



삼일회계법인

Korean Tax Update Samil Commentary

December 15, 2025



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01

Tax News

National Assembly's Planning and Finance Committee Approves 2025 Tax Reform Package with Modifications

On November 30, 2025, the National Assembly's Planning and Finance Committee approved amendments to 11 tax laws, including the Special Tax Treatment Control Law (STTCL) with some notable modifications to the government's proposals submitted on September 3, 2025. The key changes are summarized below, highlighting the key changes from the initial proposals.

Tax Law	Key Changes															
National Tax Collection Law	<ul style="list-style-type: none"> Implementation of the entrustment of the sale of seized virtual assets to Korea Asset Management Corporation is deferred by three months from July 1, 2026 to October 1, 2026. Detention system for high-value and habitual tax delinquents is maintained without change. 															
Value Added Tax Law	<ul style="list-style-type: none"> The penalty rate for issuing or receiving fictitious VAT invoices will be increased from 3% to 4%. A new obligation requires taxpayers to submit supporting documents evidencing the status of substantive business operations. 															
Individual Consumption Tax Law	<ul style="list-style-type: none"> A temporary 50% reduction in the individual consumption tax on synthetic nicotine cigarettes will apply for two years from the effective date of the amended Tobacco Business Law. 															
Special Tax Treatment Control Law	<ul style="list-style-type: none"> Changes to separate taxation for dividend income from high-dividend companies: <table border="1"> <thead> <tr> <th>Item</th><th>Initially proposed</th><th>Finalized</th></tr> </thead> <tbody> <tr> <td>Tax rates</td><td>35% for tax base over KRW300 million</td><td>25% for tax base over KRW300 million and up to KRW5 billion; 30% for tax base over KRW5 billion</td></tr> <tr> <td>Effective date</td><td>Dividends from profits generated in 2026</td><td>Dividends paid on or after January 1, 2026</td></tr> <tr> <td>Dividend maintenance requirements</td><td>Dividends must not decrease compared to the preceding year.</td><td>Dividends must not decrease compared to the fiscal year 2024.</td></tr> <tr> <td>Covered corporations</td><td>Dividends must have increased by at least 5% compared to the average of the preceding three years.</td><td>Dividends must have increased by at least 10% compared to the preceding year</td></tr> </tbody> </table>	Item	Initially proposed	Finalized	Tax rates	35% for tax base over KRW300 million	25% for tax base over KRW300 million and up to KRW5 billion; 30% for tax base over KRW5 billion	Effective date	Dividends from profits generated in 2026	Dividends paid on or after January 1, 2026	Dividend maintenance requirements	Dividends must not decrease compared to the preceding year.	Dividends must not decrease compared to the fiscal year 2024.	Covered corporations	Dividends must have increased by at least 5% compared to the average of the preceding three years.	Dividends must have increased by at least 10% compared to the preceding year
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- The low-rate separate taxation threshold for quasi-members (cooperative-type savings/financial institutions) will be increased to KRW 70 million in annual wages and salary (vs. KRW 50 million initially proposed).
- A tax exemption will apply to interest from deposits in the Youth Future Installment Savings Plan (for low-income youth).
- Waiver of the collection of previously exempted tax on interest will apply for early withdrawals from Youth Take-off Savings when made solely to transition into the Youth Future Savings plan.
- A new tax credit is introduced for domestic corporate contributions to the Trade Insurance Fund. A 5~10% tax credit will apply to domestic companies' contributions, including support via the Trade Insurance Fund for payment guarantees or loans to SMEs and medium-scale companies.
- A new tax deduction is introduced for Korea Development Bank (KDB) contributions to the Advanced Strategic Industry Fund under the Korea KDB Act.
- One-year extensions through December 31, 2026, rather than December 31, 2028 as initially proposed, will apply for the following measures:
 - Indirect tax exemption for petroleum products used for on-site power generation in islands and remote areas;
 - VAT exemption for wood pellets supplied to farmers and foresters;
 - Indirect tax exemption for petroleum products used in coastal passenger ships;
 - Fuel tax reduction for diesel used in coastal cargo ships.
- Special tax treatment for housing purchasing is expanded from designated depopulation areas to depopulation risk areas in non-metropolitan regions for comprehensive real estate holding tax and capital gains tax purposes.
- The acquisition deadline is extended to December 31, 2026 for excluding unsold newly built housing in non-metropolitan areas from the higher comprehensive real estate holding tax and capital gains tax applicable to multi-homeowners.
- Corporate income tax relief for authorized standard workplaces employing persons with disabilities is expanded to a 100% exemption for the first three taxable years, a 50% reduction for the next two years, and a 30% reduction for the subsequent five years (enhanced from the current schedule of a 100% exemption for three years and a 50% reduction for the next two years).
- The tax credits for companies in R&D clusters based on skilled R&D workforce are expanded as follows:
 - Current: Investment accumulation \times 50% + number of full-time employees \times KRW 15 million (KRW 20 million for youth startups and service sectors).
 - Amended: Investment accumulation \times 50% + number of full-time employees \times KRW 15 million (KRW 20 million for youth startups, service sectors, and highly skilled personnel).
- An individual or corporate income tax reduction for start-ups in opportunity development zones is extended by two years, until December 31, 2028.
- The obligation to provide details for tax expenditure budget is expanded to include reasons for retaining existing tax reductions or exemptions, a timeline to meet policy goals, and measures to offset potential tax revenue loss in providing opinions on the effectiveness and continuation of existing special tax measures. In addition, the Minister of Economy and Finance must provide an analysis of key expenditures details, aimed at strengthening governance for tax expenditures.
- A 30% liquor tax rate reduction for low-alcohol mixed beverages, subject to shipment limits, will apply from April 1, 2026 through December 31, 2028.

	<ul style="list-style-type: none"> A special provision is introduced to extinguish small tax arrears for financially distressed taxpayers where unpaid taxes are KRW 50 million or less, subject to prescribed conditions.
Customs Act	<ul style="list-style-type: none"> The duty exemption for aircraft parts is extended by three years, through December 31, 2028. The duty reduction timeline is: <ul style="list-style-type: none"> Current: 2025 (100%) → 2026 (80%) → 2027 (60%) → 2028 (40%) → 2029 (20%) → termination in 2030. Amended: 2025–2028 (100%) → termination in 2029. Exemptions from duties and VAT apply on rare-disease medicines imported by the Korea Orphan and Essential Drug Center. A new duty exemption applies for core minerals secured via overseas resource development projects under the Special Act on National Resource Security. Customs' authority to request narcotics-related information is expanded to include precursor chemicals and temporary narcotics in addition to existing passenger reservation and location information. The grounds for body searches are clarified to include reasonable cause to suspect carrying or concealing narcotics or harmful goods, a standard that expressly extends to suspected carriers of precursor chemicals and temporary narcotics.
Special Tax for Rural Development	<ul style="list-style-type: none"> Youth Future Installment Savings is added to the list of items exempt from the special tax for rural development.

MOEF's Bill to Amend Presidential Decrees of Tax Laws for 2025 Tax Reform

The Ministry of Economy and Finance (MOEF) has announced a bill to amend the presidential decrees of the tax laws to implement the 2025 tax reform proposals released on July 31, 2025. Proposed amendments would reinstate securities transaction tax rates and rationalize the scope of taxation applicable to dividends arising from reductions of capital reserves. Following public consultation and Cabinet deliberation, the amendments would take effect in January 2026.

Reinstatement of Securities Transaction Tax Rates

The current framework preserves a basic statutory rate with flexible rates. The proposed amendments would reinstate and adjust the flexible rates by market while retaining the basic rate.

Current	Proposed
<ul style="list-style-type: none"> Basic rate: 0.35% Flexible rates by market: <ul style="list-style-type: none"> KOSPI: 0% (plus 0.15% special tax for rural development) KOSDAQ and K-OTC: 0.15% (no special tax for rural development) KONEX: 0.1% (no special tax for rural development) 	<ul style="list-style-type: none"> Basic rate: 0.35% Flexible rates by market: <ul style="list-style-type: none"> KOSPI: 0.05% (plus 0.15% special tax for rural development) KOSDAQ and K-OTC: 0.20% (no special tax for rural development) KONEX: unchanged from current

Rationalization of Taxable Scope for Dividends Distributed through Capital Reserve Reduction

Under the current individual income tax law, dividend amounts distributed through a reduction of capital reserve pursuant to Article 461-2 of the Commercial Code are generally excluded from taxable dividend income for individual shareholders. The proposed amendment would further refine the scope of amounts excluded from taxable dividend income when the capital reserve is reduced. Under the proposal, if individual majority shareholders receive distributions from a domestic company through a reduction of capital reserve that exceeds the acquisition cost of their shares, the excess amount would be subject to dividend income tax. For these purposes, “majority shareholders” include majority shareholders of listed companies and shareholders of unlisted companies, but excludes minority shareholders of SMEs and medium-scale companies traded on the K-OTC. The amended rules would apply to dividends received on or after January 1, 2026.

NTS to Provide Tax Support for Foreign-Invested Companies, Including Deferred Tax Audits

The National Tax Service (NTS) has announced a plan aimed at reducing tax audit and filing burdens for foreign-invested companies while encouraging global firms to expand their investments in Korea. The key measures include:

Deferral of Regular Tax Audits for Up to Two Years

- Foreign-invested companies established under Article 2 of the Presidential Decree of the Foreign Investment Promotion Act may be eligible for a deferral of regular tax audits for up to two years if certain requirements are met.
- To qualify for deferred audits, SMEs and medium-scale companies as defined in Article 24 of the STTCL must present investment expansion plans of at least 10% or 20%, respectively, compared to the previous fiscal year for the year in which the prior written notice of an intended audit is issued.
- Eligible taxpayers may apply for the deferral upon receipt of the prior notice of intended audit, following the instructions enclosed with the notice. If approved, the start date of the regular tax audit will be postponed for up to two years from the originally scheduled commencement date.

Enhanced Tax Filing Convenience and Double Taxation Relief:

- The NTS plans to broaden its guidance on key considerations related to international transactions. As part of this initiative, foreign-invested companies will receive tailored support materials to assist with corporate tax return filings. Currently, the NTS provides 13 specific guidance items for companies engaged in international transactions with overseas related parties, including instructions on submitting the Statement of International Transactions.
- AI-powered multilingual consultation services for foreign employees will be introduced through the “AI-driven Transformation Task Force.”
- The NTS will seek to accelerate processing of advance pricing agreements (APAs) to reduce the risk of double taxation on identical income between Korea and foreign head-office jurisdictions. For reference, 40 APAs were signed within 35 months in 2019, and 85 APAs were signed within 27 months in 2023.
- The NTS will host explanatory sessions on the global minimum tax for foreign-invested companies. The first filing is due in June 2026.

KCS Releases Guidelines on Issuing Revised Import VAT Invoices

The Korea Customs Service (KCS) has released draft 'Guidelines for Issuing Revised Import VAT Invoices,' providing detailed standards on circumstances where the issuance under the VAT Law may be restricted. The draft is open for public consultation until December 26, 2025, and, once finalized, will take effect from January 1, 2026. Below is a summary of the key points.

Under the guidelines, the issuance of revised import VAT invoices under the VAT Law shall be restricted in the following cases.

(1) Failure to Submit Required Taxable Data in Related-Party Transactions

The guidelines clarify the scope of required documentation, which includes, among others:

- Cross shareholding status between related parties
- Internal pricing data such as import price calculation details and international transaction pricing policies.
- Copies of contracts related to royalties, technology license fees, commissions, and other specified items (10 categories in total)

Non-compliance with the submission requirements includes:

- Submission of false documentation
- Failure to provide all or part of the requested data to the customs office

(2) Recurrence of Previously Notified Errors through Customs Auditor Taxation Audit

The guidelines introduce a framework for classifying identical error types. Where the same error recurs under the same classification, issuance of corrected import VAT invoices will generally be restricted.

Examples of recurring errors include:

- Applying different tariff codes to identical goods
- Omitting fees of a similar nature, such as commissions or intermediary charges
- Omitting support costs related to the production of goods or services

(3) Failure to Act on Correction Notices

Where taxpayers fail to respond to correction notices, revised invoices will not be issued. Exceptions apply if legitimate reasons exist (e.g., natural disasters, ongoing investigations, or pending appeals), subject to review by the customs director.

(4) Material Defects in Import Price Declarations

The guidelines define material defects that justify non-issuance, including:

- Submission of false documentation for customs value determination
- Repeated false declarations denying a special relationship after official notification on two or more occasions.
- Filing provisional price reports on two or more occasions even if, after receiving written notification that the transaction is not subject to provisional price reporting, no objection has been raised, and the underlying facts remain unchanged.

02

Changes in Tax Laws

Amended Presidential Decree of the Corporate Income Tax Law

To revitalize the regional construction business, the Presidential Decree of the Corporate Income Tax Law has been amended to exclude from the additional corporate income tax base gains arising from the transfer of unsold newly-built housing units located outside designated metropolitan areas that are directly acquired by corporate restructuring real estate investment companies during 2025. In addition, to promote government bond trading, the amended Decree refines the withholding tax compliance procedures for interest income on government bonds and similar instruments. Where a foreign corporation recognized by the Governor of the Financial Supervisory Service as performing functions similar to those of the Korea Securities Depository deposits with the Korean Securities Depository government bonds originally entrusted to it by a domestic corporation, the domestic corporation will be required to withhold income tax on the interest arising from those bonds. *(Amended and proclaimed on November 28, 2025)*

Amended Presidential Decree of the Individual Income Tax Law

The amended Presidential Decree rationalizes the scope of residential land appurtenant to a single-owner primary residence that qualifies for a tax exemption. Where such land is acquired through negotiated purchase or expropriation for a public project, the appurtenant land area will be determined based on the area calculated by applying the designated use-zone rate as of the day preceding the official announcement recognizing the project. The amendment also extends the temporary exclusion from higher income tax rates on gains from the transfers of unsold newly built housing located outside designated metropolitan areas when purchased by owners of multiple homes until December 31, 2026, representing a one-year extension from December 31, 2025. In addition, the Ministry of Health and Welfare, together with the National Health Insurance Service, will be added as agencies responsible for consolidating data for the medical expense tax credit for year-end income tax reconciliations. *(Amended and proclaimed on November 28, 2025)*

Amended Presidential Decree of the STTCL

The amended Presidential Decree expands the categories of “new growth and source technologies” and “national strategic technologies” eligible for R&D tax credits to include technologies critical to supply chain security in the defense sector and new AI-related technologies. It also formalizes post-management requirements for tax credits related to facilities used to commercialize national strategic technologies. Specifically, if, by the end of the third tax year following the year in which the investment is completed, the share of service hours utilizing national strategic technology is 50% or less of the facility’s total service hours, the facility will be deemed to have been repurposed for a non-qualifying use, and previously claimed credits will be recaptured with interest. Additionally, to support housing in population-declining regions, the

maximum eligible housing price for preferential tax treatment for residential properties located outside designated metropolitan areas is increased from KRW 400 million (officially announced price) to KRW 900 million for comprehensive real estate holding tax and capital gains tax purposes. *(Amended and proclaimed on November 28, 2025)*

Amended Presidential Decree of the Comprehensive Real Estate Holding Tax Law

To stimulate the construction economy in non-metropolitan regions, the Presidential Decree extends by one year from December 31, 2025 to December 31, 2026 the acquisition deadline during which unsold newly-built housing in such areas is not counted in calculating the comprehensive real estate holding tax on housing. *(Amended and proclaimed on November 28, 2025)*

Amended Presidential Decree of the VAT Law

Currently, the cap on the deemed input VAT credit for VAT-exempt agricultural products and similar items has been temporarily expanded - from an amount calculated by multiplying the applicable credit rate by a minimum of 30% and up to 50% of the tax base to an amount calculated by multiplying the credit rate of a minimum of 50% and up to 75% of the tax base - and is applicable through December 31, 2025. To alleviate the management burden on the food manufacturing and restaurant industries, the applicable period is extended through December 31, 2027. *(Amended and proclaimed on November 28, 2025)*

Amended Presidential Decree of the Law for Coordination of International Tax Affairs

To align with the OECD/G20 Inclusive Framework's global minimum tax regime and to curb base erosion and profit shifting, the recently amended Presidential Decree incorporates the latest Administrative Guidance. When allocating covered taxes among constituent entities, taxes paid under an integrated CFC regime will be included only if they relate to income or profits for fiscal years beginning before December 31, 2025, and ending before June 30, 2027. *(Amended and proclaimed on November 28, 2025)*

Amended Presidential Decree of the Customs Act

The amended Presidential Decree broadens anti-circumvention measures for anti-dumping duties. It now covers minor modifications to anti-dumped goods undertaken outside the country of origin and simple assembly or processing in third countries using raw materials or parts produced in the country subject to anti-dumping duties where the resulting goods are of the same kind. The Korea Trade Commission may extend circumvention investigation periods by up to two months, increased from the previous one-month limit. In addition, to reduce the compliance burdens on parties authorized to conduct manufacturing or processing outside bonded factories, the deadline for notifying the results of work completed outside bonded factories is extended from five days to ten days. *(Amended and proclaimed on November 28, 2025)*

Amended Enforcement Rules of the STTCL

Effective November 28, 2025, the Presidential Decree of the STTCL has been amended to strengthen compliance requirements for facilities used to commercialize national strategic technologies. Taxpayers claiming credits for facilities that provide mixed services—qualifying national strategic technology services and other services—must measure, record, and retain service time by service type. The amended Enforcement Rules set forth details for the implementation of the latest amendments. Measurement and recording are required for three taxable years from the investment completion date, and records must be retained for five years from the end of the measurement period. To further support advanced strategic industries, the scope of facilities to commercialize new growth and source technologies and national strategic technologies eligible for the integrated investment tax credit is expanded to include, among others, facilities for defense industry materials intended for export or used for design, production, assembly, certification, and testing to upgrade components, parts, and equipment, as well as servers primarily intended to provide AI services. *(Amended and proclaimed on November 28, 2025)*

03

Rulings Update

Whether the pre-spin-off operating period would be included in determining eligibility for the tax credit for acquisitions of shares in technology-innovative SMEs

Under the Special Tax Treatment Control Law (STTCL), where a domestic company acquires shares in a qualified technology-innovative SME (the ‘acquired company’) in a qualifying manner, the domestic company may claim a tax credit at 5% of the share acquisition cost, up to the value of technologies prescribed in the Presidential Decree of the STTCL, provided that all requirements are met. These requirements include, among others, that both the domestic company and the acquired company must have continued to operate their businesses for at least one year as of the share acquisition date, as provided in Article 12-4(1)(1) of the STTCL (the “provision at issue”). The question in this case is whether, when a domestic company acquires shares in an acquired company newly established through a vertical spin-off, the period prior to the spin-off during which the spun-off business was operated by the existing company should be included in determining whether the acquired company has continued to operate its business for at least one year as of the domestic company’s share acquisition date.

The NTS ruled that, where a domestic company acquired shares in a new company established through a vertical spin-off, the operating period of the acquired spin-off company should be aggregated with the period during which the spun-off business was carried on by the existing company prior to the spin-off (*Seomyeon-2024-beobgyubeobin-4012, 2025. 10.10*). Although the provision at issue does not expressly provide for the aggregation of pre-spin-off periods, a new company established through a spin-off succeeds the comprehensive rights and obligations of the spun-off business and maintains the economic continuity of that business of the existing company. On that basis, the NTS appears to interpret that the pre-spin-off period should be aggregated for purposes of the one-year business operations test.

Observation: Based on this NTS ruling, when assessing whether a domestic company is eligible for a tax credit on the acquisition of shares in a new company established through a spin-off under Article 12-4 of the STTCL, it would be appropriate to aggregate the business operation periods before and after the spin-off, rather than counting only the post-spin-off period, for purposes of the one-year business operation requirement. In addition, under Article 12-3 of the STTCL, a tax credit is also available at 10% of the merger compensation, up to the value of prescribed technologies, if all requirements are met; and one such requirement is that the merger must be between domestic corporations each of which has continued to operate its business for at least one year as of the merger registration date. The recent NTS ruling supports the aggregation of operation periods based on the same economic identity of the business before and after a merger or spin-off, and the Basic Ruling of the CITL (44-0...1(2)) also interprets that, in the case of a merger of a new company established on the spin-off, the pre-spin-off period should be taken into account in assessing whether a merger following a spin-off meets the requirements for a tax-qualified merger.

Accordingly, if an acquiring company merges with a new company established via a spin-off, when assessing eligibility for the tax credit, it would be reasonable to combine the pre- and post-spin-off operating periods in determining whether the one-year operation requirement is satisfied.

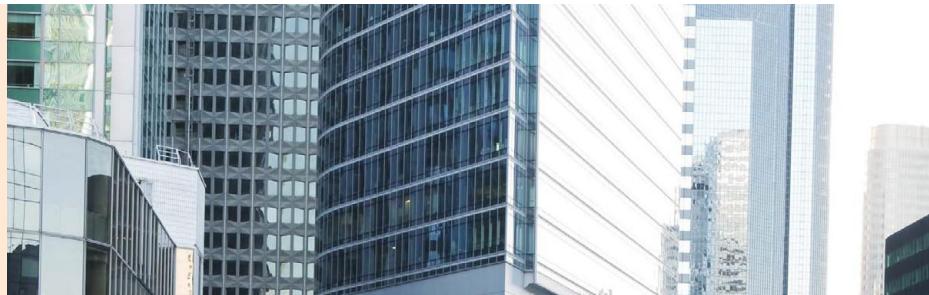
Whether the designation of a related party entitled to exercise the call option to buy convertible bonds would be subject to the denial of unfair transaction rule

According to Article 52 of the Corporate Income Tax Law (CITL), where a domestic related party transaction is not conducted at a fair market value (FMV), the Korean tax authority may recalculate the taxable income of the domestic company whose tax burden was unduly reduced through such a transaction (the ‘denial of unfair transaction rule’). Article 88(1) of the Presidential Decree of the CITL specifies the transactions subject to the denial of unfair transaction rule, including transactions where assets are purchased or received without consideration or where profits are effectively shifted to a domestic related party through the non-exercise of rights based on prescribed derivative instruments. This case involves a domestic corporation that issued convertible bonds to an investor and granted a call option under which the domestic corporation, or its related parties designated by the corporation, could buy the convertible bonds from the investor at a predetermined price (30% of the bond issue price) upon exercise. The domestic corporation later designated its local related parties as the holders entitled to exercise the call option to buy the convertible bonds from the investor. The related parties exercised the call option, purchased the convertible bonds from the investor, and subsequently exercised the conversion rights, converting the bonds into shares of the corporation at a lower price than the FMV of the shares at the time of conversion. The issue in this case is whether the designation of the related parties entitled to exercise the call option (the “designation at issue”) is subject to the denial of unfair transaction rule by treating the designation as a gratuitous transfer of the call option from the domestic corporation to the related parties, thereby conferring the right to purchase the convertible bonds for no consideration.

The Board of Audit and Inspection (BAI) found that: (i) the Financial Supervisory Service interpreted that, in cases such as the designation at issue - where the issuing company designates the call option exerciser - a call option attached to convertible bonds with a third-party-designated call option should be accounted for as a derivative asset, and that the call option is transferable to a third party through such designation; (ii) if the domestic corporation had exercised the call option to buy convertible bonds and then exercised the conversion rights to convert the bonds into shares, the corporation would have earned profits equal to the difference between the exercise price and the market price of shares upon exercise; however, under the designation at issue, it transferred the call option to its related parties for no consideration, thereby enabling the related parties to earn profits from exercising the option and the conversion rights, which was deemed to lack economic rationale; and (iii) where the issuing corporation, instead of exercising rights based on derivatives jointly held with related parties, allows the related parties to exercise all such rights and thereby confers economic benefits, such conduct can be viewed as a gratuitous transfer of assets and is subject to the denial of unfair transaction rule. Considering these points, the BAI concluded that the domestic corporation shifted benefits to related parties through the designation at issue, and therefore it falls within the scope of the denial of unfair transaction rule. (*Gamshim 2024-471, 2025.11.11*)

Observation: Where a corporation issuing convertible bonds with third-party-designated call options designates a related party as the call option exerciser and the arrangement lacks economic rationale, the corporation granting the call option to the related party may be subject to corporate income tax by treating the difference between the call option exercise price and the market price as a benefit shifted to the related party under the denial of unfair transaction rule. For the related party, if the beneficiary is an individual, such benefit may be treated as employment income (bonuses) or be subject to gift tax (*Joshim2023jung3454, 20252.18, Joshim2023se00376, 2024.2.13, etc.*); if the beneficiary is a corporation, the amount may be taxed as gains on assets contributed (*Standard-2024-Beobgyubeobin-0193, 2025.8.31*). However, where the call option exerciser is an executive or an employee stock ownership association and the designation is part of economically rational compensation for services, the option value may be deductible for corporate income tax purposes (*Seomyeon-2023-beobgyubeobin-2762, 2024.2.7*).

The content is for general information intended to facilitate understanding of recent court cases and authoritative interpretations. It cannot be used as a substitute for specific advice and you should consult with a tax specialist for specific case.



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삼일회계법인

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