



Tax Services and Products

Republic of Korea



pwc

SAMIL | 삼일회계법인

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Foreword



Tax Leader

Sung-Chun Ko

Market pressures, changing regulatory environment, increasing cross-border issues and globalization have increased the complexity of tax planning and compliance.

Our effective use of multidisciplinary teams, together with knowledge and experience developed over the last 40 years, enable us to meet the demanding business needs of our clients.

To provide quality tax services, it is absolutely critical to have in-depth knowledge of the industries and markets in which our clients operate. Industry-focused and product-specialized teams with deep expert knowledge, experience and know-how are the true hallmarks of Samil PwC's Tax Practice.

Intro to the Samil PwC Tax Practice

Samil PwC is the premier tax adviser in Korea. With approximately 600 professionals, we are also the largest tax practice in Korea. Our multidisciplinary team of tax professionals includes experts in the fields of tax, accounting, law, economics and finance.

Many of our professionals previously served with governmental bodies in the areas of national tax, customs and local tax administration. Our senior professionals also frequently serve as external advisors to the Ministry of Finance and Economy(MOFE) and the National Tax Service(NTS) regarding tax policy and regulations.

As a member of PwC, we can also draw on the wealth of resources and expertise provided by dedicated tax professionals in 743 offices in 157 countries. This means that we can support clients both locally and globally, wherever you require tax advice.

We provide a full range of tax services:

- Corporate reorganization tax advice
- Due diligence review and advice on tax-efficient structures
- Structuring of investments and financing
- Share valuation
- Inbound and outbound structuring services
- Assistance in tax audit and tax appeal
- Application for rulings from tax authorities
- Tax health-check services
- Foreign direct investment and tax holiday advisory
- Tax evaluation of deals
- Tax treaty analysis
- Transfer pricing
- Foreign investment in Korean real estate
- Advice on strategic transfer of personal financial assets
- Tax advice on acquisitions, mergers, divestitures, factory/head office relocation
- Advice on customs and foreign exchange transactions regulations
- Expatriate tax compliance and planning
- Strategic planning for executive and employee compensation
- Korean income tax compliance and advice for international assignees

Tax Services and Products

We understand clients expect us to know their business and to provide highly specialized solutions that distinguish us from our competitors. Samil PwC has dedicated teams of professionals that provide value added services to companies interested in specialized services such as transfer pricing, global tax structuring, customs and international trade consulting, and international assignment as well as human resource services.

These specialized services and other solutions to issues that frequently arise are described in the following pages. If you would like further information on these and other areas of our tax services, please contact our professionals on page 18.



Inbound Planning & Structuring

We have accumulated significant experience designing and setting up tax efficient investment structures that foreign investors can use as a vehicle for making investments into Korea.

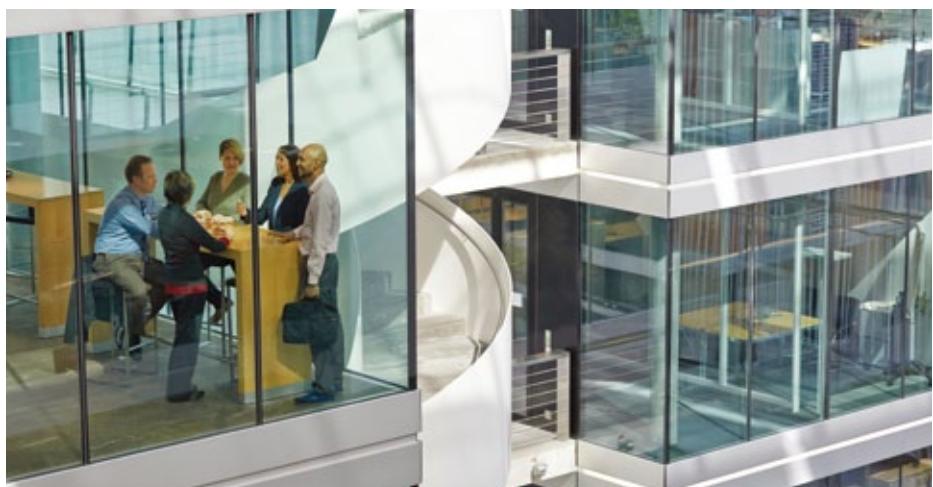
- Analysis and recommendation of the most suitable business formation based on the objective of the business operation/investment, including agency service for the incorporation of the entity(ies) selected.
- Analysis and recommendation of a tax efficient capital structure, including advice on preferred investing country(ies).
- Analysis of the possibility of obtaining tax reduction or tax exemption available to certain foreign invested companies, including assistance in the tax reduction or exemption application process.
- Due diligence and structuring service.
- Analysis and recommendation of a tax-efficient exit strategy, including agency services for the liquidation or dissolution of the entity(ies).

Our Expertise

The exit tax cost (i.e. the inability to take certain tax benefits and/or actual tax) of a foreign invested company may depend on the entity's business type, capital structure and location of the company. Careful planning is required to develop a tax-efficient exit strategy prior to making an investment in Korea.

When taking over an existing Korean company, careful due diligence should be performed to understand the contingencies of the company and how changes in the tax laws may affect those contingencies. This information is essential in evaluating a potential acquisition, negotiating price as well as setting up an effective investment structure.

Furthermore, a foreign invested company can minimize tax costs and maximize after tax cash inflow by qualifying for tax reductions or exemptions at the beginning of the foreign investment.



Corporate Restructuring

Samil PwC has the expertise to assist multinational clients with mergers, divestitures, business or asset transfers and holding company structures.

We design corporate restructuring models and provide relevant tax advice tailored to each client's specific current and future needs. These needs may include streamlining of management or development of long-term strategies.

We can be instrumental in setting up an optimal corporate structure, reducing tax costs and risks, and increasing corporate value.

Our restructuring services include:

- Analysis/simulation of restructuring strategy alternatives.
- Determination of appropriate and tax-efficient financial structures.
- Consultation on holding company structures.
- Assistance with management schedules and related filing, documentation and registration.
- Planning the implementation of the restructuring, including M&A ratio computations and feasibility studies.

Our Expertise

Increasingly, clients face diverse needs for corporate restructuring to achieve business rationalization, long-term development or competitive edge in the market.

An appropriate restructuring plan which blends financial and tax considerations proves beneficial for companies to successfully meet their business goals.

Our professionals can assist clients with a proper corporate restructuring plan to ensure the following advantages:

- Increase share value and liquidity through influx of new capital investment.
- Performance improvement.
- Facilitation of centralization or decentralization of core strategic businesses.
- Improve transparency through reform of corporate governance structure.
- Effective business succession planning.
- Efficient financing arrangements.
- Decrease business risks.



Transfer Pricing

Transfer pricing is one of the most important international tax issues facing multinational companies doing business in Korea.

We provide a full range of transfer pricing services on inbound and outbound transactions and serve foreign companies doing business in Korea as well as Korean companies doing business overseas.

Our services include:

- Documentation of transfer pricing policies and compliance.
- Risk assessment of taxpayer's potential risk exposure in advance of a transfer pricing audit.
- Assistance on transfer pricing audit defense and appeals.
- Litigation support.
- Advance pricing agreements (APA).
- Competent authority negotiations.
- Planning/restructuring.

Our Expertise

With more than 50 fully dedicated professionals, Samil PwC has the largest transfer pricing practice in Korea. Samil PwC has been recognized as the leading practice in Korea by the International Tax Review. Our multidisciplinary team of professionals has backgrounds in accounting, tax, finance, economics and law. This combination of experience enables us to develop innovative approaches to transfer pricing issues.

Our professionals have been involved in some of the largest and most complex transfer pricing audits and dispute resolution in Korea. Our wide range of expertise and experience enables us to help companies resolve their transfer pricing issues and minimize their transfer pricing exposures.

Our dedicated transfer pricing practice has prepared studies that cover a wide range of inter-company transactions and can help clients with documentation to defend their transfer pricing data. In addition, our transfer pricing practice has accumulated significant experience helping clients obtain APAs.

As an active member of the PwC Global Transfer Pricing Network, we have strong access to global resources and expertise which enables us to assist you in whichever jurisdiction you require support.



Real Estate Investment & Development

In today's ever changing Korean real estate market, Samil PwC has continued to provide expert advice on deal structuring, legal advice, accounting and tax advisory services to investors who seek to minimize legal and tax risks and maximize investment returns.

Our real estate tax advisory team is comprised of tax and accounting professionals, legal experts as well as onshore and offshore structuring specialists.

The following major services are offered by our multi-disciplined team:

- ***Inbound Structuring***

Advice on appropriate entity location, optimal transaction structuring, financing structuring, examining conditions to accelerate tax relief or obtain tax exemptions.

- ***Outbound Structuring***

Advice on local taxation and regulatory matters, transaction structuring, and financing structuring for overseas expansion of a domestic company.

- ***Effective Tax Rate Analysis***

Cash flow projection through analysis of financing structure, and domestic and foreign tax effects.

- ***Due Diligence and Valuation***

Tax due diligence and valuation services on share or asset acquisition.

- ***Authorization and Establishment***

Assistance in obtaining authorization related to real estate investment, application for authoritative interpretations, contract review service and advice on amendment of laws.

- ***Management***

Business trustee service, tax reconciliation, accounting and tax advice, bookkeeping and various compliance services.

Our Expertise

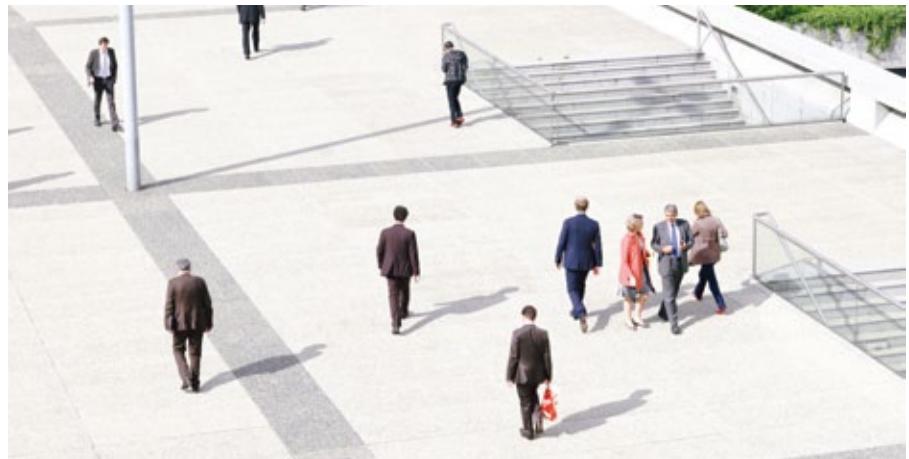
In cooperation with overseas PwC member firms, our real estate tax advisory professionals can provide appropriate structuring plans for clients to achieve their goals to mitigate tax burden and maximize return in real estate investment and development.

An appropriate structuring plan blends various tax-efficient considerations such as intermediary holding companies, owner of real estate, tax treaties and finance structures.

As 'aggressive tax planning' is highly scrutinized, foreign investors need sophisticated transaction structuring plans.

Samil PwC is ideally positioned to offer clients innovative solutions to add client value with specialized resources combining foreign client experience, property taxation skills, and access to PwC global network of real estate specialists.

Our real estate tax advisory professionals specialize in deal structuring, valuation, ABS, and REITs. We have assisted our clients in mega real estate transactions in Korea including Star Tower, SK Securities Building, Daewoo Securities Building, Dongyang Securities Building, Seoul Securities Building and Prudential Tower.



Tax Health-Check

Recently, tax and accounting regulations in Korea have gone through various changes. Samil PwC can conduct a high level analysis of a company to provide advice on how to minimize potential tax risk from possible non-compliance as a result of the recent changes in the laws and regulations.

Our Tax Health-Check services include:

- Identification of issues through understanding of management activities and industry-specific issues.
- Assessment of accurate classification and tax treatment.
- Comprehensive review and analysis of major accounts and transactions.
- In-depth review of issue-specific laws and regulations and quantification of potential tax effect.
- Development of appropriate solutions to minimize possible tax exposures and risks.
- Request for ruling or interpretations by tax authorities on issues in question or dispute to minimize risks of uncertain tax liabilities from a possible challenge by the tax authorities.
- Comprehensive review of tax reconciliation to ensure all opportunities to reduce tax liability or to obtain refund of overpaid tax have been explored.
- Identification of areas where tax exemptions or reductions may be utilized to reduce future tax liability.
- Assistance with preliminary steps to file a tax appeal, if necessary.

Our Expertise

Extensive experience and in-depth knowledge of accounting, tax laws as well as other business regulations are required to perform and deliver an effective tax health-check.

Our professionals are experienced in relevant technical subjects, working with the tax authorities and consulting to companies of all sizes.

We have a deep pool of professional resources including former government officials. We can help clients identify potential areas where tax efficiency may be improved and corporate value be maximized.

Tax Audit Defense

Over the last several years, the Korean tax authorities have continued to increase the intensity and scope of tax audits. The tax authorities have extended the coverage of tax audits to stock transfer, related party transactions, restructuring and international transactions.

This increases the possibility of additional tax assessment and liabilities and requires an expert understanding of tax laws and audit processes. Taxpayers are often unfamiliar with the requirements of the tax laws and regulations and find it difficult to independently deal with issues challenged by a tax auditor.

In assisting a taxpayer during a tax audit, we perform the following:

- Review contents of information document request by a tax auditor to evaluate audit direction and assess potential ramifications and implications.
- On-site assistance in responding to and managing information requests.
- Prepare position papers on controversial issues not cleared by the tax authorities from an objective and independent point of view and discussions with field auditors on the position as necessary.
- Analysis and evaluation of the feasibility of a tax appeal on additional tax exposure identified during a tax audit which clients are unable to accept.

Our Expertise

Our audit assistance professionals have assisted in tax audits of major companies as well as small and medium sized companies in a variety of industries.

It is essential that the taxpayer understand the auditor's intentions and formulate an appropriate strategy. Our experience in review of various tax issues previously identified during a number of engagements enables us to efficiently formulate appropriate solutions to mitigate tax risks.

Our tax audit service professionals are experienced in dealing with tax officials and can help clients effectively respond to the tax authorities' requests and inquiries. We can help interact with and persuade auditors to ensure the best possible outcome on any tax dispute.

Outbound Planning & Structuring



Overseas investments by Korean companies enable them to compete in the global market. However, a company may be vulnerable to certain risks if investments and business expansion are made without careful planning.

We can assist companies to maximize after-tax cash flow by minimizing potential tax costs and establish a tax efficient investment structure.

We assist companies in securing a stronghold for overseas investment and expansion by establishing a favorable investment structure for re-investment of the profit of the foreign subsidiary.

In addition, uncertainties and risks of the investment can be minimized by reviewing in advance major tax issues that may present themselves during the operation of the subsidiary as well as upon exiting out of the overseas investment.

Our services include:

- Analysis of tax environment including tax exemptions granted by the country where the investment would be made.

- Selection of a tax favorable location for the overseas holding company and the operating company.
- Changing the existing structure to include a holding company by changing the ownership chain.
- Advice on tax-efficient overseas investment funding strategies.
- Advice on tax-efficient exit strategies.

Our Expertise

Our know-how and knowledge in the area of outbound tax planning and structuring have been accumulated through many years of collaboration with overseas PwC member firms.

Our efficient tax structuring plan blends our understanding of the investment purpose as well as the expert knowledge of the tax environment and the regulatory framework of the country where the investment is to be made.

Tax Appeal Assistance

Samil PwC tax appeal professionals can provide specialized technical skills necessary for effective, successful resolution of disputes over the applicability of certain tax assessments.

We have successfully assisted many companies with dispute resolution processes and established and maintained relationships with the relevant government authorities.

Our services include:

- Understanding of dispute issues and relevant facts, and identification of logic applied by the tax authorities.
- Development of a persuasive rationale for an appeal through in-depth review of relevant laws, regulations and court rulings.
- Preparation of application and supporting documents for post-assessment protest to relevant authorities throughout the appeal process.
- Facilitation of communications with the relevant government authorities.

Our Expertise

In developing a persuasive rationale to address a client's complex problems to their best advantage, in-depth knowledge of the relevant tax laws and regulations is crucial. This knowledge separates Samil PwC from our competitors and allows us to customize our approach to address specific client issues.

Our experience encompasses a broad spectrum of industries. We have extensive knowledge of dispute issues, relevant laws and regulations of respective industries in which our clients operate. This enables us to formulate appropriate solutions and deliver best possible outcome to tax disputes.



Ruling Request Assistance

The ruling request assistance service is designed to minimize various tax risks by obtaining a written ruling from the tax authorities setting forth the applicability of statutory provisions of any tax or charge administered by the tax authorities to a specific set of facts.

This service is also designed to help ensure that a legitimate arbitration may be reached so as to meet compliance obligations. Obtaining a ruling minimizes risks from uncertainties of a prospective business so as to promote the efficiency and confidence of a management decision.

If a ruling is obtained to uphold a client issue, it will ensure that refund of a certain amount of taxes paid would be obtained through the request for re-examination of assessment and tax appeal.

Our services include:

- Identification of tax issues that require a ruling by the relevant tax authorities.
- Evaluation and quantification of tax effect involving the identified tax issues.
- Development of a rationale that can provide a basis to obtain a favorable ruling.
- Assistance with the drafting of the ruling requests and explanations of facts and issues to the relevant authorities.

Our Expertise

Samil PwC professionals are regularly involved in tax risk analysis, pre-audit tax reviews, tax appeals, mergers and acquisitions, split-offs, reorganizations and other business advisory consultations.

Our professionals have in-depth experience in technical subject matters for a wide range of specific tax issues.

With our experience, we can assist clients in formulating the most appropriate strategy to obtain a favorable ruling on the applicability of certain tax law provisions.

International Assignment Solutions

For the world's leading organizations, deployment of talent is key to success and provides the fuel for global growth.

Our International Assignment Solutions professionals help clients develop new or additional international assignment policies and practices that are cost efficient and meet the needs of clients' business.

We can help multinational companies by performing the following services:

PLAN, MEASURE, CONTROL, AND CONTAIN COST

- International assignment program and efficiency diagnosis.
- Design and structuring of international assignee compensation and benefits.
- International assignment policy costing.
- International assignment-related tax planning.

COMPLIANCE MANAGEMENT

- Personal tax compliance status and process diagnosis.
- Personal tax compliance in all tax jurisdictions through a single point of contact.
- Worldwide immigration advice and support services.

- Advice and support on remedial action required for non-compliance cases and tax audit.

IMPROVE BUSINESS EFFICIENCIES

- International mobility strategies.
- Quantification of total in-house costing of corporate international assignment management programs.
- Market trends surveys.
- International assignee compensation and benefits benchmarking.
- International assignment administration co-sourcing or outsourcing.

Our Expertise

We have the expertise in compliance issues including expatriate taxation, social security compliance and visa requirements and documentation. The depth of this expertise helps multinational companies bolster their corporate image and minimize tax costs and risks.

In addition, our expertise in human resource services enables clients to increase mobility and manage compensation costs of international assignees.



Family & Business Succession Planning

The latest developments in taxation have made it increasingly difficult for business or asset owners to transfer wealth or assets in a tax-efficient manner.

Samil PwC professionals provide custom-tailored planning ideas to maximize the benefits of assets and minimize tax and administrative costs.

Our services include:

- Advise on the transfer of ownership or distribution of assets to family members or other intended beneficiaries to meet clients' goal in establishing the desired business succession structure; advise on appropriate tax master plan to minimize exposure to inheritance and gift tax.
- Review applicable tax exemption or reduction and tax payment methods; map out the disposition of assets; review asset distribution planning at the lowest tax cost possible.
- Identify possible risks and issues that might be challenged by the tax authorities in an audit; suggest solutions to these possible risks; assist clients respond efficiently and effectively to the tax authorities; develop a plan to minimize additional tax assessment or review the pre-assessment of additional tax.
- Develop recommendations and assist with appeal procedures.

Our Expertise

SaPrivate company owners and wealthy families need tax-efficient means of transferring wealth or business to successive generations.

We can assist clients with a proper succession planning which is designed to avoid possible risk of dispute between successive generations, maximize the benefits of assets, and ultimately enhance the public recognition of corporate image.

The lack of comprehensive plan for asset or wealth transfer should bring about an excessive tax burden to heirs. We can help clients develop sound strategy and tax payment methods so as to minimize tax and administrative cost of heirs.

Contacts

For more information on Samil PwC Tax services, visit www.pwc.com/kr or contact the following tax professionals.



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