

CORPORATE TAX ACT

CORPORATE TAX ACT

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CHAPTER I GENERAL PROVISIONS

Article 1 (Definitions)

The terms used in this Act shall be defined as follows: <Amended by Act No. 7838, Dec. 31, 2005; Act No. 8141, Dec. 30, 2006>

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 juristic person established under the provisions of Article 32 of the Civil Act;
 - (b) A juristic person established under the Private School Act or other special Acts for the purposes prescribed in Article 32 of the Civil Act or similar purposes (excluding juristic persons as prescribed by Presidential Decree which are not partnership corporations and

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which can pay profit dividends to stockholders, employees, or investors); and

- (c) Organizations without juristic personality, treated as corporations under the provisions of Article 13 (4) of the Framework Act on National Taxes (hereinafter referred to as “organizations to be treated as corporations”);
- 3. The term “foreign corporation” means a corporation (limited to a case where its actual business management place is not located in the Republic of Korea) with its headquarters or main office in a foreign country;
- 4. The term “non-profit foreign corporations” means foreign governments or foreign local governments, and other foreign corporations which are not operated for profit-making from among foreign corporation (including organizations treated as corporations); and
- 5. The term “business year” means one fiscal period for the calculation of a corporation’s income.

Article 2 (Tax Liability)

(1) Corporations falling under each of the following subparagraphs shall be liable to pay a corporate tax on any income under this Act:

- 1. Domestic corporations; and
- 2. Foreign corporations which earn incomes in the Republic of Korea.

(2) Where domestic corporations and foreign corporations earn marginal profits from the transfer of land, etc. provided for in Articles 55-2 and 95-2, they shall be liable to pay a corporate tax under this Act. *<Amended by Act No. 6558, Dec. 31, 2001>*

(3) Corporate taxes shall not be imposed on such domestic corporations as the State and local governments (including local government associations; hereinafter the same shall apply). *<Amended by Act No. 6558, Dec. 31, 2001>*

(4) Domestic corporations, foreign corporations, and residents and non-residents under the Income Tax Act shall be liable to pay corporate taxes to be withheld under this Act. *<Amended by Act No. 8141, Dec. 30, 2006>*

Article 3 (Scope of Taxable Income)

(1) Corporate taxes shall be imposed on the income falling under each of the following subparagraphs: *Provided*, That for non-profit domestic corporations and foreign corporations, corporate taxes shall be imposed only on income under subparagraph 1:

- 1. Income for each business year; and
- 2. Liquidation income.

(2) Income of non-profit domestic corporations for each business year shall be income obtained through business or revenue falling under each of the

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following subparagraphs (hereinafter referred to as the “profit-making business”): <Amended by Act No. 8141, Dec. 30, 2006>

1. Earnings generated from the businesses prescribed by Presidential Decree such as manufacturing, construction, wholesale or retail sales, consumer product repair, real estate, rental, and provision of business services;
 2. Interest, discounts, and profits under the provisions of each subparagraph of Article 16 (1) of the Income Tax Act;
 3. Dividends or funds distributed under the provisions of each subparagraph of Article 17 (1) of the Income Tax Act;
 4. Revenue accruing from the transfer of stocks, investment shares, or preemptive subscription rights;
 5. Revenue accruing from the disposal of fixed assets (excluding fixed assets used directly for proper purpose businesses as prescribed by the Presidential Decree); and
 6. Revenue accruing from continuous activities other than that under subparagraphs 1 through 5 as prescribed by the Presidential Decree.
- (3) Income of foreign corporations for each business year shall be income earned in the Republic of Korea under the provisions of Article 93 (hereinafter referred to as the “domestic source income”): *Provided*, That for non-profit foreign corporations, this shall be limited to domestic source income accruing from profit-making businesses.

Article 4 (Real Taxation)

- (1) Where the corporation to which all or part of revenue from assets or business legally accrues and the corporation to which it actually accrues are different, this Act shall apply to the corporation to which the revenue actually accrues.
- (2) The provisions concerning the calculation of the amount of taxable income subject to corporate tax shall apply to the real income and earnings, notwithstanding their designation or form.

Article 5 (Trust Income)

- (1) With regard to income accruing from a 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 successor) shall be deemed the owner of the trust property in the application of this Act.
- (2) With regard to revenues and expenditures from a trust property of a corporation regulated by the Trust Business Act and the Act on Business of Operating Indirect Investment and Assets (excluding special accounts of insurance company pursuant to Article 135 of the same Act; hereinafter

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the same shall apply), the revenues and expenditures shall be deemed not to be accrued to the corporation. *<Amended by Act No. 7005, Dec. 30, 2003; Act No. 8141, Dec. 30, 2006>*

Article 6 (Business Year)

(1) The business year shall be one fiscal period prescribed by Acts and subordinate statutes or the corporation's articles of incorporation: *Provided*, That this period shall not exceed one year.

(2) A domestic corporation whose business year is not prescribed by Acts and subordinate statutes or its articles of incorporation shall separately determine its business year and report it together with the report on incorporation under the provisions of Article 109 (1) or the registration of business under the provisions of Article 111 to the chief of the district tax office having jurisdiction over the place of tax payment (the chief of the tax office under the provisions of Article 12; hereinafter the same shall apply).

(3) A foreign corporation with a place of business in the Republic of Korea under the provisions of Article 94 (hereinafter referred to as a "domestic place of business") whose business year is not prescribed by the Acts and subordinate statutes or its articles of incorporation shall separately determine its business year and report it together with the report on the establishment of a domestic place of business under the provisions of Article 109 (2) or the registration of business under the provisions of Article 111 to the chief of the district tax office having jurisdiction over the place of tax payment.

(4) A foreign corporation with no domestic place of business which earns income under the provisions of subparagraph 3 or 7 of Article 93 shall separately determine its business year and report it to the chief of the district tax office having jurisdiction over the place of tax payment within one month from the date on which such income was first generated. *<Amended by Act No. 8141, Dec. 30, 2006>*

(5) Where a corporation which is liable to report under the provisions of paragraphs (2) through (4) fails to report, the corporation's business year shall be from January 1st to December 31st each year.

(6) Matters necessary for the determination of the beginning date of a corporation's first business year in the application of the provisions of paragraphs (1) through (5) shall be prescribed by the Presidential Decree.

Article 7 (Change of Business Year)

(1) A corporation which wishes to change its business year shall report

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to the chief of the district tax office having jurisdiction over the place of tax payment within 3 months from the last date of the immediately preceding business year under the conditions as prescribed by the Presidential Decree.

(2) Where a corporation does not report within the time limit under the provisions of paragraph (1), the corporation's business year shall be deemed not to have been changed: *Provided*, That, for a corporation whose business year is determined by Acts and subordinate statutes, its business year shall be deemed to have been changed at the time when the amended provisions concerning the change of the business year in such Acts and subordinate statutes have effected, even though no report is made pursuant to the provisions of paragraph (1). *<Amended by Act No. 6293, Dec. 29, 2000>*

(3) Where a business year is changed pursuant to the provisions of paragraphs (1) and (2) (proviso), the period from the first day of the previous business year to the day before the first day of the new business year shall be deemed to constitute one business year: *Provided*, That, where that period is shorter than one month, it shall be included in the new business year. *<Amended by Act No. 6293, Dec. 29, 2000>*

Article 8 (Legal Fiction of Business Year)

(1) Where a domestic corporation is dissolved during a business year (excluding dissolution due to merger, division, or division and merger), the period from the first day of the business year until the date of registration of dissolution (referring to the date of bankruptcy registration for any corporation which is dissolved on the grounds of bankruptcy and the date of dissolution for any organization treated as corporation; hereinafter the same shall apply), and the period from the day following the date of registration of dissolution until the last day of the corresponding business year shall be deemed to be one business year, respectively; and where the value of residual assets of a domestic corporation being liquidated is settled during the business year, the period from the first day of the business year until the date on which the value of residual assets is settled shall be deemed to be one business year. *<Amended by Act No. 6558, Dec. 31, 2001>*

(2) Where a domestic corporation is dissolved during a business year due to a merger or division (including division and merger; hereinafter the same shall apply), the period from the first day of the business year until the date of registration of the merger or division shall be deemed to be

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one business year.

(3) Where a domestic corporation in the process of liquidation under the provisions of Article 229, 285, 519, or 610 of the Commercial Act continues to conduct business, the period from the first day of the business year until the date of registration of continuation (where registration of continuation is not made, referring to the date of actual continuation of business; hereinafter the same shall apply) and the period from the day after the date of registration of continuation until the last day of the business year shall be deemed to be one business year, respectively.

<Amended by Act No. 8141, Dec. 30, 2006>

(4) Where a foreign corporation with a domestic place of business comes to no longer have the corresponding domestic place of business during the business year, the period from the first day of the business year until the date on which it no longer has the corresponding place of business shall be deemed to be one business year: *Provided*, That this shall not apply where it continues to have another place of business in Korea.

(5) Where a foreign corporation with no domestic place of business reports to the chief of the district tax office having jurisdiction over the place of tax payment that it is no longer generating income under the provisions of subparagraph 3 or 7 of Article 93, the period from the first day of the business year until the date such report is made shall be deemed to be one business year. *<Amended by Act No. 8141, Dec. 30, 2006>*

Article 9 (Place of Tax Payment)

(1) The place of tax payment for corporate tax of a domestic corporation shall be the location of the registered headquarters or main office of the concerned corporation (in case where the headquarters or the main office is not located in the Republic of Korea, the location of the actual business management place): *Provided*, That for organizations treated as corporations, it shall be the place as prescribed by the Presidential Decree.

<Amended by Act No. 7838, Dec. 31, 2005>

(2) The place of tax payment for corporate tax of a foreign corporation shall be the location of the domestic place of business: *Provided*, That for a foreign corporation with no domestic place of business which earns income under the provisions of subparagraph 3 or 7 of Article 93, it shall be the location of each of its assets. *<Amended by Act No. 8141, Dec. 30, 2006>*

(3) Where a foreign corporation under paragraph (2) has 2 or more domestic places of business, the location of the place of business prescribed by the Presidential Decree shall be the place of tax payment, and where the

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corporation has 2 or more assets, the place prescribed by the Presidential Decree shall be the place of tax payment.

(4) The place of tax payment for corporate tax withheld under the provisions of Articles 73, 98 and 98-3 shall be the location of the concerned person responsible for collecting withholding tax as prescribed by the Presidential Decree: *Provided*, That where the person responsible for collecting withholding tax under the provisions of Articles 98 and 98-3 does not have a domestic location, it shall be the place prescribed by the Presidential Decree. *<Amended by Act No. 6558, Dec. 31, 2001>*

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 under the provisions of Article 12; hereinafter the same shall apply) or the Commissioner of the National Tax Service deems that the place of tax payment under the provisions of Article 9 is inappropriate for a corporation and the Presidential Decree determines, he may, notwithstanding the provisions of 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 the provisions of paragraph (1), he shall notify the concerned corporation under the conditions as prescribed by the Presidential Decree.

Article 11 (Change of Place of Tax Payment)

(1) Where a corporation's place of tax payment is changed, the corporation shall report it to the chief of the district tax office having jurisdiction over the new place of tax payment within 15 days from the date of the change under the conditions as prescribed by the Presidential Decree. In this case, where a corporation has made a report on the change of the place of tax payment under the provisions of Article 5 of the Value-Added Tax Act, it shall be deemed to have reported the change of the place of tax payment. *<Amended by Act No. 8141, Dec. 30, 2006>*

(2) Where there is no report under the provisions of paragraph (1), the previous place of tax payment shall be the corporation's place of tax payment.

(3) Where a foreign corporation comes to have no domestic place of tax payment falling under the provisions of Article 9 (2), it shall report it to the chief of the district tax office having jurisdiction over the place of tax payment.

Article 12 (Jurisdiction of Taxation)

Any corporate tax shall be levied by the chief of the district tax office

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having jurisdiction over the place of tax payment or the Commissioner of the competent Regional Tax Office under the provisions of Articles 9 through 11.

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

SECTION 1 Tax Base and Its Calculation

Sub-Section 1 Common Provisions

Article 13 (Tax Base)

The tax base for corporate tax on income of domestic corporations for each business year shall be, within the scope of the income for each business year, the amount calculated by deducting the income falling under each of the following subparagraphs in that order, from the income amount:

1. The amount of deficits accruing during each business year within five years before the first day of the current business year which were not thereafter deducted in the calculation of the tax base;
2. Non-taxable income under this Act and other Acts; and
3. The amount of income deduction under this Act and other Acts.

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 accruing during the business year from the total amount of gross income accruing during the business year.

(2) The amount of deficits of a domestic corporation for each business year shall be the amount calculated by deducting the total amount of deductible expenses accruing during the business year from the total amount of gross income accruing during the business year.

Sub-Section 2 Calculation of Gross Income

Article 15 (Scope of Gross Income)

(1) The gross income shall mean the amount of proceeds generated by transactions which cause an increase of the net assets of a corporation, not including capital input or financing and other transactions as provided

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for in this Act.

(2) The amount falling under each of the following subparagraphs shall be deemed to be the gross income:

1. Where securities are purchased from an individual who is a person with a special relationship under the provisions of Article 52 (1) at a price which is below the market price under the provisions of Article 52 (2), the amount of the difference between the appropriate market price and the concerned purchase price; and
2. The appropriate amount of tax liability of foreign corporations under the provisions of Article 57 (4) (limited to cases in which the tax liability amount has been deducted).

(3) Matters necessary for the scope and classification of proceeds under the provisions of paragraph (1) shall be prescribed by the Presidential Decree.

Article 16 (Legal Fiction of Dividends or Distributions)

(1) The amount falling under any of the following subparagraphs shall be deemed to be the amount of profits received from a corporation as dividends or surplus funds received from a corporation by distribution, and shall be accordingly governed by this Act: *<Amended by Act No. 6558, Dec. 31, 2001; Act No. 7317, Dec. 31, 2004; Act No. 7838, Dec. 31, 2005; Act No. 8141, Dec. 30, 2006>*

1. The amount of the sum of funds and the value of other assets acquired by a stockholder, employee, or investor (hereinafter referred to as a "stockholder, etc.") through the retirement of stocks, reduction of capital, employee retirement or separation, or investment reduction in excess of the amount necessary for the stockholder, etc. to acquire the concerned stocks or investment shares (hereinafter referred to as "stocks, etc.");
2. The value of stocks, etc. acquired through the transfer of all or part of corporation's surplus funds into capital or financing: *Provided*, That this shall not apply where amounts falling under any of the following items are transferred to capital:
 - (a) Capital reserve fund under the provisions of Article 459 (1) 1, 1-2, 1-3, 2, 3, and 3-2 of the Commercial Act (excluding the excess amount provided for in the proviso to Article 17 (1) 1 and marginal profits from the evaluation of a merger and marginal profits from the evaluation of a division that is prescribed by the Presidential Decree, and in case of the profit from retirement of stocks or investment shares, it is limited to the transfer of capital after 2

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- years have passed from the date of such retirement in case that the market price under Article 52 (2) does not exceed the acquisition value at the time stocks or investment shares are retired); and
- (b) Revaluation reserve fund under the Assets Revaluation Act (excluding an appropriate amount for any difference in the revaluation of land under the provisions of Article 13 (1) 1 of the same Act);
3. In case that the equity ratio of stockholders, etc. of a corporation other than the relevant corporation is increased by the latter's transfer of capital under the provisions of each item of subparagraph 2 while holding its own stocks and investment shares, the value of stocks, etc. corresponding to such increased equity ratio;
 4. The amount of funds and the value of other assets acquired by stockholders, etc. of a dissolved corporation (including members of an organization treated as a corporation) through the distribution of the residual assets of the corporation in excess of the amount necessary for the acquisition of the concerned stocks, etc.;
 5. The amount of the sum of the value of stocks, etc., funds, and other assets which stockholders, etc. of a corporation which is extinguished through a merger (hereinafter referred to as an "extinguished corporation") receive from a corporation which is established or survived through the merger (hereinafter referred to as a "merged corporation") in return for the merger (hereinafter referred to as the "cost of merger") in excess of the amount necessary for the acquisition of the stocks, etc. of the extinguished corporation; and
 6. Where a corporation is divided, the amount of the sum of the value of stocks, funds, and other assets which stockholders of the divided corporation (hereinafter referred to as a "divided corporation") or counterpart corporation to a corporation extinguished through division and merger receive from the corporation established through the division (hereinafter referred to as a "corporation established by division") or the counterpart corporation to the division and merger in return for the division (hereinafter referred to as the "cost of division") in excess of the amount necessary for the acquisition of the stocks of the divided corporation or counterpart corporation to the corporation extinguished through division and merger (where the divided corporation continues to exist, limited to stocks reduced by retirement).
- (2) In the application of the provisions of paragraph (1), matters necessary

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for the period of the distribution of profit dividends or surplus funds and the evaluation of the value of stocks, etc. shall be prescribed by Presidential Decree.

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

(1) The proceeds falling under any of the following subparagraphs shall not be included in gross income in calculating the income amount of a domestic corporation for each business year: *<Amended by Act No. 7838, Dec. 31, 2005>*

1. Surplus amount of par value of stocks issued: *Provided*, That in cases where stocks, etc. are issued by means of the conversion of liability to investment, the amount issued in excess of the market price of the relevant stocks, etc. shall be excluded;
- 1-2. Marginal profits accruing from the all-inclusive exchange of stocks;
- 1-3. Marginal profits accruing from the all-inclusive transfer of stocks;
2. Marginal profits accruing from capital decrease;
3. Marginal profits accruing from a merger: *Provided*, That this shall not include marginal profits accruing from the evaluation of mergers (hereinafter referred to as "marginal profits from the evaluation of mergers") as prescribed by Presidential Decree; and
4. Marginal profits accruing from a division: *Provided*, That this shall not include marginal profits from the evaluation of divisions (hereinafter referred to as "marginal profits from the evaluation of mergers") as prescribed by Presidential Decree.

(2) The amount that is prescribed by Presidential Decree with its exclusion of the application of the provisions of subparagraph 8 of Article 18 among the excess amount 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 replenishing the amount of loss that is incurred in the next business year. *<Newly Inserted by Act No. 7838, Dec. 31, 2005>*

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

The proceeds falling under any of the following subparagraphs shall not be included in the gross income in calculating the income amount of a domestic corporation for each business year: *<Amended by Act No. 6558, Dec. 31, 2001; Act No. 7838, Dec. 31, 2005; Act No. 8141, Dec. 30, 2006>*

1. Marginal profits from the evaluation of assets: *Provided*, That this shall not include marginal profits from the evaluation under the provisions of each subparagraph of Article 42 (1);

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2. Gross income carried forward;
3. The amount appropriated for taxes other than corporate tax not included in deductible expenses under the provisions of subparagraph 1 of Article 21 or income-proportional resident tax refunded or to be refunded;
4. Interest on the refund of national or local taxes mispaid or overpaid;
5. Output tax amount of value-added tax;
6. Deleted; <by Act No. 8141, Dec. 30, 2006>
7. Deleted; and <by Act No. 6558, Dec. 31, 2001>
8. The amount appropriated for making up for losses carried forward as prescribed by Presidential Decree among the value of assets received without compensation, and the amount of the reduction of debt due to the exemption from or extinction of financial obligations.

Article 18-2 (Non-Inclusion of Holding Company's Received Dividend Amount in Gross Income)

(1) Where the sum computed pursuant to subparagraphs 1 and 2 exceeds the sum computed pursuant to subparagraphs 3 and 4, of profit dividends or surplus distributions or of the legally fictitious dividends or distributions provided by Article 16 (hereafter referred to as the "received dividend amount" in this Article and Article 18-3) received by a holding company prescribed by Presidential Decree among such domestic corporations that are classified as holding companies pursuant to the Monopoly Regulation and Fair Trade Act (including any financial holding companies under the Financial Holding Companies Act and industry-academic cooperation technology holding companies under the Promotion of Industrial Education and Industry-Academic Cooperation Act; hereafter referred to as a "holding company" in this Article) from its subsidiary (referring to such domestic corporations that have been invested by the corresponding holding company and that also meet the criteria 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), such excess amount shall not be included in gross income in calculating the income amount for each business year: <Amended by Act No. 6293, Dec. 29, 2000; Act No. 6558, Dec. 31, 2001; Act No. 7005, Dec. 30, 2003; Act No. 7317, Dec. 31, 2004; Act No. 7838, Dec. 31, 2005; Act No. 8141, Dec. 30, 2006; Act No. 8631, Aug. 3, 2007; Act No. 8831, Dec. 31, 2007>

1. The amount equivalent to the total dividend amount received from the subsidiary where a holding company has invested in excess of 80/100 [referring to 40/100 in case of a stock-listed corporation (hereinafter referred to as a "stock-listed corporation") or a KOSDAQ-listed corporation (hereinafter referred to as a "KOSDAQ-listed corporation")]

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- under the Securities and Exchange Act] of the corresponding subsidiary's total issued equity stocks or equity investment shares;
2. The amount computed by multiplying the dividend amount received from the subsidiary by 80/100 where a holding company has invested in the corresponding subsidiary at a ratio lower than that prescribed by subparagraph 1: *Provided*, That with respect to the dividend amount received from the subsidiary during the period from January 1, 2007 through December 31, 2007, it shall be the amount obtained by multiplying the dividend amount by 70/100;
 3. The amount calculated according to Presidential Decree considering the ratio of non-inclusion of interest on borrowed money into gross income pursuant to the provisions of subparagraphs 1 and 2, and the ratio of the amount invested in the subsidiary to the total asset of the holding company, etc., in cases where interest on borrowed money has been paid by the holding company in each business year; and
 4. The amount computed by multiplying the dividend amount received from the subsidiary by the ratio prescribed by Presidential Decree considering the corresponding subsidiary's equity investment in an affiliated company in cases where it makes equity investment in any company affiliated therewith under the Monopoly Regulation and Fair Trade Act (hereafter referred to as an "affiliated company" in this subparagraph and Article 18-3): *Provided*, That cases falling under any one of the following items shall be excluded:
 - (a) In cases where a subsidiary pursuant to the provisions of subparagraph 1-3 of Article 2 of the Monopoly Regulation and Fair Trade Act has invested in a granddaughter company decided by the Fair Trade Commission;
 - (b) In cases where a subsidiary pursuant to the provisions of Article 2 (1) 2 of the Financial Holding Companies Act invests in a granddaughter company pursuant to the provisions of subparagraph 3 of the same paragraph; and
 - (c) In case where a subsidiary pursuant to the provisions of Article 2 (1) 2 of the Financial Holding Companies Act conforms to the institutional investor determined by Presidential Decree.
- (2) The provisions of paragraph (1) shall not apply to the received dividend amount falling under any of the following subparagraphs: *<Amended by Act No. 7838, Dec. 31, 2005>*
1. The received dividend amount that accrues from holding stocks, etc.

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that are acquired within 3 months prior to the base date of dividend distribution; and

2. The received dividend amount that is paid by any corporation that is prescribed by Presidential Decree and is entitled to the income deduction on the received dividend amount, or the non-taxation, exemption, or reduction of the corporate tax pursuant to this Act and the Restriction of Special Taxation Act.

(3) In applying the provisions of paragraphs (1) and (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 statement of received dividend amounts, etc. shall be prescribed by Presidential Decree. *<Amended by Act No. 6293, Dec. 29, 2000>*

[This Article Newly Inserted by Act No. 6047, Dec. 28, 1999]

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

(1) Where the sum computed pursuant to the provisions of subparagraphs 1 and 2 exceeds the sum computed pursuant to the provisions of subparagraphs 3 and 4, of the received dividend amount (excluding any received dividend amount subject to the application of the provisions of Article 18-2) by a domestic corporation (excluding non-profit domestic corporations in subparagraph 2 of Article 1; the same shall apply hereafter in this Article) from another domestic corporation in which the former has made an equity investment, such excess amount shall not be included in gross income in calculating the income amount for each business year: *<Amended by Act No. 7317, Dec. 31, 2004; Act No. 7838, Dec. 31, 2005; Act No. 8831, Dec. 31, 2007>*

1. The amount computed by multiplying the dividend amount received from an invested domestic corporation by 50/100 where an investing domestic corporation has invested in excess of 50/100 (30/100 in cases of stock-listed or KOSDAQ-listed corporations) of the total issued equity stocks or equity investment shares of such invested domestic corporation: *Provided*, That the total number of issued equity stocks or total amount of equity investment shares has been invested, it refers to the amount corresponding to the total received dividend from other domestic corporations;

2. The amount computed by multiplying the dividend amount received from an invested domestic corporation by 30/100 where the corresponding investing domestic corporation has invested at a ratio lower than that provided for in subparagraph 1;

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3. The amount that is calculated as prescribed by Presidential Decree by applying *mutatis mutandis* the provisions of Article 18-2 (1) 3 where any interest on borrowings has been paid by any domestic corporation in each business year; and
 4. The amount that is calculated under the conditions as prescribed by Presidential Decree by applying *mutatis mutandis* the provisions of Article 18-2 (1) 4 where the domestic corporation concerned that pays dividends to another domestic corporation (limited to the cases where it is an affiliated company of the domestic corporation concerned) invests in the latter's affiliated company.
- (2) The provisions of paragraph (1) shall not apply to the received dividend amount that is paid pursuant to the provisions of each subparagraph of Article 18-2 (2). *<Amended by Act No. 7838, Dec. 31, 2005; Act No. 8141, Dec. 30, 2006>*
- (3) In applying the provisions of paragraphs (1) and (2), necessary matters for the method for computing the ratio of investment shares, the amount excluded from gross income, the submission of a detailed statement of received dividend amounts, etc. shall be prescribed by Presidential Decree.
- [This Article Newly Inserted by Act No. 6293, Dec. 29, 2000]*

Sub-Section 3 Calculation of Deductible Expenses

Article 19 (Scope of Deductible Expenses)

- (1) Deductible expenses shall mean the amount of losses generated by transactions which cause a reduction in the net assets of a corporation, excluding return of capital or financing, disposition of surplus funds, and other transactions as provided for in this Act.
- (2) The losses under the provisions of paragraph (1) shall be losses or expenses generated or spent in connection with the business of a corporation which are generally accepted as normal or directly related to profit, except as otherwise prescribed by this Act and other Acts.
- (3) Matters necessary for the scope and types of losses under the provisions of paragraphs (1) and (2) shall be prescribed by Presidential Decree.

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

Losses falling under each of the following subparagraphs shall not be included in deductible expenses in calculating the income amount of a domestic corporation for each business year:

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1. The amount appropriated as deductible expenses in the disposition of surplus funds: *Provided*, That this shall not apply to piece rates as prescribed by Presidential Decree;
2. Dividends on interest during construction; and
3. Margins from the discount issue of stocks.

Article 21 (Non-Inclusion of Various Taxes and Public Imposts in Deductible Expenses)

Taxes and public imposts falling under each of the following subparagraphs shall not be included in deductible expenses in calculating the income amount 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>*

1. Corporate taxes or income-proportional resident taxes paid or payable for each business year (including the amount of foreign corporate tax under Article 57), the tax amount paid or payable (including additional taxes) due to non-performance of duties as provided by tax-related Acts, and the input tax amount of value-added tax (excluding cases exempted from value-added tax or cases as prescribed by Presidential Decree);
2. The unpaid amount of individual consumption tax, liquor tax, or traffic, energy and environment tax on unsold manufactured goods: *Provided*, That this shall not apply where the price of the manufactured goods includes a reasonable tax amount;
3. Deleted; *<by Act No. 6558, Dec. 31, 2001>*
4. Fines and penalties (including appropriate amounts for fines or penalties under noticed dispositions), fines for negligence (including penalties and fines), additional charges for default, and fees for delinquency in payment;
5. Public imposts that are not mandatory under Acts and subordinate statutes; and
6. Public imposts that are imposed for non-performance of duties, or violation of prohibited or restricted acts under Acts and subordinate statutes.

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

In the calculation of the income amount of a domestic corporation for each business year, the marginal losses from the evaluation of assets in its possession shall not be included in deductible expenses: *Provided*, That

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this shall not apply to the marginal losses from the evaluation of assets under the provisions of Article 42 (2) and (3).

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

(1) In the calculation of the income amount of a domestic corporation for the corresponding business year, depreciation costs of fixed assets shall be included in deductible expenses only when they are appropriated as deductible expenses (referring to the amount appropriated as losses in the confirmation of the settlement of accounts; hereinafter the same shall apply) within the scope of the amount calculated under the conditions as prescribed by the Presidential Decree (hereafter referred to as the “scope of depreciation amount” in this Article), and the portion of the appropriated amount in excess of the scope of depreciation amount shall not be included in the calculation of deductible expenses.

(2) Fixed assets under the provisions of paragraph (1) shall mean buildings other than land, machinery and equipment, patent rights, and other assets as prescribed by the Presidential Decree.

(3) Domestic corporations which appropriate depreciation costs under the provisions of paragraph (1) as deductible expenses shall submit a detailed statement on depreciation costs to the chief of the district tax office having jurisdiction over the place of tax payment under the conditions as prescribed by the Presidential Decree.

(4) In the application of the provisions of paragraph (1), matters necessary for the method of appropriation of depreciation costs as deductible expenses and the settlement of the amount in excess of the scope of the depreciation amount shall be prescribed by the Presidential Decree.

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

(1) Of donations made by a domestic corporation in consideration of social welfare, culture, arts, education, religion, charity, or learning as prescribed by the Presidential Decree (hereinafter referred to as “designated donations”) during each business year, the amount in excess of 5% of the amount obtained by subtracting the amount under subparagraph 2 from the amount under subparagraph 1 (hereafter referred to as the “limit amount of inclusion into deductible expenses” in this Article) and donations other than designated donations shall not be included in deductible expenses in the calculation of the income amount for the concerned business year:

1. The income amount for the concerned business year (the amount prior to the inclusion of donations under the provisions of paragraph (2) and designated donations in deductible expenses; hereafter in this

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Article the same shall apply); and

2. The sum of the donations included in deductible expenses under the provisions of paragraph (2) and the deficits under the provisions of subparagraph 1 of Article 13.

(2) The provisions of paragraph (1) and Article 29 shall not apply to the donations falling under any of the following subparagraphs (hereinafter referred to as the “statutory donations”): *Provided*, That where the total amount of the statutory donations is in excess of the amount obtained by multiplying 50/100 by the amount that accrues after subtracting the amount of deficits under subparagraph 1 of Article 13 from the income amount for the concerned business year (hereafter referred to as the “limits of inclusion of the statutory donations into deductible expenses” in this Article), the amount in excess shall not be included in deductible expenses in the calculation of the income amount for the concerned business year:

<Amended by Act No. 7838, Dec. 31, 2005; Act No. 7908, Mar. 24, 2006>

1. Money and other valuables contributed to the State or a local government without consideration: *Provided*, That for contributed items under application of the Donations Collection and Their Use Act, this shall be limited to items requisitioned under the provisions of 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. Money and other valuables contributed for victims of natural disasters; and
4. The donations that are given to the institutions (excluding any hospital) falling under any of the following items for facility expenses, educational expenses, scholarships or research expenses of:
 - (a) Private schools provided for in the Private School Act;
 - (b) Non-profit educational foundations (limited to non-profit incorporated corporations that are founded for the purpose of building and expanding a private school, expanding its facilities, and improving the educational environment);
 - (c) Polytechnic colleges provided for in the Polytechnic College Act;
 - (d) Lifelong educational facilities in the form of the cyber university provided for in the Lifelong Education Act;
 - (e) Foreign educational institutions that are founded pursuant to the Special Act on Establishment and Management of Foreign

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Educational Institutions in Free Economic Zones and Jeju Free International City; and

(f) Industry–academic cooperation groups provided for in the Promotion of Industrial Education and Industry–Academic Cooperation Act.

(3) The amount in excess of the limits of inclusion of designated donations into deductible expenses and the amount in excess of the limits of inclusion of statutory donations into deductible expenses that are not included in the deductible expenses under the provisions of paragraphs (1) and (2) shall be carried forward and included in the deductible expenses for each business year which is completed within 3 years (one year in the case of the statutory donations) from the first day of the business year following the concerned business year under the conditions as prescribed by the Presidential Decree. *<Amended by Act No. 7838, Dec. 31, 2005>*

Article 25 (Non–Inclusion of Entertainment Expenses in Deductible Expenses)

(1) Of the amount a domestic corporation spends as entertainment expenses (excluding the amounts falling under paragraph (2)) during each business year, the amount in excess of the sum of the amounts falling under each of the following subparagraphs shall not be included in deductible expenses in the calculation of the income amount for the concerned business year:

1. The amount obtained by multiplying 12,000,000 won (18,000,000 won for small and medium enterprises as prescribed by the Presidential Decree) by the number of months for the concerned business year, and then dividing it by 12; and
2. The amount obtained by multiplying the revenue amount for the concerned business year (limited to the revenue amount as prescribed by the Presidential Decree) by the rates under the following table:
Provided, That for revenue amounts generated by transactions with a person with a special relationship under the provisions of Article 52 (1), the appropriate amount shall be 20% of the amount obtained by multiplying the revenue amount by the rates provided for in the following table:

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Revenue Amount	Rate
10,000,000,000 won or less	20/10,000
More than 10,000,000,000 won and up to 50,000,000,000 won	20,000,000 won + (10/10,000 of the amount in excess of 10,000,000,000 won)
More than 50,000,000,000 won	60,000,000 won + (3/10,000 of the amount in excess of 50,000,000,000 won)

(2) Entertainment expenses that are paid by a domestic corporation in excess of the amount prescribed by the Presidential Decree on one occasion and that do not fall under any one of the following subparagraphs shall not be included in deductible expenses in the calculation of the income amount for each business year: *Provided*, That the same shall apply to a case where the entertainment expenses falling under any of the following subparagraphs are disbursed in the areas of foreign countries that are prescribed by the Presidential Decree, which make it difficult to verify their spending but the disbursement of such entertainment expenses is objectively unquestionable: <Amended by Act No. 6293, Dec. 29, 2000; Act No. 7838, Dec. 31, 2005; Act No. 8141, Dec. 30, 2006>

1. Entertainment expenses paid by using those which fall under any one of the following items (hereinafter referred to as “credit cards, etc.”):
 - (a) Credit cards under the Specialized Credit Financial Business Act (including items similar to credit cards, as prescribed by the Presidential Decree; hereafter the same shall apply in Article 117); and
 - (b) Cash receipts under the provisions of Article 126-3 (3) of the Restriction of Special Taxation Act (hereinafter referred to as “cash receipts”); and
2. Expenses paid by receiving delivery of an invoice under the provisions of Article 121 of this Act and Article 163 of the Income Tax Act or a tax invoice under the provisions of Article 16 of the Value-Added Tax Act or by delivering a purchaser-issued tax invoice under the provisions of Article 126-4 (1) of the Restriction of Special Taxation Act.
- (3) If sales slips, that are issued in the name of a member shop of credit cards, etc. other than the one that does actually supply the corresponding goods or services, are delivered, the corresponding payment amounts shall not be included in the entertainment expenses provided for in paragraph (2) 1 in applying the same subparagraph of the same paragraph.

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<Newly Inserted by Act No. 6293, Dec. 29, 2000>

(4) Deleted. *<by Act No. 6558, Dec. 31, 2001>*

(5) "Entertainment expenses" in paragraphs (1) through (3) shall mean entertainment expenses and expenses of a similar nature spent by a corporation in connection with its business, regardless whether such expenses are called social expenses, honoraria, or other pretexts. *<Amended by Act No. 6293, Dec. 29, 2000; Act No. 6558, Dec. 31, 2001>*

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

Of the losses falling under each of the following subparagraphs, the amount recognized as excessive or inappropriate under the conditions as prescribed by the Presidential Decree shall not be included in deductible expenses in the calculation of the income amount of a domestic corporation for each business year: *<Amended by Act No. 6558, Dec. 31, 2001>*

1. Personnel/labor expenses;
2. Welfare expenses;
3. Travel expenses and education and training expenses;
4. Deleted; *<by Act No. 7838, Dec. 31, 2005>*
5. Losses generated or paid by a corporation as a result of the joint operation or management of an identical organization or business with a person other than the concerned corporation; and
6. Expenses other than those under subparagraphs 1 through 5 recognized as having little direct connection to the business of a corporation as prescribed by the Presidential Decree.

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

Of the expenditures of a domestic corporation during each business year, the amounts falling under each of the following subparagraphs shall not be included in deductible expenses in the calculation of the income amount of the concerned business year:

1. The amount of expenses as prescribed by the Presidential Decree disbursed for the acquisition and management of the assets which are prescribed by the Presidential Decree and which are deemed to have no direct connection to the business of the relevant corporation; and
2. Expenditures as prescribed by the Presidential Decree other than the amount of subparagraph 1, which are deemed to have no direct connection to the business of the relevant corporation.

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

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(1) Interest on loans falling under each of the following subparagraphs shall not be included in deductible expenses in the calculation of the income amount of a domestic corporation for each business year: *<Amended by Act No. 8141, Dec. 30, 2006>*

1. Interest on debentures for which the creditor is unknown;
2. Interest, discount amount, or gains from bonds and securities under the provisions of Article 16 (1) 1, 2, 6, and 9 of the Income Tax Act, the interest, discount amount, or gains from bonds and securities as prescribed by the Presidential Decree for which the person who received payment is unknown;
3. Interest on loans appropriated for construction capital as prescribed by the Presidential Decree; and
4. Of interest on loans paid during each business year by a domestic corporation which acquires or possesses assets falling under one of the following items, the amount calculated under the conditions as prescribed by the Presidential Decree (limited to interest on loans equivalent to the value of the concerned assets):
 - (a) Assets falling under the provisions of subparagraph 1 of Article 27; and
 - (b) Provisional payments, etc. to a person with a special relationship under the provisions of Article 52 (1) with no connection to the business of the concerned corporation, and which are prescribed by the Presidential Decree.

(2) through (4) Deleted. *<by Act No. 7317, Dec. 31, 2004>*

(5) In case where the provisions governing the non-inclusion of the paid interest in deductible expenses falling under each subparagraph of paragraph (1) apply simultaneously, their application shall be made in the order that is prescribed by the Presidential Decree. *<Amended by Act No. 7317, Dec. 31, 2004; Act No. 7838, Dec. 31, 2005>*

(6) Matters necessary for the scope and calculation of loans and interest on payment under the provisions of paragraph (1) shall be prescribed by the Presidential Decree. *<Amended by Act No. 7317, Dec. 31, 2004>*

Sub-Section 4 Inclusion of Reserve Funds and Appropriation Funds in Deductible Expenses

Article 29 (Inclusion of Reserve Fund for Proper Purpose Businesses in
Deductible Expenses)

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(1) Where a non-profit domestic corporation (limited to organizations prescribed by the Presidential Decree in case of organizations treated as corporations) appropriates reserve funds for proper purpose businesses as deductible expenses each business year in order to carry out the proper purpose businesses of the corporation or designated donations (hereafter referred to as “proper purpose businesses, etc.” in this Article), they shall be included in deductible expenses in the calculation of the income amount for the concerned business year within the scope of the amount of the sum of the amounts falling under each of the following subparagraphs: <Amended by Act No. 6558, Dec. 31, 2001; Act No. 7005, Dec. 30, 2003; Act No. 7117, Jan. 29, 2004; Act No. 7838, Dec. 31, 2005; Act No. 8141, Dec. 30, 2006>

1. Interest income amount under the provisions of Article 16 (1) 1 through 11 of the Income Tax Act and the investment trust proceeds under the provisions of Article 17 (1) 5 of the same Act;
 2. Dividend income amount under the provisions of Article 17 (1) 1, 2 and 6 of the Income Tax Act: *Provided*, That any dividend income amount accruing from stocks, etc., which is included in the taxable value of the inheritance tax or the gift tax or is subject to the imposition of the gift tax pursuant to the provisions of Article 16 or 48 of the Inheritance Tax and Gift Tax Act shall be excluded;
 3. Interest amount accruing from loans to members or associates for welfare projects of non-profit domestic corporations established under special Acts; and
 4. The amount obtained by multiplying the income from profit-making businesses other than those under subparagraphs 1 through 3 by 50/100 (80/100 for a corporation which is established under the Act on the Establishment and Operation of Public-Service Corporations and in which not less than 50/100 of the amount used for the proper purpose businesses is spent for the purpose of scholarships).
- (2) Where a non-profit domestic corporation uses the reserve fund for proper purpose businesses appropriated as deductible expenses under the provisions of paragraph (1) for proper purpose businesses, etc., it shall set off the amount in order beginning with the business reserve funds for education appropriated for the business year. In this case, where the amount spent for proper purpose businesses in the concerned business year exceeds the reserve fund for proper purpose businesses as of the last day of the immediately preceding business year, the amount in excess

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shall be deemed as having been spent from the reserve fund for proper purpose businesses to be set off for the concerned business year, and the provisions of paragraph (1) shall apply accordingly.

(3) Where a non-profit domestic corporation with a balance in the reserve fund for proper purpose businesses included in deductible expenses under the provisions of paragraph (1) comes to fall under one of the following subparagraphs, the balance shall be included in gross income in the calculation of the income amount for the business year which includes the date on which such cause occurs: *<Amended by Act No. 8141, Dec. 30, 2006>*

1. Where it is dissolved;
2. Where the proper purpose businesses are all discontinued;
3. Where the approval of an organization treated as a corporation is cancelled or it is changed to a resident under the provisions of Article 13 (3) of the Framework Act on National Taxes; and
4. Where the reserve funds for proper purpose businesses, etc. appropriated as losses are not used for proper purpose businesses by the date on which 5 years pass from the last day of the corresponding business year (limited to the balance not used within 5 years).

(4) Where the balance of reserve funds for proper purpose businesses is included in the gross income under the provisions of paragraph (3) 4, an appropriate amount of interest calculated under the conditions as prescribed by the Presidential Decree shall be paid in addition to the corporate tax for the concerned business year.

(5) The provisions of paragraph (1) shall not apply to a case where the reduction and exemption, etc. are applied pursuant to this Act or other Acts, which is prescribed by the Presidential Decree. *<Newly Inserted by Act No. 7838, Dec. 31, 2005>*

(6) A non-profit domestic corporation which wishes to be subject to the application of the provisions of paragraph (1) shall keep in custody a detailed statement on the appropriation and expenditure of the concerned reserve fund and submit it to the chief of the district tax office having jurisdiction over the place of tax payment under the conditions as prescribed by the Presidential Decree. *<Amended by Act No. 7117, Jan. 29, 2004>*

(7) Matters necessary for the scope of proper purpose businesses and the calculation of income generated by profit-making businesses under the provisions of paragraph (1) shall be prescribed by the Presidential Decree.

Article 30 (Inclusion of Liability Reserve Fund, etc. in Calculation of

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Deductible Expenses)

(1) Where a domestic corporation operating an insurance business under the provisions of the Insurance Business Act and other Acts has appropriated the liability reserve fund and contingency reserve fund as deductible expenses for each business year, they shall be included in deductible expenses in the calculation of the income amount for the concerned business year within the scope of the amount calculated under the conditions as prescribed by the Presidential Decree. *<Amended by Act No. 8141, Dec. 30, 2006>*

(2) The liability reserve fund included in the deductible expenses under the provisions of paragraph (1) shall be included in gross income in the calculation of the income amount for the following business year.

(3) A domestic corporation which wishes to be subject to the application of paragraph (1) shall submit a detailed statement on the concerned reserve fund to the chief of the district tax office having jurisdiction over the place of tax payment under the conditions as prescribed by the Presidential Decree.

(4) Matters necessary for the disposition of the contingency reserve fund included in the deductible expenses under the provisions of paragraph

(1) shall be prescribed by the Presidential Decree.

Article 31 (Inclusion of Policyholder Dividend Reserve Fund in Deductible Expenses)

(1) Where a domestic corporation operating an insurance business appropriates a policyholder dividend reserve fund as losses for each business year in order to pay dividend to insurance policyholders, this shall be included in deductible expenses in the calculation of the income amount for the concerned business year within the scope of the amount calculated under the conditions as prescribed by the Presidential Decree.

(2) Where a domestic corporation which has included the policyholder dividend reserve funds in the deductible expenses under the provisions of paragraph (1) pays dividends to insurance policyholders, it shall set them off in order beginning with the policyholder dividend reserve funds appropriated for the business year.

(3) The policyholder dividend reserve funds included in the deductible expenses under the provisions of paragraph (1) shall be set off under the provisions of paragraph (2) until the date on which 3 years have passed from the last day of the concerned business year, and the balance remaining

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shall be included in gross income in the calculation of the income amount for the business year whereto belongs the date on which 3 years have passed.

(4) Where a balance of policyholder dividend reserve funds is included in gross income pursuant to the provisions of paragraph (3), an amount equivalent to the interest computed pursuant to the Presidential Decree shall be paid in addition to the corporate tax for the corresponding business year. *<Newly Inserted by Act No. 6293, Dec. 29, 2000>*

(5) Where a domestic corporation that has included a balance of its policyholder dividend reserve fund in its deductible expenses pursuant to the provisions of paragraph (1) comes to fall under any of the following subparagraphs, the balance shall be included in its gross income for the business year which includes the date on which such events occur:

1. Where it is dissolved: *Provided*, That where it is dissolved due to a merger and the balance is taken over by the succeeding corporation that operates the insurance business, this shall not apply; and
2. Where its license for insurance business is revoked.

(6) In applying the provisions of paragraphs (2) through (5), the amount taken over by the merged corporation under the provisions of the proviso to paragraph (5) 1 shall be deemed to have been included in the deductible expenses by the merged corporation in the business year when the extinguished corporation has included the same in the deductible expenses. *<Amended by Act No. 6293, Dec. 29, 2000>*

(7) A domestic corporation that wishes to be subject to the application of paragraph (1) shall submit a detailed statement on the corresponding reserve to the chief of the district tax office having jurisdiction over the place of tax payment under the conditions as prescribed by the Presidential Decree.

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

Article 33 (Inclusion of Allowance for Severance and Retirement Benefits in Deductible Expenses)

(1) Where a domestic corporation appropriates an allowance for severance and retirement benefits as deductible expenses for each business year in order to pay severance and retirement benefits to its officers or employees, this shall be included in deductible expenses in the calculation of the income amount for the concerned business year within the scope of the amount calculated under the conditions as prescribed by the Presidential Decree.

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(2) Where a domestic corporation which includes the allowance for severance and retirement benefits in the calculation of deductible expenses under the provisions of paragraph (1) pays severance and retirement benefits to an officer or employee, it shall pay them first from the concerned allowance for severance and retirement benefits.

(3) Where a domestic corporation which includes the allowance for severance and retirement benefits in the calculation of deductible expenses under the provisions of paragraph (1) is merged or divided, the allowance for severance and retirement benefits of the said corporation as of the date of the registration of the merger or the date of the registration of the division which is transferred to the merged corporation, the corporation established by division, or counterpart corporation to the division and merger (hereinafter referred to as a “merged corporation, etc.”) shall be deemed the allowance for severance and retirement benefits of the merged corporation as of the date of the registration of the merger or the date of the registration of the division. *<Amended by Act No. 6558, Dec. 31, 2001>*

(4) Where a businessman comprehensively transfers his business to a domestic corporation, the provisions of paragraph (3) shall apply *mutatis mutandis*.

(5) A domestic corporation which wishes to be subject to the provisions of paragraph (1) shall submit a detailed statement on the allowance for severance and retirement benefits to the chief of the district tax office having jurisdiction over the place of tax payment under the conditions as prescribed by the Presidential Decree.

(6) Matters necessary for the disposition of the allowance for severance and retirement benefits under the provisions of paragraphs (1) through (4) shall be prescribed by the Presidential Decree.

Article 34 (Inclusion of Bad Debt Allowance, etc. in Calculation of Deductible Expenses)

(1) Where a domestic corporation appropriates a bad debt allowance in order to cover bad debts from credit accounts, loans, and other corresponding debentures as deductible expenses for each business year, they shall be included in deductible expenses in the calculation of the income amount for the concerned business year within the scope of the amount calculated under the conditions as prescribed by the Presidential Decree.

(2) The amounts of bonds which a domestic corporation possesses and

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which cannot be collected due to the obligor's bankruptcy and other causes as prescribed by the Presidential Decree (hereafter referred to as "bad debt expenses" in this Article) shall be included in deductible expenses in the calculation of the income amount for the concerned business year.

(3) The provisions of paragraphs (1) and (2) shall not apply to bonds falling under any of the following subparagraphs:

1. Claims for compensation arising from guarantees of obligation (excluding guarantees of obligation as prescribed by the Presidential Decree); and
2. Payments falling under Article 28 (1) 4 (b).

(4) In case that any domestic corporation that appropriates bad debt allowance on the book as deductible expenses in accordance with paragraph (1) and has bad debt expense accruing thereto under paragraph (2), such bad debt expenses shall be offset by its bad debt allowance first and then the remaining amount of such bad debt allowance after offsetting such bad debt expenses shall be included in gross income in the calculation of the income amount for the next business year. *<Amended by Act No. 6558, Dec. 31, 2001>*

(5) The amount of bad debt expenses included in the calculation of deductible expenses under the provisions of paragraph (2) which is later collected shall be included in gross income in the calculation of the income amount for the business year which includes the date of the collection.

(6) Where a domestic corporation which includes the bad debt allowance in the calculation of deductible expenses under the provisions of paragraph (1) is merged or divided, the bad debt allowance of the said corporation as of the date of the registration of the merger or the date of the registration of the division which is transferred to the merged corporation, etc. shall be deemed the bad debt allowance of the merged corporation, etc. as of the date of the registration of the merger or the date of the registration of the division. *<Amended by Act No. 6558, Dec. 31, 2001>*

(7) A domestic corporation which wishes to be subject to the provisions of paragraphs (1) and (2) shall submit a detailed statement on the bad debt allowance and the bad debt expenses to the chief of the district tax office having jurisdiction over the place of tax payment under the conditions as prescribed by the Presidential Decree.

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(8) Matters necessary for credit accounts, loans, and other corresponding debentures, the scope of bad debt expenses, and the disposition of the bad debt allowance and bad debt expenses under the provisions of paragraphs (1) and (2) shall be prescribed by the Presidential Decree.

Article 35 (Inclusion of Allocation for Payment of Claims for Compensation in Deductible Expenses)

(1) Where a corporation prescribed by the Presidential Decree among domestic corporations operating the credit guarantee business under Acts appropriates an allocation for payment of claims for compensation as deductible expenses for each business year, this shall be included in deductible expenses in the calculation of income amount for the corresponding business year within the scope of the amount calculated under the conditions as prescribed by the Presidential Decree. *<Amended by Act No. 6293, Dec. 29, 2000>*

(2) The allocation for payment of claims for compensation included in the deductible expenses under the provisions of paragraph (1) shall be included in gross income in the calculation of the income amount for the following business year.

(3) A domestic corporation which wishes to be subject to the application of paragraph (1) shall submit a detailed statement on the allocation for payment of claims for compensation to the chief of the district tax office having jurisdiction over the place of tax payment under the conditions as prescribed by the Presidential Decree.

(4) Matters necessary for the disposition of the allocation for payment of claims for compensation under the provisions of paragraph (1) shall be prescribed by the Presidential Decree.

Article 36 (Inclusion of Value of Assets for Business Acquired by Treasury Subsidies, etc. in Deductible Expenses)

(1) Where a domestic corporation receives assets, including the payment of subsidies, under the Act on Budgeting and Management of Subsidies, the Local Finance Act and other Acts prescribed by the Presidential Decree (hereafter referred to as the "National Treasury subsidies, etc." in this Article) and uses them to acquire or improve assets used for business as prescribed by Presidential Decree (hereafter referred to as the "assets for business" in this Article) not later than the last day of the business year which includes the date of said payment, an appropriate amount for the value of the National Treasury subsidies, etc. used for the acquisition

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or improvement of the assets for business may be included in deductible expenses in the calculation of the income amount for the concerned business year as prescribed by Presidential Decree. <Amended by Act No. 6047, Dec. 28, 1999; Act No. 6558, Dec. 31, 2001; Act No. 8141, Dec. 30, 2006>

(2) Where a domestic corporation which has failed to acquire or improve the assets for business by the last day of the business year, to which the date of receiving the National Treasury subsidies belongs, intends to do so within 1 year of the first day of the following business year, the amount of National Treasury subsidies, etc. intended for use for acquisition or improvement may be included in the deductible expenses by applying paragraph (1) *mutatis mutandis*. In this case, where National Treasury subsidies, etc. could not have been used within time limit due to a reason prescribed by Presidential Decree such as delay, etc. of permission or authorization, the closing date of the business year to which the date when the relevant reason terminates shall be deemed as the time limit. <Amended by Act No. 6047, Dec. 28, 1999; Act No. 8831, Dec. 31, 2007>

(3) Where a domestic corporation which has included an appropriate amount for the National Treasury subsidies, etc. in the deductible expenses under the provisions of paragraph (2) fails to use such amount for the acquisition or improvement of assets used for business within the time limit, or discontinues its business or goes bankrupt before using it, the unused amount shall be included in gross income in the calculation of the income amount for the business year which includes the date when such cause occurs: *Provided*, That the same shall not apply to a case where such domestic corporation is merged or divided and the merged corporation, etc. succeeds the amount. In this case, the amount shall be deemed to have been included in deductible expenses by such merged corporation, etc. under the provisions of paragraph (2). <Amended by Act No. 6047, Dec. 28, 1999; Act No. 6558, Dec. 31, 2001>

(4) In the application of paragraph (1), if any domestic corporation receives the National Treasury subsidies, etc. in kind, not in money and uses them for its business operations, they shall be deemed to have been acquired and used for business improvements. <Newly Inserted by Act No. 6558, Dec. 31, 2001>

(5) A domestic corporation which wishes to be subject to the application of paragraphs (1) and (2) shall submit a detailed statement on the National

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Treasury subsidies, etc., and on the assets for business acquired by the National Treasury subsidies, etc. (in case of paragraph (2), a plan for use of the National Treasury subsidies, etc.) to the chief of the district tax office having jurisdiction over the place of tax payment under the conditions as prescribed by Presidential Decree. *<Amended by Act No. 6047, Dec. 28, 1999>*

(6) In the application of the provisions of paragraphs (1) through (3), matters necessary for the amount included in the deductible expenses, the amount included in the gross income, and the method of calculation shall be prescribed by Presidential Decree.

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

(1) Where a domestic corporation operating a business falling under one of the following subparagraphs is offered fixed assets which make up the facilities such as land by the persons who utilize electricity, gas, heating, etc., or by the persons who receive benefit from the facilities in order to operate the facilities necessary for the business, or where it receives money, etc. (hereafter referred to as “construction charges” in this Article) and uses it for the acquisition of fixed assets which constitute the concerned facilities by the last day of the business year which includes the date of receiving the money, etc., the value of the fixed assets (where they are acquired by construction charges, the appropriate amount of the construction charges used for the acquisition of the fixed assets) may be included in deductible expenses in the calculation of the income amount for the concerned business year under the conditions as prescribed by Presidential Decree: *<Amended by Act No. 7317, Dec. 31, 2004; Act No. 8141, Dec. 30, 2006>*

1. Electricity service business under the Electric Utility Act;
2. Urban gas business under the Urban Gas Business Act;
3. Liquefied petroleum gas charging business, collective liquefied petroleum gas providing business, and liquefied petroleum gas sales business under the Safety Control and Business of Liquefied Petroleum Gas Act;
4. Integrated energy providing business under the provisions of subparagraph 2 of Article 2 of the Integrated Energy Supply Act; and
5. Business similar to those under subparagraphs 1 through 4 and as

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prescribed by Presidential Decree.

(2) The provisions of Article 36 (2) and (3) shall apply *mutatis mutandis* with regard to the inclusion of the value of fixed assets acquired by construction charges in the deductible expenses. <Amended by Act No. 7838, Dec. 31, 2005; Act No. 8831, Dec. 31, 2007>

(3) A domestic corporation which wishes to be subject to the application of paragraphs (1) and (2) shall submit a detailed statement on the fixed assets and construction charges received and the fixed assets acquired by construction charges (in case of paragraph (2), a plan for use of construction charges) to the chief of the district tax office having jurisdiction over the place of tax payment under the conditions as prescribed by Presidential Decree.

(4) In the application of the provisions of paragraphs (1) and (2), matters necessary for the amount included in the deductible expenses, the amount included in the gross income, and the method of calculation shall be prescribed by Presidential Decree.

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

(1) Where a domestic corporation is paid insurance money due to the destruction or damage of fixed assets and uses the money for the acquisition of fixed assets of the same type to replace the destroyed fixed assets or for the improvement of the damaged fixed assets (including the improvement of acquired fixed assets) by the last day of the business year which includes the date of the payment, an appropriate amount for the insurance marginal profits used for the acquisition or improvement of fixed assets may be included in deductible expenses in the calculation of the income amount for the concerned business year under the conditions as prescribed by Presidential Decree.

(2) The provisions of Article 36 (2) and (3) shall apply *mutatis mutandis* with regard to the inclusion of the value of fixed assets acquired or improved by insurance marginal profits in deductible expenses. In this case, "1 year" in Article 36 (2) shall be deemed "2 years".

(3) A domestic corporation which wishes to be subject to the application of paragraphs (1) and (2) shall submit a detailed statement on the insurance money received and the fixed assets acquired or improved by the

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insurance money (in case of paragraph (2), a plan for use of insurance marginal profits) to the chief of the district tax office having jurisdiction over the place of tax payment under the conditions as prescribed by the Presidential Decree.

(4) In the application of the provisions of paragraphs (1) and (2), matters necessary for the amount included in deductible expenses, the amount included in gross income, and the method of calculation shall be prescribed by the Presidential Decree.

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

Sub-Section 5 Period during Which Gross Income and Deductible Expenses Accrue

Article 40 (Business Year during Which Gross Income and Deductible Expenses Accrue)

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

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

Article 41 (Acquisition Value of Assets)

(1) The acquisition value of assets acquired by a domestic corporation through purchase, production, exchange, and donation shall be the amounts falling under each of the following subparagraphs:

1. For assets purchased from another person, the amount of the total of the purchase price and any incidental costs;
2. For assets acquired through the corporation's own manufacture, production, construction, or other corresponding method, the amount of the total of the cost of production and any incidental costs; and
3. For assets acquired other than those under subparagraphs 1 and 2, the amount as prescribed by the Presidential Decree.

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

Article 42 (Evaluation of Assets and Liabilities)

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(1) Where the book value of assets and liabilities possessed by a domestic corporation increases or decreases (excluding depreciation; hereafter referred to as “evaluation” in this Article), the book value of the concerned assets and liabilities in the calculation of the income amount for the business year which includes the date of the evaluation and each subsequent business year shall be the value before the evaluation: *Provided*, That this shall not apply to cases falling under any of the following subparagraphs: *<Amended by Act No. 8141, Dec. 30, 2006>*

1. Deleted; *<by Act No. 6558, Dec. 31, 2001>*
2. Evaluation of fixed assets under the Insurance Business Act and other Acts (limited to amount of increase); and
3. Evaluation of inventory and other assets and liabilities as prescribed by the Presidential Decree.

(2) Assets and liabilities under the provisions of paragraph (1) 3 shall be separated and evaluated by the method as prescribed by the Presidential Decree.

(3) The book value of assets falling under any of the following subparagraphs may be reduced by the method as prescribed by the Presidential Decree, notwithstanding the provisions of paragraphs (1) and (2): *<Amended by Act No. 6558, Dec. 31, 2001; Act No. 7838, Dec. 31, 2005>*

1. Inventory which cannot be sold at the normal price due to damage, spoilage, or other causes;
2. Fixed assets which are damaged or broken due to natural disasters, fires, or other causes as prescribed by the Presidential Decree;
3. Stocks, etc. that are prescribed by the Presidential Decree in case where the issuing corporation goes dishonored, receives an authorization for its rehabilitation plan under the Debtor Rehabilitation and Bankruptcy Act and reveals signs of its poor corporate governance under the Corporate Restructuring Promotion Act; and
4. In case where any corporation that has issued stocks, etc. goes bankrupt, the relevant stocks, etc.

(4) A domestic corporation which evaluates assets and liabilities under the provisions of paragraphs (2) and (3) shall submit a detailed statement on the evaluation of the concerned assets and liabilities to the chief of the district tax office having jurisdiction over the place of tax payment under

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the conditions as prescribed by the Presidential Decree.

(5) Matters necessary for the disposition of marginal profits and marginal losses arising from the evaluation of assets and liabilities under the provisions of paragraphs (2) and (3) shall be prescribed by the Presidential Decree.

Article 43 (Application of Corporate Accounting Standards and Practices)

In the calculation of the income amount of a domestic corporation for each business year, where the concerned corporation applies corporate accounting standards which are generally acknowledged as fair and proper with respect to the business year during which gross income and deductible expenses accrue, and to the acquisition and evaluation of assets and liabilities, or continuously applies the practices, the concerned corporate accounting standards or practices shall be governed except as otherwise provided in this Act and the Restriction of Special Taxation Act. *<Amended by Act No. 8141, Dec. 30, 2006>*

Sub-Section 6 Special Cases concerning Mergers and Divisions, etc.

Article 44 (Inclusion of Appropriate Amount of Marginal Profits from Merger Evaluation in Deductible Expenses)

(1) For mergers which meet the conditions falling under each of the following subparagraphs, where a merged corporation evaluates and succeeds to the assets of an extinguished corporation, an appropriate amount for marginal profits from the merger evaluation on the value of the assets acquired by succession (limited to assets prescribed by the Presidential Decree) may be included in deductible expenses in the calculation of the income amount for the business year which includes the date of the registration of the merger, under the conditions as prescribed by the Presidential Decree: *<Amended by Act No. 6558, Dec. 31, 2001>*

1. Where a merger occurs between domestic corporations which have continued to operate their businesses for one year or more as of the date of registration of the merger;
2. Where the total amount of the price that the merged corporation pays the stockholders of an extinguished corporation in return for such merger is 95% or more of the value of the stocks; and
3. Where the merged corporation continues to operate the succeeded

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business until the last day of the business year whereto belongs the date of the registration of the merger.

(2) Where a merged corporation which includes an appropriate amount for marginal profits from the merger evaluation in the deductible expenses under the provisions of paragraph (1) discontinues the succeeded business within 3 years from the first day of the business year following the business year which includes the date of the registration of the merger, the amount included in the deductible expenses shall be included in the gross income in the calculation of income for the business year which includes the date the business was discontinued.

(3) A merged corporation which wishes to be subject to the application of paragraph (1) shall submit a detailed statement on marginal profits from the merger evaluation to the chief of the district tax office having jurisdiction over the place of tax payment under the conditions as prescribed by the Presidential Decree.

(4) In the application of the provisions of paragraphs (1) and (2), matters necessary for criteria for judgements regarding the continuance or discontinuance of the succeeded businesses, calculation of the amounts included in gross income and deductible expenses, and the method for the calculation shall be prescribed by the Presidential Decree.

Article 45 (Succession to Losses Carried Forward Following Merger)

(1) For mergers which meet the conditions falling under each of the following subparagraphs, where a merged corporation succeeds to the assets of an extinguished corporation at book value, as of the date of the registration of the merger, the deficits of the extinguished corporation under the provisions of subparagraph 1 of Article 13 shall be deemed the deficits of the merged corporation, and shall be deducted from the income amount accruing from the succeeded business (in the case of any merged corporation that does not perform the separate accounting on the grounds that it falls under the provisions of the proviso to subparagraph 3, the amount obtained by proportionally calculating the income amount according to the ratio of the asset value that is set by the Presidential Decree) in the calculation of tax base of the merged corporation for each business year under the conditions as prescribed by the Presidential Decree: *<Amended by Act No. 6558, Dec. 31, 2001; Act No. 7838, Dec. 31, 2005>*

1. Where a merger falls under each subparagraph of Article 44 (1);

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2. Where the stocks, etc. which the stockholders, etc. of the extinguished corporation receive from the merged corporation are 10% or more of the total issued stocks of the merged corporation or equity investment shares as of the date of registration of the merger; and
3. Where the merged corporation maintains separate accounting under the provisions of Article 113 (3): *Provided*, That in case where a merger is effected between small and medium enterprises or between corporations that run the same type of business pursuant to the provisions of Article 25 (1) 1, the separate accounting may not be performed.

(2) Where a merged corporation which deducted the deficits of an extinguished corporation under the provisions of paragraph (1) discontinues the business acquired by succession from the extinguished corporation within 3 years from the first day of the business year following the business year which includes the date of the registration of the merger, the total amount deducted as deficits shall be included in the gross income in the calculation of the income amount for the business year whereto belongs the date on which the business was discontinued.

(3) Where a merger is deemed to be undertaken for the purpose of unjustly reducing tax burden, which is prescribed by the Presidential Decree, the merged corporation may not deduct the deficits under the provisions of subparagraph 1 of Article 13 in the calculation of the tax base for each business year.

(4) In the application of the provisions of paragraphs (1) through (3), matters necessary for the criteria for judging the discontinuation of the succeeded businesses and corporations that run the same type of business, the calculation of deficits to be deducted, and the inclusion of deducted deficits in the gross income in the calculation of the tax base for each business year shall be prescribed by the Presidential Decree.

<Amended by Act No. 7838, Dec. 31, 2005>

Article 46 (Inclusion of Appropriate Amount of Marginal Profits from Division Evaluation in Deductible Expenses)

- (1) For divisions which meet the conditions falling under each of the following subparagraphs (excluding spin-off), where the corporation established through division or the corporation which is the counterpart of the division and merger evaluates and succeeds to the assets of the divided corporation or the counterpart corporation extinguished through division and merger,

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an appropriate amount for marginal profits from the division evaluation on the value of the assets acquired by succession (limited to assets prescribed by the Presidential Decree) may be included in the deductible expenses in the calculation of the income amount for the business year which includes the date of the registration of the division, under the conditions as prescribed by the Presidential Decree:

1. Where a domestic corporation which has continuously operated a business for 5 years or more as of the date of the registration of the division is divided under the conditions as prescribed by the Presidential Decree;
2. Where the full amount of the cost of division received from the corporation established through division or the corporation which is the counterpart of the division and merger by the stockholders of a divided corporation or counterpart corporation extinguished through division and merger (in case of division and merger, not less than the rate provided in Article 44 (1) 2) is paid in stocks, and said stocks are allocated in proportion to the stocks in the divided corporation or counterpart corporation to a corporation extinguished through division and merger held by each stockholder; and
3. Where the corporation established by division or the counterpart corporation to a division and merger continues to operate the business acquired from the divided corporation or the counterpart corporation extinguished through division and merger by succession until the last day of the business year which includes the date on which the division was registered.

(2) Where any corporation established by a division or any counterpart corporation to a division and merger (referring to a merged corporation in case any corporation established by a division or any counterpart corporation to a division and merger is merged with another corporation) which includes an appropriate amount for marginal profits from the division evaluation in the calculation of deductible expenses under the provisions of paragraph (1) discontinues a business it acquired through succession from a divided corporation or a counterpart corporation to a corporation extinguished through division and merger within 3 years from the first day of the business year following the business year which includes the date of the registration of the division, the amount included in deductible expenses (referring to an amount equivalent to the amount of deductible expenses in case that

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any corporation established by a division or a counterpart corporation to a division and merger is merged with another corporation and the merged corporation succeeds the amount included in deductible expenses under paragraph (1) from such corporation established by a division or such counterpart corporation to the division and merger) shall be included as gross income in the calculation of income for the business year which includes the date the business was discontinued. In this case, if the merged corporation succeeds again the business that the corporation established by a division or the counterpart corporation to the division and merger has succeeded from the divided corporation or the counterpart corporation to the extinguished corporation that is merged through a division, such business shall not be deemed discontinued. *<Amended by Act No. 6558, Dec. 31, 2001>*

(3) A corporation established by division or a counterpart corporation to a division and merger which wishes to be subject to the application of the provisions of paragraph (1) shall submit a detailed statement on division evaluation marginal profits to the head of the district tax office having jurisdiction over the place of tax payment under the conditions as prescribed by the Presidential Decree.

(4) In the application of the provisions of paragraphs (1) and (2), matters necessary for criteria for judgements regarding the continuance or discontinuance of businesses acquired by succession, calculation of the amounts included in gross income and deductible expenses, and the method for inclusion of income and deductible expenses in the calculation of income shall be prescribed by the Presidential Decree.

Article 47 (Inclusion of Reasonable Amount for Asset Transfer Marginal Profits Due to Spin-off in Calculation of Deductible Expenses)

(1) Where a divided corporation acquires the stocks of a corporation established by a division due to spin-off and the conditions under each subparagraph of Article 46 (1) are met (in case of subparagraph 2 of the same paragraph, the full amount must be in stocks), an appropriate amount for assets transfer marginal profits generated by the spin-off from the value of the stocks concerned may be included as deductible expenses in the calculation of income for the business year which contains the date of the registration of the spin-off, under the conditions as prescribed by the Presidential Decree. *<Amended by Act No. 6558, Dec. 31, 2001; Act No. 7838, Dec.*

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(2) Where any corporation established by a division (in case where the corporation established by a division is merged with any other corporation, it refers to the merged corporation) ceases to run a business it succeeds from any divided corporation after including an amount equivalent to transfer marginal profits in deductible expenses under paragraph (1), within 3 years from the date of the commencement of the business year following the business year that includes the date on which such a division registration is made, the amount that is included in deductible expenses under paragraph (1) (referring to the amount included in deductible expenses in accordance with paragraph (3) in case that the amount falls under the same paragraph) shall be included in gross income in the calculation of income amount for the business year that includes the date on which the business is discontinued. In this case, any merged corporation succeeds again the business that the corporation established by a division has succeeded from any divided corporation, such business shall not be deemed discontinued.

<Amended by Act No. 6558, Dec. 31, 2001; Act No. 7838, Dec. 31, 2005>

(3) Where any merged corporation succeeds again the business that any corporation established by a division has succeeded from a divided corporation, such divided corporation may continue to include the amount included in deductible expenses under paragraph (1) in deductible expenses without including such amount in gross income under the conditions as prescribed by the Presidential Decree. *<Newly Inserted by Act No. 6558, Dec.*

31, 2001; Act No. 7838, Dec. 31, 2005>

(4) A divided corporation which wishes to be subject to the provisions of paragraph (1) shall submit a detailed statement on transfer marginal profits for assets generated by the division to the head of the district tax office having jurisdiction over the place of tax payment under the conditions as prescribed by the Presidential Decree.

(5) In the application of the provisions of paragraphs (1) through (3), matters necessary for the calculation of transfer marginal profits, criteria for judgement on the discontinuation of businesses acquired by succession, calculation of the amounts included in gross income and deductible expenses, and the method for inclusion of gross income and deductible expenses in the calculation of income shall be prescribed by the Presidential Decree.

<Amended by Act No. 6558, Dec. 31, 2001>

Article 48 (Special Cases of Calculation of Income for Corporations which

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Continue to Exist After Division)

(1) Where a domestic corporation continues to exist after a division (excluding spin-off), in the calculation of income for the business year which includes the date on which the division registration of the concerned divided corporation is made, the amount of income generated by the division, notwithstanding the provisions of Article 14 (1), shall be the amount calculated by balancing the amount under subparagraph 1 with the amount under subparagraph 2, under the conditions as prescribed by the Presidential Decree:

1. The total amount of the cost of division that stockholders of a divided corporation receive due to the division from the corporation established by division or the counterpart corporation to a division and merger; and
2. The decrease in the divided corporation's equity capital due to division (limited to divided business category).

(2) In the application of the provisions of paragraph (1), matters necessary for calculation of income amounts generated by the division such as the total cost of the division and the calculation of the reduction of equity capital shall be prescribed by the Presidential Decree.

Article 48-2 (Succession of Loses Carried Forward Following Division)

(1) Where any corporation established by a division (excluding spin-off) or any counterpart corporation to a division and a merger (hereafter referred to as the "corporation established by a division, etc." in this Article), which meets the requirements of the following subparagraphs, succeeds the assets of any divided corporation that is extinguished after its division or any extinguished counterpart corporation to the division and merger (hereafter referred to as the "divided corporation, etc." in this Article) at the book value, the amount that belongs to the business that the corporation established by a division, etc. succeeds from among the amount of deficits provided for in the provisions of subparagraph 1 of Article 13 of the divided corporation, etc. as of the date on which a division registration is made shall be deemed the amount of deficits of the corporation established by a division, and the amount of deficits shall be deducted from the calculation of the tax base of each business year of the corporation established by a division, etc. under the conditions as prescribed by the Presidential Decree:

1. It is required to fall under each subparagraph of Article 46 (1);

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2. In the case of division and merger, the stocks, etc. that are taken by the stockholders, etc. of the divided corporation, etc. from the corporation established by a division, etc. are required to be in excess of 10/100 of the total number of stocks issued or the total amount of the investment as of the date on which the division registration of the relevant corporation established by a division, etc. is made; and

3. The corporation established by a division, etc. is required to perform the separate accounting provided for in the provisions of Article 113 (3): *Provided*, That in the case of division and merger, in case where the division and merger are made between small and medium enterprises and corporations that run the same type of business, the separate accounting may not be performed.

(2) Where any corporation established by a division, etc. succeeds the amount of deficits of any divided corporation, etc. pursuant to the provisions of paragraph (1) and discontinues running the business that it succeeds from such divided corporation, etc. within 3 years from the beginning date of the business year after the business year to which the date on which the division registration is made belongs, the total deducted amount of deficits shall be included in the gross income in the calculation of the income amount of the business year to which the date on which corporation discontinues running the business belongs.

(3) In the application of the provisions of paragraphs (1) and (2), necessary matters concerning the calculation of the amount of deficits of the business that is succeeded, the criteria for judging the discontinuation of the business that is succeeded, the corporations that run the same type of business, the calculation of the amount of deficits that is deducted from the tax base of each business year and the inclusion of the deducted amount of deficits in the gross income, etc. shall be prescribed by the Presidential Decree.

[This Article Newly Inserted by Act No. 7838, Dec. 31, 2005]

Article 49 (Succession to Assets and Liabilities upon Merger and Division)

In case of the merger or division of domestic corporations, except where provided for in this Act or other Acts, in the calculation of the income amount and the tax base for each business year of a corporation extinguished due to a merger, divided corporation, or counterpart corporation to a corporation extinguished through division and merger (hereinafter

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referred to as an “extinguished corporation, etc.”), matters necessary for dispositions of the amounts included or not included in gross income or deductible expenses in the calculation of the amount and the succession to that amount and other assets and liabilities by the merged corporation, etc. shall be prescribed by the Presidential Decree.

Article 50 (Inclusion of Reasonable Amount for Asset Transfer Marginal Profits due to Exchange in Calculation of Deductible Expenses)

(1) Where assets as prescribed by the Presidential Decree which are fixed assets used directly for a business as prescribed by the Presidential Decree by a domestic corporation which operates the concerned business for 2 years or more (hereafter referred to as the “fixed assets for business use” in this Article) are exchanged for the same type of fixed assets for business use directly used for the concerned business for 2 years or more by another domestic corporation (hereafter referred to as the “assets acquired by exchange” in this Article) other than a person with a special relationship under the provisions of Article 52 (1) (including exchange among many corporations as prescribed by the Presidential Decree), an appropriate amount for transfer marginal profit of the fixed assets for business use generated by the exchange from the value of assets acquired by exchange may be included as deductible expenses in the calculation of the income amount for the concerned business year under the conditions as prescribed by the Presidential Decree.

(2) The provisions of paragraph (1) shall apply to a case where any domestic corporation uses assets acquired by exchange for using them for the concerned domestic corporation until the last day of the business year to which the date of the exchange belongs. *<Amended by Act No. 7838, Dec. 31, 2005>*

(3) A domestic corporation which wishes to be subject to the provisions of paragraph (1) shall submit a detailed statement on the exchange of assets to the head of the district tax office having jurisdiction over the place of tax payment under the conditions as prescribed by the Presidential Decree.

(4) In the application of the provisions of paragraph (1), matters necessary for the amount included in deductible expenses and the method for inclusion of such amount in the calculation of gross income shall be prescribed by the Presidential Decree.

Sub-Section 7 Tax Exemption and Income Deduction

Article 51 (Non-Taxable Income)

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Of the incomes of a domestic corporation for each business year, incomes accruing from the trust estate of a charitable trust shall not be subject to the corporate taxation.

Article 51-2 (Income Deduction for Special Purpose Companies, etc.)

(1) Where any domestic corporation falling under any one of the following subparagraphs pays not less than 90/100 of profits available for dividends prescribed by the Presidential Decree, such amount shall be deducted from the income amount for the relevant business year: *<Amended by Act No. 6293, Dec. 29, 2000; Act No. 6558, Dec. 31, 2001; Act No. 7005, Dec. 30, 2003; Act No. 7117, Jan. 29, 2004; Act No. 7317, Dec. 31, 2004; Act No. 7838, Dec. 31, 2005; Act No. 8141, Dec. 30, 2006>*

1. A special purpose company under the Asset-Backed Securitization Act;
2. An investment company, private equity fund, and special purpose company under the Act on Business of Operating Indirect Investment and Assets;
3. A corporate restructuring investment company under the Corporate Restructuring Investment Companies Act;
4. A real estate investment company for corporate restructuring and real estate investment company for consigned-management under the Real Estate Investment Company Act;
5. A ship investment company under the Ship Investment Company Act;
- 5-2. A corporation that is prescribed by the Presidential Decree as a special-purpose corporation, etc. under the Rental Housing Act;
- 5-3. A specialized cultural industry company under the Framework Act on the Promotion of Cultural Industries;
- 5-4. An overseas resources development investment company and a specialized overseas resources development investment company under the Overseas Resources Development Business Act; and
6. An investment company similar to those as provided for in subparagraphs 1 through 5 and 5-2 through 5-4 which meets the following requirements:
 - (a) Its assets shall be used for an investment in plants and infrastructures, the development of resources, or a specific business requiring a considerable time and money, whose profits are to be distributed to its stockholders;
 - (b) It shall have no business office, other than the headquarters, and no staff member and full-time officer;
 - (c) It shall exist for a limited period of not less than 2 years;
 - (d) It shall be a stock company under the Commercial Act or any other Act which is established in the form of incorporation by promoters;

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- (e) Its promoters shall not fall under any subparagraph of Article 4 (2) of the Corporate Restructuring Investment Companies Act and shall meet the requirements as set by the Presidential Decree;
 - (f) Its directors shall not fall under any subparagraph of Article 12 of the Corporate Restructuring Investment Company Act;
 - (g) Its auditor shall meet Article 17 of the Corporate Restructuring Investment Company Act. In this case, the “corporate restructuring investment company” in the said Article shall be deemed the “company”; and
 - (h) It shall satisfy the requirements as set by the Presidential Decree for the size of the capital and the report, etc. of the entrustment and establishment of the asset management business and fund management business.
- (2) The provisions of paragraph (1) shall not apply to a case where the income tax or the corporation tax is not levied on dividends that are paid to stockholders, etc. pursuant to this Act and the Restriction of Special Taxation Act and any domestic corporation that pays the relevant dividends to its stockholders is a corporation that falls under the standards that are set by the Presidential Decree, in consideration of the number of its stockholders, etc. *<Newly Inserted by Act No. 7838, Dec. 31, 2005>*
- (3) Any person who intends to be subject to the application of the provisions of paragraph (1) shall file an application for income deduction under the conditions as prescribed by the Presidential Decree.

[This Article Newly Inserted by Act No. 6047, Dec. 28, 1999]

Sub-Section 8 Special Cases concerning Calculation of Income Amount

Article 52 (Repudiation of Wrongful Calculation)

- (1) Where the head of the district 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 income amount of the corporation in transactions with a person with a special relationship as prescribed by the Presidential Decree (hereinafter referred to as a “person with a special relationship”), he may calculate the income amount for each

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business year of the concerned corporation without regard to the wrongful calculation of the income amount of the corporation (hereinafter referred to as “wrongful calculation”).

(2) In the application of the provisions of paragraph (1), the standard for judgement shall be the prices applied or to be applied in sound and generally-accepted practice and related activities in normal transactions between persons without a special relationship (including premium rates, interest rates, rental rates, and exchange rates and other corresponding rates; hereafter referred to as the “market price” in this Article).

(3) A domestic corporation shall submit a detailed statement reporting the particulars of transactions with a person with a special relationship for each business year to the head of the district tax office having jurisdiction over the place of tax payment under the conditions as prescribed by the Presidential Decree.

(4) In the application of the provisions of paragraphs (1) through (3), matters necessary for the forms of wrongful calculation and the assessment of market price shall be prescribed by the Presidential Decree.

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

(1) Where treaties are concluded between Korea and other countries in order to prevent double taxation (hereinafter referred to as “tax treaties”) on the transaction amount of transactions with foreign branches of domestic corporations or non-resident or foreign corporations, the head of the district tax office having jurisdiction over the place of tax payment or the Commissioner of the competent Regional Tax Office may adjust and calculate the income amount for each business year of the corporation in accordance with the provisions of the mutual agreed treaties.

(2) In the application of the provisions of paragraph (1), matters necessary for the application for settlement of the income amount of a domestic corporation and the settlement procedures shall be prescribed by the Presidential Decree.

Article 54 (Regulations for Calculation of Income Amount)

Matters necessary for the calculation of the income amount for each business year of a domestic corporation which are not provided for in this Act shall be prescribed by the Presidential Decree.

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SECTION 2 Calculation of Tax Amount

Article 55 (Tax Rates)

(1) The corporate tax amount on the income for each business year of a domestic corporation shall be the amount calculated by applying the following tax rates to the tax base under the provisions of Article 13 (hereinafter referred to as the “calculated tax amount”, and in case that there is the corporate tax to be levied on the income accruing from the transfer of land, etc. under Article 55-2, it shall be the sum of the amounts):

<Amended by Act No. 6558, Dec. 31, 2001; Act No. 7005, Dec. 30, 2003>

Tax Base	Tax Rate
100,000,000 won or less	13/100 of tax base
More than 100,000,000 won	13,000,000 won + 25/100 of the amount in excess of 100,000,000 won

(2) For corporate tax on the income for each business year of a domestic corporation less than one year old, the amount obtained by dividing the amount calculated for the business year by application of the provisions of Article 13 by the number of months in the business year and multiplying by 12 shall be the tax base for the business year, and the tax amount obtained by multiplying the tax amount calculated under the provisions of paragraph (1) by the number of months in the business year divided by 12 shall be the tax amount. In the case, the calculation of the number of months shall be prescribed by the Presidential Decree.

Article 55-2 (Special Cases for Taxation on Income Accruing from Land Transfer)

(1) In case where a domestic corporation has transferred the land and building (including any facilities and structures attached to such building; hereafter referred to as “land, etc.” in this Article and Article 95-2) falling under any of the following subparagraphs, it shall pay the tax amount calculated pursuant to the following subparagraphs as corporate tax on the transfer income of land, etc. in addition to the corporate tax amount calculated by applying the tax rate pursuant to the provisions of Article 55 to the tax base pursuant to the provisions of Article 13. In this case, when one asset falls under two or more of the following subparagraphs, the highest tax amount shall apply thereto: *<Amended by Act No. 7005, Dec.*

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30, 2003; Act No. 7838, Dec. 31, 2005; Act No. 8141, Dec. 30, 2006; Act No. 8852, Feb. 29, 2008>

1. In case the average price of land during the immediately preceding quarter in the area prescribed by Presidential Decree, which was investigated by the Minister of Land, Transport and Maritime Affairs in accordance with the provisions of Article 125 of the National Land Planning and Utilization Act, rises by not less than 3/100 compared with that during the quarter before the immediately preceding quarter, or rises by not less than 10/100 compared with that during the same quarter of the preceding year, and any land, etc. located in such area are transferred, a tax amount calculated by multiplying any income accruing from such transfer by 10/100 (20/100 for any income accruing from the transfer of unregistered land, etc.);
 2. In case a house (including annexed land) prescribed by Presidential Decree is transferred, a tax amount calculated by multiplying the transfer income of land, etc. by 30/100 (40/100 for any income accruing from the transfer of unregistered land, etc.); and
 3. In case any idle land is transferred, a tax amount calculated by multiplying the transfer income of land, etc. by 30/100 (40/100 for any income accruing from the transfer of unregistered land, etc.).
- (2) The term “idle land” in paragraph (1) 3 means the land falling under any of the following subparagraphs during the holding period that is set by Presidential Decree: *<Newly Inserted by Act No. 7838, Dec. 31, 2005>*
1. The dry field, the paddy field and the orchard (hereafter referred to as the “farmland” in this Article), which fall under any of the following items:
 - (a) The land that is owned by any corporation whose principle business is not farming: *Provided*, That any farmland that is prescribed by Presidential Decree as being permissible to be owned by any corporation pursuant to the Farmland Act and other Acts shall be excluded; and
 - (b) The farmland in any urban area (excluding the urban area that is designated by the Presidential Decree; hereafter the same shall apply in this item) under subparagraph 1 of Article 6 of the National Land Planning and Utilization Act among the area of the Special Metropolitan City, the area of the Metropolitan City (excluding the *Gun* area in the Metropolitan City; hereafter the same shall

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- apply in this paragraph) and the area of the *Si* (excluding the areas of the *Eup/Myeon* in the *Si* of the combined form of urban and rural communities under Article 3 (4) of the Local Autonomy Act; hereafter the same shall apply in this paragraph): *Provided*, That any farmland for which the period that is set by the Presidential Decree does not lapse from the date on which such farmland is included in an urban area shall be excluded;
2. The forests and fields: *Provided*, That those falling under any of the following items shall be excluded:
 - (a) The forest gene resource protection forest, the forest reserve, the seed-gathering forest, and the experimental forest designated under the Forestry Act and other forests and fields that are prescribed by the Presidential Decree as being necessary for the protection and fosterage of mountains and trees and for the public interest;
 - (b) The forests and fields, prescribed by the Presidential Decree, which are owned by the corporations whose main business is the forestry or the corporations which are silviculturists provided for in the Forestry Act; and
 - (c) The forests and fields that are prescribed by the Presidential Decree as being directly involved in the business of any corporation in view of their owners, location, utilization, holding period, size of area, etc.;
 3. The ranch area falling under any of the following items: *Provided*, That any ranch area that is prescribed by the Presidential Decree as being directly involved in the business of any corporation in view of its owner, location, utilization, holding period, size of area, etc. shall be excluded:
 - (a) The ranch area which is owned by any corporation that runs the livestock business as its main business, of which the size of area is in excess of the standard size of the livestock area prescribed by the Presidential Decree, or which is located in the urban areas (excluding any urban area that is prescribed by the Presidential Decree; hereafter the same shall apply in this item) of the Special Metropolitan City, the Metropolitan City and the *Si* (excluding a case where the period that is set by the Presidential Decree does not lapse from the date on which the ranch area

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- is included in the urban area); and
- (b) The ranch area that is owned by any corporation that does not run the livestock business as its main business;
4. The land, other than the farmlands, the forests and fields, and the ranch areas, that excludes the land falling under any of the following items:
- (a) The land for which the property tax is not levied or exempted pursuant to the Local Tax Act or the provisions of Acts concerned;
 - (b) The land that is subject to the aggregate taxation of only property tax or the separate taxation pursuant to the provisions of Article 182 (1) 2 and 3 of the Local Tax Act; and
 - (c) The land that is prescribed by the Presidential Decree as being directly involved in the business of any corporation in view of its current utilization, the fulfillment of duties imposed by relevant Acts, the amount of revenues, etc.;
5. The land whose area is in excess of the area that is obtained by multiplying the multiple rate that is set by the Presidential Decree by the area of land on which housing is built, among lands to which housing is attached under the provisions of Article 182 (2) of the Local Tax Act;
6. The residential building that is not used for permanent residential purpose, but for recreational, summering or amusement purposes (hereafter referred to as “resort villa” in this subparagraph) and lands attached thereto: *Provided*, That the housing of rural or fishing communities and lands attached thereto that are located in the *Eup* or the *Myeon* provided for in the provisions of Article 3 (3) and (4) of the Local Autonomy Act and are in conformity with the scope and standards that are prescribed by the Presidential Decree shall be excluded, and when the boundary of the land attached to any resort villa is unclear, the land ten times the floor area of the building shall be deemed the land attached to such resort villa; and
7. The land that is similar to the land referred to in the provisions of subparagraphs 1 through 6 and is prescribed by the Presidential Decree as being not directly involved in the corporation business.
- (3) In the application of the provisions of paragraph (1) 3, in case where any land becomes an idle land on the grounds of the prohibition of its use provided for in the provisions of Acts and subordinate statutes or on

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other grounds of inevitability that are prescribed by the Presidential Decree after its acquisition, the land in question may not be deemed an idle land under the conditions as prescribed by the Presidential Decree. *<Newly Inserted by Act No. 7838, Dec. 31, 2005>*

(4) The provisions of paragraph (1) shall not apply to any transfer income of the land, etc. falling under any of the following subparagraphs: *Provided*, That the same shall not apply to any transfer income of any unregistered land, etc.: *<Amended by Act No. 6852, Dec. 30, 2002; Act No. 7838, Dec. 31, 2005>*

1. Income accruing from the disposal of land, etc. that is made by the adjudication of bankruptcy;
2. Income accruing from the exchange, separation, or integration of farmland that is cultivated by a corporation and prescribed by the Presidential Decree; and
3. Income accruing from the grounds prescribed by the Presidential Decree, including any land substitution disposition taken in accordance with the Act on the Maintenance and Improvement of Urban Areas and Dwelling Conditions for Residents or other Acts.

(5) The term “unregistered land, etc.” in paragraphs (1) and (4) means the land, etc. that any corporation has acquired without registering its acquisition: *Provided*, That the land, etc. which is acquired on the condition of long-term installment and of which the contract term makes it impossible to register its acquisition at the time when it is acquired, and other land, etc. prescribed by the Presidential Decree shall be excluded. *<Amended by Act No. 7838, Dec. 31, 2005>*

(6) The transfer income of land, etc. shall be an amount obtained by subtracting the book value thereof at the time of transfer from the transfer amount of land, etc.

(7) In the application of paragraphs (1) through (6), necessary matters concerning the scope of farmland, forests and fields, and ranch area, the criteria for judging main business, the method of calculating the transfer income of land, etc. in the case of any loss from the transfer of such land, etc. during the relevant business year, and the business year of accrual of any profit or loss from the transfer of land, etc. shall be prescribed by the Presidential Decree. *<Amended by Act No. 7838, Dec. 31, 2005>*

[This Article Newly Inserted by Act No. 6558, Dec. 31, 2001]

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

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Article 57 (Tax Credit, etc. for Tax Amount Paid in Foreign Country)

(1) Where the tax base of a domestic corporation for each business year includes any income generated in a foreign country, and an amount of foreign corporate tax on the income generated in a foreign country as prescribed by the Presidential Decree (hereafter referred to as the “foreign corporate tax amount” in this Article) is paid or payable, the corporation may be subject to the application of the method that it has chosen out of the following methods, notwithstanding the provisions of subparagraph 1 of Article 21: <Amended by Act No. 6558, Dec. 31, 2001; Act No. 8141, Dec. 30, 2006>

1. Method of deducting the amount of the foreign corporate tax up to the limit (hereafter referred to as the “deduction limit” in this Article) of the amount obtained by multiplying the corporate tax amount for the corresponding business year (excluding any corporate tax amount on any income accruing from the transfer of land, etc.) calculated under the provisions of Article 55 by the percentage of the tax base for the corresponding business year constituted by income generated in a foreign country (where the tax amount is reduced or exempted under the Restriction of Special Taxation Act and other Acts and subordinate statutes, the percentage as prescribed by the Presidential Decree) from the corporate tax amount for the corresponding business year; and
2. Method of including the foreign corporate tax amount paid or to be paid on income generated in a foreign country in deductible expenses in the calculation of the income amount for each business year.

(2) Where a foreign corporate tax amount in excess of the deduction limit is paid or payable to a foreign government, the amount in excess may be carried forward in each business year within 5 years from the first day of the business year following the corresponding 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 appropriate amount of the reduced or exempted amount of corporate tax on income a domestic corporation generates in a foreign country which is a party to a tax treaty shall be deemed the foreign corporate tax amount for which the tax credit or the inclusion in deductible expenses under the provisions of paragraph (1) is allowable, within the scope as prescribed by the relevant tax treaty.

(4) Where the income amount of a domestic corporation for each business

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year includes profits from dividend or distribution of surplus funds from a foreign subsidiary (hereafter referred to as “revenue dividends” in this Article), the foreign corporate tax amount levied on the corresponding revenue dividends calculated as prescribed by Presidential Decree shall be deemed the foreign corporate tax amount for which the tax credit or inclusion in deductible expenses is allowable under the provisions of paragraph (1), within the scope as prescribed by the tax treaty.

(5) The term “foreign subsidiary” in paragraph (4) means a foreign corporation with 20% (referring to 5% in case of a foreign corporation which carries on the overseas resources development business under Article 22 of the Restriction of Special Taxation Act) or more of the total number of outstanding stocks with voting right issued by a domestic corporation or total amount of financing invested by a domestic corporation, which meets the requirements as prescribed by Presidential Decree. *<Amended by Act No. 8141, Dec. 30, 2006; Act No. 8831, Dec. 31, 2007>*

(6) Matters necessary for the tax credit or inclusion in deductible expenses under the provisions of paragraphs (1) through (4) shall be prescribed by Presidential Decree.

Article 57-2 (Special Case concerning Tax Credit for Foreign Corporate Tax Amount Paid in Foreign Country by Indirect Investment Companies, etc.)

(1) In cases where any investment company, any private equity fund and any specific purpose company provided by the Act on Business of Operating Indirect Investment and Assets and any corporate restructuring real estate investment company and any consigned-management real estate investment company referred to in the Real Estate Investment Company Act (hereafter referred to as the “indirect investment company, etc.” in this Article) pay the amount of foreign corporate tax (referring to the amount of foreign corporate tax referred to in the provisions of Article 57 (1)) on their incomes that are generated from their investment in foreign assets, they shall each pay a tax amount obtained by subtracting the tax amount paid abroad in the corresponding business year (it shall be up to the tax amount obtained by multiplying the tax rate pursuant to the provisions of Article 129 (1) 2 of the Income Tax Act by the income that is generated from the investment in assets abroad, and the amount in excess shall be deemed nonexistent) from the amount of the corporate tax of the corresponding business year when they each file a return of the tax base

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of the business year during which the relevant income is generated, notwithstanding the provisions of Article 57. *<Amended by Act No. 8141, Dec. 30, 2006>*

(2) Where any indirect investment company, etc. pays the foreign corporate tax amount for the relevant business year provided for in the provisions of paragraph (1) in excess of the corporate tax for the corresponding business year, it may have the excess amount refunded under the conditions as prescribed by the Presidential Decree.

(3) In the case of an investment trust company pursuant to the provisions of Article 17 (1) 5 of the Income Tax Act, the relevant trust investment company shall be deemed the domestic corporation and then the provisions of paragraphs (1) and (2) shall apply thereto. In this case, the “business year” in the provisions of paragraph (1) shall be deemed the “accounting period of the investment trust” and the “time when the return of the tax base is filed” shall be deemed the “time when the settlement of accounts is performed”. *<Amended by Act No. 8141, Dec. 30, 2006>*

(4) In the application of the provisions of paragraph (3), the amount of the corporate tax of the relevant business year shall be deemed non-existent and then the provisions of paragraph (2) shall apply thereto.

(5) In the application of the provisions of paragraphs (3) and (4), the asset management company that operates any investment trust property provided for in the Act on Business of Operating Indirect Investment and Assets shall be deemed to act on behalf of the relevant investment trust company.

[This Article Newly Inserted by Act No. 7838, Dec. 31, 2005]

Article 58 (Tax Credit for Losses from Disasters)

(1) Where a domestic corporation loses 30% or more of the total amount of assets for each business year as prescribed by Presidential Decree (hereafter referred to as the “total amount of assets” in this Article) due to natural disasters or other accidents (hereinafter referred to as “disasters”) and it is deemed difficult for it to pay taxes, the amount (limited to the value of lost asset) calculated by multiplying the corporate tax amount falling under the following subparagraphs by the percentage of the total amount of assets prior to the loss constituted by the value of the lost assets shall be deducted from the tax amount. In this case, the value of land shall

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not be included in the value of the assets:

1. Corporate tax which has not yet been imposed, or which has not yet been paid after imposition (including additional charges) as of the date of occurrence of disaster; and
2. Corporate tax on income for the business year which includes the date of the occurrence of the disaster.

(2) A domestic corporation which wishes to be subject to the tax credit under the provisions of paragraph (1) shall apply to the chief of the district tax office having jurisdiction over the place of tax payment under the conditions as prescribed by Presidential Decree.

(3) Where the chief of the district tax office having jurisdiction over the place of tax payment receives an application for corporate tax credit referred to in paragraph (1) 1 under the provisions of paragraph (2) (excluding those whose time limit for reporting has not passed), he shall determine the amount to be deducted from tax amount and notify the relevant corporation thereof.

(4) In the application of the provisions of paragraphs (1) through (3), matters necessary for the tax credit for disasters such as the calculation of the percentage of lost assets shall be prescribed by Presidential Decree.

Article 58-2 (Tax Credit for Agricultural Income Tax)

(1) The agricultural income tax amount paid by a domestic corporation for each business year shall be deducted from its corporate tax amount payable for the corresponding business year: *Provided*, That where the agricultural income tax amount exceeds its corporate tax amount, such excess amount shall not be refunded.

(2) A domestic corporation that intends to be subject to the tax credit pursuant to paragraph (1) shall apply to the chief of the district tax office having jurisdiction over the place of tax payment under the conditions as prescribed by the President Decree.

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

Article 58-3 (Tax Credit following Correction due to Wrongful Accounting Handling)

(1) If a domestic corporation has received correction pursuant to the provisions of Article 66 (2) 4, the overpaid tax amount shall be orderly

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deducted from the corporate tax amount of each business year that concludes within 5 years from the starting date of the business year to which the correction date belongs.

(2) In applying the provisions of paragraph (1), in case the domestic corporation has payable tax for a business year before the business year where the correction date belongs according to a revised report pursuant to the provisions of Article 45 of the Framework Act on National Taxes, the overpaid tax pursuant to the provisions of paragraph (1) shall be deducted from the payable tax beforehand.

(3) The concrete methods and procedures relating to tax deduction pursuant to paragraphs (1) and (2) shall be prescribed by the Presidential Decree.

[This Article Newly Inserted by Act No. 7005, Dec. 30, 2003]

Article 59 (Calculation of Amount of Tax Reduction/Exemption and Tax Deduction)

(1) In the application of this Act and other Acts, where the provisions on the reduction and exemption of corporate tax and the provisions on the tax deduction amount apply simultaneously, they shall apply in the order of the following subparagraphs, except where provided otherwise. In this case, where the amount of the sum of subparagraphs 1 and 2 exceeds the corporate tax amount (excluding the corporate tax on income accruing from the transfer of land, etc. and additional tax) to be paid by the corporation, the amount in excess shall be deemed not to exist: *<Amended by Act No. 6558, Dec. 31, 2001; Act No. 7005, Dec. 30, 2003>*

1. Reduction and exemption (including exemption) of the tax amount on income for each business year;
2. Unconfirmed tax deduction amount of the deduction carried forward;
3. Confirmed tax deduction amount of the deduction carried forward.

In this case, where the tax deduction amount generated during the concerned business year and the carried forward amount not deducted are together, the carried forward amount not deducted shall be deducted; and

4. Tax deduction pursuant to the provisions of Article 58-3. In cases there are tax deduction concerned and tax deduction carried forward, the tax deduction carried forward shall be deducted beforehand.

(2) Where taxes are reduced or exempted under the provisions of paragraph (1) 1, the amount of the tax reduction or exemption shall be the amount obtained by multiplying the calculated tax amount (excluding the corporate

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tax on income accruing from the transfer of land, etc.) by the percentage (where it is in excess of 100%, it shall be 100%) of the tax base under the provisions of Article 13 constituted by the reduced or exempted income (in cases of reduction and exemption, the amount obtained by multiplying such amount by the percentage of the concerned reduction and exemption), except where provided otherwise. *<Amended by Act No. 6558, Dec. 31, 2001>*

(3) Matters necessary for the method for application to extinguished corporations, etc. which received tax reduction and exemption and tax deduction under each subparagraph of paragraph (1) in cases of merger or division and the calculation of tax reduction and exemption and the amount of tax deduction under the provisions of paragraphs (1) and (2) shall be prescribed by Presidential Decree.

SECTION 3 Report and Payment

Article 60 (Report on Tax Base, etc.)

(1) A domestic corporation with a duty to pay taxes shall report the corporate tax base and tax amount on income for the concerned business year within 3 months from the last day of the month to which the closing date of each business year belongs to the chief of the district tax office having jurisdiction over the place of tax payment under the conditions as prescribed by Presidential Decree. *<Amended by Act No. 8831, Dec. 31, 2007>*

(2) The documents under each of the following subparagraphs shall be attached to the report under the provisions of paragraph (1):

1. The balance sheet, profits and losses invoice, and profits surplus funds disposition invoice (or deficits settlement statement) prepared by applying corporate accounting standards *mutatis mutandis*;

2. The tax settlement invoice prepared under the conditions as prescribed by the Presidential Decree (hereinafter referred to as the “tax settlement invoice”); and

3. Other documents as prescribed by the Presidential Decree.

(3) The provisions of paragraph (1) shall also apply where a domestic corporation has no income or has deficits for each business year.

(4) Where the documents under paragraph (2) 1 and 2 are not attached to a report under the provisions of paragraph (1), it shall not be deemed a report under this Act: *Provided*, That this shall not apply to a nonprofit

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domestic corporation which is not operating a profit-making business under the provisions of Article 3 (2) 1 and 6.

(5) Where there are errors or omissions in the report and other documents submitted under the provisions of paragraphs (1) and (2), the chief of the district tax office having jurisdiction over the place of tax payment and the Commissioner of the competent Regional Tax Office may request that they be corrected.

Article 61 (Special Cases concerning Appropriation of Reserve Fund as Deductible Expenses)

(1) Where any domestic corporation appropriates a reserve fund under the Restriction of Special Taxation Act in the tax settlement invoice or any non-profit domestic corporation which is subject to audit performed by auditors under the provisions of Article 3 of the Act on External Audit of Stock Companies appropriates a reserve fund for proper purpose businesses under Article 29 in the tax settlement invoice, and the relevant reserve fund is accumulated as reserves in settling the profits accruing during the corresponding business year, that amount shall be deemed to be included in deductible expenses. *<Amended by Act No. 6558, Dec. 31, 2001; Act No. 8141, Dec. 30, 2006>*

(2) Matters necessary for the appropriation of a reserve fund as deductible expenses and the settlement of the amount under the provisions of paragraph (1) shall be prescribed by the Presidential Decree.

Article 62 (Special Cases concerning Tax Base Report of Non-Profit Domestic Corporations)

(1) For interest, discount amounts, and profits (excluding profits from no-business loans under Article 16 (1) 12 of the Income Tax Act, and including investment trust proceeds; hereafter referred to as "interest income" in this Article) pursuant to the provisions of Article 3 (2) 2, a non-profit domestic corporation may choose not to submit a tax base report on withheld interest income pursuant to the provisions of Article 73, notwithstanding the provisions of Article 60 (1). In this case, the interest income not reported as tax base shall not be included in the calculation of the income amount for each business year pursuant to the provisions of Article 14. *<Amended by Act No. 7005, Dec. 30, 2003; Act No. 8141, Dec. 30, 2006>*

(2) Matters necessary for the tax base report on corporate tax on the

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interest income of a non-profit domestic corporation and the collection of it under the provisions of paragraph (1) shall be prescribed by the Presidential Decree.

Article 62-2 (Special Cases concerning Taxation of Income Accruing from Transfer of Assets by Non-profit Domestic Corporation)

(1) In case where any non-profit domestic corporation (excluding any non-profit domestic corporation that runs the profit-making business in accordance with Article 3 (2) 1; hereafter the same shall apply in this Article) earns income accruing from the transfer of assets (hereafter referred to as the "income accruing from the transfer of assets" in this Article) falling under any of the following subparagraphs, as the revenue provided for in Article 3 (2) 4 and 5, a return of tax base may not be filed, notwithstanding the provisions of Article 60 (1). In this case, any income on which no return of tax base is filed shall not be included in the calculation of income amount for each business year provided for in Article 14: *<Amended by Act No. 8141, Dec. 30, 2006>*

1. Stocks or investment shares falling under the provisions of Article 94 (1) 3 of the Income Tax Act or stocks and investment shares prescribed by the Presidential Decree; and
2. Land or buildings (including facilities or structures attached to such buildings).

(2) With respect to any income accruing from the transfer of assets on which no return of tax base is filed in accordance with paragraph (1), an amount calculated by applying the rates falling under 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 the corporate tax. In this case, if tax rates weighted under Article 104 (4) of the Income Tax Act are applied, the provisions of Article 55-2 shall not be applied. *<Amended by Act No. 8141, Dec. 30, 2006>*

(3) In the application of paragraph (2), the tax base calculated by applying *mutatis mutandis* the provisions of Article 92 of the Income Tax Act shall be the amount calculated by deducting necessary expenses from the total income accruing from the transfer of assets (hereafter referred to as "transfer value" in this Article) and then deducting the amounts provided for in Articles 95 (2) and 103 of the Income Tax Act from the deducted amount

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(hereinafter referred to as “transfer marginal profits”). <Amended by Act No. 8141, Dec. 30, 2006>

(4) The provisions of Articles 96, 97, 98 and 100 of the Income Tax Act shall apply *mutatis mutandis* to the calculation of the transfer value, necessary expenses and transfer marginal profits under paragraph (3): *Provided*, That in case where any non-profit corporation that has received any property in contribution, 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 assets prescribed by the 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 treated as a corporation under Article 13 (2) of the Framework Act on National Taxes, the acquisition value prior to obtaining approval therefor in accordance with the same paragraph shall be deemed the acquisition value. <Amended by Act No. 8141, Dec. 30, 2006>

(5) The provisions of Articles 101 and 102 of the Income Tax Act shall apply *mutatis mutandis* to the calculation of a tax base on the income accruing from the transfer of assets, and the provisions of Article 93 of the same Act shall apply *mutatis mutandis* to the calculation of a tax amount on the income accruing from the transfer of assets. <Amended by Act No. 8141, Dec. 30, 2006>

(6) The provisions concerning the return for tax base, payment, decision, correction and collection of the corporate tax on the income of each business year to which the date of transfer of assets belongs shall apply *mutatis mutandis* to those of the corporate tax under paragraph (2), and such corporate tax shall be returned, paid, decided, corrected and collected jointly with other corporate tax. In this case, the provisions of Article 76 (1) shall apply *mutatis mutandis*.

(7) The corporate tax calculated in accordance with paragraph (2) shall be paid by self-return after filing a provisional return on the tax base of transfer income by applying *mutatis mutandis* the provisions of Articles 105 through 108 of the Income Tax Act. In this case, the provisions of Articles 112 and 112-2 of the Income Tax Act shall apply *mutatis mutandis*. <Amended by Act No. 8141, Dec. 30, 2006>

(8) In case where any non-profit domestic corporation files a provisional

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return on the tax base of transfer income in accordance with paragraph (7), it shall be deemed to file a return on the tax base provided for in paragraph (6): *Provided*, That if any non-profit domestic corporation falls under the provisions of the proviso to Article 110 (4) of the Income Tax Act, it shall file a return on the tax base provided for in paragraph (6).

<Amended by Act No. 8141, Dec. 30, 2006>

(9) Necessary matters concerning the application methods of the special cases to the income accruing from the transfer of assets, etc. provided for in paragraphs (1) through (8) shall be prescribed by the Presidential Decree.

[This Article Newly Inserted by Act No. 6558, Dec. 31, 2001]

Article 63 (Interim Prepayment)

(1) Domestic corporations with a business year (excluding the first business year after the establishment of a corporation which is newly established without a merger or division) in excess of 6 months shall use the period of 6 months from the first day of the corresponding business year as the prepayment period, and shall pay the amount obtained by multiplying 6 by the amount obtained by dividing the tax amount (including additional taxes, but excluding the corporate tax on the income accruing from the transfer of land, etc.) determined as the corporate tax for the business year immediately preceding the corresponding business year less the following amounts by the number of months in the immediately preceding business year (hereinafter referred to as the "interim prepaid tax amount") within 2 months from the date when the interim prepayment period expires to the district tax office having jurisdiction over the place of tax payment, the Bank of Korea (including its agents), or government postal office (hereinafter referred to as the "district tax office having jurisdiction over the place of tax payment, etc.") under the conditions as prescribed by Presidential Decree: *Provided*, That where a domestic corporation (excluding corporations falling under the subparagraphs of Article 51-2 (1)) liable to make interim prepayment of tax has no calculated tax amount determined as corporate tax in the immediately preceding business year or where its corporate tax amount for the immediately preceding business year is not determined by the last day of the corresponding interim prepayment period, or where a corporation established through a division

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or the counterpart corporation to a division and merger enters the first business year after such a division, such a corporation shall compute and pay the interim prepayable tax amount under the provisions of paragraph (4): *<Amended by Act No. 6293, Dec. 29, 2000; Act No. 6558, Dec. 31, 2001; Act No. 8831, Dec. 31, 2007>*

1. The corporate tax amount reduced and exempted in the business year immediately preceding the concerned 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 concerned business year; and
 3. The amount of occasionally levied tax paid as corporate tax in the business year immediately preceding the concerned business year.
- (2) Where the interim prepaid tax amount under the provisions of paragraph (1) for the first business year after the establishment of a merged corporation established through merger is paid, the business year immediately preceding the business year which includes the date of the registration of the merger of the extinguished corporation shall be deemed the immediately preceding business year under the provisions of paragraph (1).
- (3) Where a merged corporation which continues to exist after a merger pays the interim prepaid tax amount under the provisions of paragraph (1) for the first business year after the merger, the immediately preceding business year of the merged corporation and the business year immediately preceding the business year which includes the date of the registration of the merger of the extinguished corporation shall both be deemed as the immediately preceding business year under the provisions of paragraph (1).
- (4) A domestic corporation which shall make interim prepayment under the provisions of paragraph (1) may use the concerned interim prepayment period as 1 business year, and use the amount obtained by deducting the amounts under each of the following subparagraphs from the corporate tax amount calculated by application of the tax rates under the provisions of Article 55 to the tax base calculated under the provisions of Articles 13 through 54 as the interim prepaid tax amount and pay it at the district tax office having jurisdiction over the place of tax payment, etc., notwithstanding the provisions of the same paragraph. In this case, with the exception of the case falling under the proviso to other portion than

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each subparagraph of paragraph (1), the same shall not apply to a case where the time limit for the interim prepayment under the provisions of the same paragraph lapses: *<Amended by Act No. 7838, Dec. 31, 2005>*

1. The reduced or exempted tax amount falling under the concerned interim prepayment period (excluding the amount deducted from income);
2. The withholding tax amount paid as corporate tax during the concerned interim prepayment period; and
3. The occasionally levied tax amount levied as corporate tax during the concerned interim prepayment period.

(5) Deleted. *<by Act No. 6558, Dec. 31, 2001>*

(6) Where the chief of the district tax office having jurisdiction over the place of tax payment deems it necessary, he may determine the interim prepaid tax amount not to exceed the scope of the corporate tax amount for the immediately preceding business year of the concerned corporation (in cases falling under the provisions of paragraph (4), the amount of the concerned interim prepaid tax amount divided by 6 and multiplied by the number of months in the concerned business year) under the conditions as prescribed by the Presidential Decree, notwithstanding the provisions of paragraphs (1) through (5).

(7) Where the tax amount to be paid by a domestic corporation under paragraphs (1) and (4) is in excess of 10,000,000 won, the provisions of Article 64 (2) shall apply *mutatis mutandis* and payments may be made in installments. *<Amended by Act No. 6558, Dec. 31, 2001>*

Article 64 (Payment)

(1) A domestic corporation shall pay the corporate tax amounts under each of the following subparagraphs (excluding additional taxes) deducted from the calculated tax amount of corporate tax on income for each business year as corporate tax on income for each business year within the time period for report under the provisions of Article 60 at the district tax office having jurisdiction over the place of tax payment, etc.:

1. The reduced and exempted tax amount for the concerned business year;
2. The interim prepaid tax amount for the concerned business year under the provisions of Article 63;
3. The occasionally levied tax amount for the concerned business year

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under the provisions of Article 69; and

4. The withheld tax amount for the concerned business year under the provisions of Article 73.

(2) Where the tax amount to be paid by a domestic corporation under the provisions of paragraph (1) is in excess of 10,000,000 won, part of the tax amount to be paid may be paid in installments within 1 month of the date of the expiration of the payment period (45 days for small and medium enterprises under the provisions of Article 25 (1) 1) under the conditions as prescribed by the Presidential Decree.

Article 65 (Payment in Kind)

(1) Where it is deemed difficult for a domestic corporation to pay in cash corporate taxes on income accruing from the transfer of land, etc. for a public business under the Act on the Acquisition of Land, etc. for Public Works and the Compensation Therefor to the operator of the concerned public business or from the expropriation of land under the same Act and other Acts, it may pay the corporate taxes with the bonds which were received as payment for the concerned land, etc.: *Provided*, That this shall not apply to the cases as prescribed by the Presidential Decree. <Amended by Act No. 7005, Dec. 30, 2003; Act No. 8141, Dec. 30, 2006>

(2) Matters necessary for the objects of payment with bonds, the evaluation of the bonds, and the procedures for payment under the provisions of paragraph (1) shall be prescribed by Presidential Decree.

SECTION 4 Determination, Correction, and Collection

Sub-Section 1 Determination and Correction of Tax Base

Article 66 (Determination and Correction)

(1) Where a domestic corporation does not make a report under the provisions of Article 60, the chief of the district 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 tax amount of corporate tax on income of the relevant corporation for each business year.

(2) Where a domestic corporation that has filed a report pursuant to the provisions of Article 60 falls under any one of the following subparagraphs, the chief of the district tax office having jurisdiction over the place of

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tax payment or the Commissioner of the competent Regional Tax Office shall determine the tax base and tax amount of corporate tax on income of the relevant corporation for each business year: *<Amended by Act No. 6293, Dec. 29, 2000; Act No. 7005, Dec. 30, 2003; Act No. 7317, Dec. 31, 2004; Act No. 8141, Dec. 30, 2006; Act No. 8831, Dec. 31, 2007>*

1. Where it has made errors or omissions in the contents of the report;
2. Where it has failed to submit all or parts of payment statements under Article 120 or 120–2, or aggregate invoices for individual suppliers or purchasers or aggregate tax invoices for individual suppliers or purchasers under the provisions of Article 121 are not submitted;
3. Where it is judged that the contents of the report are dishonest, taking the scope of facilities or the business conditions into consideration, as provided by any one of the following items:
 - (a) Where a corporation falling under the requirements for credit card affiliate membership pursuant to Article 117 fails to become a credit card affiliate member under the Specialized Credit Financial business Act (limited to a corporation; hereinafter referred to as the “credit card affiliate member”), without a reasonable cause;
 - (b) Where a credit card affiliate member refuses to issue a credit card sales slip under the provisions of Article 117 (2) of this Act without a reasonable cause or issues it differently from the actual facts;
 - (c) Where a corporation subject to cash receipt affiliate membership pursuant to the provisions of Article 117–2 (1) of this Act or a corporation designated as the object of cash receipt affiliate membership pursuant to the provisions of Article 32–2 of the Value–Added Tax Act fails to become a cash receipt affiliate member under the provisions of Article 126–3 of the Restriction of Special Taxation Act (hereinafter referred to as the “cash receipt affiliate member”), without a reasonable cause; and
 - (d) Where a cash receipt affiliate member refuses to issue a cash receipt without a reasonable cause or issues it differently from the actual facts; and
4. Where the relevant domestic corporation, its auditor, or its certified public accountant has been subject to the disposition of warning, attention, etc. prescribed by Presidential Decree because it overstated revenue or assets, understated loss or liability, etc., or settles an account

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differently from the actual facts when submitting a business report pursuant to Article 186–2 of the Securities and Exchange Act and an audit report under Article 8 of the Act on External Audit of Stock Companies, and the relevant domestic corporation has applied for correction of the overstated tax base and tax amount pursuant to Article 45–2 of the Framework Act on National Taxes.

(3) Where the chief of the district 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 tax amount of corporate tax under the provisions of paragraphs (1) and (2), it shall be based on the account book or other documentary evidence: *Provided*, That where the income amount cannot be calculated in accordance with the account book or other documentary evidence due to causes as prescribed by Presidential Decree, it may be estimated as prescribed by Presidential Decree.

(4) Where errors or omissions are discovered after the chief of the district 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 tax amount of corporate tax, he shall correct them again without delay.

Article 67 (Disposal of Income)

In making the report on the tax base for corporate tax on income for each business year under the provisions of Article 60 or determining or correcting the tax base of corporate tax under the provisions of Article 66 or 69, the amount included in the calculation of gross income shall be disposed of as bonus, dividends, or other outflows from or reserves held by the company to the persons, etc. to whom it reverts as prescribed by Presidential Decree.

<Amended by Act No. 8831, Dec. 31, 2007>

Article 68 (Special Cases concerning Estimation of Tax Base and Calculation of Tax Amount)

Where the tax base and tax amount of corporate tax is estimated under the provisions of the proviso to Article 66 (3), the provisions of subparagraph 1 of Articles 13 and 57 shall not apply: *Provided*, That where the account book or other documentary evidence is destroyed by natural disaster, etc. and then the amounts are estimated under the conditions as prescribed by Presidential Decree, this shall not apply.

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Article 69 (Determination of Occasional Imposts)

(1) Where the chief of the district tax office having jurisdiction over the place of tax payment or the Commissioner of the competent Regional Tax Office deems that it is likely that a domestic corporation will evade payment of corporate taxes in the business year due to causes (referred to as the “cause for occasional impost” hereafter in this Article) as prescribed by Presidential Decree, he may levy occasional corporate tax on the concerned corporation (hereinafter referred to as “occasional imposts”). In this case also, the corporation shall make report on income for each business year under the provisions of Article 60. *<Amended by Act No. 8831, Dec. 31, 2007>*

(2) The occasional impost period shall be from the first day of the business year until the date on which the cause for occasional impost occurs, and the provisions of paragraph (1) shall apply accordingly: *Provided*, That a cause for occasional impost has occurred before the time limit of report of tax base, etc. under Article 60 for the immediately previous business year (excluding the cases the tax base for the immediately previous year is returned), the period of occasional impost shall be from the first day of the immediately previous business year until the day the cause for occasional impost has occurred. *<Amended by Act No. 8831, Dec. 31, 2007>*

(3) Matters necessary for occasional imposts under the provisions of paragraph (1) shall be prescribed by Presidential Decree.

Article 70 (Notification of Tax Base and Tax Amount)

Where the chief of the district 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 tax amount of corporate tax on income for each business year of a domestic corporation under the provisions of Article 53 or 66, he shall notify the concerned domestic corporation thereof under the conditions as prescribed by Presidential Decree.

Sub-Section 2 Collection and Return of Tax Amount

Article 71 (Collection and Return)

(1) Where a domestic corporation fails to pay all or part of the tax amount which shall be paid as corporate tax on income for each business year under the provisions of Article 64, the chief of the district tax office

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having jurisdiction over the place of tax payment shall collect the unpaid corporate tax amount within 2 months of the date of the expiration of the payment period.

(2) Where a domestic corporation fails to pay all or part of the interim prepaid tax amount which shall be paid under the provisions of Article 63, the chief of the district tax office having jurisdiction over the place of tax payment shall collect the unpaid interim prepaid tax amount within 2 months of the date of the expiration of the payment period: *Provided*, That where the corporation which has not paid the interim prepaid tax amount falls under the proviso to Article 63 (1), the interim prepaid tax amount shall be determined under the provisions of paragraph (4) of the same Article and paid within 3 months of the date of the expiration of the payment period.

(3) Where a person responsible for collecting withholding taxes under the provisions of Article 73 does not withhold the tax amount or does not pay the withheld tax amount within the time limit, the chief of the district tax office having jurisdiction over the place of tax payment shall without delay collect from the person responsible for collecting withholding taxes the sum of the tax amount to be withheld and paid and the additional tax amount under the provisions of Article 76 (2): *Provided*, That where the person responsible for collecting withholding taxes has not withheld the taxes and where the person liable to pay taxes has already paid the corporate tax amount, the chief of such district tax office shall collect only additional tax from the person responsible for collecting withholding taxes. *<Amended by Act No. 7005, Dec. 30, 2003>*

(4) Where the interim prepaid, occasional levied, or withheld corporate tax amount under the provisions of Article 63, 69, or 73 (including the additional tax) is in excess of the corporate tax amount on income for each business year, the chief of the district tax office having jurisdiction over the place of tax payment shall return the amount in excess or appropriate it as national taxes, additional charges, or disposition costs for the collection of taxes in arrears under the provisions of Article 51 of the Framework Act on National Taxes. *<Amended by Act No. 6558, Dec. 31, 2001; Act No. 8141, Dec. 30, 2006>*

Article 72 (Refund by Retroactive Deduction of Deficits)

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(1) Where a small and medium enterprise under the provisions of Article 25 (1) 1 has deficits for each business year under the provisions of Article 14 (2), it may apply for the refund of the amount calculated as prescribed by the Presidential Decree up to the limit of the corporate tax amount (referring to the corporate tax amount as prescribed by the Presidential Decree) levied on income during the business year immediately preceding the business year in which the deficits occurred. In this case, in the application of the provisions of subparagraph 1 of Article 13 to the relevant deficits, they shall be deemed to have been deducted.

(2) A domestic corporation which wishes to have a corporate tax amount refunded under the provisions of paragraph (1) shall apply to the chief of the district tax office having jurisdiction over the place of tax payment within the time limit for report under the provisions of Article 60 under the conditions as prescribed by the Presidential Decree.

(3) Where the chief of the district tax office having jurisdiction over the place of tax payment receives an application under the provisions of paragraph (2), he shall without delay determine the refundable tax amount and refund it under the provisions of Articles 51 and 52 of the Framework Act on National Taxes.

(4) The provisions of paragraphs (1) through (3) shall apply only when the relevant domestic corporation makes a report on the tax base and tax amount of the corporate tax on income for the business year in which the deficits occur and for the immediately preceding business year within the time limit for report under the provisions of Article 60.

(5) Where the deficits are reduced after the chief of the district tax office having jurisdiction over the place of tax payment grants a refund under the provisions of paragraph (3) due to a correction in the tax base and tax amount of corporate tax for the business year in which the deficits occurred, the tax amount corresponding to the reduced deficits and the interest amount as prescribed by the Presidential Decree shall be collected as corporate tax for the business year in which such deficits occurred.

(6) The calculation of the tax amount to be refunded by retroactive deduction of deficits and other necessary matters shall be prescribed by the Presidential Decree.

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

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Handling)

(1) If there remains an amount after making the tax credit pursuant to the provisions of Articles 58–3 and 59 in the process of correction pursuant to the provisions of Article 66 (2) 4 by the chief of the district tax office having jurisdiction over the place of tax payment or the Commissioner of the competent Regional Tax Office, he shall pay the refund and the additional refund immediately.

(2) In applying the provisions of paragraph (1), in case the relevant domestic corporation dissolves (excluding dissolution by merger or division), the payable corporate tax on the liquidation income pursuant to the provisions of Article 77 shall be deducted from the refund beforehand, and the remaining amount shall be refunded immediately.

[This Article Newly Inserted by Act No. 7005, Dec. 30, 2003]

Article 73 (Withholding)

(1) Any person who pays the interest income amount under Article 127 (1) 1 of the Income Tax Act (including the revenue amount of financial insurance businesses as prescribed by the Presidential Decree) and the investment trust proceeds under Article 17 (1) 5 of the same Act to a domestic corporation (hereinafter referred to as the “person responsible for collecting withholding taxes”) shall withhold the appropriate corporate tax amount calculated by applying the tax rate falling under each of the following subparagraphs to the amount paid and pay it to the district tax office having jurisdiction over the place of tax payment, etc. by the 10th day of the month following the month which includes the withholding date: *<Amended by Act No. 6047, Dec. 28, 1999; Act No. 6293, Dec. 29, 2000; Act No. 7005, Dec. 30, 2003; Act No. 7317, Dec. 31, 2004; Act No. 8141, Dec. 30, 2006>*

1. 14/100 for interest income (25/100 for profits from non–business loans under Article 16 (1) 12 of the Income Tax Act); and
2. 14/100 for investment trust proceeds.

(2) Notwithstanding the provisions of Article 5, the provisions of paragraph (1) shall apply to the interest incomes prescribed by the Presidential Decree that belong to the trust asset of a corporation which is regulated under the Trust Business Act and the Act on Business of Operating Indirect Investment and Assets by treating the relevant trust asset as a domestic corporation. *<Amended by Act No. 7005, Dec. 30, 2003; Act No. 8141, Dec. 30, 2006>*

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(3) In the application of the provisions of paragraphs (1) and (2), where financial institutions, etc. prescribed by the Presidential Decree (hereafter referred to as “financial institutions, etc.” in this paragraph) directly operate or keep and manage a trust asset or investment company’s asset under the Trust Business Act and the Act on Business of Operating Indirect Investment and Assets, it shall be deemed that the financial institutions, etc. have a relationship of representation or commission with the parties paying the interest income amounts that belong to the relevant trust assets or investment company’s asset. *<Amended by Act No. 7005, Dec. 30, 2003; Act No. 8141, Dec. 30, 2006>*

(4) The actions of the person representing or commissioned by the person responsible for collecting withholding taxes under the provisions of paragraph (1) shall be deemed the actions of the principal or his delegate within the scope of the delegation or commission, and the provisions of paragraphs (1) through (3) shall apply.

(5) Where a financial institution falling under any item of subparagraph 1 of Article 2 of the Act on Real Name Financial Transactions and Guarantee of Secrecy (hereafter referred to as the “financial institution” in this paragraph) takes over or trades bills or obligation certificates which are issued by a domestic corporation (including a resident; hereafter in this paragraph the same shall apply) or brokers or carries out such transactions on behalf of it, it shall be deemed that the financial institution, etc. has a relationship of the representation or commission with the domestic corporation. *<Amended by Act No. 6047, Dec. 28, 1999; Act No. 8141, Dec. 30, 2006>*

(6) Deleted. *<by Act No. 6293, Dec. 29, 2000>*

(7) The person responsible for collecting withholding taxes as prescribed by the Presidential Decree considering the number of regular employees and categories of business may pay the withheld corporate tax by the 10th day of the month following the last month of the semiannual period which includes the withholding date under the conditions as prescribed by the Presidential Decree, notwithstanding the provisions of paragraph (1).

(8) Where a domestic corporation sells (including brokering, arranging, or other cases prescribed by the Presidential Decree, but excluding trading of repurchase bond, etc. or other cases prescribed by the Presidential Decree; hereafter the same shall apply in this Article and Article 74) the bonds,

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etc. under Article 46 (1) of the Income Tax Act (excluding any bonds, etc. that are untaxed or exempted from the corporate tax and other bonds, etc. prescribed by the Presidential Decree; hereafter referred to as “bonds, etc.” in this Article) during the calculation period of the interest and discounts accrued or generated from such bonds, etc. (hereafter referred to as “interest, etc.” in this Article), the corporation concerned shall withhold the corporate tax from the interest, etc. accruing during the holding period of the bonds, etc. in accordance with the Presidential Decree in place of the person liable to withhold the corporate tax pursuant to the provisions of paragraph (1). In this case, this Act shall apply to the corporation concerned since it is deemed as the person liable to collect withholding tax. *<Newly Inserted by Act No. 6293, Dec. 29, 2000; Act No. 6558, Dec. 31, 2001; Act No. 7317, Dec. 31, 2004; Act No. 8141, Dec. 30, 2006>*

(9) In applying the provisions of paragraphs (1) through (5), (7) and (8), the period of payment of interest income, scope and calculation of the amount of income subject to withholding corporate tax, calculation and payment of withholding tax amount, scope of persons responsible for collecting withholding tax, calculation of the holding period of bonds, etc., and other related matters shall be prescribed by the Presidential Decree. *<Amended by Act No. 6293, Dec. 29, 2000>*

Article 74 (Issuance of Withholding Receipt)

(1) Where any person responsible for collecting withholding taxes under the provisions of Article 73 withholds the corporate tax from the person liable to pay taxes, the former shall issue a withholding receipt to the latter under the conditions as prescribed by the Presidential Decree.

(2) In applying the provisions of paragraph (1), the corporation concerned shall be deemed as the person liable to pay taxes when the person responsible for collecting withholding taxes has paid the corporate tax on the amount equivalent to the interest accruing from the sale of bonds, etc. pursuant to the provisions of Article 73 (8) in the capacity of the person liable to pay taxes. *<Newly Inserted by Act No. 7317, Dec. 31, 2004>*

(3) Matters necessary for the issue of the withholding receipt under the provisions of paragraph (1) shall be prescribed by the Presidential Decree.

Article 75 (Non-Collection of Small Amounts)

Where the withholding corporate tax amount under the provisions of Article

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73 (1) is less than 1,000 won, such corporate tax shall not be collected.

Article 76 (Additional Taxes)

(1) In the collection of the corporate tax on income for each business year under the provisions of Article 71, where the concerned domestic corporation fails to perform the duty to keep the accounting records on file under the provisions of Article 112, the chief of the district tax office having jurisdiction over the place of tax payment shall additionally collect, as the corporate tax, an amount corresponding to 20% of the calculated tax amount (excluding the amount of the corporate tax on the income accruing from the transfer of land, etc.; hereafter in this paragraph the same shall apply) determined by the chief of the district tax office having jurisdiction over the place of tax payment (where such an amount is less than 7/10,000 of the revenue amount of the concerned corporation or there is no calculated tax amount, it refers to the amount corresponding to 7/10,000 of the revenue amount): *Provided*, That the same shall not apply to non-profit domestic corporations. *<Amended by Act No. 8141, Dec. 30, 2006>*

(2) Where any person responsible for collecting withholding taxes under the provisions of Article 73 fails to pay or underpays the tax amount withheld or to be withheld within the time limit for payment, he shall pay, as the additional tax, an amount falling under each of the following subparagraphs, whichever is larger: *Provided*, That where the person responsible for collecting withholding taxes is the State or a local government, this shall not apply: *<Amended by Act No. 7317, Dec. 31, 2004>*

1. Unpaid tax amount (underpaid tax amount) \times period from the date following the time limit for payment to the date of voluntary payment or the date of payment notice \times interest rate prescribed by the Presidential Decree in consideration of the rate that the financial institutions apply to overdue loans. In this case, the additional tax amount shall be up to 10/100 of the unpaid tax amount (underpaid tax amount); and
2. 5/100 of the tax amount not paid (shortage of tax where tax was paid less).

(3) Deleted. *<by Act No. 6558, Dec. 31, 2001>*

(4) Where a domestic corporation which shall submit a group enterprise

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combined balance sheet, etc. under the provisions of Article 115 fails to submit it within the time limit, excluding cases as prescribed by the Presidential Decree, the chief of the district tax office having jurisdiction over the place of tax payment shall collect the bigger one of the sum of the amount corresponding to 2% of the calculated tax amount reported under the provisions of Article 60 and the settled or corrected tax amount calculated under the provisions of Article 66 and the amount corresponding to 8/100,000 of the revenue amount of the concerned corporation in addition to the corporate tax.

(5) Where a corporation (excluding corporations as prescribed by Presidential Decree) is provided with commodities or services in connection with business from a businessman as prescribed by Presidential Decree and does not receive documentary evidence under any subparagraph of Article 116 (2), excluding cases which are under the application of the provisions of the proviso to the same paragraph, the chief of the district tax office having jurisdiction over the place of tax payment shall collect the amount corresponding to 2/100 of the amount for which the documentary evidence is not received in addition to the corporate tax. In this case, the additional tax shall be collected even if the calculated tax amount is nonexistent. *<Amended by Act No. 6558, Dec. 31, 2001>*

(6) Where a domestic corporation which shall submit a detailed statement on the state of fluctuation of stocks, etc. under the provisions of Article 119 (hereafter referred to as the "detailed statement on the state of fluctuation" in this Article) fails to submit a detailed statement on the state of fluctuation or submits a statement which omits the state of fluctuation, and where the detailed statement on the state of fluctuation submitted is unclear as prescribed by Presidential Decree, the chief of the district tax office having jurisdiction over the place of tax payment shall collect the amount corresponding to 2/100 of the face value or finance value of the non-submitted, submitted with omission, and unclearly submitted stocks, etc. in addition to the corporate tax: *Provided*, That if the detailed statement on the state of fluctuation is submitted within one month after the lapse of the time limit for the submission, 2/100 shall be changed into 1/100, and even if the calculated tax amount is nonexistent,

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the additional tax shall be collected. <Amended by Act No. 6558, Dec. 31, 2001; Act No. 7838, Dec. 31, 2005>

(7) Where a domestic corporation that is liable to submit a written payment statement under Articles 120 and 120-2 of this Act or under Articles 164 and 164-2 of the Income Tax Act fails to do so within the time limit under the provisions of paragraphs (1) and (3) of the same Articles of the same Act, or the written payment statements submitted under the provisions of the same Article are unclear as prescribed by Presidential Decree, the chief of the district tax office having jurisdiction over the place of tax payment shall additionally collect, as the corporate tax, an amount corresponding to 2/100 of the portion for which the statement was not submitted or the portion for which the unclear statement was submitted: *Provided*, That if the written payment statement is submitted within one month after the lapse of the time limit for the submission, 2/100 shall be changed into 1/100, and even if the calculated tax amount is nonexistent, the additional tax shall be collected. <Amended by Act No. 6293, Dec. 29, 2000; Act No. 7838, Dec. 31, 2005; Act No. 8831, Dec. 31, 2007>

(8) Where the contents and the person receiving payment are unclear in the written payment statement submitted under Article 120 or 120-2, the additional tax under the provisions of paragraph (7) shall be collected within one year from the lapse of the time limit for return under the provisions of Article 60 expires for the business year to which the payment date based on the written payment statement under the same Article belongs. <Amended by Act No. 6293, Dec. 29, 2000; Act No. 8831, Dec. 31, 2007>

(9) Where a corporation (excluding corporations as prescribed by Presidential Decree) falls under any one of the following subparagraphs, the chief of the district tax office having jurisdiction over the place of tax payment shall collect the amount corresponding to 1/100 of the supply value in addition to its corporate tax: *Provided*, That in case where it is submitted within one month after the time limit for submission expires, 1/100 shall be changed into 5/1,000, and even if the calculated tax amount is nonexistent, the additional tax shall be collected, and the provisions of subparagraph 1 shall not apply to the case where the provisions

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of subparagraph 2 apply, and this shall not apply to the portions on which additional taxes are levied pursuant to the provisions of Article 22 (2) through (4) of the Value-Added Tax Act: *<Amended by Act No. 6558, Dec. 31, 2001; Act No. 7838, Dec. 31, 2005; Act No. 8141, Dec. 30, 2006>*

1. Where an invoice under the provisions of Article 121 (1) or (2) is not delivered or all or part of the matters which shall be recorded on the invoice as prescribed by Presidential Decree are not recorded on the delivered invoice or they are recorded differently from the actual facts;
2. Where the aggregate invoices for individual suppliers or purchasers under the provisions of Article 121 (5) is not submitted within the time period under the same Article or all or part of the matters which shall be recorded on such an aggregate invoice as prescribed by Presidential Decree are not recorded on the delivered invoice or they are recorded differently from the actual facts; and
3. Where the aggregate tax invoice for individual suppliers under the provisions of Article 120-3 (1) is not submitted within the time period under the same Article or all or part of the matters which shall be recorded on the aggregate tax invoice for individual suppliers as prescribed by Presidential Decree are not recorded or are recorded differently from the actual facts.

(10) Where any non-profit domestic corporation issues any donation receipt differently from the actual facts or fails to compile and keep the details of the issuance of donation receipts by a donating corporation in violation of the provisions of Article 112-2, the chief of the district tax office having jurisdiction over the place of tax payment shall additionally collect, as the corporate tax, the amounts provided for in the classification of the following subparagraphs. In this case, the additional tax shall be collected even if the calculated tax amount is nonexistent, and the provisions of subparagraph 2 shall not apply to a case where the additional tax is

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levied on any non-profit corporation for failing to fulfill its obligation to submit the report pursuant to the provisions of Article 78 (3) of the Inheritance Tax and Gift Tax Act and for failing to fulfill its obligation to prepare and keep the book in which properties contributed are entered, pursuant to the provisions of paragraph (5) of the same Article: *<Newly Inserted by Act No. 7838, Dec. 31, 2005; Act No. 8831, Dec. 31, 2007>*

1. In the case of the donation receipts: 2/100 of the amount for which the donation receipt is issued differently from the actual facts; and
2. In the case of the details of the issuance of the donation receipts by donating corporation: 2/1,000 of the amount for which the book is not prepared and kept.

(11) Where a credit card affiliate member refuses to issue a credit card sales slip or issues it differently from the actual facts in violation of the provisions of Article 117 (2), the chief of the competent district tax office shall additionally collect, as the corporate tax, an amount (where the amount is less than five thousand won, it shall be five thousands won) corresponding to 5/100 of each amount for which the issuance of the sales slip is refused, or of each amount for which the sales slip is issued differently from the actual facts (referring to the balance between the issued amount and actually transacted amount), which is notified by the chief of the competent district tax office with respect to the transactions conducted in the relevant business year pursuant to the latter part of Article 117 (4). In this case, the additional tax shall be collected even if the calculated tax amount is nonexistent. *<Newly Inserted by Act No. 8141, Dec. 30, 2006>*

(12) Where a corporation subject to cash receipt affiliate membership pursuant to the provisions of Article 117-2 (1) fails to become a cash receipt affiliate member or a cash receipt affiliate member refuses to issue a cash receipt for an amount of 5,000 won or more for each transaction or issues it differently from the actual facts, the amount which falls under

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any one of the following subparagraphs shall be additionally collected as the corporate tax. In this case, the additional tax shall be collected even if the calculated tax amount is nonexistent: *<Newly Inserted by Act No. 8141, Dec. 30, 2006; Act No. 8831, Dec. 31, 2007>*

1. Where it fails to become a cash receipt affiliate member, an amount corresponding to 5/1,000 of a revenue amount in the business year for which it has failed to become such a member; and
2. Where it refuses to issue a cash receipt or issues it differently from the actual facts, an amount (where the amount is less than five thousand won, it shall be five thousand won) corresponding to 5/100 of each amount for which the issuance of the cash receipt is refused, or of each amount for which the cash receipt is issued differently from the actual facts (referring to the balance between the issued amount and actually transacted amount), which is notified by the chief of the competent district tax office with respect to the transactions conducted in the relevant business year pursuant to the latter part of Article 117-2 (5).

CHAPTER II CORPORATE TAX ON INCOME OF FAITHFUL SMALL AND MEDIUM CORPORATIONS FOR EACH BUSINESS YEAR

SECTION 1 Tax Base and Its Calculation

Article 76-2 (Application of Faithful Tax Payment Method)

(1) The corporation (hereinafter referred to as the “faithful small and medium corporations”) that meets all the requirements in the following subparagraphs from among domestic corporations (excluding corporations prescribed by Presidential Decree, such as the corporation, etc. to which the Act on External Audit of Stock Companies applies) may report and pay the tax base and tax amount of corporate tax on income

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for each business year after calculating them by applying a faithful tax payment method (hereinafter referred to as the “faithful tax payment method”) prescribed in this Chapter, notwithstanding Chapter II:

1. That the amount of revenue shall be 500 million won (hereinafter referred to as the “revenue amount standard”) or less; and
2. That the corporation shall fall under any of the following items, which shall faithfully keep accounts (including the cases where it is done with electronic books) of business dealings by double entry system:
 - (a) Corporations that have introduced enterprise resource planning facilities pursuant to Article 4 (1) 2 of the Restriction of Special Taxation Act or point-of-sale information management system pursuant to subparagraph 11 of Article 2 of the Distribution Industry Development Act;
 - (b) Corporations that have participated in the consolidated computer system of movie theater tickets pursuant to Article 39 of the Promotion of the Motion Pictures and Video Products Act;
 - (c) Corporations that pay for a rent of workplace, for uses of trademark, etc., or collect fee, etc. thereof on the basis of sales volume or revenue amount;
 - (d) Corporations that are supplied with raw materials from specific corporations only (refers to 3 corporations or less; the same shall apply hereafter in this item), or deal in and sell articles, products, etc. from specific corporations only, or corporations that sell Articles, products, etc. of its own to specific corporations only;
 - (e) Corporations that operate electronic commerce business for which settlement of price shall be done only through agency for settlements (including accounts for business reported to the chief of district tax office having jurisdiction over the place of tax payment) in subparagraph 5 (b) of Article 2 of the Specialized Credit Financial Business Act;
 - (f) Corporations that fall under wholesale market corporation, market wholesaler or intermediate wholesaler pursuant to subparagraphs 7 through 9 of Article 2 of the Act on Distribution and Price

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- (g) Corporations that operate bus transportation business that manage and distribute revenue amount jointly under the supervision of the head of local government;
 - (h) Corporations whose sale is entirely composed of export of goods to which zero tax rate applies pursuant to Article 11 (1) 1 of the Value-Added Tax Act;
 - (i) Corporations whose payment is made only through the business account reported to the chief of district tax office having jurisdiction over the place of tax payment; or
 - (j) Other corporations prescribed by Presidential Decree, which correspond to the corporations in items (a) through (i), and business dealings of which can be clearly confirmed according to the facility, mode of dealing, etc.
- (2) Faithful small and medium corporations that intend to have the faithful tax payment method applied shall apply to the chief of district tax office having jurisdiction over the place of tax payment and obtain approval therefrom as prescribed by Presidential Decree.
- (3) Where the faithful small and medium corporations that have been approved pursuant to paragraph (2) fail to apply the faithful tax payment method, they shall not have the faithful tax payment method applied for the relevant business year and the next 3 business years (5 business years in cases where they fall under paragraph (4)).
- (4) Where the faithful small and medium corporations to which faithful tax payment method applies is recognized as not meeting the requirements in paragraph (1) 2, the chief of district tax office having jurisdiction over the place of tax payment may have the faithful tax payment method not applied to them as prescribed by Presidential Decree.
- (5) In applying the provisions of paragraphs (1) through (4), matters necessary for the decision and approval of faithful small and medium corporations, calculation of revenue amount, grace period in cases where revenue amount standard is being exceeded, application of electronic books, etc. shall be prescribed by Presidential Decree.

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[This Article Newly Inserted by Act No. 8519, Jul. 19, 2007]

Article 76-3 (Special Example of Calculation of Tax Base)

(1) The tax base of corporate tax on income for each business year of faithful small and medium corporations shall be an amount gained by deducting the amount in subparagraph 1 of Article 13 within the extent of income for each business year calculated pursuant to Articles 15 through 50, and 52 through 54 except for those prescribed otherwise in this Chapter. In this case, subparagraphs 2 and 3 of Article 13 and the Restriction of Special Taxation Act shall not apply.

(2) In applying Article 23, depreciation expense to fixed asset of faithful small and medium corporations for each business year shall be included into loss by making the amount calculated as prescribed by Presidential Decree as the allowable limit for depreciation taking no interest as to whether the corporation concerned has appropriated loss.

(3) In applying Article 24, the amount that is not counted in the loss from among the designated donations and legal donations (including donations pursuant to Article 73 of the Restriction of Special Taxation Act) disbursed during each business year by faithful small and medium corporations shall be an amount that exceeds the amount gained by multiplying the revenue amount for the relevant business year by 5/1000, notwithstanding Article 24. In this case, paragraph (3) of the same Article shall not apply.

(4) In applying Article 25 (1), the amount that is not included into loss from among the reception expenses disbursed by faithful small and medium corporations during each business year shall be an amount that exceeds 19 million won.

(5) Articles 26, 27 and 28 (1) 4 shall not apply to the calculation of income of faithful small and medium corporations for each business year: *Provided*, That to excessive expenses, etc. that are recognized as excessive or unjust as prescribed by Presidential Decree, this shall not apply.

(6) In calculating tax base of corporate tax on income for each business year of faithful small and medium corporations, matters necessary for the extent of profit and loss, business year to which profit and loss belong, assessment of asset and liability, inclusion of reserve and allowance into

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loss, method of application in cases where faithful tax payment method is newly applied or has come not to be applied, etc. shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 8519, Jul. 19, 2007]

SECTION 2 Calculation of Tax

Article 76-4 (Calculation of Tax Amount)

The corporate tax on income for each business year of faithful small and medium corporations shall be an amount obtained by deducting the amount in Articles 76-5 and 76-6 from the amount calculated by applying Articles 55 through 59 to tax base. In this case, the Restriction of Special Taxation Act shall not apply.

[This Article Newly Inserted by Act No. 8519, Jul. 19, 2007]

Article 76-5 (Standard Tax Deduction)

(1) As for faithful small and medium corporations (limited to the corporations that operate a business type in Article 7 (1) 1 of the Restriction of Special Taxation Act), an amount calculated by multiplying the calculated tax amount of corporate tax on income for each business year by 25/100 (15/100 for corporations located in the Seoul Metropolitan area) shall be deducted from the tax amount.

(2) In applying the standard tax deduction pursuant to paragraph (1), matters necessary for the method of application, etc. in cases where 2 or more business types or workplaces are operated shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 8519, Jul. 19, 2007]

Article 76-6 (Tax Deduction for Increase in Revenue)

(1) Where the amount of revenue for the relevant business year reported at the time when faithful small and medium corporations have made report of tax base of corporate tax pursuant to Article 60 exceeds 115/100 of the amount of revenue for the immediately previous year, an amount calculated according to the following formula shall be deducted from the calculated amount of tax for the relevant business year: Calculated amount of tax for the relevant business year \times (amount exceeding 115 / 100 of

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the amount of revenue for the immediately previous business year / amount of revenue for the relevant business year).

(2) Paragraph (1) shall not apply to cases where the amount of income for the relevant business year is less than the amount of income for the immediately previous year, the cases where the amount of revenue increases for reasons prescribed by Presidential Decree, such as workplace has been moved, or business type has been changed, etc.

(3) Where corporations to which paragraph (1) applies have reported too little amount of revenue or have summed up too much loss for the relevant business year, and the deficient amount or excessive amount is 20/ 100 or more of the corrected amount of revenue or corrected loss, the amount that has been deducted shall be charged additionally.

[This Article Newly Inserted by Act No. 8519, Jul. 19, 2007]

SECTION 3 Report, Payment, etc.

Article 76–7 (Report, Payment, etc.)

(1) The provisions of Articles 60 through 65 shall apply to the report and payment of corporate tax on income for each business year of faithful small and medium corporations except for the cases prescribed otherwise in this Chapter.

(2) Matters necessary for the papers that shall be attached to the report pursuant to Article 60 (2) shall be prescribed by Presidential Decree.

(3) As for the interim prepayment of faithful small and medium corporations, the proviso of the portion other than subparagraphs of Article 63 (1) and paragraph (4) of the same Article shall not apply.

(4) As for faithful medium and small corporations that have reported and paid tax by faithful tax payment method, corrections pursuant to Article 66 (2) and (4) shall not be made: *Provided*, That in case where it is clear that they have reported too little judging by objective evidence, this shall not apply.

(5) In applying the provisions of Articles 60 through 76, matters necessary for report, payment, decision, correction and collection shall be prescribed by Presidential Decree.

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[This Article Newly Inserted by Act No. 8519, Jul. 19, 2007]

CHAPTER III CORPORATE TAX ON LIQUIDATION INCOME OF DOMESTIC CORPORATION

SECTION 1 Tax Base and Its Calculation

Article 77 (Tax Base)

The tax base of corporate taxes on liquidation income of a domestic corporation shall be the amount of liquidation income under the provisions of Articles 79 through 81.

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

Where a domestic corporation falls under any of the following subparagraphs, the corporate tax shall not be levied on the liquidation income: *<Amended by Act No. 8141, Dec. 30, 2006>*

1. Where a domestic corporation restructures pursuant to the provisions of the Commercial Act;
2. Where a corporation established pursuant to a special Act restructures to a company pursuant to the Commercial Act because the relevant special Act has been amended or repealed; and
3. Where a domestic corporation restructures pursuant to other Acts, as prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 7005, Dec. 30, 2003]

Article 79 (Calculation of Liquidation Income Accruing from Dissolution)

(1) Where a domestic corporation is dissolved (excluding dissolution by merger or division), the liquidation income (hereinafter referred to as the “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 the “total amount of equity capital”) as of the date of the registration of the dissolution of corporation from

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the value of the residual assets from dissolution of the corporation.

(2) Where a domestic corporation in the process of liquidation due to dissolution continues to conduct the business under the provisions of Article 229, 285, 519, or 610 of the Commercial Act after part of the residual assets from dissolution are distributed to the stockholders, the liquidation income from dissolution of the concerned corporation shall be the amount calculated by deducting the total amount of equity capital as of the date of registration of the dissolution from the total amount of the residual assets distributed from the date of registration of the dissolution to the date of registration of the continuation. *<Amended by Act No. 8141, Dec. 30, 2006>*

(3) In the calculation of the liquidation income accruing from dissolution of a domestic corporation, the corporate tax amount 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 of the date of the registration of the dissolution. *<Amended by Act No. 8141, Dec. 30, 2006>*

(4) In the calculation of the liquidation income from dissolution of a domestic corporation, where the concerned domestic corporation registers any loss carried forward prescribed by Presidential Decree as of the date of the registration of the dissolution, an appropriate amount corresponding to the losses carried forward shall be set off from the total amount of the corporation's equity capital as of that date: *Provided*, That the amount to be set off for losses carried forward may not exceed the amount of surplus funds among the total amount of equity capital, and in cases where the losses carried forward exceed the surplus funds, they shall be deemed nonexistent. *<Amended by Act No. 6558, Dec. 31, 2001>*

(5) In the calculation of the liquidation income from dissolution of a domestic corporation, the income for each business year generated during the period of liquidation shall be included in the calculation of the income amount for each corresponding business year of the corporation.

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(6) In the calculation of the liquidation income under paragraph (1) and the income amount for each business year during the period of liquidation under paragraph (5), the provisions of Articles 14 through 54 shall apply *mutatis mutandis* except where provided for in paragraphs (1) through (5).

(7) In the application of the provisions of paragraphs (1) through (6), matters necessary for the calculation of the value of residual assets shall be prescribed by Presidential Decree.

Article 80 (Calculation of Liquidation Income from Merger)

(1) Where a domestic corporation is dissolved due to a merger, the amount of the liquidation income (hereinafter referred to as the “liquidation income from merger”) shall be the amount calculated by deducting the total amount of equity capital of the extinguished corporation as of the date of the registration of the merger from the total merger cost which the stockholders of the extinguished corporation receive from the merged corporation.

(2) In the calculation of the total cost of merger under the provisions of paragraph (1), where the merged corporation acquires the stocks of the extinguished corporation (in case of the establishment by merger or the merger of 3 or more corporations, including the acquisition of an extinguished corporation’s stocks by another extinguished corporation; hereafter referred to as the “combined stocks, etc.” in this Article) within 2 years prior to the date of the registration of the merger, and such combined stocks, etc. are not exchanged for stocks of the merged corporation, the total cost of the merger shall be the sum of the acquisition value of the concerned stocks. In this case, where stocks, etc. are exchanged, the value of the transferred stocks, etc. shall be deducted from the sum of the acquisition value of the concerned combined stocks, etc.

(3) In the calculation of the liquidation income amount due to merger, the provisions of Article 79 (3), (4), and (6) shall apply *mutatis mutandis*.

(4) In the application of the provisions of paragraphs (1) through (3), matters necessary for the calculation of the total cost of merger and other calculations for the liquidation income amount due to merger shall be prescribed by the Presidential Decree.

Article 81 (Calculation of Liquidation Income Amount due to Division)

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(1) Where a domestic corporation is dissolved through a division, the amount of the liquidation income (hereinafter referred to as the “liquidation income due to division”) shall be the total amount of the cost of the division which the stockholders of the divided corporation receive from the corporation established by division or the counterpart corporation to the division and merger minus the total amount of equity capital of the divided corporation as of the date of the registration of the division.

(2) In the calculation of the total cost of division under the provisions of paragraph (1) in the case of division and merger, where the counterpart corporation to a division and merger or counterpart corporation to a corporation extinguished through division and merger acquires stocks of divided corporation within 2 years prior to the date of the registration of the division (hereafter referred to as the “combined stocks” in this Article) and such combined stocks are not exchanged for stocks of the corporation established by division or counterpart corporation to a division and merger, the total cost of the division shall be the sum of the acquisition value of the concerned combined stocks. In this case, where stocks are exchanged, the value of the transferred stocks shall be deducted from the sum of the acquisition value of the concerned combined stocks.

(3) The provisions of paragraphs (1) and (2) shall apply *mutatis mutandis* to the calculation of liquidation income amount due to division for a counterpart corporation to a corporation extinguished through division and merger.

(4) The provisions of Article 79 (3), (4), and (6) shall apply *mutatis mutandis* to the calculation of liquidation income amount due to division.

(5) In the application of the provisions of paragraphs (1) through (4), matters necessary for the calculation of the total cost of division and other calculations for the liquidation income amount due to division shall be prescribed by the Presidential Decree.

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

Matters necessary for the calculation of the liquidation income amount of a domestic corporation not provided for in this Act shall be prescribed by the Presidential Decree.

SECTION 2 Calculation of Tax Amount

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Article 83 (Tax Rate)

The corporate tax on liquidation income of a domestic corporation shall be the tax amount calculated by application of the tax rate under the provisions of Article 55 (1) to the tax base under the provisions of Article 77.

SECTION 3 Report and Payment

Article 84 (Settlement Report)

(1) A domestic corporation liable to pay corporate tax on liquidation income shall report the tax base and tax amount of the corporate tax on liquidation income within the period under each of the following subparagraphs to the chief of the district tax office having jurisdiction over the place of tax payment under the conditions as prescribed by the Presidential Decree:

1. For cases falling under the provisions of Article 79 (1), within three months of the date the value of the residual assets is settled as prescribed by the Presidential Decree;
2. For cases falling under the provisions of Article 79 (2), within three months of the date of the registration of continuation;
3. For cases falling under the provisions of Article 80, within three months from the date of the registration of the merger; and
4. For cases falling under the provisions of Article 81, within three months from the date of the registration of the division.

(2) The documents falling under each of the following subparagraphs shall be accompanied with the report under the provisions of paragraph (1):

1. In cases of paragraph (1) 1 and 2, the balance sheet of the dissolved corporation as of the date of the settlement of the value of the residual assets or the date of the registration of the continuation;
2. In cases of paragraph (1) 3 and 4, the balance sheet of the extinguished corporation, etc. as of the date of the registration of the merger or the date of the registration of the division and a detailed statement on the assets and liabilities succeeded to by the merged corporation, etc. due to the merger or division; and
3. Other documents as prescribed by the Presidential Decree.

(3) The provisions of paragraphs (1) and (2) shall apply even where there is no liquidation income amount.

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Article 85 (Interim Report)

(1) Where a domestic corporation falls under any of the following subparagraphs, it shall report to the chief of the district tax office having jurisdiction over the place of tax payment as prescribed by the Presidential Decree within one month from the date as prescribed in the corresponding subparagraph: *Provided*, That in case of a corporation liquidating in accordance with the liquidation process under the provisions of Article 55 of the State Properties Act, the provisions of subparagraph 2 shall not apply: *<Amended by Act No. 8141, Dec. 30, 2006>*

1. Where the part of the residual assets from dissolution are distributed to the stockholders prior to the settlement of the value of the residual assets from dissolution, the date of the distribution; and
 2. Where the value of the residual assets has not been settled by the date when one year has passed from the date of the registration of the dissolution, the date when one year has passed.
- (2) The balance sheet as of the date of the registration of the dissolution and the date of distribution or as of the date when one year has passed from the date of the registration of the dissolution, and other documents as prescribed by the Presidential Decree shall each be accompanied with the report under the provisions of paragraph (1).

Article 86 (Payment)

- (1) A domestic corporation falling under the provisions of Article 79 (1) or (2) which has made the settlement report under the provisions of Article 84 shall pay the tax amount calculated by application of the provisions of Article 83 to the amount of liquidation income from dissolution, minus the total tax amount paid under the provisions of paragraph (3) or (4), as corporate tax at the district tax office having jurisdiction over the place of tax payment, etc. within the time limit for report.
- (2) A domestic corporation falling under the provisions of Article 80 or 81 which has made the settlement report under the provisions of Article 84 shall pay the tax amount calculated by application of the provisions of Article 83 to the amount of liquidation income from merger or division as corporate tax at the district tax office having jurisdiction over the place of tax payment, etc. within the time limit for report.
- (3) For a domestic corporation liable to report under the provisions of Article 85 (1) 1, where the value of distributed residual assets (where

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there are residual assets previously distributed, the total value amount) is in excess of the total amount of equity capital as of the date of the registration of the dissolution, the corporation shall pay the tax amount calculated by application of the provisions of Article 83 to the amount in excess (where corporate tax has previously been paid on previously distributed portions of residual assets, the tax amount after deducting the previously paid amount from the total tax amount) at the district tax office having jurisdiction over the place of tax payment, etc. within the time limit for report.

(4) For a domestic corporation liable to report under the provisions of Article 85 (1) 2, where the predicted value of the residual assets as prescribed by the Presidential Decree as of the date on which one year has passed from the date of the registration of the dissolution is in excess of the total amount of equity capital as of the date of the registration of the dissolution, the corporation shall pay the tax amount calculated by application of the provisions of Article 83 to the amount in excess at the district tax office having jurisdiction over the place of tax payment, etc. within the time limit for report.

SECTION 4 Settlement, Correction, and Collection

Article 87 (Settlement and Correction)

(1) Where a domestic corporation does not report under the provisions of Articles 84 and 85, the chief of the district 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 tax amount of corporate tax on liquidation income for the concerned corporation.

(2) Where there are errors or omissions in a report by a domestic corporation under the provisions of Articles 84 and 85, the chief of the district 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 tax amount of corporate tax on liquidation income for the concerned corporation.

(3) Where errors or omissions are discovered after the chief of the district of 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 tax amount of corporate tax on liquidation income, he

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shall correct them again without delay.

(4) The provisions of Article 66 (3) shall apply *mutatis mutandis* to settlement and correction under the provisions of paragraphs (1) and (2).

Article 88 (Notification of Tax Base and Tax Amount)

Where the chief of the district 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 tax amount of corporate tax on liquidation income of a domestic corporation under the provisions of Article 87, he shall notify the concerned corporation or liquidator thereof: *Provided*, That where it is not possible to notify the corporation or liquidator, he may make public notification instead.

Article 89 (Collection)

(1) Where a domestic corporation fails to pay all or part of the tax amount which shall be paid as corporate tax on liquidation income under the provisions of Article 86, the chief of the district tax office having jurisdiction over the place of tax payment shall collect the unpaid corporate tax amount within 2 months of the date of the expiration of the payment period.

(2) Where the corporate tax amount paid under the provisions of Article 86 or collected under the provisions of paragraph (1) does not reach the corporate tax amount determined or corrected by the chief of the district tax office having jurisdiction over the place of tax payment or the Commissioner of the competent Regional Tax Office under the provisions of Article 87, the chief of the district tax office having jurisdiction over the place of tax payment shall collect the appropriate corporate tax amount of the deficiency.

Article 90 (Exclusion from Application of Additional Amounts, etc. to Liquidation Income)

(1) Deleted. *<by Act No. 8141, Dec. 30, 2006>*

(2) In the collection of the corporate tax on liquidation income, the provisions of Articles 21 and 22 of the National Tax Collection Act shall not apply. *<Amended by Act No. 8141, Dec. 30, 2006>*

CHAPTER IV CORPORATE TAX ON INCOME OF FOREIGN

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CORPORATION FOR EACH BUSINESS YEAR

SECTION 1 Tax Base and Its Calculation

Article 91 (Tax Base)

(1) The tax base for corporate tax on the income of a foreign corporation with a domestic place of business, and foreign corporations with income under the provisions of subparagraph 3 of Article 93 for each business year shall be calculated by deducting, in sequential order, the amount or income falling under any of the following subparagraphs from the total amount of income generated from sources in Korea (excluding the amount of income generated from sources in Korea withheld pursuant to the provisions of Article 98 (1)): <Amended by Act No. 8141, Dec. 30, 2006>

1. The deficits generated during the business year which began within 5 years from the first day of each business year (limited to deficits generated in Korea) which were not deducted in the calculation of the tax base for each business year afterward;
2. Non-taxable income under this Act and other Acts; and
3. Income generated from the navigation of a ship or aircraft to a foreign country: *Provided*, That this shall be limited to 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 foreign corporations which do not fall under the provisions of paragraph (1), the tax base of corporate tax on income of the relevant corporation for each business year shall be the amount of domestic source income under each subparagraph of Article 93.

(3) The tax base of corporate tax on domestic source income of a foreign corporation falling under the provisions of paragraph (1) which was withheld under the provisions of Article 98 (1) shall be the amount of domestic source income under each subparagraph of Article 93.

(4) The provisions of paragraph (1) 3 shall also apply to foreign corporations which have no domestic place of business.

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Article 92 (Calculation of Amount of Income Generated from Sources in Korea)

(1) The total amount of income generated from sources in Korea by a foreign corporation falling under the provisions of Article 91 (1) for each business year shall be the amount calculated by applying *mutatis mutandis* the provisions of Articles 14 through 54 of this Act and Articles 104 and 138 of the Restriction of Special Taxation Act under the conditions as prescribed by the Presidential Decree. <Amended by Act No. 6558, Dec. 31, 2001; Act No. 7838, Dec. 31, 2005>

(2) The amount of the income generated from sources in Korea other than the income in accordance with the provisions of subparagraph 7 of Article 93 by a foreign corporation pursuant to the provisions of Article 91 (2) and (3) for each business year shall be the amount falling under each of the following subparagraphs: <Amended by Act No. 6293, Dec. 29, 2000; Act No. 6558, Dec. 31, 2001; Act No. 8141, Dec. 30, 2006>

1. Deleted; <by Act No. 6558, Dec. 31, 2001>
2. The income generated from sources in Korea under the provisions of subparagraphs 1 through 6 and 9 through 11 of Article 93 shall be the revenue amount by income under each subparagraph (excluding subparagraph 7) of the same Article: *Provided*, That the income generated from sources in Korea in accordance with the provisions of subparagraph 10 of Article 93 may be replaced by an amount calculated by deducting the acquisition value and expenses incurred for the transfer of the relevant securities confirmed under the Presidential Decree from the revenue amount; and
3. Where the income generated from sources in Korea under the provisions of subparagraph 10 of Article 93 by a foreign corporation without any domestic place of business meets the conditions falling under each of the following items, the normal price as prescribed by the Presidential Decree (hereafter referred to as the “normal price” in this subparagraph) shall be the revenue amount of the foreign corporation, notwithstanding the provisions of subparagraph 2:
 - (a) Income accruing from the transactions between a foreign corporation without any domestic place of business and a foreign corporation

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(including non-residents) having a special relationship as prescribed by the Presidential Decree with the former foreign corporation; and

(b) Income accruing from the transactions falling under item (a) the price of which falls short of the normal price.

(3) The amount of transfer income provided for in subparagraph 7 of Article 93 that is generated from sources in Korea by a foreign corporation pursuant to the provisions of Article 91 (2) shall be an amount calculated by deducting the amount falling under each of the following subparagraphs from the transfer value of income-generating assets (hereafter referred to as the “land, etc.” in this Article) under subparagraph 7 of the same Article: <Newly Inserted by Act No. 6558, Dec. 31, 2001; Act No. 8141, Dec. 30, 2006>

1. The acquisition value: *Provided*, That in case any foreign corporation, that is given any property in donation 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 the land, etc. prescribed by Presidential Decree, the acquisition value of the contributor who gives such property in contribution shall be deemed the acquisition value of such foreign corporation; and

2. Expenses directly disbursed to transfer the land, etc.

(4) In application of paragraph (3), the acquisition value and the transfer value shall be based on the value of actual transaction and if the value of actual transaction is unclear, such value shall be a value computed by applying *mutatis mutandis* the provisions of Articles 99, 100 and 114 (7) of the Income Tax Act. <Newly Inserted by Act No. 6558, Dec. 31, 2001; Act No. 8141, Dec. 30, 2006; Act No. 8831, Dec. 31, 2007>

(5) In application of paragraph (3), the provisions of Article 98 of the Income Tax Act shall apply *mutatis mutandis* to the transfer time and the acquisition time of the relevant assets. <Newly Inserted by Act No. 6558, Dec. 31, 2001; Act No. 8141, Dec. 30, 2006>

(6) The provisions of Article 101 of the Income Tax Act shall apply *mutatis mutandis* to any act of unfairly calculating such a transfer income as prescribed by paragraph (3). In this case, the “person with a special relationship” in Article 101 of the same Act shall be deemed the “person

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with a special relationship provided by Article 52 (1)". *<Newly Inserted by Act No. 6558, Dec. 31, 2001; Act No. 8141, Dec. 30, 2006>*

Article 93 (Income Generated from Sources in Korea)

The income generated from sources in Korea by a foreign corporation shall be classified as follows: *<Amended by Act No. 6293, Dec. 29, 2000; Act No. 6558, Dec. 31, 2001; Act No. 7005, Dec. 30, 2003; Act Nos. 7289 & 7317, Dec. 31, 2004; Act No. 7838, Dec. 31, 2005; Act No. 8141, Dec. 30, 2006; Act No. 8831, Dec. 31, 2007>*

1. Income falling under each of the following items which is interest income under the provisions of Article 16 (1) of the Income Tax Act (excluding income under subparagraph 8 of the same paragraph) and other interest on loans and profits from trusts: *Provided*, That this shall not apply to the interest on loans which are directly borrowed by the foreign place of business for the foreign place of business:
 - (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 the provisions of Article 120 of the Income Tax Act; and
 - (b) Income received as payment from a foreign corporation or non-resident which is substantially related to the domestic place of business of the foreign corporation or non-resident and is included in deductible expenses or necessary expenses in the calculation of the income amount of such domestic place of business;
2. The dividend income provided for in Article 17 (1) of the Income Tax Act (excluding any income provided for in subparagraph 6 of the same paragraph) that is paid in Korea by any domestic corporation or any organization treated as a corporation and the amount disposed of as a dividend under Articles 9 and 14 of the Adjustment of International Taxes Act;
3. Income generated from domestic real estate or real estate rights and domestically-acquired mining rights, mining concessions, rights concerning gathering earth, sand, and rock, or the development, transfer or lease of usage rights or other management of underground water: *Provided*, That the transfer income under the provisions of subparagraph 7 shall be excluded;
4. Income generated from the rental of ship, aircraft, registered

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automobiles, construction machinery, or machinery/facility/equipment for industry/commerce/science, and other tools prescribed by the Presidential Decree to a domestic place of business of a resident, a domestic corporation, a foreign corporation, or a domestic place of business of a non-resident under the provisions of Article 120 of the Income Tax Act;

5. Income generated from a business operated by a foreign corporation (including income which can be taxed as domestic source business income under tax treaties) as prescribed by Presidential Decree: *Provided*, That income under the provisions of subparagraph 6 shall be excluded;
6. Income generated from the offer of human services as prescribed by Presidential Decree in Korea. In this case, where anyone who is offered with the relevant human services bears expenses, including airfares, which are prescribed by Presidential Decree, in connection with the offer of such human services, it means the amount with the exception of such expenses;
7. Transfer income as prescribed by Presidential Decree from among those under the provisions of Article 94 of the Income Tax Act (excluding income under the provisions of paragraph (1) 3 of the same Article): *Provided*, That this shall be limited to cases where the assets which generate the income are situated in Korea;
8. Deleted; <by Act No. 8141, Dec. 30, 2006>
9. Where assets, information, or rights falling under any of the following items are used or the price thereof is paid in Korea, the concerned price and the income generated from the transfer of such assets, information, or rights: *Provided*, That where the standards for use are determined in treaties for the prevention of double taxation on income and there are provisions therein to determine whether the concerned income falls under domestic source income, the price of assets, information, or rights used abroad shall not be deemed as domestic source income, regardless of whether it was paid in 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 tape for radio and television

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- broadcasts and other similar assets or rights; or
- (b) Information or know-how related to industrial, commercial, or scientific knowledge and experience;
10. Such income as prescribed by Presidential Decree among income generated from the transfer of stocks, subscription certificates (including certificates of deposit issued on the basis of stocks and subscription certificates; the same shall apply hereafter in this Chapter), or other securities falling under any of the following items (other assets under the provisions of Article 94 (1) 4 of the Income Tax Act are excluded, however, such other assets shall be included where they are stocks or subscription certificates of stock-listed corporations or KOSDAQ-listed corporations; hereafter the same shall apply in this subparagraph):
- (a) Stocks or subscription certificates, and other securities issued by a domestic corporation; or
- (b) Stocks or subscription certificates issued by a foreign corporation (limited to those listed on the securities market or registered to the KOSDAQ market under the Securities and Exchange Act), or other securities issued by a foreign corporation's domestic place of business; and
11. Income falling under any one of the following items, other than those provided for in the provisions of subparagraphs 1 through 10:
- (a) Insurance money, compensatory payment, or punitive damages paid in connection with real property or other assets situated in Korea, or businesses carried on in Korea;
- (b) Penalties or compensation for damages paid in Korea as prescribed by Presidential Decree;
- (c) Income generated from the inheritance of assets in Korea;
- (d) Prize, reward, compensation, other similar income paid in Korea;
- (e) Income generated from underground deposits discovered in Korea;
- (f) Income generated from licenses, approval, or rights established by other similar administrative disposal under the domestic laws, and from the transfer of domestic assets other than real properties;
- (g) Prize received based on lottery, gift tickets, or other drawing tickets, refunds or premiums paid on or to the purchasers of horse-race

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tickets, or refunds paid on or to the purchasers of bullfighting tickets or sports promotion tickets, all issued in Korea;

- (h) Amount disposed of as other income in disposal of income referred to in Article 67 of this Act and the amount adjusted under Article 9 of the Adjustment of International Taxes Act, which is disposed of as other income;
- (i) Income accruing from increase of the value of the stocks and investment shares of a domestic corporation that are possessed by the person in special relationship as prescribed by the Presidential Decree (hereafter referred to as the “specially related person abroad” in Article 98) that results from capital transactions prescribed by the Presidential Decree; and
- (j) Income from businesses 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 institutions established under special laws and the issue prices of such bonds), or other similar income as prescribed by the Presidential Decree, other than those falling under any of items (a) through (i).

Article 94 (Domestic Place of Business of Foreign Corporation)

(1) Where a foreign corporation has a fixed place where it conducts all or part of its domestic business, it shall be deemed to have a domestic place of business.

(2) The domestic place of business under the provisions of paragraph (1) shall include places falling under any of the following subparagraphs:

<Amended by Act No. 6558, Dec. 31, 2001>

1. Branches, offices, or business offices;
2. Shops and other fixed places for selling;
3. Workshops, factories, or storage areas;
4. Places used for building, construction and assembly sites, foundation construction sites, or places used for management and direction of such sites continuously for more than 6 months;
5. Places falling under any of the following items where services are provided

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by employees:

- (a) Place where services are provided for not less than 6 months in total during a period of 12 months in which such services continue to be provided; and
 - (b) Place where services are provided for not more than 6 months in total during a period of 12 months in which such services continue to be provided, and similar services are repeatedly provided for not less than 2 years; and
6. Places for exploration and gathering of mining, quarry, or marine natural resources and other natural resources (including places where there are seas and low-lying lands of marine areas adjacent to the coast of Korea outside its territorial waters where Korea exercises sovereignty under international laws).
- (3) Where a foreign corporation without any fixed place under the provisions of paragraph (1) runs the business in Korea through a person who has the authority to repeatedly conclude contracts on its behalf or a similar person as prescribed by the Presidential Decree, the location of that person's place of business (where he does not have any place of business, it shall be his address, and where he does not have any address, it shall be the location of his residence) shall be deemed the domestic place of business of the foreign corporation.
- (4) The domestic place of business under the provisions of paragraph (1) shall not include the places falling under each of the following subparagraphs:
1. Fixed places used by a foreign corporation only for the purchase of assets;
 2. Fixed places used by a foreign corporation only for storage and holding of assets not for the purpose of selling;
 3. Fixed places used by a foreign corporation for advertisement, publicity, gathering and providing information, market research, and other places used in order to conduct such preparatory and supporting business activities; and
 4. Fixed places used by other persons only for processing a foreign corporation's own asset.

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SECTION 2 Calculation of Tax Amount

Article 95 (Tax Rate)

The corporate tax on income for each business year of foreign corporations under the provisions of Article 91 (1) and foreign corporations under the provisions of paragraphs (2) and (3) of the same Article which have income generated from sources in Korea under the provisions of subparagraph 7 of Article 93 shall be the amount calculated by application of the provisions of Article 55 to the tax base under the provisions of Article 91 (in case the amount of the corporate tax on the income accruing from the transfer of land, etc. under Article 95-2 exists, such amount of the corporate tax shall be added up in the above-referenced corporate tax). *<Amended by Act No. 6558, Dec. 31, 2001>*

Article 95-2 (Special Cases for Taxation on Income Accruing from Transfer of Land, etc. by Foreign Corporation)

The provisions of Article 55-2 shall apply *mutatis mutandis* to the payment of the corporate tax on the income accruing from the transfer of land, etc., earned by any foreign corporation provided for in Article 91 (1) and any foreign corporation provided for in paragraph (2) of the same Article. In this case, the income accruing from the transfer of land, etc., earned by any foreign corporation provided for in Article 91 (2) shall be an amount calculated by applying *mutatis mutandis* the provisions of Article 92 (3).

[This Article Newly Inserted by Act No. 6558, Dec. 31, 2001]

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

(1) The domestic place of business of a foreign corporation (excluding non-profit foreign corporations) shall add the amount calculated by application of the tax rate under the provisions of paragraph (3) to the income amount subject to taxation (in the event that any tax treaty concluded between Korea and any foreign country where the relevant foreign corporation is based makes taxable the amount of profit remittance, the income amount subject to taxation shall be the amount of remittance prescribed by Presidential Decree) under the provisions of paragraph (2) to the corporate tax under the provisions of Article 95 and pay it under the provisions of tax treaties concluded between Korea and the country of residence of the concerned foreign corporation. *<Amended by Act No. 6558, Dec. 31, 2001>*

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(2) The income amount subject to taxation under paragraph (1) shall be the income amount from the concerned domestic place of business for each business year less the amount under each of the following subparagraphs:
<Amended by Act No. 6293, Dec. 29, 2000; Act No. 8141, Dec. 31, 2006>

1. The amount of corporate tax under the provisions of Article 95 less the amount under item (a) but with the amount under item (b) added:
 - (a) Tax amount deducted under the provisions of Article 57 (1) 1, and Articles 58 and 58-2 that are applied *mutatis mutandis* pursuant to the provisions of Article 97 (1), and tax amount deducted or exempted under other Acts; and
 - (b) Additional tax under the provisions of Article 76 or tax paid additionally under this Act or the Restriction of Special Taxation Act;

1-2. Income-proportional resident tax;

2. The amount as prescribed by the Presidential Decree including those that are deemed to be reinvested into business by the corresponding domestic place of business; and

3. The amount not included in deductible expenses pursuant to the provisions of Article 14 of the Adjustment of International Taxes Act.

(3) The tax rate applied under paragraph (1) shall be the tax rate under Article 98 (1) 3, and where there are different provisions in the tax treaties concluded between Korea and the country of residence of the concerned foreign corporation, the provisions of the treaty shall be observed.

SECTION 3 Report, Payment, Settlement, Correction, and Collection

Article 97 (Report, Payment, Settlement, Correction, and Collection)

(1) Except as otherwise provided in this Section, the provisions of Articles 57 (1) and (2), 58, 58-2, 59, 60 (excluding the profits surplus disposal statement or deficits disposal statement pursuant to the provisions of paragraph (2) 1 of the same Article), 61, 62 and 63 through 76 shall apply *mutatis mutandis* to report, payment, settlement, correction, and collection of the corporate tax for each business year of foreign corporations falling under the provisions of Article 91 (1) and foreign corporations under paragraphs (2) and (3) of the same Article that have income generated in Korea under the provisions of subparagraph 7 of Article 93. In this case, in the *mutatis mutandis* application of the provisions of Article 64,

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where the tax base for corporate tax on income of a foreign corporation for each business year under the provisions of Article 91 (1) includes the income withheld under the provisions of Articles 98 and 98-3, the concerned withholding tax amount shall be deemed the tax amount deducted under the provisions of Article 64 (1) 4. <Amended by Act No. 6293, Dec. 29, 2000; Act No. 6558, Dec. 31, 2001; Act No. 7005, Dec. 30, 2003; Act No. 7317, Dec. 31, 2004>

(2) Where a foreign corporation which shall make a report on the tax base of corporate tax on the income for each business year under the provisions of paragraph (1) fails to do so within the time limit on such grounds as prescribed by the Presidential Decree, it may obtain the approval of the chief of the district tax office having jurisdiction over the place of tax payment or the Commissioner of the competent Regional Tax Office and extend the time limit for report under the conditions as prescribed by the Presidential Decree, notwithstanding the provisions of paragraph (1).

(3) Where a foreign corporation which has received approval to extend the time limit for report under the provisions of paragraph (2) pays the tax amount, it shall add the amount calculated by applying the interest rate as prescribed by the Presidential Decree with reference to the interest rates charged by financial institutions to the number of days of the extension.

(4) In the calculation of the amount to be added under the provisions of paragraph (3), the extended time limit shall be from the day following the time limit for report under the provisions of Article 60 until the date when the time limit extended upon approval expires: *Provided*, That where the report and payment is made within the extended time limit, the extended time limit shall be from the day following the time limit for report under the provisions of Article 60 until the day of such report and payment.

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

(1) Where any person pays a foreign corporation the amount of domestic source income pursuant to the provisions of subparagraphs 1, 2, 4 through 7, and 9 through 11 of Article 93 (excluding any residents and non-residents who pay the amount of income provided for in the provisions of subparagraph 7 of Article 93) which has no substantial connection with the domestic place of business of the foreign corporation or does not accrue to the domestic place of business of the foreign corporation (including the amount paid

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to foreign corporations without any domestic place of business), he shall withhold, as the corporate tax, the amount falling under each of the following subparagraphs from the income of the relevant foreign corporation for each business year, and pay it to the district tax office having jurisdiction over the place of tax payment, etc. under the conditions as prescribed by the Presidential Decree by the 10th day of the month following the month which included the date of the withholding, notwithstanding the provisions of Article 97: *Provided*, That this shall not apply to income under the provisions of subparagraph 5 of Article 93 which may be taxed as business domestic source income under tax treaties: <Amended by Act No. 6293, Dec. 29, 2000; Act No. 7005, Dec. 30, 2003; Act No. 8141, Dec. 30, 2006>

1. For income under the provisions of subparagraphs 4 and 5 of Article 93, 2/100 of the amount paid;
 2. For income under the provisions of subparagraph 6 of Article 93, 20/100 of the amount paid;
 3. For income under the provisions of subparagraphs 1, 2, 9, and 11 of Article 93, 25/100 of the amount paid: *Provided*, That for the interest income generated from bonds issued by the State, a local government and a domestic corporation among the income referred to in the provisions of subparagraph 1 of Article 93, 14/100 of the amount paid;
 - 3-2. For income under the provisions of subparagraph 7 of Article 93, 10/100 of the amount paid: *Provided*, That the acquisition amount and transfer expenses of the transferred assets are confirmed, either an amount equivalent to 10/100 of the amount paid or an amount equivalent to 25/100 of gains on transfer of such assets, whichever is smaller; and
 4. For income under the provisions of subparagraph 10 of Article 93, 10/ 100 of the amount paid (for cases falling under the provisions of Article 92 (2) 3, this refers to the “normal price” under the same subparagraph; hereafter referred to as the “amount paid, etc.” in this subparagraph): *Provided*, That where the acquisition value and transfer expenses of the relevant securities are confirmed pursuant to the proviso to Article 92 (2) 2, either an amount equivalent to 10/100 of the amount paid, etc. or an amount equivalent to 25/100 of the amount calculated under the proviso to the same subparagraph of the same paragraph, whichever is smaller.
- (2) Where a person who withholds the corporate tax under the provisions

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of paragraphs (1) and (4) through (7) pays the withheld corporate tax after the time limit for payment has expired, he shall additionally pay the amount of additional taxes under the provisions of Article 76 (2).

(3) Where a person responsible for collecting the withholding tax fails to withhold the corporate tax from the income of a foreign corporation for each business year pursuant to the provisions of paragraphs (1) and (4) through (7) or fails to pay the withheld corporate tax within the time limit for payment, the chief of a district tax office having jurisdiction over the tax payment, etc. shall additionally collect, as the corporate tax, the amount provided for in Article 76 (2) from the person responsible for collecting the withholding tax according to the practice of the collection of national taxes: *Provided*, That this shall not apply to the case of the State or a local government.

(4) Any person who pays the domestic source income amount as provided for in subparagraphs 1, 5, 6, and 9 of Article 93 with foreign loan funds to a foreign corporation without any domestic place of business shall withhold the tax from the relevant income amount pursuant to the provisions of paragraph (1) whenever he pays the relevant income amount to the foreign corporation in accordance with the terms of payment in the contract, even though he does not directly pay the income amount under the terms of the concerned contract.

(5) The domestic agency of a foreign corporation operating a ship or aircraft plying to a foreign country which does not fall under the provisions of Article 94 (3) shall withhold the tax from the income amount of the foreign corporation generated in Korea under the provisions of paragraph (1) when it pays the foreign corporation the income accruing from the ship or aircraft plying to a foreign country.

(6) Where securities under the provisions of subparagraph 10 of Article 93 are transferred through a securities company under the Securities and Exchange Act, the concerned securities company shall withhold the tax under the provisions of paragraph (1): *Provided*, That where previously issued stocks are transferred in case stocks are listed under the Securities and Exchange Act, the corporation which issued the concerned stocks shall withhold the tax. *<Amended by Act No. 8141, Dec. 30, 2006>*

(7) Any person who pays a foreign corporation the domestic source income amount accruing from any building or construction, installation, assembly or other work of machines, apparatus, etc., or offer of any service as

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to direction, control, etc. of such works, or any domestic source income amount as prescribed in Article 93, shall withhold the tax as referred to in paragraph (1), even though the concerned income accrues to the domestic place of business: *Provided*, That this shall not apply where the concerned domestic place of business has registered as a business operator under the provisions of Article 111.

(8) Where domestic source income under the provisions of paragraph (1) is paid in a foreign country and the person making the payment has an address, residence, headquarters, main office, or place of business (including domestic place of business under the provisions of Article 120 of the Income Tax Act) in Korea, it shall be deemed that the person making the payment has paid the concerned domestic source income amount and the provisions of paragraph (1) shall apply. *<Amended by Act No. 8141, Dec. 30, 2006>*

(9) Where any person responsible for collecting withholding taxes withholds the corporate tax under the provisions of paragraphs (1) and (4) through (7), he shall issue a withholding receipt stating the amount of payment and other necessary matters to a person who is paid the income amount as prescribed by the Presidential Decree.

(10) With respect to the domestic source income pursuant to the provisions of subparagraph 11 (i) of Article 93, the domestic corporation which issued the relevant stocks or investment shares shall collect the withholding tax from the specially related person abroad who possesses the stocks or investment shares at the time when the Presidential Decree prescribes. *<Newly Inserted by Act No. 7005, Dec. 30, 2003>*

(11) The concrete methods of withholding pursuant to the provisions of paragraph (10) shall be prescribed by the Presidential Decree. *<Newly Inserted by Act No. 7005, Dec. 30, 2003>*

Article 98-2 (Special Cases for Report, Payment, etc. on Income Accruing from Transfer of Securities by Foreign Corporations)

(1) Where a foreign corporation without any domestic place of business comes to satisfy the taxation criteria provided for in the corresponding tax treaty by transferring stocks or subscription certificates of the same domestic corporation twice or more times within the same business year (referring to the business year of the domestic corporation which issues the stocks or subscription certificates; hereafter the same shall apply in this Article), such a foreign corporation shall, within three months from the closing day of the business year to which the date of transfer belongs, report and pay to the chief of the district tax office having jurisdiction

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over the place of tax payment an amount equivalent to the withholding tax on the income accruing from the transfer (hereafter referred to as “income” in this Article) that was not paid at the time of such transfers, as prescribed by Presidential Decree.

(2) The provisions of paragraph (1) shall apply *mutatis mutandis* to the income of a foreign corporation with a domestic place of business that is not substantially related to or does not belong to the domestic place of business.

(3) In cases where a foreign corporation without any domestic workplace transfers stock, subscription certificates or other securities (hereafter referred to as “the stocks, etc.” in this paragraph) to a non-resident or foreign corporation without any domestic workplace, which are prescribed by Presidential Decree, it shall report an amount gained by multiplying income arising from the transfer by the rate pursuant to Article 98 (1) 4 to the chief of the district tax office having jurisdiction over the place of tax payment not later than the 10th day of the next month after one to which the day it was paid belong as prescribed by Presidential Decree: *Provided*, That the person who pays the amount of income following the transfer of stocks, etc. has paid corporate tax by deducting it from the domestic income at source generated from the transfer of the relevant stocks, etc. pursuant to Article 98, this shall not apply. <Newly Inserted by Act No. 8831, Dec. 31, 2007>

(4) Where a foreign corporation fails to make a report and payment under paragraphs (1) through (3), makes a report falling short of the tax base to report, or underpays a tax amount, the chief of the district tax office having jurisdiction over the place of tax payment shall, by applying *mutatis mutandis* the provisions of Article 66, collect the correct payable amount. <Amended by Act No. 8141, Dec. 30, 2006; Act No. 8831, Dec. 31, 2007>

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

Article 98-3 (Special Cases for Withholding Tax from Bonds, etc. of Foreign Corporations)

(1) Any person who pays interest or discounts (hereafter referred to as the “interest, etc.” in this Article) on bonds, etc. provided by Article 46 (1) of the Income Tax Act (hereafter referred to as the “bonds, etc.” in this Article) to a foreign corporation (referring to a foreign corporation that is subject to the provisions of Article 98 (1); hereafter the same shall apply in this Article), or buys bonds, etc. from a foreign corporation before being paid the interest, etc. on such bonds, etc. shall withhold the tax taking into account the holding period of such bonds, etc. under the conditions

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as prescribed by Presidential Decree. *<Amended by Act No. 7317, Dec. 31, 2004>*

(2) Deleted. *<by Act No. 7317, Dec. 31, 2004>*

(3) Any act performed by any person who acts in the capacity of a person who is liable to withhold taxes at source under paragraph (1) or is commissioned to act in the capacity of the latter shall be deemed an act performed by the latter or the mandator within the scope of the delegation of power and commissioning, and is subject to the application of the provisions of paragraph (1). *<Newly Inserted by Act No. 6558, Dec. 31, 2001; Act No. 7317, Dec. 31, 2004>*

(4) In the event that any financial institution falling under any item of subparagraph 1 of Article 2 of the Act on Real Name Financial Transactions and Guarantee of Secrecy takes over, trades, brokers or acts by proxy on bonds, etc. issued by any resident or any foreign corporation, the relationship of agency or delegation shall be deemed to exist among such financial institution, a person liable to withhold the tax provided for in paragraph (1) and a foreign corporation that sells bonds, etc., and the provisions of paragraph (3) shall apply. *<Newly Inserted by Act No. 6558, Dec. 31, 2001; Act No. 8141, Dec. 30, 2006>*

(5) In the application of paragraphs (1) through (4), the provisions of Article 98 (1) through (3) shall apply *mutatis mutandis* to the time limit for the payment of the withholding tax and the payment and collection of the additional tax. *<Newly Inserted by Act No. 6558, Dec. 31, 2001>*

(6) In the application of the provisions of paragraph (1), the payment time of interest income, computation of the holding period of such bonds, etc., computation and payment of withholding tax amount, scope of persons liable for withholding the tax, issuance of withholding tax receipts, etc., and other necessary matters shall be prescribed by Presidential Decree. *<Amended by Act No. 7317, Dec. 31, 2004>*

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

Article 98-4 (Application for Non-Taxation on Income Generated from Sources in Korea by Foreign Corporation)

Any foreign corporation that intends to get its income generated from sources in Korea provided for in Article 93 (excluding the income referred to in subparagraphs 5 and 6 of the same Article) untaxed or exempted from taxation in accordance with any tax treaty shall file an application therefor with the chief of district tax office having jurisdiction over the place of tax payment under the conditions as prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 6558, Dec. 31, 2001]

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Article 98–5 (Special Case for Procedures for Collecting Withholding Taxes from Foreign Corporations)

(1) In case where any person who is liable to withhold taxes provided for in the provisions of Articles 98 and 98–2 through 98–4 withholds the corporate tax from the income provided for in the provisions of subparagraph 1, 2, 9 or 10 of Article 93 for each business year among the domestic source income of the foreign corporations that are located in countries and regions that are published by the Minister of Strategy and Finance, the person liable to withhold taxes at source shall withhold the income at source by preferentially applying the tax rate provided for in each subparagraph of Article 98 (1), notwithstanding the provisions governing the non–taxation, the tax exemption and the restricted tax rates of Article 98–4 and tax treaties: *Provided*, That the same shall not apply to a case where the Commissioner of the National Tax Service approves in advance the application of the non–taxation, the tax exemption and the restricted tax rates pursuant to tax treaties under the conditions as prescribed by Presidential Decree. *<Amended by Act No. 8852, Feb. 29, 2008>*

(2) In case where any corporation (including its agent and the tax manager under the provisions of Article 82 of the Framework Act on National Taxes) to which the income generated from the domestic sources referred to in paragraph (1) reverts intends to make it eligible for the application of the non–taxation, the tax exemption and the restricted tax rates pursuant to any tax treaty, it may file a claim to the head of the district tax office having jurisdiction over the place of tax payment of the person liable to withhold taxes at source for its correction within 3 years from the last day of the month to which the day on which the tax amount is withheld at source pursuant to the provisions of paragraph (1) belongs under the conditions as prescribed by Presidential Decree.

(3) The head of the district tax office shall, upon receiving a claim filed for correction pursuant to the provisions of paragraph (2), notify the relevant claimant of the gist that he corrects the tax base and the tax amount or he finds no reasons for correcting the tax base and the tax amount within six months from the date on which he receives such claim.

[This Article Newly Inserted by Act No. 7838, Dec. 31, 2005]

CHAPTER V Deleted.

Articles 99 through 108 Deleted. *<by Act No. 6558, Dec. 31, 2001>*

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CHAPTER VI SUPPLEMENTARY PROVISIONS

Article 109 (Report on Establishment or Foundation of Corporation)

(1) A domestic corporation shall submit a report on incorporation with the items under each of the following subparagraphs indicated, along with such documents as prescribed by Presidential Decree, within 2 months of the date of the incorporation registration (in case where the actual business management place is put into operation, the date on which the actual business management place is put into operation) to the head of the district tax office having jurisdiction over the place of tax payment. In this case, where the business is registered under the provisions of Article 111, it shall be deemed that the report on such incorporation is submitted: *<Amended by Act No. 6293, Dec. 29, 2000; Act No. 6558, Dec. 31, 2001; Act No. 7838, Dec. 31, 2005>*

1. Name of the corporation and its representative;
2. Location of its headquarters, main office or actual business management place;
3. Purpose of business; and
4. Date of establishment.

(2) Where a foreign corporation comes to have a domestic place of business, it shall submit a report on the establishment of a domestic place of business with the matters under each of the following subparagraphs noted within 2 months of the date on which the domestic place of business was established, with the balance sheet as of the day the domestic place of business was established and other documents as prescribed by Presidential Decree attached, to the head of the district tax office having jurisdiction over the place of tax payment. In this case, a foreign corporation which comes to have a place of business under the provisions of Article 94 (3), it may only submit a report on establishment of a domestic place of business:

1. Names of the corporation and its representative;
2. Location of its headquarters or main office;
3. Name of the person responsible for management or administration of the business conducted in Korea or the assets located in Korea;
4. Purpose and type of domestic business, and type and location of assets in Korea; and
5. Date of start of domestic business or date on which assets came to be held in Korea.

(3) Where there are changes in the contents of the report and other documents submitted by domestic corporations and foreign corporations under the

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provisions of paragraphs (1) and (2), the changed contents shall be reported to the chief of the district tax office having jurisdiction over the place of tax payment within 15 days from the date of such changes. <Amended by Act No. 7317, Dec. 31, 2004>

(4) The provisions of paragraph (2) shall apply *mutatis mutandis* to the report by a foreign corporation with the income under subparagraph 3 of Article 93. <Amended by Act No. 8141, Dec. 30, 2006>

Article 110 (Report on Start of Profit-Making Business by Non-Profit Corporation)

Where a non-profit domestic corporation or a non-profit foreign corporation (limited to foreign corporations with a domestic place of business) begins a new profit-making business (limited to profit-making businesses under the provisions of Article 3 (2) 1 and 6), it shall submit a report stating the matters falling under each of the following subparagraphs, along with the balance sheet of the profit-making business as of the day it begins such business and other documents as prescribed by Presidential Decree, to the chief of the district tax office having jurisdiction over the place of tax payment within 2 months from the date of the start of the business: <Amended by Act No. 7838, Dec. 31, 2005>

1. Title of the corporation;
2. Location of its headquarters, main office or actual business management place;
3. Name of the representative and the person responsible for management or administration;
4. Proper purpose businesses;
5. Type of the profit-making business;
6. Date of start of the profit-making business; and
7. Place of business for the profit-making business.

Article 111 (Registration of Business)

(1) A corporation starting a new business shall register itself with the chief of the district tax office having jurisdiction over the place of tax payment under the conditions as prescribed by Presidential Decree.

(2) A business operator who has registered his business under the Value-Added Tax Act shall be deemed to have registered the concerned business under the provisions of paragraph (1). <Amended by Act No. 8141, Dec. 30, 2006>

(3) The provisions of Article 5 of the Value-Added Tax Act shall apply *mutatis mutandis* to a corporation registering its business under the provisions of this Act. <Amended by Act No. 8141, Dec. 30, 2006>

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(4) Where the report on incorporation under the provisions of Article 109 has been made, it shall be deemed that application for registration of business has been made.

Article 112 (Keeping of Account Books)

A corporation with tax liability shall keep its account books by the double entry system, and keep and preserve important documentary evidence related to the account books: *Provided*, That for non-profit domestic corporations, this shall be limited to those operating a profit-making business under Article 3 (2) 1 and 6.

Article 112-2 (Liability to Prepare and Keep Detailed Statement of Donation Receipt Issuance)

(1) Where anyone in charge of issuing donation receipts (hereafter referred to as the “donation receipts” in this Article) that are necessary to include donations in deductible expenses pursuant to the provisions of Article 24 of this Act and Article 73 of the Restriction of Special Taxation Act issues any donation receipt to a domestic corporation pursuant to the following subparagraphs, he shall prepare a detailed statement of donations by donating corporations (hereafter referred to as the “detailed statement of donation receipt issuance by donating corporation” in this Article) and keep them for 5 years from the date on which donation receipts are issued.

<Amended by Act No. 8831, Dec. 31, 2007>

1. Until December 31, 2008: domestic corporations that donate an amount exceeding 1 million won a year;
2. From January 1, 2009 until December 31, 2009: domestic corporations that donate an amount exceeding 500 thousand won a year; and
3. From January 1, 2010 onward: domestic corporations that make a donation irrespective of the amount.

(2) Anyone in charge of issuing donation receipts shall, upon the request, submit a detailed statement of donation receipt issuance by donating corporation which he keeps pursuant to the provisions of paragraph (1) to the Commissioner of the National Tax Service, the Commissioner of the competent Regional Tax Office or the chief of the district tax office having jurisdiction over the place of tax payment. *<Amended by Act No. 8831, Dec. 31, 2007>*

(3) Those who issue donation receipts shall submit a detailed statement of donation receipt issuance which records the total number of cases of donation receipt issuance, amount, etc. as prescribed by Ordinance of the Ministry of Strategy and Finance to the chief of relevant district tax office by June 30 of the next year after the corresponding business year.

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<Newly Inserted by Act No. 8831, Dec. 31, 2007; Act No. 8852, Feb. 29, 2008>

[This Article Newly Inserted by Act No. 7838, Dec. 31, 2005]

Article 113 (Separate Accounting)

(1) Where a non-profit corporation operates a profit-making business, the assets, liabilities, and profits and losses of the concerned profit-making business and those of the other business which is not a profit-making business shall be separately accounted and separate accounts shall be maintained.

(2) A corporation subject to the application of the Trust Business Act and the Indirect Investment Asset Management Business Act shall keep separate accounts for the income accruing to the trust estate and other income in the calculation of the income amount for each business year.

<Amended by Act No. 7005, Dec. 30, 2003; Act No. 8141, Dec. 30, 2006>

(3) A merged corporation which wishes to deduct the losses carried forward of an extinguished corporation under the provisions of Article 45 (1) shall keep separate accounting of the assets, liabilities, and profits and losses included in the business succeeded from the extinguished corporation and those included in other business.

(4) Matters necessary for the separate accounting method under the provisions of paragraphs (1) through (3) and other necessary matters shall be prescribed by Presidential Decree.

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

Article 115 (Duty to Submit Combined Financial Statements, etc.)

A company liable to draw up a combined financial statement under the Act on External Audit of Stock Companies shall submit the group enterprise combined balance sheet, the group enterprise combined profits and losses statement under the same Act, and other documents as prescribed by Presidential Decree within 6 months from the last day of the business year of the relevant company to the chief of the district tax office having jurisdiction over the place of tax payment under the conditions as prescribed by Presidential Decree. *<Amended by Act No. 8141, Dec. 30, 2006>*

Article 116 (Receipt and Preservation of Documentary Evidence of Expenditures)

(1) A corporation shall prepare or receive documentary evidence for all business-related transactions for each business year and keep them for 5 years from the date when the time limit for report under the provisions of Article 60 expires.

(2) In case of paragraph (1), where a corporation is supplied goods or services by a businessman as prescribed by Presidential Decree and pays

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for them, it shall receive and keep the documentary evidence falling under any one of the following subparagraphs: *Provided*, That this shall not apply to the cases as prescribed by Presidential Decree: <Amended by Act No. 8141, Dec. 30, 2006>

1. Credit card sales slip under the Specialized Credit Financial business Act (in case of transactions using things similar to a credit card as prescribed by Presidential Decree, it shall include the concerned documentary evidence; hereafter the same shall apply in Article 117);
- 1-2. Cash receipt;
2. Tax invoice under the provisions of Article 16 of the Value-Added Tax Act; and
3. Invoice under the provisions of Article 121 of this Act and Article 163 of the Income Tax Act.

(3) In applying the provisions of paragraph (2), where a corporation fails to receive the delivery of a tax invoice referred to in the provisions of subparagraph 2 of the said paragraph, the duty to receive and keep the documentary evidence provided by the provisions of paragraph (2) shall be deemed to be fulfilled when it issues and keeps a purchaser-issued tax invoice under the provisions of Article 126-4 (1) of the Restriction of Special Taxation Act. <Newly Inserted by Act No. 8141, Dec. 30, 2006>

(4) In the application of the provisions of paragraphs (1) and (2), matters necessary for the receipt and keeping of documentary evidence shall be prescribed by Presidential Decree. <Amended by Act No. 8141, Dec. 30, 2006>

Article 117 (Duty to Have Credit Card Affiliate Membership and to Issue Credit Card Sales Slips, etc.)

(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 type, scale, etc., which supplies goods or services mainly to consumers who are not business operators, he may guide it to join the credit card affiliate membership. <Amended by Act No. 7317, Dec. 31, 2004; Act No. 8141, Dec. 30, 2006; Act No. 8831, Dec. 31, 2007>

(2) Where a credit card affiliate member (refers to a credit card affiliate member who has joined as it met the requirements in paragraph (1); the same shall apply hereafter in this Article, Articles 66 (2) 3 and 76 (11)) is requested by a consumer to issue a credit card sales slip in response to the settlement of a price by a credit card with respect to the goods or services provided in relation to his business, he shall neither refuse

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to issue the credit card sales slip nor issue it differently from the actual facts. *<Amended by Act No. 8141, Dec. 30, 2006; Act No. 8831, Dec. 31, 2007>*

(3) Where a credit card affiliate member refuses to issue a credit card sales slip or issues it differently from the actual facts, the consumer concerned may report the details of the transaction concerned to the Commissioner of the National Tax Service, the Commissioner of the competent Regional Tax Office or the chief of the competent district tax office. *<Newly Inserted by Act No. 8141, Dec. 30, 2006>*

(4) Any person who has received a report pursuant to the provisions of paragraph (3) shall notify it to the chief of the district tax office having jurisdiction over the credit card affiliate member's place of tax payment. In this case, the chief of the district tax office having jurisdiction over the place of tax payment shall notify the credit card affiliate member concerned of the amount which is reported for the relevant business year. *<Newly Inserted by Act No. 8141, Dec. 30, 2006>*

(5) The Commissioner of the National Tax Service may issue an order to a credit card affiliate member, who has refused to issue a credit card sales slip or issued it differently from the actual facts, with respect to matters necessary to correct it. *<Newly Inserted by Act No. 8141, Dec. 30, 2006>*

(6) The administrative guidance for joining credit card affiliate membership, the methods for the report and notification of the refusal to issue a credit card sales slip or the issuance of a credit card sales slip different from the actual facts, and other necessary matters shall be prescribed by Presidential Decree. *<Newly Inserted by Act No. 8141, Dec. 30, 2006; Act No. 8831, Dec. 31, 2007>*

Article 117-2 (Duty to Have Cash Receipt Affiliate Membership and to Issue Cash Receipts, etc.)

(1) A corporation which provides goods or services to consumers who are not mainly businessmen and meets the requirements determined by Presidential Decree in consideration of the categories, scale, etc. of business shall acquire cash receipt affiliate membership within three months from the date when the requirements are satisfied.

(2) A corporation which has acquired cash receipt affiliate membership pursuant to the provisions of paragraph (1) shall put up a mark indicating that it is a cash receipt affiliate member under the conditions as prescribed by the Commissioner of the National Tax Service.

(3) Where a cash receipt affiliate member is requested by a consumer to issue a cash receipt in response to the settlement of a price by cash with respect to the goods or services provided in relation to his business,

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he shall neither refuse to issue the cash receipt nor issue it differently from the actual facts.

(4) Where a cash receipt affiliate member who has received cash in return for the provision of goods or services refuses to issue a cash receipt or issues it differently from the actual facts, the consumer concerned may report the details of the cash transaction to the Commissioner of the National Tax Service, the Commissioner of the competent Regional Tax Office or the chief of the competent district tax office.

(5) Any person who has received a report pursuant to the provisions of paragraph (4) shall notify it to the chief of the district tax office having jurisdiction over the cash receipt affiliate member's place of tax payment. In this case, the chief of the district tax office having jurisdiction over the place of tax payment shall notify the cash receipt affiliate member concerned of the amount reported for the relevant business year.

(6) The Commissioner of the National Tax Service may issue an order to a cash receipt affiliate member, who has refused to issue a cash receipt or issued it differently from the actual facts, with respect to matters necessary to correct it.

(7) The acquisition of and withdrawal from cash receipt affiliate membership, the amount subject to issuance of a cash receipt, the methods for the report and notification of the refusal to issue a cash receipt or the issuance of a cash receipt different from the actual facts, and other necessary matters shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 8141, Dec. 30, 2006]

Article 118 (Preparation and Keeping of Stockholder Registry, etc.)

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

Article 119 (Submission of Detailed Statement on Change of Stocks)

(1) A corporation (excluding partnership corporations, etc. as prescribed by Presidential Decree) with changes in stocks, etc. during the business year shall submit a detailed statement on change of stocks, etc. under the conditions as prescribed by Presidential Decree to the chief of the district tax office having jurisdiction over the place of tax payment within the

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time limit for report under the provisions of Article 60.

(2) The provisions of paragraph (1) shall not apply to the stocks, etc. that fall under any of the following subparagraphs: <Amended by Act No. 8831, Dec. 31, 2007>

1. Stocks, etc. held by stockholders, etc. other than the majority stockholder (including specially-related persons thereof) in the case of stock-listed corporations and KOSDAQ-listed corporations that are prescribed by Presidential Decree; or
 2. Stocks, etc. held by minority stockholders of the relevant corporations in the case of corporations other than those in subparagraph 1.
- (3) The extent of majority stockholder and minority stockholder pursuant to paragraph (2) and other necessary matters shall be prescribed by Presidential Decree. <Newly Inserted by Act No. 8831, Dec. 31, 2007>

Article 120 (Duty to Submit Payment Statements)

(1) Any person responsible for collecting withholding taxes under the provisions of Article 73 (1) shall submit the payment statements to the chief of the district tax office having jurisdiction over the place of tax payment as prescribed by Presidential Decree. <Amended by Act No. 8831, Dec. 31, 2007>

(2) The provisions of Article 164 of the Income Tax Act shall apply *mutatis mutandis* to the submission of the payment statements pursuant to paragraph (1). <Amended by Act No. 8141, Dec. 30, 2006; Act No. 8831, Dec. 31, 2007>

Article 120-2 (Special Cases for Duty to Submit Payment Statements on Income, etc. Generated from Sources in Korea by Foreign Corporations)

(1) Any person who pays the income generated from sources in Korea to any foreign corporation in accordance with Article 93 shall file a payment statement with the chief of the district tax office having jurisdiction over the place of tax payment by the end of February of the year following the year (in cases of suspension of closure of business, by the end of the month 2 months from the month to which such suspension or closure belongs) to which the payment day belongs: *Provided*, That the same shall not apply to a case where the income prescribed by Presidential Decree is paid, including non-taxable or tax-exempted income, etc. that are confirmed under Article 98-4. <Amended by Act No. 6558, Dec. 31, 2001; Act No. 7005, Dec. 30, 2003; Act No. 8831, Dec. 31, 2007>

(2) The provisions of Article 164 of the Income Tax Act shall apply *mutatis mutandis* to the submission of payment statements pursuant to paragraph (1). <Amended by Act No. 8141, Dec. 30, 2006; Act No. 8831, Dec. 31, 2007>

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

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

(1) Any corporation which runs a business exempted from payment of the value-added tax pursuant to the provisions of the Value-Added Tax Act and the Restriction of Special Taxation Act shall, upon receipt of a tax invoice under the provisions of Article 16 (1) and (3) of the Value-Added Tax Act with goods or services offered, submit the aggregate tax invoice for individual suppliers (referring to the aggregate tax invoice for individual suppliers under the provisions of Article 20 of the Value-Added Tax Act; hereinafter the same shall apply) to the chief of the district tax office having jurisdiction over the place of tax payment within the period set by Presidential Decree: *Provided*, That the same shall not apply to the cases where it is submitted pursuant to the provisions of Article 20 (4) of the Value-Added Tax Act.

(2) Necessary matters concerning the submission, etc. of aggregate tax invoices for individual suppliers shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 8141, Dec. 30, 2006]

Article 121 (Preparation and Issuance of Invoice)

(1) When a corporation provides goods or services, it shall prepare an invoice or receipt (hereinafter referred to as an "invoice, etc.") as prescribed by Presidential Decree and deliver it to the person receiving the goods or services.

(2) Where agricultural products, livestock products, marine products, and forest products exempted from the value-added tax under the provisions of Article 12 (1) 1 of the Value-Added Tax Act are sold on consignment or by an agent, the consignee or agent shall be deemed to have sold such goods and shall prepare an invoice, etc. and deliver it to the person buying the concerned goods: *Provided*, That where the invoice is delivered under the conditions as prescribed by Presidential Decree under the provisions of paragraph (1), this shall not apply. *<Amended by Act No. 8141, Dec. 30, 2006>*

(3) With respect to imported goods, the head of a customhouse shall deliver an invoice to any corporation that imports such goods under the conditions as prescribed by Presidential Decree. *<Newly Inserted by Act No. 6558, Dec. 31, 2001>*

(4) The provisions of paragraphs (1) through (3) shall not be applied to the cases where an issuance of account statements, etc. is deemed to be improper, such as the cases, etc. of a sale of real estate, which are prescribed by Presidential Decree. *<Newly Inserted by Act No. 6558, Dec. 31, 2001>*

(5) A corporation shall submit an aggregate invoice for individual suppliers

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or purchasers issued or received under the provisions of paragraphs (1) through (3) (hereinafter referred to as an “aggregate invoices for individual suppliers or purchasers”) to the chief of the district tax office having jurisdiction over the place of tax payment within the time limit as prescribed by Presidential Decree: *Provided*, That any corporation that is delivered with the invoice pursuant to the provisions of paragraph (3) may not submit the aggregate invoices for individual suppliers. <Amended by Act No. 6558, Dec. 31, 2001; Act No. 7838, Dec. 31, 2005>

(6) Those who have prepared or issued tax invoices or receipts or submitted aggregate tax invoices for individual suppliers or purchasers under the Value-Added Tax Act shall be deemed to have prepared or issued invoices, etc. or submitted the aggregate invoices for individual suppliers or purchasers under the provisions of paragraphs (1) through (3), and (5). <Amended by Act No. 6558, Dec. 31, 2001; Act No. 8141, Dec. 30, 2006>

(7) Necessary matters for preparing and issuing the invoice, etc. and submitting the aggregate invoices for individual suppliers or purchasers shall be prescribed by Presidential Decree.

Article 122 (Inquiry and Investigation)

Any public official in charge of the corporate tax-related business affairs may, if it is necessary to perform such business affairs, question the persons falling under any of the following subparagraphs, or examine the concerned account books, documents and other items or order them to be submitted: <Amended by Act No. 8831, Dec. 31, 2007>

1. Persons liable to pay taxes or persons deemed to have tax liability;
2. Persons responsible for collecting withholding taxes;
3. Persons liable to submit a payment statement and persons liable to submit a sum table of invoices on place of sale and purchase;
4. Persons responsible for management or administration under the provisions of Article 109 (2) 3;
5. Persons deemed to have engaged in a transaction with persons under the provisions of subparagraph 1;
6. Trade associations organized by persons liable to pay taxes and corresponding organizations; or
7. Corporations that have issued donation receipts.

ADDENDA

Article 1 (Enforcement Date)

This Act shall enter into force on January 1, 1999: *Provided*, That the

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amended provisions of Articles 8, 16, 17, 33, 34, 36, 46 through 49, 59, 63, 79, 81, 84, 86 and 99 (11) (limited to the sections on 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 Applicable Examples)

This Act shall apply from the business year which starts first after the enforcement of this Act: *Provided*, That the amended provisions on the corporate tax on liquidation income shall apply from the dissolution or merger which occurs first after the enforcement of this Act or from the division of the business year which includes the date of the enforcement of this Act, and the amended provisions on the special transfer income tax shall apply from the transfer which first occurs after the enforcement of this Act.

Article 3 (Applicable Examples for Special Cases of Merger and Division)

The amended provisions of Article 8, subparagraphs 3 and 4 of Article 17, and Articles 44 through 49, 59 (3), 99 (11) (limited to the section on divisions) and 113 (3) shall apply from the first merger after the enforcement of this Act or from the division of the business year which includes the date of the enforcement of this Act.

Article 4 (Applicable Examples for Report and Payment)

(1) The amended provisions of Articles 6, 7, 62, and 109 through 111 shall apply from the arrival of the first time limit for report or registration after the enforcement of this Act.

(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 starts first after the enforcement of this Act: *Provided*, That the amended provisions of Article 63 (1) shall apply to the first interim prepaid portion after the enforcement of this Act.

(3) The amended provisions of Articles 66 through 70 shall apply from the first report, settlement, or correction after the enforcement of this Act.

(4) The amended provisions of Articles 71 and 89 shall apply from the arrival of the first time limit for the payment of corporate tax after the enforcement of this Act.

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(5) The amended provisions of Articles 73 through 75 shall apply from the first payment after the enforcement of this Act.

Article 5 (Applicable Examples for Legal Fiction of Dividends or Distributed Funds)

The amended provisions of Article 16 shall apply from the first retirement of stocks, entry into capital or dissolution after the enforcement of this Act: *Provided*, That the amended provisions of Article 16 (1) 2 (a) (limited to merger evaluation marginal profits and division evaluation marginal profits) shall apply from the first merger after the enforcement of this Act or the entry into capital of funds generated by a division during the business year which includes the date of the enforcement of this Act, and the amended provisions of subparagraph 6 of the same paragraph shall apply from the division of the business year which includes the date of the enforcement of this Act.

Article 6 (Applicable Examples for Calculation of Deductible Expenses)

(1) The amended provisions of Article 28 (2) through (4) shall apply from the first business year starting 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 the entry into the calculation of deductible expenses in the business year beginning first after the enforcement of this Act: *Provided*, That the amended provisions of Article 29 (1) shall apply from the entry into the calculation of deductible expenses in the business year which includes the date of the enforcement of this Act, 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 the enforcement of this Act or from the division of the business year which includes the date of the enforcement of this Act.

(3) The amended provisions of Article 34 (3) shall apply from the first guarantee of obligation (including guarantee of obligation made prior to the enforcement of this Act for which the time limit has been extended) or payment after the enforcement of this Act: *Provided*, That for a corporation which had been under the application of the previous provisions of Article

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14 (1), the amended provisions of Article 34 (3) 1 shall apply from the first guarantee of obligation after January 1, 1998 (including guarantee of obligation 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 the enforcement of this Act.

(5) The amended provisions of Articles 92 (2) 3 and 98 (1) 4 shall apply to the first transfer after the enforcement of this Act.

Article 7 (Applicable Examples for Additional Taxes)

(1) The amended provisions of Article 76 (1) shall apply from the collection of corporate tax in the first business year starting after the enforcement of this Act.

(2) The amended provisions of Articles 76 (4) and 115 shall apply from the combined financial statements submitted in the first business year starting after the enforcement of this Act. In this case, the time limit for submission for the business year which starts between the date of the enforcement of this Act and December 31, 1999 shall be 7 months from the end of the concerned 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 after January 1, 2000, and the amended provisions of Article 116 shall apply from the first goods or services provided after the enforcement of this Act.

(4) The amended provisions of Article 76 (6) shall apply from the detailed statement submitted in the first business year starting after the enforcement of this Act, and the amended provisions of Article 119 (1) (excluding the section on the time limit for report) shall apply from the statement first submitted after the enforcement of this Act.

(5) The amended provisions of Article 76 (8) shall apply from the arrival of the first time limit for submission after the enforcement of this Act.

(6) The amended provisions of Articles 76 (9) 1 and 121 (2) shall apply from the first provision after July 1, 1999.

(7) The amended provisions of Article 114 shall apply from the arrival of the first time limit for public notification after the enforcement of

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this Act.

Article 8 (Special Cases concerning Calculation of Income of Profit-making Business)

(1) In the application of the amended provisions of Article 3 (2) 4, the acquisition value of stocks or contribution quotas acquired before December 31, 1988 may be the higher of the book value or the amounts under each of the following subparagraphs:

1. For stocks or contribution quotas 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; and
2. For stocks or contribution quotas not listed on a stock exchange, the value as of January 1, 1989 as evaluated under the provisions of 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 before December 31, 1990 (including attached facilities and constructions) may be the larger amount of the book value or the value as of January 1, 1991 as evaluated under the provisions of Article 60 of the Inheritance Tax and Gift Tax Act and Article 61 (1) through (3) of the same Act. *<Amended by Act No. 7838, Dec. 31, 2005>*

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

(1) In the application of the amended provisions of Article 25 (1) 2, for the business year starting 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:

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Revenue Amount	Rate
10,000,000,000 won or less	30/10,000
More than 10,000,000,000 won and up to 50,000,000,000 won	30,000,000 won + 15/10,000 of the amount in excess of 10,000,000,000 won
More than 50,000,000,000 won	90,000,000 won + 4/10,000 of the amount in excess of 50,000,000,000 won

(2) In the application of the amended provisions of Article 25 (2) and (4), for the business year starting 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 of Article 18-2 (3) within the scope of 10% 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 Time of Acquisition of Land, etc.)

In the application of the amended provisions of Article 99, the land, etc. acquired prior to December 31, 1984 shall be deemed as land, etc. acquired on January 1, 1985.

Article 11 (General Transitional Measures)

Corporate tax paid or to be paid under the previous provisions prior to the enforcement of this Act shall be governed by the previous provisions.

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

Corporate Tax shall not be levied on income generated by bonds or savings under any of the following subparagraphs:

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. Bonds issued before January 1, 1983 which fall under any of the following items:
 - (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;

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- (c) Bonds issued by the State under the previous Act on Temporary Measures on 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 for Inclusion of Reserve Fund, etc. in Calculation of Gross Income, etc.)

(1) For the inclusion of reserve funds, etc. included in the calculation of deductible expenses under the provisions of the previous Article 12 (3) before the enforcement of this Act in the calculation of gross income, the previous provisions shall govern.

(2) The time of accrual of gross income and deductible expenses for transactions, etc. under the application of the provisions of the previous Article 17 at the time of the enforcement of this Act shall be governed by the previous provisions.

(3) The withholding tax rate on interest income from bonds, etc. issued under the provisions of 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 (Relation with Other Acts and Subordinate Statutes)

Where other Acts and subordinate statutes cite the provisions of the previous Corporate Tax Act at the time of the enforcement of this Act, and there are corresponding provisions in this Act, they shall be deemed to have cited the concerned 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 (Applicable Examples)

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(1) The amended provisions of Article 18–2 shall apply starting with the portion of a dividend received first from a subsidiary after the enforcement of this Act.

(2) The amended provisions of Article 36 shall apply starting with the portion of assets acquired and renovated for business using subsidies provided first after the enforcement of this Act.

(3) The amended provisions of Article 73 (1) and (5) shall apply starting with the portion of the payment of interest income accruing first after the enforcement of this Act.

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

(1) (Enforcement Date) This Act shall enter into force on the date of its promulgation.

(2) (General Applicable Examples) This Act shall apply starting with the portion of a declaration of tax base filed for the special surtax and a determination or an alteration made with respect to the special surtax for the first time after the enforcement of this Act. <Amended by Act No. 6293, Dec. 29, 2000>

(3) (Applicable Examples to Litigation Cases on Special Surtax) This Act shall apply to disposition pursuant to the provisions of Article 59–2 (1) (limited to appeals, requests for review, requests for adjudgment 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 Article s 66 (2), 76 (7) and (8) and 120–2 shall enter into force on July 1, 2002.

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<Amended by Act No. 6558, Dec. 31, 2001>

Article 2 (General Applicable Examples)

This Act shall apply starting with the portion for the business year that starts first after the enforcement of this Act.

Article 3 (Applicable Examples to Exclusion of Received Dividend Amount from Gross Income)

The amended provisions of Articles 18-2 (1) and (3) and 18-3 shall apply starting with the portion of received dividend amount first received after the enforcement of this Act.

Article 4 (Applicable Examples to Exclusion of Entertainment Expenses from Deductible Expenses)

The amended provisions of Article 25 (2) shall apply starting with the portion of entertainment expenses included in calculation of deductible expenses for the business year to which the promulgation date of this Act belongs.

Article 5 (Applicable Examples to Exclusion of Paid Interest from Deductible Expenses)

The amended provisions of the main sentence of Article 28 (2) shall apply starting with the portion of paid interest for the business year that first starts on or after January 1, 2002.

Article 6 (Applicable Examples to Inclusion of Policyholder Dividend Reserve Fund in Deductible Expenses)

The amended provisions of Article 31 (4) shall apply starting with the portion that is included in deductible expenses for the business year to which the enforcement date of this Act belongs.

Article 7 (Applicable Examples to Securities Trading Reserve)

The amended provisions of Article 32 shall apply starting with the portion of the business year to which the enforcement date of this Act belongs.

Article 8 (Applicable Examples to Income Deduction for Mutual Funds, etc.)

The amended provisions of Article 51-2 (1) 2 and 3 shall apply starting with the portion first distributed after the enforcement of this Act.

Article 9 (Applicable Examples to Interim Prepayment)

The amended provisions of the proviso of Article 63 (1) shall apply starting with the portion of the first interim prepayment after the enforcement of this Act.

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Article 10 (Applicable Examples to Withholding at Source)

(1) The amended provisions of Article 73 (1) shall apply starting with the portion of 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 starting with the portion of bonds, etc. first sold or interest, etc. first 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 (Applicable Examples 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 starting with the portion first transferred after the enforcement of this Act.

(2) The amended provisions of subparagraph 11 of Article 93 shall apply starting with the portion of income first accrued after the enforcement of this Act.

Article 12 (Applicable Examples to Special Cases for Reports, etc. on Securities Transfer Margin by Foreign Corporations)

The amended provisions of Article 98-2 shall apply starting with the portion that first meets the taxable criteria under the corresponding taxation treaty after the promulgation of this Act.

Article 13 (Applicable Examples 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 starting with the portion first paid on or after July 1, 2002.

<Amended by Act No. 6558, Dec. 31, 2001>

Article 14 (Applicable Examples to Special Surtax)

The amended provisions of Articles 99, 102, and 104 shall apply starting with the portion first transferred after the enforcement of this Act.

Article 15 (Transitional Measures for Inclusion of Securities Trading Reserve in Gross Income)

The previous provisions shall apply to inclusion, etc. of securities trading reserve included in calculation of deductible expenses pursuant to the

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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 Applicable Examples)

This Act shall apply, starting with the portion of the business year that commences for the first time after the enforcement of this Act.

Article 3 (Applicable Examples concerning Legal Fiction of Dividend or Distribution)

The amended provisions of Article 16 (1) 2 shall apply, starting with the portion of equity stocks or contribution quotas that is retired for the first time after the enforcement of this Act.

Article 4 (Applicable Examples concerning Non-Inclusion of Received Dividend Amount in Gross Income)

The amended provisions of Articles 18-2 (1) 4 and 18-3 (2) shall apply, starting with the portion of dividend that is earned for the first time after the enforcement of this Act.

Article 5 (Applicable Examples concerning Inclusion of Value of Assets for Business Acquired Using National Treasury Subsidies, etc. in Deductible Expenses)

The amended provisions of Article 36 (1) and (4) shall apply, starting with the portion for which the National Treasury subsidies, etc are given for the first time after the enforcement of this Act.

Article 6 (Applicable Examples concerning Succession of Losses Carried Forward at the Time of Merger)

The amended provisions of Article 45 (1) 1 shall apply, starting with the portion of a merger that is effected in the business year to which the date of promulgation of this Act belongs.

Article 7 (Applicable Examples concerning Inclusion of Amount Equivalent to Transfer Marginal Profit of Assets Accruing from Spin-off in Deductible Expenses)

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The amended provisions of Article 47 shall apply, starting with the portion of any division or any merger that is effected for the first time after the enforcement of this Act.

Article 8 (Applicable Examples concerning Income Deduction for Corporate Restructuring Real Estate Investment Company)

The amended provisions of Article 51-2 (1) 4 shall apply, starting with the portion of any dividend that is given for the first time after the enforcement of this Act.

Article 9 (Applicable Examples concerning Special Cases for Taxation on Income Accruing from 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, starting with the portion that is transferred for the first time after the enforcement of this Act.

Article 10 (Applicable Examples concerning Special Cases for Appropriating Reserve Fund as Deductible Expenses)

The amended provisions of Article 61 (1) shall apply, starting with the portion that is appropriated in the statement of tax reconciliation of the business year to which the date of promulgation of this Act belongs.

Article 11 (Applicable Examples concerning Special Cases for Taxation of Income Accruing from Transfer of Assets by Non-profit Domestic Corporation)

The amended provisions of Article 62-2 shall apply, starting with the portion that is transferred for the first time after the enforcement of this Act.

Article 12 (Applicable Examples concerning Additional Tax)

(1) The amended provisions of Article 76 (1) 3 shall apply, starting with the portion whose payment time limit comes due for the first time after the enforcement of this Act.

(2) The amended provisions of Article 76 (5) will apply, starting with the portion that is supplied with goods and services in the business year to which the date of enforcement of this Act belongs.

Article 13 (Applicable Examples concerning Income Generated from Source in Korea by Foreign Corporation)

The amended provisions of subparagraphs 2 and 11 of Article 93 shall apply, starting with the portion that is disposed of as a dividend or other income for the first time after the enforcement of this Act.

Article 14 (Applicable Examples concerning Tax Withholding of Bonds,

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etc. of Foreign Corporation)

The amended provisions of Article 98-3 shall apply, starting with the portion to which interest, etc. is paid or bonds, etc. are sold for the first time after the enforcement of this Act.

Article 15 (Applicable Examples concerning Application for Non-Taxation, etc. on Income Generated from Source in Korea by Foreign Corporation)

The amended provisions of Article 98-4 shall apply, starting with the portion that is untaxed or exempted from taxation for the first time after July 1, 2002.

Article 16 (Applicable Examples concerning Obligation to Publish Balance Sheet)

The amended provisions of Articles 76 (3) and 114 shall apply, starting with the business year to which the date of promulgation of this Act belongs.

Article 17 (Applicable Examples concerning Submission of Written Payment Statement on Income Generated from Source in Korea by Foreign Corporation)

The amended provisions of Article 120-2 (1) shall apply, starting with the portion that is paid for the first time after July 1, 2002.

Article 18 (Applicable Examples concerning Preparation and Delivery, etc. of Invoice)

The amended provisions of Article 121 shall apply, starting with the portion of goods or services that are supplied or imported for the first time after the enforcement of this Act.

Article 19 (Transitional Measures concerning Non-inclusion of Dividend Earned in Earnings 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 the Local Tax Act is amended by Act No. 6312) (limited to the amount exceeding the tax amount 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

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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 Proper Excess Earned Reserve)

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 at the time that this Act enters into force shall be governed by the previous provisions.

Article 23 (Transitional Measures concerning Abolishment of Special Surtax)

Any special surtax that is levied or to be levied under the previous provisions at the time that this Act enters into force shall be governed by the previous provisions.

Article 24 Omitted.

Article 25 (Transitional Measures concerning Amendments to Other Acts)

Where the special surtax is levied on the income generated from the transfer, etc. of lands or businesses before the enforcement of this Act, the amount of such special surtax that is deemed to be the development cost 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

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(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 Applicable Examples)

This Act shall apply beginning with the first business year that starts after the enforcement of this Act.

Article 3 (Applicable Examples regarding Non-Inclusion of Holding Company's Received Dividend Amount in Calculation of Gross Income)

The amended provisions of Article 18-2 (1) 4 shall apply beginning with the first dividend from subsidiary after the enforcement of this Act.

Article 4 (Applicable Examples regarding Income Deduction of Dividend Amount of Ship Investment Company)

The amended provisions of Article 51-2 (1) 5 shall apply beginning with the first dividend after the enforcement of this Act.

Article 5 (Applicable Examples regarding Special Cases for Taxation following Transfer of Land)

The amended provisions of Article 55-2 (1) shall apply beginning with the first transfer after the enforcement of this Act.

Article 6 (Applicable Examples regarding Correction, etc. of Corporate Tax resulting from Wrongful Accounting Handling)

The amended provisions of Articles 58-3, 59 (1) 4, 66 (2) 4 and 72-2 shall apply beginning with the first portion disposed warning, attention, etc. due to wrongful accounting handling after the enforcement of this Act.

Article 7 (Applicable Examples regarding Exemption of Collection of Withholding Tax in case of Non-Execution of Withholding)

The amended provisions of proviso of Article 71 (3) shall apply beginning with the first payment after decision or correction after the enforcement of this Act.

Article 8 (Applicable Examples regarding Extent of Income Generated from Sources in Korea)

(1) The amended provisions of subparagraph 4 of Article 93 shall apply beginning with the first lease after the enforcement of this Act.

(2) The amended provisions of subparagraph 6 of Article 93 shall apply beginning with the first supply of service after the enforcement of this Act.

(3) The amended provisions of subparagraph 11 (i) of Article 93, Article

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98 (10) and (11) shall apply beginning with the first capital transaction after the enforcement of this Act.

Article 9 (Applicable Examples regarding Report, etc. of Corporate Tax by Foreign Corporation)

The amended provisions of former part of Article 97 (1) shall apply beginning with the first report of tax base and tax amount after the enforcement of this Act.

Article 10 (Applicable Examples regarding Withholding of Transfer Income)

The amended provisions of Article 98 (1) shall apply beginning with the first transfer after the enforcement of this Act.

Article 11 (Applicable Examples regarding Special Cases for Responsibility of Submission of Written Payment Statements on Income, etc. Generated from Sources in Korea by Foreign Corporation)

The amended provisions of main sentence of Article 120-2 (1) shall apply beginning with the first payment of income generated from sources in Korea after the enforcement of this Act.

Article 12 (Special Cases for Interim Prepayment)

In calculating the amount of interim prepayment tax for the interim prepayment period starting after January 1, 2005, the calculated tax amount as fixed for corporate tax of the immediately preceding business year from the concerned 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 (Applicable Examples regarding Investment Assets, Investment Company, etc.)

The provisions regarding investment assets, investment company, etc. to be amended following the enforcement of the Act on Business of Operating Indirect Investment and Assets shall apply beginning with 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 regarding House Transfer Income)

In case where a corporation who has a house corresponding to Article 55-2 (1) 2 at the time of enforcement of this Act transfers the house concerned before December 31, 2004, the amended provisions of Article 55-2 (1) 2 shall not apply: *Provided*, That the corporation concerned acquires

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another house newly after January 1, 2004, this shall not apply.

Article 15 (Transitional Measures regarding Extent of Income Generated from Sources in Korea of 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 regarded as 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 Applicable Examples) This Act shall apply beginning with the first business year that starts after the enforcement of this Act.

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 (Applicable Examples regarding Legal Fiction of Dividend or Allotment)

The amended provisions of Article 16 (1) 2 (a) shall begin to apply with the portion of loan that is converted into investment for the first time after the enforcement of this Act.

Article 3 (Applicable Examples regarding Non-Inclusion of Received Dividend Amount in Calculation of Gross Income)

The amended provisions of Articles 18-2 (1) 3, and 18-3 (1) 1 (proviso)

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and 3 shall begin to apply with the portion of dividend that is received for the first time after the enforcement of this Act.

Article 4 (Applicable Examples regarding Deduction of Income regarding Private Equity Funds, etc.)

The amended provisions of Article 51–2 (1) 2 shall begin to apply with the portion of dividend paid for the first time after the enforcement of this Act.

Article 5 (Applicable Examples regarding Deduction of Income regarding Real Estate Investment Company for Consigned–Management)

The amended provisions of Article 51–2 (1) 4 shall begin to apply with the portion of dividend paid for the first time after April 23, 2005.

Article 6 (Applicable Examples regarding Deduction of Income regarding Loss from Disaster)

The amended provisions of Article 58 (1) shall begin to apply with the portion of asset lost for the first time after the enforcement of this Act.

Article 7 (Applicable Examples regarding Decision and Correction)

The amended provisions of Article 66 (2) 3 shall begin to apply with the portion of decision or correction conducted in the first business year after the enforcement of this Act.

Article 8 (Applicable Examples regarding Withholding)

The amended provisions of Article 73 (1) 1 and 2 shall begin to apply with the portion of interest income and allotment occurring from trust fund revenue for the first time after the enforcement of this Act, and the amended provisions of Articles 73 (8) and 74 (2) shall begin to apply with the portion withheld for the first time after July 1, 2005.

Article 9 (Applicable Examples regarding Additional Tax on Unfaithful Payment of Withholding Tax)

The amended provisions of Article 76 (2) shall begin to apply with the portion of interest income amount and allotment from trust fund paid for the first time after the enforcement of this Act.

Article 10 (Applicable Examples regarding Domestic Withholding Income)

The amended provisions of subparagraph 10 of Article 93 shall begin to apply with the portion transferred for the first time after the enforcement of this Act.

Article 11 (Applicable Examples regarding Carried–Forward Deduction of Tax Paid Abroad)

The amended provisions of Article 97 (1) shall begin to apply with the

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portion reported for the first time after the enforcement of this Act.

Article 12 (Applicable Examples regarding Special Cases of Withholding on Bonds, etc. of Foreign Corporations)

The amended provisions of Article 98-3 (1) through (3) and (6) shall begin to apply with the portion withheld for the first time after July 1, 2005.

Article 13 (Applicable Examples regarding Report of Establishment or Installation of Corporation)

The amended provisions of Article 109 (3) shall begin to apply with the portion modified in the matters of report on establishment or installation for the first time after the enforcement of this Act.

Article 14 (General Examples of Application)

This Act shall begin to apply with the first business year commencing after the enforcement of this Act.

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 of 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 Application Example)

This Act shall apply with the first business year after the enforcement of this Act.

Article 3 (Application Example concerning Legal Fiction of Dividends or Distributed Amount)

The amended provisions of Articles 16 (1) 2 (a), and 17 (1) 1 (proviso) and (2) shall apply to the portion of the conversion of liability to investment that is first effected after the enforcement of this Act.

Article 4 (Application Example concerning Exclusion, etc. of Received Dividend Amount of Holding Companies from Gross Income, etc.)

The amended provisions of Articles 18-2 and 18-3 shall apply to the portion of dividends that are first paid after the enforcement of this Act.

Article 5 (Application Example and Special Application Example concerning Exclusion of Donations from Deductible Expenses)

(1) The amended provisions of Article 24 (2) and (3) shall apply to the portion that is disbursed in the first business year after the enforcement

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of this Act.

(2) In the application of the amended provisions of Article 24 (2), with respect to the portion that is disbursed by the business year that comes to an end within 3 years from the business year that first begins after the enforcement of this Act, “50/100” in the proviso to other portion than each subparagraph of the same paragraph shall be made “75/100”, notwithstanding the amended provisions of the proviso to other portion than each subparagraph of the same paragraph of the same Article.

Article 6 (Application Example concerning Exclusion of Entertainment Expenses from Deductible Expenses)

The amended provisions of the proviso to other portion than each subparagraph of Article 25 (2) shall apply to the portion that is first disbursed after the enforcement of this Act.

Article 7 (Application Example concerning Exclusion of Excessive Expenses, etc. from Deductible Expenses)

The amended provisions of Article 26 shall apply to the portion that is disbursed in the business year that the date on which this Act enters into force belongs to.

Article 8 (Application Example concerning Inclusion of Reserve Fund for Proper Purpose Business in Deductible Expenses)

The amended provisions of Article 29 shall apply to the portion that is included in the deductible expenses in the business year that first begins after the enforcement of this Act.

Article 9 (Application Example concerning Inclusion of Value of Fixed Assets Acquired in Use of Construction Work Charges in Deductible Expenses)

The amended provisions of Article 37 (2) shall apply to the portion that is first provided with construction work charges after the enforcement of this Act.

Article 10 (Application Example concerning Appraisal of Assets and Liabilities)

The amended provisions of Article 42 (3) shall apply to the portion whose appraisal is conducted in the first business year after the enforcement of this Act.

Article 11 (Application Example concerning Succession of Loss Carried Forward When Merger and Division Are Effected)

The amended provisions of Articles 45 and 48-2 shall apply to the portion that is first merged or split after the enforcement of this Act.

Article 12 (Application Example concerning Inclusion of Amount Equivalent to Asset Transfer Marginal Profit in Deductible Expenses Due to

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Exchange)

The amended provisions of Article 50 shall apply to the portion of assets that are first exchanged after the enforcement of this Act.

Article 13 (Application Example concerning Income Deduction for Special Purpose Company, etc.)

The amended provisions of Article 51-2 shall apply to the portion of dividends that are first paid after the enforcement of this Act: *Provided*, That in the case of any ship investment company under the Ship Investment Company Act, the amended provisions shall apply to the portion of dividends that are first paid after January 1, 2009.

Article 14 (Application Example concerning Special Case of Taxation of Transfer Income from Lands, etc.)

The amended provisions of Article 55-2 shall apply to the portion that is first transferred after January 1, 2007.

Article 15 (Application Example concerning Special Case of Deduction of Tax Amount Paid Abroad by Indirect Investment Company, etc.)

The amended provisions of Article 57-2 shall apply to the portion of the income that is first generated after the enforcement of this Act.

Article 16 (Application Example concerning Interim Prepayment)

The amended provisions of Article 63 shall apply to the portion of the interim prepayment that is first made after the enforcement of this Act.

Article 17 (Application Example concerning Additional Tax)

(1) The amended provisions of Article 76 (1) 3 shall apply to the portion of the corporate tax that is first paid or collected after the enforcement of this Act.

(2) The amended provisions of Article 76 (6), (7) and (9) shall apply to the portion whose submission time limit first arrives after the enforcement of this Act.

(3) The amended provisions of Article 76 (10) shall apply to the portion of donations that are first received after the enforcement of this Act.

Article 18 (Application Example concerning Income Generated from Sources in Republic of Korea for Foreign Corporations)

(1) The amended provisions of subparagraph 2 of Article 93 shall apply to the portion that is first disposed of for dividends after the enforcement of this Act.

(2) The amended provisions of subparagraph 6 of Article 93 shall apply to the portion of the income that is first generated after the enforcement

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of this Act.

Article 19 (Application Example concerning Special Case of Procedures for Withholding Taxes at Source for Foreign Corporations)

The amended provisions of Article 98-5 shall apply to the portion that is first withheld at source after July 1, 2006.

Article 20 (Application Example concerning Obligation to Prepare and Keep, etc. Details of Issuance of Donation Receipts)

The amended provisions of Article 112-2 shall apply to the portion that is first donated after the enforcement of this Act.

Article 21 (Application Example concerning Special Case of Taxation in Calculation of Income Generated from Profit-Making Business)

The amended provisions of Article 8 (2) of the Addenda of the Corporate Tax Act amended by Act No. 5581 shall apply to the portion that is first transferred in the business year that the date on which this Act enters into force belongs to.

Article 22 (Transitional Measures concerning Decision to Grant Authorization for Rehabilitation Plan under Debtor Rehabilitation and Bankruptcy Act of Amended Provisions of Article 42 (3))

(1) The decision to grant an authorization for the reorganization plan under the previous Company Reorganization Act, the decision to grant an authorization for the composition plan under the previous Composition Act and the decision to grant an authorization for compulsory composition under the previous Bankruptcy Act shall be deemed the decision to grant an authorization for the rehabilitation plan under the Debtor Rehabilitation and Bankruptcy Act according to the amended provisions of Article 42 (3).

(2) The decision to grant an authorization for the rehabilitation plan under the Debtor Rehabilitation and Bankruptcy Act among the amended provisions of Article 42 (3) shall be deemed the decision to grant an authorization for the reorganization plan under the Company Reorganization Act, the decision to grant an authorization for composition under the Composition Act and the decision to grant an authorization for compulsory composition under the Bankruptcy Act, respectively on or before March 31, 2006.

ADDENDA <Act No. 7908, Mar. 24, 2006>

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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 take effect on 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 Examples of Application)

This Act shall apply beginning with the first business year that starts after the enforcement of this Act.

Article 3 (Applicable Examples regarding Non-Inclusion of Holding Company's Received Dividend Amount in Calculation of Gross Income)

(1) The amended provisions of Article 18-2 (1) 1 shall apply with respect to the portion of the dividend which is received on or after January 1, 2009.

(2) The amended provisions of Article 18-2 (1) 2 shall apply with respect to the portion of the dividend which is received on or after the enforcement date of this Act.

Article 4 (Applicable Examples regarding Non-Inclusion of Received Dividend Amount in Calculation of Gross Income)

The amended provisions of Article 18-3 (2) shall apply with respect to the portion of the dividend which is received on or after the enforcement date of this Act.

Article 5 (Applicable Examples regarding Non-Inclusion of Entertainment Expenses in Calculation of Deductible Expenses)

The amended provisions of Article 25 (2) 2 shall apply with respect to the portion that is issued in return for goods or services provided on or after July 1, 2007.

Article 6 (Applicable Examples regarding Investment Trust Proceeds)

The amended provisions of Articles 29 (1) 1, 57-2 (3), 62 (1) and 73 (1) shall apply with respect to the portion of the investment trust that is created on or after the enforcement date of this Act.

Article 7 (Applicable Examples regarding Income Deduction for Special Purpose Company, etc.)

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The amended provisions of Article 51-2 (1) 5-3, 5-4 and 6 shall apply with respect to the portion of the dividend that is paid on or after the enforcement date of this Act.

Article 8 (Applicable Examples regarding Deduction, etc. of Tax Amount Paid Abroad)

The amended provisions of Article 57 (5) shall apply with respect to the amount of the dividend which is received on or after the enforcement date of this Act.

Article 9 (Applicable Examples regarding Special Cases for Deduction of Tax Amount Paid Abroad by Indirect Investment Company, etc.)

The amended provisions of Article 57-2 (1) shall apply with respect to the portion of the income that is generated on or after the enforcement date of this Act.

Article 10 (Applicable Examples regarding Correction and Decision)

The amended provisions of Article 66 (2) 3 shall apply with respect to the portion of correction for which the cause concerned is accrued on or after July 1, 2007.

Article 11 (Applicable Examples regarding Additional Tax, etc.)

(1) The amended provisions of Articles 76 (9) 3 and 120-3 shall apply with respect to the portion of the tax invoice that is delivered on or after the enforcement date of this Act.

(2) The amended provisions of Article 76 (11) and (12) shall apply with respect to the portion of goods or services which are provided, or to a person subject to cash receipt affiliate membership, who fails to hold such membership, on or after July 1, 2007.

Article 12 (Applicable Examples regarding Domestic Source Income)

The amended provisions of subparagraph 11 (g) of Article 93 shall apply with respect to the portion of the income that is generated on or after the enforcement date of this Act.

Article 13 (Applicable Examples regarding Special Cases for Withholding or Collection for Foreign Corporations)

(1) The amended provisions of Article 98 (1) with the exception of its subparagraphs shall apply with respect to the portion that is transferred on or after the enforcement date of this Act.

(2) The amended provisions of the proviso to Article 98 (1) 3 shall apply with respect to the portion of the interest income that is generated on or after the enforcement date of this Act.

Article 14 (Applicable Examples regarding Receipt and Keeping of Documentary Evidence of Expenditures)

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The amended provisions of Article 116 (3) and (4) shall apply with respect to the portion that is issued in return for goods or services provided on or after July 1, 2007.

Article 15 (Applicable Examples regarding Duty to Have Credit Card Affiliate Membership and to Issue Credit Card Sales Slips, etc.)

The amended provisions of Article 117 shall apply with respect to the portion of goods or services which are provided on or after July 1, 2007.

Article 16 (Applicable Examples regarding Duty to Have Cash Receipt Affiliate Membership and to Issue Cash Receipts, etc.)

The amended provisions of Article 117-2 shall apply with respect to the portion of goods or services which are provided on or after July 1, 2007.

Article 17 (Applicable Examples regarding Holding of Cash Receipt Affiliate Membership)

Notwithstanding the amended provisions of Article 117-2 (1), a corporation which meets the requirements for cash receipt affiliate membership not later than March 31, 2007 after the enforcement date of this Act may become a cash receipt affiliate member not 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 Calculation of Gross Income)

Notwithstanding the amended provisions of subparagraph 6 of Article 18, with respect to the dividend income amount received prior to the enforcement of this Act, the previous provisions shall prevail.

Article 19 (Transitional Measures concerning Additional Tax)

Notwithstanding the amended provisions of Articles 76 (1) and 90 (1), with respect to the additional tax imposed or to be imposed in accordance with the previous provisions of Articles 76 (1) and 90 (1) prior to the enforcement of this Act, the previous provisions shall prevail.

ADDENDA <Act No. 8519, Jul. 19, 2007>

(1) (Enforcement Date) This Act shall enter into force on January 1, 2008.

(2) (Applicable Examples concerning Corporate Tax on Income for each Business Year of Faithful Small and Medium Corporations) The amended provisions of Chapter II-2 shall apply beginning with the portion for the business year to which the enforcement date of this Act belongs.

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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 Applicable Examples)

This Act shall apply beginning with the portion of the business year that commences for the first time after this Act enters into force.

Article 3 (Applicable Examples concerning Non-Inclusion of Received Dividend 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 beginning with the portion that receives dividend for the first time after this Act enters into force.

Article 4 (Applicable Examples concerning Inclusion of Value of Assets for Business Acquired by National Treasury Subsidies in Deductible Expenses)

The amended provisions of Article 36-2 shall apply beginning with the portion that receives National Treasury subsidies for the first time after this Act enters into force.

Article 5 (Applicable Examples concerning Tax Credit or Tax Amount Paid in Foreign Country)

The amended provisions of Article 57 (5) shall apply beginning with the portion that receives dividend for the first time after this Act enters into force.

Article 6 (Applicable Examples concerning Determination and Correction)

The amended provisions of Article 66 (2) 3 (a) shall apply beginning with the portion for a business year being determined or corrected, which commences for the first time after this Act enters into force.

Article 7 (Applicable Examples concerning Determination of Occasional Imposts)

The amended provisions of Article 69 (2) shall apply beginning with the

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portion for which a cause for occasional impost occurs for the first time after this Act enters into force.

Article 8 (Applicable Examples concerning Additional Tax)

(1) The amended provisions of Article 76 (10) shall apply beginning with the portion for which the donation receipt is prepared differently from the fact, or the detailed statement of issuance by donating corporation is not prepared and kept for the first time after this Act enters into force.

(2) The amended provisions of Article 76 (12) shall apply beginning with the portion for which goods or services are supplied for the first time after this Act enters into force.

Article 9 (Applicable Examples concerning Income Generated from Sources in Korea)

The amended provisions of subparagraph 10 of Article 93 shall apply beginning with the portion that is transferred for the first time after this Act enters into force.

Article 10 (Applicable Examples concerning Special Cases for Report, Payment, etc. on Income Accruing from Transfer of Securities by Foreign Corporations)

The amended provisions of Article 98-2 (3) and (4) shall apply beginning with the portion that is transferred for the first time after this Act enters into force.

Article 11 (Applicable Examples concerning Liability to Prepare and Keep Details of Donation Receipts Issued)

The amended provisions of Article 112-2 (1) shall apply beginning with the portion that is donated for the first time after this Act enters into force.

Article 12 (Applicable Examples concerning Duties to Join Credit Card Affiliate Membership and to Issue Credit Card Sales Slips)

The amended provisions of Article 117 (2) shall apply beginning with the portion for which goods or services are supplied for the first time after this Act enters into force.

Article 13 (Applicable Examples concerning Submission of Detailed Statement on Change of Stocks)

The amended provisions of Article 119 (2) shall apply beginning with the portion that is submitted for the first time after this Act enters into force.

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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.