



삼일회계법인

Korean Tax Update Samil Commentary

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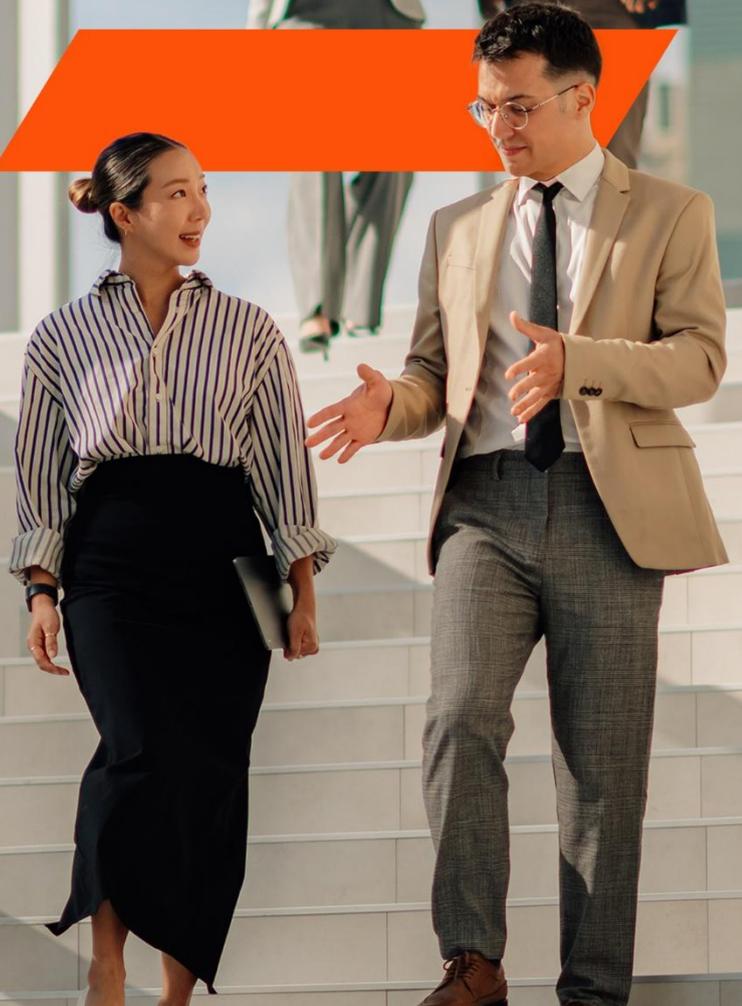


Table of contents

01	Tax news	03
	<ul style="list-style-type: none">• Proposed Amendments to the Enforcement Rules Following the 2025 Tax Law Changes• NTS Highlights Key Tax Change Considerations for 2025 Corporate Tax Filings• NTS Guidance on the New Separate Taxation Regime for Dividends from High-Dividend Companies• Local Tax Revenue Reaches KRW 120.9 Trillion in 2025, Up KRW 6.8 Trillion from 2024	
02	Changes in tax laws	11
	<ul style="list-style-type: none">• Amended Presidential Decree of Corporate Income Tax Law• Amended Presidential Decree of Special Tax Treatment Control Law• Amended Presidential Decree of Individual Income Tax Law• Amended Presidential Decree of Value Added Tax Tax Law• Amended Presidential Decree of Basic National Tax Law• Amended Presidential Decree of Law for the Coordination of International Tax Affairs• Amended Presidential Decree of National Tax Collection Law• Amended Presidential Decree of Customs Act• Amended Presidential Decree of Act on Special Cases Concerning the Refund of Customs Duties Levied on Raw Materials for Export• Amended Presidential Decree of Liquor Tax Act	
03	Rulings update	15
	<ul style="list-style-type: none">• Application of R&D Expenditure Requirements for Tax Credit on Acquisition of Technology-Innovative Shares through Spin-Off	

01

Tax news

Proposed Amendments to the Enforcement Rules Following the 2025 Tax Law Changes

Following the comprehensive amendments to various tax laws in December 2025, the Ministry of Economy and Finance (MOEF) has announced proposed amendments to the Enforcement Rules of the relevant tax laws. The proposed Enforcement Rules are expected to be promulgated and to take effect in March 2026, subject to review by the Ministry of Government Legislation. A summary of the main proposed amendments is provided below.

Special Tax Treatment Control Law (STTCL)

- **Specified cap on tax exemptions for factory relocations to non-metropolitan areas.** Following the introduction of a cap on tax exemptions for relocations to non-metropolitan areas under the recently amended STTCL, which is calculated based on local investment in qualifying business-use assets and the number of local full-time employees, the proposed rules specify that in calculating the cap, the scope of business-use assets includes business-use tangible assets and assets under construction that are located at, or primarily used in, relocated factories.
- **Expanded scope of facilities eligible for integrated investment tax credits.** The scope of safety facilities eligible for the integrated investment tax credit will be expanded to include, among others, smart safety monitoring facilities; drones and unmanned transport collaborative robots for industrial accident prevention; and sliding doors and contactless opening-and-closing devices for emergency evacuation. In addition, the scope of facilities used to commercialize national strategic technologies and new growth and source technologies, which are eligible for the integrated investment tax credit, will be expanded to include facilities used to commercialize three newly added technology items and two expanded ones under national strategic technologies, as well as six newly added technology items under new growth and source technologies.

Law for Coordination of International Tax Affairs (LCITA)

- **Additional document submission required for tax refund claims based on arm's length price adjustments.** Currently, a domestic company may submit an amended tax return, along with required documents, to the competent tax office to claim a tax refund based on an adjustment of the transaction price to the arm's length price in international transactions with foreign related parties. The required documents include: (i) a statement on the adjustment of transaction prices; (ii) prescribed documents evidencing the appropriateness of an arm's length pricing

method; and (iii) under the recently amended LCITA, effective for refund claims made on or after January 1, 2026, evidential documents supporting adjustments to the taxable income of foreign related parties. The proposed rules further specify that such evidential documents include tax payment certificates from the counterparty country, accounting books and financial statements, as well as amended tax returns, which reflect corresponding adjustments to the taxable income of foreign related parties in the counterparty country.

- **Expansion of regions for purposes of applying CFC exemption rules.**

Currently, a domestic company may be subject to tax on deemed dividends arising from certain retained earnings held by its foreign controlled corporation (CFC) in a low-taxed jurisdiction, unless any prescribed exemption rules apply. In determining whether the exemption rules apply to a domestic company's foreign CFC that holds subsidiaries in the same country or same region as the foreign CFC, the European Union (EU), among others, is currently listed as the same region for purposes of applying the CFC exemption rules. Under the proposal, the scope of the same region would be expanded to include the UK as being in the same region as the EU on the list.

- **Enhancements to domestic global minimum tax rules.** To align with the OECD GloBE Model Rules and related commentaries, the proposed rules would include specific methods for allocating covered taxes paid by constituent entities located in a jurisdiction adopting a blending foreign tax credit regime to the respective constituent entities earning the relevant foreign-source income. The proposed rules would also include methods for calculating and allocating deferred taxes among constituent entities in determining covered taxes, among other enhancements.

NTS Highlights Key Tax Change Considerations for 2025 Corporate Tax Filings

The National Tax Service (NTS) has outlined important tax law amendments that taxpayers should consider when preparing corporate tax returns for the 2025 fiscal year. The key changes are highlighted as below.

Key considerations in Corporate Income Tax Law (CITL)

1. Tax rates for corporations subject to compliant filing confirmation. The minimum tax rate applicable to small corporations subject to compliant filing confirmation has been adjusted to 19%, provided that all of the following requirements are met: i) controlling shareholders hold more than 50% of the shares or equity interests in a domestic corporation; ii) the corporation is primarily engaged in the real estate rental business, or the aggregate of rental income from real estate or related rights, interest income, and dividend income accounts for at least 50% of gross revenue; and iii) the number of full-time employees is less than five.

Corporate income tax rates	Corporate income tax rates for those subject to compliant filing confirmation*
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Tax base (KRW)	Tax rate**
200 million or less	9%
Over 200 million to 20 billion	19%
Over 20 billion to 300 billion	21%
Over 300 billion	24%

Tax Base (KRW)	Tax rate**
20 billion or less	19%
Over 20 billion to 300 billion	21%
Over 300 billion	24%

* Applicable to fiscal years beginning on or after January 1, 2025

** Exclusive of local corporate income tax rates

(Note) For fiscal years beginning on or after January 1, 2026, the tax rate for each bracket will increase by one percentage point.

2. Clarification of non-deductible public charges. Previously, public charges imposed as **sanctions** for non-compliance with obligations under applicable laws or for violations of prohibitions or restrictions under applicable laws were treated as non-deductible. The amended tax law revised the scope of non-deductible public charges by replacing “sanctions” with “grounds,” so that public charges imposed on **grounds** of non-compliance with obligations under applicable laws or violations of prohibitions or restrictions under applicable laws are treated as non-deductible, regardless of whether the charge is in the nature of a sanction. This amendment applies from January 1, 2025.

3. Submission obligation for virtual asset taxation data. The scope of taxpayers required to submit taxation data, including virtual asset transaction details, has been clarified. The submission obligation extends to virtual asset service providers as defined under the Act on the Protection of Virtual Asset Users, including service providers whose registration was cancelled by notification or ex officio, or whose registration validity period expired during the relevant transaction period. Previously, the obligation applied only to virtual asset service providers registered under the Act on Reporting and Using Specified Financial Transaction Information. This amendment applies to transactions occurring on or after January 1, 2025.

Key considerations in Special Tax Treatment Control Law (STTCL)

1. Rationalization of tax benefits for factory relocation. Companies that relocate factories within metropolitan areas are generally not eligible for existing tax reductions or exemptions. However, in the case of an SME’s relocation within a metropolitan area, the tax benefits — comprising a 100% tax exemption for five years followed by a 50% reduction for two subsequent years — may be available where the relocation is to regions experiencing population decline, even within a metropolitan area, if prescribed requirements are met. This change is applicable to relocations occurring on or after January 1, 2025.

2. Exclusion of rental assets from the integrated investment tax credit. Investments in assets intended for leasing to others, including those leased by rental businesses, are excluded from the scope of eligibility for the integrated investment tax credit. This exclusion applies to investments made in fiscal years beginning on or after January 1, 2025.

3. Expanded eligibility for the integrated employment tax credit. The integrated

employment tax credit, which previously applied only to women with career interruptions, has been extended to include male workers with career interruptions. In addition, the prior requirement that qualifying workers must have been employed in the same industry for at least one year before resignation has been revised; the same-industry requirement has been removed. Family care has also been added to the list of qualifying reasons for resignation. These changes apply from fiscal years beginning on or after January 1, 2025.

4. Phased reduction of the integrated investment tax credit. Where a company first ceases to qualify as an SME due to increased sales or assets, it retains its SME status and remains eligible for SME tax credit rates during the applicable grace period. Under the amended provision, upon the expiration of the grace period, a transitional tax credit rate — set at an intermediate level between those applicable to SMEs and middle-scale companies — will apply to the company for three years. This change applies where a company first ceases to qualify as an SME in fiscal years beginning on or after January 1, 2025.

	Before amendment				After amendment			
	Basic credit rate			Additional credit rate ⁽¹⁾	Basic credit rate			Additional credit rate ⁽¹⁾
	Large	Middle-scale	SME		Large	Middle-scale	SME	
General	1	5	10	3	1	5, 7.5 ⁽²⁾	10	10
New growth and source technology	3	6	12	3	3	6, 9 ⁽³⁾	12	
National strategic technology	15	15	25	4	5	15, 20 ⁽⁴⁾	25	

(1) (investment amount for the relevant year minus an annual average of investments for three preceding years)

(2) (~3 years)7.5%, (4th year~)5%

(3) (~3 years)9%, (4th year~)6%

(4) (~3 years)20%, (4th year~)15%

5. Additional integrated investment tax credit. Where the amount invested in the relevant fiscal year exceeds the annual average amount of investment or acquisition for the three years immediately preceding that fiscal year, the additional tax credit rate will be increased to 10%, regardless of company size or type of facility. This change applies to investments made in fiscal years beginning on or after January 1, 2025.

6. Increase in tax credit rates for semiconductor investment. The existing tax credit for national strategic technologies will be raised to 20% for large and middle-scale companies and to 30% for SMEs with respect to investment in commercialization facilities for semiconductors. The increased rates apply to investments made on or after January 1, 2025.

7. Eligible assets for the integrated investment tax credit in the biopharmaceutical sector. To clarify credit eligibility in the biopharmaceutical sector, the qualifying assets have been specified to include piping facilities connecting machinery between biopharmaceutical manufacturing processes, as well as facilities related to pharmaceutical-grade water for biopharmaceuticals, such as purified water systems and steam generators.

8. Expanded scope of commercialization facilities for new growth and source technologies. The scope of commercialization facilities for new growth and source technologies eligible for the integrated investment tax credit has been expanded. Specifically, facilities for manufacturing steel using electric power and low-carbon raw

materials will be added to the list of qualifying facilities in the carbon-neutral technology sector. In addition, the scope of qualifying biochemical raw material production facilities has been expanded to include bio-synthetic rubber within the carbon-neutral technology sector. This change applies to investments made on or after January 1, 2025.

9. Expanded scope of commercialization facilities for national strategic technologies. The scope of commercialization facilities for national strategic technologies eligible for the integrated investment tax credit has been expanded, as detailed in the table below.

	Sector	Technology
Newly added	Secondary battery	Facilities for manufacturing and processing metal compounds for cathode materials
	Display	Manufacturing facilities for hybrid cover window materials
		Manufacturing facilities for micro LED materials, parts, and equipment
Hydrogen	Hydrogen-treated bioenergy production facilities	
Expanded scope	Semiconductor	Manufacturing facilities for materials, parts, and equipment related to next-generation memory semiconductors → Addition of HBM, etc.

This change applies to investments made on or after January 1, 2025.

Key considerations in International Tax Affairs (LCITA)

1. Tax refund claims based on arm's length price adjustments. In international transactions between a Korean resident (including a domestic corporation and a domestic branch) and its foreign related parties, where the transaction price is lower or higher than an arm's length price, the LCITA allows the resident to submit an amended tax return for a tax refund claim to the competent tax office, seeking an adjustment of the transaction price to the arm's length price. The refund claim should be accompanied by a statement on the adjustment of transaction prices and, effective January 1, 2025, documents evidencing the appropriateness of the arm's length pricing method prescribed by the MOEF. These documents include, among others, the business details and financial statements of the transaction parties, together with an explanation of the arm's length price adjustment method applied. *(Furthermore, evidential documents supporting adjustments to the taxable income of foreign related parties in the counterparty country should also be submitted, effective January 1, 2026.)*

The tax authorities are required to determine whether to accept or reject an amended tax return for a refund claim within six months (extended from the previous two months) from the date on which the claim is submitted. Where deemed necessary, the tax authorities may request a taxpayer to provide supplementary documents within 30 days. The period for providing supplementary documents will not be counted towards the six-month deadline. This change applies to refund claims filed on or after January 1, 2025.

2. Expanded scope of document submission requests. When filing a tax refund claim based on arm's length price adjustments, the tax authorities may require the taxpayer to submit various documents such as an organizational chart and a table of roles and responsibilities of the Korean resident and/or its foreign related parties, information on the

current status of cross-shareholdings with related parties, and internal guidelines for pricing applicable to international transactions among the related parties. The scope of documents that the tax authorities may request in such cases has been expanded to include segmented profit and loss statements and segmented financial statements by international transaction for each party involved. This change applies to document requests made on or after February 28, 2025.

3. Additional exclusion of disallowed interest expenses in calculating the adjusted taxable income under the 30% interest deduction limitation rule. Where the net interest expense on amounts borrowed by a domestic corporation from a foreign related party exceeds 30% of its adjusted taxable income, the excess amount is treated as non-deductible. For these purposes, "adjusted taxable income" refers to income calculated before deducting depreciation and net interest expenses, and is determined based on income prior to the application of transfer pricing rules, thin capitalization rules, and other specified rules. The provision for the disallowance of interest expenses on related-party borrowings where the period between the interest payment date and the borrowing date exceeds one year has been added to these other specified rules. This change applies to fiscal years beginning on or after January 1, 2025.

4. Extended exemptions from foreign financial account reporting requirements. Korean resident individuals and domestic corporations are required to report their foreign financial accounts by June 30 of the following year if certain thresholds are met. However, exemptions from the foreign financial account reporting requirements apply in prescribed cases, including, among others: where a Korean national residing abroad has maintained an abode in Korea for 182 days or less (previously 183 days or less) during the one-year period before the end of the reporting year. In addition, the exemption extends to a person recognized as a resident of the other contracting state under an applicable tax treaty, as well as to a person who submits information on foreign financial accounts together when submitting foreign trust details. This change applies to foreign financial accounts held in taxable periods or fiscal years beginning on or after January 1, 2025.

5. Refinement of administrative fines related to international transactions. The scope of international transaction documents subject to a fine of KRW 50 million for failure to submit, or false submission of, such documents without a prescribed unavoidable cause has been expanded to include segmented profit and loss statements and segmented balance sheets. This change applies to submissions on or after February 28, 2025.

In addition, fines for non-compliance with the obligation to provide financial information requested by a competent authority without reasonable cause have been revised as follows:

Non-Compliance	Administrative Fine
Failure to provide financial information	KRW 20 million (same as previous)
Provision of false financial information	(previous) KRW 20 million (amended) KRW 300,000 per financial account, with a cap of KRW 20 million
Partial non-provision of financial information	(previous) KRW 10 million (amended) KRW 100,000 per account, with a cap of KRW 10 million

These changes apply to submissions on or after February 28, 2025.

Furthermore, fines for non-reporting and underreporting of foreign financial accounts have been adjusted as follows:

Element	Before Amendment	After Amendment
Fine rate for non-reporting and under-reporting	Progressive rates of 10–20%, with a cap of KRW 2 billion	Flat rate of 10%, with a cap of KRW 1 billion (imposed on the total amount of non-reporting and underreporting)
Fine rate for insufficient or false explanations regarding the source of the amount in violation	20% of the amount in violation	10% of the amount in violation

These adjustments apply to reporting requirements arising on or after February 28, 2025.

NTS Guidance on the New Separate Taxation Regime for Dividends from High-Dividend Companies

The NTS has outlined key measures to implement the special separate taxation of dividend income from high-dividend companies, effective from 2026 (the "High-Dividend Separate Taxation").

Mitigation of Tax Burden Under High-Dividend Separate Taxation

Dividend income received by individual shareholders on or after January 1, 2026, from investments in qualifying high-dividend companies will be subject to separate taxation at a reduced rate ranging from 14% to 30% (exclusive of local income tax). Under this regime, such dividend income will not be aggregated with other income for purposes of comprehensive individual income tax filing, even where the taxpayer's total financial income (including interest income) exceeds KRW 20 million. Where a taxpayer elects to apply the High-Dividend Separate Taxation, dividend income received from qualifying high-dividend companies is excluded from the calculation used to determine whether total financial income exceeds the KRW 20 million threshold for aggregation under comprehensive income tax filing.

The list of companies qualifying as high-dividend companies will be publicly disclosed through the Korea Exchange's Listed Disclosure System (KIND). Specifically, the list will be posted on the High-Dividend Company Disclosure Details page (tentative title) of the Corporate Value-Up Information section on KIND (kind.krx.co.kr).

Taxpayers may elect to apply either comprehensive taxation or separate taxation based on their individual income circumstances. Taxpayers wishing to apply separate taxation must submit a written application for separate taxation at the time of filing their comprehensive income tax returns.

Application Period for Separate Taxation on High-Dividend Income

The High-Dividend Separate Taxation applies on a temporary basis, covering dividend income received from 2026 through 2029. The corresponding filing periods run from the comprehensive income tax filing in May 2027 (for dividend income received in 2026) through the filing in May 2030 (for dividend income received in 2029).

Both shareholders who held shares in qualifying high-dividend companies prior to 2025 and those who newly acquired shares in 2026 are eligible to apply for separate taxation. Such shareholders may submit their application when filing their comprehensive income tax returns in May 2027, provided they received dividend income in 2026.

Future NTS Initiatives

The NTS has announced initiatives in connection with the High-Dividend Separate Taxation. They include: i) a plan to provide guidance on eligibility for the High-Dividend Separate Taxation to taxpayers filing comprehensive income tax returns; ii) update of the NTS Hometax system in 2026 to accommodate the filing requirements associated with the High-Dividend Separate Taxation; and iii) development of a simulation system to enable taxpayers to compare tax amounts under the comprehensive taxation and separate taxation methods. Once finalized, information regarding the separate taxation application form will be made available on the NTS website.

Local Tax Revenue Reaches KRW 120.9 Trillion in 2025, Up KRW 6.8 Trillion from 2024

The Ministry of the Interior and Safety announced that Korea's local tax revenue reached KRW 120.9 trillion in 2025, an increase of KRW 6.8 trillion compared to 2024, marking the highest level since 2020. In the total revenue, acquisition tax took the largest share, followed by local consumption tax and local income tax. Specifically, acquisition tax rose KRW 1.6 trillion due to increased real-estate transaction volume, local consumption tax increased by KRW 0.9 trillion, and local income tax grew by KRW 2.9 trillion driven by improved corporate results.

Local Tax Revenue by Major Tax Items

(In KRW trillions)			
Tax Item	2024	2025 (Provisional)	Increase
Acquisition tax	25.9	27.5	1.6
Local consumption tax	25.8	26.7	0.9
Local income tax	19.9	22.8	2.9
Property tax	15.1	15.8	0.7

02

Changes in tax laws

Amended Presidential Decree of Corporate Income Tax Law

The Corporate Income Tax Law has been amended to specify a basis for issuing rectification orders and imposing administrative fines on foreign corporations that fail to submit the required status statement for their domestic liaison offices or that provide false information. In accordance with this amendment, the Presidential Decree has been amended to prescribe the standards for determining the amount of such administrative fines. In addition, it has been amended to strengthen national resource security by permitting debt guarantees made for overseas subsidiaries directly involved in the production of critical minerals, related materials, parts, or components to be included in deductible bad debt arising from reimbursement claims. Further amendments include clarifying the timing of revenue recognition by sale type, and extending the exemption period for additional corporate income tax on gains from the sale of newly constructed unsold housing located outside the Seoul metropolitan area in transactions involving corporate restructuring real estate investment companies. (Amended and proclaimed on February 27, 2026)

Amended Presidential Decree of Special Tax Treatment Control Law

The Presidential Decree of the Special Tax Treatment Control Law has been amended to implement recent legislative changes. Key amendments include the tax exemption of interest income earned on Youth Future Savings Accounts to support asset accumulation among young people, the addition of certain dividend payments to the category of deductible items when calculating excess corporate earnings reserves subject to the additional corporate income tax designed to encourage profit distribution to shareholders, and the introduction of separate taxation for dividends paid by high-dividend companies to incentivize greater dividend distributions. The Presidential Decree further prescribes the eligibility criteria and application procedures for Youth Future Savings Accounts, defines the scope of dividends deductible from excess corporate earnings reserves, and specifies the categories of dividend income qualifying for separate taxation. In addition, to bolster R&D in AI, the cost of purchasing AI training data used for research purposes has been newly included in tax-creditable R&D expenditure. The amendments also expand income deduction limits for investments in beneficiary certificates of venture company investment trusts, as well as the threshold of mutual aid funds for small enterprises and micro businesses eligible for income deduction. (Amended and proclaimed on February 27, 2026)

Amended Presidential Decree of Individual Income Tax Law

The Presidential Decree of the Individual Income Tax Law has been amended to reflect recent legislative changes aimed at strengthening childcare-related tax support. Specifically, the amendments define the eligibility requirements and scope of tax credits for arts and sports private tuition fees incurred for lower-grade elementary school students. In addition, foreign shares are now included in the scope of assets subject to exit tax, which is levied on individuals departing Korea as though such shares had been disposed of at the time of emigration, while the application of the exit tax on such shares is limited to those held by emigrating taxpayers. The amendments also expand the scope of production workers eligible for tax-exempt night-work allowances to enhance support for vulnerable employment groups, and broaden the categories of newly constructed unsold housing located outside the Seoul metropolitan area that are excluded from the higher capital tax rate applicable to multiple-homeowners, thereby promoting regional housing market stability. (Amended and proclaimed on February 27, 2026)

Amended Presidential Decree of Value Added Tax Law

The Value Added Tax Law has been amended to enable tax authorities to require taxpayers to submit evidence demonstrating actual business operations at their registered place of business, with the objective of preventing fraudulent tax reductions and strengthening fair tax administration. In line with this revision, the Presidential Decree has been amended to specify the types of supporting documents that may be requested. The amendments also include the business activities of the Saemaeul Geumgo asset management corporations--which are engaged in purchasing and managing non-performing loans of federations of community credit cooperatives--within the scope of VAT-exempt banking services. Additionally, the scope of special tax invoicing rules applicable to electricity supply has been expanded. (Amended and proclaimed on February 27, 2026)

Amended Presidential Decree of Basic National Tax Law

Recent amendments to the Basic National Tax Law shift the basis for calculating late-payment penalties from a daily to a monthly period and expand the categories of taxpayers eligible to request government-appointed tax representatives. In accordance with these amendments, the Presidential Decree has been revised to: i) establish a monthly interest rate for calculating late-payment penalties, ii) permit taxpayers to request for a government-appointed tax representative when filing grievance petitions with the tax authorities, and iii) to expand the range of tax amounts that are deemed to have automatically opted into electronic delivery in cases where taxpayers make voluntary payments before a formal tax notice is issued. (Amended and proclaimed on February 27, 2026)

Amended Presidential Decree of Law for Coordination of International Tax Affairs

The Presidential Decree implementing the Law for Coordination of International Tax Affairs has been amended following revisions to the underlying law that refined Korea's Pillar Two (GloBE) global minimum tax framework. The amendments introduced a domestic minimum top-up tax designed to secure Korea's taxing rights over low-taxed domestic constituent entities, consistent with the OECD/G20 Inclusive Framework's Administrative Guidance. The amended Presidential Decree now prescribes the detailed implementing rules delegated by the statute, including methodologies for calculating the domestic minimum top-up tax, rules for allocating the tax among constituent entities, filing and payment procedures, and an extension of the application period for transitional safe harbours. (Amended and proclaimed on February 27, 2026)

Amended Presidential Decree of National Tax Collection Law

The National Tax Collection Law was amended to authorize NTS regional and district tax offices to examine the circumstances of taxpayers who fail to pay delinquent national taxes after receiving a payment notice, and to broaden the scope of functions that may be delegated to the Korea Asset Management Corporation ("KAMCO") to include the disposal of virtual assets. The amended Presidential Decree implements these changes by: i) establishing detailed methods and procedures for conducting taxpayer examinations; ii) setting criteria for administrative fines imposed on breaches of confidentiality relating to information obtained during the examination process; iii) prescribing procedures for requesting KAMCO to conduct virtual-asset sales on behalf of the tax authority; and iv) lowering the payment-ratio threshold that determines whether high-value or habitual tax delinquents are subject to public disclosure, with the aim of encouraging the timely settlement of overdue taxes. (Amended and proclaimed on February 27, 2026)

Amended Presidential Decree of Customs Act

The Customs Act was amended to strengthen enforcement against trademark-infringing goods by, among other things, simplifying trademark-protection procedures for small consignments and postal items so that customs authorities can act more efficiently against counterfeit imports. To implement the statutory changes, the Presidential Decree has been amended to: i) establishes streamlined procedures for addressing trademark infringement in small consignments and postal items, including an expedited notification process when infringing goods are identified; ii) revise the criteria for excluding high-value or habitual tax delinquents from public disclosure in order to encourage the payment of overdue taxes; iii) introduce procedures and define the scope for retrieving goods sold at bonded stores that were not subsequently exported; iv) expand the categories of information the Commissioner of the Korea Customs Service may request from relevant central government agencies to bolster enforcement against drug-related imports; and v) establishes new penalty standards for the partial non-submission of passenger reservation data. (Amended and proclaimed on February 27, 2026)

Amended Presidential Decree of Act on Special Cases Concerning the Refund of Customs Duties Levied on Raw Materials for Export

The Presidential Decree of the Act has been amended to streamline the customs duty refund process. Designated importers of raw materials for export and suppliers operating under domestic letters of credit may now directly issue key refund certificates, including certificates of average tax amount, tax payment on basic raw materials, and split import tax payment, in addition to the existing process whereby such certificates are issued by the customs authority. The amendment also updates the rules governing the switching of refund methods, particularly the fixed amount refund rates table used as an alternative to individual refunds for special-process goods and SME export goods. Under amended rules, entities previously approved not to apply the fixed amount refund rates table may now switch to it within a one-year period, reduced from the former two-year period, while entities approved to apply the fixed amount refund rate table face no time limitation on opting out. Taken together, these changes are intended to improve the efficiency of the refund process while preserving safeguards for fair, accurate, and transparent administration. (Amended and proclaimed on February 27, 2026)

Amended Presidential Decree of Liquor Tax Act

The Presidential Decree of the Liquor Tax Act has been amended to improve administrative clarity and support product quality. The revision specifies that approvals for removing alcoholic beverages from licensed facilities prior to tax payment, as well as the issuance of re-entry certificates, must be processed within five business days, thereby enhancing convenience for taxpayers. In addition, the amendment expands the list of permitted ingredients for fruit liquor—for example, by adding gum arabic—to facilitate higher product quality and greater variety. (Amended and proclaimed on February 27, 2026)

03

Rulings update

Application of R&D Expenditure Requirements for Tax Credit on Acquisition of Technology-Innovative Shares through Spin-Off

Article 11-4(2) of the STTCL stipulates that when an acquiring corporation acquires shares of an acquired corporation that qualifies as a technology-innovative small or medium enterprise (“SME”) and both the acquiring and acquired corporations have been conducting business for at least one year as of the date of initial acquisition of the acquired corporation’s shares, the acquiring corporation is entitled to claim a tax credit equal to 5% of the technology value embedded in the purchase price of the acquired corporation’s shares. In this regard, one category of qualifying technology-innovative SMEs includes SMEs whose research and development (“R&D”) expenditures (as defined under Article 10(1) of the STTCL) for the fiscal year immediately preceding the fiscal year in which the initial acquisition date of the acquired corporation’s shares falls exceed 5% of revenue (Article 11-4(2)(iii) of the Presidential Decree of STTCL; “Requirement at issue”). The issue in this case is whether, where an acquiring corporation acquires shares of an acquired corporation during the fiscal year in which the acquired corporation was established through a spin-off, the R&D expenditures related to the acquired corporation’s business that were incurred by the demerged corporation in the immediately preceding fiscal year may be treated as R&D expenditures of the acquired corporation, such that the Requirement at issue is satisfied if such expenditures equal or exceed 5% of revenue, thereby entitling the acquiring corporation to the tax credit.

In this ruling, the NTS held that R&D expenditures related to the acquired corporation’s business that were incurred by the demerged corporation prior to the spin-off should be treated as the acquired corporation’s R&D expenditures for purposes of applying the Requirement at issue, notwithstanding the absence of an explicit provision requiring the newly established corporation through spin-off to succeed the demerged corporation’s pre-spin-off R&D expenditures. This ruling is considered to adopt a succession theory perspective, taking into account the following considerations: (i) rights and obligations pertaining to the divided business segment are comprehensively succeeded to by the newly established corporation pursuant to the spin-off plan (*Daebeop2010Da44002, 2011.8.25*), and thus it may be reasonable to deem R&D expenditures incurred by the divided business segment prior to the spin-off as R&D expenditures of the newly established corporation through the spin-off, (ii) the R&D expenditures referenced in the Requirement at issue are those eligible for the R&D tax credit, and the Presidential Decree of the STTCL already provides that R&D expenditures incurred prior to a spin-off shall be treated as R&D expenditures of the newly established corporation for purposes of applying the incremental method of the R&D tax credit (Article 9(10) of the Presidential Decree of the STTCL). On this basis, it is considered reasonable to treat

the pre-spin-off R&D expenditures as those of the newly established corporation when applying the Requirement at issue. (*Seomyeon2024BeopgyuBeopin-4062, 2025.12.31*)

Observation: The concerned tax credit requires that both the acquiring corporation and the acquired corporation be domestic corporations that have been continuously conducting business for at least one year as of the date of the acquiring corporation's initial acquisition of the acquired corporation's shares. Accordingly, where shares of an acquired corporation are acquired during the fiscal year in which the acquired corporation was established through a spin-off, the question may arise as to whether the concerned tax credit is not applicable on the grounds that the acquired corporation, being treated in the same manner as an ordinary start-up, has been conducting business for less than a year. However, a separate tax ruling (*Seomyeon2024BeopgyuBeopin-4012, 2025.10.10*) adopts a succession theory position consistent with the concerned tax ruling, holding that the business operation period of the acquired corporation should be calculated by aggregating the period during which the demerged corporation operated the relevant business segment prior to the spin-off. Therefore, where an acquiring corporation acquires shares of an acquired corporation that was established through a spin-off during the fiscal year in which the spin-off occurred, the applicability of the concerned tax credit should be assessed on the basis of the succession theory adopted in these rulings, under which the demerged corporation's pre-spin-off R&D expenditures and business operation period are succeeded to by the newly established corporation.



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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