deems that the tax burden of a domestic corporation has been unjustly reduced through the wrongful calculation of the amount of income of the domestic corporation in transactions with a related party prescribed by Presidential Decree (hereinafter referred to as "related party"), he or she may calculate the amount of income for each business year of the domestic corporation regardless of the wrongful calculation of the amount of income of such domestic corporation (hereinafter referred to as "wrongful calculation"). <Amended by Act No. 11128, Dec. 31, 2011>

- (2) In applying paragraph (1), the standard for determination shall be the prices applied or acknowledged to be applied to sound and generally-accepted trade practices and arm's length transactions between persons, other than related parties, (including premium rates, interest rates, rents, and exchange rates and other corresponding rates; hereafter referred to as "market price" in this Article). <Amended by Act No. 11128, Dec. 31, 2011>
- (3) A domestic corporation shall submit a detailed statement on the particulars of transactions with each related party for each business year to the head of the tax office having jurisdiction over the place of tax payment, as prescribed by Presidential Decree. <Amended by Act No. 11128, Dec. 31, 2011>
- (4) For purposes of paragraphs (1) through (3), matters necessary for the types of wrongful calculations, the assessment of market prices and other matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 53 (Special Cases concerning Calculation of Amount of Income from Transactions with Foreign Corporations, etc.)**



- (1) Where the competent authorities of the Republic of Korea and the other country agree on the prices of transactions between a domestic corporation and its overseas branch, a non-resident or any other foreign corporation, in accordance with the relevant mutual agreement under the tax treaties concluded between Korea and the other contracting party to prevent double taxation (hereinafter referred to as "tax treaty"), the head of the tax office having jurisdiction over the place of tax payment or the Commissioner of the competent Regional Tax Office may adjust the corporation's amount of income for each business year according to such mutual agreement.
- (2) In applying paragraph (1), matters necessary for filing an application for adjustment of the amount of income of a domestic corporation, the procedures therefor, and other matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 53-2 (Special Cases concerning Calculation of Tax Bases for Corporations Adopting Functional Currencies)**



- (1) The tax base for a domestic corporation that prepares the financial statements by adopting a currency, other than Korean Won, as the functional currency according to the corporate accounting standards shall be calculated in the method reported to the head of the tax office having jurisdiction over the place of tax payment, among the following methods (hereafter referred to as "calculation method of tax bases" in this Article): Provided, That the tax base of income for the business year before the calculation method of tax bases prescribed in subparagraph 2 or 3 is first reported and applied shall be calculated upon applying the

calculation method of tax bases prescribed in subparagraph 1, and consolidated corporations that belong to the same consolidated group shall report and apply the same calculation method of tax bases:

1. Method of calculating tax bases based on the financial statements to be otherwise prepared, when no currency, other than Korean Won, is adopted as a functional currency;
2. Method of calculating tax bases based on the financial statements denominated in a functional currency and subsequently converting it into Korean Won;
3. Method of calculating tax bases based on the financial statements converted into Korean Won by applying the exchange rates as at the end date of the business year in the case of the items on the statement of financial position, and the exchange rates as at the relevant trading day (referring to the average exchange rate for the relevant business year in the case of the items prescribed by Presidential Decree) in the case of the items on the consolidated income statement (referring to a profit and loss statement if no consolidated income statement is available: hereinafter the same shall apply)

(2) A corporation that has reported and applies the calculation method of tax bases prescribed in paragraph (1) 2 or 3 may not change the calculation method of tax bases unless there arise circumstances prescribed by Presidential Decree, such as change of the reported functional currency or a merger between corporations using a different calculation method of tax bases.

(3) Where a corporation that applies the calculation method of tax bases prescribed in paragraph (1) 2 or 3 changes its functional currency, it shall include, in the gross income, the amount calculated by subtracting the amount under subparagraph 2 from the amount under subparagraph 1 per asset or liability when calculating the amount of income for the business year during which it changes its functional currency and includes an amount equivalent thereto in the deductible expenses by appropriating it as lump-sum depreciation reserve funds or compressed accounts reserve funds, as prescribed by Presidential Decree:

1. The book value of the relevant asset or liability as at the commencement date of the relevant business year denominated in the functional currency after change;
2. The amount denominated in the functional currency after changing the currency by applying the exchange rate as at the date on which the relevant asset is acquired or liability arises to the book value of the asset or liability as at the end date of the immediately preceding the business year in which the amount is denominated in the functional currency before change.

(4) Paragraph (3) shall apply mutatis mutandis where a corporation first applies the calculation method of tax bases prescribed in paragraph (1) 2 or 3. In such cases, the functional currency before change shall be deemed Korean Won.

(5) For purposes of paragraphs (1) through (4), matters necessary for the application of exchange rates, the report and change of the calculation method of tax bases, the disposition of amounts included in the deductible expenses, the report of tax bases of a corporation that selects each calculation method of tax bases, and the application of calculation method of tax bases shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 10423, Dec. 30, 2010]

**Article 53-3 (Special Cases concerning Calculation of Tax Bases for Overseas Place of Business)** 

- (1) The tax base for an overseas place of business of a domestic corporation shall be calculated in accordance with the method reported to the head of the tax office having jurisdiction over the place of tax payment, among the following methods (hereafter referred to as "calculation method of tax bases" in this Article): Provided, That the tax base of the income for the business year before the calculation method of tax bases prescribed in subparagraph 2 or 3 is first reported and applied shall be calculated by applying the calculation method of tax bases prescribed in subparagraph 1:
1. Method of re-preparing the financial statements where the financial statements of an overseas place of business are not prepared in any functional currency, other than Korean Won, combining them with the financial statements of the headquarters and calculating the tax base based on such combined financial statements;
  2. Method of calculating the tax base based on the financial statements of an overseas place of business denominated in the functional currency of the overseas place of business, converting such tax base into Korean Won and aggregating it with the tax base of the headquarters;
  3. Method of converting, into Korean Won, the items on the statement of financial position at the exchange rate as at the end date of the business year and the items on the consolidated income statement at the exchange rate prescribed by Presidential Decree in the case of the financial statements of an overseas place of business, combining them with the financial statements of the headquarters and calculating the tax base based on the combined financial statements.
- (2) A corporation that has reported and applies the calculation method of tax bases prescribed in paragraph (1) 2 or 3 shall not change the calculation method of tax bases unless there arise circumstances prescribed by Presidential Decree, such as a merger between corporations using a different calculation method of tax bases.
- (3) For purposes of paragraphs (1) and (2), matters necessary for the application of exchange rates, the report and change of the calculation method of tax bases, the report of tax bases of a corporation that selects each calculation method of tax bases, and the application of calculation method of tax bases shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 10423, Dec. 30, 2010]

**Article 54 (Detailed Regulations for Calculation of Amount of Income)** 

Except as otherwise expressly provided in this Act, matters necessary for the calculation of the amount of income for each business year of a domestic corporation shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**SECTION 2 Calculation of Amount of Tax**

## Article 55

### (Tax Rates)



- (1) Corporate tax on the income of a domestic corporation for each business year shall be an amount calculated by applying the tax rates in the following table to the tax base referred to in [Article 13](#) (if corporate tax is imposed on capital gains on transfer of land, etc. under [Article 55-2](#), it shall be an amount computed by aggregating the amount of such tax; hereinafter referred to as "calculated amount of tax"): <Amended by Act No. 11128, Dec. 31, 2011>
- (2) With regard to corporate tax on income for each business year of a domestic corporation with one business year, the amount computed by dividing the amount computed for the business year by applying [Article 13](#) by the number of months of the business year and multiplying the resulting amount by 12 shall be the tax base for the business year, and the amount of tax computed by multiplying the amount of tax computed under paragraph (1) by the number of months of the business year divided by 12 shall be the amount of tax. In such cases, the number of months shall be calculated in the method prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

### Article 55-2 (Special Provisions concerning Taxation on Capital Gains on Transfer of Land, etc.)



- (1) Where a domestic corporation has transferred any of the following land or buildings (including any facilities and structures attached to such buildings; hereafter referred to as "land, etc." in this Article and [Article 95-2](#)), it shall pay the amount of tax calculated under the applicable subparagraph as corporate tax on capital gains on transfer of land, etc. in addition to the corporate tax calculated by applying the tax rate under [Article 55](#) to the tax base under [Article 13](#). In such cases, the amount of tax, whichever is larger, shall apply when one asset falls under two or more of the following subparagraphs:
  1. Where the domestic corporation transfers any of the following real estate by no later than December 31, 2012, the amount of tax calculated by multiplying the capital gains by ten percent:
    - (a) A house referred to in subparagraph 2 (including land attached thereto; hereafter the same shall apply in this paragraph) as real estate in any designated area referred to in [Article 104-2 \(2\) of the Income Tax Act](#);
    - (b) Idle land referred to in subparagraph 3 as real estate in the designated area referred to in [Article 104-2 \(2\) of the Income Tax Act](#);
    - (c) Other real estate prescribed by Presidential Decree, if necessary for stabilizing the prices of real estate, because the prices of real estate rise or are likely to rise sharply;
  2. Where a house (including land attached thereto) prescribed by Presidential Decree is transferred, the amount of tax calculated by multiplying capital gains on transfer of land, etc. by 30 percent (40 percent for gains from the transfer of unregistered land, etc.);

3. Where any idle land is transferred, the amount of tax calculated by multiplying capital gains on transfer of land, etc. by 30 percent (40 percent for gains from the transfer of unregistered land, etc.).
- (2) "Idle land" referred to in paragraph (1) 3 means the land that falls under any of the following cases during the period set by Presidential Decree during the holding period of such land: <Amended by Act No. 11607, Jan. 1, 2013>
  1. A dry field, paddy field or an orchard (hereafter referred to as "farmland" in this Article), which fall under any of the following items:
    - (a) Land owned by a corporation that does not run farming as its main business: Provided, That any farmland prescribed by Presidential Decree permitted to be owned by a corporation under the [Farmland Act](#) and other Acts shall be excluded;
    - (b) Farmland in an urban area (excluding an area designated by Presidential Decree; hereafter the same shall apply in this item) as defined in subparagraph 1 of [Article 6 of the National Land Planning and Utilization Act](#), among areas in the Special Metropolitan City, a Metropolitan City (excluding a Gun area in a Metropolitan City; hereafter the same shall apply in this paragraph), a Special Self-Governing City (excluding an Eup/Myeon area in a Special Self-Governing City; hereafter the same shall apply in this paragraph), a Special Self-Governing Province (excluding an Eup/Myeon area in an administrative city established pursuant to [Article 15 \(2\) 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), or a Si (excluding an Eup/Myeon in a Si in the combined form of urban and rural communities referred to in [Article 3 \(4\) of the Local Autonomy Act](#); hereafter the same shall apply in this paragraph): Provided, That any farmland for which the period set by Presidential Decree has not lapsed yet from the date such farmland is included in any urban area in the Special Metropolitan City, a Metropolitan City, a Special Self-Governing City, a Special Self-Governing Province, or a Si shall be excluded;
  2. Forest land: Provided, That any of the following shall be excluded:
    - (a) A seed-gathering forest or an experimental forest designated under the [Forest Resources Creation and Management Act](#), a forest protection zone designated under [Article 7 of the Forest Protection Act](#) and other forest land prescribed by Presidential Decree necessary for protecting and nurturing forests and for the public interest;
    - (b) A forest land prescribed by Presidential Decree which is owned by any corporation that runs the forestry as its main business or is silviculturist as provided for in the [Forest Resources Creation and Management Act](#);
    - (c) A forest land prescribed by Presidential Decree which has reasonable grounds to believe that such forest land directly related to the business of any corporation, in consideration of its owner, location, utilization status, holding period, size of area and other factors;

3. Any of the following ranch areas: Provided, That a ranch area prescribed by Presidential Decree which has reasonable grounds to believe that such ranch area directly related to the business of any corporation, in consideration of its owner, location, utilization status, holding period, size of area and other factors shall be excluded:
  - (a) A ranch area owned by any corporation that runs the livestock business as its main business, the size of which exceeds the standard size of the livestock area prescribed by Presidential Decree, or which is located in an urban area (excluding any urban area prescribed by Presidential Decree; hereafter the same shall apply in this item) of a Special Metropolitan City, a Metropolitan City, a Special Self-Governing City, a Special Self-Governing Province, or a Si (excluding a case where the period set by Presidential Decree has not lapsed from the date on which the ranch area is included in the urban area);
  - (b) A ranch area owned by any corporation that does not run the livestock business as its main business;
4. Land, other than a farmland, forest land, or ranch area, except for any of the following land:
  - (a) Land exempt from property tax under the [Local Tax Act](#) or any relevant Act;
  - (b) Land subject to the aggregate taxation of property tax or the separate taxation under [Article 106 \(1\) 2 and 3 of the Local Tax Act](#);
  - (c) Land prescribed by Presidential Decree which has reasonable grounds to believe that such land is directly related to the business of a corporation, in consideration of its utilization status, fulfillment of duties imposed by any relevant Act, the revenue amount and other factors;
5. Land, the area of which exceeds an area computed by multiplying the multiple rate set by Presidential Decree by the area of land on which housing is built, among land attached to such housing as referred to in [Article 106 \(2\) of the Local Tax Act](#);
6. A residential building not used for ordinary residential purposes, but for recreational, summer vacation or amusement purposes (hereafter referred to as "vacation villa" in this subparagraph) and lands attached thereto: Provided, That the housing in a rural or fishing community and its attached land which meets the scope and standards prescribed by Presidential Decree are located in an Eup or Myeon provided for in [Article 3 \(3\) and \(4\) of the Local Autonomy Act](#) shall be excluded, and when the boundary of the land attached to a vacation villa is not definite, the land ten times the floor area of the housing shall be deemed the land attached to such vacation villa;
7. Land similar to the land provided for in subparagraphs 1 through 6, prescribed by Presidential Decree which has reasonable grounds to believe that such land is not directly related to the business of a corporation.
  - (3) In applying paragraph (1) 3, where any land becomes idle as its use is prohibited under any Act or subordinate statute or on the grounds of inevitability prescribed by Presidential Decree after its acquisition, such land may not be deemed idle, as prescribed by Presidential Decree.

- (4) Paragraph (1) shall not apply to any capital gains on transfer of any of the following land, etc.: Provided, That the same shall not apply to any capital gains on transfer of any unregistered land, etc.:
1. Income accruing from the disposal of land, etc. made by the adjudication of bankruptcy;
  2. Income accruing from the exchange, separation, or integration of farmland cultivated by a corporation in circumstances prescribed by Presidential Decree;
  3. Income accruing on the grounds prescribed by Presidential Decree, including a disposition to substitute taken in accordance with the [Act on the Maintenance and Improvement of Urban Areas and Dwelling Conditions for Residents](#) or other Acts.
- (5) "Unregistered land, etc." referred to in paragraphs (1) and (4) means the land, etc. that a corporation has acquired without registering its acquisition: Provided, That the land, etc. acquired on a long-term installment plan, the contract terms of which make it impossible to register its acquisition at the time it is acquired, and other land, etc. prescribed by Presidential Decree shall be excluded.
- (6) Capital gains on transfer of land, etc. shall be an amount computed by subtracting the book value thereof at the time of transfer from the transfer amount of land, etc.
- (7) For purposes of paragraphs (1) through (6), matters necessary for the scope of farmland, forest land, or ranch areas, the criteria for determining the main business, the method for calculating capital gains on transfer of land, etc. if any loss incurred from the transfer of such land, etc. during the relevant business year, and the business year in which any profit or loss generated from the transfer of land, etc. falls shall be prescribed by Presidential Decree.
- (8) Paragraph (1) 2 and 3 shall not apply to any gain accruing from the transfer of land, etc. by no later than December 31, 2012.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 56 Deleted.** <by Act No. 6558, Dec. 31, 2001> 

**Article 57 (Foreign Tax Credits, etc.)** 

- (1) Where the tax base of a domestic corporation for each business year includes any foreign source income, and the amount of foreign corporate tax prescribed by Presidential Decree on such foreign source income, (hereafter referred to as "amount of foreign corporate tax" in this Article) is paid or payable, the corporation may be entitled to apply for any of the following methods, notwithstanding subparagraph 1 of Article 21:
1. Deducting the amount of foreign corporate tax by up to the amount (hereafter referred to as "deduction limit" in this Article) computed by multiplying the amount of corporate tax for the relevant business year (excluding any amount of corporate tax on any capital gain on transfer of land, etc.) calculated under [Article 55](#) by the percentage of foreign source income to the tax base for the relevant business year (the percentage prescribed by Presidential Decree if the amount of tax is reduced or exempted under the [Restriction of Special Taxation Act](#) and other Acts and subordinate statutes) from the amount of corporate tax for the relevant business year;
  2. Including the amount of foreign corporate tax paid or payable on foreign source income, in deductible expenses, when calculating the amount of income for each business year.

- (2) Where the amount of foreign corporate tax exceeds the deduction limit paid or payable to a foreign government, such excess may be carried forward to each business year within five years from the start date of the business year following the relevant business year, and may be deducted within the scope of the deduction limit for each business year in which it is carried forward.
- (3) The amount equivalent to the amount of reduced or exempted corporate tax granted to a domestic corporation having foreign source income in a country which is a party to a tax treaty shall be deemed the amount of foreign corporate tax for which the domestic corporation is entitled to a tax credit or inclusion in deductible expenses under paragraph (1), within the scope stipulated by the relevant tax treaty.
- (4) Where the amount of income of a domestic corporation for each business year includes dividends or distribution of surpluses from a foreign subsidiary (hereafter referred to as "dividend income" in this Article), the amount of foreign corporate tax imposed on the amount, computed as prescribed by Presidential Decree, that is equivalent to the dividend income, among the amount of foreign corporate tax on the foreign subsidiary's income, shall be deemed the amount of foreign corporate tax for which the domestic corporation is entitled to a tax credit or inclusion in deductible expenses under paragraph (1). <Amended by Act No. 11128, Dec. 31, 2011>
- (5) "Foreign subsidiary" referred to in paragraph (4) means a foreign corporation that meets the requirements prescribed by Presidential Decree, in which a domestic corporation invests at least ten percent (referring to five percent in the case of a foreign corporation which carries on the overseas resources development business under [Article 22 of the Restriction of Special Taxation Act](#)) of its total number of outstanding stocks with voting rights or total investments.
- (6) Where the amount of income of a domestic corporation for each business year includes the dividend income from a foreign corporation and the investor domestic corporation, not the relevant foreign corporation, has a direct tax liability for the income of the foreign corporation in a case meeting the requirements prescribed by Presidential Decree, the amount computed, as prescribed by Presidential Decree, which is equivalent to the dividend income out of the amount of foreign corporate tax imposed on the investor domestic corporation shall be deemed the amount of foreign corporate tax for which the domestic corporation is entitled to a tax credit or inclusion in deductible expenses under paragraph (1).
- (7) Matters necessary for the method of calculating foreign source income, tax credits or inclusion in deductible expenses under paragraphs (1) through (6) shall be prescribed by Presidential Decree. <Amended by Act No. 11607, Jan. 1, 2013>

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 57-2 (Special Cases concerning Foreign Tax Credits for Indirect Investment Companies, etc.)**



- (1) Where any investment company, private equity fund or special purpose company referred to in the [Financial Investment Services and Capital Markets Act](#), and any corporate restructuring real estate investment company or trust management real estate investment company referred to in the [Real Estate Investment Company Act](#) (hereafter referred to as "indirect investment company, etc." in

this Article) has paid the foreign corporate tax (referring to the amount of foreign corporate tax referred to in [Article 57](#) (1) and (6) ) on its income accrued from its investment in foreign assets, it shall each pay tax due computed by subtracting the tax paid overseas in the relevant business year (it shall be up to the amount of tax computed by multiplying the tax rate under [Article 129 \(1\) 2 of the Income Tax Act](#) by the income accrued from the investment in foreign assets, and the amount in excess may be deemed nil) from the amount of the corporate tax of the relevant business year when filing a report on the tax base of the business year during which the relevant income is accrued, notwithstanding [Article 57](#).

- (2) Where the amount of tax paid by an indirect investment company, etc. in any foreign country for the relevant business year under paragraph (1) exceeds the corporate tax for the relevant business year, the indirect investment company, etc. may obtain a refund of such excess, as prescribed by Presidential Decree.
- (3) An investment trust company prescribed in the [Financial Investment Services and Capital Markets Act](#) shall be construed as a domestic corporation for the purposes of paragraphs (1) and (2). In such cases, "the business year" referred to in paragraph (1) shall be construed as "the accounting period of the investment trust" and "when filing a report on the tax base" shall be construed as "when settling accounts"
- (4) In applying paragraph (3), the amount of the corporate tax of the relevant business year shall be deemed nil for purposes of paragraph (1).
- (5) In applying paragraphs (3) and (4), a collective investment business entity that manage any investment trust property under the [Financial Investment Services and Capital Markets Act](#) shall be deemed to act on behalf of the relevant investment trust company.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

#### **Article 58 (Tax Credits for Losses from Disasters)**

- (1) Where a domestic corporation loses at least 20 percent of the total amount of assets prescribed by Presidential Decree for each business year (hereafter referred to as "total amount of assets" in this Article) due to any natural disaster or other accident (hereinafter referred to as "disaster") and it is deemed impractical for the corporation to pay tax, the amount (limited to the value of lost assets) calculated by multiplying any of the following amounts of corporate tax by the ratio of the value of the lost assets to the total amount of assets prior to the loss shall be deducted from the amount of tax. In such cases, the value of land shall not be included in the value of the assets:
  1. Corporate tax which is not imposed, or unpaid after imposition (including surcharges) as at the date of occurrence of the disaster;
  2. Corporate tax on income for the business year which includes the date of the occurrence of the disaster.
- (2) A domestic corporation that intends to obtain a tax credit under paragraph (1) shall file an application to the head of the tax office having jurisdiction over the place of tax payment, as prescribed by Presidential Decree.
- (3) Upon receipt of an application for a corporate tax credit (excluding those whose filing deadline has not passed) filed under paragraph (1) 1 under paragraph (2), the head of the

tax office having jurisdiction over the place of tax payment shall determine the amount of tax credit and notify the relevant corporation thereof.

- (4) For purposes of paragraphs (1) through (3), matters necessary for the tax credits for disasters, such as the calculation of the percentage of lost assets, shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 58-2 Deleted. <by Act No. 9924, Jan. 1, 2010>** 

**Article 58-3 (Tax Credits Based on Correction due to Wrongful Accounting)** 

- (1) If a domestic corporation has obtain a tax correction under [Article 66](#) (2) 4, the amount of tax overpaid shall be deducted, in sequential order, from the amount of corporate tax of each business year that ends within five years from the start date of the business year in which the correction date falls.
- (2) In applying paragraph (1), if a domestic corporation has any tax payable based on the revised return it has filed to correct the wrongful accounting in a business prior to the business year in which the correction date falls under [Article 45 of the Framework Act on National Taxes](#), the tax overpaid under paragraph (1) shall be first deducted from the tax payable.
- (3) Detailed methods and procedures relating to tax credits under paragraphs (1) and (2) shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 59 (Calculation of Amount of Tax Reductions/Exemptions and Tax Credits)** 

- (1) In applying this Act and other Acts, where the provisions governing corporate tax reductions and exemptions and the provisions governing tax credits apply simultaneously, they shall apply in the following orders, except as otherwise expressly provided in this Act. In such cases, where the sum of the amounts referred to in subparagraphs 1 and 2 exceeds the amount of corporate tax (excluding any corporate tax on capital gains on transfer of land, etc., and penalty tax) payable by a corporation, such excess may be deemed nil:
1. Tax reductions and exemptions (including exemptions) of the amount of tax on income for each business year;
  2. Tax credits which are not entitled to be carried forward;
  3. Tax credits which are entitled to be carried forward. In such cases, where both a tax credit granted during the relevant business year and a tax credit carried forward exist, the tax credit carried forward shall be first deducted;
  4. Tax credits referred to in [Article 58-3](#). In such cases, when both a tax credit and a tax credit carried forward exist, the tax credit carried forward shall be first deducted.
- (2) Where a tax reduction or exemption referred to in paragraph (1) 1 shall be the amount computed by multiplying the calculated amount of tax (excluding the amount of corporate tax on capital gains on transfer of land, etc.) by the percentage (referred to 100 percentage if it exceeds 100 percent) of the amount of the reduced or exempted income out of the tax base (in the case of a reduction or exemption, the amount computed by

multiplying such amount by the relevant reduction or exemption rate), except as otherwise expressly provided in.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

### SECTION 3 Reports and Payment

#### Article 60 (Filing Reports on Tax Bases, etc.)



- (1) A domestic corporation liable to pay tax shall file a report on the corporate tax base and the tax payable on income for the relevant business year within three months from the end date of the month in which the end date of each business year falls, to the head of the tax office having jurisdiction over the place of tax payment, as prescribed by Presidential Decree.
- (2) A report filed under paragraph (1) shall be accompanied by the following documents:
  1. A statement of financial position, a consolidated income statement, and an earned surplus settlement statement (or deficits settlement statement) of each domestic corporation prepared by applying mutatis mutandis corporate accounting standards;
  2. A tax settlement invoice prepared, as prescribed by Presidential Decree (hereinafter referred to as "tax settlement invoice");
  3. Other documents prescribed by Presidential Decree.
- (3) Paragraph (1) shall also apply where a domestic corporation has no income or has losses for each business year.
- (4) Where a domestic corporation is dissolved due to a merger or division and files a report pursuant to paragraph (1), the report shall be accompanied by the following documents:
  1. A statement of financial position of a merged corporation, divided corporation or a disappearing counterpart corporation to a division and merger as at the registration date of the merger or the registration date of the division and a detailed statement on the assets and liabilities succeeded to by a surviving corporation, etc. due to the merger or division;
  2. Other documents prescribed by Presidential Decree.
- (5) Where the documents referred to in paragraph (2) 1 and 2 are submitted along with a report filed under paragraph (1), the report shall not be construed as a report filed under this Act: Provided, That the same shall not apply to a non-profit domestic corporation which does not run profit-making business referred to in [Article 3](#) (3) 1 or 7.
- (6) Where there are errors or omissions in the report and other documents filed under paragraph (1) or (2), the head of the tax office having jurisdiction over the place of tax payment and the Commissioner of the competent Regional Tax Office may request the correction of such errors or omissions.
- (7) Notwithstanding paragraph (1), where a domestic corporation subject to audit by an auditor under [Article 2 of the Act on External Audit of Stock Companies](#) applies for an extension of the filing deadline, as prescribed by Presidential Decree, on the grounds that the settlement of accounts is not finalized because the audit of the relevant business year is not complete, the filing deadline may be extended by up to one month.
- (8) Where a domestic corporation granted an extension of the filing deadline under paragraph (7) pays the amount of tax, it shall also pay the amount calculated by applying the interest rate prescribed by Presidential Decree, in consideration of the interest rates charged by a financial company, etc. to the number of days of the extension. In such cases, the number of days of the extension means the number of days from the following

day of the filing deadline prescribed in paragraph (1) to the day a report is filed and payment is made (limited to where such report filed and payment is made by the extended deadline) or to the extended day.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 61 (Special Cases concerning Appropriation of Reserve Funds in Deductible Expenses)** 

- (1) Where a domestic corporation appropriates a reserve fund referred to in the [Restriction of Special Taxation Act](#) in the tax settlement invoice, or a non-profit domestic corporation subject to audit by an auditor under [Article 3 of the Act on External Audit of Stock Companies](#) appropriates a reserve fund for proper purpose business referred to in [Article 29](#) in the tax settlement invoice, and the relevant reserve fund is accumulated as reserves in disposing of the profits accruing during the relevant business year, such amount shall be deemed included in deductible expenses.
- (2) Matters necessary for the appropriation of a reserve fund in deductible expenses and the disposal of the amount of the reserve fund under paragraph (1) shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 62 (Special Cases concerning Filing Tax Bases of Non-Profit Domestic Corporations)** 

- (1) A non-profit domestic corporation may elect not to file a report on the tax base on interest income withheld under [Article 73](#), which is interest, discounts or profits referred to in [Article 3](#) (3) 2 (excluding profits from non-business loans referred to in [Article 16 \(1\) 11 of the Income Tax Act](#), and including investment trust proceeds; hereafter referred to as "interest income" in this Article), notwithstanding [Article 60](#) (1). In such cases, the interest income, the tax base of which is not reported shall be disregarded for the purpose of calculating the amount of income for each business year under Article 14.
- (2) Matters necessary for filing a tax corporate tax base on the interest income of a non-profit domestic corporation and the collection thereof under paragraph (1) shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 62-2 (Special Provisions concerning Taxation of Capital Gains on Transfer of Assets by Non-Profit Domestic Corporations)** 

- (1) Where a non-profit domestic corporation (excluding any non-profit domestic corporation that runs profit-making business referred to in [Article 3](#) (3) 1; hereafter the same shall apply in this Article) earns income accruing from the transfer of any of the following assets (hereafter referred to as "capital gains on

transfer of assets" in this Article), being the revenue provided in [Article 3 \(3\) 4 through 6](#), it may elect not to file a tax base, notwithstanding [Article 60 \(1\)](#). In such cases, income, the tax base of which is not filed shall be disregarded for the purpose of calculating the amount of income for each business year provided in [Article 14](#):

1. Stocks, etc. referred to in [Article 94 \(1\) 3 of the Income Tax Act](#), or stocks, etc. prescribed by Presidential Decree;
  2. Land or buildings (including facilities or structures attached to such buildings);
  3. Assets referred to in [Article 94 \(1\) 2 or 4 of the Income Tax Act](#).
- (2) An amount calculated by applying rates prescribed in each subparagraph of [Article 104 \(1\) of the Income Tax Act](#) to the tax base calculated by applying mutatis mutandis [Article 92 of the same Act](#) shall be paid as corporate tax on capital gains on transfer of assets, the tax base of which is not filed under paragraph (1). In such cases, [Article 55-2](#) shall not apply if tax rates weighted under [Article 104 \(4\) of the Income Tax Act](#) apply.
- (3) In applying paragraph (2), the tax base calculated by applying mutatis mutandis [Article 92 of the Income Tax Act](#) shall be the amount calculated by first deducting incurred expenses from the total income accruing from the transfer of assets (hereafter referred to as "transfer value" in this Article) and re-deducting the amounts provided in [Articles 95 \(2\) and 103 of the Income Tax Act](#) from the amount first deducted (hereinafter referred to as "transfer marginal profits").
- (4) [Articles 96 through 98](#) and [100 of the Income Tax Act](#) shall apply mutatis mutandis to the calculation of the transfer value, incurred expenses and transfer marginal profits referred to in paragraph (3): Provided, That where any non-profit corporation that has received the contribution of any asset which is not included in the taxable value of the inheritance tax or the taxable value of the gift tax under the [Inheritance Tax and Gift Tax Act](#) transfers any asset prescribed by Presidential Decree, the acquisition value of the relevant assets by the contributor thereof shall be the acquisition value of the relevant corporation and in the case of an organization deemed a corporation under [Article 13 \(2\) of the Framework Act on National Taxes](#), the acquisition value prior to obtaining approval therefor under the same paragraph shall be deemed the acquisition value.
- (5) [Articles 101](#) and [102 of the Income Tax Act](#) shall apply mutatis mutandis to the calculation of a tax base on capital gains on transfer of assets, and [Article 93 of the same Act](#) shall apply mutatis mutandis to the calculation of the amount of tax on income accruing from the transfer of assets.
- (6) The provisions governing the filing of a tax base, payment, determination, correction and collection of corporate tax on income for each business year in which the date of transfer of assets falls shall apply mutatis mutandis to the filing of a tax base, payment, determination, correction and collection of corporate tax referred to in paragraph (2), and such corporate tax shall be filed, paid, determined, corrected and collected being added to other corporate tax. In such cases, [Article 76 \(1\)](#) shall apply mutatis mutandis.
- (7) Corporate tax calculated under paragraph (2) shall be voluntarily paid upon filing a preliminary return on the tax base of capital gains by applying mutatis mutandis [Articles 105 through 107 of the Income Tax Act](#). In such cases, [Articles 112](#) and [112-2 of the Income Tax Act](#) shall apply mutatis mutandis.

- (8) Where any non-profit domestic corporation files a preliminary return on the tax base of capital gains under paragraph (7), it shall be deemed to have filed a tax base provided in paragraph (6): Provided, That if any non-profit domestic corporation falls under the proviso to [Article 110 \(4\) of the Income Tax Act](#), it shall file a the tax base provided in paragraph (6).
- (9) Matters necessary for applying the methods of special cases concerning capital gains on transfer of assets, etc. provided in paragraphs (1) through (8) shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 63**  
**(Interim**  
**Prepayment)**



- (1) A domestic corporation (excluding any educational foundation that runs a private school defined in [Article 3 of the Higher Education Act](#) and an industry-academia cooperation group referred to in the Industrial Education and Industry-Academia-Research Cooperation Promotion Act) with a business year exceeding six months (excluding the first business year after a corporation newly established without a merger or division) shall set a period of six months from the start date of the relevant business year as the interim prepayment period, and shall pay the amount computed by multiplying six by the amount computed by dividing the amount of tax (including penalty tax, but excluding the corporate tax on capital gains on transfer of land, etc. referred to in [Article 55-2](#)) determined as corporate tax for the business year immediately preceding the relevant business year less the following amounts by the number of months in the immediately preceding business year (hereinafter referred to as "interim tax") within two months after expiration of the interim prepayment period at the tax office having jurisdiction over the place of tax payment, the Bank of Korea (including its agent), or a postal office (hereinafter referred to as "tax office, etc. having jurisdiction over the place of tax payment"), as prescribed by Presidential Decree: Provided, That where a domestic corporation (excluding corporations referred to in the subparagraphs of [Article 51-2](#) (1)) liable to pay interim tax has no calculated amount of tax determined as corporate tax in the immediately preceding business year or where its amount of corporate tax for the immediately preceding business year is not determined by the end date of the relevant interim prepayment period, or where a corporation established through a division or a counterpart corporation to a division and merger starts the first business year after such division, such corporation shall compute interim tax and pay it, as prescribed in paragraph (5): <Amended by Act No. 11128, Dec. 31, 2011>
1. The amount of corporate tax reduced and exempted in the business year immediately preceding the relevant business year (excluding the amount deducted from income);
  2. The amount of withholding tax paid as corporate tax in the business year immediately preceding the relevant business year;
  3. The amount of occasionally imposed corporate tax paid in the business year immediately preceding the relevant business year.
- (2) Where a corporation established in the course of a merger pays the interim tax referred to in paragraph (1) for the first business year after its

establishment, the business year immediately preceding the business year which includes the registration date of the merger of the merged corporation shall be construed as the immediately preceding business year referred to in paragraph (1).

- (3) Where a corporation surviving a merger pays the interim tax referred to in paragraph (1) for the first business year after the merger, both the immediately preceding business year of the surviving corporation and the business year immediately preceding the business year which includes the registration date of the merger of the merged corporation shall be construed as the immediately preceding business year referred to in paragraph (1).
- (4) Where a corporation which ceases to be eligible for the consolidated tax return system under [76-9](#), [76-10](#) and [76-12](#) pays the interim tax referred to in paragraph (1) in the first business year in which it ceases to be eligible for the consolidated tax return system, the calculated tax for the immediately preceding consolidated business year by consolidated corporation as prescribed in [Article 76-15](#) (4) shall be construed as the calculated amount of tax which has been determined as corporate tax for the immediately preceding business year referred to in paragraph (1).
- (5) A domestic corporation liable to pay the interim tax under paragraph (1) may use the relevant interim prepayment period as one business year, and use the amount computed by deducting the following amounts from the amount of corporate tax calculated by applying the tax rates referred to in [Article 55](#) to the tax base calculated under [Articles 13 through 18](#), [18-2](#), [18-3](#), [19](#), [19-2](#), [20 through 30](#), [33 through 38](#), [40 through 42](#), [42-2](#), [43](#), [44](#), [44-2](#), [44-3](#), [45](#), [46](#), [46-2](#) through [46-5](#), [47](#), [47-2](#), [50](#), [51](#), [51-2](#), [52](#), [53](#), [53-2](#), [53-3](#) and [54](#), as the interim tax and pay it at the tax office, etc. having jurisdiction over the place of tax payment, notwithstanding the same paragraph. In such cases, the same shall not apply where the deadline for interim prepayment under paragraph (1) lapses, except in cases falling under the proviso to the main sentence of paragraph (1): <Amended by Act No. 11128, Dec. 31, 2011>
  1. The amount of tax reduced or exempted falling under the relevant interim prepayment period (excluding the amount deducted from income);
  2. The amount of withholding tax paid as corporate tax during the relevant interim prepayment period;
  3. The amount of occasionally imposed corporate tax during the relevant interim prepayment period.
- (6) Where the head of the tax office having jurisdiction over the place of tax payment deems it necessary, he or she may determine the interim tax for the relevant business year, not exceeding the amount of corporate tax for the immediately preceding business year of the relevant corporation (in cases falling under paragraph (5), the amount of the relevant interim tax divided by six and multiplied by the number of months in the relevant business year), as prescribed by Presidential Decree, notwithstanding paragraphs (1) through (5).
- (7) Where the amount of tax payable by a domestic corporation under paragraphs (1) and (5) exceeds 10,000,000 won, it may be paid in installments upon applying mutatis mutandis Article 64 (2).

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 64**  
**(Payment)**



- (1) A domestic corporation shall deduct the following amounts of corporate tax (excluding penalty tax) from the calculated amount of corporate tax on income for each business year and pay it as corporate tax on income for each business year by the filing deadline prescribed in [Article 60](#) at the tax office, etc. having jurisdiction over the place of tax payment:
  1. The amount of tax reduced or exempted for the relevant business year;
  2. The interim tax for the relevant business year under [Article 63](#);
  3. The amount of occasionally imposed tax for the relevant business year under [Article 69](#);
  4. The amount of withheld tax for the relevant business year under [Article 73](#).
- (2) Where the amount of tax payable by a domestic corporation under paragraph (1) exceeds 10,000,000 won, some of the tax payable may be paid in installments within one month (two months for small and medium enterprises referred to in [Article 25](#) (1) 1) after expiration of the payment deadline, as prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 65**  
**(Payment in Kind)** 

- (1) Where it is deemed impractical for a domestic corporation to pay in cash corporate tax on income accruing from the transfer of land, etc. for a public project subject to the [Act on Acquisition of and Compensation for Land, etc. for Public Works](#) to the operator of the public project or upon expropriation of land, etc. under the same Act and other Acts, it may pay the corporate tax with the bonds received as payment for the relevant land, etc.: Provided, That the same shall not apply to cases prescribed by Presidential Decree.
- (2) Matters necessary for those eligible for payment with bonds, the evaluation of the bonds and the procedures for payment under paragraph (1) and other matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**SECTION 4 Determination, Correction, and Collection**  
**Subsection 1 Determination and Correction of Tax Bases**

**Article 66**  
**(Determinations and Corrections)** 

- (1) Where a domestic corporation fails to file a report under [Article 60](#), the head of the tax office having jurisdiction over the place of tax payment or the Commissioner of the competent Regional Tax Office shall determine the tax base and amount of corporate tax on the income of the relevant corporation for each business year.
- (2) Where a domestic corporation that has filed a report under [Article 60](#) falls under any of the following cases, the head of the tax office having jurisdiction over the place of tax payment or the Commissioner of the competent Regional Tax Office shall correct the tax base and amount of corporate tax on the income of the relevant corporation for each business year: <Amended by Act No. 11873, Jun. 7, 2013>
  1. Where it has made errors or omissions in the details of the report;

2. Where it has failed to submit all or some payment statements referred to in [Article 120](#) or [120-2](#), or aggregate invoices for individual suppliers or purchasers referred to in [Article 121](#);
3. Where it is determined that the details of the report are unconscientiously, taking the scope of facilities or the business conditions into consideration, as provided by any of the following:
  - (a) Where a corporation meeting the membership eligibility for a credit card merchant referred to in [Article 117](#) (1) fails to become a credit card merchant as defined in the [Specialized Credit Finance Business Act](#) (limited to a corporation; hereinafter referred to as "credit card merchant"), without justifiable grounds;
  - (b) Where a credit card merchant refuses to take a credit card or issues a false credit card sales slip without justifiable grounds, in violation of [Article 117](#) (2);
  - (c) Where a corporation obligated to become a Cash Receipt merchant under [Article 117-2](#) (1) or a corporation designated to become a Cash Receipt merchant under [Article 46 \(4\) of the Value-Added Tax Act](#) fails to become a Cash Receipt merchant under [Article 126-3 of the Restriction of Special Taxation Act](#) (hereinafter referred to as "Cash Receipt merchant"), without justifiable grounds;
  - (d) Where a Cash Receipt merchant refuses to issue a Cash Receipt without justifiable grounds or issues a false Cash Receipt;
4. Where a domestic corporation, its auditor, or its certified public accountant has been subject to dispositions, such as a warning or attention prescribed by Presidential Decree because it overstated its revenue or assets, understated deductible expenses or liabilities or settles an account falsely when submitting a business report required under [Article 159 of the Financial Investment Services and Capital Markets Act](#) and an audit report required under [Article 8 of the Act on External Audit of Stock Companies](#), and the domestic corporation has applied for correction under [Article 45-2 of the Framework Act on National Taxes](#).
  - (3) The head of the tax office having jurisdiction over the place of tax payment or the Commissioner of the competent Regional Tax Office shall determine or correct the tax base and amount of corporate tax under paragraphs (1) and (2) based on the account books or other evidentiary documents: Provided, That where the amount of income cannot be calculated based on the account books or other evidentiary documents on the grounds prescribed by Presidential Decree, it may be estimated, as prescribed by Presidential Decree.
  - (4) Where any error or omission is found after the head of the tax office having jurisdiction over the place of tax payment or the Commissioner of the competent Regional Tax Office has determined or corrected the tax base and amount of corporate tax, he or she shall re-correct them immediately.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

#### **Article 67 (Disposal of Income)**

In filing a report on the corporate tax base on income for each business year under [Article 60](#) or determining or correcting the tax base of corporate tax under [Article 66](#) or [69](#), the amount included in the calculation of gross income shall be disposed of as a bonus, dividends, or other

outflows from or reserves held by the relevant company to the persons to whom it reverts, as prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 68 (Special Cases concerning Calculation of Tax Bases and Amount by Estimation)** 

Subparagraph 1 of [Article 13](#) and [Article 57](#) shall not apply where the tax base and amount of corporate tax is estimated under the proviso to [Article 66](#) (3): Provided, That this shall not apply where such tax base and amount are estimated, as prescribed by Presidential Decree, since the account books or other evidentiary documents are destroyed by a natural disaster or on other grounds.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 69**

**(Determination as to Occasional Imposition)**



- (1) Where the head of the tax office having jurisdiction over the place of tax payment or the Commissioner of the competent Regional Tax Office deems that a domestic corporation is likely to evade corporate tax in the business year due to the grounds (hereafter referred to as "grounds for occasional imposition" in this Article) prescribed by Presidential Decree, he or she may occasionally impose corporate tax on the domestic corporation (hereinafter referred to as "occasional imposition"). In such cases, the corporation shall also file a report on income for each business year under [Article 60](#).
- (2) For the purposes of paragraph (1), the period from the start date of the business year to the date on which the grounds for occasional imposition arise, shall be the period for occasional imposition: Provided, That the grounds for occasional assessment have arisen before the deadline for filing a report on the tax base, etc. under [Article 60](#) for the immediately previous business year (excluding where a report on the tax base for the immediately previous year is filed), the period for occasional imposition shall be the period from the start date of the immediately previous business year until the day the grounds for occasional imposition have arisen.
- (3) Matters necessary for occasional imposition under paragraph (1) shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 70 (Notification of Tax Base and Amount of Tax)** 

Where the head of the tax office having jurisdiction over the place of tax payment or the Commissioner of the competent Regional Tax Office determines or corrects the tax base and amount of corporate tax on income for each business year of a domestic corporation under [Article 53](#) or [66](#), he or she shall notify the relevant domestic corporation thereof, as prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Subsection 2 Collection, Refund, etc. of Tax**

**Article 71**

**(Collection and Refund)**



- (1) Where a domestic corporation fails to pay all or part of tax payable as corporate tax on income for each business year under [Article 64](#), the head of the tax office having jurisdiction over the place of tax payment shall collect the unpaid corporate tax in accordance with the [National Tax Collection Act](#). <Amended by Act No. 11607, Jan. 1, 2013>

- (2) Where a domestic corporation fails to pay all or part of interim tax payable under [Article 63](#), the head of the tax office having jurisdiction over the place of tax payment shall collect the unpaid interim tax in accordance with the [National Tax Collection Act](#): Provided, That where the corporation which fails to pay interim tax falls under the proviso to [Article 63](#) (1), the head of the tax office shall determine and collect the interim tax in accordance with the [National Tax Collection Act](#). <Amended by Act No. 11607, Jan. 1, 2013>
- (3) Where a withholding agent referred to in [Article 73](#) fails to withhold tax or to pay withheld tax by the payment deadline, the head of the tax office having jurisdiction over the place of tax payment shall, without delay, collect the sum of the amount of tax to be withheld and paid by a withholding agent and penalty tax added under [Article 47-5 \(1\) of the Framework Act on National Taxes](#) from the withholding agent as corporate tax: Provided, That where the withholding agent has failed to withhold tax and the relevant tax obligor has paid corporate tax, the head of such tax office shall only collect penalty tax from the withholding agent. <Amended by Act No. 11128, Dec. 31, 2011>
- (4) Where the amount of corporate tax (including penalty tax) collected as interim payment, occasionally imposed or withheld under [Article 63](#), [69](#), or [73](#) exceeds the amount of corporate tax on income for each business year, the head of the tax office having jurisdiction over the place of tax payment shall refund the excess or appropriate it for national taxes, surcharges, or disposition fees for collecting taxes in arrears under [Article 51 of the Framework Act on National Taxes](#).

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 72 (Refund  
by Retroactive  
Deduction of  
Losses)**



- (1) Where a small and medium enterprise under [Article 25](#) (1) 1 has losses incurred for each business year as prescribed in [Article 14](#) (2), it may apply for a refund of the amount calculated, as prescribed by Presidential Decree, up to the limit of corporate tax (referring to the amount of corporate tax prescribed by Presidential Decree) imposed on income during the business year immediately preceding the business year in which such losses incurred. In such cases, such losses shall be construed as the deducted amount in applying subparagraph 1 of [Article 13](#).
- (2) A domestic corporation which intends to obtain a refund of corporate tax under paragraph (1) shall file an application to the head of the tax office having jurisdiction over the place of tax payment until the filing deadline specified in [Article 60](#), as prescribed by Presidential Decree.
- (3) Upon receipt of an application under paragraph (2), the head of the tax office having jurisdiction over the place of tax payment shall, without delay, determine the amount of tax to be refunded and refund it under [Articles 51 and 52 of the Framework Act on National Taxes](#).
- (4) Paragraphs (1) through (3) shall apply only when a domestic corporation files a report on the tax base and amount of the corporate tax on income for the business year in which the losses incur and for the immediately preceding business year by the filing deadline specified in Article 60.
- (5) In any of the following cases, the head of the tax office having jurisdiction over the place of tax payment shall collect an amount computed by adding an amount equivalent to the

interest calculated, as prescribed by Presidential Decree, to the amount of tax to be refunded (the amount equivalent to the tax amount over-refunded in cases of subparagraphs 1 and 2) as corporate tax for the business year in which the relevant losses have been incurred: <Amended by Act No. 11607, Jan. 1, 2013>

1. Where losses have decreased after correcting the tax base and the amount of corporate tax for the business year in which the losses incurred after corporate tax was refunded, as prescribed in paragraph (3);
  2. Where the amount of tax to be refunded has decreased as a result of the rectification of the tax base for corporate tax for the business year immediately before the business year in which the losses were incurred;
  3. Where a corporation, other than small and medium enterprises defined in [Article 25](#) (1) 1, has received a refund of corporate tax.
- (6) Matters concerning the calculation of the amount of tax to be refunded by retroactive deduction of losses and other necessary matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 72-2 (Refund following Correction due to Wrongful Accounting)**



- (1) If any amount remains after granting a tax credit under [Article 58-3](#) or [59](#) in the process of making corrections under [Article 66](#) (2) 4, the head of the tax office having jurisdiction over the place of tax payment or the Commissioner of the competent Regional Tax Office shall immediately pay it as a refund and an additional refund.
- (2) In applying paragraph (1), if the relevant domestic corporation dissolves (excluding a dissolution by a merger or division), corporate tax payable on the liquidation income referred to in [Article 77](#) shall be first deducted from the relevant refund, and the remainder shall be refunded immediately.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 73 (Withholding)**



- (1) When a person (hereafter referred to as "withholding agent" in this Article) pays a domestic corporation any of the following amounts (including revenues of a corporation that operates the financial insurance business; however, excluding those prescribed by Presidential Decree, such as income to be paid to financial companies, etc. prescribed by Presidential Decree and income, etc. on which corporate tax is not imposed or which is exempt from corporate tax) shall withhold corporate tax equivalent to the amount calculated by applying the tax rate of 14 percent (25 percent in the case of profits accruing from a non-business loan referred to in [Article 16 \(1\) 11 of the Income Tax Act](#)) to the amount payable and shall pay it at the tax office, etc. having jurisdiction over the place of tax payment by no later than the tenth day of the month following the month in which the date of collection falls: <Amended by Act No. 10423, Dec. 30, 2010>
1. The amount of interest income referred to in [Article 127 \(1\) 1 of the Income Tax Act](#);
  2. The amount of dividends referred to in [Article 127 \(1\) 2 of the Income Tax Act](#) (limited to profits from an investment trust (hereafter referred to as "investment trust" in paragraph

- (8)) referred to in the [Financial Investment Services and Capital Markets Act](#) among the profits from collective investment schemes referred to in [Article 17 \(1\) 5 of the Income Tax Act](#)).
- (2) The amount of income referred to in the subparagraphs of paragraph (1) shall be deemed to have been paid to no one at the time such amount of income reverts to any investment trust property under the [Financial Investment Services and Capital Markets Act](#) in applying the same paragraph. <Amended by Act No. 10423, Dec. 30, 2010>
  - (3) Deleted. <by Act No. 9267, Dec. 26, 2008>
  - (4) Any acts done by a person representing or commissioned by a withholding agent shall be deemed the acts done by the principal or his or her delegate within the scope of the delegation or commission for purposes of paragraph (1). <Amended by Act No. 10423, Dec. 30, 2010>
  - (5) Where a financial company, etc. prescribed by Presidential Decree assumes charge of or trades bills or debt certificates issued by a domestic corporation (including a resident; hereafter the same shall apply in this paragraph) or brokers or make such transactions on behalf of the corporation pursuant to paragraph (1), the financial company, etc. shall be deemed to have the agency or commission relationship with the domestic corporation for purposes of paragraph (1). <Amended by Act No. 10423, Dec. 30, 2010>
  - (6) Where a foreign corporation pays a domestic corporation income specified in paragraph (1) 1 and 2 from bonds or securities issued by the foreign corporation, a person who acts as an agent of the foreign corporation for such payment in the Republic of Korea or a person to whom the authority for such payment is delegated or entrusted shall withhold the corporate tax on the income in accordance with paragraph (1). <Newly Inserted by Act No. 11607, Jan. 1, 2013>
  - (7) Any withholding agent prescribed by Presidential Decree, in consideration of the number of regular employees and categories of business, may pay the withheld corporate tax by the tenth day of the month following the last month of the semiannual period which includes the withholding date, as prescribed by Presidential Decree, notwithstanding paragraph (1). <Amended by Act No. 10423, Dec. 30, 2010>
  - (8) Where a domestic corporation sells (including brokering, arranging, or other cases prescribed by Presidential Decree, but excluding trading of repurchase bonds, etc. or other cases prescribed by Presidential Decree; hereafter the same shall apply in this Article and [Article 74](#)) bonds, etc. under [Article 46 \(1\) of the Income Tax Act](#) or beneficiary certificates of an investment trust (excluding any bonds, securities, etc. prescribed by Presidential Decree which is untaxed or exempt from the corporate tax; hereinafter referred to as "bonds, etc. subject to withholding tax") during the calculation period of the interest and discounts accrued or generated from such bonds, etc. and the profits from the investment trust (hereafter referred to as "interest, etc." in this paragraph and [Article 98-3](#)), the domestic corporation shall withhold the corporate tax from the interest, etc. accruing during the holding period of the bonds, etc. subject to withholding tax, as prescribed by Presidential Decree, on behalf of the withholding agent. In such cases, this Act shall apply to such corporation, deeming it a withholding agent. <Amended by Act No. 10423, Dec. 30, 2010>
  - (9) For the purposes of paragraph (1), (2), (4), (5), (7) or (8), the timing for payment of interest income, scope and calculation of the amount of income subject to withholding corporate tax, calculation and payment of withholding tax, scope of withholding agents, calculation of the holding period of bonds, etc. subject to withholding tax and other

related matters shall be prescribed by Presidential Decree. <Amended by Act No. 10423, Dec. 30, 2010>

**Article 74 (Issuance of Withholding Receipts)** 

- (1) Where a withholding agent withholds corporate tax from a tax obligor under [Article 73](#), the withholding agent shall issue a withholding receipt to the tax obligor, as prescribed by Presidential Decree.
- (2) For the purposes of paragraph (1), the relevant corporation shall be deemed a tax obligor when a withholding agent has paid the corporate tax on the amount equivalent to the interest accruing from the sale of bonds, etc. subject to withholding tax pursuant to [Article 73](#) (8) in the capacity of the tax obligor.
- (3) Matters necessary for issuing withholding receipts under paragraph (1) shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 75 (Non-Collection of Small Amounts)** 

Where the amount of corporate tax withheld under [Article 73](#) (1) is less than 1,000 won, such corporate tax shall not be collected. <Amended by Act No. 11128, Dec. 31, 2011; Act No. 11607, Jan. 1, 2013>

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 76**

**(Penalty Tax)** 

- (1) If a domestic corporation fails to fulfill its obligation to keep accounting records books under [Article 112](#) when corporate tax on income for each business year is collected under [Article 71](#), the head of the tax office having jurisdiction over the place of tax payment shall collect, as corporate tax, the calculated amount of tax (excluding the amount of the corporate tax on capital gains on transfer of land, etc.; hereafter the same shall apply in this paragraph) determined by the head of the tax office having jurisdiction over the place of tax payment plus an amount equivalent to 20 percent thereof (referring to the amount equivalent to 7/10,000 of the revenue where such amount is less than 7/10,000 of the revenue of the relevant corporation or the calculated amount of tax is nil): Provided, That the same shall not apply to non-profit domestic corporations. <Amended by Act No. 10423, Dec. 30, 2010>
- (2) Deleted. <by Act No. 11128, Dec. 31, 2011>
- (3) Where a domestic corporation obligated to submit the detailed statement on shareholders, etc. (hereafter referred to as "detailed statement" in this paragraph) under [Article 109](#) (1) or the latter part of [Article 111](#) (1) falls under any of the following cases, the head of the tax office having jurisdiction over the place of tax payment shall collect an amount equivalent to 5/1,000 of the par value (referring to an amount calculated by dividing the capital of a corporation that issues non-par value stocks by the total number of the outstanding stocks in case of the non-par value stocks: the same shall apply in this Article hereafter) of the stocks, etc. held by the relevant shareholders, etc. or the investment value, in addition to the corporate tax for the business year in which the date of establishment falls. In such cases, penalty tax shall be collected although the calculated amount of tax is nil: <Newly Inserted by Act No. 11128, Dec. 31, 2011; Act No. 11607, Jan. 1, 2013>

1. Where it fails to submit the detailed statement;

2. Where it submits the detailed statement which omits all or some details of the shareholders, etc.;
3. Where the submitted detailed statement falls under unclear circumstances prescribed by Presidential Decree.
- (4) Deleted. <by Act No. 9267, Dec. 26, 2008>
- (5) Where a corporation (excluding any corporation prescribed by Presidential Decree) is provided with goods or services in connection with its business from a business operator prescribed by Presidential Decree and fails to receive evidentiary documents under the subparagraphs of [Article 116](#) (2) or receives false evidentiary documents, except in cases to which the proviso to the same paragraph is applied, the head of the tax office having jurisdiction over the place of tax payment shall collect an amount equivalent to two percent of the amount for which the evidentiary documents are not received or the false evidentiary documents are received, in addition to the corporate tax. In such cases, penalty tax shall be collected although the calculated amount of tax is nil. <Amended by Act No. 10423, Dec. 30, 2010>
- (6) Where any change occurs in stocks, etc. during a business year and a domestic corporation obligated to submit a detailed statement of changes in stocks, etc. under [Article 119](#) (hereafter referred to as "detailed statement" in this Article) falls under any of the following cases, the head of the tax office having jurisdiction over the place of tax payment shall collect an amount equivalent to two percent of the face value or investment value of the stocks, etc, the detailed statement on which is not submitted or is omitted or unclearly submitted, in addition to the corporate tax. In such cases, penalty tax shall be collected although the calculated amount of tax is nil: <Amended by Act No. 10423, Dec. 30, 2010>
  1. Where it fails to submit the detailed statement;
  2. Where it submits a statement which omits the state of fluctuation;
  3. Where the detailed statement submitted falls under unclear circumstances prescribed by Presidential Decree.
- (7) Where a domestic corporation obligated to submit a payment statement under [Article 120](#) or [120-2](#) of this Act or under [Article 164](#) or [164-2 of the Income Tax Act](#) fails to submit it by the submission deadline, or the payment statements submitted under the same Article falls under unclear circumstances prescribed by Presidential Decree, the head of the tax office having jurisdiction over the place of tax payment shall collect an amount equivalent to two percent of the payment for which the statement is not submitted or the payment for which the unclear statement was submitted, in addition to the corporate tax. In such cases, a penalty tax shall be collected although the calculated amount of tax is nil. <Amended by Act No. 10423, Dec. 30, 2010; Act No. 11128, Dec. 31, 2011>
- (8) Deleted. <by Act No. 11128, Dec. 31, 2011>
- (9) Where a corporation (excluding any corporation prescribed by Presidential Decree) falls under any of the following cases, the head of the tax office having jurisdiction over the place of tax payment shall collect an amount equivalent to 1/100 (referring to 2/100 in cases under subparagraph 4) of the supply value, in addition to the corporate tax. In such cases, penalty tax shall be collected even where the calculated amount of tax is nil, but the foregoing shall not apply to the portions on which penalty tax is imposed under any provision of [Article 60 \(2\), \(3\), and \(5\) through \(7\) of the Value-Added Tax](#)

Act: <Amended by Act No. 10423, Dec. 30, 2010; Act No. 11128, Dec. 31, 2011; Act No. 11607, Jan. 1, 2013; Act No. 11873, Jun. 7, 2013>

1. Where all or some matters to be stated as prescribed by Presidential Decree on the invoice, etc. issued under [Article 121](#) (1) or (2) are not stated thereon, or they are falsely stated: Provided, That the portion to which subparagraph 2 applies shall be excluded;
2. Where an aggregate invoice for individual suppliers or purchasers referred to in [Article 121](#) (5) is not submitted by the deadline specified under the same Article, or all or some matters to be stated as prescribed by Presidential Decree on such aggregate invoice are not stated thereon or they are falsely stated: Provided, That the sales price or purchase price of the portion to which subparagraph 4 applies shall be excluded;
3. Where an aggregate tax invoice for individual suppliers referred to in [Article 120-3](#) (1) is not submitted by the deadline specified under the same Article, or where all or some matters to be stated as prescribed by Presidential Decree are not stated or falsely stated on such aggregate tax invoice for individual suppliers: Provided, That the purchase price of the portion to which subparagraph 4 applies shall be excluded;
4. In any of following cases:
  - (a) Where a person who provides goods or services fails to issue an invoice, etc. (hereafter referred to as "invoice, etc" in this subparagraph) referred to in [Article 121](#) (1) or (2);
  - (b) Where a person issues an invoice, etc. without providing goods or services;
  - (c) Where a person is issued an invoice, etc. without being provided with goods or services;
  - (d) Where a corporation that has actually provided goods or services issues an invoice, etc. under the name of a corporation that has not provided goods or services;
  - (e) Where a person who has been provided with goods or services and is issued an invoice, etc. under the name of a corporation, other than the corporation which has actually provided goods or services.
- (10) Where a person who issues any donation receipt under [Article 112-2](#) issues a false donation receipt (including cases where such person issues a donation receipt without stating any essential fact, such as the donated amount or the personal information of a donor; hereafter the same shall apply in this paragraph) or fails to compile and keep the details on the issuance of donation receipts for each donating corporation, the head of the tax office having jurisdiction over the place of tax payment shall collect any of the following amounts, in addition to the calculated or determined amount of tax. In such cases, penalty tax shall be collected even where the calculated or determined amount of tax is nil, but subparagraph 2 shall not apply where penalty tax is imposed on the ground that a person fails to fulfill its obligation to submit a report under [Article 78 \(3\) of the Inheritance Tax and Gift Tax Act](#) or fails to fulfill its obligation to prepare and keep accounting books for donated assets under paragraph (5) of the same Article: <Amended by Act No. 10423, Dec. 30, 2010>
  1. In the case of donation receipts:
    - (a) If the donated amount stated in a receipt is not correct: An amount equivalent to 2/100 of the difference (referring to the difference between the amount actually stated in the receipt (or the amount by which a person to whom such donation

receipt included a donation as an deductible expense, if the receipt has no amount) and the amount that should have been stated in the receipt);

- (b) In any cases other than those under item (a), such as the case where personal information, etc. of the donator is stated falsely in a receipt: An amount equivalent to 2/100 of the amount stated in the receipt;
2. In the case of the details of the issuance of the donation receipts by donating corporation: An amount equivalent to 2/1,000 of the amount for which the accounting book is not prepared and kept.
- (11) Where a credit card merchant refuses a transaction by credit card or issues a false credit card sales slip, the head of the competent tax office shall additionally collect, as the corporate tax, an amount (it shall be five thousands won if the amount is less than five thousand won) equivalent to five percent the amount, the payment of which by credit card is refused for each transaction, or of the amount (referring to the difference between the issued amount and the actually transacted amount) with relation to which a false credit card sales slip is issued, which is notified by the head of the competent tax office with respect to the transactions made in the relevant business year under [Article 117](#) (4). In such cases, penalty tax shall be collected although the calculated amount of tax is nil. <Amended by Act No. 10423, Dec. 30, 2010>
- (12) Where a corporation obligated to become a Cash Receipt merchant under [Article 117-2](#) (1) fails to become a Cash Receipt merchant or a Cash Receipt merchant refuses to issue a Cash Receipt for the amount of 5,000 won or more for each transaction or issues a false Cash Receipt, the following applicable amounts shall be additionally collected as corporate tax. In such cases, penalty tax shall be collected although the calculated amount of tax is nil: <Amended by Act No. 10423, Dec. 30, 2010>
1. Where it fails to become a Cash Receipt merchant: an amount computed by multiplying an amount equivalent to one percent of the revenue generated in the business year for which it has failed to become such merchant (limited to the revenue generated from the type of business prescribed by Presidential Decree if the corporation runs two or more types of business) by the ratio, calculated prescribed by Presidential Decree, in consideration of the period in which it has failed to become such merchant;
2. Where it refuses to issue a Cash Receipt or issues a false Cash Receipt, an amount (it shall be five thousand won where the amount is less than five thousand won) equivalent to five percent of each amount for which the issuance of the Cash Receipt is refused, or of each amount for which a false Cash Receipt is issued (referring to the difference between the issued amount and the actually transacted amount), which is notified by the head of the competent tax office with respect to the transactions made in the relevant business year under the latter part of [Article 117-2](#) (6).

## **CHAPTER II CORPORATE TAX ON INCOME OF DOMESTIC CORPORATION FOR EACH BUSINESS YEAR**

### **SECTION 1 Tax Base and Calculation**

**Articles 76-2 and 76-3 Deleted.** <by Act No. 10423, Dec. 30, 2010> 

### **SECTION 2 Calculation of Amount of Tax**

**Articles 76-4 through 76-6 Deleted.** <by Act No. 10423, Dec. 30, 2010> 

### **SECTION 3 Reports and Payment**

**Article 76-7 Deleted.** <by Act No. 10423, Dec. 30, 2010> 

## **CHAPTER II CORPORATE TAX ON INCOME OF DOMESTIC CORPORATION FOR EACH BUSINESS YEAR**

### **SECTION 1 Tax Base and Calculation**

**Article 76-8**  
**(Application, etc. of**  
**Consolidated Tax**  
**Return System)**



- (1) A domestic corporation that wholly controls another domestic corporation (excluding a corporation prescribed by Presidential Decree, such as a non-profit corporation; hereafter referred to as "wholly-owning parent corporation" in this paragraph) and the other domestic corporation (excluding a corporation prescribed by Presidential Decree, such as a corporation in the process of liquidation; hereafter referred to as "wholly controlled subsidiary" in this Chapter) may apply the consolidated tax return system with approval of the Commissioner of the competent Regional Tax Office having jurisdiction over the place of tax payment of the wholly-owning parent corporation, as prescribed by Presidential Decree. In such cases, if wholly-controlled subsidiaries are two or more, all related corporations shall apply the consolidated tax return system. <Amended by Act No. 11607, Jan. 1, 2013>
- (2) The business year of each consolidated corporation to which the consolidated tax return system applies under paragraph (1) shall coincide with the consolidated business year. In such cases, the period of a consolidated business year shall not exceed one year, and [Article 7](#) shall apply mutatis mutandis to changes of a consolidated business year.
- (3) In applying paragraph (2), if a domestic corporation that meets the requirements prescribed by Presidential Decree as a wholly controlled subsidiary that cannot make its business year coincide with the consolidated business year because the business year (hereafter referred to as "original business year" in this Article, [Articles 76-9](#) and [76-10](#)) is prescribed in any Act or subordinate statute, it may apply the consolidated tax return system, deeming the consolidated business year to be the business year of such domestic corporation.
- (4) Notwithstanding [Article 9](#) (1), the place of tax payment of a consolidated corporation shall be the place of tax payment of the consolidated parent corporation.
- (5) "Wholly controls or wholly controlled" used in subparagraph 9 of [Article 1](#) and in this Chapter means cases where a domestic corporation wholly owns (excluding stocks not exceeding five percent of the total number of outstanding stocks prescribed by Presidential Decree, such as stocks, etc. acquired by workers through an employee stock ownership association defined in subparagraph 4 of [Article 2 of the Framework Act on Labor Welfare](#); hereafter the same shall apply in this paragraph) the total number of outstanding stocks (referring to the total amount of investment in the case of a corporation that is not a stock company; including non-voting stocks; hereafter the same shall apply in this paragraph) of another domestic corporation, and cases where the sum of stocks, etc. of another domestic corporation held by the domestic corporation and its wholly controlled subsidiary is equal to the total number of outstanding stocks of such another domestic corporation.
- (6) If any of the following mergers, divisions or comprehensive exchanges or transfers of stocks occurs, the consolidated tax payment system may be applied only to the consolidated business year in which the date of merger, division, exchange or transfer falls, notwithstanding paragraph (2), [Articles 76-11](#) (1) and [76-12](#) (1): <Amended by Act No. 11128, Dec. 31, 2011>

1. A qualified merger between consolidated parent corporations to which the consolidated tax payment system applies under paragraph (1);
2. Comprehensive exchange or transfer of stocks between consolidated parent corporations to which the consolidated tax payment system applies under paragraph (1) (limited to where the tax deferral is granted under [Article 38 of the Restriction of Special Taxation Act](#));
3. A qualified division of a consolidated parent corporation to which the consolidated tax payment system applies under paragraph (1).

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 76-9 (Revocation  
of Approval for  
Applying Consolidated  
Tax Return System)**



- (1) In any of the following cases, the Commissioner of the competent Regional Tax Office having jurisdiction over the place of tax payment of a consolidated parent corporation may revoke approval for applying the consolidated tax return system, as prescribed by Presidential Decree: <Amended by Act No. 11607, Jan. 1, 2013>
  1. Where the business year of a consolidated corporation does not coincide with the consolidated business year;
  2. Where a consolidated parent corporation applies the consolidated tax return system to a domestic corporation it wholly controls;
  3. Where the consolidated tax return system is not applied to a wholly controlled subsidiary of a consolidated parent corporation;
  4. Where it is impracticable to calculate the amount of income of a consolidated corporation based on accounting books or other evidentiary documents due to the grounds referred to in the proviso to [Article 66](#) (3);
  5. Where there are grounds to occasionally impose corporate tax on a consolidated corporation as prescribed in [Article 69](#) (1).
- (2) The consolidated tax return system shall not apply to a consolidated corporation for which approval for applying the consolidated tax return system is revoked under paragraph (1) in the business year in which the date of revocation falls and to the business year that ends within four years from the start date of the following business year by deeming the same corporation at the time of application of the consolidated tax return system to be the consolidated parent corporation.
- (3) Where approval for applying the consolidated tax return system is revoked under paragraph (1), an amount prescribed by Presidential Decree that reverts to each consolidated corporation among the amounts referred to in [Article 76-13](#) (1) 1 shall be deemed losses under subparagraph 1 of [Article 13](#) of the relevant consolidated corporation.
- (4) Where approval for applying the consolidated tax return system is revoked under paragraph (1), the interim tax for each consolidated corporation referred to in [Article 76-18](#) (4) among the consolidated interim tax paid under the same Article shall be deemed the interim tax referred to in [Article 64](#) (1) 2 for the purposes of [Article 61](#) (1).
- (5) Where approval for a consolidated corporation to which consolidated tax return system applies under [Article 76-8](#) (3) to apply the consolidated tax return system is revoked

under paragraph (1), the period from the start date of the consolidated business year in which the date of revocation falls to the end date of the consolidated business year, and the period from the day following the end date of the consolidated business year in which the date of revocation falls to date preceding the start date of the original business year shall be deemed one business year, respectively.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 76-10  
(Abandonment of  
Consolidated Tax  
Return System)**



- (1) A consolidated corporation which intends to abandon the application of the consolidated tax return system shall file a report to the Commissioner of the competent Regional Tax Office having jurisdiction over the place of tax payment of the consolidated parent corporation by no later than three months before the beginning of the business year to which it intends to stop applying the consolidated tax return system, as prescribed by Presidential Decree: Provided, That a consolidated corporation shall not abandon the application of the consolidated tax return system during a period from the consolidated business year to which the consolidated tax return system is first applied and to the consolidated business year that ends within four years from the first date of the consolidated business year immediately following the first consolidated business year. <Amended by Act No. 11607, Jan. 1, 2013>
- (2) [Article 76-9](#) (2) and (3) shall apply mutatis mutandis where the application of the consolidated tax return system is abandoned under paragraph (1). In such cases, "the business year in which the date of revocation falls" in [Article 76-9](#) (2) shall be construed as "the first business year to which the consolidated tax return system does not apply."
- (3) Where a consolidated corporation to which the consolidated tax return system applies under [Article 76-8](#) (3) abandons the application of the consolidated tax return system under paragraph (1), the period from the day following the end date of a consolidated business year in which the filing date of report to the Commissioner of the competent Regional Tax Office having jurisdiction over the place of tax payment of the consolidated parent corporation under paragraph (1) falls to the date preceding the start date of the original business year shall be deemed one business year. <Amended by Act No. 11607, Jan. 1, 2013>

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 76-11 (Addition  
of Consolidated  
Subsidiary  
Corporations)**



- (1) Where a consolidated parent corporation starts to wholly control another domestic corporation, the domestic corporation shall apply the consolidated tax return system from the consolidated business year following the consolidated business year in which the consolidated parent corporation starts to wholly control the domestic corporation.
- (2) Notwithstanding paragraph (1), a domestic corporation wholly controlled by a consolidated parent corporation from the registration date of its establishment shall

apply the consolidated tax return system from the business year in which the registration date of establishment falls.

- (3) Where any change occurs to a consolidated subsidiary corporation as prescribed in paragraphs (1) and (2), the relevant consolidated parent corporation shall file a report thereon to the Commissioner of the competent Regional Tax Office having jurisdiction over the place of tax payment, as prescribed by Presidential Decree within one month. <Amended by Act No. 11607, Jan. 1, 2013>

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 76-12  
(Exclusion of  
Consolidated  
Subsidiary  
Corporations)**



- (1) A consolidated subsidiary corporation which ceases to be wholly controlled by a consolidated parent corporation or a dissolved consolidated subsidiary corporation shall not apply the consolidated tax return system from the start date of the consolidated business year in which the relevant grounds arose: Provided, That where a consolidated subsidiary corporation is dissolved upon being merged by absorption into another consolidated corporation, it may not apply the consolidated tax return system for the business year in which the registration date of the dissolution falls. <Amended by Act No. 11128, Dec. 31, 2011>
- (2) [Articles 76-9](#) (2) through (5) shall apply mutatis mutandis where the consolidated tax return system is not applied under the main sentence of paragraph (1). <Amended by Act No. 11128, Dec. 31, 2011>
- (3) Where there occurs any changes in consolidated subsidiary corporations as prescribed in paragraph (1), [Article 76-11](#) (3) shall apply mutatis mutandis to filing a report on such change. <Newly Inserted by Act No. 11128, Dec. 31, 2011>

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**SECTION 2 Calculation of Amount of Tax**

**Article 76-13 (Tax Base)**



- (1) The tax base of income for each consolidated business year shall be an amount computed by subtracting the following amounts in sequential order from the income for each consolidated business year: <Amended by Act No. 10423, Dec. 30, 2010>
1. Losses (including losses incurred before application of the consolidated tax return system by a consolidated corporation) incurred in a consolidated business year that began within ten years prior to the start date of each consolidated business year, which was not deducted when the tax base for each consolidated business year (including a business year) was calculated thereafter;
  2. The sum of all non-taxable income of each consolidated corporation under this Act and the [Restriction of Special Taxation Act](#);
  3. The sum of income deductions of each consolidated corporation under this Act and the [Restriction of Special Taxation Act](#).

- (2) "Losses incurred in a consolidated business year" referred to in paragraph (1) 1 means the relevant amount if the income for each consolidated business year under [Article 76-14](#) (1) is less than zero, which are losses included in the tax base reported under [Article 60](#), determined and corrected under [Article 66](#) or reported for revision under [Article 45 of the Framework Act on National Taxes](#), and losses on disposition not included in the deductible expenses when calculating the amount of income of the relevant consolidated business year under the second sentence of [Article 76-14](#) (2). <Amended by Act No. 10423, Dec. 30, 2010>
- (3) Where losses are deducted under paragraph (1) 1, the following losses shall be deducted up to the amount specified in the relevant subparagraph: <Amended by Act No. 10423, Dec. 30, 2010; Act No. 11128, Dec. 31, 2011>
1. Losses incurred before the application of the consolidated tax return system by a consolidated corporation: The amount of income prescribed by Presidential Decree (hereafter referred to as "individually reverted amount of consolidated income" in this Article) that reverts to the consolidated corporation among income for each consolidated business year;
  2. Where a consolidated parent corporation acquires the assets of a merged corporation following a qualified merger, losses referred to in subparagraph 1 of [Article 13](#) of the merged corporation (limited to a corporation, other than a consolidated corporation as at the registration date of the merger) as at the registration date of the merger: Income accruing from the business succeeded to from the merged corporation among the individually reverted amount of consolidated income of the consolidated parent corporation;
  3. Where a consolidated parent corporation acquires the assets of a disappearing divided corporation following a qualified division and merger, the amount that reverts to the business succeeded to by the consolidated parent corporation among the losses referred to in subparagraph 1 of [Article 13](#) of the disappearing divided corporation as at the registration date of the division: Income accruing from the business succeeded to from the disappearing divided corporation among the individually reverted amount of consolidated income of the consolidated parent corporation;
- (4) Deleted. <by Act No. 10423, Dec. 30, 2010>
- (5) Matters necessary for losses, non-taxable income and deduction of income deductions under paragraph (1) and other matters shall be prescribed by Presidential Decree. <Amended by Act No. 10423, Dec. 30, 2010>

[This Article Newly Inserted by Act No. 9267, Dec. 26, 2008]

**Article 76-14 (Income for Each Consolidated Business Year)**



- (1) The income for each consolidated business year shall be the sum total of the income or losses calculated in the following order by each consolidated corporation: <Amended by Act No. 11128, Dec. 31, 2011>
1. Calculation of income for each business year by consolidated corporation: Calculation of income or losses for each business year of each consolidated corporation under [Article 14](#);

2. Exclusion of consolidation adjustment items by consolidated corporation: An amount equivalent to the dividend income of each consolidated corporation that has not been included in gross income under [Articles 18-2](#) and [18-3](#) shall be included in gross income, and an amount equivalent to the donations and entertainment expenses that have not been included in the deductible expenses under [Articles 24](#) and [25](#) shall be included in deductible expenses;
  3. Adjustment of profits and losses from transactions between consolidated corporations: An amount equivalent to the dividend amount received by a consolidated corporation from another consolidated corporation shall not be included in gross income, an amount equivalent to entertainment expenses paid to another consolidated corporation and an amount equivalent to allowances for bad debts under [Article 34](#) established in relation to claims to another consolidated corporation shall not be included in deductible expenses and income or losses from the transfer of assets prescribed by Presidential Decree, such as fixed assets, shall not be included in the gross income or deductible expenses, as prescribed by Presidential Decree;
  4. Allocation of consolidation adjustment items to each consolidated corporation: An amount not included in the gross income or deductible expenses shall be first calculated by applying mutatis mutandis [Articles 18-2](#), [18-3](#), [24](#) and [25](#), deeming a consolidated group to be one domestic corporation and the amount calculated as prescribed by Presidential Decree among the calculated amount shall not be included in the gross income or deductible expenses by consolidated corporation.
- (2) The following losses from disposition of assets shall be included in the deductible expenses up to the following applicable amounts when the amount of income of the relevant consolidated business year is calculated. In such cases, losses from disposition not included in the deductible expenses shall be construed as losses referred to in [Article 76-13](#) (1) 1 and shall be deducted from the tax base for the following consolidated business year up to the following applicable amounts: <Amended by Act No. 11128, Dec. 31, 2011>
1. Where a consolidated parent corporation qualifiedly merges (including a qualified division and merger conducted to a consolidated parent corporation as a counterpart corporation to the division and merger) with another domestic corporation (limited to a corporation, other than a consolidated corporation as at the registration date of a merger), losses from disposition of the assets succeeded to from a merged corporation incurred in the consolidated business year that ends within five years from the registration date of the merger: The amount of income accruing from the business succeeded to from the merged corporation (including the divided corporation; hereafter the same shall apply in this Article) among the individually reverted amount of consolidated income of the consolidated parent corporation (referring to the amount of income before deduction of the relevant losses from disposition, however, the same shall not apply where the second sentence of paragraph (2) is applied);
  2. Where the consolidated tax return system is applied to a domestic corporation after it has become a wholly controlled subsidiary (excluding where it has become a wholly controlled subsidiary from the registration date of establishment) of another domestic corporation, losses from disposition of the assets (limited to the assets acquired before the consolidated tax return system is applied) accrued in the business year in which the consolidated tax return system is applied and in the consolidated business year that ends within four years from the start date of the business year following the business year in which it has become a wholly controlled subsidiary: The individually reverted amount of

consolidated income of the relevant wholly controlled subsidiary (referring to the amount of income before deduction of the relevant losses from disposition, however, the same shall not apply where the second sentence of paragraph (2) is applied).

- (3) Matters necessary for the amount allocated to each consolidated corporation among losses for each consolidated business year under paragraph (1), the calculation of the amount not included in gross income or deductible expenses by applying mutatis mutandis Articles 18-3 and 25, deeming a consolidated group to be one domestic corporation, and the inclusion of losses from disposition in the deductible expenses under paragraph (2) shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

### SECTION 3 Reports and Payment

#### Article 76-15 (Calculated Consolidation Tax)



- (1) Corporate tax on income for each consolidated business year shall be an amount (hereafter referred to as "amount of calculated consolidation tax" in this Chapter) computed by applying tax rates under [Article 55](#) (1) to the tax base under [Article 76-13](#).
- (2) Where a consolidated corporation transfers land, etc. under [Article 55-2](#) (including where [Article 76-14](#) (1) 3 applies as another consolidated corporation assumes charge of the relevant land, etc.), an amount computed by adding the corporate tax on capital gains on transfer of such land, etc. under [Article 55-2](#) shall be the amount of calculated consolidation tax.
- (3) [Article 55](#) (2) shall apply mutatis mutandis where corporate tax on the income for each consolidated business year is calculated.
- (4) A method for calculating an amount that reverts to each consolidated corporation among the amount of calculated consolidation tax (hereafter referred to as "calculated amount of tax of each consolidated corporation" in this Chapter) shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

#### Article 76-16 (Tax Reductions, Exemptions, etc.)



- (1) The sum of tax reductions or exemptions for each consolidated corporation shall be subtracted from the amount of calculated consolidation tax.
- (2) In applying paragraph (1), tax reductions or exemptions for each consolidated corporation shall be the amount calculated by applying tax credits and tax reductions or exemptions under this Act and the [Restriction of Special Taxation Act](#), deeming the calculated amount of tax of each consolidated corporation to be the calculated amount of tax under [Article 55](#), and [Article 132 \(1\) of the Restriction of Special Taxation Act](#) shall apply to each consolidated corporation.
- (3) Where tax is reduced or exempted when tax reductions or exemptions for each consolidated corporation, matters necessary for calculating the amount of tax to be reduced or exempted and other matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**SECTION 4 Determination, Correction, and Collection**

**Article 76-17 (Filing Reports on Consolidated Tax Base, etc.)**



- (1) A consolidated parent corporation shall file a report on the tax base and amount of corporate tax on the income for the relevant consolidated business year to the head of the tax office having jurisdiction over the place of tax payment, as prescribed by Presidential Decree, within four months from the last day of the month in which the end date of each consolidated business year falls: Provided, That where a consolidated parent corporation or consolidated subsidiary corporation subject to audit by an auditor under [Article 2 of the Act on External Audit of Stock Companies](#) applies for extension of the filing deadline, as prescribed by Presidential Decree, on the grounds that the settlement of accounts are not finalized because the audit of the relevant business year has not been completed, the filing deadline may be extended by up to one month.
- (2) A report filed under paragraph (1) shall be accompanied by the following documents:
  1. An adjustment statement on the amount of consolidated income prepared, as prescribed by Presidential Decree;
  2. Documents referred to in [Article 60](#) (2) 1 through 3 of each consolidated corporation;
  3. Documents prescribed by Presidential Decree, such as the investment and details of transactions between consolidated corporations.
- (3) Where a report referred to in paragraph (1) filed without the accompanying documents provided in paragraph (2) 1 and 2, such report shall not be deemed a report filed under this Act.
- (4) [Article 60](#) (3), (6) and (8) shall apply mutatis mutandis to filing a report on the tax base, etc. of any consolidated parent corporation.
- (5) Notwithstanding [Article 119](#) (1), a consolidated parent corporation may submit the detailed statement of changes in stocks, etc. (including changes in stocks, etc. of a consolidated subsidiary corporation) referred to in [Article 119](#) (1) by the filing deadline specified in paragraph (1).

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 76-18 (Consolidated Interim Prepayment)**



- (1) A consolidated parent corporation, the period of each consolidated business year of which exceeds six months shall pay an amount (hereafter referred to as "consolidated interim tax" in this Chapter) computed by multiplying six by an amount computed by dividing the amount of calculated consolidation tax (including penalty tax, but, excluding corporate tax on capital gains on transfer of land, etc. under [Article 55-2](#)) determined for the immediately preceding consolidated business year, deeming six months from the start date of the relevant business year to be the interim prepayment period, minus the following amounts, by the number of months of the immediately preceding business year, at the tax

office, etc. having jurisdiction over the place of tax payment within two months from the expiration of the consolidated interim prepayment period: Provided, That there is no amount of calculated consolidation tax determined for the immediately preceding consolidated business year, or the amount of calculated consolidation tax for the immediately preceding business year has not been determined by the last day of the relevant interim prepayment period, the interim tax shall be calculated and paid as prescribed in paragraph (3):

1. The amount of corporate tax reduced or exempted in the immediately preceding consolidated business year (excluding the amount deducted from income);
  2. The total amount of withholding tax paid as corporate tax by each consolidated corporation in the immediately preceding consolidated business year.
- (2) Where the consolidated tax return system is first applied for the purposes of paragraph (1), the total amount of interim tax calculated under [Article 63](#) of each consolidated corporation shall be the consolidated interim tax, and where a consolidated corporation is added under [Article 76-11](#) (1), the total amount of the consolidated interim tax calculated under paragraph (1) and the interim tax calculated under [Article 63](#) of the added consolidated corporation shall be the consolidated interim tax.
- (3) Notwithstanding paragraphs (1) and (2), a consolidated parent corporation may pay an amount computed by subtracting the following amounts from the corporate tax calculated by applying [Article 76-15](#), deeming the relevant interim prepayment period to be one business year, as consolidated interim tax to the tax office, etc. having jurisdiction over the place of tax payment:
1. The amount of tax reduced or exempted in the relevant interim tax prepayment period (excluding the amount deducted from income);
  2. The total amount of withholding tax paid as corporate tax by each consolidated corporation in the relevant interim prepayment period.
- (4) For the purposes of paragraph (1), where a consolidated corporation ceases to be a wholly controlled subsidiary or is dissolved (excluding where the consolidated tax payment system is applied under the proviso to [Article 76-12](#) (1)) before the expiration of the interim prepayment period, the relevant consolidated parent corporation may pay tax after subtracting an amount prescribed by Presidential Decree (hereafter referred to as "interim tax by consolidated corporation" in this Chapter), which reverts to the interim tax of the consolidated corporation. <Amended by Act No. 11128, Dec. 31, 2011>
- (5) [Articles 63](#) (6) and [64](#) (2) shall apply mutatis mutandis to the payment of consolidated interim tax.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 76-19 (Payment  
of Consolidated  
Corporate Tax and  
Payment thereof in Kind)**



- (1) A consolidated parent corporation shall pay an amount computed by subtracting the following amounts of corporate tax (excluding penalty tax) from the amount of calculated consolidation tax, as corporate tax on income for each consolidated business year, at the tax office, etc. having jurisdiction over the place of tax payment by the filing deadline specified in [Article 76-17](#) (1):

1. The amount of tax reduced or exempted for the relevant consolidated business year;
  2. The consolidated interim tax for the relevant consolidated business year computed under [Article 76-18](#);
  3. The total amount of withheld tax from each consolidated corporation for the relevant consolidated business year under [Article 73](#).
- (2) A consolidated subsidiary corporation shall pay to its consolidated parent corporation an amount computed by adding an amount computed by applying mutatis mutandis Article 76 to the amount computed by subtracting the following amounts from the calculated amount of tax of each consolidated corporation, by the deadline referred to in paragraph (1):
1. The amount of tax reduced or exempted of the relevant corporation for the relevant consolidated business year;
  2. The interim tax by consolidated corporation for the relevant consolidated business year;
  3. The amount of withheld tax from the relevant corporation for the relevant consolidated business year under Article 73.
- (3) [Articles 64](#) (2) and [65](#) shall apply mutatis mutandis where paragraph (1) applies.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

#### **SECTION 5 Determination, Correction, Collection, etc.**

##### **Article 76-20 (Determination, Correction, Collection, etc.)**

[Articles 66](#) (excluding the proviso to paragraph (3)), [67](#), [70](#), [71](#), [72-2](#) and [73 through 75](#) shall apply mutatis mutandis to the determination, correction, collection and refund of corporate tax on income for each consolidated business year.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

##### **Article 76-21 (Penalty Tax)**

A consolidated parent corporation shall pay an amount computed by adding the total amounts calculated by applying mutatis mutandis Article 76 to each consolidated corporation, in addition to the amount of corporate tax on income for each consolidated business year.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

##### **Article 76-22 (Application of Provisions Governing Small and Medium Enterprises)**

In calculating the amount of corporate tax on income for each consolidated business year, provisions governing small or medium enterprises under this Act and the [Restriction of Special Taxation Act](#) shall apply only where a consolidated group deemed one domestic corporation falls under the small or medium enterprises referred to in [Article 25](#) (1) 1 (hereafter referred to as "small or medium enterprises" in this Article). In such cases, where a corporation that fall under a small or medium enterprise in the business year immediately preceding the consolidated business year in which consolidated tax return system first applies ceases to be eligible for the application of the provisions governing small or medium enterprises as the consolidated tax return system applies to the corporation, such provisions governing the small or medium enterprises shall apply in the first consolidated business year in which consolidated tax return system applies and until the consolidated business year that ends within three years from the start date of the following consolidated business year.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

### **CHAPTER III CORPORATE TAX ON LIQUIDATION INCOME OF DOMESTIC CORPORATIONS**

#### **SECTION 1 Tax Base and Calculation thereof**

##### **Article 77 (Tax Base)**

The tax base of corporate tax on liquidation income of a domestic corporation shall be the amount of liquidation income calculated under [Article 79](#).

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

### Article 78 (Special Cases concerning Taxation on Liquidation Income Accruing from Restructuring of Corporation)

Where a domestic corporation falls under any of the following cases, no corporate tax shall be imposed on its liquidation income:

1. Where a domestic corporation restructures as prescribed in the [Commercial Act](#);
2. Where a corporation established under any special Act restructures to a company as defined in the [Commercial Act](#) upon the amendment or repeal of the special Act;
3. Cases prescribed by Presidential Decree where a domestic corporation restructures under any other Act.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

### Article 79 (Calculation of Liquidation Income Accruing from Dissolution)

- (1) Where a domestic corporation is dissolved (excluding a dissolution by a merger or division), the liquidation income (hereinafter referred to as "liquidation income from dissolution") shall be the amount calculated by deducting the sum of the paid-in capital or investment funds and the surplus funds (hereinafter referred to as "total amount of equity capital") as at the registration date of the dissolution from the value of the residual assets upon dissolution of the corporation.
- (2) Where a domestic corporation in the process of liquidation due to a dissolution continues to conduct its business under [Article 229, 285, 519, or 610 of the Commercial Act](#) after having distributed some residual assets upon dissolution to the stockholders, the liquidation income from dissolution of the domestic corporation shall be the amount calculated by deducting the total amount of equity capital as at the registration date of the dissolution from the total amount of the residual assets distributed from the registration date of the dissolution to the registration date of the continuation.
- (3) In the calculation of the liquidation income from dissolution of a domestic corporation, the amount of corporate tax to be refunded under the [Framework Act on National Taxes](#) during the period of liquidation shall be added to the total amount of equity capital of the corporation as at the registration date of the dissolution.
- (4) Where a domestic corporation has losses carried forward prescribed by Presidential Decree as at the registration date of the dissolution for the purposes of calculating the liquidation income from dissolution of the domestic corporation, an amount equivalent to the losses carried forward shall be offset from the total amount of the corporation's equity capital as at the registration date of the dissolution: Provided, That the amount of losses carried forward to be offset shall not exceed the amount of surplus funds among the total amount of equity capital, and if the losses carried forward exceed the surplus funds, such excess losses may be deemed nil.
- (5) Where any surplus funds have been transferred into the paid-in capital or investment funds within two years prior to the registration date of the dissolution in calculating the liquidation income under paragraph (4), the relevant amount shall not be deemed to have been transferred into the paid-in capital or investment funds for purposes of same paragraph. <Newly Inserted by Act No. 11128, Dec. 31, 2011>
- (6) In calculating the liquidation income from dissolution of a domestic corporation, the income for each business year accrued during the period of liquidation shall be included in the amount of income for each relevant business year of the corporation.

(7) [Articles 14 through 18](#), [18-2](#), [18-3](#), [19](#), [19-2](#), [20 through 30](#), [33 through 38](#), [40 through 42](#), [42-2](#), [43](#), [44](#), [44-2](#), [44-3](#), [45](#), [46](#), [46-2 through 46-5](#), [47](#), [47-2](#), [50](#), [51](#), [51-2](#), [52](#), [53](#), [53-2](#), [53-3](#) and [54](#) shall apply mutatis mutandis to the calculation of the liquidation income under paragraph (1) and the amount of income for each business year during the period of liquidation under paragraph (6), except as otherwise expressly provided in paragraphs (1) through (6). <Amended by Act No. 11128, Dec. 31, 2011>

(8) In applying paragraphs (1) through (7), matters necessary for the calculation of the value of residual assets and other matters shall be prescribed by Presidential Decree. <Amended by Act No. 11128, Dec. 31, 2011>

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Articles 80 and 81 Deleted.** <by Act No. 9898, Dec. 31, 2009> 

**Article 82 (Detailed Rules for Calculation of Amount of Liquidation Income)** 

Except as otherwise expressly provided in this Act, matters necessary for the calculation of the amount of liquidation income of a domestic corporation shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

### **SECTION 2 Calculation of Amount of Tax**

**Article 83 (Tax Rate)** 

The corporate tax on liquidation income of a domestic corporation shall be the amount of tax calculated by applying the tax rate stipulated in [Article 55](#) (1) to the tax base stipulated in [Article 77](#).

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

### **SECTION 3 Reports and Payments**

**Article 84  
(Final  
Reports)** 

(1) A domestic corporation liable to pay corporate tax on liquidation income shall file a report on the corporate tax base and tax amount on liquidation income with the head of the tax office having jurisdiction over the place of tax payment by the following applicable deadlines, as prescribed by Presidential Decree:

1. In cases falling under [Article 79](#) (1), within three months from the last day of the month in which the date the value of the residual assets prescribed by Presidential Decree is determined falls;
2. In cases falling under [Article 79](#) (2), within three months from the last day of the month in which the registration date of continuation falls.

(2) A report filed under paragraph (1) shall be accompanied by the following documents:

1. In cases falling under paragraph (1) 1 and 2, the statement of financial position of a dissolved corporation as at the determination date of the value of the residual assets or the registration date of continuation;
2. Other documents prescribed by Presidential Decree.

(3) Paragraphs (1) and (2) shall apply although the amount of liquidation amount is nil.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 85  
(Interim  
Reports)** 

(1) Where a domestic corporation (excluding a corporation referred to in each subparagraph of [Article 51-2](#) (1)) falls under any of the following cases, it shall

file a report thereon with the head of the tax office having jurisdiction over the place of tax payment, as prescribed by Presidential Decree, within one month from the last day of the month in which the date prescribed in the applicable subparagraph falls: Provided, That subparagraph 2 shall not apply where a corporation liquidates according to the liquidation process prescribed in [Article 80 of the State Property Act](#): <Amended by Act No. 11128, Dec. 31, 2011>

1. Where some residual assets are distributed to the stockholders prior to the determination of the value of the residual assets from dissolution, the date of the distribution;
  2. Where the value of the residual assets is not determined by the first anniversary of the registration of the dissolution, the first anniversary.
- (2) A reported filed under paragraph (1) shall be accompanied by the statement of financial position as at the registration date of the dissolution and the date of distribution or as at the first anniversary of the registration date of the dissolution, and other documents prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

#### **Article 86 (Payment)**



- (1) A domestic corporation referred to in [Article 79](#) (1) or (2) which has filed a final report under [Article 84](#) shall pay the amount of tax computed by applying [Article 83](#) to the amount of liquidation income from dissolution, minus the total amount of tax paid under paragraph (3) or (4), as corporate tax at the tax office, etc. having jurisdiction over the place of tax payment by the filing deadline. <Amended by Act No. 10423, Dec. 30, 2010>
- (2) Deleted. <by Act No. 9898, Dec. 31, 2009>
- (3) For a domestic corporation liable to file a report under [Article 85](#) (1) 1, where the value of the distributed residual assets (the total amount where residual assets have been distributed previously) exceeds the total equity capital as at the registration date of the dissolution, the domestic corporation shall pay the amount of tax computed by applying [Article 83](#) to the excess (where corporate tax has previously been paid on some residual assets previously distributed, the amount of tax after deducting the previously paid amount from the total amount of tax) at the tax office, etc. having jurisdiction over the place of tax payment by the filing deadline. <Amended by Act No. 10423, Dec. 30, 2010>
- (4) For a domestic corporation liable to file a report under [Article 85](#) (1) 2, where the estimated value of the residual assets prescribed by Presidential Decree as at the first anniversary of the registration date of the dissolution exceeds the total equity capital as at the registration date of the dissolution, the corporation shall pay the amount of tax calculated by applying [Article 83](#) to the excess at the tax office, etc. having jurisdiction over the place of tax payment by the filing deadline. <Amended by Act No. 10423, Dec. 30, 2010>

### **SECTION 4 Determination, Correction, and Collection**

#### **Article 87 (Determination and Correction)**



- (1) Where a domestic corporation fails to file a tax report under [Articles 84](#) and [85](#), the head of the tax office having jurisdiction over the place of tax payment or the Commissioner of the competent Regional Tax Office

shall determine the tax base and amount of corporate tax on liquidation income for the relevant corporation.

- (2) Where there are errors or omissions in a report filed by a domestic corporation under [Articles 84](#) and [85](#), the head of the tax office having jurisdiction over the place of tax payment or the Commissioner of the competent Regional Tax Office shall correct the tax base and amount of corporate tax on liquidation income for the relevant corporation.
- (3) Where errors or omissions are found after the head of the district of tax office having jurisdiction over the place of tax payment or the Commissioner of the competent Regional Tax Office has determined or corrected the tax base and amount of corporate tax on liquidation income, he or she shall immediately re-correct such errors or omissions.
- (4) [Article 66](#) (3) shall apply mutatis mutandis to the determination and correction made under paragraphs (1) and (2).

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

#### **Article 88 (Notification of Tax Base and Amount)**

Where the head of the tax office having jurisdiction over the place of tax payment or the Commissioner of the competent Regional Tax Office determines or corrects the tax base and amount of corporate tax on liquidation income of a domestic corporation under [Article 87](#), he or she shall notify the relevant corporation or liquidator thereof: Provided, That he or she may give a public notice instead if it is not possible to notify the relevant corporation or liquidator thereof.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

#### **Article 89 (Collection)**

- (1) Where a domestic corporation fails to fully or partially pay the amount of tax payable as corporate tax on liquidation income under [Article 86](#), the head of the tax office having jurisdiction over the place of tax payment shall collect the unpaid corporate tax in accordance with the [National Tax Collection Act](#). <Amended by Act No. 11607, Jan. 1, 2013>
- (2) Where the amount of corporate tax paid under [Article 86](#) or collected under paragraph (1) is less than the amount of corporate tax determined or corrected by the head of the tax office having jurisdiction over the place of tax payment or the Commissioner of the competent Regional Tax Office under [Article 87](#), the head of the tax office having jurisdiction over the place of tax payment shall collect the corporate tax equivalent to a deficiency.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

#### **Article 90 (Exclusion from Application of Additional Dues to Liquidation Income)**

### **CHAPTER IV CORPORATE TAX ON INCOME OF FOREIGN CORPORATIONS FOR EACH BUSINESS YEAR**

#### **SECTION 1 Tax Base and Calculation thereof**

#### **Article 91 (Tax Base)**

- (1) The corporate tax base on income of a foreign corporation with a domestic place of business, and a foreign corporation that has income provided in subparagraph 3 of [Article 93](#) for each business year shall be calculated by deducting, in sequential order, the following amounts or income from the total amount of domestic source income (excluding the amount of domestic source income withheld under [Article 98](#) (1), [98-3](#), [98-5](#) or [98-6](#)): <Amended by Act No. 11128, Dec. 31, 2011>

1. Losses incurred during the business year which began within ten years from the start date of each business year (limited to losses incurred in Korea) which were not deducted in the calculation of the tax base for each business year thereafter. In such cases, losses are those referred to in [Article 14](#) (2) and shall be limited to losses included in the tax base reported, determined or corrected under [Article 60](#) or [66](#) which is applied mutatis mutandis under the former part of [Article 97](#) (1) or reported for revision under [Article 45 of the Framework Act on National Taxes](#);
2. Non-taxable income under this Act and other Acts;
3. Income accrued from the international services of ships or aircraft: Provided, That this shall be limited where the country in which the headquarters or main office of the foreign corporation is located affords the same exemption to ships and aircraft of Korean corporations.

(2) For a foreign corporation which does not fall under paragraph (1), the tax base of corporate tax on income of the foreign corporation for each business year shall be the amount of domestic source income classified under each subparagraph of [Article 93](#).

- (3) The tax base of corporate tax on domestic source income of a foreign corporation falling under paragraph (1) which is withheld under [Article 98](#) (1), [98-3](#), [98-5](#) or [98-6](#) shall be the amount of domestic source income classified under each subparagraph of [Article 93](#). <Amended by Act No. 11128, Dec. 31, 2011>
- (4) Paragraph (1) 3 shall also apply to foreign corporations which have no domestic place of business.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 92**  
**(Calculation of**  
**Amount of**  
**Domestic Source**  
**Income)**



- (1) The total amount of domestic source income of a foreign corporation under [Article 91](#) (1) for each business year shall be the amount calculated by applying mutatis mutandis [Articles 14](#) through [18](#), [18-3](#), [19](#), [19-2](#), [20](#) through [30](#), [33](#) through [38](#), [40](#) through [42](#), [42-2](#), [43](#), [44](#), [44-2](#), [44-3](#), [45](#), [46](#), [46-2](#) through [46-5](#), [47](#), [47-2](#), [50](#), [51](#), [52](#), [53](#), [53-2](#), and [54](#) of this Act and [Article 138 of the Restriction of Special Taxation Act](#), as prescribed by Presidential Decree: Provided, That it shall be deemed that a merging corporation or a corporation newly incorporated upon division does not succeed to losses of the merged corporation or divided corporation for the purpose of applying mutatis mutandis [Article 44-3](#), [45](#), [46-3](#), or [46-4](#). <Amended by Act No. 11128, Dec. 31, 2011; Act No. 11607, Jan. 1, 2013>
- (2) The amount of domestic source income of a foreign corporation falling under [Article 91](#) (2) and (3) for each business year, other than capital gains on transfer provided in subparagraph 7 of [Article 93](#), shall be the amount under the following subparagraphs: <Amended by Act No. 11128, Dec. 31, 2011>
  1. Domestic source income provided in subparagraphs 1 through 6 and 8 through 10 of [Article 93](#) shall be the revenue amount by income provided in each subparagraph (excluding subparagraph 7) of the same Article: Provided, That the domestic source

income provided in subparagraph 9 of [Article 93](#) may be replaced by an amount computed by deducting the acquisition value and transfer expenses of the relevant securities verified, as prescribed by Presidential Decree, from the revenue amount;

2. Where the domestic source income referred to in subparagraph 9 of [Article 93](#) of a foreign corporation with no domestic place of business meets the following conditions, the arm's length price prescribed by Presidential Decree (hereafter referred to as "arm's length price" in this subparagraph) shall be the revenue amount of the foreign corporation, notwithstanding subparagraph 1:
  - (a) Income accruing from transactions between a foreign corporation with no domestic place of business and a foreign corporation (including non-residents) having a special relationship prescribed by Presidential Decree with the former foreign corporation;
  - (b) Prices of transactions provided in item (a) fall short of the arm's length price in circumstances prescribed by Presidential Decree.
  - (3) The amount of capital gains referred to in subparagraph 7 of [Article 93](#) that are the domestic source income of a foreign corporation falling under [Article 91](#) (2) for each business year shall be the amount calculated by deducting the following amounts from the transfer value of income-generating assets (hereafter referred to as "land, etc." in this Article) referred to in subparagraph 7 of the same Article:
    1. The acquisition value: Provided, That if a foreign corporation, to which assets not included in the taxable value of the inheritance tax or gift tax under the [Inheritance Tax and Gift Tax Act](#) are contributed, transfers the land, etc. prescribed by Presidential Decree, the acquisition value of such land, etc. by the donator shall be deemed the acquisition value of the foreign corporation;
    2. Expenses directly expended to transfer the land, etc.
  - (4) In applying paragraph (3), the acquisition value and the transfer value shall be based on the actual transaction value, and if the actual transaction value is unclear, such value shall be computed by applying mutatis mutandis [Articles 99, 100 and 114 \(7\) of the Income Tax Act](#).
  - (5) In applying paragraph (3), [Article 98 of the Income Tax Act](#) shall apply mutatis mutandis to the timing for transfer or acquisition of the relevant assets.
  - (6) [Article 101 of the Income Tax Act](#) shall apply mutatis mutandis to any unfair calculation of capital gains specified in paragraph (3). In such cases, "a related party" shall be construed as "a related party provided in [Article 52 \(1\) of the Corporate Tax Act](#)." <Amended by Act No. 11128, Dec. 31, 2011>

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

#### **Article 93 (Domestic Source Income)**

Domestic source income of a foreign corporation shall be classified as follows: <Amended by Act No. 11128, Dec. 31, 2011>

1. The following income, being interest income referred to in [Article 16 \(1\) of the Income Tax Act](#) (excluding income referred to in subparagraph 7 of the same paragraph), other interest on loans and profits from trusts: Provided, That the same shall not apply to the interest on loans directly obtained by the overseas place of business for the overseas place of business of a resident or a domestic corporation:
  - (a) Income received as payment from the State, a local government, a domestic place of business of a

resident, domestic corporation or foreign corporation, or a domestic place of business of a non-resident under [Article 120 of the Income Tax Act](#);

- (b) Income received as payment from a foreign corporation or nonresident which is substantially related to the domestic place of business of the foreign corporation or non-resident and is included in deductible expenses or incurred expenses for the purpose of calculating the amount of income of such domestic place of business;
2. Dividend income provided in [Article 17 \(1\) of the Income Tax Act](#) (excluding any income provided in subparagraph 6 of the same paragraph) that is paid in Korea by any domestic corporation, any organization deemed a corporation, or any other domestic source and the amount disposed of as dividends under [Articles 9](#) and [14 of the Adjustment of International Taxes Act](#);
3. Income accrued from real estate in Korea or real estate rights and mining rights, mining concessions or rights to gather earth, sand, and rock, each of which is acquired in Korea, or the transfer or lease of rights to use or develop underground water or other management of underground water: Provided, That capital gains referred to in subparagraph 7 shall be excluded;
4. Income accrued from the rental of a ship, aircraft, registered motor vehicles, construction machinery, or industrial, commercial or scientific machinery/facilities/equipment, and other tools prescribed by Presidential Decree to a domestic place of business of a resident, domestic corporation or foreign corporation, or a domestic place of business of a non-resident referred to in [Article 120 of the Income Tax Act](#);
5. Income prescribed by Presidential Decree and accrued from any business operated by a foreign corporation (including income taxable as domestic source business income under any tax treaty): Provided, That income referred to in subparagraph 6 shall be excluded;
6. Income accrued from rendering personal services prescribed by Presidential Decree in Korea. In such cases, where anyone who receives the relevant personal services bears expenses prescribed by Presidential Decree, including airfares, in connection with the provision of such personal services, it refers to an amount excluding such expenses;
7. Capital gains on transfer of any of the following assets or rights: Provided, That this shall be limited where the assets or rights which generate such gains are in Korea;
  - (a) Assets or rights referred to in [Article 94 \(1\) 1, 2, and 4 \(a\) and \(b\) of the Income Tax Act](#);
  - (b) Stocks, etc. (hereafter referred to as "real estate stocks, etc." in this Article) of a domestic corporation, the total amount of asset value provided in [Article 94 \(1\) 1 and 2 of the Income Tax Act](#) of which is at least 50 percent of the total amount of asset of such corporation as at the start date of the business year in which the date of transfer falls, among the stocks, etc. (including depository receipts or preemptive rights issued on the basis of stocks, etc.; hereafter the same shall apply in this Chapter) of the domestic corporation, which have not been listed on a securities market under the [Financial Investment Services and Capital Markets Act](#);
8. Where any of the following rights, assets, or information (hereafter referred to as "rights, etc." in this subparagraph) are used or the remuneration therefor is paid in the Republic of Korea, the relevant price and the income accrued from the transfer of such rights, etc.: Provided, That where the place of use rule applies, under an agreement for preventing double taxation on income, to determine whether the relevant income is domestic source income, the remuneration for rights, etc. used overseas shall not be

deemed domestic source income, regardless of whether it was paid in the Republic of Korea. In such cases, rights requiring registration to exercise the rights, such as patent rights, utility model rights, trademark rights, and design rights (hereafter referred to as "patent rights, etc." in this subparagraph) shall be deemed to have been used in the Republic of Korea, irrespective of whether they were registered in the Republic of Korea, if the relevant patent rights, etc. were registered overseas and have been used for manufacture, sale, etc. in the Republic of Korea:

- (a) Copyrights, patent rights, trademark rights, designs, forms, and sketches of works of learning or fine art (including movie film) or secret formulae or processes, film and tapes for radio and television broadcasts and other similar assets or rights;
  - (b) Information or know-how related to industrial, commercial, or scientific knowledge and experience;
9. Income prescribed by Presidential Decree and accrued from the transfer of any of the following stocks, etc. (including real estate stocks, etc. listed on any securities market under the [Financial Investment Services and Capital Markets Act](#)), or other securities (including securities as defined in [Article 4 of the Financial Investment Services and Capital Markets Act](#); hereinafter the same shall apply):
- (a) Stocks, etc, and other securities issued by a domestic corporation;
  - (b) Stocks, etc. issued by a foreign corporation (limited to those listed on any securities market under the [Financial Investment Services and Capital Markets Act](#)), and other securities issued by a domestic place of business of a foreign corporation;
10. Any of the following income, other than those provided in subparagraphs 1 through 9:
- (a) Insurance money, compensation, or damages paid in connection with any real property or other assets situated in Korea, or business run in Korea;
  - (b) Income prescribed by Presidential Decree as penalties for breach of any contract or compensation for damages paid in Korea;
  - (c) Income accrued from the inheritance of domestic assets;
  - (d) Prize money, monetary rewards, compensation, other similar income paid in Korea;
  - (e) Income accrued from buried property discovered in Korea;
  - (f) Income accrued from the transfer of licenses, approval, or rights established by other similar administrative dispositions under Korean laws, and from the transfer of domestic assets, other than real estate;
  - (g) Prize received based on lottery or gift tickets, or other drawing tickets, refunds or premiums paid to the purchasers of horse-race tickets, winner-betting tickets, bullfighting tickets or sports promotion tickets, all issued in Korea;
  - (h) Amounts disposed of as other income under [Article 67](#);
  - (i) Income accruing from increase in the value of the stocks, etc. of a domestic corporation that are held by any related party prescribed by Presidential Decree (hereafter referred to as "foreign related party" in [Article 98](#)) that arises from capital transactions prescribed by Presidential Decree;
  - (j) Income from any business operated in Korea, from personal services rendered in Korea, or from economic benefits received in relation to assets located in Korea (excluding the

difference, if any, between the amount received for redemption of foreign currency-denominated bonds issued by the State or financial companies, etc. established under any special Act and the issue prices of such bonds), or other similar income prescribed by Presidential Decree, other than those falling under any of items (a) through (i).

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 93-2 Deleted. <by Act No. 10423, Dec. 30, 2010>** 

**Article 94 (Domestic Place of Business of Foreign Corporation)** 

- (1) Where a foreign corporation has a fixed place where it operates all or part of its domestic business, the foreign corporation shall be deemed to have a domestic place of business.
- (2) A domestic place of business referred to in paragraph (1) includes any of the following places:
  1. Branches, offices, or business offices;
  2. Shops and other fixed sales places;
  3. Workshops, factories, or storages;
  4. Places used for building, sites for construction, assembly or installation works, or places used for performing supervisory activities related thereto, for more than six months;
  5. Any of the following places where employees provide services:
    - (a) A place where services are provided for at least six months in total during a 12-month period in which such services continue to be provided;
    - (b) A place where services are provided for not more than six months in total during a 12-month period in which such services continue to be provided, and similar services are continuously and repeatedly provided for at least two years;
  6. Mines, quarries, or places for exploiting and gathering marine natural resources and other natural resources (including what are in the sea floor or undersoil on the tidelands adjacent to the coast of Korea outside its territorial waters where the Republic of Korea exercises sovereignty under international laws).
- (3) Where a foreign corporation without any fixed places referred to in paragraph (1) operates the business in Korea through a person who is authorized to conclude contracts on its behalf and repeatedly exercise such authority or an equivalent person prescribed by Presidential Decree, the location of the person's place of business (where he or she does not have any place of business, it shall be his or her address, and where he or she does not have any address, it shall be the location of his or her residence) shall be deemed the domestic place of business of the foreign corporation.
- (4) A domestic place of business referred to in paragraph (1) shall not include any of the following places:
  1. Fixed places used by a foreign corporation only for purchasing assets;
  2. Fixed places used by a foreign corporation only for storing or keeping of assets not for sale;
  3. Fixed places used by a foreign corporation for advertisement, publicity, gathering and providing information, market research, or for performing other preparatory and supporting business activities;
  4. Fixed places used by other persons only for processing a foreign corporation's own assets.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

## SECTION 2 Calculation of Amount of Tax

### Article 95 (Tax Rate)

Corporate tax on income for each business year of a foreign corporation provided in [Article 91](#) (1) and a foreign corporation provided in paragraph (2) or (3) of the same Article which have domestic source income provided in subparagraph 7 of [Article 93](#) shall be the amount calculated by applying [Article 55](#) to the tax base prescribed in [Article 91](#) (if there exist corporate tax on capital gains on transfer of land, etc. under [Article 95-2](#), such corporate tax shall be added to the afore-mentioned corporate tax).

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

### Article 95-2 (Special Cases concerning Taxation on Capital Gains on Transfer of Land, etc. by Foreign Corporation)

[Article 55-2](#) shall apply mutatis mutandis to the payment of corporate tax on capital gains on transfer of land, etc. earned by any foreign corporation provided in [Article 91](#) (1) and any foreign corporation provided in paragraph (2) of the same Article. In such cases, capital gains on transfer of land, etc. earned by any foreign corporation provided in [Article 91](#) (2) shall be an amount calculated by applying mutatis mutandis [Article 92](#) (3).

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

### Article 96 (Special Cases concerning Taxation on Domestic Place of Business of Foreign Corporation)

- (1) Any domestic place of business of a foreign corporation (excluding non-profit foreign corporations) shall add the amount calculated by applying the tax rate provided in paragraph (3) to the taxable income provided in paragraph (2) (where a remittance of profits are taxable under the tax treaty concluded between Korea and the foreign country where the foreign corporation is located, the taxable income shall be the amount of remittance prescribed by Presidential Decree) to the corporate tax calculated under [Article 95](#) and pay it under the tax treaty concluded between Korea and the country where the headquarters or main office of such foreign business corporation is located (hereinafter referred to as "country of residence"): Provided, That the same shall not apply where the country of residence of such foreign corporation does not impose the tax on the overseas place of business of a Korean corporation located in the such country of residence.
- (2) The amount of taxable income referred to in paragraph (1) shall be the amount computed by subtracting each of the following amounts from the amount of income of the relevant domestic place of business for each business year: <Amended by Act No. 11128, Dec. 31, 2011>
  1. The amount of corporate tax calculated under [Article 95](#) less the amount referred to in item (a) but plus the amount referred to in item (b):
    - (a) Tax credits granted under [Article 57](#) (1) 1, and [Article 58](#) that are applied mutatis mutandis under [Article 97](#) (1), and the amount of tax deducted or exempted under other Acts;
    - (b) Penalty tax provided in [Article 76](#) of this Act and [Articles 47-2 through 47-5 of the Framework Act on National Taxes](#) or tax paid additionally under this Act or the [Restriction of Special Taxation Act](#);

2. Pro rata local income tax;
  3. The amount prescribed by Presidential Decree, such as an amount deemed to be reinvested in the business by the relevant domestic place of business;
  4. The amount not included in deductible expenses under [Article 14 of the Adjustment of International Taxes Act](#).
- (3) The tax rate applied under paragraph (1) shall be the tax rate provided in [Article 98](#) (1) 3, and where tax rates are separately stipulated by the tax treaty concluded between Korea and the country of residence of the relevant foreign corporation, the treaty shall be complied with.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

### **SECTION 3 Report, Payment, Determination, Correction, and Collection**

#### **Article 97 (Report, Payment, Determination, Correction, and Collection)**



- (1) Except as otherwise expressly provided in this Section, [Articles 57](#) (1) and (2), [58](#), [58-3](#), [59](#), [60](#) (excluding an earned surplus settlement statement or losses settlement statement referred to in paragraph (2) 1 of the same Article), [61](#), [62](#), [63](#) through [71](#), [72-2](#) and [73](#) through [76](#) shall apply mutatis mutandis to filing a report, payment, determination, correction, and collection of the corporate tax for each business year of a foreign corporation provided in [Article 91](#) (1) and a foreign corporation provided in paragraph (2) or (3) of the same Article that have domestic source income provided in subparagraph 7 of [Article 93](#). In such cases, if the corporate tax base on the income of a foreign corporation for each business year calculated under [Article 91](#) (1) includes the income withheld under [Article 98](#) (8) in applying mutatis mutandis [Article 64](#), the relevant amount of withholding tax shall be deemed the amount of tax deducted under [Article 64](#) (1) 4. <Amended by Act No. 11607, Jan. 1, 2013>
- (2) Where a foreign corporation obligated to file a report on the tax base of corporate tax on the income for each business year under paragraph (1) cannot file the report by the filing deadline on the grounds prescribed by Presidential Decree, notwithstanding paragraph (1), it may extend the filing deadline after obtaining approval from the head of the tax office having jurisdiction over the place of tax payment or the Commissioner of the competent Regional Tax Office, as prescribed by Presidential Decree.
- (3) When a foreign corporation which obtains approval to extend the filing deadline under paragraph (2) pays the amount of tax, it shall add the amount calculated by applying the interest rate prescribed by Presidential Decree, in consideration of the interest rates charged by financial companies, etc. to the number of days of extension.
- (4) In calculating the amount to be added under paragraph (3), the number of days of extension shall be the number of days from the day following the filing deadline specified under [Article 60](#) until the approval day of extension: Provided, That where a report is filed and payment is made within the extended deadline, it shall be from the day following the filing deadline specified under [Article 60](#) until the day of such report and payment.

- (5) Where the amount of the tax withheld under [Article 98](#), [98-3](#), [98-5](#), or [98-6](#) is less than 1,000 won, such tax shall not be collected. <Newly Inserted by Act No. 11607, Jan. 1, 2013>

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 98 (Special Cases concerning Withholding or Collection from Foreign Corporations)**



- (1) Where any person pays a foreign corporation the amount of domestic source income provided in subparagraphs 1, 2, and 4 through 10 of [Article 93](#) (excluding any resident or non-resident who pays the amount of income provided in subparagraph 7 of [Article 93](#)) which is not substantially related to the domestic place of business of the foreign corporation or does not revert to the domestic place of business of the foreign corporation (including an amount paid to a foreign corporation with no domestic place of business), he or she shall withhold, as the corporate tax, the following amounts from the income of the relevant foreign corporation for each business year, and pay it at the tax office, etc. having jurisdiction over the place of tax payment, as prescribed by Presidential Decree, by the tenth day of the month following the month in which the date of withholding falls, notwithstanding [Article 97](#): Provided, That the same shall not apply to income provided in subparagraph 5 of [Article 93](#) which is taxable as domestic source business income under the applicable tax treaty: <Amended by Act No. 11607, Jan. 1, 2013>
1. Income provided in subparagraphs 4 and 5 of [Article 93](#): 2/100 of the amount paid;
  2. Income provided in subparagraph 6 of [Article 93](#): 20/100 of the amount paid;
  3. Income provided in subparagraphs 1, 2, 8, and 10 of [Article 93](#): 20/100 of the amount paid (or the amount prescribed by Presidential Decree in cases of the income specified in subparagraph 10 (c) of [Article 93](#)): Provided, That it shall be 14/100 of the amount paid in the case of the interest income accrued from bonds issued by the State, a local government, or a domestic corporation among the income specified in subparagraph 1 of [Article 93](#);
  4. Income provided in subparagraph 7 of [Article 93](#): 10/100 of the amount paid: Provided, That if the acquisition value and transfer expenses of the assets transferred are verified, an amount equivalent to 10/100 of the amount paid or an amount equivalent to 20/100 of marginal profits on transfer of such assets, whichever is smaller;
  5. Income provided in subparagraph 9 of [Article 93](#): 10/100 of the amount paid (referring to "arm's length price" under [Article 92](#) (2) 2 in cases falling under the same subparagraph; hereafter referred to as "amount paid, etc." in this subparagraph): Provided, That if the acquisition value and transfer expenses of the relevant securities are verified under the proviso to [Article 92](#) (2) 1, an amount equivalent to 10/100 of the amount paid, etc. or an amount equivalent to 20/100 of the amount calculated under the proviso to the same subparagraph, whichever is smaller.
- (2) When it is deemed urgently necessary as volatility expansion of domestic investment funds of foreigners causes unrest in financial markets by hindering the

soundness in the foreign exchange sector and there is or likely to have any difficulty in performing monetary policies, the tax rate under paragraph (1) on any of the following income among the income of a foreign corporation may be reduced or may be zero rated, as prescribed by Presidential Decree. In such cases, the Minister of Strategy and Finance shall report the tax rate to be reduced and the necessity thereof, in advance, to the competent standing committee of the National Assembly: <Amended by Act No. 11128, Dec. 31, 2011>

1. Income accruing from state bonds issued under [Article 3 \(1\) of the State Bond Act](#) and bonds prescribed by Presidential Decree (hereafter referred to as "State bonds, etc." in this Article) among income provided in subparagraph 1 of [Article 93](#);
2. Income accruing from the transfer of State bonds, etc. among the income provided in subparagraph 9 of [Article 93](#).
- (3) Deleted. <by Amended by Act No. 11128, Dec. 31, 2011>
- (4) Where a withholding agent fails to withhold the corporate tax from the income of a foreign corporation for each business year under paragraphs (1) and (5) through (12) or fails to pay the withheld corporate tax by the payment deadline specified under paragraph (1), the head of the tax office, etc. having jurisdiction over the place of tax payment shall additionally collect, as the corporate tax, the amount provided in [Article 47-5 \(1\) of the Framework Act on National Taxes](#) from the withholding agent in the same manner as national taxes are collected. <Amended by Act No. 11128, Dec. 31, 2011>
- (5) Any person who pays domestic source income provided in subparagraph 1, 5, 6, or 8 of [Article 93](#) with foreign loan funds to a foreign corporation with no domestic place of business shall withhold the tax from the relevant income pursuant to paragraph (1) each time he or she pays the relevant income to the foreign corporation in accordance with the terms of payment stipulated in the contract, although he or she does not directly pay the income in accordance with the terms of payment stipulated in such contract.
- (6) The domestic agency of a foreign corporation operating a ship or aircraft providing international service which does not fall under [Article 94](#) (3) shall withhold the tax from the amount of domestic source income of the foreign corporation under paragraph (1) when it pays the foreign corporation the income accruing from the ship or aircraft providing international service.
- (7) Where securities referred to in subparagraph 9 of [Article 93](#) are transferred through an investment trader or investment broker provided in the [Financial Investment Services and Capital Markets Act](#), the investment trader or investment broker shall withhold tax, as prescribed in paragraph (1): Provided, That if issued stocks are transferred when stocks are listed as prescribed in the [Financial Investment Services and Capital Markets Act](#), the corporation which issued such stocks shall withhold the tax.
- (8) Any person who pays a foreign corporation the amount of domestic source income accruing from building or construction, installation or assembly of machinery, etc. or other works, or provision of any service as to supervision, control, etc. of such works, or any amount of domestic source income provided in subparagraph 6 of [Article 93](#) shall withhold the tax, as prescribed in paragraph (1), although the relevant income reverts to the domestic place of business: Provided, That the same shall not apply where the

relevant domestic place of business has registered as a business operator under [Article 111](#).

- (9) Where domestic source income referred to in paragraph (1) is paid in a foreign country and a person who pays the income has an address, residence, headquarters, main office, or place of business (including the domestic place of business referred to in [Article 120 of the Income Tax Act](#)) in the Republic of Korea, paragraph (1) shall apply, deeming that the income payer has paid the relevant domestic source income in the Republic of Korea.
- (10) Where domestic source income referred to in subparagraphs 7 through 10 of [Article 93](#) accrues as any domestic assets are transferred through auction under the [Civil Execution Act](#) or public sale under the [National Tax Collection Act](#), a person who allocates proceeds from such auction or public sale shall withhold the tax, as prescribed in paragraph (1), up to the amount actually paid to the relevant foreign corporation.
- (11) The acts of a person representing or commissioned by a withholding agent provided in paragraphs (1) and (5) through (10) shall be construed as the acts of the principal or his or her delegate within the scope of the delegation or commission, to which paragraphs (1) and (5) through (10) shall apply.
- (12) Where a financial company, etc. acquires, trades or brokers bills or debt certificates issued by a domestic corporation or makes such transactions on behalf of the financial company, etc., paragraph (11) shall apply, deeming that the financial company, etc. has the agency or commission relationship with the relevant resident.
- (13) When any withholding agent withholds the corporate tax under paragraphs (1) and (5) through (12), he or she shall issue a withholding receipt stating the amount of payment and other necessary matters to a person who receives the income, as prescribed by Presidential Decree.
- (14) A domestic corporation which has issued stocks, etc. shall collect the withholding tax on the domestic source income provided in subparagraph 10 (i) of [Article 93](#) from the foreign related party who holds such stocks, etc. at the time prescribed by Presidential Decree. <Amended by Act No. 11128, Dec. 31, 2011>
- (15) Detailed methods of withholding under paragraph (14) shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 98-2 (Special Cases concerning Reports on, Payment, etc. of Capital Gains, etc. on Transfer of Securities by Foreign Corporation)**



- (1) Where a foreign corporation with no domestic place of business satisfies the taxation standards stipulated in the relevant tax treaty by transferring stocks or investment certificates of the same domestic corporation on at least two occasions within the same business year (referring to the business year of the domestic corporation which issues the stocks or investment certificates; hereafter the same shall apply in this Article), such foreign corporation shall report

and pay an amount equivalent to the withholding tax on gains accruing from the transfer (hereafter referred to as "gains" in this Article) that was not withheld at the time of such transfers, to the head of the tax office having jurisdiction over the place of tax payment, as prescribed by Presidential Decree, within three months from the end date of the business year in which such transfers are made.

- (2) Paragraph (1) shall apply mutatis mutandis to the gains of a foreign corporation with a domestic place of business that is not substantially related to or does not revert to the domestic place of business.
- (3) Where a foreign corporation with no domestic place of business transfers stocks, investment certificates or other securities (hereafter referred to as "stocks, etc." in this paragraph) to a non-resident or foreign corporation with no domestic place of business in circumstances prescribed by Presidential Decree, it shall report and pay an amount computed by multiplying gains accrued from the transfer by the rate provided in [Article 98](#) (1) 5 to the head of the tax office having jurisdiction over the place of tax payment by no later than the tenth day of the month that is two months after the month in which such gains are paid, as prescribed by Presidential Decree: Provided, That the foregoing shall not apply where the person who pays the amount of gains accrued from the transfer of stocks, etc. withholds and pays the corporate tax on the domestic source income from the transfer of the relevant stocks, etc. under Article 98.
- (4) Where a foreign corporation with no domestic place of business earns any income referred to in subparagraph 10 (c) of [Article 93](#) upon being donated with domestic assets from a non-resident or foreign corporation with no domestic place of business, it shall report and pay the amount computed under [Article 98](#) (1) 3 to the head of the tax office having jurisdiction over the place of tax payment within three months from the last day of the month in which the date it has been donated with the amount referred to in [Article 98](#) (1) 3 falls: Provided, That the foregoing shall not apply where the person who has donated domestic assets withholds and pays the corporate tax on the amount of domestic source income under [Article 98](#). <Newly Inserted by Act No. 11128, Dec. 31, 2011>
- (5) Where a foreign corporation fails to report and pay, as prescribed in paragraphs (1) through (4), or underreports the tax base, or underpays tax, the head of the tax office having jurisdiction over the place of tax payment shall collect the payable amount by applying mutatis mutandis [Article 66](#). <Amended by Act No. 11128, Dec. 31, 2011>

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 98-3 (Special Cases concerning Withholding from Bonds, etc. subject to Withholding Tax of Foreign Corporations)**



- (1) Any person who pays interest, etc. on bonds, etc. subject to withholding tax to a foreign corporation (referring to a foreign corporation subject to [Article 98](#) (1); hereafter the same shall apply in this Article), or purchases (including brokering, arranging, or other cases prescribed by Presidential Decree, but excluding trading of repurchase bonds, etc. or other cases prescribed by Presidential Decree; hereafter the same shall apply in this Article) bonds, etc. from a foreign corporation before receiving the interest, etc. on such bonds, etc. shall withhold the

tax in consideration of the holding period of such bonds, etc., as prescribed by Presidential Decree. <Amended by Act No. 10423, Dec. 30, 2010>

- (2) Deleted. <by Act No. 7317, Dec. 31, 2004>
- (3) Any act of the person who acts for a withholding agent under paragraph (1) or is commissioned to act for the withholding agent shall be deemed an act of the principal or his or her delegate within the scope of the delegation or commission, and is subject to paragraph (1). <Amended by Act No. 10423, Dec. 30, 2010>
- (4) Where a financial company, etc. assumes charge of, trades or brokers bonds, etc. subject to withholding tax issued by a resident or foreign corporation or makes such transactions as agent, the financial company, etc. shall be deemed to have the agency or commission relationship with the withholding agent provided in paragraph (1) and a foreign corporation that sells bonds, etc., subject to withholding tax for purposes of paragraph (3). <Amended by Act No. 10423, Dec. 30, 2010>
- (5) In applying paragraphs (1) through (4), [Article 98](#) (1) through (3) shall apply mutatis mutandis to the deadline for the payment of the withholding tax and the payment and collection of the penalty tax. <Amended by Act No. 10423, Dec. 30, 2010>
- (6) In applying paragraph (1), matters necessary for the timing for payment of interest income, calculation of the holding period of bonds, etc., subject to withholding tax, calculation and payment of withholding tax, scope of withholding agents, issuance of withholding receipts and other matters shall be prescribed by Presidential Decree. <Amended by Act No. 10423, Dec. 30, 2010>

[This Article Newly Inserted by Act No. 6293, Dec. 29, 2000]

#### **Article 98-4 (Application for Non-Taxation, etc. on Domestic Source Income of Foreign Corporation)**



A foreign corporation that intends to have its domestic source income provided in [Article 93](#) (excluding the income provided in subparagraphs 5 and 6 of the same Article) untaxed or exempted from tax in accordance with the applicable tax treaty shall file an application therefor with the head of the tax office having jurisdiction over the place of tax payment, as prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

#### **Article 98-5 (Special Case concerning Procedures for Withholding Tax from Foreign Corporations)**



- (1) Where a withholding agent provided in [Articles 98, 98-2 through 98-4](#) and [98-6](#) withholds corporate tax from income provided in subparagraph 1, 2, 7 (b), 8 or 9 of [Article 93](#) for each business year among the domestic source income of a foreign corporation located in countries and regions publicly announced by the Minister of Strategy and Finance, the withholding agent shall withhold corporate tax from income by preferentially applying the tax rate provided in each subparagraph of [Article 98](#) (1), notwithstanding the provisions on the non-taxation, the tax exemption and the restrictive tax rates stipulated in [Article 98-4](#) and the applicable tax treaty: Provided, That the same shall not apply where the Commissioner of the National Tax Service grant prior approval to apply the non-taxation, the tax exemption and the

restrictive tax rates under the applicable tax treaty, as prescribed by Presidential Decree. <Amended by Act No. 11128, Dec. 31, 2011>

- (2) Where any corporation (including its agent or tax manager designated under [Article 82 of the Framework Act on National Taxes](#)) to which the domestic source income referred to in paragraph (1) reverts intends to apply for the non-taxation, the tax exemption and the restrictive tax rates pursuant to the applicable tax treaty, it may request a correction, as prescribed by Presidential Decree, to the head of the tax office having jurisdiction over the place of tax payment of a withholding agent within three years from the last day of the month in which the date of withholding of income under paragraph (1) falls.
- (3) Upon receipt of a request for correction under paragraph (2), the head of the tax office shall correct the tax base and amount, or notify the relevant requester of the purport that no reasonable grounds exist to correct the tax base and amount, within six months of receipt of the request.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 98-6 (Special Cases concerning Withholding Procedures to Apply Restrictive Tax Rates under Tax Treaties to Foreign Corporations)**



- (1) Where a foreign corporation to which the domestic source income referred to in [Article 93](#) (1) actually reverts (hereafter referred to as "real beneficiary" in this Article) intends to apply for the restrictive tax rates stipulated under the tax treaties (hereafter referred to as "restrictive tax rates" in this Article), it shall submit a request for application of restrictive tax rates to a withholding agent referred to in [Article 98](#) (1) (hereafter referred to as "withholding agent" in this Article), as prescribed by Presidential Decree.
- (2) In applying paragraph (1), where the relevant domestic source income is paid through a foreign investment scheme prescribed by Presidential Decree (hereafter referred to as "foreign investment scheme" in this Article), the foreign investment scheme shall receive a request for application of restrictive tax rates from the relevant real beneficiary and submit a report on the foreign investment scheme to the withholding agent, along with the relevant statement.
- (3) Where an withholding agent falls under the grounds prescribed by Presidential Decree since it fails to receive a request for application of restrictive tax rates or report on the foreign investment scheme from a real beneficiary or a foreign investment scheme or it cannot identify who the real beneficiary is based on the submitted documents, it shall withhold the amount provided in the subparagraphs of [Article 98](#) (1) without applying the restrictive tax rates.
- (4) Where a real beneficiary to which the restrictive tax rates has not been applied under paragraph (3) intends to apply the restrictive tax rates, it may request for correction to the head of the tax office having jurisdiction over the place of tax payment of the relevant withholding agent within three years from the last day of the month during which tax is withheld under paragraph (3), as prescribed by Presidential Decree.
- (5) Upon receipt of a request for correction made under paragraph (1), the head of the tax office shall correct the tax base and amount, or notify the relevant requester of the

purport that no reasonable grounds exist to correct the tax base and amount, within six months of receipt of the request.

- (6) Except as otherwise expressly provided in paragraphs (1) through (5), matters necessary for methods of, and procedures for submitting relevant documents, such as a request for application of restrictive tax rates or a report on foreign investment schemes, the obligation to keep the submitted documents, and methods of, and procedures for filing a request for a correction and other matters necessary for application of restrictive tax rates shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 11128, Dec. 31, 2011]

**Article 99 (Special Cases concerning Reports on and Payment of Corporate Tax on Income of Foreign Corporation from Personal Services)** 

- (1) A foreign corporation whose income provided in subparagraph 6 of [Article 93](#) is withheld at the tax rate prescribed in [Article 98](#) (1) 2 may file a report on and pay an amount (hereafter referred to as "tax base" in this Article) computed by subtracting expenses proved to be in relation to the income provided in subparagraph 6 of [Article 93](#) accrued during the supply period of services in the Republic of Korea (referring to the period from the date of arrival in Korea to departure from Korea if such period is unclear) from such income to the head of the tax office having jurisdiction over the place of tax payment of the withholding agent within three months from the last day of the supply period of services, as prescribed by Presidential Decree.
- (2) If any income withheld under [Article 98](#) (1) 2 is included in the tax base in applying paragraph (1), the amount of the withheld tax shall be deducted as the amount of tax paid.
- (3) Where a report is filed and payment is made under paragraph (1), [Articles 95](#) and [97](#) shall apply mutatis mutandis to the method of calculating the amount of tax and tax rates and methods of filing reports, making payment, determinations, corrections and collection.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**CHAPTER V Deleted.**

**SECTION 1 Deleted.**

**Article 100 Deleted.** <by Act No. 6558, Dec. 31, 2001> 

**SECTION 2 Deleted.**

**Article 101 Deleted.** <by Act No. 6558, Dec. 31, 2001> 

**SECTION 3 Deleted.**

**Articles 102 through 104 Deleted.** <by Act No. 6558, Dec. 31, 2001> 

**SECTION 4 Deleted.**

**Articles 105 through 108 Deleted.** <by Act No. 6558, Dec. 31, 2001> 

**CHAPTER VI SUPPLEMENTARY PROVISIONS**

**Article 109 (Reports on Incorporation or** 

## Establishment of Corporation)

- (1) A domestic corporation shall submit a report on incorporation stating the following matters, along with the detailed statement on shareholders, etc. and documents regarding business registration, etc. prescribed by Presidential Decree, to the head of the tax office having jurisdiction over the place of tax payment within two months from the date of registration for incorporation (if the actual business management place is established, the date of establishment). In such cases, when the domestic corporation has registered its business under [Article 111](#), it shall be deemed to have completed the registration for incorporation: <Amended by Act No. 11128, Dec. 31, 2011; Act No. 11607, Jan. 1, 2013>
1. The name of the corporation and its representative;
  2. The location of its headquarters, main office or actual business management place;
  3. The purpose of business;
  4. The date of incorporation.
- (2) When a foreign corporation has established a domestic place of business, it shall submit a report on establishment of a domestic place of business, stating the following matters within two months from the date of establishment, along with the statement of financial position as at the date of establishment of the domestic place and other documents prescribed by Presidential Decree, to the head of the tax office having jurisdiction over the place of tax payment. In such cases, a foreign corporation which has established a place of business referred to in [Article 94](#) (3), it may elect to submit a report on establishment of a domestic place of business:
1. The name of the corporation and its representative;
  2. The location of its headquarters or main office;
  3. The name of a person responsible for management of business operated in Korea or domestic assets;
  4. The purpose and type of domestic business, and types and locations of domestic assets;
  5. The start date of domestic business or acquisition date of domestic assets.
- (3) Where any details of a report and other documents submitted by a domestic corporation or foreign corporation under paragraphs (1) and (2) are revised, the domestic corporation or foreign corporation shall report such revision to the head of the tax office having jurisdiction over the place of tax payment within 15 days from the date of such revision.
- (4) Paragraph (2) shall apply mutatis mutandis to a report filed by a foreign corporation with income provided in subparagraph 3 of Article 93.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

### **Article 110 (Reports on Start of Profit-Making Business by Non-Profit Corporation)**

Where a non-profit domestic corporation or non-profit foreign corporation (limited to a foreign corporation with a domestic place of business) starts new profit-making business (limited to the profit-making business provided in [Article 3](#) (3) 1 and 7), it shall submit a report stating the following matters, along with the statement of financial position of the profit-making business as at the start date of such business and other documents prescribed by Presidential Decree, to the head of the tax office having jurisdiction over the place of tax payment within two months from the start date of the business:

1. The name of the corporation;
2. The location of its headquarters, main office or actual business management place;
3. The names of the representative and the person responsible for management;
4. The proper purpose business;
5. The type of the profit-making business;
6. The start date of the profit-making business;
7. The place of business for the profit-making business.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 111**  
**(Business**  
**Registration)**



- (1) A corporation starting a new business shall file for registration of such new business with the head of the tax office having jurisdiction over the place of tax payment, as prescribed by Presidential Decree. In such cases, when a domestic corporation files for registration before it files a report on incorporation pursuant to [Article 109](#) (1), it shall submit the detailed statement on shareholders, etc. under the same paragraph. <Amended by Act No. 11607, Jan. 1, 2013>
- (2) A business operator who has registered his or her business under the [Value-Added Tax Act](#) shall be deemed to have registered the relevant business under paragraph (1).
- (3) [Article 8 of the Value-Added Tax Act](#) shall apply mutatis mutandis to a corporation that has registered its business under this Act. <Amended by Act No. 11873, Jun. 7, 2013>
- (4) Where a report on incorporation under [Article 109](#) has been filed, an application for business registration shall be deemed to have been filed.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 112 (Keeping Account Books)**



A corporation with tax liability shall keep its account books by the double entry bookkeeping system, and keep and preserve important evidentiary documents related to the account books: Provided, That the foregoing shall apply to a non-profit corporation only if the non-profit corporation engages in any profit-making business specified in [Article 3](#) (3) 1 and 7 (the foregoing shall apply to a foreign non-profit corporation only if it earns domestic source income from such profit-making business). <Amended by Act No. 11607, Jan. 1, 2013>

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 112-2 (Obligation,**  
**etc. to Prepare and Keep**  
**Detailed Statements of**  
**Donation Receipts Issued)**



- (1) Where a person in charge of issuing donation receipts (hereafter referred to as "donation receipts" in this Article) that are necessary to include donations in deductible expenses under [Article 24](#) issues a donation receipt to the following corporations, he or she shall prepare a detailed statement of donations by each donating corporation prescribed by Presidential Decree (hereafter referred to as "detailed statement of donation receipts issued for each donating corporation" in this Article) and keep them for five years from the dates on which donation receipts are issued: <Amended by Act No. 11607, Jan. 1, 2013>

1. By December 31, 2008: Domestic corporations that annually donate the amount exceeding one million;
  2. From January 1, 2009 to December 31, 2009: Domestic corporations that annually donate the amount exceeding 500 thousand won;
  3. On or after January 1, 2010: Domestic corporations that make a donation, irrespective of the amount thereof.
- (2) Anyone who issues donation receipts shall, upon request, submit a detailed statement of donation receipts issued for each donating corporation which he or she keeps under paragraph (1) to the Commissioner of the National Tax Service, the Commissioner of the competent Regional Tax Office or the head of the tax office having jurisdiction over the place of tax payment.
  - (3) Anyone who issues donation receipts shall submit a detailed statement of donation receipts issued for each donating corporation, which describing the total number of donation receipts issued, the amount of each donation, etc. in the form stipulated by Ordinance of the Ministry of Strategy and Finance to the head of the relevant tax office within six months from the last day of the month in which the relevant business year ends.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 113**  
(Separate Accounting)



- (1) A non-profit corporation that operates any profit-making business shall keep separate accounting of assets, liabilities, and profits and losses related to such profit-making business from the accounting of those related to business, other than such profit-making business.
  - (2) A corporation subject to the application of the [Financial Investment Services and Capital Markets Act](#) shall keep separate accounting of the income accruing from the trust estates and other income for the purpose of calculating the amount of income for each business year.
  - (3) A corporation which merges with another domestic corporation shall keep separate accounting of the assets, liabilities, and profits and losses related to the business succeeded to from a merged corporation from those related to other business for any of the following periods: Provided, That as for a merger made between small and medium enterprises referred to in [Article 25](#) (1) 1 or between corporations engaged in the same business, separate accounting may not be kept: <Amended by Act No. 11128, Dec. 31, 2011; Act No. 11607, Jan. 1, 2013>
1. Where a corporation has losses referred to in subparagraph 1 of [Article 13](#) as at the registration date of merger, or a corporation intends to deduct losses carried forward of the merged corporation under [Article 45](#) (2): the period during which such losses or losses carried forward are deducted;
  2. In other cases, five years after the merger.
  - (4) In the case of a division and merger of a domestic corporation, a corporation, etc. established through the division shall keep separate accounting of the assets, liabilities, and profits and losses related to the business succeeded to from the divided corporation, etc. and those related to other business for any of the following periods: Provided, That as for a division and merger made between small and medium enterprises referred to

in [Article 25](#) (1) 1 or between corporations engaged in the same business, separate accounting may not be kept: <Amended by Act No. 11128, Dec. 31, 2011; Act No. 11607, Jan. 1, 2013>

1. Where a corporation intends to deduct losses carried forward of a divided corporation, etc. under [Article 46-4](#) (2): the period during which such losses carried forward are deducted;

2. In other cases: five years after division.

(5) Where a consolidated parent corporation has merged (including a division and merger in which the consolidated parent corporation is a counterpart corporation to the division and merger) with another domestic corporation (limited to a domestic corporation, other than a consolidated corporation as at the registration date of a merger), it shall keep separate accounting of the assets, liabilities, and profits and losses related to the business succeeded to from the merged corporation (including the divided corporation) from those related to other business for either of the following periods: <Amended by Act No. 11128, Dec. 31, 2011; Act No. 11607, Jan. 1, 2013>

1. Where a corporation has losses referred to in [Article 76-13](#) (1) 1 as at the registration date of the merger, or intends to deduct losses carried forward of a merged corporation under [Article 76-13](#) (3) 2: The period eligible for the deduction of such losses or carried-forward losses;

2. In other cases: Five years after the merger.

(6) Matters necessary for the method of keeping separate accounting and for determining as to whether corporations are engaged in the same business under paragraphs (1) through (5) and other matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 114 Deleted.** <by Act No. 6558, Dec. 31, 2001> 

**Article 115 Deleted.** <by Act No. 9267, Dec. 26, 2008> 

**Article 116 (Receipt and Keeping of Evidentiary Documents of Expenditures)**



(1) A corporation shall prepare or receive evidentiary documents for all business-related transactions for each business year and keep them for five years from the expiration of the filing deadline specified under [Article 60](#) expires: Provided, That a corporation that intends to deduct losses incurred in the business year that began before the fifth anniversary of the start date of each business year from the income for each business year as prescribed in subparagraph 1 of [Article 13](#) shall keep the evidentiary documents for the business year in which the relevant losses incurred until one year lapses from the filing deadline specified under [Article 60](#) for the business year to which the deducted income reverts.

(2) In cases falling under paragraph (1), where a corporation is supplied with goods or services by a business operator prescribed by Presidential Decree and pays for them, it shall receive and keep any of the following evidentiary documents: Provided, That the same shall not apply to cases prescribed by Presidential Decree: <Amended by Act No. 11873, Jun. 7, 2013>

1. Credit card sales slips issued under the [Specialized Credit Finance Business Act](#) (in the case of transactions using things prescribed by Presidential Decree similar to a credit card, it shall include the relevant evidentiary documents; hereafter the same shall apply in Article 117);
  2. Cash Receipts;
  3. Tax invoices issued under [Article 32 of the Value-Added Tax Act](#);
  4. Invoices issued under [Article 121](#) of this Act and [Article 163 of the Income Tax Act](#).
- (3) In applying paragraph (2), where a corporation fails to be issued a tax invoice referred to in paragraph (2) 2, a corporation shall be deemed to have fulfilled its obligation to receive and keep the evidentiary documents under paragraph (2) when it issues and keeps a purchaser-issued tax invoice under [Article 126-4 \(1\) of the Restriction of Special Taxation Act](#).
- (4) In applying paragraphs (1) through (3), matters necessary for the receipt and keeping of evidentiary documents shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 117 (Obligation, etc. to Become Credit Card Merchants and to Issue Credit Card Sales Slips)**



- (1) Where the Commissioner of the National Tax Service deems it necessary for tax management of a corporation that meets the requirements prescribed by Presidential Decree in consideration of business types, etc., which supplies goods or services mainly to consumers, other than business operators, he or she may guide it to become a credit card merchant.
- (2) No credit card merchant (referring to a merchant who has become such merchant upon meeting the requirements referred to in paragraph (1); hereafter the same shall apply in this Article, [Articles 66 \(2\) 3](#) and [76 \(11\)](#)) shall issue any false credit card sales slip after supplying goods and services, on grounds that transactions are made by credit card: Provided, That a business operator prescribed by Presidential Decree, such as a superstore, issues a credit card sales slip after aggregating the sales of other business operators by the method prescribed by Presidential Decree, such as installing and operating the point-of-sale information system, it shall not be deemed to have issued false credit card sales slips.
- (3) Where a credit card merchant refuses a transaction by credit card or issues a false credit card sales slip, the relevant consumer may report the details of the relevant transaction to the Commissioner of the National Tax Service, the Commissioner of the competent Regional Tax Office or the head of the competent tax office.
- (4) Any entity in receipt of a report filed under paragraph (3) shall give a notice thereon to the head of the tax office having jurisdiction over the credit card merchant's place of tax payment. In such cases, the head of the tax office having jurisdiction over the place of tax payment shall notify the relevant credit card merchant of the amount reported for the relevant business year.
- (5) The Commissioner of the National Tax Service may issue an order to any credit card merchant who has refused a transaction by credit card or has issued a false credit card sales slip with respect to matters necessary to correct it.

- (6) The administrative guidance for becoming credit card merchants, the method of reporting and giving notices on a refusal of transactions by credit card and issuance of a false credit card sales slip, and other necessary matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 117-2 (Obligation,  
etc. to Become Cash  
Receipt Merchants and to  
Issue Cash Receipts)**



- (1) A corporation that meets the requirements prescribed by Presidential Decree in consideration of business types, etc., which supplies goods or services mainly to consumers, other than business operators, shall become a Cash Receipt merchant within three months from the date it meets the requirements.
- (2) A corporation which has become a Cash Receipt merchant under paragraph (1) shall display a mark indicating that it is a Cash Receipt merchant, as prescribed by the Commissioner of the National Tax Service.
- (3) No Cash Receipt merchant shall refuse to issue a Cash Receipt or issue a false Cash Receipt upon receipt of a request by a consumer to issue a Cash Receipt for payment in cash after supplying any goods or services: Provided, That it may elect not to issue a Cash Receipt if it is impractical to issue it in circumstances prescribed by Presidential Decree, and if a business operator prescribed by Presidential Decree, such as a superstore, issues a Cash Receipt after aggregating the sales of other business operators by the method prescribed by Presidential Decree, such as installing and operating the point-of-sale information system, it shall not be deemed to have issued a false Cash Receipt. <Amended by Act No. 11128, Dec. 31, 2011>
- (4) Where a domestic corporation that engages in the type of business prescribed by Presidential Decree supplies goods or services for the amount of 300,000 won or more for each transaction (including the valued added tax thereon) and is paid in cash, notwithstanding paragraph (3), it shall issue the Cash Receipt, as prescribed by Presidential Decree, although a consumer does not request the issuance of a Cash Receipt: Provided, That the domestic corporation may choose not to issue a Cash Receipt if it issues an invoice or tax invoice under [Article 121](#), [Article 163 of the Income Tax Act](#) or [Article 32 of the Value-Added Tax Act](#) after having supplied goods or services to a person who has registered his or her business under [Article 111](#) of the Act, [Article 168 of the Income Tax Act](#) or [Article 8 of the Value-Added Tax Act](#). <Amended by Act No. 11873, Jun. 7, 2013>
- (5) Where a Cash Receipt merchant that is paid in cash after having supplied goods or services refuses to issue a Cash Receipt or issues a false Cash Receipt, the relevant consumer may report the details of the relevant cash transaction to the Commissioner of the National Tax Service, the Commissioner of the competent Regional Tax Office or the head of the competent tax office.
- (6) Any person in receipt of a report filed under paragraph (5) shall give a notice thereon to the head of the tax office having jurisdiction over the place of tax payment of the relevant Cash Receipt merchant. In such cases, the head of the tax office having jurisdiction over the place of tax payment shall notify the relevant Cash Receipt merchant of the amount reported for the relevant business year.

- (7) A corporation that has become a Cash Receipt merchant may issue a Cash Receipt, as prescribed by Presidential Decree, although a consumer supplied with goods or services from it does not request for issuance of a Cash receipt. <Newly Inserted by Act No. 11128, Dec. 31, 2011>
- (8) The Commissioner of the National Tax Service may issue a necessary order to a corporation that has become a Cash Receipt merchant, in relation to matters to be observed by such corporation, such as how to issue Cash Receipts and display a mark indicating that it is a Cash Receipt merchant. <Amended by Act No. 11128, Dec. 31, 2011>
- (9) Becoming and withdrawing from a Cash Receipt merchant, the amount subject to issuance of a Cash Receipt, the methods of reporting or giving notice on refusal to issue a Cash Receipt or issuance of a false Cash Receipt, and other necessary matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

#### **Article 118 (Preparation and Keeping of Stockholder Register, etc.)**

A domestic corporation (excluding a non-profit domestic corporation) shall prepare and keep a stockholder register or employee register stating the matters prescribed by Presidential Decree, such as names, addresses, and resident registration numbers (referring to the names, locations of the headquarters of corporations, and the business registration numbers if such stockholders or employees are corporations) of the stockholders or employees (referring to employees of a limited partnership company; hereafter the same shall apply in this Article).

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

#### **Article 119**

##### **(Submission of Detailed Statement of Changes in Stocks, etc.)**

- (1) A corporation (excluding a partnership corporation, etc. prescribed by Presidential Decree) whose stocks, etc. changes during a business year shall submit a detailed statement of changes in stocks, etc. to the head of the tax office having jurisdiction over the place of tax payment by the filing deadline specified in [Article 60](#), as prescribed by Presidential Decree.
- (2) Paragraph (1) shall not apply to any of the following stocks, etc.: <Amended by Act No. 11128, Dec. 31, 2011>
1. Stocks, etc. held by the stockholders, etc., other than a controlling stockholder (including any related party thereof), in the case of a corporation prescribed by Presidential Decree among listed-stock corporations;
  2. Stocks, etc. held by a minority stockholder of a corporation, other than those referred to in subparagraph 1.
- (3) The scope of a controlling stockholder and a minority stockholder referred to in paragraph (2) and other necessary matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

#### **Article 120**

##### **(Obligation to File Payment Statements)**

- (1) Any person who pays a domestic corporation the income provided in [Article 127 \(1\) 1 or 2 of the Income Tax Act](#) (including a person obliged

to withhold a tax pursuant to any provision of [Article 73](#) (4) through (6) and (8)) shall file payment statements to the head of the tax office having jurisdiction over the place of tax payment, as prescribed by Presidential Decree. In such cases, with regard to income accruing from each piece of trust property of a corporation subject to the [Financial Investment Services and Capital Markets Act](#), as the income shall be deemed to have been paid to such corporation, any person who pays such income shall submit such payment statements, notwithstanding [Article 5](#) (2). <Amended by Act No. 11128, Dec. 31, 2011; Act No. 11607, Jan. 1, 2013>

- (2) [Article 164 of the Income Tax Act](#) shall apply mutatis mutandis to the submission of payment statements under paragraph (1).

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 120-2 (Special Cases concerning Obligation to File Payment Statements on Domestic Source Income, etc. of Foreign Corporations)**



- (1) Any person who pays domestic source income to any foreign corporation under [Article 93](#) shall file a payment statement with the head of the tax office having jurisdiction over the place of tax payment by the end of February of the year following the year (in the case of suspension or closure of business, by the end of the second month from the month in which such business is suspended or closed) in which such payment is made: Provided, That the same shall not apply where income prescribed by Presidential Decree is paid, including non-taxable or tax-exempted income that is verified under [Article 98-4](#).

- (2) [Article 164 of the Income Tax Act](#) shall apply mutatis mutandis to the submission of payment statements under paragraph (1).

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 120-3 (Submission of Aggregate Tax Invoices for Individual Suppliers)**



- (1) Any corporation which operates a business exempt from the value-added tax under the [Value-Added Tax Act](#) and the [Restriction of Special Taxation Act](#) shall, upon receipt of a tax invoice issued under [Article 32](#) (1) or (7) or [Article 35 \(1\) of the Value-Added Tax Act](#) after being supplied with goods or services, submit an aggregate tax invoice for individual suppliers (referring to an aggregate tax invoice for individual suppliers provided in [Article 54 of the Value-Added Tax Act](#); hereinafter the same shall apply) to the head of the tax office having jurisdiction over the place of tax payment by the deadline prescribed by Presidential Decree: Provided, That the same shall not apply where such invoice is submitted under [Article 54 \(5\) of the Value-Added Tax Act](#). <Amended by Act No. 11873, Jun. 7, 2013>

(2) Matters necessary for submitting aggregate tax invoices for individual suppliers and other matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 121**  
**(Preparation, Issuance, etc. of Invoices)** 

- (1) Where a corporation supplies goods or services, it shall issue an invoice or receipt (hereinafter referred to as "invoice, etc."), as prescribed by Presidential Decree, to a person supplied with the goods or services.
- (2) Where agricultural products, livestock products, fishery products, and forest products that are exempt from the value-added tax under [Article 26 \(1\) 1 of the Value-Added Tax Act](#) are sold on consignment or through an agent, the consignee or agent shall be deemed to have supplied goods and shall issue an invoice, etc. to a person supplied with the relevant goods: Provided, That the same shall not apply where such invoice, etc. is issued, as prescribed by Presidential Decree, under paragraph (1). <Amended by Act No. 11873, Jun. 7, 2013>
- (3) The head of a customhouse shall issue an invoice to any corporation that imports goods, as prescribed by Presidential Decree.
- (4) Paragraphs (1) through (3) shall not apply in circumstances prescribed by Presidential Decree where it is deemed inappropriate to issue an invoice, etc., such as sale of real estate.
- (5) A corporation shall submit an aggregate invoice for individual suppliers or purchasers issued or received under paragraphs (1) through (3) (hereinafter referred to as "aggregate invoices for individual suppliers or purchasers") to the head of the tax office having jurisdiction over the place of tax payment by the deadline prescribed by Presidential Decree: Provided, That any corporation issued with an invoice under paragraph (3) may elect not to submit the aggregate invoices for individual suppliers.
- (6) Any portion in relation to which tax invoices or receipts are issued under the [Value-Added Tax Act](#) or aggregate tax invoices for individual suppliers or purchasers are submitted shall be deemed a portion in relation to which invoices, etc. issued or aggregate invoices for individual suppliers or purchasers are submitted under paragraphs (1) through (3), and (5).
- (7) Matters necessary for preparing and issuing an invoice, etc. and submitting an aggregate invoice for individual suppliers or purchasers shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 121-2**  
**(Obligation to Submit Data on Overseas Subsidiaries)** 

- (1) A domestic corporation which has made an overseas direct investment provided in [Article 3 \(1\) 18 of the Foreign Exchange Transactions Act](#) shall submit a detailed statement of the overseas direct investment, the financial conditions of the invested corporation, the current status of overseas branch offices, etc. (hereinafter referred to as "detailed statement, etc. of overseas subsidiaries") to the head of the tax office having jurisdiction over the place of tax payment by the filing deadline specified under Article 60.

- (2) Where a domestic corporation referred to in paragraph (1) fails to submit a detailed statement, etc. of overseas subsidiaries or submits a false detailed statement, etc. of overseas subsidiaries, the head of the tax office having jurisdiction over the place of tax payment may request the domestic corporation to submit or correct it: Provided, That the same shall not apply where two years pass from the following day of the filing deadline referred to in paragraph (1).
- (3) A person in receipt of a request to submit or correct data under paragraph (2) shall submit the relevant data within 60 days of receipt of the request.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 121-3 (Sanctions against Non-Performance of Obligation to Submit Data on Overseas Subsidiaries)** 

- (1) Where a corporation (limited to where it directly or indirectly holds at least 50 percent of the total number of outstanding stocks of or total investments in an invested corporation) in receipt of a request to submit or correct data under [Article 121-2](#) (2) fails to submit the relevant data by the deadline specified under [Article 121-2](#) (3) without any justifiable grounds prescribed by Presidential Decree or submits false data, it shall be sentenced to a fine for negligence not exceeding ten million won.
- (2) Fines for negligence referred to in paragraph (1) shall be imposed and collected by the head of the tax office having jurisdiction over the place of tax payment, as prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**Article 122 (Inquiries and Investigations)** 

If it is necessary for a public official to perform corporate tax-related affairs, the public official may question any of the following persons, or investigate the relevant account books, documents and other items or order the submission thereof:

1. A tax obligor or person deemed to have tax liability;
2. A withholding agent;
3. A person obligated to submit a payment statement and a person obligated to submit an aggregate invoice for individual suppliers or purchasers;
4. A person responsible for management under [Article 109](#) (2) 3;
5. A person deemed to have engaged in a transaction with a person falling under subparagraph 1;
6. A trade association organized by tax obligors or an organization equivalent thereto;
7. A corporation which has issued donation receipts.

[This Article Wholly Amended by Act No. 10423, Dec. 30, 2010]

**ADDENDA**

**Article 1 (Enforcement Date)**

This Act shall enter into force on January 1, 1999: Provided, That the amended provisions of [Articles 8, 16, 17, 33, 34, 36, 46 through 49, 59, 63, 79, 81, 84, 86](#) and [99](#) (11) (limited to portions governing divisions) and the amended provisions of [Article 29](#) (1) shall enter into force on the date of its promulgation, the amended provisions of [Articles 28](#) (2) through (4) and [76](#) (5) shall enter into force on January 1, 2000, and the amended provisions of [Articles 76](#) (9) 1 and [121](#) (2) shall enter into force on July 1, 1999.

**Article 2 (General Applicability)**

This Act shall apply from the first business year that begins after this Act enters into force: Provided, That the amended provisions governing the corporate tax on liquidation income shall apply from the first dissolution or merger which occurs after this Act enters into force or from a division occurring in the business year during which

this Act enters into force, and the amended provisions governing special penalty tax shall apply from the first transfer that occurs after this Act enters into force.

### **Article 3 (Applicability to Special Cases concerning Mergers and Divisions)**

The amended provisions of [Article 8](#), subparagraphs 3 and 4 of [Article 17](#), and [Articles 44 through 49](#), [59](#) (3), [99](#) (11) (limited to portions governing divisions) and [113](#) (3) shall apply from the first merger after this Act enters into force or from the division occurring in the business year in which this Act enters into force.

### **Article 4 (Applicability to Report and Payment)**

- (1) The amended provisions of [Articles 6](#), [7](#), [62](#), and [109 through 111](#) shall apply from the first arriving deadline for filing or registration after this Act enters into force.
- (2) The amended provisions of [Articles 60](#) and [63 through 65](#) shall apply from the first report or payment of corporate tax for the business year which first starts after this Act enters into force: Provided, That the amended provisions of [Article 63](#) (1) shall apply to the first interim prepaid portion after this Act enters into force.
- (3) The amended provisions of [Articles 66 through 70](#) shall apply from the first report, determination, or correction after this Act enters into force.
- (4) The amended provisions of [Articles 71 and 89](#) shall apply from the first arriving deadline for payment of corporate tax after this Act enters into force.
- (5) The amended provisions of [Articles 73 through 75](#) shall apply from the first payment made after this Act enters into force.

### **Article 5 (Applicability to Constructive Dividends or Distributions)**

The amended provisions of [Article 16](#) shall apply from the first retirement, etc. of stocks, transfer into capital or dissolution after this Act enters into force: Provided, That the amended provisions of [Article 16](#) (1) 2 (a) (limited to merger evaluation marginal profits and marginal profits upon merger evaluation) shall apply from the first merger after this Act enters into force or transfer into capital, etc. generated by a division during the business year in which this Act enters into force, and the amended provisions of subparagraph 6 of the same paragraph shall apply from a division occurring in the business year in which this Act enters into force.

### **Article 6 (Applicability to Calculation of Deductible Expenses)**

- (1) The amended provisions of [Article 28](#) (2) through (4) shall apply from the first business year that starts on or after January 1, 2000.
- (2) The amended provisions of [Articles 29](#) (excluding paragraph (1)) through [34](#) (excluding paragraph (3)), [36](#) through [38](#), and [61](#) shall apply from inclusion in deductible expenses in the first business year beginning after this Act enters into force: Provided, That the amended provisions of [Article 29](#) (1) shall apply from inclusion in deductible expenses in the business year in which this Act enters into force, the amended provisions of [Articles 31](#) (4), [32](#) (4), [33](#) (3), [34](#) (6), and [36](#) (3) (including where the amended provisions of [Articles 37](#) (2) and [38](#) (2) shall apply mutatis mutandis) shall apply from the first dissolution after this Act enters into force or from a division occurring in the business year in which this Act enters into force.
- (3) The amended provisions of [Article 34](#) (3) shall apply from the first guarantee of debts (including guarantee of debts made before this Act enters into force for time limit which the has been extended) or payment after this Act enters into force: Provided, That for a corporation subject to the previous provisions of [Article 14](#) (1), the amended provisions of [Article 34](#) (3) 1 shall apply from the first guarantee of debts on or after January 1, 1998 (including guarantee of debts made prior to December 31, 1997 for which the time limit has been extended).
- (4) The amended provisions of [Article 52](#) shall apply to the first transaction after this Act enters into force.
- (5) The amended provisions of [Articles 92](#) (2) 3 and [98](#) (1) 4 shall apply to the first transfer after this Act enters into force.

### **Article 7 (Applicability to Penalty Tax)**

- (1) The amended provisions of [Article 76](#) (1) shall apply from the collection of corporate tax in the first business year that starts after this Act enters into force.
- (2) The amended provisions of [Articles 76](#) (4) and [115](#) shall apply from a combined financial statements submitted in the first business year that starts after this Act enters into force. In such cases, the deadline for submission for the business year which starts between the date of the enforcement of this Act and December 31, 1999 shall be seven months from the end of the relevant business year, notwithstanding the amended provisions of [Article 115](#).
- (3) The amended provisions of [Article 76](#) (5) shall apply from the first goods or services provided on or after January 1, 2000, and the amended provisions of [Article 116](#) shall apply from the first goods or services provided after this Act enters into force.
- (4) The amended provisions of [Article 76](#) (6) shall apply from a detailed statement submitted in the first business year that starts after this Act enters into force, and the amended provisions of [Article 119](#) (1) (excluding the provisions governing the filing deadline) shall apply from the first statement submitted after this Act enters into force.
- (5) The amended provisions of [Article 76](#) (8) shall apply from the first arriving deadline for submission after this Act enters into force.
- (6) The amended provisions of [Articles 76](#) (9) 1 and [121](#) (2) shall apply from what is first provided on or after July 1, 1999.
- (7) The amended provisions of [Article 114](#) shall apply from the first arriving deadline for public announcement after this Act enters into force.

#### **Article 8 (Special Cases concerning Calculation of Income from Profit-Making Business)**

- (1) In the application of the amended provisions of [Article 3](#) (2) 4, the acquisition value of stocks or investment shares acquired on or before December 31, 1988 may either of the book value or any of the following amounts, whichever is larger:
  1. For stocks or investment shares listed on a stock exchange, the higher amount of the stock exchange final market value on December 31, 1988 (regardless of the existence of any real transaction) or the average of the officially announced stock exchange final market value for each day of December 1988;
  2. For stocks or investment shares not listed on a stock exchange, the value as at January 1, 1989 as evaluated under [Article 60 of the Inheritance Tax and Gift Tax Act](#) and [Article 63 \(1\) 1 \(b\) and \(c\) of the same Act](#).
- (2) In the application of the amended provisions of [Article 3](#) (2) 5, the acquisition value of land and buildings acquired on or before December 31, 1990 (including attached facilities and structures) may be the larger amount of the book value or the value as at January 1, 1991 as evaluated under [Article 60 of the Inheritance Tax and Gift Tax Act](#) and [Article 61 \(1\) through \(3\) of the same Act](#).

#### **Article 9 (Special Cases concerning Application of Non-Inclusion of Entertainment Expenses in Deductible Expenses)**

- (1) In the application of the amended provisions of [Article 25](#) (1) 2, for the business year that starts between the date of the enforcement of this Act and December 31, 1999, the rates applied shall be as in the following table, notwithstanding the table under the amended provisions of the table under the same subparagraph:
- (2) In the application of the amended provisions of [Article 25](#) (2) and (4), for the business year that starts between the date of the enforcement of this Act and December 31, 1999,

the amount of secret service funds under the previous provisions of the proviso to [Article 18-2](#) (3) within ten percent of the sum of the amounts under each subparagraph of [Article 25](#) (1) appropriate amount shall be deemed the business-related entertainment expenses paid, and the amended provisions of [Article 25](#) (2) shall not apply.

**Article 10 (Special Cases concerning Timing for Acquisition of Land, etc.)**

In the application of the amended provisions of [Article 99](#), the land, etc. acquired on or before December 31, 1984 shall be deemed land, etc. acquired on January 1, 1985.

**Article 11 (General Transitional Measures)**

Corporate tax paid or payable under the previous provisions before this Act enters into force shall be governed by the previous provisions.

**Article 12 (Transitional Measures on Non-Taxation of Interest Income)**

Corporate Tax shall not be imposed on income accrued from any of the following bonds or savings:

1. National housing bonds issued under the [Housing Construction Promotion Act](#) by the Korea Housing and Commercial Bank under the previous [Korea Housing and Commercial Bank Act](#) before January 1, 1982;
2. Any of the following bonds issued before January 1, 1983:
  - (a) National bonds for industrial reconstruction issued by the State under the previous [Industrial Reconstruction Bonds Act](#);
  - (b) Bonds issued by the State as compensation for requisition under the [Act on Special Measures for Readjustment of Requisitioned Properties](#);
  - (c) Bonds issued by the State under the previous [Act on Temporary Measures concerning the Settlement of Communication Facilities](#);
  - (d) National housing bonds issued by the State under the [Housing Construction Promotion Act](#);
  - (e) Subway public bonds, roads public bonds, and waterworks public bonds issued by local governments under the [Local Finance Act](#); and
  - (f) Land development bonds issued by the Korea Land Corporation under the [Korea Land Corporation Act](#); and
3. Interest on savings in the National Savings Association generated before December 31, 1990.

**Article 13 (Transitional Measures concerning Inclusion of Reserve Funds, etc. in Gross Income, etc.)**

- (1) For the inclusion of reserve funds, etc. in the calculation of deductible expenses under the previous [Article 12](#) (3) before this Act enters into force in the calculation of gross income, the previous provisions shall govern.
- (2) The timing for accrual of gross income and deductible expenses for transactions, etc. under the application of the previous [Article 17](#) as at the time this Act enters into force shall be governed by the previous provisions.
- (3) The withholding tax rate on interest income from bonds, etc. issued under the previous [Article 39](#) (6) before September 30, 1998 shall be 20%, notwithstanding the amended provisions of [Article 73](#) (1) 1.

**Article 14 Omitted.**

**Article 15 (Relationship with other Acts and Subordinate Statutes)**

Where other Acts and subordinate statutes cite the previous [Corporate Tax Act](#) as at the time this Act enters into force, and the corresponding provisions exist herein, they shall be deemed to have cited the corresponding provisions of this Act in lieu of the previous provisions.

**ADDENDA <Act No. 6047, Dec. 28, 1999>**

**Article 1 (Enforcement Date)**

This Act shall enter into force on January 1, 2000.

## **Article 2 (Applicability)**

- (1) The amended provisions of [Article 18-2](#) shall apply from the first dividend to be distributed from a subsidiary after this Act enters into force.
- (2) The amended provisions of [Article 36](#) shall apply from the business assets acquired and renovated using the first subsidy to be granted after this Act enters into force.
- (3) The amended provisions of [Article 73](#) (1) and (5) shall apply from payment of first accruing interest income after this Act enters into force.

### **ADDENDA <Act No. 6259, Feb. 3, 2000>**

- (1) (Enforcement Date) This Act shall enter into force on the date of its promulgation.
- (2) (General Applicability) This Act shall apply from the first report on tax base on the special penalty tax or the first determination or correction thereof after this Act enters into force. <Amended by Act No. 6293, Dec. 29, 2000>
- (3) (Applicability to Litigation Cases on Special Penalty Tax) This Act shall apply to a disposition made under [Article 59-2](#) (1) (limited to appeals, requests for review, requests for adjudication or administrative lawsuits that have already been filed) under the previous [Corporate Tax Act](#) (referring to the Act before amendment by Act No. 5581). <Newly Inserted by Act No. 6293, Dec. 29, 2000>

### **ADDENDA <Act No. 6293, Dec. 29, 2000>**

#### **Article 1 (Enforcement Date)**

This Act shall enter into force on January 1, 2001: Provided, That the amended provisions of [Articles 25](#) (2) and [98-2](#) shall enter into force on the date of its promulgation, the amended provisions of [Articles 73](#) (1), (6), (8) and (9), [74](#) (2) and [98-3](#) shall enter into force on July 1, 2001, the amended provisions of the main sentence of [Article 28](#) (2) shall enter into force on January 1, 2002, and the amended provisions of [Articles 66](#) (2), [76](#) (7) and (8) and [120-2](#) shall enter into force on July 1, 2002.

#### **Article 2 (General Applicability)**

This Act shall apply from the first business year that starts after this Act enters into force.

#### **Article 3 (Applicability to Non-Inclusion of Received Dividends in Gross Income)**

The amended provisions of [Articles 18-2](#) (1) and (3) and [18-3](#) shall apply from the first dividend to be distributed after this Act enters into force.

#### **Article 4 (Applicability to Non-Inclusion of Entertainment Expenses in Deductible Expenses)**

The amended provisions of [Article 25](#) (2) shall apply from entertainment expenses included in deductible expenses for the business year in which this Act is promulgated.

#### **Article 5 (Applicability to Non-Inclusion of Paid Interest on Deductible Expenses)**

The amended provisions of the main sentence of [Article 28](#) (2) shall apply from the first business year starts on or after January 1, 2002.

#### **Article 6 (Applicability to Inclusion of Reserve Funds for Policyholder Dividends in Deductible Expenses)**

The amended provisions of [Article 31](#) (4) shall apply from the first portion to be included in deductible expenses for the business year in which this Act enters into force.

#### **Article 7 (Applicability to Securities Trading Reserve)**

The amended provisions of [Article 32](#) shall apply from the business year in which this Act enters into force.

#### **Article 8 (Applicability to Income Deduction for Mutual Funds, etc.)**

The amended provisions of [Article 51-2](#) (1) 2 and 3 shall apply from the first distributed portion after this Act enters into force.

#### **Article 9 (Applicability to Interim Prepayment)**

The amended provisions of the proviso of [Article 63](#) (1) shall apply from the first interim prepayment to be made after this Act enters into force.

#### **Article 10 (Applicability to Withholding)**

- (1) The amended provisions of [Article 73](#) (1) shall apply from interest income first accrued or earnings distributed from securities investment trust fund first paid on or after July 1, 2001.
- (2) The amended provisions of [Articles 73](#) (6) and (8), [74](#) (2), and [98-3](#) shall apply from first bonds, etc. to be sold or first interest, etc. to be paid on or after July 1, 2001.

- (3) The previous provisions of [Articles 73](#) (6) and [74](#) (2) shall apply to bonds, etc. issued before July 1, 2001 until the first payment date of interest, etc. on bonds, etc. on or after July 1, 2001 where the interest computing period spans over the periods before or on or after July 1, 2001.

#### **Article 11 (Applicability to Domestic Source Income of Foreign Corporations)**

- (1) The amended provisions of [Article 92](#) (2) 2 (proviso), subparagraphs 7 and 10 of [Article 93](#), and [Article 98](#) (1) 4 (proviso) shall apply from the first portion to be transferred after this Act enters into force.
- (2) The amended provisions of subparagraph 11 of [Article 93](#) shall apply from the first accrued income after this Act enters into force.

#### **Article 12 (Applicability to Special Cases concerning Reports, etc. on Capital Gains on Transfer of Securities by Foreign Corporations)**

The amended provisions of [Article 98-2](#) shall apply from the portion that first meets the taxable criteria under the corresponding taxation treaty after the promulgation of this Act.

#### **Article 13 (Applicability to Submission of Written Payment Statements by Foreign Corporations)**

The amended provisions of [Articles 66](#) (2) 2, [76](#) (7) and (8), and [120-2](#) shall apply from the first payment made on or after July 1, 2002.

#### **Article 14 (Applicability to Special Penalty Tax)**

The amended provisions of [Articles 99](#), [102](#), and [104](#) shall apply from the first portion to be transferred after this Act enters into force.

#### **Article 15 (Transitional Measures concerning Inclusion of Securities Trading Reserves in Gross Income)**

The previous provisions shall apply to inclusion, etc. of securities trading reserves included in calculation of deductible expenses under the previous provisions of [Article 32](#) before the enforcement of this Act in gross income.

#### **ADDENDA <Act No. 6558, Dec. 31, 2001>**

##### **Article 1 (Enforcement Date)**

This Act shall enter into force on January 1, 2002: Provided, That the amended provisions of [Articles 45](#) (1), [61](#) (1), [76](#) (3) and (5), and [114](#) shall enter into force on the date of its promulgation, and the amended provisions of [Articles 98-4](#) and [120-2](#) (1) shall enter into force on July 1, 2002.

##### **Article 2 (General Applicability)**

This Act shall apply from the first business year that starts after this Act enters into force.

##### **Article 3 (Applicability to Constructive Dividends or Distributions)**

The amended provisions of [Article 16](#) (1) 2 shall apply from the first equity stocks or investment shares to be retired after this Act enters into force.

##### **Article 4 (Applicability to Non-Inclusion of Amount of Dividends in Gross Income)**

The amended provisions of [Articles 18-2](#) (1) 4 and [18-3](#) (2) shall apply from the first dividend to be distributed after this Act enters into force.

##### **Article 5 (Applicability to Inclusion of Value of Business Assets Acquired Using National Subsidies, etc. in Deductible Expenses)**

The amended provisions of [Article 36](#) (1) and (4) shall apply from the first National subsidy granted after this Act enters into force.

##### **Article 6 (Applicability to Succession of Losses Carried Forward at Time of Merger)**

The amended provisions of [Article 45](#) (1) 1 shall apply from a merger that is effected in the business year in which this Act is promulgated.

##### **Article 7 (Applicability to Inclusion of Amount Equivalent to Transfer Marginal Profit of Assets Generated from Spin-off in Deductible Expenses)**

The amended provisions of [Article 47](#) shall apply from the first division or merger that is effected after this Act enters into force.

##### **Article 8 (Applicability to Income Deduction for Corporate Restructuring Real Estate Investment Companies)**

The amended provisions of [Article 51-2](#) (1) 4 shall apply from the first dividend to be distributed after this Act enters into force.

##### **Article 9 (Applicability to Special Cases concerning Taxation on Capital Gains on Transfer of Land, etc.)**

The amended provisions of [Articles 2](#) (2), [55](#), [55-2](#), [57](#), [59](#), [63](#) (1), [76](#) (1) 1, [92](#) (2) through (6), [95](#) and [95-2](#) shall apply from the first portion to be transferred after this Act enters into force.

### **Article 10 (Applicability to Special Cases concerning Appropriation of Reserve Funds for Deductible Expenses)**

The amended provisions of [Article 61](#) (1) shall apply from the first portion that is appropriated in the tax settlement invoice of the business year in which this Act is promulgated.

### **Article 11 (Applicability to Special Cases concerning Taxation of Capital Gains on Transfer of Assets by Non-Profit Domestic Corporations)**

The amended provisions of [Article 62-2](#) shall apply from the first portion to be transferred after this Act enters into force.

### **Article 12 (Applicability to Penalty Tax)**

- (1) The amended provisions of [Article 76](#) (1) 3 shall apply from the first arriving payment deadline after this Act enters into force.
- (2) The amended provisions of [Article 76](#) (5) will apply from goods and services supplied in the business year in which this Act enters into force.

### **Article 13 (Applicability to Domestic Source Income by Foreign Corporation)**

The amended provisions of subparagraphs 2 and 11 of [Article 93](#) shall apply from the disposed portion as a dividend or other income after this Act enters into force.

### **Article 14 (Applicability to Tax Withholding of Bonds, etc. of Foreign Corporations)**

The amended provisions of [Article 98-3](#) shall apply from the first interest, etc. to be paid or first bonds, etc. to be sold after this Act enters into force.

### **Article 15 (Applicability to Application for Non-Taxation, etc. on Domestic Source Income by Foreign Corporations)**

The amended provisions of [Article 98-4](#) shall apply from the first untaxed or exempt portion on or after July 1, 2002.

### **Article 16 (Applicability to Obligation to Publish Balance Sheets)**

The amended provisions of [Articles 76](#) (3) and [114](#) shall apply from the business year in which this Act is promulgated.

### **Article 17 (Applicability to Submission of Written Payment Statements on Domestic Source Income by Foreign Corporation)**

The amended provisions of [Article 120-2](#) (1) shall apply from the first payment made on or after July 1, 2002.

### **Article 18 (Applicability to Preparation, Issuance, etc. of Invoice)**

The amended provisions of [Article 121](#) shall apply from the first goods or services to be supplied or imported after this Act enters into force.

### **Article 19 (Transitional Measures concerning Non-Inclusion of Dividends by Corporation Belonging to Large Business Group)**

Notwithstanding the amended provisions of [Article 18-3](#) (2), the non-inclusion of the amount of dividend that any domestic corporation belonging to a large business group earns from its affiliate in the gross income shall be governed by the previous provisions.

### **Article 20 (Transitional Measures concerning Acquisition Tax on Non-Business Land)**

The acquisition tax on the non-business land of any corporation under Article 112 (2) of the previous [Local Tax Act](#) (referring to the [Local Tax Act](#) before amendment by Act No. 6312) (limited to the amount exceeding the amount of tax calculated under paragraph (1) of the same Article of the same previous Act) and the non-inclusion of the refund amount in deductible expenses and gross income shall be governed by the previous provisions of subparagraph 7 of [Article 18](#) and subparagraph 3 of [Article 21](#).

### **Article 21 (Transitional Measures concerning Inclusion of Amount Equivalent to Reappraisal Difference of Land in Deductible Expenses)**

The amount that has been included in deductible expenses under the previous provisions of [Article 39](#) and is later included in gross income, etc. at the time that this Act enters into force shall be governed by the previous provisions.

### **Article 22 (Transitional Measures concerning Corporate Tax on Income Exceeding Proper Reserves)**

The disposal of the Corporate Development Reserve Fund raised under the previous provisions of [Article 56](#) and the payment, etc. of the corporate tax that is incurred by the disposal of such fund for other purposes as at the time that this Act enters into force shall be governed by the previous provisions.

### **Article 23 (Transitional Measures concerning Repeal of Special Penalty Tax)**

Any special penalty tax imposed or to be imposed under the previous provisions as at the time that this Act enters into force shall be governed by the previous provisions.

### **Article 24 Omitted.**

### **Article 25 (Transitional Measures following Amendments to other Acts)**

Where the special penalty tax is imposed on the income accrued the transfer, etc. of lands or business before this Act enters into force, the amount of such special penalty tax recognized as development costs shall be governed by the previous provisions, notwithstanding the amended provisions of Article 24 of this Addenda.

## **ADDENDA <Act No. 6852, Dec. 30, 2002>**

### **Article 1 (Enforcement Date)**

This Act shall enter into force six months after the date of its promulgation.

### **Articles 2 through 18 Omitted.**

## **ADDENDA <Act No. 7005, Dec. 30, 2003>**

### **Article 1 (Enforcement Date)**

This Act shall enter into force on January 1, 2004: Provided, That the amended provisions of [Articles 5 \(2\), 29 \(1\) 2, 51-2 \(1\) 2, 62 \(1\), 73 \(1\) through \(3\), 113 \(2\)](#) shall enter into force on January 5, 2004, and the amended provisions of [Article 55 \(1\)](#) shall enter into force on January 1, 2005.

### **Article 2 (General Applicability)**

This Act shall apply from the first business year that begins after this Act enters into force.

### **Article 3 (Applicability to Non-Inclusion of Holding Company's Received Dividends in Gross Income)**

The amended provisions of [Article 18-2 \(1\) 4](#) shall apply from the first dividend to be distributed from a subsidiary after this Act enters into force.

### **Article 4 (Applicability to Income Deduction of Dividends of Ship Investment Companies)**

The amended provisions of [Article 51-2 \(1\) 5](#) shall apply from the first dividend to be distributed after this Act enters into force.

### **Article 5 (Applicability to Special Cases concerning Taxation on Transfer of Land)**

The amended provisions of [Article 55-2 \(1\)](#) shall apply from the first transfer after this Act enters into force.

### **Article 6 (Applicability to Correction, etc. of Corporate Tax Resulting from Wrongful Accounting)**

The amended provisions of [Articles 58-3, 59 \(1\) 4, 66 \(2\) 4 and 72-2](#) shall apply from the first disposition, such as warning and attention due to wrongful accounting after this Act enters into force.

### **Article 7 (Applicability to Exemption from Collection of Withholding Tax in case of Non-Execution of Withholding)**

The amended provisions of [Article 71 \(3\)](#) shall apply from the first payment after making a determination or correction after this Act enters into force.

### **Article 8 (Applicability to Scope of Domestic Source Income)**

- (1) The amended provisions of subparagraph 4 of [Article 93](#) shall apply from the first lease after this Act enters into force.
- (2) The amended provisions of subparagraph 6 of [Article 93](#) shall apply from the first supply of services after this Act enters into force.
- (3) The amended provisions of subparagraph 11 (i) of [Article 93](#), [Article 98 \(10\)](#) and (11) shall apply from the first capital transaction to be made after this Act enters into force.

### **Article 9 (Applicability to Reports, etc. on Corporate Tax by Foreign Corporations)**

The amended provisions of the former part of [Article 97 \(1\)](#) shall apply from the first report on the tax base and amount after this Act enters into force.

### **Article 10 (Applicability to Withholding of Capital Gains)**

The amended provisions of [Article 98 \(1\)](#) shall apply from the first transfer after this Act enters into force.

### **Article 11 (Applicability to Special Cases concerning Obligation to Submit Written Payment Statements on Domestic Source Income, etc. by Foreign Corporation)**

The amended provisions of main sentence of [Article 120-2 \(1\)](#) shall apply from the first domestic source income to be paid after this Act enters into force.

### **Article 12 (Special Cases concerning Interim Prepayment)**

In calculating the amount of interim tax for the interim prepayment period starting after January 1, 2005, the calculated amount of tax as fixed for corporate tax of the immediately preceding business year from the relevant business year stipulated in [Article 63 \(1\)](#) shall be calculated by applying the amended provisions of [Article 55 \(1\)](#) to the tax base of the immediately preceding business year.

### **Article 13 (Applicability to Investment Assets, Investment Companies, etc.)**

The provisions governing investment assets, investment companies, etc. to be amended following the enforcement of the Indirect Investment Asset Management Business Act shall apply from the first created or established portion after the date of enforcement of the same Act, and for those created or established before the enforcement of the same Act, the former provisions shall prevail.

### **Article 14 (Transitional Measures concerning Capital Gains on Transfer of House)**

Where a corporation that has a house provided in [Article 55-2 \(1\) 2](#) as at the time this Act enters into force transfers the house on or before December 31, 2004, the amended provisions of [Article 55-2 \(1\) 2](#) shall not apply: Provided, That the corporation newly acquires another house on or after January 1, 2004, this shall not apply.

## **Article 15 (Transitional Measures concerning Scope of Domestic Source Income in Relation to Industrial/Commercial/Scientific Machinery, Facility, Equipment, etc.)**

Income generated from price and transfer in the case of use in the country of the industrial/commercial/scientific machinery, facility, equipment or the price being paid in the country shall, notwithstanding the amended provisions of subparagraph 4 of [Article 93](#), be deemed income generated from price and transfer pursuant to the former provisions of subparagraph 9 (c) of [Article 93](#).

### **ADDENDA <Act No. 7117, Jan. 29, 2004>**

- (1) (Enforcement Date) This Act shall enter into force on the date of its promulgation: Provided, That the amended provisions of [Article 29](#) (1) shall take effect on January 1, 2005.
- (2) (General Applicability) This Act shall apply from the first business year that begins after this Act enters into force.

### **ADDENDA <Act No. 7289, Dec. 31, 2004>**

#### **Article 1 (Enforcement Date)**

This Act shall enter into force six months after the date of its promulgation.

#### **Articles 2 through 5 Omitted.**

### **ADDENDA <Act No. 7317, Dec. 31, 2004>**

#### **Article 1 (Enforcement Date)**

This Act shall enter into force on January 1, 2005: Provided, That the amended provisions of [Articles 73](#) (8), [74](#) (2), [98-3](#) (1) through (3) and (6) shall enter into force on July 1, 2005, and the amended provisions of [Article 51-2](#) (1) 4 shall enter into force on April 23, 2005.

#### **Article 2 (Applicability to Constructive Dividends or Distributions)**

The amended provisions of [Article 16](#) (1) 2 (a) shall apply from the first loan to be converted into investment after this Act enters into force.

#### **Article 3 (Applicability to Non-Inclusion of Received Dividends in Gross Income)**

The amended provisions of [Articles 18-2](#) (1) 3, and the proviso to 18-3 (1) 1 and 18-3 (1) 3 shall apply from the first dividend to be distributed after this Act enters into force.

#### **Article 4 (Applicability to Deduction of Income for Private Equity Funds, etc.)**

The amended provisions of [Article 51-2](#) (1) 2 shall apply from the first dividend to be paid after this Act enters into force.

#### **Article 5 (Applicability to Deduction of Income concerning Real Estate Investment Companies for Consigned-Management)**

The amended provisions of [Article 51-2](#) (1) 4 shall apply from the first dividend to be distributed after April 23, 2005.

#### **Article 6 (Applicability to Tax Credits on Losses from Disasters)**

The amended provisions of [Article 58](#) (1) shall apply from the first loss of asset after this Act enters into force.

#### **Article 7 (Applicability to Determination and Correction)**

The amended provisions of [Article 66](#) (2) 3 shall apply from the first determination or correction made after this Act enters into force.

#### **Article 8 (Applicability to Withholding)**

The amended provisions of [Article 73](#) (1) 1 and 2 shall apply from the first interest income and allotment of profits from investment trusts after this Act enters into force, and the amended provisions of [Articles 73](#) (8) and [74](#) (2) shall apply from the first withheld portion on or after July 1, 2005.

#### **Article 9 (Applicability to Penalty Tax on Negligence in Paying Withholding Tax)**

The amended provisions of [Article 76](#) (2) shall apply from the first interest income and allotment from investment trusts to be paid after this Act enters into force.

#### **Article 10 (Applicability to Domestic Source Income)**

The amended provisions of subparagraph 10 of [Article 93](#) shall apply from the first portion to be transferred after this Act enters into force.

#### **Article 11 (Applicability to Carried-Forward Deduction of Tax Paid Overseas)**

The amended provisions of [Article 97](#) (1) shall apply from the first portion to be reported after this Act enters into force.

#### **Article 12 (Applicability to Special Cases concerning Withholding on Bonds, etc. of Foreign Corporations)**

The amended provisions of [Article 98-3](#) (1) through (3) and (6) shall apply from the first portion to be withheld on or after July 1, 2005.

#### **Article 13 (Applicability to Reporting on Establishment or Foundation for Corporation)**

The amended provisions of [Article 109](#) (3) shall apply from the first revision to the reported matters about establishment or foundation after this Act enters into force.

#### **Article 14 (General Applicability)**

This Act shall apply from the first business year that begins after this Act enters into force.

## **ADDENDA <Act No. 7838, Dec. 31, 2005>**

### **Article 1 (Enforcement Date)**

This Act shall enter into force on January 1, 2006: Provided, That the amended provisions of Article 26 and Article 8 (2) of the Addenda to the [Corporate Tax Act](#) amended by Act No. 5581 shall enter into force on the date of its promulgation, the amended provisions of [Article 98-5](#) shall enter into force on July 1, 2006, and the amended provisions of [Article 55-2](#) shall enter into force on January 1, 2007.

### **Article 2 (General Applicability)**

This Act shall apply from the first business year that begins after this Act enters into force.

### **Article 3 (Applicability to Constructive Dividends or Distributions)**

The amended provisions of [Articles 16](#) (1) 2 (a), and the proviso to [17](#) (1) 1 and [17](#) (1) 1 (2) shall apply to the first loan to be converted as investment after this Act enters into force.

### **Article 4 (Applicability to Non-Inclusion, etc. of Received Dividends of Holding Companies in Gross Income, etc.)**

The amended provisions of [Articles 18-2](#) and [18-3](#) shall apply from the first dividend to be paid after this Act enters into force.

### **Article 5 (Applicability and Special Applicability to Non-Inclusion of Donations in Deductible Expenses)**

- (1) The amended provisions of [Article 24](#) (2) and (3) shall apply from the portion to be disbursed in the first business year after this Act enters into force.
- (2) In the application of the amended provisions of [Article 24](#) (2), with respect to the portion that is disbursed by the business year ending within three years from the business year that first begins after this Act enters into force, "50 percent" in the proviso to the part other than each subparagraph of the same paragraph shall be made "75 percent", notwithstanding the amended provisions of the proviso to the part other than each subparagraph of the same paragraph of the same Article.

### **Article 6 (Applicability to Non-Inclusion of Entertainment Expenses in Deductible Expenses)**

The amended provisions of the proviso to the part other than each subparagraph of [Article 25](#) (2) shall apply from the first portion to be disbursed after this Act enters into force.

### **Article 7 (Applicability to Non-Inclusion of Excess Expenses, etc. in Deductible Expenses)**

The amended provisions of [Article 26](#) shall apply from the portion to be disbursed in the business year in which this Act enters into force.

### **Article 8 (Applicability to Inclusion of Reserve Funds for Proper Purpose Business in Deductible Expenses)**

The amended provisions of [Article 29](#) shall apply from the portion to be included in deductible expenses in the business year that first starts after this Act enters into force.

### **Article 9 (Applicability to Inclusion of Value of Fixed Assets Acquired with Construction Charges in Deductible Expenses)**

The amended provisions of [Article 37](#) (2) shall apply from the first construction charges to be granted after this Act enters into force.

### **Article 10 (Applicability to Appraisal of Assets and Liabilities)**

The amended provisions of [Article 42](#) (3) shall apply from the appraised portion in the first business year after this Act enters into force.

### **Article 11 (Applicability to Succession of Losses Carried Forward at Time of Merger and Division)**

The amended provisions of [Articles 45](#) and 48-2 shall apply from the first merge or division after this Act enters into force.

### **Article 12 (Applicability to Inclusion of Amount Equivalent to Asset Transfer Marginal Profits in Deductible Expenses due to Exchange)**

The amended provisions of [Article 50](#) shall apply from the first exchange of an asset after this Act enters into force.

### **Article 13 (Applicability to Income Deduction for Special Purpose Companies, etc.)**

The amended provisions of [Article 51-2](#) shall apply from the first dividend to be distributed after this Act enters into force: Provided, That in the case of any ship investment company as defined in the [Ship Investment Company Act](#), the amended provisions shall apply from the first dividend to be distributed after January 1, 2009.

### **Article 14 (Applicability to Special Cases concerning Taxation of Capital Gains on Transfer of Lands, etc.)**

The amended provisions of [Article 55-2](#) shall apply to the first portion to be transferred after January 1, 2007.

### **Article 15 (Applicability to Special Cases concerning Tax Credits on Tax Paid Overseas by Indirect Investment Companies, etc.)**

The amended provisions of [Article 57-2](#) shall apply to the first income to be accrued after this Act enters into force.

### **Article 16 (Applicability to Interim Prepayment)**

The amended provisions of [Article 63](#) shall apply to the first interim prepayment to be made after this Act enters into force.

### **Article 17 (Applicability to Penalty Tax)**

- (1) The amended provisions of [Article 76](#) (1) 3 shall apply from the first corporate tax to be paid or collected after this Act enters into force.
- (2) The amended provisions of [Article 76](#) (6), (7) and (9) shall apply from the first arriving deadline for submission after this Act enters into force.
- (3) The amended provisions of [Article 76](#) (10) shall apply from the first-received donation after this Act enters into force.

### **Article 18 (Applicability to Domestic Source Income of Foreign Corporations)**

- (1) The amended provisions of subparagraph 2 of [Article 93](#) shall apply from the first portion disposed of as dividends after this Act enters into force.
- (2) The amended provisions of subparagraph 6 of [Article 93](#) shall apply from the first income to be accrued after this Act enters into force.

### **Article 19 (Applicability to Special Cases concerning Procedures for Withholding Tax for Foreign Corporations)**

The amended provisions of [Article 98-5](#) shall apply from the first withholding made on or after July 1, 2006.

### **Article 20 (Applicability to Obligation, etc. to Prepare and Keep Detailed Statement of Donation Receipts Issued)**

The amended provisions of [Article 112-2](#) shall apply from the first donation received after this Act enters into force.

### **Article 21 (Applicability to Special Cases concerning Taxation in Calculation of Income Generated from Profit-Making Business)**

The amended provisions of Article 8 (2) of the Addenda to the [Corporate Tax Act](#) amended by Act No. 5581 shall apply from the first portion to be transferred in the business year in which this Act enters into force.

### **Article 22 (Transitional Measures concerning Determination, etc. to Grant Authorization of Rehabilitation Plans under Debtor Rehabilitation and Bankruptcy Act of Amended Provisions of Article 42 (3))**

- (1) A determination to grant authorization of a reorganization plan under the previous [Company Reorganization Act](#), a determination to grant authorization of a composition plan under the previous [Composition Act](#) and a determination to grant authorization of compulsory composition under the previous [Bankruptcy Act](#) shall be deemed a determination to grant authorization of a rehabilitation plan under the [Debtor Rehabilitation and Bankruptcy Act](#) according to the amended provisions of [Article 42](#) (3).
- (2) A determination to grant authorization of a rehabilitation plan under the [Debtor Rehabilitation and Bankruptcy Act](#) among the amended provisions of [Article 42](#) (3) shall be deemed a determination to grant authorization of a reorganization plan under the [Company Reorganization Act](#), a determination to grant authorization of composition under the [Composition Act](#) and a determination to grant authorization of compulsory composition under the [Bankruptcy Act](#), respectively on or before March 31, 2006.

### **ADDENDA <Act No. 7908, Mar. 24, 2006>**

#### **Article 1 (Enforcement Date)**

This Act shall enter into force six months after the date of its promulgation.

#### **Articles 2 through 5 Omitted.**

### **ADDENDA <Act No. 8141, Dec. 30, 2006>**

#### **Article 1 (Enforcement Date)**

This Act shall enter into force on January 1, 2007: Provided, That the amended provisions of [Article 18-2](#) (1) 1 shall enter into force January 1, 2009, and the amended provisions of [Article 25](#) (2) 2, [66](#) (2) 3, [76](#) (11) and (12), [116](#) (3) and (4), [117](#) and [117-2](#), on July 1, 2007.

### **Article 2 (General Applicability)**

This Act shall apply from the first business year that begins after this Act enters into force.

### **Article 3 (Applicability to Non-Inclusion of Holding Company's Received Dividends in Gross Income)**

- (1) The amended provisions of [Article 18-2](#) (1) 1 shall apply from the first dividend to be distributed on or after January 1, 2009.
- (2) The amended provisions of [Article 18-2](#) (1) 2 shall apply the first dividend to be distributed after this Act enters into force.

### **Article 4 (Applicability to Non-Inclusion of Received Dividends in Gross Income)**

The amended provisions of [Article 18-3](#) (2) shall apply from the first dividend to be distributed after this Act enters into force.

### **Article 5 (Applicability to Non-Inclusion of Entertainment Expenses in Deductible Expenses)**

The amended provisions of [Article 25](#) (2) 2 shall apply from what is first issued in return for goods or services provided on or after July 1, 2007.

### **Article 6 (Applicability to Proceeds from Investment Trusts)**

The amended provisions of [Articles 29](#) (1) 1, [57-2](#) (3), [62](#) (1) and [73](#) (1) shall apply from the first investment trust created after this Act enters into force.

### **Article 7 (Applicability to Tax Credits for Special Purpose Companies, etc.)**

The amended provisions of [Article 51-2](#) (1) 5-3, 5-4 and 6 shall apply from the first dividend to be distributed after this Act enters into force.

### **Article 8 (Applicability to Tax Credits on Tax Paid Overseas)**

The amended provisions of [Article 57](#) (5) shall apply from the first dividend to be distributed after this Act enters into force.

### **Article 9 (Applicability to Special Cases concerning Tax Credits on Tax Paid Overseas by Indirect Investment Companies, etc.)**

The amended provisions of [Article 57-2](#) (1) shall apply from the first income to be accrued after this Act enters into force.

### **Article 10 (Applicability to Correction and Determination)**

The amended provisions of [Article 66](#) (2) 3 shall apply from the first of correction made based on the grounds arise on or after July 1, 2007.

### **Article 11 (Applicability to Penalty Tax, etc.)**

- (1) The amended provisions of [Articles 76](#) (9) 3 and [120-3](#) shall apply from the first tax invoice to be issued after this Act enters into force.
- (2) The amended provisions of [Article 76](#) (11) and (12) shall apply from the first goods or services to be provided, or to a person obligated to become Cash Receipt merchants, who fails to become such merchant, on or after July 1, 2007.

### **Article 12 (Applicability to Domestic Source Income)**

The amended provisions of subparagraph 11 (g) of [Article 93](#) shall apply from the first income to be accrued after this Act enters into force.

### **Article 13 (Applicability to Special Cases concerning Withholding or Collection for Foreign Corporations)**

- (1) The amended provisions of the first sentence of [Article 98](#) (1) shall apply from the first portion to be transferred after this Act enters into force.
- (2) The amended provisions of the proviso to [Article 98](#) (1) 3 shall apply from the first interest income to be accrued after this Act enters into force.

### **Article 14 (Applicability to Receipt and Keeping of Evidentiary Documents of Expenditures)**

The amended provisions of [Article 116](#) (3) and (4) shall apply from what is first issued in return for goods or services provided on or after July 1, 2007.

### **Article 15 (Applicability to Obligation, etc. to Become Credit Card Merchant and to Issue Credit Card Sales Slips)**

The amended provisions of [Article 117](#) shall apply from the first goods or services to be supplied on or after July 1, 2007.

### **Article 16 (Applicability to Obligation, etc. to Become Cash Receipt Merchant and to Issue Cash Receipts)**

The amended provisions of [Article 117-2](#) shall apply from the first goods or services to be supplied on or after July 1, 2007.

### **Article 17 (Applicability to Becoming Cash Receipt Merchants)**

Notwithstanding the amended provisions of [Article 117-2](#) (1), a corporation which meets the eligibility requirements to become a Cash Receipt merchant by no later than March 31, 2007 after this Act enters into force may become a Cash Receipt affiliate member by no later than June 30, 2007 after the enforcement date of this Act.

### **Article 18 (Transitional Measures concerning Non-Inclusion of Evaluation Marginal Profits, etc. in Gross Income)**

Notwithstanding the amended provisions of subparagraph 6 of [Article 18](#), the dividend amount of income received before this Act enters into force shall be governed by the previous provisions.

### **Article 19 (Transitional Measures concerning Penalty Tax)**

Notwithstanding the amended provisions of [Articles 76](#) (1) and [90](#) (1), the penalty tax imposed or to be imposed under the previous provisions of [Articles 76](#) (1) and [90](#) (1) before this Act enters into force shall be governed by the previous provisions.

### **ADDENDA <Act No. 8519, Jul. 19, 2007>**

- (1) (Enforcement Date) This Act shall enter into force on January 1, 2008.
- (2) (Applicability to Corporate Tax on Income for each Business Year of Conscientious Small and Medium Corporations) The amended provisions of Chapter II-2 shall apply from the business year in which this Act enters into force.

### **ADDENDA <Act No. 8631, Aug. 3, 2007>**

#### **Article 1 (Enforcement Date)**

This Act shall enter into force three months after the date of its promulgation. (Proviso Omitted.)

#### **Articles 2 through 7 Omitted.**

### **ADDENDA <Act No. 8831, Dec. 31, 2007>**

#### **Article 1 (Enforcement Date)**

This Act shall enter into force on January 1, 2008: Provided, That the amended provisions of [Article 76](#) (12) shall enter into force on July 1, 2008.

#### **Article 2 (General Applicability)**

This Act shall apply from the business year that begins after this Act enters into force.

#### **Article 3 (Applicability to Non-Inclusion of Received Dividends in Gross Income)**

The amended provisions of the portion other than subparagraphs of [Article 18-3](#) (1) and subparagraph 4 of the same paragraph shall apply from the first dividend to be distributed after this Act enters into force.

#### **Article 4 (Applicability to Inclusion of Value of Business Assets Acquired with National Subsidies in Deductible Expenses)**

The amended provisions of [Article 36-2](#) shall apply from the first National subsidy to be granted after this Act enters into force.

#### **Article 5 (Applicability to Tax Credits on Tax Paid Overseas)**

The amended provisions of [Article 57](#) (5) shall apply from the first dividends to be distributed after this Act enters into force.

#### **Article 6 (Applicability to Determination and Correction)**

The amended provisions of [Article 66](#) (2) 3 (a) shall apply from a determination or correction to be made in connection with the first business year that begins after this Act enters into force.

#### **Article 7 (Applicability to Determination of Occasional Imposition)**

The amended provisions of [Article 69](#) (2) shall apply from the first grounds for occasional imposition arises after this Act enters into force.

#### **Article 8 (Applicability to Penalty Tax)**

- (1) The amended provisions of [Article 76](#) (10) shall apply from the first false donation receipt to be issued or the detailed statement of issuance by donating corporation is not prepared and kept after this Act enters into force.
- (2) The amended provisions of [Article 76](#) (12) shall apply from the first goods or services to be supplied after this Act enters into force.

#### **Article 9 (Applicability to Domestic Source Income)**

The amended provisions of subparagraph 10 of [Article 93](#) shall apply from the first portion to be transferred after this Act enters into force.

#### **Article 10 (Applicability to Special Cases concerning Report, Payment, etc. on Capital Gains on Transfer of Securities by Foreign Corporations)**

The amended provisions of [Article 98-2](#) (3) and (4) shall apply from the first portion to be transferred after this Act enters into force.

### **Article 11 (Applicability to Obligation to Prepare and Keep Detailed Statement of Donation Receipts Issued)**

The amended provisions of [Article 112-2](#) (1) shall apply from the first donation received after this Act enters into force.

### **Article 12 (Applicability to Obligation, etc. to Become Credit Card Merchants and to Issue Credit Card Sales Slips)**

The amended provisions of [Article 117](#) (2) shall apply from the first goods or services to be supplied after this Act enters into force.

### **Article 13 (Applicability to Submission of Detailed Statements of Changes in Stocks, etc.)**

The amended provisions of [Article 119](#) (2) shall apply from the first detailed statement to be submitted after this Act enters into force.

## **ADDENDA <Act No. 8852, Feb. 29, 2008>**

### **Article 1 (Enforcement Date)**

This Act shall enter into force on the date of its promulgation. (Proviso Omitted.)

### **Articles 2 through 7 Omitted.**

## **ADDENDA <Act No. 9267, Dec. 26, 2008>**

### **Article 1 (Enforcement Date)**

This Act shall enter into force on January 1, 2009: Provided, That the amended provisions of [Articles 55](#) (1), [76](#) (4) and [115](#), and the proviso to [Article 117](#) (2) shall enter into force on the date of its promulgation, the amended provisions of [Articles 5](#) (2), [18-2](#) (1) 1, [18-3](#) (1) 1, [51-2](#) (1) 2 (excluding provisions concerning private equity funds), [57-2](#) (1) and (5), [66](#) (2) 4, [73](#) (1) 2, [98](#) (6), [113](#) (2) and [119](#) (2) shall enter into force on February 4, 2009, and the amended provisions of subparagraphs 6 through 10 of [Article 1](#), [Articles 2](#) (4) and (5), 3 (2), and 8 (4) through (6), subparagraph 9 of [Article 18](#), provisions concerning [Article 76-14](#) in the main body of [Article 18-2](#) (1), subparagraph 7 of [Article 21](#), [Article 63](#) (4), Chapter II-3 ([Articles 76-8 through 76-22](#)) and [Article 113](#) (5) shall enter into force on January 1, 2010.

### **Article 2 (General Applicability)**

This Act shall apply from the first business year that begins after this Act enters into force.

### **Article 3 (Applicability to Deduction of Losses Carried Forward)**

The amended provisions of subparagraph 1 of [Article 13](#) and [Article 91](#) (1) 1 shall apply from losses to be incurred in the first business year that begins after this Act enters into force.

### **Article 4 (Applicability to Non-Inclusion of Received Dividends in Gross Income)**

The amended provisions of [Articles 18-2](#) (1) and [18-3](#) (1) shall apply from the first dividend to be distributed after this Act enters into force.

### **Article 5 (Applicability to Succession to Losses Carried Forward following Merger)**

The amended provisions of [Article 45](#) shall apply from the first merger to be conducted after this Act enters into force.

### **Article 6 (Applicability to Inclusion of Amount Equivalent to Marginal Profits on Transfer of Assets in Deductible Expenses following Investment in Kind)**

The amended provisions of [Article 47-2](#) shall apply from the first investment in kind to be made after this Act enters into force.

### **Article 7 (Applicability to Tax Credits for Losses from Disasters)**

The amended provisions of [Article 58](#) (1) shall apply from the first application for tax credits for losses from disasters to be filed after this Act enters into force.

### **Article 8 (Applicability to Payment in Installments)**

The amended provisions of [Article 64](#) (2) shall apply from the first payment to be made after this Act enters into force.

### **Article 9 (Applicability to Refund by Retroactive Deduction of Losses)**

The amended provisions of [Article 72](#) (5) shall apply from the first collection of refunded amount of tax to be made after this Act enters into force.

### **Article 10 (Applicability to Obligation to Submit Combined Financial Statements)**

The amended provisions of [Articles 76](#) (4) and 115 shall apply from the business year in which this Act enters into force.

### **Article 11 (Applicability to Domestic Source Income of Foreign Corporations)**

- (1) The amended provisions of subparagraphs 7 and 10 of [Article 93](#) shall apply from the first portion to be transferred after this Act enters into force.
- (2) The amended provisions of subparagraph 9 [Article 93](#) shall apply from the first income to be accrued after this Act enters into force.

### **Article 12 (Applicability to Withholding of Domestic Source Income of Foreign Corporations)**

The amended provisions of [Article 98](#) (1) shall apply from the first payment to be made after this Act enters into force.

### **Article 13 (Applicability to Special Cases concerning Reports and Payment of Income of Foreign Corporation from Personal Services)**

The amended provisions of [Article 99](#) shall apply from the first personal services to be supplied after this Act enters into force.

### **Article 14 (Applicability to Issuance of Credit Card Sales Slips)**

The amended provisions of the proviso to [Article 117](#) (2) shall apply from the first goods and services to be supplied in the business year in which this Act enters into force.

### **Article 15 (Special Cases concerning Tax Rates)**

Notwithstanding the amended provisions of [Article 55](#) (1), the tax rates for the business year in which this Act enters into force shall be as stipulated in the following Table:

### **Article 16 (Special Cases concerning Interim Prepayment)**

- (1) The calculated amount of tax determined as corporate tax for the business year immediately preceding the relevant business year prescribed in [Article 63](#) (1) when interim tax is calculated for the interim prepayment period of the business year that begins after January 1, 2009 shall be calculated by applying the amended provisions of [Article 55](#) (1) 1 to the tax base for the immediately preceding business year.
- (2) The calculated amount of tax determined as corporate tax for the business year immediately preceding the relevant business year prescribed in [Article 63](#) (1) when interim tax is calculated for the interim prepayment period of the business year that begins after January 1, 2010 shall be calculated by applying the amended provisions of [Article 55](#) (1) 2 to the tax base for the immediately preceding business year.

### **Article 17 (Special Cases concerning Tax Base of Consolidated Tax Return System)**

When the amended provisions of [Article 76-13](#) (1) 1 is applied to the losses of a consolidated corporation accrued in the business year that began before January 1, 2009, ten years shall be deemed five years.

### **Article 18 (Special Cases concerning Enforcement Date of the Financial Investment Services and Capital Markets Act)**

- (1) "Investment trust property under the [Financial Investment Services and Capital Markets Act](#)" referred to in the amended provisions of [Article 73](#) (2) shall be construed as "investment trust property under the Indirect Investment Asset Management Business Act" until February 3, 2009.
- (2) "Securities market under the [Financial Investment Services and Capital Markets Act](#)" referred to in the amended provisions of subparagraph 7 (b) of [Article 93](#), the main body of subparagraph 10 of the same Article, and item (b) of the same subparagraph shall be construed as "securities market or KOSDAQ market under the [Securities and Exchange Act](#)" until February 3, 2009.

### **Article 19 (General Transitional Measures)**

The former provisions shall apply to the corporate tax (including penalty tax) imposed or to be imposed under the former provisions as at the time this Act enters into force.

### **Article 20 (Transitional Measures concerning Income Deduction for Private Equity Funds, etc.)**

- (1) Where a private equity fund or specialized overseas resources development company registered with the Financial Services Commission as prescribed in Article 144-6 of the [Indirect Investment Asset Management Business Act](#) before this Act enters into force fails to file a request for the application of special taxation for partnership firms under [Article 100-17 of the Restriction of Special Taxation Act](#) within one month from the beginning of the first business year that begins after this Act enters into force, the former provisions shall apply until the business year to which the registration date of dissolution of the relevant corporation belongs, notwithstanding the amended provisions of [Article 51-2](#) (1) 2 and 5. In such cases, the relevant corporation shall not be eligible for the application of Section 10-3 of the [Restriction of Special Taxation Act](#) until the business year to which the registration date of dissolution belongs.

- (2) Where a private equity fund or specialized overseas resources development company registered at the Financial Services Commission as prescribed in [Article 144-6 of the Indirect Investment Management Business Act](#) before this Act enters into force files a request for the application of special taxation for partnership firms under [Article 100-17 of the Restriction of Special Taxation Act](#) within one month from the beginning of the first business year that begins after this Act enters into force, the former provisions shall apply to the dividend for the relevant business year when corporate tax on the income of the business year that begins before this Act enters into force is calculated, notwithstanding the amended provisions of [Article 51-2](#).

### **Article 21 (Transitional Measures concerning Repeal of Withholding of Income Reverting to Trust Property)**

Where trust property sells bonds, etc. acquired before June 30, 2005, or pays interest, etc. thereon (limited to where interest, etc. are not paid between July, 1, 2005 and December 31, 2008) after January 1, 2009, the former provisions shall apply, notwithstanding the amended provisions of [Article 73](#).

#### **ADDENDA <Act No. 9346, Jan. 30, 2009>**

##### **Article 1 (Enforcement Date)**

This Act shall enter into force on January 1, 2013. <Amended by Act No. 9898,

##### **Articles 2 through 11 Omitted.**

#### **ADDENDA <Act No. 9401, Jan. 30, 2009>**

##### **Article 1 (Enforcement Date)**

This Act shall enter into force six months after the date of its promulgation. (Proviso Omitted.)

##### **Articles 2 through 11 Omitted.**

#### **ADDENDA <Act No. 9673, May 21, 2009>**

##### **Article 1 (Enforcement Date)**

This Act shall enter into force on the date of its promulgation.

### **Article 2 (Applicability to Special Cases concerning Taxation on Capital Gain on Transfer of Land, etc.)**

The amended provisions of [Article 55-2](#) shall apply from the first transfer on or after March 16, 2009.

### **Article 3 (Applicability to Special Cases concerning Taxation on Interest or Capital Gains of Foreign Corporations on Transfer of State Bonds, etc.)**

The amended provisions of [Article 93-2](#) shall apply from the first payment or transfer after this Act enters into force.

### **Article 4 (Special Cases concerning Special Cases concerning Taxation on Capital Gains on Transfer of Land)**

[Article 55-2](#) (1) 2 and 3 shall not apply to capital gains generated from the transfer of assets which are acquired from March 16, 2009 to December 31, 2010.

#### **ADDENDA <Act No. 9763, Jun. 9, 2009>**

##### **Article 1 (Enforcement Date)**

This Act shall enter into force nine months after the date of its promulgation. (Proviso Omitted.)

##### **Articles 2 through 8 Omitted.**

#### **ADDENDA <Act No. 9898, Dec. 31, 2009>**

##### **Article 1 (Enforcement Date)**

This Act shall enter into force on January 1, 2010: Provided, That the amended provisions of [Article 51-2](#) (2) shall enter into force on the date of its promulgation, the amended provision of [Article 117-2](#) (4) shall enter into force on April 1, 2010 and the amended provisions of [Articles 16](#) (1), [17](#) (1), [24](#) (1), [44](#), [44-2](#), [44-3](#), [45](#), [46](#), [46-2 through 46-5](#), [47](#), [47-2](#), [48](#), [48-2](#), [49](#), [60](#) (4), [77](#), [80](#), [81](#), [84](#), [86](#) (2) and [113](#) (3) and (4) shall enter into force on July 1, 2010.

##### **Article 2 (General Applicability)**

This Act shall apply from the business year that begins after this Act enters into force.

##### **Article 3 (Applicability to Scope of Taxable Income)**

The amended provisions of [Article 3](#) (3) shall apply from the transfer after this Act enters into force.

##### **Article 4 (Applicability to Tax Bases)**

The amended provisions of [Articles 13](#), [76-13](#) (2) and [91](#) (1) shall apply from the first tax base to be reported or corrected or determined after this Act enters into force: Provided, That the previous provision shall apply where the tax base was reported, corrected or determined prior to December 31, 2009 for deduction of losses not included in the tax base reported, corrected or determined.

##### **Article 5 (Applicability to Non-Inclusion of Donations in Deductible Expenses)**

The amended provisions of [Article 24](#) (3) shall apply from the first donation to be made after this Act enters into force.

### **Article 6 (Applicability to Taxation upon Merger, Division, etc.)**

The amended provisions of [Articles 16](#) (1), [17](#) (1), [24](#) (1), [44](#), [44-2](#), [44-3](#), [45](#), [46](#), [46-2 through 46-5](#), [47](#), [48](#), [48-2](#), [49](#), [60](#) (4), [77](#), [80](#), [81](#), [84](#), [86](#) (2) and [113](#) (3) and (4) shall apply to the first merger, division or investment in kind to be conducted or made after the same provisions enter into force under the proviso to Article 1 of this Addenda.

### **Article 7 (Applicability to Tax Bases due to Consolidated Tax Return System)**

The amended provisions of [Article 76-13](#) shall apply to a portion to which the consolidated tax return system applies on or after January 1, 2010.

### **Article 8 (Applicability to Special Cases concerning Taxation upon Investment in Kind)**

The amended provisions of [Article 47-2](#) shall apply to the first investment in kind to be made after the same provisions under the proviso to Article 1 of this Addenda enters into force.

### **Article 9 (Applicability to Income Deduction for Special Purpose Companies, etc.)**

The amended provisions of [Article 51-2](#) (2) shall apply from the business year in which such same provisions enters into force under the proviso to [Article 1](#) of this Addenda.

### **Article 10 (Applicability to Deduction, etc. for Tax Credits, etc. for Amount of Tax Paid Overseas)**

The amended provisions of [Article 57](#) (5) shall apply to the first dividends or distributions granted after this Act enters into force.

### **Article 11 (Applicability to Withholding)**

The amended provisions of [Article 73](#) (1) shall apply the first income to be accrued after this Act enters into force.

### **Article 12 (Applicability to Penalty Tax)**

- (1) The amended provisions of [Article 76](#) (5) shall apply from the first goods or services to be supplied after this Act enters into force.
- (2) The amended provisions of [Article 76](#) (10) shall apply from the first donation received after this Act enters into force.

### **Article 13 (Applicability to Special Cases concerning Taxation on Interest or Capital Gains of Foreign Corporations on Transfer of State Bonds, etc.)**

The amended provisions of [Article 93-2](#) (4) shall apply from the first withholding made after this Act enters into force.

### **Article 14 (Applicability to Special Cases concerning Withholding Tax from Bonds, etc. of Foreign Corporations)**

The amended provisions of [Article 98-3](#) (1) shall apply from the first purchase after this Act enters into force.

### **Article 15 (Applicability to Obligation to Issue Cash Receipts)**

The amended provisions of [Article 117-2](#) (4) shall apply from goods or services to be supplied after the same provisions enter into force under the proviso to Article 1 of this Addenda.

### **ADDENDA <Act No. 9924, Jan. 1, 2010>**

#### **Article 1 (Enforcement Date)**

This Act shall enter into force on January 1, 2010.

#### **Articles 2 through 7 Omitted**

### **ADDENDA <Act No. 10221, Mar, 31, 2010>**

#### **Article 1 (Enforcement Date)**

This Act shall enter into force on January 1, 2011.

#### **Articles 2 through 8 Omitted**

### **ADDENDA <Act No. 10337, May 31, 2010>**

#### **Article 1 (Enforcement Date)**

This Act shall enter into force three months after the date of its promulgation. (Proviso Omitted.)

#### **Articles 2 through 8 Omitted.**

### **ADDENDA <Act No. 10361, Jun. 8, 2010>**

#### **Article 1 (Enforcement Date)**

This Act shall enter into force six months after the date of its promulgation. (Proviso Omitted.)

#### **Articles 2 through 12 Omitted.**

### **ADDENDA <Act No. 10423, Dec. 30, 2010>**

#### **Article 1 (Enforcement Date)**

This Act shall enter into force on January 1, 2011: Provided, That the amended provisions of [Articles 23](#) (excluding paragraph (1)), [28](#) (2), [41](#) (1) 1, [53-2](#), [53-3](#), [60](#) (2) and (4), and the proviso to [Article 96](#) (1) shall enter into force on the date of their promulgation, the amended provision of [Articles 73](#) (1) 2, (8), (9), [74](#) (2), [98-3](#) (1), (4) and (6) shall enter into force on April 1, 2011, the amended provisions of [Articles 24](#) (2) and (3) and [112-2](#) (1) shall enter into force on July 1, 2011, and the amended provision of subparagraph 2 of [Article 21](#) shall enter into force on January 1, 2013.

#### **Article 2 (General Applicability)**

This Act shall apply to the business year which begins after this Act enters into force.

### **Article 3 (Applicability to Non-Inclusion of Depreciation Costs in Deductible Expenses)**

The amended provisions of [Article 23](#) (excluding paragraph (1)) shall apply from the business year in which the amended provisions of [Article 23](#) (excluding [Article 23](#) (1)) enter into force under the proviso to Article 1 of the Addenda belongs.

### **Article 4 (Applicability to Increase of Ceiling on Income Deduction of Designated Donations)**

The amended provisions of [Article 24](#) (1) shall apply from the first donations to be expended after this Act enters into force.

### **Article 5 (Applicability to Rearrangement of Objects of Statutory Donations)**

The amended provisions of [Articles 24](#) (2) and (3) and [112-2](#) (1) shall apply from the first donations to be expended after the amended provisions of [Articles 24](#) (2) and (3) and [112-2](#) (1) enters into force under the proviso to Article 1 of the Addenda.

### **Article 6 (Applicability to Non-Inclusion of Interest Paid in Deductible Expenses)**

The amended provisions of [Article 28](#) (2) shall apply from the business year in which the amended provisions of [Article 28](#) (2) enter into force under the proviso to Article 1 of the Addenda.

### **Article 7 (Applicability to Reserve Funds for Proper Purpose Business)**

The amended provisions of [Article 29](#) (3), (4) and (8) shall apply from the first registration of liquidation after this Act enters into force.

### **Article 8 (Applicability to National Subsidies, etc.)**

The amended provision of [Article 36](#) (1) shall apply from the assets to be acquired or improved after this Act enters into force.

### **Article 9 (Applicability to Acquisition Value of Assets)**

The amended provision of [Article 41](#) (1) 1 shall apply from the business year in which the amended provisions of [Article 41](#) (1) 1 enter into force under the proviso to Article 1 of the Addenda in the case of a corporation which applies the international accounting standards as at the time this Act enters into force and from the business year which begins on or after January 1, 2011 in the case of other corporations.

### **Article 10 (Applicability to Relaxation of Requirements for Special Cases concerning Taxation on Merger by Special Purpose Acquisition Companies)**

The amended provision of the proviso to [Article 44](#) (2) 1 shall apply from the first merger after this Act enters into force.

### **Article 11 (Applicability to Special Cases concerning Calculation of Tax Base of Corporation Adopting Functional Currency)**

The amended provisions of [Article 53-2](#) shall apply from the business year in which the amended provisions of [Article 53-2](#) enter into force under the proviso to Article 1 of the Addenda.

### **Article 12 (Applicability to Special Cases concerning Calculation of Tax Bases of Overseas Places of Business)**

The amended provisions of [Article 53-3](#) shall apply from the business year in which the amended provisions of [Article 53-3](#) enter into force under the proviso to Article 1 of the Addenda in the case of a corporation that applies the international accounting standards as at the time this Act enters into force, and from the business year which begins on or after January 1, 2011 in the case of other corporations.

### **Article 13 (Applicability to Special Cases concerning Taxation on Capital Gains on Transfer of Land, etc.)**

The amended provisions of [Article 55-2](#) (1) 1 and (8) shall apply from the first transfer to be made on or after January 1, 2011.

### **Article 14 (Applicability to Reports on Tax Base, etc.)**

The amended provisions of [Article 60](#) (2) and (4) shall apply from the business year in which the amended provisions of [Article 60](#) (2) and (4) enter into force under the proviso to Article 1 of the Addenda.

### **Article 15 (Applicability to Withholding upon Early Sale of Bonds, etc.)**

The amended provisions of [Articles 73](#) (1) 2, (8) and (9), [74](#) (2), [98-3](#) (1), (4) and (6) shall apply from the first sale to be made after the amended provisions of [Articles 73](#) (1) 2, (8) and (9), [74](#) (2), [98-3](#) (1), (4) and (6) enters into force under the proviso to Article 1 of the Addenda.

### **Article 16 (Applicability to other Documents to be Accompanied for Report on Consolidated Tax Base)**

The amended provision of [Article 76-17](#) (2) shall apply from the first report to be filed after this Act enters into force.

### **Article 17 (Applicability to Final Report and Interim Report on Liquidation Income)**

The amended provisions of [Articles 84](#) (1) and 85 (1) shall apply from the first registration of liquidation to be filed after this Act enters into force.

### **Article 18 (Applicability to Domestic Place of Business of Foreign Corporation)**

The amended provision of [Article 96](#) (1) shall apply from the business year in which the amended provisions of [Article 96](#) (1) enter into force under the proviso to Article 1 of the Addenda.

### **Article 19 (Applicability to Special Cases concerning Withholding or Collection from Foreign Corporation)**

The amended provision of [Article 98](#) (10) shall apply from the first assets to be transferred after this Act enters into force.

### **Article 20 (Applicability to Special Cases concerning Taxation on Interest on State Bonds, etc. and Capital Gains of Foreign Corporation and Transitional Measures)**

- (1) The amended provisions of [Articles 93-2](#) and [98](#) (2) shall apply from the first income to be accrued after this Act enters into force.
- (2) Notwithstanding the amended provisions of [Article 93-2](#) and [98](#) (2), the previous provisions shall apply to income accruing from the State bonds, etc. acquired on or before November 12, 2010.

### **Article 21 (Transitional Measures concerning Corporate Tax on Income for each Business Year of Conscientious Small and Medium Corporations)**

Any corporation approved as a conscientious small and medium corporation under the previous [Article 76-2](#) (2) before this Act enters into force may calculate, file and pay the tax base of corporate tax on income for each business year and the amount of tax until the business year in which December 31, 2013 falls by a conscientious tax payment method referred to in [Articles 76-2](#) through [76-7](#).

#### **ADDENDA <Act No. 10898, Jul. 25, 2011>**

##### **Article 1 (Enforcement Date)**

This Act shall enter into force three months after the date of its promulgation.

##### **Articles 2 through 5 Omitted.**

#### **ADDENDA <Act No. 10907, Jul. 25, 2011>**

##### **Article 1 (Enforcement Date)**

This Act shall enter into force six months after the date of its promulgation.

##### **Articles 2 and 3 Omitted.**

#### **ADDENDA <Act No. 11128, Dec. 31, 2011>**

##### **Article 1 (Enforcement Date)**

This Act shall enter into force on January 1, 2012: Provided, That the amended provisions of [Articles 42-2](#), [47](#) (2) though (4), [47-2](#) (2) and (3), [57](#) (4), [76-14](#) (1) 4 and [96](#) (2) 1 (b) shall enter into force on the date of its promulgation, the amended provisions of [Articles 16](#) (1) 5, [17](#) (1) 1, subparagraph 8 of [Article 18](#), subparagraph 2 of [Article 20](#), [44](#) (2) 2 and the amended part concerning non-par value stocks under the amended provision of [Article 76](#) (3) shall enter into force on April 15, 2012, the amended provisions of [Articles 9](#) (4), 75, the main sentence other than each subparagraph of [Article 91](#) (1), [Article 91](#) (3), the main sentence of [Article 98-5](#) (1) (limited to the amended parts of [Articles 98](#), [98-2](#) through [98-4](#) and [98-6](#)) and [Article 98-6](#) shall enter into force on July 1, 2012.

##### **Article 2 (General Applicability)**

This Act shall apply from the first business year which begins after this Act enters into force.

##### **Article 3 (Applicability to Costs of Merger)**

The amended provisions of [Articles 16](#) (1) 5 and [44](#) (2) 2 shall apply from the first merger on or after April 15, 2012.

##### **Article 4 (Applicability to Non-Inclusion of Gains from Capital Transactions in Gross Income)**

The amended provisions of [Article 17](#) (1) 1 shall apply from the first non-par value stocks to be issued on or after April 15, 2012.

##### **Article 5 (Applicability to Non-Inclusion of Evaluation Marginal Profits in Gross Income)**

The amended provisions of subparagraph 8 of [Article 18](#) shall apply from the first dividends to be distributed upon reducing the capital reserve funds on or after April 15, 2012.

##### **Article 6 (Applicability to Non-Inclusion of Donations in Deductible Expenses)**

The amended provisions of [Articles 24](#) (2) 4 (b) and (h) and (4) shall apply from the first donations to be given on or after January 1, 2012.

##### **Article 7 (Applicability to Non-Inclusion of Entertainment Expenses in Deductible Expenses)**

The amended provisions of the proviso to [Article 25](#) (2) shall apply from the first entertainment expenses to be expended on or after January 1, 2012.

##### **Article 8 (Applicability to Non-Inclusion of Evaluation Marginal Profits of Inventory Assets in Gross Income on Domestic Corporation Adopting International Accounting Standards)**

The amended provisions of [Article 42-2](#) shall apply from the first business year in which this Act is promulgated.

##### **Article 9 (Applicability to Special Cases concerning Taxation upon Merger between Parent Corporation and Subsidiary Corporation)**

The amended provisions of [Article 44](#) (3) shall apply from the first merger on or after January 1, 2012.

### **Article 10 (Applicability to Restriction on Deduction of Losses on Disposition of Assets upon Merger or Division and Merger)**

The amended provisions of [Articles 45](#) (3) and 46-4 (3) shall apply from the first merger or the division and merger on or after January 1, 2012.

### **Article 11 (Applicability to Special Cases concerning Taxation upon Spin-Off)**

- (1) The amended provisions of [Article 47](#) (2) through (4) shall apply from the spin-off made under [Article 47](#) (1) in the business year in which this Act is promulgated.
- (2) Where a corporation established through division files a report on the tax base under [Article 60](#) (1) after acquiring the assets of a divided corporation at the book value pursuant to the previous [Article 47](#) (2) prior to the date of the promulgation of this Act, the divided corporation and the corporation established through division may apply the amended provisions of [Article 47](#) (2) through (4) when filing a report on the tax base under [Article 60](#) (1) after this Act enters into force.

### **Article 12 (Applicability to Application of Special Cases concerning Taxation upon Investment in Kind)**

- (1) The amended provisions of [Article 47-\(2\)](#) and (3) shall apply from the investment in kind made under [Article 47-2](#) (1) in the business year in which this Act is promulgated.
- (2) Where an invested corporation files a report on the tax base under [Article 60](#) (1) after acquiring the assets of an investing corporation at the book value pursuant to the previous [Article 47-2](#) (2) prior to the date of the promulgation of this Act, the investing corporation and the invested corporation may apply the amended provisions of [Article 47-2](#) (2) and (3) when filing a report on the tax base under [Article 60](#) (1) after this Act enters into force.

### **Article 13 (Applicability to Foreign Tax Credits, etc.)**

The amended provisions of [Article 57](#) (4) shall apply from the business year in which this Act is promulgated.

### **Article 14 (Applicability to Penalty Tax)**

- (1) The amended provisions of [Article 76](#) (3) (excluding the amended part concerning non-par value stocks) shall apply the first domestic corporation which files a report on incorporation on or after January 1, 2012.
- (2) The amended provisions of [Article 76](#) (9) shall apply the first invoice not issued or issued or to be issued on or after January 1, 2012.

### **Article 15 (Applicability to Non-Inclusion of Consolidated Subsidiary Corporation and Consolidated Interim Prepayment)**

The amended provisions of the proviso to [Article 76-12](#) (1) and 76-18 (4) shall apply from the first consolidated subsidiary corporation to be merged by absorption on or after January 1, 2012.

### **Article 16 (Applicability to Calculation of Amount of Income for each Consolidated Business Year)**

- (1) The amended provisions of [Article 76-14](#) (1) 4 shall apply from a portion of the business year in which this Act is promulgated.
- (2) The amended provisions of [Article 76-14](#) (2) 2 shall apply from the first asset to be disposed of on or after January 1, 2012.

### **Article 17 (Applicability to Calculation of Amount of Liquidation Income due to Dissolution)**

The amended provisions of [Article 79](#) (5) shall apply from the first corporation to be dissolved on or after January 1, 2012.

### **Article 18 (Applicability to Interim Reports)**

The amended provisions of the main sentence other than each subparagraph of [Article 85](#) (1) shall also apply to a corporation, with relation to which the deadline for interim report has not expired by January 1, 2012.

### **Article 19 (Applicability to Calculation of Amount of Domestic Source Income)**

The amended provisions of [Article 92](#) (2) 2 (b) shall apply from the first stocks, etc. or other securities to be transferred after January 1, 2012.

### **Article 20 (Applicability to Special Cases concerning Taxation on Domestic Place of Business of Foreign Corporation)**

The amended provisions of [Article 96](#) (2) (b) shall apply from a portion of the business year in which this Act is promulgated.

### **Article 21 (Applicability to Special Cases concerning Report, Payment, etc. on Capital Gains, etc. on Transfer of Securities by Foreign Corporations)**

The amended provisions of 98-2 (4) shall apply from the first asset to be gifted on or after January 1, 2012.

### **Article 22 (Applicability to Special Cases concerning Withholding Procedures for Foreign Corporations)**

The amended provisions of the main sentence of [Article 98-5](#) (1) (limited to the amended provisions of subparagraphs 1 and 2 of [Article 93](#) and subparagraphs 7 (b) and 8 of [Article 93](#)) shall apply from the first domestic source income to be withheld on or after January 1, 2012.

### **Article 23 (Applicability to Special Cases concerning Withholding Procedures to Apply Restrictive Tax Rates under Tax Treaties to Foreign Corporations)**

The amended provisions of [Article 98-6](#) shall apply from the first domestic source income to be withheld on or after July 1, 2012.

### **Article 24 (Applicability to Submission of Detailed Statement of Shareholders, etc.)**

The amended provisions of [Article 109](#) (1) shall apply from the first report on incorporation to be filed on or after January 1, 2012.

### **Article 25 (Applicability to Submission of Payment Statements)**

The amended provisions of [Article 120](#) shall apply from the first income to be paid on or after January 1, 2012.

### **Article 26 (Special Cases concerning Interim Prepayment due to Changes in Corporate Tax Rate)**

When interim tax is calculated for the interim prepayment period of the business year which begins on or after January 1, 2012, the calculated amount of tax determined as corporate tax for the immediately preceding business year under [Article 63](#) (1) shall be calculated by applying the amended provisions of [Article 55](#) (1) to the tax base for the immediately preceding business year.

### **Article 27 (Transitional Measures concerning Dividends on Construction Interest)**

Notwithstanding the amended provisions of subparagraph 2 of [Article 20](#), the previous provisions shall apply to the dividends on the construction interest to be accrued on or before April 15, 2012.

### **Article 28 (Transitional Measures concerning Period of Inclusion of Carried Forwarded Statutory Donations in Deductible Expenses)**

Notwithstanding the amended provisions of [Article 24](#) (4), the previous provisions shall apply to the statutory donations paid on or before January 1, 2012.

### **Article 29 (Transitional Measures concerning Citation of other Acts and Subordinated Statutes)**

"Industrial-academia cooperation groups under the [Industrial Education and Industry-Academia-Research Cooperation Promotion Act](#)" of the amended provisions of the main sentence, other than each subparagraph of [Article 63](#) (1), shall be deemed the industry-academia cooperation groups under the [Promotion of Industrial Education and Industry-Academic Cooperation Act](#)" by January 25, 2012.

### **Article 30 (Transitional Measures concerning Penalty Tax on Negligence in Paying Withheld Tax)**

Notwithstanding the amended provisions of [Articles 71](#) (3), [76](#) (2), [98](#) (3) and the main sentence of [Article 98](#) (4), the previous provisions shall apply to obligation to pay the corporate tax that arose on or before January 1, 2012.

### **ADDENDA <Act No. 11603, Jan. 1, 2013>**

#### **Article 1 (Enforcement Date)**

This Act shall enter into force on January 1, 2013.

#### **Articles 2 and 3 Omitted.**

### **ADDENDA <Act No. 11607, Jan. 1, 2013>**

#### **Article 1 (Enforcement Date)**

This Act shall enter into force on January 1, 2013.

#### **Articles 2 (General Applicability)**

This Act shall apply to business years that begin on or after this Act enters into force.

#### **Articles 3 (Applicability to Non-Inclusion of Donations in Deductible Expenses)**

The amended provisions of [Article 24](#) (2) 4 (d) shall apply to expenses disbursed on or after this Act enters into force.

#### **Articles 4 (Applicability of Special Provisions regarding Taxation on Divided Corporations upon Spin-off)**

The amended provisions of [Article 47](#) (2) shall apply where a divided corporation disposes stocks, etc. or a corporation established through division disposes of assets on or after this Act enters into force.

#### **Articles 5 (Applicability of Special Provisions regarding Taxation on Investment in Kind)**

The amended provisions of [Article 47-2](#) (2) shall apply where an investing corporation disposes of stocks, etc. or an invested corporation disposes of assets on or after this Act enters into force.

## **Articles 6 (Applicability of Special Provisions regarding Taxation on Income from Transfer of Land, etc.)**

The amended provisions of [Article 55-2](#) shall apply to the land, etc. transferred on or after this Act enters into force.

## **Articles 7 (Applicability to Withholding)**

The amended provisions of [Article 73](#) (6) shall apply to income paid on or after this Act enters into force.

## **Articles 8 (Applicability to Penalty Tax)**

- (1) The amended provisions of [Article 76](#) (3) shall apply where a report on incorporation or an application for business registration is filed on or after this Act enters into force.
- (2) The amended provisions of [Article 76](#) (9) shall apply where a tax base or tax amount is reported, determined, or rectified on or after this Act enters into force.
- (3) The amended provisions of [Article 76](#) (10) shall apply to donation receipts issued on or after this Act enters into force.

## **Articles 9 (Applicability to Application of Consolidated Tax Return System)**

The amended provisions of [Articles 76-8 through 76-11](#) shall apply where the application of the consolidated tax return system is approved, revoked, or abandoned or a change in a consolidated subsidiary is reported on or after this Act enters into force.

## **Articles 10 (Applicability of Special Provisions regarding Withholding or Collection from Foreign Corporations)**

The amended provisions of [Article 98](#) (1) 3 shall apply to income paid on or after this Act enters into force.

## **Articles 11 (Applicability to Reporting on Incorporation and Business Registration)**

The amended provisions of [Articles 109](#) (1) and [111](#) (1) shall apply to a report on incorporation or an application for business registration filed on or after this Act enters into force.

## **Articles 12 (Applicability to Separate Accounting)**

The amended provisions of [Article 113](#) (3) through (5) shall apply where corporations are merged or divided and merged on or after this Act enters into force.

## **Articles 13 (Applicability to Obligation to File Payment Statements)**

The amended provisions of [Article 120](#) (1) shall apply to income paid on or after this Act enters into force.

## **Articles 14 (Applicability to Application, etc. of Consolidated Tax Return System)**

If the application of the consolidated tax return system has been approved by the Commissioner of the National Tax Service under the previous provisions of [Article 76-8](#) (1) before this Act enters into force, it shall be deemed that the application of the consolidated tax return system is approved by the Commissioner of the competent Regional Tax Office having jurisdiction over the place of tax payment of the wholly-owning parent corporation under the amended provisions of [Article 76-8](#) (1).

## **ADDENDA <Act No. 11873, Jun. 7, 2013>**

### **Article 1 (Enforcement Date)**

This Act shall enter into force on July 1, 2013.

### **Articles 2 through 19 Omitted.**

Last updated : 2013-10-22